

# GROWING THE DISTRICT OUR JOURNEY SO FAR



**ANNUAL** REPORT 2017/18  
*Te Riipoata-a-tau*



# OUR NEW VISION

Liveable, Thriving and  
Connected Communities.

*He noohanga aahuru, he iwi whai  
ora, he hapori tuuhono tahi.*



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# OVERVIEW

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# THIS IS WAIKATO DISTRICT

## WAIKATO IS HOME TO...

**73,600**  
PEOPLE

(24.1% IDENTIFY  
AS MAAORI)



**174** NEW  
NZ  
CITIZENS IN 2017/18

**14,812** DOGS



## WE PROVIDE...

**9,137,000**

**LITRES OF**  
DRINKING WATER A DAY

**55 PUBLIC  
TOILETS**  
USED BY 4,000  
PEOPLE EVERYDAY

**12**   
SKATEPARKS

**KERBSIDE  
COLLECTIONS  
OF 10,438  
TONNES OF  
REFUSE EACH YEAR**

**51**   
PLAYGROUNDS

**3** SWIMMING  
POOLS

## WAIKATO SPANS...

OVER

**450,000**

HECTARES  
OF LAND

## IN 2017/18 WE SUPPORTED...

**151**

COMMUNITY  
**GROUPS**



AND

**231**

DOGS WERE  
RE-HOMED



## WE MAINTAIN...

**1,836KMS**

OF SEALED ROADS

**241KMS**  
OF FOOTPATHS

**600KMS**  
OF UNSEALED  
ROADS

**113** PARKS AND  
RESERVES



**39**        
COMMUNITY HALLS

## WE OPERATE...

**6**

LIBRARIES THAT SERVICE  
15,689 LIBRARY MEMBERS



**30**

**WATER  
RESERVOIRS**  
WITH A TOTAL  
CAPACITY OF **30,917m³**



**2** ANIMAL  
SHELTERS

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



**21**  
CEMETERIES

**25** DOG  
EXERCISE AREAS

# FROM THE MAYOR AND CHIEF EXECUTIVE

## A pivotal year

2018 was a pivotal year for Waikato District: it was marked by a series of major initiatives to prepare for a long period of growth and change.

We are one of the fastest growing districts in the country, forecasting a 20% jump in property numbers (from 32,000 to 38,500) in the next decade, and population growth of more than 12,000 – close to the combined populations of our two largest towns, Ngaruawahia and Huntly.

## A new vision to guide our growth

We unveiled a new vision of 'liveable, thriving and connected communities' to guide how we shape our growth so we create communities that people feel connected to and want to live in.

This new vision was laid out in our Long Term Plan 2018-28 and supported by a \$1 million budget to implement a series of 'master plans' – or 'blueprints' – for our key growth areas. Our challenge is to balance spending on infrastructure and services for people-friendly living, while maintaining rates at an affordable level. To complement the new direction, our proposed Waikato District Plan offers a new spatial vision for community development, setting the guidelines for land use and for protecting our environment and heritage. Changes include a village zone, and the opportunity for papakainga (multiple dwelling) development on all Maaori freehold land with multiple owners.

We worked 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, worked to revise our sub-regional Future Proof strategy to manage growth across Hamilton City and Waikato and Waipa districts, and endorsed a business case for integrated growth management in North Waikato. We also partnered with the Government on a Hamilton-Auckland Corridor Plan to maximise opportunities offered by the main trunk railway and the new Waikato Expressway.

## Sustainable delivery of services

We continued to identify sustainable ways of delivering the services needed by a growing district.

We reviewed our organisational capabilities to deliver on our Long Term Plan commitments and will realign our operations in the new financial year to provide the internal

resources required. We also developed an Information Management roadmap to identify and budget for the technology solutions we need to support our customer-focussed strategic goals.

We expect to save at least \$28.3 million in the next decade by negotiating a contract with Watercare Services to manage our waters services under the guidance of a professional Council-appointed Waters Governance Board that includes Waikato-Tainui representation.

We secured \$38 million from the Government's Housing Infrastructure Fund to facilitate development in Te Kauwhata over the next decade and \$868,000 from the Government's Tourism Infrastructure Fund to renew toilet and refuse facilities in Raglan.

Through the Waikato District Alliance we delivered efficiencies in road asset management – including a LED streetlight upgrade projecting \$70,000 annual savings – and progressed work on alternative transport modes. We assessed the work required to establish commuter rail facilities at Tuakau and Huntly rail stations and set aside \$500,000 for further work.

We are proud that some of our most widely-used services recorded customer satisfaction levels of 80% or more including libraries (97%), parks and reserves (86%), wastewater (95%), water (83%), rubbish (80%), recycling (84%) and animal control (82%). Overall, 74% of survey respondents were satisfied with the way rates are spent on the services and facilities we provide.

## Caring for our environment

We continued a \$1.76 million wastewater system upgrade programme to reduce the risk of overflows to protect our waterways and environmentally sensitive areas.

We reviewed our Waste Management and Minimisation Plan and undertook initiatives to promote our vision that 'zero waste and resource recovery are an integral part of our community'. In partnership with Raglan's Xtreme Zero Waste, we began a kerbside food waste collection in Raglan and diverted 123 tonnes of food waste from landfill to compost.

We completed a switch to water meter charging for all properties connected to our water infrastructure to encourage water conservation, and help us locate and fix



water losses. We charted a one-year baseline of drinking water usage at 240 litres per resident per year.

We are proud that Raglan's tap water – sourced from a local artesian spring – was judged the best tasting tap water in the country at the annual Water Industry Operations Group (WIOG) New Zealand Water Taste Test.

### Economic development

To encourage business growth and employment opportunities we promoted Waikato district as a centre of national importance for the freight and logistics industry, facilitated collaboration between local businesses interested in exporting into Asia, supported the development of local tourism networks in destination townships, and committed \$60,000 a year to help underwrite the establishment of a Waikato Regional Economic Development Agency.

Waikato District attracted 183 new businesses and more than 500 new jobs in the year to March 2018, and local tourism spending leaped 12.2% to \$128 million in the same period. Major developments included decisions by Synlait Milk to invest \$250 million in a nutritional milk powder factory in Pokeno opening in 2019-20, and by the Government to extend fast internet to a total of 17 of our towns and mobile blackspot areas.

### Financial Performance

We met our financial targets for the year. We worked hard to set rates and debt levels that balance affordability with the need to provide for our growing community.

Average rates per rateable property were \$2,792 for 2017/18 compared with a calculated affordability limit of \$2,999. Average debt per rateable property is \$2,557. This is 57 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 80 initiatives, plans, strategies and bylaws during the year on subjects ranging from speed limits to library services.

We nurtured youth leadership through our youth action groups, launched a \$10,000 student scholarship with Waikato-Tainui, and supported youth employment initiatives from cadetships to driver training days.

We committed grants totalling more than \$800,000 from Council-owned or administered funds for distribution to 174 organisations to enable communities 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.

**"We unveiled a new vision of 'liveable, thriving and connected communities' to guide how we shape our growth."**



Gavin Ion  
Chief Executive

Allan Sanson  
Mayor

# 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

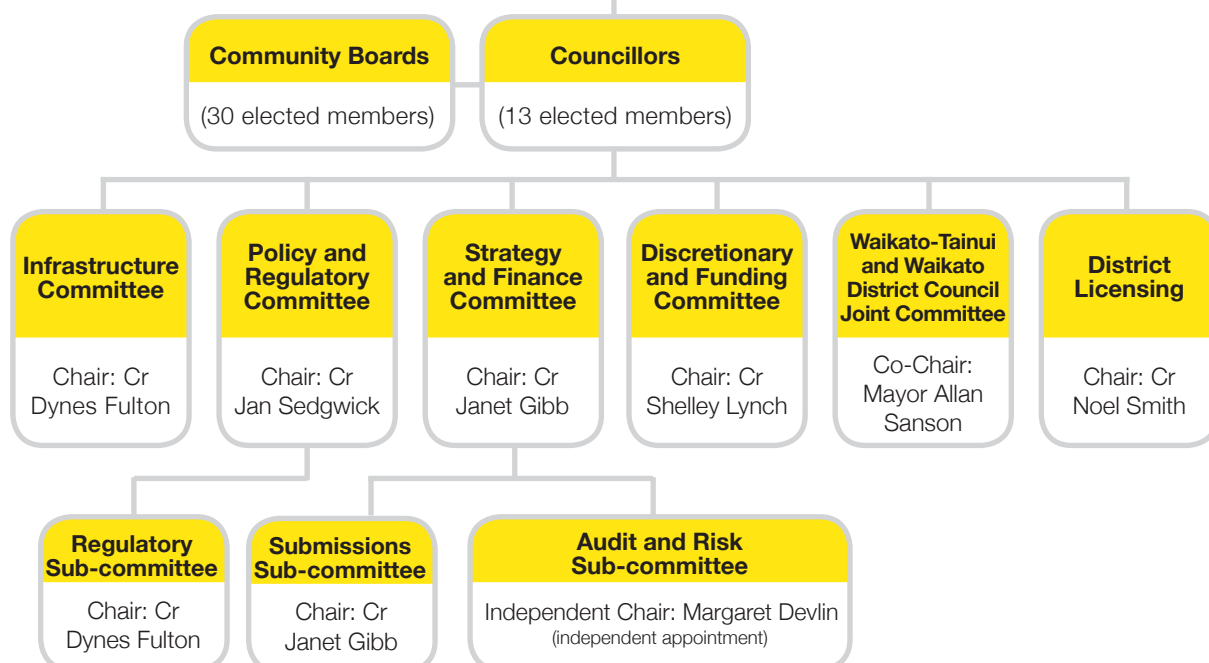
By advocating on behalf of their local communities, voluntary community committees and groups play an important role within community decision-making. The Council works with them and the community boards so it can take into account local perspectives as part of its decision-making.

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**  
2017/18  
Allan Sanson





# WHO WE ARE 2017/18

## The Council



## The Executive Leadership Team



**Gavin Ion**  
Chief Executive



**Ian Cathcart**  
General Manager  
Service Delivery  
(appointed April 2018)



**Sue O'Gorman**  
General Manager  
Customer Support



**Tony Whittaker**  
General Manager  
Strategy and Support



**Vanessa Jenkins**  
Human Resources  
Manager



**Jacob Quinn**  
Marketing and  
Communications  
Manager

# 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 third year of our 2015-2025 Long Term Plan (LTP). The LTP sets out our strategic direction for 10 years ahead and is reviewed every three years. It establishes our goals and outlines the work 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. In the 2015-2025 LTP our community outcomes were encapsulated by the Council's guiding principles of People, Energy and Economy. (These change from 2018/19 under our new LTP.)

### 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

We developed our Long Term Plan 2018-28 with a new vision and goals to embrace the growth and changes we face in the next 10 years. Our vision is that we work together as a district to build liveable, thriving and connected communities as our district grows.

To lead the implementation of our Plan, we re-appointed our Chief Executive for a new five-year term after a competitive appointments process.

### 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 reviewed our representation arrangements for the next local body elections and will finalise these with your input in the new financial year. We consulted widely on our Long Term Plan and received more than 700 submissions before we adopted the plan that sets our budgets and direction for the years ahead. We also engaged with our communities on more than 80 other initiatives, plans, strategies and bylaws, on subjects ranging from waste management to waters services, and from speed limits to our District Plan rules.

We expanded our efforts to engage with you through a range of media, surveys, public meetings and market days, and we added to our range of online services. We attracted nearly 193,000 people to visit our website in the past year, and we have more than 8,700 followers on Facebook.

More than 5,000 customers contributed ideas to the future of our library services, and several thousand took up our ANZAC challenge to decorate a tree in every community with knitted poppies.

We continued to encourage youth leadership through our youth action groups, to develop links within their communities and with the Council as they worked on projects of their own choosing.

### Monitored our performance

We measured your response to our work through an independent customer satisfaction survey. While we did not meet all our targets, nearly two-thirds of respondents said they were satisfied with the overall service received (66%) and that it took little or no effort to conduct business with the Council (64%).

We also monitored our performance to ensure we continue to provide an acceptable standard of infrastructure, community services and facilities, and published the results on a quarterly basis.

### Developed our regional partnerships

Together with nine other councils that comprise the Waikato region, we adopted the Waikato Plan to provide a collective voice on regional priorities and guide decision-making on regional issues involving population change, infrastructure, economic development and the environment, and enable leverage of central government funding.

Working with Hamilton City, Waipa District and Waikato Regional Councils, tangata whenua and NZ Transport Agency (NZTA) representatives we revised our sub-regional Future Proof strategy to manage growth while addressing complex cross-boundary issues.

We began working with the Government and regional partners to develop a Hamilton-Auckland Corridor Plan to maximise opportunities offered by the main trunk railway and Waikato Expressway. We also endorsed a North Waikato Integrated Growth Management Programme business case, developed in partnership with Auckland Council, NZTA, the Regional Council and other government agencies, to ensure that fast growth is supported by the infrastructure needed.

### Maintained iwi partnerships

We worked closely with our iwi partners as we developed our proposed District Plan and received positive feedback for extending the opportunity for papakainga (multiple dwelling) development on all Maaori freehold land with multiple owners, rather than limiting it to marae development.

During Joint Management Agreement meetings with Te Whakakitenga o Waikato (Waikato-Tainui) and Ngaati Maniapoto on the Waikato and Waipa Rivers, we kept iwi briefed as we developed Long Term Plan options for the future management of our waters services, and gained support for Waikato-Tainui representation on a Waters Governance Board to progress the option adopted.

Together with Waikato-Tainui we launched a new \$10,000 student scholarship to support their rangatahi (youth) to undertake tertiary studies that may contribute to our vision of restoring the health of the Waikato River.



## How we did

Performance measures	2016/17 result	2017/18 target	2017/18 result	Rating	Explanation
Satisfaction of residents that they were able to contact their councillor as and when required.	83%	100%	77%		We continued to provide the same level of service so it's hard to understand why satisfaction has reduced. Contact details for councillors are available on our website, through our call centre, in our Link newsletter, and in regular councillor newspaper columns. 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.	2 Waikato-Tainui, 2 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.	7	Minimum of 3	4		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.

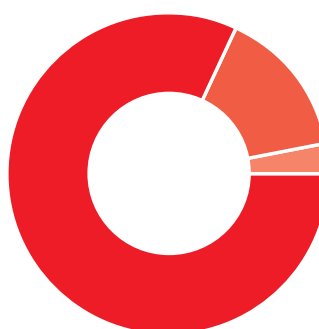
## What this tells us

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



<b>82%</b>	General rates
<b>15%</b>	Internal charges recovered
<b>3%</b>	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.

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.

## 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 Economic Development 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

## Grants and donations

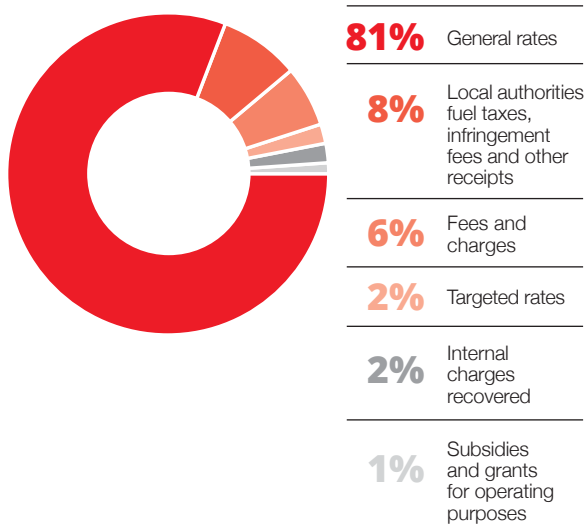
Every year we provide grants and donations to various organisations and charities throughout the district, which otherwise might not have access to funding for their work.

## Parks and facilities

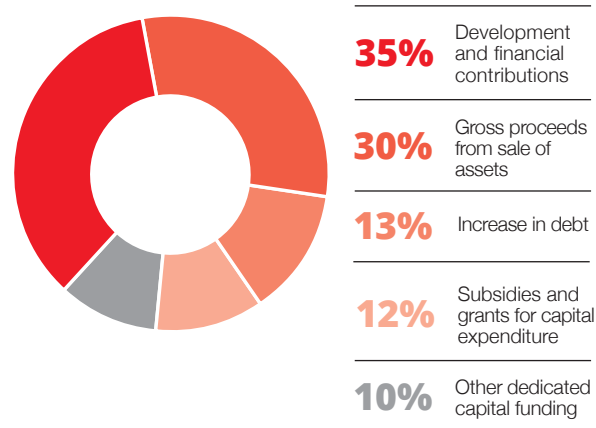
We provide many parks and open spaces, playgrounds and public facilities, including aquatic centres and libraries, walkways and sports grounds. Providing these facilities and amenities supports a healthy and thriving community.

## How we paid for it

### Operational funding



### Capital funding



# Customer and partnership focus

## Customer satisfaction survey

Our ongoing customer satisfaction survey recorded satisfaction levels of 80% or more with some of our largest and most widely-used services – public libraries (97%), parks and reserves (86%), wastewater (95%), water (83%), rubbish (80%) and recycling (84%) – as well as our animal control enforcement service (82%). Overall, 74% of survey respondents were satisfied with the way rates are spent on the services and facilities provided by the Council.

We commissioned the National Research Bureau to undertake our survey by means of randomised telephone polling throughout the year, and to provide us with comparative national data. This showed us that any dissatisfaction recorded with our services was no higher than nationally-collated council averages, while several services – building and inspection, animal control, public toilets and footpaths – recorded markedly low dissatisfaction compared with national averages.

## Staff responsiveness

We undertook regular quality assurance coaching for our call centre staff, and a sustained internal programme focussed on customer responsiveness and engagement.

Despite strong efforts by staff to simplify the customer experience and to represent the Council in a professional manner we did not meet all our customer satisfaction targets. Nevertheless nearly two-thirds of survey respondents said they were satisfied with the overall service received (66%) and that it took little or no effort to conduct business with the Council (64%).

## Customer engagement

We engaged with our communities on more than 80 initiatives, plans, strategies and bylaws during the year. We consulted on subjects ranging from speed limits to waste management, and from our District Plan rules to the way we manage our waters services over the long term.

More than 5,000 customers gave their opinion for a consultation on the 'Future of our Library Services'. Several thousand people also knitted poppies to support our district-wide ANZAC 'yarn bombing' celebrations - which was just one of our 'placemaking' initiatives to encourage communities

to reclaim their public spaces through artistic and cultural endeavours.

Our online customer engagement continued to rise as we expanded our online services and lifted our social media engagement. Compared with 2016/17 there was a 9.4 per cent increase in website visits during 2017/18, a 10.7 per cent rise in website users (to nearly 193,000 unique visitors during the year) and an 11.8 per cent increase in new users. Visitor numbers viewing the website via mobile phone rose 15.8 per cent and visitors on tablets were up 11.7 per cent.

We manage three Facebook pages and a Facebook group. Our main page averages an 'organic' (unpaid) reach to 5,876 people a day – more than 2 million per year – and our customers engage with us via 'likes', comments and 'shares' more than 18,000 times every month.

Youth engagement is a key initiative. We continued to work with our youth action groups on projects of their own choosing to help them develop links within their communities and with the Council.









## 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 regular library programmes include our Matariki creative writing and design competitions which attracted more than 500 entries this year. We expanded our ability to act as community hubs by installing digital community noticeboards in all our offices and libraries.





We advanced plans to redesign our Meremere and Tuakau libraries, but put new plans for the Ngaruawahia library on hold after they failed to win support during public consultation on a proposed new community facility. We also celebrated the launch of our new library management system, Kōtui, together with an extensive e-collection of books, audio and magazines that can be borrowed online.

All our libraries became cash-free sites this year, supported by a full range of non-cash payment options including online banking for a council payment via the libraries free wi-fi. Off-site options for cash payments to Council are available through NZ Post shops.

## How we did

Performance measures	2016/17 result	2017/18 target	2017/18 result	Rating	Explanation
Percentage of customers satisfied that the Council engages with the community regarding the right issues.*	45%	60%	40%		We have engaged with our community on a large and wide-ranging number of topics (more than 80) in the past year. The Significance and Engagement Policy is applied when considering what issues require public engagement to ensure a consistent approach. Consultation 'fatigue' may be an issue.
Percentage of customers satisfied with the ease of access to information regarding key community issues.*	52%	60%	52%		We make information available through a range of channels including our website, newsletter, direct mail as well as advertised events for particular projects such as the Long Term Plan and District Plan.**
Percentage of customers satisfied that the material available on key issues is clear and provides sufficient information to allow feedback.*	49%	60%	52%		We improved the result, and will continue to work with our Communications team to provide clear and simple information that helps our community understand the issues and form an opinion.
Percentage of customers satisfied that council provides a suitable range of options and avenues to engage through.*	49%	60%	49%		We use a range of methods to engage with people and help them provide feedback. The most popular is still a direct mailout with a hard copy submission form that people can complete and return.**
Percentage of customers satisfied that Council provides sufficient time and opportunity for engagement with the community.*	55%	60%	49%		One month is a standard consultation timeframe. We rarely consult for less than one month, and will usually hold a public event to assist with engagement if timeframes are particularly tight.**
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?*	2.25	Less than or equal to 3	2.51		Target met.
Percentage of service requests responded to within agreed timeframes.	90%	90%	88.35%		We have employed a number of new staff this year. This could have contributed to the slight decrease in this result. Completion of staff inductions should help improve results.
Percentage of respondents/ customers who are satisfied or very satisfied with the resolution of their request of the Council.*	62%	70%	53%		We cannot always provide the outcomes our customers are seeking. We try hard to clarify the reasons for outcomes and aim to better manage customer expectations and experiences.**



Performance measures	2016/17 result	2017/18 target	2017/18 result	Rating	Explanation
Percentage of respondents who are satisfied or very satisfied with the overall service received when contacting the Council.*	70%	75%	66%		The results do not appear to reflect the strong efforts staff have made to simplify the customer experience and to represent Council in a professional manner.**
Net Promoter Score (level of likelihood that library users will recommend to friends and family their library as a place to go).	92%	80%	N/A		We did not run these surveys, but ran focus groups instead. We ran a major 'Future of Our Library Services' consultation and did not want to risk 'survey fatigue' in our population.
Level of customer satisfaction that the quality of library resources meets their needs.	90%	90%	N/A		We did not run these surveys, but ran focus groups instead to avoid 'survey fatigue' alongside a major 'Future of Our Library Services' consultation.
Percentage of books that are less than five years old.	68%	50%	68.2%		Target met.
Percentage of books that are less than 10 years old (excluding reference, specialist items, local history and core stock of long term value).	95%	100%	98%		A major acquisitions and culling effort over the past year should see us attain this target in the coming year.
Percentage of time that access to a free internet service is available in libraries.	100%	100%	100%		Target met.
Number of publicly shared reports assessing Council's progress against its goals and objectives.	4	4	4		Target met.

\*Source: "Waikato District Council Ongoing Satisfaction Survey July 2017 - May 2018".

\*\* Our survey does not provide us with reasons why we are not meeting some of our targets. Nevertheless, to improve our results, we are undertaking a major internal change management programme to help our organisation meet the needs of our growing customer base.

## What this tells us

A strong focus on engaging with our communities on key issues has not yet been reflected in the customer satisfaction levels for which we're aiming.

We engaged with our communities on a large number of 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

We progressed a programme of work to support growth in areas of identified economic strength for the district, and in identified growth industries.

We developed a Waikato District Visitor Plan to undertake a stocktake of local attractions and to identify opportunities for local tourism investment, product development and destination marketing.

We augmented our Economic Development Plan with an International Relations Strategy to examine opportunities for attracting international investment and business partnerships to create more employment in the district. These include exploring sister city opportunities, and developing other avenues for international enquiries. We're facilitating collaboration between Waikato businesses interested in exporting into Asia and translating the Council's 'Open Waikato' business promotion pages into Mandarin.

### Regional Approach

Through the Waikato Mayoral Forum we supported the establishment of a Waikato Regional Economic Development Agency, and have committed \$60,000 per year through our Long Term Plan 2018-28 to help underwrite it.

We continued to support Hamilton & Waikato Tourism with an annual grant of \$150,000 and leveraged this investment with collaborative initiatives to build Raglan into a key regional destination.

Partnering with the Ports of Auckland we promoted Waikato district as a centre of national importance for the freight and logistics industry.

### Local initiatives

We continued to promote a free business advisory service in Tuakau, Huntly and Raglan in partnership with Waikato Innovation Park.

We rolled out key initiatives under our Visitor Plan by commissioning a review of our i-SITE contracts, supporting the development of local tourism networks in Ngaruawahia and Franklin as well as Raglan, and commissioning promotional videos for Ngaruawahia and Huntly that have reached more than 175,000 people online.

We attracted 1,000 people to the opening of the Perry bridge and the completion of the northern stretch of the Te Awa cycleway. A survey shows this section of the cycleway now attracts more than 1,100 users a week.

With a growing suite of digital resources for business users, the 'Open Waikato' website attracted 17,622 visitors and generated 272 business-related enquiries.

## Highlights

### Business development

Waikato District attracted 183 new businesses and more than 500 new jobs in the year to March 2018, with business and employment growth closely reflecting the national average.

Business park developments in Horotiu and Pokeno are filling fast. Nearly 90% of the first two stages of the 109-hectare development at Horotiu, and 95% of the 80-hectare Pokeno industrial park, are now sold or under contract.

Major developments included announcements that Synlait Milk will invest \$250 million to develop a nutritional milk powder factory in Pokeno for the start of the 2019-20 milking season, and the Pokeno Whisky Company will build a distillery with production starting in 2019.

Tourism spending in the District increased 12.2% to \$128M in the March 2018 year compared with an 8.3% increase in national tourism expenditure.






### Infrastructure Funds

We successfully secured \$38 million from the Government's Housing Infrastructure Fund to facilitate development in Te Kauwhata over the next decade and \$868,000 from the Government's Tourism Infrastructure Fund for renewing carpark, toilet and refuse facilities in Raglan.

### Ultrafast broadband (UFB)

Six more towns and three tourism mobile blackspot areas in our district were included in the latest extension of the Government's UFB rollout. This means our Registration of Interest (ROI) for broadband funding has been successful in bringing fast internet to 17 district towns and areas.

## How we did

Performance measures	2016/17 result	2017/18 target	2017/18 result	Rating	Explanation
Net Promoter Score (level of likelihood that business owners will recommend WDC as a district to do business in).	+12 (100% increase)	20% increase on previous year	+11 (8% decrease)		Respondents in the business perception survey rated the Waikato district 8.6 out of 10 as a place to do business and we achieved a Net Promoter Score of +11. This was not 20% higher than our +12 score last year, but it would be hard to improve on these good results.
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	2.1%		Growth in the Waikato district was in line with national growth of 2.1%. The district now has 8,874 business units compared with the 8,691 reported last year using provisional Infometric figures.
Percentage increase in number of enquiries generated through the Open Waikato website.	116%	20% increase on previous year	51.9%		There were 272 enquiries via Open Waikato channels over the 2017/18 year, compared with 179 enquiries in 2016/17.
Measurable tourism expenditure in \$.	\$114m	\$101m	\$128m		Tourism expenditure in Waikato District increased 12.2% to \$128m in the March 2018 year, outstripping a national increase of 8.3%. MBIE retrospectively changed the method for calculating these amounts in mid-2017 and updated our 2016/17 result from \$112m to \$114m.
The percentage of the Economic Development strategic work programme delivered.	100%	90%	100%		In addition to delivering the economic development strategic work programme, we also successfully led or supported the following projects: Tourism Infrastructure Fund application, Housing Infrastructure Fund business case, Long Term Plan 2018-2028, section 17A review of i-SITEs.

## What this tells us

The pace of our residential growth has slowed in the past year but we are still among the fastest growing districts in the country. Tourism expenditure growth outstripped the national average and business and employment matched the national average. Our reputation as a place to do business has continued to increase year on year.

We are working hard with Government, industry and our communities to support this growth in a planned way and to underpin a new vision for the district of building liveable thriving and connected communities.

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

# Emergency management

## What we did

### Planning for recovery

This year we have developed our internal systems and external stakeholder relationships to ensure we can support communities to recover from an emergency.

We updated our local Civil Defence and Emergency Management (CDEM) Plan in line with legislative changes focussed on recovery. New provisions in our plan include triggers for notifying a 'transition period' for extending civil defence emergency powers after an event to assist with recovery management, and how we involve community stakeholders in the recovery process to achieve a good outcome.

We created some new positions of responsibility to provide depth in our emergency management capability. We formally appointed an additional Civil Defence Controller for the district, alternative recovery and welfare managers, and team leaders to help coordinate our operational responsibilities through emergency periods.

Our emergency management staff continued to build relationships with community support network groups, for example, assisting the Rural Support Trust to run a rural community day to promote rural and farmer wellbeing. A number of staff completed specialist courses in welfare, logistics and public information management.

We also updated our internal systems so that we can better manage service requests during an emergency and recovery period, with call centre notifications automatically sent to our emergency operations centre as well.

### Integrated incidence preparedness

To mitigate the potential for emergencies we continued to apply CDEM principles across our Council planning functions, for example, to inform decisions about retreating assets where erosion threatens our coastline.

During the year we took part in several exercises to test our systems and preparedness. These included a welfare exercise in July to test our resources for establishing a temporary Civil Defence centre, a two-day exercise with Fire and Emergency NZ in August to test our ability to share and map photos taken by drones to assess damage during an emergency, and the annual 'Get Ready Get Thru' public campaign in October.





We continued with a programme of visits to schools, churches and marae to improve community understanding of emergency preparedness, and teaching the 'drop, cover, hold' earthquake safety drill.

### Emergency management in action

In January this year we used our incident management framework to work with our neighbouring Councils to respond to major flooding in the Kaiaua and Thames area, which included Miranda in our own district. This also required a long recovery effort to support the community after the event.



## How we did

Performance measures	2016/17 result	2017/18 target	2017/18 result	Rating	Explanation
The percentage of community response plans completed.	13%	50%	0%		Pokeno and Tuakau communities have commenced their plans and are still developing them. We initiate these plans and support the community response groups, but completion relies on volunteer input from the local groups. To support this KPI being achieved a new community focused CDEM position has been approved.
Council maintains a minimum number of trained staff to fulfil core Emergency Operations Centre roles.	120 staff trained	30 staff trained	135 staff trained		Target met. 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.	80%	100%	100%		Target met.
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 174 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 \$613,000 for distribution to 151 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.

On behalf of the Creative Communities Scheme Fund we distributed \$71,256 to benefit 16 local groups, and the work of seven more groups benefited from \$125,529 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 \$344,000 for 28 local groups and projects as a result of Long Term Plan pledges. A further \$268,800 of discretionary grants and other funding was committed for distribution to 123 local groups during the year through applications processes

managed by Council committees and Community Boards.

One initiative we supported with \$5,000 through our newest fund, the Heritage Project Fund, was the production and launch of the book, 'Wāhia Ngā Rua' by Mai Uenuku ki te Whenua Marae. This illustrated educational resource tells the story of the prominent Waikato chief Ngaere, who lived in the late 1600s, and how Ngaruawahia and the Hakarimata Ranges came to be named. It draws connections between local landmarks significant to the history of Ngaruawahia and includes a whakapapa (genealogy).

Another significant project was the launch of Waikato district's first fitness trail, featuring outdoor gym equipment, along the Waikato Esplanade. Costing nearly \$60,000, the fitness trail was spearheaded with a \$10,000 discretionary grant from the Ngaruawahia Community Board and \$10,000 funding (committed in 2016/17) from the Waikato District Community Wellbeing Trust, and completed with support from the WEL Energy Trust, Perry Group Ltd, and the Ngaruawahia Lions Club. The fitness trail provides a community resource that adds to Ngaruawahia's attraction as a fitness destination alongside the 'Te Awa Great NZ River Ride' cycleway, and complementing the popular Hakarimata walking track.



Description	Annual Plan 2017/18 Committed \$	Amount Paid 2017/18 \$
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	1,395**
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	1,500**
Hamilton & Waikato Tourism	150,000	150,000
Tuakau and District Museum Society Inc.	10,000	10,000

Description	Annual Plan 2017/18 Committed \$	Amount Paid 2017/18 \$
North Waikato Transport Trust	2,000	2,000
Waikato district lakes	20,000	40,000*
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	3,155	3,000**
Franklin Tourism	2,500	2,500
Matariki Festival (involving 8 local groups)	5,000	5,000
<b>Sub-total of Annual Plan 2017/18 commitments</b>	<b>344,561</b>	<b>353,301</b>
A total of 123 other groups benefited from:		
Heritage assistance fund	19,524	48,479*
Conservation Fund Grants	31,550	1,500**
Heritage project fund	40,000	30,322**
Community Administration Funding	10,000	8,548**
Discretionary Grants	167,794	207,239*
<b>Total Council funds committed 2017/18</b>	<b>613,429</b>	<b>649,389</b>

\* Includes funds committed in 2016/17.

\*\* The amount paid out from committed funds relies on groups securing alternative funding required, or meeting other similar criteria, and this can mean funding may be held over for one or two financial years.

## How we did

Performance measures	2016/17 result	2017/18 target	2017/18 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.	100%	100%	100%		Target met.

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

# Parks and facilities

## What we did

### District wide

We consulted with our communities and worked to broaden our sources of funding to help progress our key Parks and Facilities strategies including plans for our playgrounds, halls, toilets and trails. These strategies provide a framework for maintaining and improving our district's key assets by outlining priority works, timeframes and budgets required.

For example, we are updating our playground strategy to identify priorities for playground renewal based on useage, and where we should develop new destination playgrounds in line with our new standard-setting playground at Te Kowhai last year. Following community consultation on various halls in our district we are awaiting seismic assessment results before finalising our halls strategy.

An independent contract for managing our aquatic facilities in Ngaruawahia, Tuakau and Huntly continued to produce good results. Our facilities operator, Belgravia Leisure Ltd, reported another year of increased patronage with a 32% increase in learn to swim numbers, a 65% increase in gym memberships and a 17% increase in the overall visitor numbers. Genesis Energy Huntly Aquatic Centre was also named Belgravia Leisure NZ facility of the year ahead of all the other facilities they manage, judged by a range of criteria including customer service.

### Central Waikato

A contract for the development of the Tamahere Recreation Reserve was awarded to Foster Construction. Civil works began for the village commercial hub, piazza and carpark. The sports fields were largely completed in time for the 2018 winter season. Plans include a playground, skate park, basketball half court, and cricket pitch. When finished this project will not only meet the recreation needs of a growing local community but will also be a quality destination in the district.

We completed the second 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 funding from the Waikato River Authority.

We worked with our Ngaruawahia Community Board who helped source independent funding to install the district's first fitness trail featuring outdoor gym equipment along the Waikato Esplanade.

Consultation with the Huntly community showed support for refurbishing the Huntly War Memorial Hall, so further planning will be undertaken in the new financial year to find a cost-effective solution.

### North Waikato

Planning began for a Tuakau skate park for a project being led by our Onewhero-Tuakau Community Board.

With the Port Waikato Hall under threat from coastal erosion, we began examining the options available for an alternative facility with a view to consulting with the community in the new financial year.











Planning continued for the development of a Pokeno sports park with a view to providing the community with a suitable facility for rugby, soccer, cricket, netball and tennis.

### Raglan area

We were successful in winning \$868,000 from the Government's Tourism Infrastructure Fund for upgrading public toilet and refuse facilities in Raglan. As part of this project we are also upgrading the carpark at Joyce Petchell Reserve and formalising parking on Stewart Street.

We also undertook the landscaping for Raglan's new all-weather pump track for bikers, skateboarders and scooter riders at Papahua, next to the Raglan Kopua Holiday Park.

## How we did

Performance measures	2016/17 result	2017/18 target	2017/18 result	Rating	Explanation
Percentage of customers who are satisfied with Parks and Reserves, including sports fields and playgrounds overall.	92%	85%	86%		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%	75%		We did not complete the Woodlands playground to allow time to develop an overall site management plan for this historic homestead and garden venue. This impacted progress on our playground strategy, but for the right reason.
Percentage of customers who are satisfied with public toilets in the annual satisfaction survey.	74%	75%	67%		It's difficult to give a reason for fluctuating satisfaction levels. We increase the frequency of cleaning during summer when visitor levels are highest to ensure our toilets continue to be maintained to a high standard.
Percentage of natural areas (categorised in parks strategy) which have had restoration efforts undertaken.	7%	4%	8%		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.	90%	95%	97%		Target met.
Percentage of customers who are satisfied with the pool facility.	91%	85%	82%		We changed the method of measuring this result to a Net Promoter Score to provide more consistent and quantifiable data. While the result did not meet our target, it was a major improvement on the baseline result of 58.1% using this method in 2016/17.
Percentage of satisfied customers as per the Council 'Housing for the Elderly' survey.	92%	75%	75%		Target met. Satisfaction may have reduced as a result of a rent rise signalled in the Council's Long Term Plan 2018-28.
Total annual energy consumption.	2.5% increase on previous year	1.5% reduction on previous year	0.07% increase on previous year		Energy audits are being planned to obtain the energy savings in converting to LED lighting. We expect a better result once these audits are factored in.



## 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.
Toilets can present a sanitary risk to the community.	Included in Water & Sanitary services assessments (three yearly).
Toilets 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

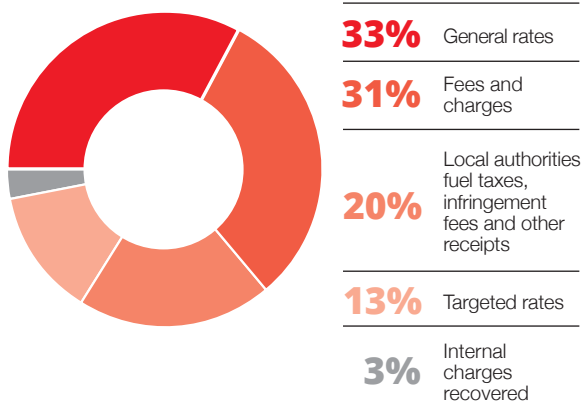
As set out in the Waste Minimisation and Management Plan (WMMP), Council has adopted an aspirational vision of 'Working towards zero waste for the Waikato district.'

The goals of the WMMP are summarised as:

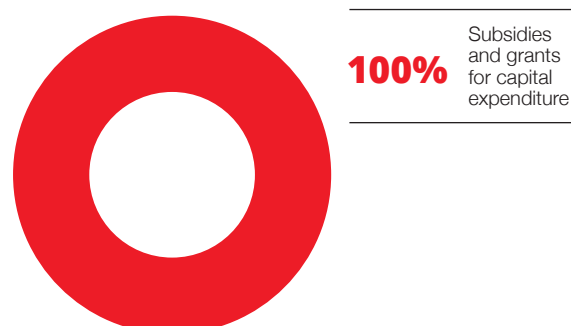
- Working more closely with our communities in managing waste;
- Working more closely with the growing waste management industry in the district and the other councils around us;
- Improving our kerbside recycling collections;
- Considering ways to reduce the amount of rubbish we collect and how much 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 helping to reduce numbers in our dog pounds and is building community satisfaction. Our Council customer satisfaction survey showed 82% of respondents were either satisfied or very satisfied with animal control services (compared with 77% last year, up from 65% in 2014/15).

We created a new position to support and develop our community engagement work, which includes educating the district's future dog owners. This year we ran 21 school visits in our 'Dogsmart Education Programme' to teach children about dogs, safety and responsible ownership. We also continued our highly sought-after 'Dogs in Libraries' programme, which helps children to read as well as interact with and learn about dogs.

Two new events proved so popular that we may make them a regular annual feature. A 'pool party' attracted 70 dogs and their families to the Ngaruawahia swimming pool in March just before winter closure, and a 'Dirty Dog Challenge' held at the Ngaruawahia Christian Youth camp in collaboration with Hamilton City Council in June drew nearly 200 entries. Profits from these events went to helping animals in need in our communities.

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 9,329 dog owners in the district, more than 3,000 now meet the stringent criteria established for selected dog owners.

In consultation with our growing community in Tuakau we added two more dog exercise areas at Kowhai Reserve and Centennial Park to the Dog Control Bylaw.

### Dog registrations

The number of dogs registered was 14,070, and this represents nearly 95% per cent of all known dogs in the district.




### Animals impounded, returned and rehomed

The number of dogs impounded dropped to 859, compared with 1,120 last year. We were able to return nearly half of them and, with the help of 11,000 followers on our Pound Pups Facebook page, we rehomed 231 dogs. We also responded to 363 calls involving stock, impounding 52 animals.

### 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	2016/17 result	2017/18 target	2017/18 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.	99%	95%	96%		Target met.
The percentage of complaints regarding stray stock that have council personnel on site within 1 hour.	95%	95%	96%		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%	40%	33%		The result is lower than expected due to our free Selected Owner Policy inspections being delayed this year. Some requests could not be processed before the end of the year.

## 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

We introduced new digital 'back-of-house' systems to improve efficiencies in handling consent applications. Some 80 per cent of our building consents customers now use the new paperless system and any paper-based applications are scanned into the system for consenting purposes. The plan is to augment the system with an online portal which will make lodging consents via the internet even easier in the future.

#### Inspections

We also moved to a digital system for building inspections, via the use of portable tablets and electronic check sheets, representing a big step-change for the building industry and our staff.

We have met our targets for swimming pool inspections as a result of new legislated authority as well as increased capacity following the slowdown in new house-building. We also met our targets for auditing buildings with WOFs to ensure code compliance.

#### Accreditation

We supported staff who need to work towards diploma-level qualifications by the end of the 2018 calendar year so that we continue to meet Building Consent Authority accreditation requirements.

### Issues

#### Consents processing





Changes that have reduced pressure in the housing market mean building consent numbers have dropped slightly in the past year to 1,751 overall (1,977 last year) with consents for new dwellings falling to 566 across the district (from 726 last year). Nevertheless Waikato district remains one of the fastest-growing districts in the country measured by new dwelling consents, so the respite may be temporary.

Our new paperless system is bringing increased efficiencies and will continue to do so in the future, but at times – during its introduction and bedding-down phase – we were unable to maintain statutory timeframes for consents. We have put in place contingency plans for increasing staff levels as and when required.

#### Assessment of earthquake-prone buildings

New legislation came into effect during the year giving us five years to finish identifying potential earthquake-prone buildings in the district, and requiring affected owners to undertake an initial seismic assessment (ISA). In anticipation of the legislation we had already identified about 416 buildings in the central and southern parts of the district. We will now start these assessments in the north Waikato area, including Pokeno, Tuakau and Port Waikato, before reclassifying buildings already identified in line with the new legislation.

## How we did

Performance measures	2016/17 result	2017/18 target	2017/18 result	Rating	Explanation
The percentage of existing buildings with building WOFs that are monitored and audited for compliance annually.	51%	33%	40%		Target met.
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.	1.7%	20%	35.5%		Target met.
The percentage of building consent applications that are processed within 20 working days.	86%	100%	97.8%		All new dwelling consents met statutory timeframes, but 40 other building consents did not due to efforts to introduce new digital systems to increase future efficiencies.

## 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 owners of food businesses to ensure a successful transition to registration under the new Food Act 2014. This staged transition must be completed by early 2019. The new system allows higher risk operations, registered with individualised Food Control Plans, to be audited more frequently than lower risk operations that must be registered under a national programme.

We developed a Quality Management System (QMS) for the registration and verification of food operations in our district. This has been approved by the Ministry of Primary Industries (MPI) and will form the basis for future audits and accreditation of our system and processes. Implementation of the system into our daily operations is being progressed. As a goodwill gesture we shared our QMS with other Territorial Authorities who are working on their own systems.

### Staff

Two trainee Environmental Health Officers were employed in 2017 to complete studies in 2018. Both staff members have contributed considerable

capability and capacity to operations especially in the specialist areas of contaminated land and foods.

### Applications, inspections and audits





During the year we responded to a total of 1,214 excessive noise complaints and issued 170 excessive noise notices. Our contractors have struggled to meet demand in this area and we continue to explore opportunities to improve the service.

We also produced 485 Hazardous activity and industry list (HAIL) reports in response to demand for contaminated land information, reflecting the high level of growth and development in the district.

Our monitoring team were kept busy through the year checking that visitors to the district were abiding by our new Freedom Camping Bylaw, and that new commercial and industrial developments were compliant with resource consent requirements.

We handled 316 alcohol licence applications, inspected or audited 320 food operations, and responded to 225 requests for technical comment on a range of other matters.

## How we did

Performance measures	2016/17 result	2017/18 target	2017/18 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.	79%	90%	83.6%		Our 'out-of-hours' service has improved on response times, but due to a range of factors, including distances to be covered, it will be difficult to make further significant improvements.
Percentage of environmental health complaints responded to within agreed timeframes.	94%	95%	91.6%		Of 225 complaints 19 were not within timeframes. These included daytime noise complaints which often take longer to resolve.

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

# Strategic and district planning

## What we did

### A new vision

Our Council developed a new vision to create 'liveable, thriving and connected communities' as our district grows, and we completed two major pieces of planning work to support this vision.

Our Long Term Plan 2018-28 establishes our infrastructure and financial strategies for the next 10 years, and foreshadows changes in our approach to planning for our key growth towns and to managing our Waters services to meet future needs.

We also prepared our proposed District Plan to provide a new spatial vision for our district with updated guidelines for development, including rules for protecting the district's environment and heritage. Planning is focussed on sustainably managing predicted household growth of 660 to 880 a year and a projected growth rate of between 56% and 73% in the period 2016-2043.

### Sub-regional and regional

To ensure that fast growth in north Waikato is supported by the physical and social infrastructure needed, we endorsed a North Waikato Integrated Growth Management Programme business case, developed in partnership with Auckland Council, the New Zealand Transport Agency (NZTA), the Regional Council and other government agencies responsible for key community services.

Working with Hamilton City, Waipa District and Waikato Regional Councils, we adopted a revised Future Proof growth strategy to guide development across our shared sub-regional area. We also completed a 'housing and business assessment' as the basis for a joint strategy to provide sufficient land for development in line with the Government's National Policy Statement on Urban Development Capacity 2016 (NPS-UDC).

The Council is partnering with Government to develop a Hamilton-Auckland Corridor Plan to maximise growth opportunities offered by the main trunk railway and construction of the Waikato Expressway. It has provided the context for a proposed start-up Hamilton to Auckland passenger rail service.

In August last year we adopted the Waikato Plan with nine other councils that comprise the Waikato region. 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.

### District wide

Two Plan Changes were completed to allow for new residential development in north Waikato. Plan Change 20, for 1,600 additional houses in Te Kauwhata, became operative in July 2018 just after the year in review. Plan Change 21, for 150 new houses in Pokeno, became operative in August 2018.

We continued our highly-commended programme of 'placemaking' projects to encourage communities to reclaim their public spaces through artistic and cultural endeavours. An ANZAC poppy tree 'yarn bombing' project 'blossomed' in 21 communities this year, and 30 'little libraries' were built ready for installation in rural communities across the district in the new financial year.

Youth engagement is another key initiative. We continued to support our youth groups to work on local community projects, including tree planting and other local events, and celebrated the programme with a youth event at the Council in December 2017.

### Consents

Despite an easing in the rapid growth in demand for housing, we still managed a significant resource consents and planning workload.





Our Consent Planners and Land Development Engineers handled 1,215 resource consent applications, up 8.5% per cent from last year, and our Planning and Engineering Officers undertook detailed assessments of 1,315 building consent applications, (compared with 1,487 last year). Property enquiries were up 8.8% at 1,916, whereas LIM requests were down 3.9% at 1,335 and enquiries handled by our Duty Planners were down 12.3% to 3,967.

## Highlights

- Our proposed District Plan integrates the Waikato and Franklin sections into a single plan for the first time since the district's boundary changes in 2010 and provides more opportunities for growth.
- We secured \$38 million from the Government's Housing Infrastructure Fund for works needed to support residential development in Te Kauwhata over the next decade.

- Our Long Term Plan 2018-28 includes a \$1 million budget to implement a series of 'master plans' – or 'blueprints' – for our key growth areas to support our vision to create 'liveable, thriving and connected communities'.
- Our North Waikato Integrated Growth Management programme has brought together key government agencies to support the development of liveable communities in our high growth towns.

## How we did

Performance measures	2016/17 result	2017/18 target	2017/18 result	Rating	Explanation
The percentage of resource consent applications which are processed within statutory timeframes.	99.9%	100%	99.6%		Of 1,011 resource consents issued in the year, four were not completed within statutory timeframes due to the level of complexity of the consents.
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.	59%	72%	65%		The result has improved, but does not reflect our increasing efforts to provide opportunities for public participation. It 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.	100%	100%	94%		Areas of residential growth include Tamahere, Te Kauwhata, Tuakau and Pokeno. Areas of industrial growth include Horotiu, Tuakau and Pokeno. We've identified 49 projects planned or underway in our growth areas, of which 44 are on track (33 being developer led) and 2 completed.
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.	78%	79%	80%		Target met.

## What this tells us

This has been a watershed year for the Council in terms of setting a new vision with underpinning strategies and plans for the future of our district.

We are making good progress in meeting current demands arising from rapid growth as well as planning for future growth in a sustainable way.

## 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

We undertook a waste assessment which, based on the evidence available, calculated Waikato district generates about 52,000 tonnes of waste, excluding farm waste, to landfill each year – an average of 750kgs per person – and diverts about 71,000 tonnes of material through reuse, recycling and composting.

This formed the basis for a six-yearly review of, and consultation on, our Waste Management and Minimisation Plan and our vision that 'zero waste and resource recovery are an integral part of our community'. As a next step we will review our waste services to ensure they align with the new plan.

We undertook a number of initiatives to raise awareness about waste and to promote our vision.




In partnership with Xtreme Zero Waste, we rolled out

a kerbside food waste collection in Raglan. In 10 months this has diverted about 123 tonnes of food waste from landfill to be mixed with green waste to create a high-quality local compost. The service will be reviewed in the new financial year, and local ratepayers consulted, to determine whether it should continue with targeted rate funding.

We collaborated with other local councils to raise awareness about waste issues through a range of media channels, including a series of videos featuring 'waste heroes'.

We also supported other initiatives, including a zero waste education programme for primary and area schools and an Enviroschools Programme aimed at secondary schools.

## How we did

Performance measures	2016/17 result	2017/18 target	2017/18 result	Rating	Explanation
The percentage of schools in the district that receive solid waste education.	81%	55%	77.6%		Target met.
The number of times that bags or bins are missed in Council's kerbside collection.	1,784	Less than 200 per annum	234		Reasons for missing the target included contractor issues such as new drivers, visual obstruction from new construction in growth areas, and refuse tags missing from wheelie bins.
The percentage of kerbside collection complaints that are resolved within agreed timeframes.	96%	100%	89.3%		A number of complaints required site visits, and some were sent to the wrong contractor in error, resulting in longer timeframes required for a satisfactory resolution.

## 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 continued to deliver high standards in roading asset management and maintenance, and to exceed expectations of customer responsiveness that were set when this joint venture between the Council and Downer NZ was established three years ago.

### Planning for growth

A major focus has been on planning for changes to the local roading network to support new residential subdivisions and to support the construction of the Waikato Expressway.

We made progress on plans to support new developments in Pokeno, Te Kauwhata and Tuakau, and we monitored developer-led roading and bridgework for the Rangitahi Peninsula development in Raglan.

Design and funding issues for the proposed new Mangawara Stream bridge at Taupiri were resolved, and construction should start in the new financial year.

### Waikato Expressway

The Waikato Expressway will bring long term benefits to the district, but there are some short term negative impacts on local roads during construction. We've managed these through discussion and agreements with the NZ Transport Agency (NZTA) and its contractors. We monitored the impact of increased truck movements on the condition of our roads to adjust maintenance regimes and safety measures as required.

Once the Expressway is complete, almost 90kms of old State Highway and 5kms of new local roads will have been added to the local road network. Maintenance for these roads was factored into our Long Term Plan 2018-28 budgets, and we continued discussions with NZTA on how to mitigate the impact of the change on our communities.

### Managing new regulations

NZTA introduced a new framework for assessing speed limits in 2017/18. We used the new guidelines to assess and make several changes to speed limits in the northern part of the district where traffic has increased.

We adopted a cautious approach to increases in the allowable maximum weights for heavy vehicles, and

– except for the Tainui Bridge at Huntly – we decided not to open our Waikato River bridges to heavier vehicles until detailed structural analyses could be made. We're seeking support from industry for the work required.

### Innovation

We instituted a number of innovations to improve processes and outcomes. One example is a trial with a new product, Polycom, which helps bind together surface particles on unsealed roads to prevent corrugations and reduce maintenance costs. The trial will be reviewed in the new financial year.

We also completed a \$1.5 million programme to upgrade most (2,600) of our existing sodium (yellow) street lights to LED, but at a cost of only \$225,000 thanks to an increased 85% subsidy from NZTA. The upgrade has improved our street lighting levels and will bring about \$145,000 savings in energy and maintenance costs each year. Council's share of the savings is about \$70,000 per year, bringing cost recovery in just three years.

### Road safety education

We worked with the NZ Police, NZTA 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, workshops, roadside education stops, and advertising campaigns. We worked with community volunteers to mentor young learner drivers and ran 'young driver training days' focussing on driving skills and vehicle maintenance for young drivers about to sit their restricted or full licence.

### Alternative transport modes

The new Government has signalled an increased focus and support for alternative transport modes including walking, cycling and public transport such as commuter trains. In response, we've assessed the work required to establish commuter rail facilities at Tuakau and Huntly rail stations and set aside \$500,000 for further work.

One of our highest profile projects of recent years won accolades at both the IPWEA and LGNZ Excellence Awards – securing a Highly Commended from both organisations. The delivery of the Ngaruawahia-Horotiu section of the Te Awa cycleway, including the iconic new Perry Bridge across the Waikato River, has resulted in the numbers of



pedestrians and cyclists using the new facilities more than doubling each week from 481 to 1,102 since November last year.








We laid a number of new footpaths district-wide at a cost of \$95k, and we increased our future footpath budgets to \$720k per year in response to community

requests for extensions to our network.

## Road surfacing and strengthening

We have re-surfaced 110.4 km of sealed roads, completed 17.3 km of road strengthening work, undertook 1,323 kms of grading on unsealed roads, and filled 4,000 potholes.

## How we did

Performance measures	2016/17 result	2017/18 target	2017/18 result	Rating	Explanation
The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network.	+9	Target for reducing the number of serious injuries or fatalities -1	+1		For the year under review, 49 fatal and serious injury crashes are recorded in the NZTA crash database compared with 48 for 2016/17. (Note: This measure is based on crash data, not the number of casualties.)
The average quality of ride on a sealed local road network, measured by smooth travel exposure.	98%	91% (minimum)	97%		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.	66%	100%	85%		A coordination plan for Te Kauwhata was developed for the HIF business case. Works in Pokeno and Tuakau are included in an integrated North Waikato Programme business case which awaits NZTA endorsement.
The percentage of the sealed local road network that is resurfaced.	7.3%	8% (minimum)	6.9%		Increased road life being obtained from strengthening works and improved asset management has reduced the need for resurfacing. 127.7 km of the road network was resurfaced during 2017/18 which equates to 6.9% of the length of sealed road.
The percentage of customer service requests relating to roads to which we respond within the timeframes specified.	96%	80%	97.2%		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.	100%	80%	94.9%		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. We made good progress on planning for new developments, but

changes are required to accommodate new proposals and these need to be co-ordinated with requirements for water, power, and telco infrastructure as well as our renewal projects.

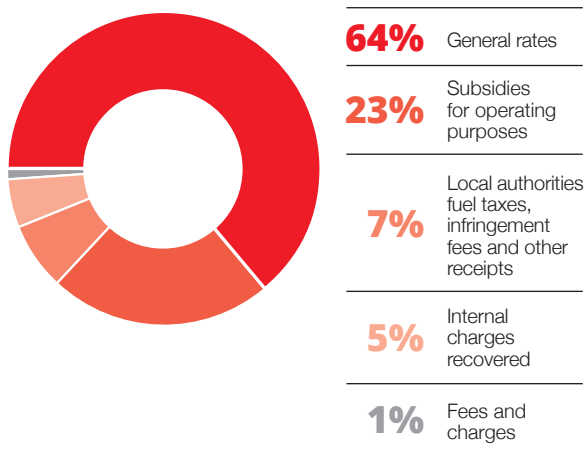
## Potential significant negative effects

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.

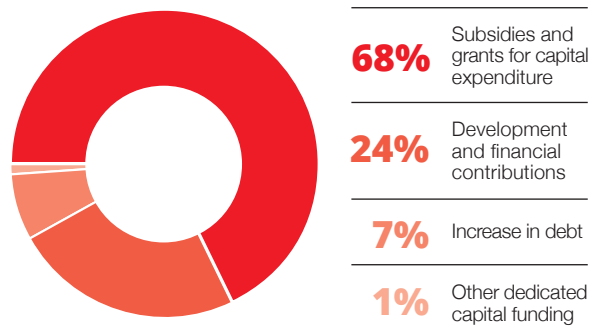
Potential negative effect	How we are addressing this
Potential for air pollution from traffic fumes to affect health.	Continuing to advocate for bypasses around urban centres.
Heavy traffic volumes can lead to loss of amenity in urban areas.	Continuing to advocate for bypasses around urban centres.
Provides 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 completed the planning and investigations required for the district's 10-year Long Term Plan 2018-28.

### North Waikato

We oversaw development-led extensions of the stormwater network and riparian planting beside streams in Pokeno to ensure that stormwater management keeps up with growth in the area. We also continued work on a stormwater catchment management plan for the Tuakau area.






### Raglan

We started work to upgrade the Raglan stormwater network to mitigate flooding issues and to improve catchment management.

### Central Waikato

We completed work to upgrade the Ngaruawahia stormwater network and undertook further network improvements to alleviate flooding issues in Huntly.

## How we did

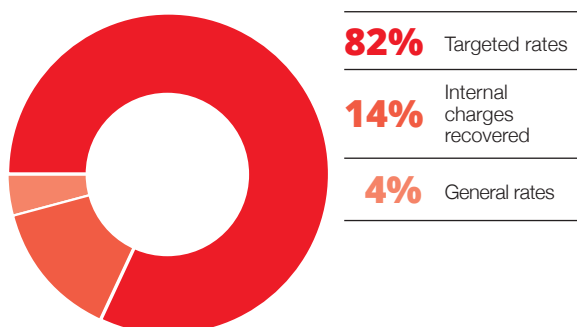
Performance measures	2016/17 result	2017/18 target	2017/18 result	Rating	Explanation
The number of flooding events that occur in the district.	0	<5 events per annum	0		Target met. This is a mandatory measure. A flooding event means an over-flow of stormwater from a territorial authority's stormwater system that enters a habitable floor.
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.	0	< 8 hours	0		Target met. There were no flooding events in 2017/18 as defined by the measure above.
The number of complaints received by Council about the performance of its stormwater system, expressed per 1000 properties connected to the stormwater system.	0.91 per 1000 properties per quarter	<1 per 1000 properties per quarter	0.47 per 1000 properties per quarter		Target met.
Council's level of compliance with resource consents for discharge from its stormwater system, measured by the number of the following notices, orders or convictions received in relation to those consents: <ul style="list-style-type: none"> <li>- Abatement notices</li> <li>- Infringement notices</li> <li>- Enforcement orders</li> <li>- Convictions</li> </ul>	0	0	0		Target met.

## Potential significant negative effects

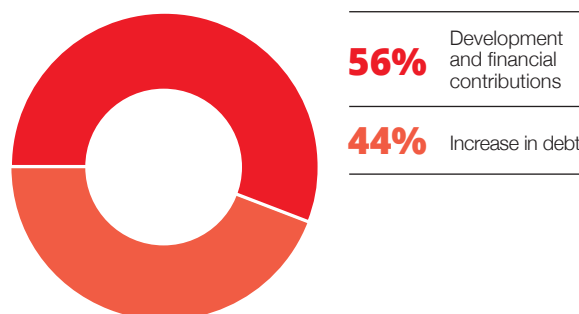
Potential negative effect	How we are addressing this
Discharges to land and waterways not complying with resource consents.	Improve processes (may be capital related) and continue to monitor discharges.
Discharge of contaminants to waterways and streams impacting upon public health and the environment (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 undertook a major programme of work to invest in upgrading our wastewater systems around the district in line with our Annual Plan consultation for 2017/18.

This consultation, and the decisions arising from it, was prompted by an independent report we commissioned in August 2016 after spills closed Raglan Harbour three times that year, resulting in a formal warning from the Waikato Regional Council. The report outlined network weaknesses that contributed to wastewater overflows district-wide and recommended a series of steps to fast-track improvements.

We also identified a new way of managing all our waters services – water, wastewater and stormwater – and began progressing this with the community support provided through our Long Term Plan 2018-28 consultation. We expect to save at least \$28.3 million in the next decade by negotiating a contract with Watercare Services Ltd to manage our three waters services under the guidance of a professional Council-appointed Waters Governance Board that includes Waikato-Tainui representation.

### District-wide continuous improvement programme

In 2017/2018 we completed the second year of a \$1.76 million 'continuous improvement programme' to mitigate the risk of wastewater overflows with a particular focus on protecting waterways and environmentally sensitive areas. We:

- Cleaned 42kms of wastewater pipes in Raglan, Huntly, Ngaruawahia, Meremere, Te Kauwhata, Tuakau and Pokeno and inspected them via Closed Circuit Television (CCTV) cameras, including smoke testing in some areas;
- Established a programme of priority renewals and replacements for the district's 2018-28 Long Term Plan;
- Used a portable generator at Raglan's Marine Parade pump station and installed a permanent back-up generator at Raglan's Greenslade Road pump station to safeguard operations from power outages, and successfully protected the harbour from overflows on at least two occasions during storms in March and April;
- Rolled out a district-wide public wastewater education campaign (after a successful trial in

Raglan) to help reduce the blockages caused by foreign objects in the network that have caused 80% of wastewater overflows in the district.

The public education campaign has used a variety of channels from fliers and direct mail to electronic and social media, as well as school visits, to inform the community to flush only pee, poo and paper down the loo and to dispose of grease, fats and oils in the bin, not down the sink. Foreign objects that have caused blockages include wipes, clothing, sanitary pads and nappies flushed down toilets, grease, oil and food scraps poured down kitchen sinks, and even curtains, chairs, railway iron and concrete thrown or poured down manholes.

Our wastewater education campaign was bolstered by an Enviroschools programme we ran with the Waikato Regional Council in our primary schools, and a Smart Waikato employer programme for secondary students that included trips to our treatment plants and pump stations to interest them in engineering careers.

We also continued 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.

### Development-led works







We completed construction of phase 2 of the new Pokeno wastewater system to reticulate all dwellings on the western side of the motorway. This also services the existing village so that septic tanks can be phased out. We added more than 70 new connections to the network as a result.

We completed the business case for infrastructure work in Te Kauwhata, including wastewater, to secure \$38 million from the Government's Housing Infrastructure Fund.

### Treatment plant upgrades

We developed a maintenance and improvement programme for all our treatment plants in order to improve compliance. We undertook interim maintenance at our Meremere treatment plant before starting on designs for an upgrade programme. We also completed designs for upgrading the filtration system at the Raglan treatment plant to improve compliance with consented discharge standards.

## How we did

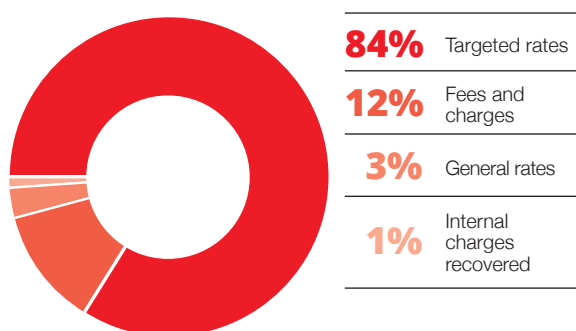
Performance measures	2016/17 result	2017/18 target	2017/18 result	Rating	Explanation
The number of dry weather sewage overflows from Council's system expressed per 1000 sewage connections to that sewage system.	1.8	Equal or less than 5	1.9		Target met.
Where Council attends to sewage overflows resulting 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.	30 minutes	Less than or equal to 1 hour (60 minutes)	42 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.	106 minutes	Less than or equal to 4 hours (240 minutes)	139 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					
	7.3 per 1000 connections	Less than or equal to 25 per 1000 connections	7.0 per 1000 connections		Target met.
Council's level of compliance with resource consents for discharge from its wastewater system, measured by the number of:					
- Abatement notices					
- Infringement notices					
- Enforcement orders					
	0	Equal or less than 2	0		Target met.
- Convictions					
	0	0	0		Target met.

## Potential significant negative effects

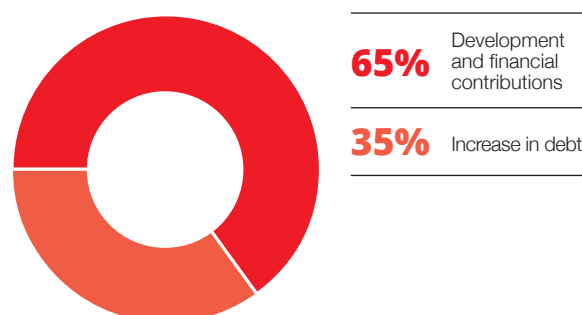
Potential negative effect	How we are addressing this
Discharges to land and waterways not complying with resource consents.	Improve processes (may be capital related) and continue to monitor discharge.
Odour from manholes, pump stations and at treatment plants.	Improve process and implement improvements (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 continued to address the need for a safe and adequate water supply for our district, with a particular focus on our fast-growing communities.

We identified a new means of managing all our waters services and began progressing this following consultation with our community on our Long Term Plan 2018-28.

We also charted a one-year baseline of water usage in the district after completing our district-wide water metering programme.

## Waters services management

We worked with other Councils and agencies to investigate joint options for future management of all our waters services – water, wastewater and stormwater. The goal was to find the best means of providing fit-for-purpose infrastructure and services at an affordable price, while meeting challenges that were identified as including: significant capital investment requirements; anticipated tougher environmental, regulatory and public health standards following from the Havelock North drinking water inquiry; and market shortages of skilled staff.

The option chosen, through consultation on our Long Term Plan 2018-28, was to contract Watercare Services Ltd to provide the district's three waters services under the control of a professional Council-appointed Waters Governance Board. This option will be progressed in the new financial year. It is expected to save up to \$28.3 million or more over the next 10 years and keep targeted rates increases under 5% for those services from 2019/20.

## Security of supply

The first of two new water reservoirs for Pokeno was installed, and extensions to the water supply network in Pokeno were constructed as required to meet the needs of new subdivision in the area.

Planning work was undertaken for the installation of a new water reservoir in Matangi.

## Safe water

We continued a staged 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.

## Water quality

Raglan's tap water was judged the best tasting tap water in the country against samples supplied by 16 councils at the annual Water Industry Operations Group (WIOG) New Zealand Water Taste Test in May. An independent judging panel decided our sample, taken from Raglan, was the best-tasting water while also factoring in how it looked and smelled. Raglan's tap water is sourced from an artesian spring from the hills above Raglan.







We continued to work hard to deal with episodic incidents of discoloured water in Huntly. We are managing this through a regular flushing programme until further research determines a better solution.

## Sustainability

To facilitate the sustainable supply and consumption of drinking water in our district, we completed a programme to meter all properties connected to our water infrastructure and switched all newly metered properties to water meter charging from the start of the financial year. This metering programme is designed 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.







We have now charted a definitive one-year baseline of drinking water usage in our district at 240 litres per resident per year. Our baseline results also tell us our network is in average condition compared with other councils in New Zealand.

## How we did

Performance measures	2016/17 result	2017/18 target	2017/18 result	Rating	Explanation
<p>The extent to which Council's drinking water supply complies with:</p> <ul style="list-style-type: none"> <li>- Part 4 of the drinking water standards (bacteria compliance criteria).</li> </ul>	18	18 (no. of zones that comply out of 18)	17		<p>We had a technical non-compliance in our routine sampling regime, which has now been adjusted for future years. Water was treated to a safe standard.</p>
<ul style="list-style-type: none"> <li>- Part 5 of the drinking water standards (protozoal compliance criteria).</li> </ul>	18	15 (no. of zones that comply out of 18)	15		<p>Target met. Three of our drinking water zones are too small to require compliance reporting on this standard. They comply with Part 10 of the drinking water standards (small water supplies).</p>
<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"> <li>- Attendance for urgent call-outs: from the time that Council receives notification to the time that service personnel reach the site.</li> </ul>	28 minutes	Equal or less than 1hr (60 minutes)	38 minutes		Target met.
<ul style="list-style-type: none"> <li>- 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.</li> </ul>	88 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"> <li>- Attendance for non-urgent call-outs: from the time that Council receives notification to the time that service personnel reach the site.</li> </ul>	1 day	Equal or less than five days	1		Target met.
<ul style="list-style-type: none"> <li>- 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.</li> </ul>	1 day	Equal or less than five days	1		Target met.

Performance measures	2016/17 result	2017/18 target	2017/18 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"> <li>- Drinking water clarity</li> <li>- Drinking water taste</li> <li>- Drinking water odour</li> <li>- Drinking water pressure or flow</li> <li>- Continuity of supply</li> <li>- The local authority's response to any of these issues</li> </ul>	22 per 1000 connections	Maximum 17 per 1000 connections	26 per 1000 connections		We received multiple complaints about single 'dirty water' events in the first half of the year. A common theme concerns the clarity of Huntly's drinking water. We are managing this through a flushing programme until further research determines the cause and possible resolution.
The average consumption of drinking water per day per resident within the Waikato district.	270L per annum	240L per annum	240L per annum		Target met.
The percentage of real water loss from Council's networked reticulation system.					
- Tuakau	14.5%	<15%	10%		Target met.
- Pokeno	34.2%	<15%	44%		A one-off data quality issue may have impacted the result. We're investigating a solution.
- Mid Waikato	34.4%	<25%	31%		We improved our result but also tightened our target.*



Performance measures	2016/17 result	2017/18 target	2017/18 result	Rating	Explanation
- Central Districts	33.5%	<20%	27%		We improved our result but also tightened our target.*
- Raglan	28.1%	<25%	29%		We tightened the target and expect to do better in future years as a result of our district-wide metering programme.*
- Huntly	30.5%	<15%	22%		We improved our result but also tightened our target.*
- Southern & Western Districts	15.3%	<15%	14%		Target met.
- Onewhero	10.6%	<20%	17%		Target met.
- Port Waikato	53%	<20%	28%		We improved our result but also tightened our target.*
- Te Akau	34%	<20%	38%		The high loss is due to the need to empty a reservoir due to over-chlorination.
- Taupiri / Hopuhopu	Not measured	<10%	Not measured	Not measured	This scheme is now included in Central Districts.

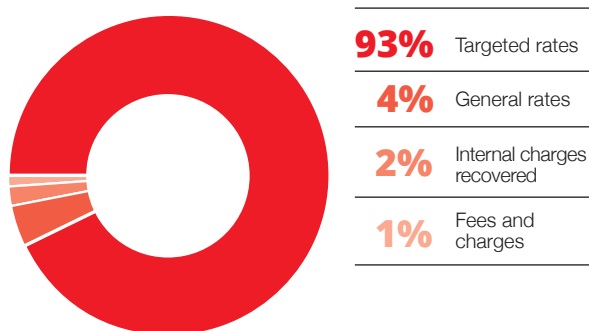
*\*Our district-wide water metering programme should help us to track, locate and fix water loss from household and Council infrastructure and we expect to see improvements in our results each year going forward.*

## Potential significant negative effects

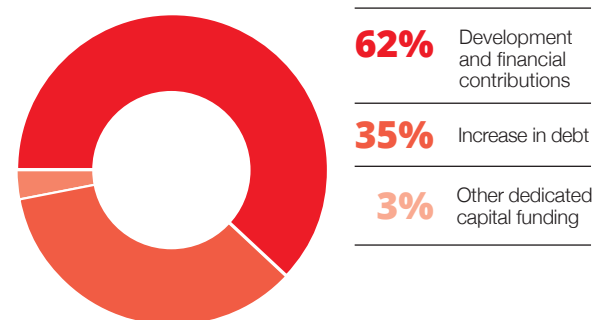
Potential negative effect	How we are addressing this
Potential contamination of the raw water supply.	Emergency response plans, operational procedures and monitoring of the raw water supply as per the Water Safety Plan (WSP) are all in place.
Discharges of backwash water from treatment plants and chlorinated 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.

Alongside the development of our new Council vision and Long Term Plan (LTP) 2018-28, we undertook a major project to review our commitments and our organisational capabilities. This will help us to realign our operations in the new financial year to provide the internal resources required to achieve our long term goals and community outcomes.

We reviewed and streamlined our project management systems, and introduced an internal training programme to raise our project management skill levels. By refining our risk management frameworks, we also clarified the boundaries within which staff can be empowered to take initiatives to support our goals.

We developed an Information Management (IM) roadmap to identify technology solutions to support our strategic goals, and this was approved and budgeted through the LTP 2018-28.

Among some of the IM projects undertaken during the year we:

- Upgraded our disaster recovery capability with an off-site back-up server to support business continuity in case our main data centre becomes inoperable,
- Completed an electronic cash receipting project to streamline our electronic payments systems for our ratepayers,
- Moved our library catalogue system to the National Library cloud-based system Kotui, and gave our district library users access to more than 13,000 electronic books and magazines through two new online applications,
- Created all the online maps and 'layers' required to support the development and release of our proposed District Plan,
- Put the framework in place for a project to digitise all our paper records.

We also prepared a business case to build a single online portal for access to geospatial data from local authorities across the region to respond to increased demand for property information, and online consenting services, as the region develops and grows. (See also page 56 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 saved more than \$595,000 through a variety of initiatives, including procurement through MBIE-led 'all of government' contracts.

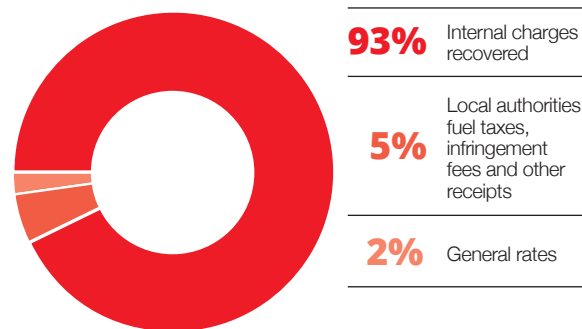
### Health and safety programme

To support a culture of health and safety awareness, we reviewed and redesigned our 'Zero Harm' programme to concentrate on three key areas: disciplined management systems, believable and capable leadership, and managed risks.

We focussed our activities on managing our critical risks, and ensuring compliance with all relevant legislation and regulations. We also continued to place a strong emphasis on personal health and wellbeing by offering personal health testing and annual influenza vaccinations.

## How we paid for it

### Operational 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.	We reviewed our representation arrangements for the next elections. 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 decisions significantly impact our customers, we have sought the opinions of our communities. Consultation on the Long Term Plan 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 80 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 135 staff trained in civil defence emergency management. We updated our CDEM Plan in line with legislative changes focused on community recovery.
People	To build community capacity by encouraging voluntary and community-based organisations to provide activities and services.	We committed grants totalling more than \$800,000 from Council-owned or administered funds for distribution to 174 organisations to enable communities to meet some of their own needs.
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 86% of our customers are satisfied or very satisfied with the parks and reserves that we provide.
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, 82% of respondents are satisfied with their local pool facility (with overall pool visitor numbers up 17%), and 75% of customers in Council housing for the elderly are satisfied with their housing service.
Economy	To ensure that a seamless consistent quality service is provided to our customers via a range of channels.	Nearly two-thirds of our customer satisfaction survey respondents said they were satisfied with the overall service received (66%) and that it took little or no effort to conduct business with the Council (64%). We use a range of engagement 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 spending in the District increased 12.2% to \$128M in the March 2018 year. We supported Hamilton & Waikato Tourism, and the establishment of a Regional Economic Development Agency. Our Open Waikato website generated 272 business-related enquiries.
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 second 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 including our goal to be on-site within an hour for 95 per cent of emergency animal control call-outs. We ran 21 school visits in our 'Dogsmart Education Programme'.
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 had the opportunity to be engaged with over 80 projects throughout the year. Key projects included consultation on the development of our District Plan and our Long Term Plan consultation which included future management of our Waters services.
People	To ensure communities are well informed about the effects of waste and opportunities they have to reduce waste.	We engaged with our community on our Waste Management and Minimisation Plan. We undertook a number of initiatives including a Raglan food waste collection, diverting 123 tonnes of food waste from landfill to compost.
People	To ensure that activities are managed so that our communities are healthy and safe, legislative requirements are met and nuisance is managed.	We handled 316 alcohol licence applications, inspected or audited 320 food operations, responded to 225 requests for technical comment on a range of other matters, and responded to 1,214 noise complaints.
Economy	To ensure that timely and accurate information and efficient processes are provided to people planning to build on or purchase a property.	We introduced new digital 'back-of-house' systems to improve efficiencies in handling consent applications. Some 80 per cent of our building consents customers now use the new paperless system.
Economy	To ensure sustainable growth is encouraged in appropriate locations supported by well-planned essential services.	We notified our proposed District Plan which provides a new spatial vision for our district with updated guidelines for development.
Energy	To ensure that planning controls assist in protecting cultural heritage and the natural and physical environment.	Our proposed District Plan includes rules for protecting the district's environment and heritage.
Energy	To ensure that our waste and recycling services are efficient and effective and protect our natural environment.	We undertook a district-wide waste assessment to underpin our review of our Waste Management and Minimisation Plan. The next step is to review our waste services to ensure they align with the new plan.

## Roading

Community outcomes		Progress
People	To ensure that the district is easy and safe to get around and alternative transport options are available.	We re-surfaced 127.7kms of sealed roads, maintained a road safety education programme and investigated alternative transport options.
Economy	To ensure that transport infrastructure is planned at a rate to consider growth and demand in a cost effective manner.	We made progress on plans to support new developments in Pokeno, Te Kauwhata and Tuakau. We assessed the work required to establish commuter rail facilities at Tuakau and Huntly rail stations and set aside \$500,000 for further work.
Energy	To ensure that the network is well maintained and negative environmental effects are mitigated.	During the past year we surfaced 110.4 km of sealed roads, completed 17.3 km of road strengthening work, undertook 1,323 kms of grading on unsealed roads, and filled 4,000 potholes.

## 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.	We completed work to upgrade the Ngaruawahia stormwater network, started work to upgrade the Raglan stormwater network, oversaw development-led extensions of the network in Pokeno, and worked on a stormwater catchment management plan for Tuakau.

## 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 continued 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.
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 completed the second year of a \$1.76m programme of works to improve our current network.
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.	We rolled out a district-wide public wastewater education campaign to help reduce the blockages caused by foreign objects in the network that have caused 80% of wastewater overflows in the district.



## 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 despite a technical non-compliance in our routine water sampling regime for one of our two performance targets relating to drinking water.
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 examined options for managing our Waters services in the future, and expect to save at least \$28.3 million in the next decade by negotiating a contract with Watercare Services to manage our waters services under the guidance of a professional Council-appointed Waters Governance Board.
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.	We completed a switch to water meter charging for all properties connected to our water infrastructure to encourage water conservation, and help us locate and fix water losses.

## WHAT YOU GOT FOR \$1

We deliver a broad range of services to our diverse district of residents, business owners and visitors. Here's how we spent every \$1 we received from general rates.\*



\*This does not include targeted rates. A targeted rate funds a specific council activity or group of activities rather than general council services. For example, those who receive a refuse collection pay for it through a targeted rate. Those who don't receive it don't pay for it.

# FINANCIAL PATHWAY

## *TE ARA PUUTEA*

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

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**Council controlled organisations**

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**Council's Financial Returns**

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

Council has had a solid year of financial performance and met both strategic and regulatory benchmarks.

The Council's budgeted income for this financial year was \$120 million. Actual income earned was \$156 million, a positive variance of \$36 million. Vested assets, which are largely unbudgeted, account for the majority of the variance, along with additional subsidies to support LED street lighting and contributions received from development.

The Council's operational expenditure budget was \$111 million of which actual operational expenditure was \$117 million. This includes asset write-offs of \$3 million which are not a budgeted item. Taking this into account Council incurred \$3 million more than what was budgeted for 2017/18. This variance against budget relates mainly to consultancy spend to support staff shortages and significant programmes of work such as resource consenting, covered by additional fee income, and work on the housing infrastructure fund.

The capital programme relates to the 2017/18 projects as well as prior year projects still to be completed. It should be noted that the Annual Report depicts this actual progression against the 2017/18 budget only. In real terms, the \$40 million spend delivered 50 per cent of the entire work programme.

Variance in capital work programmes can arise for various reasons; differences in construction prices, related timing of subdivision activity within the district, adverse weather resulting in delays, public consultation timeframes and negotiations over land purchase.

\$52 million of capital works budget has been carried forward to the 2018/19 financial year. While this is significantly higher than the carry forward amount in the prior year, almost half of these projects relate to development projects outside the direct control of council in terms of timing (\$22 million) with a further \$14 million of work in progress but not completed before the end of the financial year.

Debt at the end of June 2018 was \$80 million; \$19 million lower than the forecast of \$99 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 2017/18.

**Cr Janet Gibb**

Chair Strategy & Finance

**Tony Whittaker**

General Manager 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 \$2.6 million before tax during the 2017/18 year due to increased revenue from increased passenger numbers, commercial landing charges, car-parking fees and land sales. 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 2017/18	Target met
Earnings before interest, taxation and depreciation (EBITDA)	\$2.374M	\$3.023M	
Net surplus/(deficit) after tax	(\$366K)	(\$36K)	
Shareholders' funds to total assets	76.00%	79.00%	
Percentage of non-landing charges revenue to total revenue	76.00%	85.00%	
Total liabilities/shareholders' funds: (debt/equity ratio)	35:65	26:74	
Net operating cashflow	\$1.700M	\$2.760M	
Net investing cashflow	(\$1.500M)	(\$4.710M)	
Funding Titanium Park Limited	\$0	\$0	
Net cashflow (operating & investing)	\$200K	(\$1.950M)	
Net debt	\$13.000M	\$13.145M	
Interest rate cover	5.0	6.0	








## Waikato Local Authority Shared Services Limited

Local authorities of the Waikato region established the Waikato Local Authority Shared Services (WLASS) Limited during 2005/2006, the 12 local authorities of the region, being Waikato Regional Council; Hamilton City Council; Hauraki District Council; Matamata – Piako District Council; Otorohanga District Council; Rotorua District Council; South Waikato District Council; Taupo District Council; Thames-Coromandel District Council; Waikato District Council; Waipa District Council and Waitomo District Council, jointly own the company.













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:

- Enable Waikato councils to collectively be more effective as a region on the national stage
- To encourage central government investment
- Achieve effectiveness and efficiency gains
- Reduce duplication of effort and eliminate waste
- Make it easier for customers to engage with councils in the region
- Promote and contribute to the development of best practice, and
- Promote business transformation to improve customer experience

Agreed measures	Statement of intent	Target met
Joint procurement initiatives will be investigated and implemented	Implement the recommendations of the procurement review 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	The WLASS board will review the financial statements quarterly	
Administration expenditure shall be managed and monitored	Administration expenditure shall not exceed budget by more than 5% without board approval	
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 Waikato Mayoral Forum	Approved invoices for mayoral forum projects are paid by the 20th of the month following receipt	



Agreed measures	Statement of intent	Target met
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 All capital enhancement work is supported by a business case	
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	
All stakeholders are informed about the roading accord technical alliance (RATA) projects and achievements	Reports are provided six monthly Reports include a summary of savings	
Annual forward works programme tours are completed to share knowledge and experience	Councils participate in the Annual Forward Works Programme tour Report provided on tour outcomes	
Sub-regional data collection contracts deliver good quality data on roading assets	Contracts for renewal are tested for competitiveness and renegotiated or tendered through a competitive process Any data issues are identified, resolved and reported to stakeholders	
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	
	The "Collaboration in Action" document is complete and circulated to shareholders	

## Waikato District Community Wellbeing Trust

In 2010, the Waikato Foundation Trust proposed to distribute its capital fund to projects or trusts to fund projects 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 the Waikato District Council.








The Trust had the following grant commitments as at the end of June:

Recipient	Purpose of grant	Amount
Raglan Community Arts Centre Trust	Towards construction of a new theatre and clay shed on the Old School site in Raglan	20,000
Ngaruawahia RSA Memorial Club Inc	To upgrade building roof	20,000
Tuakau Youth Sport Trust	To build a new skatepark in Tuakau	20,000
Waikato District Crime Prevention Technology Trust	To upgrade existing CCTV cameras and monitoring equipment in Huntly	30,000
Te Kauwhata & Districts Information & Support Centre Inc (The Community House)	To purchase the existing Community House building & land	40,000
Taupiri Rugby Football Club Inc	To install three Panasonic heating units	9,000
Ngaruawahia Squash Racquets Club	To upgrade bathroom facilities	8,000
Bush Tramway Club (Inc)	To extend existing carriage storage shelter	10,000
Matangi-Hillcrest Sports Club Inc	To remedy water supply issues	6,162
Waikato District Crime Prevention Technology Trust	To upgrade existing CCTV cameras and monitoring equipment across the Waikato District (excluding Huntly)	25,000
<b>Total</b>		<b>\$188,162</b>

A summary of the trust performance for the 2017/18 year is provided in the table below:

Agreed measures	Statement of Intent	Target met
<b>Governance:</b> 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	
<b>Investment:</b> 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	
<b>Fund disbursement:</b> 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	

## Council's Financial Returns

Returns on investment	Limit	2017/18 results	Our performance
Financial	4%	8%	
Property	10%	8%	
<b>Returns on equity as follows:</b>			
Strada Corporation Ltd (before capital return)	11%	0%	
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 2018

		Council			Group	
	Note	2017/18 Actual \$'000	2017/18 Budget \$'000	2016/17 Actual \$'000	2017/18 Actual \$'000	2016/17 Actual \$'000
Revenue						
Rates	2	77,405	77,463	71,719	77,405	71,719
Development and financial contributions		12,633	8,445	8,547	12,633	8,547
Subsidies and grants		18,507	16,561	19,317	18,507	19,317
Finance revenue	3	466	100	156	474	173
Other revenue	4	46,928	17,879	35,152	47,321	35,724
Total revenue		155,939	120,448	134,891	156,340	135,480
Expenses						
Employee costs	6	27,452	29,477	26,912	27,452	27,193
Depreciation and amortisation expense	7	26,093	26,948	25,132	26,093	25,193
Finance costs	3	4,113	4,393	3,659	4,113	3,659
Other expenses and losses	8	59,772	50,631	57,700	60,070	58,356
Total operating expenses		117,430	111,449	113,403	117,728	114,401
Surplus (deficit) before tax		38,509	8,999	21,488	38,612	21,079
Income tax expense	9	-	-	-	-	-
Surplus (deficit) after tax wholly attributable to Waikato District Council		38,509	8,999	21,488	38,612	21,079
Other comprehensive revenue and expense						
Gain(loss) on property revaluations	15	42,940	40,016	64,849	42,940	64,849
Revaluation reserve – landfill	21	(51)	-	(204)	(51)	(204)
Financial assets at fair value through other comprehensive revenue		469	-	10,162	469	10,162
Other comprehensive revenue and expense (net of tax)		43,358	40,016	74,807	43,358	74,807
Total comprehensive revenue and expense for the year		81,867	49,015	96,295	81,970	95,886

The accompanying notes form part of these financial statements.

Explanations of major variances against budget are provided in Note 34.



# STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

		Council			Group	
	Note	2017/18 Actual \$'000	2017/18 Budget \$'000	2016/17 Actual \$'000	2017/18 Actual \$'000	2016/17 Actual \$'000
Assets						
Current assets						
Cash and cash equivalents	10	14,932	7,720	3,705	15,716	4,473
Receivables from exchange transactions	11	5,338	7,924	3,433	5,412	3,342
Recoverables from non-exchange transactions	11	5,662	6,106	5,912	5,662	5,912
Prepayments		821	616	703	821	701
Other financial assets	13	1,009	59	10,967	5,047	14,629
Cattle	12	101	102	110	101	110
Non-current assets held for sale	14	-	386	-	-	5
Total current assets		27,863	22,913	24,830	32,759	29,172
Non-current assets						
Investment in CCO's and other similar entities	13	14,186	3,558	13,716	13,486	13,016
Investments in other entities	13	1,301	809	1,219	1,301	1,729
Property, plant and equipment	15	1,799,366	1,755,574	1,720,737	1,799,366	1,720,737
Intangible assets	16	5,542	5,960	5,981	5,542	5,981
Investment property	17	545	475	490	545	490
Total non-current assets		1,820,940	1,766,376	1,742,143	1,820,240	1,741,953
Total assets		1,848,803	1,789,289	1,766,973	1,852,999	1,771,125
Liabilities						
Current liabilities						
Payables under exchange transactions	18	13,825	24,929	16,548	13,868	16,646
Taxes and transfers payable	18	1,397	993	1,128	1,398	1,128
Derivative financial instruments	22	65	-	244	65	244
Borrowing	20	10,000	15,988	20,000	10,000	20,000
Employee entitlements	19	2,890	3,521	2,790	2,890	2,790
Provisions	21	111	419	99	111	104
Total current liabilities		28,288	45,850	40,809	28,332	40,912
Non-current liabilities						
Derivative financial instruments	22	7,192	5,561	4,719	7,192	4,719
Borrowing	20	70,000	82,712	60,000	70,000	60,000
Employee entitlements	19	114	213	99	114	99
Provisions	21	2,008	1,578	2,012	2,008	2,012
Total non-current liabilities		79,314	90,064	66,830	79,314	66,830
Total liabilities		107,602	135,914	107,639	107,646	107,742
Net assets		1,741,201	1,653,375	1,659,334	1,745,353	1,663,383
Net assets/equity						
Accumulated comprehensive revenue and expense		1,062,601	1,061,464	1,029,070	1,063,766	1,030,204
Other reserves		678,600	591,911	630,264	681,587	633,179
Total net assets/equity		1,741,201	1,653,375	1,659,334	1,745,353	1,663,383

The accompanying notes form part of these financial statements.

Explanations of major variances against budget are provided in Note 34.

# STATEMENT OF CHANGES IN NET ASSETS / EQUITY

For the year ended 30 June 2018

	Council			Group	
	2017/18 Actual \$'000	2017/18 Budget \$'000	2016/17 Actual \$'000	2017/18 Actual \$'000	2016/17 Actual \$'000
<b>Balance at the beginning of the year</b>					
<b>Accumulated comprehensive revenue and expense</b>	<b>1,029,070</b>	<b>1,042,700</b>	1,004,834	<b>1,030,204</b>	1,006,334
<b>Other reserves</b>					
Revaluation	625,482	584,212	562,131	625,482	562,243
Restricted	181	174	174	3,096	3,020
Council-created	26,526	18,370	22,482	26,526	22,482
Special rates and user pays	(6,185)	(9,331)	(3,331)	(6,185)	(3,331)
Capital replacement fund	13,648	7,999	13,331	13,648	13,331
Development contributions	(39,593)	(39,807)	(36,625)	(39,593)	(36,625)
Fair value through other comprehensive revenue and expense	10,205	43	43	10,205	43
<b>Balance at 1 July as previously reported</b>	<b>1,659,334</b>	<b>1,604,360</b>	1,563,039	<b>1,663,383</b>	1,567,497
<b>Comprehensive revenue and expense for the year</b>					
<b>Accumulated comprehensive revenue and expense</b>					
Surplus (deficit) after tax	38,509	8,999	21,488	38,612	21,079
<b>Other reserves</b>					
Revaluation	42,940	40,016	64,849	42,940	64,849
Revaluation – landfill	(51)	-	(204)	(51)	(204)
Fair value through other comprehensive revenue and expense	469	-	10,162	469	10,162
<b>Total comprehensive income for the year wholly attributable to Waikato District Council</b>	<b>81,867</b>	<b>49,015</b>	96,295	<b>81,970</b>	95,886
<b>Transfers to (from) accumulated comprehensive revenue and expense</b>					
<b>Accumulated comprehensive revenue and expense</b>	<b>(4,978)</b>	<b>9,765</b>	2,748	<b>(5,050)</b>	2,791
<b>Other reserves</b>					
Revaluation	(1,118)	-	(1,294)	(1,118)	(1,406)
Restricted	6	1	7	78	76
Council-created	1,016	(3,253)	4,044	1,016	4,044
Special rates and user pays	(218)	(913)	(2,854)	(218)	(2,854)
Capital replacement fund	2,438	170	317	2,438	317
Development contributions	2,854	(5,770)	(2,968)	2,854	(2,968)
<b>Total transfers to (from) accumulated comprehensive revenue and expense</b>	<b>-</b>	<b>-</b>	-	<b>-</b>	-
<b>Balance at 30 June wholly attributable to Waikato District Council</b>	<b>1,741,201</b>	<b>1,653,375</b>	1,659,334	<b>1,745,353</b>	1,663,383

The accompanying notes form part of these financial statements.  
Explanations of major variances against budget are provided in Note 34.

# STATEMENT OF CHANGES IN NET ASSETS / EQUITY

For the year ended 30 June 2018 - *Continued*

	Council			Group	
	2017/18 Actual \$'000	2017/18 Budget \$'000	2016/17 Actual \$'000	2017/18 Actual \$'000	2016/17 Actual \$'000
<b>Represented by net assets/equity at the end of the year</b>					
<b>Accumulated comprehensive revenue and expense</b>	<b>1,062,601</b>	<b>1,061,464</b>	1,029,070	<b>1,063,766</b>	1,030,204
<b>Other reserves</b>					
Revaluation	667,253	624,228	625,482	667,253	625,482
Restricted	187	175	181	3,174	3,096
Council-created	27,542	15,117	26,526	27,542	26,526
Special rates and user pays	(6,403)	(10,244)	(6,185)	(6,403)	(6,185)
Capital replacement fund	16,086	8,169	13,648	16,086	13,648
Development contributions	(36,739)	(45,577)	(39,593)	(36,739)	(39,593)
Fair value through other comprehensive revenue and expense	10,674	43	10,205	10,674	10,205
<b>Balance at 30 June wholly attributable to Waikato District Council</b>	<b>1,741,201</b>	<b>1,653,375</b>	1,659,334	<b>1,745,353</b>	1,663,383

*The accompanying notes form part of these financial statements.*

*Explanations of major variances against budget are provided in Note 34.*

# STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

		Council			Group	
	Note	2017/18 Actual \$'000	2017/18 Budget \$'000	2016/17 Actual \$'000	2017/18 Actual \$'000	2016/17 Actual \$'000
Cash flows from operating activities						
Receipts						
Receipts from rates revenue		76,667	71,155	72,164	76,667	72,164
Subsidies received		18,909	17,251	19,500	18,909	19,500
Contributions received		13,134	8,970	9,221	13,134	9,221
Receipts from other revenue		17,721	23,843	21,866	17,721	22,340
Interest received		522	100	96	530	113
Dividends received		31	400	700	47	34
Goods and service tax (net)		169	-	571	186	528
Payments		-	-	-	-	-
Payments to employees		(27,337)	(29,342)	(27,827)	(27,337)	(28,084)
Payments to suppliers		(53,594)	(51,161)	(54,858)	(53,750)	(55,566)
Interest paid		(3,841)	(4,393)	(3,566)	(3,841)	(3,566)
Net cash flows from (used in) operating activities	24	42,381	36,823	37,867	42,266	36,684
Cash flows from investing activities						
Proceeds from the sale of property, plant and equipment		2,590	202	1,884	2,590	1,884
Proceeds from the sale of investments		-	256	3,801	4,546	2,311
Proceeds from the sale of non-current assets held for sale		-	-	653	-	3,878
Community loan repayments received		75	-	61	75	61
Receipts from repayment of advance		-	-	-	125	-
Purchase of intangible assets		(312)	(1,848)	(1,214)	(312)	(1,214)
Purchase of property, plant and equipment		(43,209)	(63,101)	(52,379)	(43,209)	(52,379)
Acquisition of investments		9,703	(618)	(10,978)	5,164	(13,388)
Net cash flow from (used in) investing activities		(31,153)	(65,109)	(58,172)	(31,021)	(58,847)
Cash flows from financing activities						
Proceeds from borrowing		10,000	48,300	20,000	10,000	20,000
Repayment from related party		-	-	-	-	115
Repayment of borrowing		(10,000)	(20,000)	-	(10,000)	-
Net cash flow from financing activities		-	28,300	20,000	-	20,115
Net increase (decrease) in cash, cash equivalents and bank overdrafts		11,228	14	(305)	11,245	(2,048)
Cash, cash equivalents and bank overdrafts at the beginning of the year		3,704	7,706	4,010	4,471	6,521
Cash, cash equivalents and bank overdrafts at the end of the year		14,932	7,720	3,705	15,716	4,473

The accompanying notes form part of these financial statements.

Explanations of major variances against budget are provided in Note 34.

# STATEMENT OF RESERVE FUNDS

For the year ended 30 June 2018

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 2017 \$'000	Transfers into fund \$'000	Transfers out of fund \$'000	Closing Balance 30 June 2018 \$'000
Conservation fund	To fund expenditure items for conservation purposes.	Sustainable environment	670	188	(185)	673
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	53	381	(459)	(25)
Housing for the elderly	Income from housing for the elderly is put aside for use on the properties involved.	Sustainable communities	(25)	187	(284)	(122)
Plant reserve	Reserve used for control of expenditure and sale proceeds for vehicle and other plant running and maintenance costs.	Organisational support	283	1,360	(1,188)	455
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	127	166	(126)	167
Raglan Kopua Holiday Park reserve	Income and expenditure for Kopua Camp at Raglan is kept separate. The camp operation is self-funding.	Sustainable communities	1,032	1,471	(1,404)	1,099
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	275	178	(194)	259
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	46	50	(67)	29
Disaster recovery fund	Fund set aside for use in the event of a disaster.	Organisational support	483	1,077	(1,155)	405
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	56	2	-	58

The accompanying notes form part of these financial statements.

Explanations of major variances against budget are provided in Note 34.

# STATEMENT OF RESERVE FUNDS

For the year ended 30 June 2018 – Continued

Reserve	Purpose	Related activities	Opening Balance 1 July 2017 \$'000	Transfers into fund \$'000	Transfers out of fund \$'000	Closing Balance 30 June 2018 \$'000
North Waikato development reserve	Remaining funds with interest credits from the Department of Corrections for use to assist the local community.	Sustainable communities	337	13	-	350
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	16	1	(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	686	-	(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	2,057	-	(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	296	10	(48)	258
Structure plan non-growth reserve	Reserve to provide funding for the non-growth element of Structure Plan development.	Organisational support	757	130	-	887
Waste minimisation reserve	To manage waste minimisation grants and qualifying expenditure.	Sustainable environment	333	1,534	(1,561)	306
Huntly College Jubilee Award	A restricted reserve for the interest income to be used as educational sponsorship.	Sustainable communities	12	2	(1)	13
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 34.

Reserve	Purpose	Related activities	Opening Balance 1 July 2017 \$'000	Transfers into fund \$'000	Transfers out of fund \$'000	Closing Balance 30 June 2018 \$'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	151	6	(1)	156
Sundry reserves	Sundry reserves for township development and other operational purposes.	Sustainable communities	21,402	10,869	(8,047)	24,224
Targeted rate reserves – operational	Reserves to monitor operational costs in relation to special rates and user pays.	Stormwater, Sustainable communities, Sustainable environment, Wastewater, Water supply	(6,185)	3,595	(3,813)	(6,403)
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	13,648	20,274	(17,836)	16,086
Revaluation reserves	These non-cash reserves relate to the revaluation of property, plant and equipment to fair value.	Roading, Stormwater, Sustainable communities, Sustainable environment, Wastewater, Water supply, Organisational support	625,482	42,940	(1,169)	667,253
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	(34,060)	11,719	(7,535)	(29,876)
<b>Total reserves</b>			<b>630,264</b>	<b>96,153</b>	<b>(47,817)</b>	<b>678,600</b>

The accompanying notes form part of these financial statements.

Explanations of major variances against budget are provided in Note 34.



# 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 was a 50% party to a Joint Venture Agreement, Waikato Quarries Limited. The joint venture agreement ceased during the 2016/17 financial year. All the entities in which Council has an interest, either directly or through Strada, are incorporated and domiciled in New Zealand.

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

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

These financial statements of Council and the Group are for the year ended 30 June 2018. The financial statements were authorised for issue by Council on 8 October 2018.

### Basis of preparation

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

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

While the company has remained open in order to receive the final settlement payments in relation to the disposal of the joint venture, it is no longer 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 which have been early adopted

Standards and amendments issued but not yet effective which have been early adopted 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 has early adopted this amendment in preparing its financial statements for the 30 June 2018 year onwards. From 30 June 2018 onwards Council is 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 can therefore impair a revalued asset without having to revalue the entire class of asset to which the asset belongs.

## Standards issued and not yet effective and not early adopted

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

### 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

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

#### Employee entitlement provisions

Note 19 provides information about the estimates and assumptions surrounding the retirement gratuities and long service leave provision.

#### Landfill aftercare provision

Note 21 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 2017/18 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 33.

### **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	
	2017/18 Actual \$'000	2016/17 Actual \$'000
General rates	42,149	40,157
Uniform annual general charge	11,332	10,754
<b>Total general rates revenue</b>	<b>53,481</b>	<b>50,911</b>
<b>Targeted rates</b>		
Community boards	197	196
Community centres and facilities	630	617
Refuse & waste management	2,786	2,594
Stormwater	1,615	1,520
Wastewater	9,639	7,255
Metered water supply	5,444	3,115
Other water rates	2,931	4,566
<b>Total targeted rates</b>	<b>23,242</b>	<b>19,863</b>
Plus: Penalties revenue	1,435	1,483
<b>Total rates revenue</b>	<b>78,158</b>	<b>72,257</b>
Less: Rate remissions	(753)	(538)
<b>Total net rates</b>	<b>77,405</b>	<b>71,719</b>

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

	Council and Group	
	2017/18 Actual \$'000	2016/17 Actual \$'000
Land used for community and sporting purposes	196	188
Land protected for historical or cultural purposes	47	45
CV's under \$1,000	92	91
Rating exclusions	343	146
Maaori freehold land	75	68
<b>Total rates remissions</b>	<b>753</b>	<b>538</b>

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	
	2017/18 Actual \$'000	2016/17 Actual \$'000
Total number of rating units	31,283	30,571
Total land value	\$12,120m	\$11,984m
Total capital value	\$20,487m	\$20,039m

## 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	
	2017/18 Actual \$'000	2016/17 Actual \$'000	2017/18 Actual \$'000	2016/17 Actual \$'000
<b>Finance revenue</b>				
Interest – bank deposits	421	110	426	122
Interest – financial assets	-	1	-	6
Interest – community loans	14	16	14	16
Interest – other	-	1	3	1
Interest – LGFA borrower notes	31	28	31	28
<b>Total finance revenue</b>	<b>466</b>	<b>156</b>	<b>474</b>	<b>173</b>
<i>Less: Finance costs</i>				
Interest – bank borrowing	2	46	2	46
Interest – LGFA borrowing	2,332	2,021	2,332	2,021
Interest – swaps differences	1,662	1,471	1,662	1,471
Provision: discount unwinding	116	110	116	110
Other finance costs	1	11	1	11
<b>Total finance costs</b>	<b>4,113</b>	<b>3,659</b>	<b>4,113</b>	<b>3,659</b>
<b>Net finance costs</b>	<b>(3,647)</b>	<b>(3,503)</b>	<b>(3,639)</b>	<b>(3,486)</b>

## 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	
	2017/18 Actual \$'000	2016/17 Actual \$'000	2017/18 Actual \$'000	2016/17 Actual \$'000
Found assets	1,111	1,454	1,111	1,454
Vested assets	24,602	12,115	24,602	12,115
Dividends	31	700	47	35
Other revenue	10,188	10,669	10,182	10,775
Regulatory revenue	7,706	7,494	7,706	7,494
Fees and charges – Council	2,146	1,744	2,146	1,744
Fair value through surplus (deficit) – realised gain	-	-	344	115
Interest rate swaps revaluation gain	-	599	-	599
Property, plant and equipment gains on disposal	987	362	987	1,176
Investment property revaluation gain	55	15	55	15
Fair value through surplus (deficit) – gains on revaluation of property, plant and equipment	102	-	102	-
Fair value through surplus (deficit) – unrealised gains	-	-	39	202
<b>Total other revenue</b>	<b>46,928</b>	<b>35,152</b>	<b>47,321</b>	<b>35,724</b>



## 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	
	2017/18 Actual \$'000	2016/17 Actual \$'000	2017/18 Actual \$'000	2016/17 Actual \$'000
<b>Revenue from exchange transactions</b>				
Revenue from metered water supply	5,444	3,115	5,444	3,115
Development and financial contributions	12,633	8,547	12,633	8,547
Other fees and charges – Council	11,726	10,843	11,726	10,843
Finance revenue	466	156	474	173
Dividends received	31	700	47	35
Other exchange revenue	4,660	3,914	5,047	5,151
<b>Total revenue from exchange transactions</b>	<b>34,960</b>	<b>27,275</b>	<b>35,371</b>	<b>27,864</b>
<b>Revenue from non-exchange transactions</b>				
Revenue from rates	71,961	68,604	71,961	68,604
Vested and found assets	25,713	13,569	25,713	13,569
Regulatory revenue	1,637	1,677	1,637	1,677
Infringements and fines	227	227	227	227
NZTA government subsidies	18,145	19,112	18,145	19,112
Petrol tax	496	488	496	488
Other subsidies and grants	362	205	362	205
Other fees and charges – Council	1,420	2,026	1,420	2,026
Other non-exchange revenue	1,018	1,708	1,008	1,708
<b>Total revenue from non-exchange transactions</b>	<b>120,979</b>	<b>107,616</b>	<b>120,969</b>	<b>107,616</b>
Revenue from exchange transactions	34,960	27,275	35,371	27,864
Revenue from non-exchange transactions	120,979	107,616	120,969	107,616
<b>Total revenue per statement of comprehensive revenue and expense</b>	<b>155,939</b>	<b>134,891</b>	<b>156,340</b>	<b>135,480</b>

There are no unfulfilled conditions or other contingencies attached to subsidies and grants recognised (2017: \$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	
	2017/18 Actual \$'000	2016/17 Actual \$'000	2017/18 Actual \$'000	2016/17 Actual \$'000
Salaries and wages	26,689	26,765	26,689	27,106
Defined contribution plan employer contributions	649	610	649	618
Increase (decrease) in employee liabilities	114	(463)	114	(531)
<b>Total employee costs</b>	<b>27,452</b>	<b>26,912</b>	<b>27,452</b>	<b>27,193</b>

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

## Note 7 – DEPRECIATION AND AMORTISATION EXPENSE BY GROUP OF ACTIVITY

	Council	
	2017/18 Actual \$'000	2016/17 Actual \$'000
Water supply	2,336	2,165
Wastewater	3,130	2,996
Stormwater	699	611
Roading	13,896	13,373
Sustainable environment	62	60
Sustainable communities	4,167	4,149
Governance	-	-
Organisational support	1,803	1,778
<b>Total directly attributable depreciation and amortisation</b>	<b>26,093</b>	<b>25,132</b>

## 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	
	2017/18 Actual \$'000	2016/17 Actual \$'000	2017/18 Actual \$'000	2016/17 Actual \$'000
Audit fees – Annual report	155	151	184	175
Audit fees – Long Term Plan	111	-	111	-
Other payments to Audit New Zealand	4	-	4	-
<b>Total payments to Audit New Zealand</b>	<b>270</b>	<b>151</b>	<b>299</b>	<b>175</b>
Asset write-off	2,917	4,705	2,917	4,705
Bad debt written off	142	397	154	397
Rates penalty write-offs	533	529	533	529
Other expenditure	43,247	43,527	43,393	43,869
Other personnel expenses	1,099	1,082	1,099	1,096
Inventories consumed	-	-	-	14
Minimum lease payments under operating leases	117	171	117	171
Legal expenses	476	809	476	818
Other professional fees	301	1,037	301	1,037
Consultant expenses	7,041	4,303	7,041	4,377
Grants and sponsorship	1,023	859	1,023	1,038
Fair value loss on cattle	8	8	8	8
Loss on revaluation of assets	-	122	-	122
Impairment of related party receivable	-	-	105	-
Property, plant & equipment – losses on disposal	303	-	309	-
Interest rate swaps revaluation loss	2,295	-	2,295	-
<b>Total other expenses and losses</b>	<b>59,772</b>	<b>57,700</b>	<b>60,070</b>	<b>58,356</b>

Other payments to Audit New Zealand were for the audit of the Debenture Trust Deed.

In 2017 no payments were made to Audit New Zealand apart from for audit of the annual report.

## 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	
	2017/18 Actual \$'000	2016/17 Actual \$'000	2017/18 Actual \$'000	2016/17 Actual \$'000
Operating surplus before tax expense	38,509	21,488	38,612	21,079
Prima facie tax at 28%	10,783	6,017	10,811	5,902
Non-assessable income (net)	(10,783)	(6,017)	(10,811)	(5,902)
Non-deductible expenditure	-	-	-	-
<b>Total income tax expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Made up of:</b>				
Deferred tax	-	-	-	-
Prior period adjustment	-	-	-	-
<b>Income tax expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Deferred tax (assets) liabilities

	Plant and Equipment \$'000	Employee entitlements \$'000	Other provisions \$'000	Total tax loss \$'000	Total \$'000
Balance at 1 July 2016	(7)	13	(83)	77	-
Charged to surplus (deficit)	-	-	-	-	-
Charged to other comprehensive income	-	-	-	-	-
<b>Balance at 30 June 2017</b>	<b>(7)</b>	<b>13</b>	<b>(83)</b>	<b>77</b>	<b>-</b>
Balance at 1 July 2017	(7)	13	(83)	77	-
Charged to surplus (deficit)	-	-	-	-	-
Charged to other comprehensive income	-	-	-	-	-
<b>Balance at 30 June 2018</b>	<b>(7)</b>	<b>13</b>	<b>(83)</b>	<b>77</b>	<b>-</b>

## 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	
	2017/18 Actual \$'000	2016/17 Actual \$'000	2017/18 Actual \$'000	2016/17 Actual \$'000
Cash at bank and on hand	1,132	905	1,615	1,673
Short term deposits maturing within three months or less from date of acquisition	13,800	2,800	14,101	2,800
<b>Total cash and cash equivalents per statement of financial position</b>	<b>14,932</b>	<b>3,705</b>	<b>15,716</b>	<b>4,473</b>
Bank overdrafts	-	-	-	-
<b>Cash and cash equivalents per statement of cash flows</b>	<b>14,932</b>	<b>3,705</b>	<b>15,716</b>	<b>4,473</b>

The total value of cash equivalents that can only be used for a specific purpose is \$187,495 (2017: \$181,029).

## 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	
	2017/18 Actual \$'000	2016/17 Actual \$'000	2017/18 Actual \$'000	2016/17 Actual \$'000
<b>Receivables from exchange transactions</b>				
Receivables from related parties	223	126	280	-
Water rates receivable	880	615	880	615
Other receivables from exchange transactions	4,325	2,909	4,342	2,944
<b>Gross receivables</b>	<b>5,428</b>	<b>3,650</b>	<b>5,502</b>	<b>3,559</b>
Provision for uncollectability	(90)	(217)	(90)	(217)
<b>Net receivables from exchange transactions</b>	<b>5,338</b>	<b>3,433</b>	<b>5,412</b>	<b>3,342</b>
<b>Recoverables from non-exchange transactions</b>				
Rates receivable	3,446	4,200	3,446	4,200
Recoverables from user charges, taxes and other non-exchange revenue	3,016	2,489	3,016	2,489
GST refund	247	416	247	416
<b>Gross recoverables</b>	<b>6,709</b>	<b>7,105</b>	<b>6,709</b>	<b>7,105</b>
Provision for uncollectability	(1,047)	(1,193)	(1,047)	(1,193)
<b>Net recoverables from non-exchange transactions</b>	<b>5,662</b>	<b>5,912</b>	<b>5,662</b>	<b>5,912</b>
Total gross receivables and recoverables	12,137	10,755	12,211	10,664
Total provision for uncollectability	(1,137)	(1,410)	(1,137)	(1,410)
<b>Total net recoverables and receivables</b>	<b>11,000</b>	<b>9,345</b>	<b>11,074</b>	<b>9,254</b>

### 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
<b>Council 2018</b>			
Not past due	10,456	-	10,456
Past due 1 – 60 days	294	-	294
Past due 61 – 120 days	47	-	47
Past due > 120 days	1,340	(1,137)	203
<b>Total gross recoverables and receivables</b>	<b>12,137</b>	<b>(1,137)</b>	<b>11,000</b>
<b>Council 2017</b>			
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
<b>Total gross recoverables and receivables</b>	<b>10,755</b>	<b>(1,410)</b>	<b>9,345</b>
<b>Group 2018</b>			
Not past due	10,530	-	10,530
Past due 1 – 60 days	294	-	294
Past due 61 – 120 days	47	-	47
Past due > 120 days	1,340	(1,137)	203
<b>Total gross recoverables and receivables</b>	<b>12,211</b>	<b>(1,137)</b>	<b>11,074</b>
<b>Group 2017</b>			
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
<b>Total gross recoverables and receivables</b>	<b>10,664</b>	<b>(1,410)</b>	<b>9,254</b>



## 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	
	2017/18 Actual \$'000	2016/17 Actual \$'000
Individual uncollectability	161	138
Collective uncollectability	976	1,272
<b>Total provision for uncollectability</b>	<b>1,137</b>	<b>1,410</b>

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	
	2017/18 Actual \$'000	2016/17 Actual \$'000
Past due 1 – 60 days	-	-
Past due 61 – 120 days	-	-
Past due > 120 days	161	138
<b>Total individual uncollectability</b>	<b>161</b>	<b>138</b>

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

	Council and Group	
	2017/18 Actual \$'000	2016/17 Actual \$'000
Balance at 1 July	1,410	1,260
Additional provision made during the year	135	56
Provisions reversed during the year	(37)	-
Debts written off during the period	(371)	94
<b>Balance at 30 June</b>	<b>1,137</b>	<b>1,410</b>

## Note 12 – CATTLE

### Accounting policy

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

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

	Council and Group	
	2017/18 Actual \$'000	2016/17 Actual \$'000
Balance at 1 July	110	102
Increase through purchases	109	117
Gains (losses) from fair value adjustments	(8)	(8)
Decrease through sales	(110)	(101)
<b>Balance at 30 June</b>	<b>101</b>	<b>110</b>

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 101 (2017: 102).

Council has no cattle with restricted title.

## Note 13 – OTHER FINANCIAL ASSETS

### Accounting policy

#### **Subsidiaries**

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

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

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

#### **Valuation**

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

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

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

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

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

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after 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 a hedge accounting relationship for which hedge accounting is applied. The current/non-current classification of derivatives is explained in the derivatives accounting policy in Note 22. 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	
	2017/18 Actual \$'000	2016/17 Actual \$'000	2017/18 Actual \$'000	2016/17 Actual \$'000
<b>Current portion</b>				
Term deposits	789	10,590	789	10,590
Equity instruments	-	-	2,210	1,951
Fixed interest instruments	-	-	1,828	1,711
LGFA borrower notes	160	320	160	320
Community loans	60	57	60	57
<b>Total current portion</b>	<b>1,009</b>	<b>10,967</b>	<b>5,047</b>	<b>14,629</b>
<b>Non-current portion</b>				
<i>Investments in CCO's and other similar entities</i>				
Waikato Local Authority Shared Services Limited (a)	219	219	219	219
Strada – shares	700	700	-	-
Waikato Regional Airport Limited	13,267	12,797	13,267	12,797
<b>Total investment in CCO's and similar entities</b>	<b>14,186</b>	<b>13,716</b>	<b>13,486</b>	<b>13,016</b>
<i>Investment in other entities</i>				
Community loans	119	197	119	197
LGFA borrower notes	1,120	960	1,120	960
Civic Financial Services Limited	62	62	62	62
Deferred settlement receivable	-	-	-	510
<b>Total investment in other entities</b>	<b>1,301</b>	<b>1,219</b>	<b>1,301</b>	<b>1,729</b>
<b>Total non-current portion</b>	<b>15,487</b>	<b>14,935</b>	<b>14,787</b>	<b>14,745</b>
<b>Total other financial assets</b>	<b>16,496</b>	<b>25,902</b>	<b>19,834</b>	<b>29,374</b>

- (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
			<b>229,550</b>	<b>10,376</b>	<b>219,174</b>

## Fair value

### Community loans

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

Their fair value is \$174,776 (2017: \$253,723). Fair value has been determined using cash flows discounted at the interest rate (current at 1 July 2018) charged by Council on community loans. The rate used is 5.49% (2017: 6.33%).

The face value of total community loans is \$171,454 (2017 \$259,330).

### Unlisted investments and advances

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

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

	Share of net assets	Fair value	
		2017/18	2016/17
Waikato Regional Airport Limited	15.6%	\$13,267,159	\$12,797,279
Civic Financial Services Limited	0.37%	\$62,239	\$62,809

## Note 14 – 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	
	2017/18 Actual \$'000	2016/17 Actual \$'000	2017/18 Actual \$'000	2016/17 Actual \$'000
Land	-	-	-	-
Buildings	-	-	-	-
Plant and equipment	-	-	-	5
<b>Total non-current assets held for sale</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>

At 30 June 2018 Council had no non-current assets held for sale (2017: none).

## Note 15 – 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	4 – 100	1 – 25%
Wastewater	3 – 100	1 – 33.3%
Urban stormwater	5 – 100	1 – 20%
Roading pavement - sealed	2 – 100	1 – 50%
Pavement (basecourse)		
- sealed	65 – 105	0.95 – 1.5%
- unsealed metal	20	5%
Surface water channel	20 – 80	1.25 – 5%
Culverts	50 – 80	1.25 – 2%
Guardrails / barriers	40 – 80	1.25 – 2.5%
Drainage	50 – 80	1.25 – 2%
Retaining walls	50 – 100	1 – 2%
Footpaths	15 – 80	1.25 – 6.67%
Street lighting	20	5%
Bridges	40 – 100	1 – 2.5%
Parks & reserves	3 – 100	1 – 33.3%
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

Items of property, plant and equipment having a finite useful life are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

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

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

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

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

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

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

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

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

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

## 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	
	2017/18 Actual \$'000	2016/17 Actual \$'000
Buildings – operational	437	847
Buildings – restricted	29	175
Parks and reserves	8,535	7,801
Wastewater	10,416	6,564
Stormwater	2,031	204
Water	16,349	16,238
Solid waste	24	156
Roading	12,844	10,190
<b>Total work in progress</b>	<b>50,665</b>	<b>42,175</b>

## Infrastructural assets – further disclosures

		Additions		
	Closing book value \$'000	Constructed by Council \$'000	*Assets transferred to Council \$'000	Estimated replacement cost \$'000
Council 2018				
Water treatment plants and facilities	6,977	147	-	11,953
Other water assets	99,494	3,767	3,474	144,194
Wastewater treatment plants and facilities	14,155	134	-	21,375
Other wastewater assets	94,941	1,148	5,867	159,475
Stormwater and drainage	61,521	1,170	7,788	75,247
Roads, footpaths, bridges and culverts	1,146,074	19,319	8,366	1,425,991
Total infrastructural assets	1,423,162	25,685	25,495	1,838,235
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

\*This includes found assets of \$1,109,604 (2017: \$1,453,621).

**Council and Group  
2017/18**

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

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

**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	
<b>Operational assets</b>							
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)	-	
<b>Total operational assets</b>	<b>65,940</b>	<b>(14,090)</b>	<b>51,850</b>	<b>2,467</b>	<b>(1,554)</b>	<b>(19)</b>	
<b>Infrastructural assets</b>							
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	-	-	
<b>Total infrastructural assets</b>	<b>1,443,639</b>	<b>-</b>	<b>1,443,639</b>	<b>54,676</b>	<b>(4,767)</b>	<b>67</b>	
<b>Restricted assets</b>							
Land	69,760	-	69,760	519	-	(48)	
Buildings	27,244	(989)	26,255	143	-	-	
Parks and reserves	34,903	-	34,903	2,794	(812)	-	
<b>Total restricted assets</b>	<b>131,907</b>	<b>(989)</b>	<b>130,918</b>	<b>3,456</b>	<b>(812)</b>	<b>(48)</b>	
<b>Total Council</b>	<b>1,641,486</b>	<b>(15,079)</b>	<b>1,626,407</b>	<b>60,599</b>	<b>(7,133)</b>	<b>-</b>	

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
-	<b>(2,452)</b>	<b>534</b>	<b>1,738</b>	<b>66,656</b>	<b>(14,092)</b>	<b>52,564</b>
-	(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
-	<b>(18,999)</b>	<b>67</b>	<b>31,012</b>	<b>1,505,695</b>	-	<b>1,505,695</b>
-	-	-	25,073	95,304	-	95,304
-	(998)	-	970	26,370	-	26,370
-	(2,062)	47	5,934	40,804	-	40,804
-	<b>(3,060)</b>	<b>47</b>	<b>31,977</b>	<b>162,478</b>	-	<b>162,478</b>
-	<b>(24,511)</b>	<b>648</b>	<b>64,727</b>	<b>1,734,829</b>	<b>(14,092)</b>	<b>1,720,737</b>

## Valuation

### ***Operational and restricted land and buildings***

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

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

#### ***Land***

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

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

#### ***Buildings***

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

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

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

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

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



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

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

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

	Council and Group	
	2017/18 Actual \$'000	2016/17 Actual \$'000
<b>Operational buildings</b>		
Depreciated replacement cost	26,051	25,271
Market-based evidence	948	1,352
<b>Total carrying value of operational buildings</b>	<b>26,999</b>	<b>26,623</b>
<b>Restricted buildings</b>		
Depreciated replacement cost	24,211	24,855
Market-based evidence	1,460	1,515
<b>Total carrying value of restricted buildings</b>	<b>25,671</b>	<b>26,370</b>

#### *Classification of property*

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

#### **Parks and reserves**

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

Parks and reserves assets have been valued at fair value as determined on an optimised depreciated cost basis by an independent valuer. The most recent valuation was performed by Robert Berghuis and Marvin Clough of Beca Limited and is dated 30 June 2018.

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

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

depending on condition and performance which may vary from one asset to another. Minimum remaining useful life is assumed to be two years.

- Assets are assumed to have zero residual value at the end of their effective useful lives.

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

Utilities and solid waste assets have been valued at fair value determined on an optimised depreciated replacement cost basis by an independent valuer. The most recent valuation was performed by Stephen Garlick and Ian Martin of AECOM New Zealand Limited and is dated 30 June 2018.

Estimates and assumptions for the revaluation of these assets included:

- Straight-line depreciation was used.
- Waters and solid waste assets were used in the valuation (land was not included).
- Assets were assumed to have zero residual value.
- Remaining useful life is assessed on useful life less age, with adjustments depending on condition and performance. A minimum remaining useful life of two years was used.
- An optimisation approach was employed. Optimisation seeks to remove excess capacity, redundant assets, inappropriate design practices, old technologies and conservative design work. No areas of significant optimisation opportunities were identified.
- Asset unit rates have been determined from actual costs where available, rates from comparable local authorities and rates used in previous valuations. This data was cost indexed as appropriate using indices published by Statistics New Zealand and compared with unit rates from other valuations carried out by AECOM; this included rates from four peer Councils in the Waikato/Bay of Plenty area. Rates from a study carried out for Council in 2017 by Jacobs into unit rates were also used to ensure valuation rates are a fair representation of actual construction costs in the Waikato area.

#### ***Infrastructural asset classes: roading and bridges***

Road and bridge assets have also been valued at fair value as determined using the optimised depreciated replacement cost basis by an independent valuer. The most recent valuation was performed by Gregg Morrow, Kevin Wu and Gemma Mathieson of Opus International Consultants Limited. The valuation is effective at 30 June 2018.

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 2.8% and 4.5% for all assets when compared to March 2017 values. Unit costs represent brown-field costs which reflect increased difficulties and constraints of undertaking construction, maintenance and renewal work simultaneously with continuous operation of infrastructure.
- Overhead factors (10%) have been applied to allow for all expenses incidental to the asset acquisition and all costs directly attributable to bringing the asset into working condition and location.
- An optimisation approach was employed. Optimisation means provision of the required utility at a minimum overall cost.
- Assets have been valued based on unit costs provided and quantities expressed as length, area or each.
- Useful life has been calculated in accordance with the International Infrastructure Management Manual and further modified if local knowledge and experience suggest it is appropriate. Remaining useful life is then

assessed as the difference between useful life and the age of the asset.

- A zero residual value is assumed for all assets.
- Straight line depreciation is used.

### **Land under roads**

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

### **Other**

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 (2017: \$nil).

There are no items of property, plant and equipment held under finance leases in the current period (2017: nil).

The net gain on disposal of property, plant and equipment \$987,088 (2017: \$362,045) has been recognised in the Statement of comprehensive revenue and expense in the line item Other revenue

## Note 16 – INTANGIBLE ASSETS

### Accounting policy

#### **Software acquisition and development**

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

#### **Consents**

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

#### **Impairment of intangible assets**

Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment. Intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

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

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

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

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

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

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

	Council			Group		
	Computer software \$'000	Consents \$'000	Total \$'000	Computer software \$'000	Consents \$'000	Total \$'000
<b>Balance at 1 July 2017</b>						
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)
<b>Opening carrying amount</b>	<b>1,547</b>	<b>4,434</b>	<b>5,981</b>	<b>1,547</b>	<b>4,434</b>	<b>5,981</b>
<b>Year ended 30 June 2018</b>						
Additions	312	-	312	312	-	312
Disposal – cost	-	-	-	-	-	-
Disposal – accumulated amortisation	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Amortisation charge	(531)	(220)	(751)	(531)	(220)	(751)
<b>Closing carrying amount</b>	<b>1,328</b>	<b>4,214</b>	<b>5,542</b>	<b>1,328</b>	<b>4,214</b>	<b>5,542</b>
<b>Balance at 30 June 2018</b>						
Cost	5,981	5,491	11,472	5,981	5,491	11,472
Accumulated amortisation and impairment	(4,653)	(1,277)	(5,930)	(4,653)	(1,277)	(5,930)
<b>Closing carrying amount</b>	<b>1,328</b>	<b>4,214</b>	<b>5,542</b>	<b>1,328</b>	<b>4,214</b>	<b>5,542</b>
<b>Balance at 1 July 2016</b>						
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)
<b>Opening carrying amount</b>	<b>1,188</b>	<b>4,211</b>	<b>5,399</b>	<b>1,188</b>	<b>4,211</b>	<b>5,399</b>
<b>Year ended 30 June 2017</b>						
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)
<b>Closing carrying amount</b>	<b>1,547</b>	<b>4,434</b>	<b>5,981</b>	<b>1,547</b>	<b>4,434</b>	<b>5,981</b>
<b>Balance at 30 June 2017</b>						
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)
<b>Closing carrying amount</b>	<b>1,547</b>	<b>4,434</b>	<b>5,981</b>	<b>1,547</b>	<b>4,434</b>	<b>5,981</b>

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 17 – INVESTMENT PROPERTY

### Accounting policy

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

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

	Council and Group	
	2017/18 Actual \$'000	2016/17 Actual \$'000
Balance at 1 July	490	475
Fair value gains (losses) on valuation	55	15
Disposals	-	-
<b>Balance at 30 June (at valuation)</b>	<b>545</b>	<b>490</b>

### Valuation

At 30 June 2018 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 2018.
- 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 and Group	
	2017/18 Actual \$'000	2016/17 Actual \$'000
Rental income	44	43
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 18 – PAYABLES, TAXES AND TRANSFERS

### Accounting policy

Short-term payables are recorded at their face value.

	Council		Group	
	2017/18 Actual \$'000	2016/17 Actual \$'000	2017/18 Actual \$'000	2016/17 Actual \$'000
<b>Payables under exchange transactions</b>				
Trade payables	2,605	3,950	2,620	3,955
Water rates in advance	134	176	134	176
Accrued expenses	9,623	11,569	9,651	11,662
Income in advance	1,463	853	1,463	853
<b>Total payables under exchange transactions</b>	<b>13,825</b>	16,548	<b>13,868</b>	16,646
<b>Taxes and transfers payable under non-exchange transactions</b>				
Rates in advance	1,047	782	1,047	782
Deposits and bonds	221	231	221	231
GST and FBT payable	35	25	36	25
Other non-exchange payables	94	90	94	90
<b>Total taxes and transfers payable</b>	<b>1,397</b>	1,128	<b>1,398</b>	1,128
<b>Total payables, taxes and transfers</b>	<b>15,222</b>	17,676	<b>15,266</b>	17,774

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

## Note 19 – EMPLOYEE ENTITLEMENTS

### Accounting policy

#### Short-term employee entitlements

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

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

#### Long-term employee entitlements

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

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

	Council and Group	
	2017/18 Actual \$'000	2016/17 Actual \$'000
<b>Current portion</b>		
Annual leave	1,821	1,731
Long service leave	16	17
Sick leave provision	66	115
Accrued payroll	480	438
Other employee liabilities	507	489
<b>Total current portion</b>	<b>2,890</b>	<b>2,790</b>
<b>Non-current portion</b>		
Long service leave	71	57
Retirement gratuities	43	42
Sick leave	-	-
<b>Total non-current portion</b>	<b>114</b>	<b>99</b>
<b>Total employee entitlements</b>	<b>3,004</b>	<b>2,889</b>



## 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 2.85% (2017: 2.97%) and an inflation factor of 1.79% (2017: 1.4%) have been used.

## Note 20 – 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 and Group	
	2017/18 Actual \$'000	2016/17 Actual \$'000
<b>Current portion</b>		
LGFA borrowing	10,000	20,000
<b>Total current portion</b>	10,000	20,000
<b>Non-current portion</b>		
LGFA borrowing	70,000	60,000
<b>Total non-current portion</b>	<b>70,000</b>	60,000
<b>Total borrowing (all secured)</b>	<b>80,000</b>	80,000

Council secured debt of \$80,000,000 (2017: \$80,000,000) is either issued at a fixed rate of interest or has been swapped for fixed interest instruments. Council has 37 swap contracts in place (2017: 33). During the year six swaps matured (2017: two) and ten new swap contracts (2017: four) have been undertaken. Council has 15 (2017: 12) swaps with start dates after 30 June 2018.

Council's committed cash advance facility of \$15,000,000 (2017: \$15,000,000) expires on 31 July 2018 but has been renegotiated for another term ending on 31 July 2021.

At 30 June 2018 total borrowings from Local Government Funding Agency Limited (LGFA) were \$80,000,000 (2017: \$80,000,000). The average rate of interest was 2.79% (2017: 2.79%).

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

	Carrying amount		Fair value	
	2017/18 Actual \$'000	2016/17 Actual \$'000	2017/18 Actual \$'000	2016/17 Actual \$'000
<b>Council and Group</b>				
Secured loans	70,000	60,000	69,475	59,474
<b>Total non-current borrowing</b>	<b>70,000</b>	<b>60,000</b>	<b>69,475</b>	<b>59,474</b>

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

	2017/18	2016/17
From	2.6%	2.6%
To	3.0%	2.9%

### Internal loans

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

Council	Balance at 1 July \$'000	Borrowing \$'000	Repayments \$'000	Balance at 30 June \$'000	Interest paid \$'000
<b>2018</b>					
Water supply	15,434	1,720	(896)	16,258	645
Wastewater	9,644	1,364	(782)	10,226	398
Stormwater	2,895	701	(117)	3,479	122
Roading	23,535	1,086	(1,922)	22,699	972
Sustainable environment	426	-	(31)	395	18
Sustainable communities	15,835	1,013	(888)	15,960	662
Governance	762	-	(762)	-	17
Organisational support	377	173	(23)	527	16
<b>Total internal loans (gross)</b>	<b>68,908</b>	<b>6,057</b>	<b>(5,421)</b>	<b>69,544</b>	<b>2,850</b>
<b>2017</b>					
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
<b>Total internal loans (gross)</b>	<b>64,830</b>	<b>8,875</b>	<b>(4,797)</b>	<b>68,908</b>	<b>3,212</b>

## Note 21 – 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	
	2017/18 Actual \$'000	2016/17 Actual \$'000	2017/18 Actual \$'000	2016/17 Actual \$'000
<b>Current portion</b>				
Weathertightness	-	-	-	-
Landfill aftercare	111	99	111	99
Contract completion	-	-	-	5
<b>Total current portion</b>	<b>111</b>	<b>99</b>	<b>111</b>	<b>104</b>
<b>Non-current portion</b>				
Landfill aftercare	2,008	2,012	2,008	2,012
<b>Total non-current portion</b>	<b>2,008</b>	<b>2,012</b>	<b>2,008</b>	<b>2,012</b>
<b>Total provisions</b>	<b>2,119</b>	<b>2,111</b>	<b>2,119</b>	<b>2,116</b>

Movements for each class of provision are as follows:

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

Group	Landfill aftercare \$'000	Weather- tightness \$'000	Contract completion \$,000	Total \$'000
<b>2018</b>				
Balance at 1 July 2017	2,111	-	5	2,116
Change in provision made during the year	51	-		51
Amounts used	(159)	-	(5)	(164)
Unused amounts reversed	-	-		-
Discount unwind	116	-		116
<b>Balance at 30 June 2018</b>	<b>2,119</b>	<b>-</b>	<b>-</b>	<b>2,119</b>
<b>2017</b>				
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
<b>Balance at 30 June 2017</b>	<b>2,111</b>	<b>-</b>	<b>5</b>	<b>2,116</b>

### Weathertightness claims

No claims remain with the Weathertight Homes Resolution Service (WHRS) as at 30 June 2018 (2017: none).

At 30 June 2018, no further claim had been received directly by Council (2017: none).

### Landfill aftercare costs

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

The cash outflows for landfill post-closure are expected to occur over 35 years. The long term nature of the liability means that there are inherent uncertainties in estimating the costs which will be incurred. The provision has been made taking into account existing technology and known changes to legal requirements. The gross provision before discounting is \$5,209,875 (2017: \$4,329,954). A discount rate of 5.50% (2017: 5.50%) and an inflation factor of 2.5% (2017: 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 22 – 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 and Group	
	2017/18 Actual \$'000	2016/17 Actual \$'000
<b>Current liability portion</b>		
Interest rate swaps	65	244
<b>Non-current liability portion</b>		
Interest rate swaps	7,192	4,719
<b>Total derivative financial instruments liabilities</b>	<b>7,257</b>	<b>4,963</b>

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:

	2017/18 Actual \$'000	No.	2016/17 Actual \$'000	No.
Active swaps	75,500	22	61,500	21
Forward starting swaps	73,000	15	41,000	12
	<b>148,500</b>	<b>37</b>	<b>102,500</b>	<b>33</b>

## Note 23 – REVALUATION RESERVE – PROPERTY, PLANT AND EQUIPMENT

	Council and Group	
	2017/18 Actual \$'000	2016/17 Actual \$'000
Land	69,911	69,808
Buildings	30,615	30,890
Parks and reserves	22,500	19,883
Wastewater	38,944	35,585
Water	38,679	35,337
Bridges	85,583	80,116
Roading	366,137	338,801
Urban stormwater	13,848	14,083
Rural drainage	-	-
Solid waste	1,036	979
<b>Balance at 30 June</b>	<b>667,253</b>	<b>625,482</b>

## Note 24 – RECONCILIATION OF NET SURPLUS (DEFICIT) AFTER TAX WITH NET CASH FLOWS FROM OPERATING ACTIVITIES

	Council		Group	
	2017/18 Actual \$'000	2016/17 Actual \$'000	2017/18 Actual \$'000	2016/17 Actual \$'000
<b>Net surplus (deficit) after tax</b>	<b>38,509</b>	21,488	<b>38,612</b>	21,079
<b>Plus (minus) non-cash items</b>				
Depreciation, amortisation and asset write-off	29,008	29,837	29,008	29,898
Vested and found assets	(25,713)	(13,569)	(25,713)	(13,569)
(Gains) losses on fair value of investment property	(55)	(15)	(55)	(15)
(Gains) losses on derivative financial instruments	2,295	(599)	2,295	(599)
(Gains) losses on revaluation of property, plant and equipment	(102)	122	(102)	122
(Gains) losses on financial assets	-	-	-	(317)
(Gains) losses on cattle	8	8	8	8
Interest income on financial assets not at fair value through surplus (deficit)	-	(1)	-	(1)
Capitalised internal charges	(700)	(759)	(700)	(759)
Impairment of related party receivable	-	-	105	-
Gain on fair value through surplus (deficit)	-	-	(382)	-
<b>Plus (minus) items classified as investing or financing activities</b>				
(Gains) losses on disposal of property, plant and equipment	(684)	(362)	(678)	(1,176)
Decrease (increase) in creditors for capital expenditure	3,867	6,110	3,867	6,110
<b>Plus (minus) movements in working capital items</b>				
Receivables and recoverables	(1,558)	3,741	(1,538)	4,233
Prepayments	(114)	(104)	(115)	(83)
Inventories	-	-	-	14
Cattle	2	(16)	2	(16)
Payables, taxes and transfers	(2,454)	(7,016)	(2,414)	(7,175)
Changes in provision	(42)	(535)	(48)	(539)
Employee entitlements	114	(463)	114	(531)
<b>Net cash inflow (outflow) from operating activities</b>	<b>42,381</b>	37,867	<b>42,266</b>	36,684

## Note 25 – RECONCILIATION OF TOTAL COMPREHENSIVE INCOME WITH NET OPERATING FUNDING (PER FUNDING IMPACT STATEMENT)

	Council	
	2017/18 Actual \$'000	2016/17 Actual \$'000
Total comprehensive income wholly attributable to Waikato District Council	81,867	96,295
Surplus (deficit) of operating funding per Whole of Council funding impact statement	18,590	15,433
	<b>63,277</b>	<b>80,862</b>
<b>The difference comprises:</b>		
Capital income	24,636	20,941
Revaluation of assets	42,940	64,849
Revaluation reserve - landfill	(51)	(204)
Financial assets at fair value	469	10,761
Depreciation and amortisation	(26,093)	(25,132)
Profit (loss) on sale	684	362
Write off of assets	(2,917)	(4,705)
Vested and found assets	25,713	13,569
Change in provisions	42	535
Interest income from financial assets	-	1
Unrealised gains	157	15
Unrealised losses	(2,303)	(130)
<b>Total difference</b>	<b>63,277</b>	<b>80,862</b>

## Note 26 – CAPITAL COMMITMENTS AND OPERATING LEASES

	Council and Group	
	2017/18 Actual \$'000	2016/17 Actual \$'000
<b>Capital commitments are for expenditure on:</b>		
Water	884	2,082
Wastewater	986	2,306
Stormwater	-	702
Parks and reserves	4,533	215
Buildings - operational	97	-
Roading	34,055	50,377
Bridges	-	822
Library books	354	693
Intangible assets	40	86
<b>Total capital commitments</b>	<b>40,949</b>	<b>57,283</b>

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred. Strada has no significant capital commitments at balance date (2017: \$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 two years three months (2017: between three years three months and five years three months).

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

	Council and Group	
	2017/18 Actual \$'000	2016/17 Actual \$'000
Not later than one year	223	101
Later than one year and not later than five years	400	127
Later than five years	-	-
<b>Total minimum operating lease payments payable</b>	<b>623</b>	<b>228</b>

### Council

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

No contingent rent relating to copiers was recognised during the period. (2017:\$nil)

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

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

### Strada

Strada has no leased property.

### Operating leases as lessor

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

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

	Council and Group	
	2017/18 Actual \$'000	2016/17 Actual \$'000
Not later than one year	560	471
Later than one year and not later than five years	1,585	1,292
Later than five years	935	1,021
<b>Total non - cancellable operating leases</b>	<b>3,081</b>	<b>2,784</b>

Council has recognised no contingent rents during the period (2017: \$nil).

## Note 27 – CONTINGENCIES

### Contingent liabilities

Quantifiable contingent liabilities are as follows:

	Council and Group	
	2017/18 Actual \$'000	2016/17 Actual \$'000
Uncalled share capital (LASS – ordinary shares)	1	1
Uncalled share capital (LASS - WRPS shares)	9	9

### Outstanding insurance claims

There is one outstanding claim (2017: six) in progress. Council is unable to quantify its contingent liability for this claim (2017: all claims). The maximum Council liability for the claim is \$10,000 including GST (2017: \$10,000) which is the excess on the insurance policies.

### Capital contributions

As disclosed in Note 13, 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

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

In 2013 the Ministry of Education (MoE) initiated High Court proceedings against Carter Holt Harvey Limited (CHH) and others alleging inherent defects in the shadowclad plywood sheets manufactured and distributed by CHH. The MoE's original claim against CHH was for 833 school buildings, 46 of which are located within the Waikato District.

In 2016 CHH commenced proceedings against 48 Councils, including Waikato District alleging a breach of duty on the processing of building consents, undertaking building inspections and issuing Code Compliance Certificates. During the current year the Councils sought to strike out CHH's claims against them. The High Court declined the strike out of the claim but struck out proceedings in relation to 28 school buildings (none in the Waikato District) built

outside the 10 year-long stop contained within the Building Act 2004. Further, CHH applied for trial staging, with proceedings to commence in relation to 20 buildings. MoE opposed the application, seeking a trial on the determination of whether shadowclad is inherently defective. The High Court accepted the MoE proposal. CHH has appealed this decision.

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

Legal proceedings have been served against Council by solicitors for Pakau Trust; the matter relates to District Plan Variation 13 (Franklin Section) promulgated by Auckland Council. Council's insurers are currently assessing whether they will cover the claim. There is insufficient information to assess the potential cost to Council if cover is declined.

An appeal relating to a subdivision consent has been lodged against Council. Council is currently working towards court-assisted mediation with the direction of the Environment Court.

### Other claims

At balance date no other claims (2017: none) expose Council or the Group to contingent liabilities. Council's maximum financial exposure is \$nil (2017: \$nil).

### NZ Local Government Funding Agency Limited (LGFA)

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

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

borrowings. At 30 June 2018 LGFA had borrowings totalling \$8.271 billion (2017: \$7.946 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 28 – RELATED PARTY TRANSACTIONS

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

All related party transactions and related payments are on normal commercial terms. There was no impairment of any of these transactions (2017: nil).

The following transactions were carried out between related parties:

	Group	
	2017/18 Actual \$'000	2016/17 Actual \$'000
<b>Between Council and Strada</b>		
Dividend paid by Strada	-	700
Share capital re-purchased by Strada	-	2,500
Capital contribution returned by Strada	-	1,300
<b>Between Council and Waikato District Community Wellbeing Trust (WBT)</b>		
Council's accounts receivable from WBT	223	126
<b>Between Council and Local Authority Shared Services (LASS)</b>		
Services provided to LASS	296	227
Charges from LASS	533	403
Council's accounts payable to LASS	11	15
Council's accounts receivable from LASS	36	30
<b>Between Council and Waikato Regional Airport Limited (WRAL)</b>		
Dividend paid by WRAL	31	-
Regional Tourism funding payment to WRAL	150	155
<b>Between Strada and Waikato Quarries Limited (WQL)</b>		
Lease revenue		
Deferred settlement receivable from WQL	280	510

## Key management personnel compensation

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

	Council	
	2017/18 Actual \$'000	2016/17 Actual \$'000
<b>Remuneration</b>		
Councillors	722	728
Senior management team (including CE)	1,406	1,055
<b>Total key management personnel remuneration</b>	<b>2,128</b>	<b>1,783</b>
	2017/18 Actual \$'000	2016/17 Actual \$'000
<b>Full-time equivalent members</b>		
Councillors	14	14
Senior management team (including CE)	6	4
<b>Total full-time equivalent personnel</b>	<b>20</b>	<b>18</b>

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 \$136 (2017: \$8,914) of legal and employment advice from Tompkins Wake in which a Strada director is a partner. There was a balance payable at 30 June 2018 of \$156 (2017: \$160).

## Note 29 – REMUNERATION

### Remuneration of elected members

	Council	
	2017/18 Actual \$'000	2016/17 Actual \$'000
<b>Councillors</b>		
<i>Cash benefits</i>		
A Sanson, Mayor	129	128
C Baddeley	-	14
A Bech	40	28
J Church	40	40
R Costar	-	12
D Fulton	56	55
J Gibb	49	49
W Hayes	-	14
S Henderson	40	28
S Lynch	48	47
B Main	40	28
R McGuire	40	40
F McNally	40	28
E Patterson	40	28
L Petersen	-	12
J Sedgwick	50	47
N Smith	53	60
M Solomon	-	12
G Tait	-	13
L Thomson	40	28
<i>Total cash benefits paid to Councillors</i>	<b>705</b>	711
<i>Non-cash benefits</i>		
A Sanson, Mayoral car	17	17
<i>Total non-cash benefits paid to Councillors</i>	<b>17</b>	17
<b>Total remuneration of Councillors</b>	<b>722</b>	728

<b>Community board and committee members</b>		
<i>Cash benefits</i>		
A Anderson	-	1
J Ayers	-	1
S Boyde	-	1
K Bredenbeck	5	5
B Cameron	11	9
K Clarkson	-	1
K Clelow	-	1
C Conroy	5	4

	Council	
	2017/18 Actual \$'000	2016/17 Actual \$'000
W Diamond	5	5
B Dixon	-	1
R Farrar	5	5
P Forsyth	-	3
R Gee	-	1
F Gower	-	1
W Hansen	-	1
P Haworth	4	4
S Jackson	5	4
R Kereopa	4	3
R Kirkwood	5	4
D Lamb	5	5
K Langlands	10	7
D Lovell	3	2
H Lovell	2	1
R MacLeod	9	7
N Miller	-	3
J Morley	2	1
K Morgan	5	4
B Mounsey	-	1
S Ormsby-Cocup	2	1
A Oosten	4	3
G Parson	4	3
J Pecekajus	1	-
L Petersen	5	4
C Rees	5	4
V Reeve	5	4
J Ross	-	1
B Sherson	5	5
J Stevens	5	4
S Stewart	5	6
E Thomson	-	1
R Van Dam	2	1
A Vink	4	6
B Watson	5	5
J Whetu	10	8
<i>Total cash benefits paid to community board and committee members</i>	<b>147</b>	142
<b>Total remuneration of Councillors and other elected representatives</b>	<b>869</b>	870

## 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 \$326,514 (2017: \$299,913) in terms of his contract. The Chief Executive's total remuneration included other benefits as follows:

	Council	
	2017/18 Actual \$'000	2016/17 Actual \$'000
Salary and other short-term employee benefits	327	300
Vehicle	17	17
Defined contribution plan employer contributions (KiwiSaver)	11	9
Expenses and other allowances	3	10
Other fringe benefits (value of benefit plus FBT)	9	11
<b>Total Chief Executive's remuneration</b>	<b>367</b>	<b>347</b>

## Employee numbers

	Council	
	2017/18 Actual \$'000	2016/17 Actual \$'000
<b>Number of employees (at 30 June)</b>		
Full-time employees	290	283
Part-time employees (including casual employees)	73	71
<b>Total employees</b>	<b>363</b>	<b>354</b>

A full-time employee works 40 hours per week

### Full-time equivalent employees

Full-time employees	290.05	283.05
Part-time employees (in full-time equivalents)	29.07	29.92
<b>Total full-time equivalent employees</b>	<b>319.12</b>	<b>312.97</b>

## Total annual employee remuneration by band

	Council	
	2017/18 Actual \$'000	2016/17 Actual \$'000
\$0 – \$60,000	165	151
\$60,001 – \$80,000	78	82
\$80,001 – \$100,000	62	59
\$100,001 – \$120,000	42	43
\$120,001 – \$140,000	8	10
\$140,001 – \$380,000	8	9
<b>Total employees</b>	<b>363</b>	<b>354</b>

Total remuneration includes non financial benefits provided to employees.

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

## Note 30 – SEVERANCE PAYMENTS

For the year ended 30 June 2018, Council made two (2017: one) severance payments to employees; one of \$10,000 and the other of \$64,750. (2017: \$16,000).

Strada made no severance payments to employees during the year (2017: \$nil).

## Note 31 – 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 2018.

## Note 32 – FINANCIAL INSTRUMENTS

### A: Financial instruments categories

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

	Council		Group	
	2017/18 Actual \$'000	2016/17 Actual \$'000	2017/18 Actual \$'000	2016/17 Actual \$'000
<b>Financial assets</b>				
<i>Loans and receivables</i>				
Cash and cash equivalents	14,932	3,705	15,716	4,473
Recoverables and receivables	11,000	9,345	11,074	9,254
Community loans	179	254	179	254
Deferred settlement receivable	-	-	-	510
Term deposit	789	10,590	789	10,590
LGFA borrower notes	1,280	1,280	1,280	1,280
<b>Total loans and receivables</b>	<b>28,180</b>	<b>25,174</b>	<b>29,038</b>	<b>26,361</b>
<i>Fair value through surplus (deficit)</i>				
Fixed interest investments	-	-	1,828	1,711
Equity investments	-	-	2,210	1,951
<b>Total fair value through surplus (deficit)</b>	<b>-</b>	<b>-</b>	<b>4,038</b>	<b>3,662</b>
<i>Fair value through other comprehensive revenue</i>				
Unlisted shares in Civic Financial Services Limited	62	62	62	62
Waikato Regional Airport Limited	13,267	12,797	13,267	12,797
<b>Total fair value through other comprehensive revenue</b>	<b>13,329</b>	<b>12,859</b>	<b>13,329</b>	<b>12,859</b>
<i>Financial assets at cost</i>				
Local Authority Shared Services Limited	219	219	219	219
Shares in Strada Corporation Limited (subsidiary)	700	700	-	-
<b>Total financial assets at cost</b>	<b>919</b>	<b>919</b>	<b>219</b>	<b>219</b>
<b>Financial liabilities</b>				
<i>Fair value through surplus (deficit)</i>				
<b>Derivative financial instruments liabilities</b>	<b>7,257</b>	<b>4,963</b>	<b>7,257</b>	<b>4,963</b>
<b>Financial liabilities at amortised cost</b>				
Payables, taxes and transfers	15,222	17,676	15,265	17,774
Borrowing -secured loans	80,000	80,000	80,000	80,000
<b>Total financial liabilities at amortised cost</b>	<b>95,222</b>	<b>97,676</b>	<b>95,265</b>	<b>97,774</b>



## 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	
	2017/18 Actual \$'000	2016/17 Actual \$'000	2017/18 Actual \$'000	2016/17 Actual \$'000
<b>Valued at quoted market price (level 1)</b>				
Fixed interest investments	-	-	1,828	1,711
Equity investments	-	-	2,210	1,951
<b>Total financial instruments valued at quoted market price</b>	<b>-</b>	<b>-</b>	<b>4,038</b>	<b>3,662</b>
<b>Valued using observable inputs (level 2)</b>				
Financial liabilities – derivatives	7,257	4,963	7,257	4,963
<b>Valued using significant non-observable inputs (level 3)</b>				
Unlisted shares	13,329	12,859	13,329	12,859

### 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	
	2017/18 Actual \$'000	2016/17 Actual \$'000
Balance at 1 July	12,859	58
Gains and losses recognised in other comprehensive income	470	10,162
Other movements	-	2,639
<b>Balance at 30 June</b>	<b>13,329</b>	<b>12,859</b>

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

## C: Financial instruments risks

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

## Market risk

### **Price risk**

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

### **Currency risk**

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

### **Fair value interest rate risk**

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market in interest rates.

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

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

### **Cash flow interest rate risk**

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose Council to cash flow interest rate risk. KWL actively manages the average maturity date of WBT's fixed interest investments in response to changes in KWL's interest rate view.

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

## Credit risk

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

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

Council is exposed to credit risk as a guarantor of all of LGFA's borrowings. Information about this exposure is explained in Note 27.

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	
	2017/18 Actual \$'000	2016/17 Actual \$'000	2017/18 Actual \$'000	2016/17 Actual \$'000
Cash and cash equivalents	14,932	3,705	15,716	4,473
Recoverables and receivables	11,000	9,345	11,074	9,254
Term deposits	789	10,590	789	10,590
Community loans	179	254	179	254
Deferred settlement receivable	-	-	-	510
Fixed interest investments	-	-	1,828	1,711
Equity investments	-	-	2,210	1,951
LGFA borrower notes	1,280	1,280	1,280	1,280
<b>Total credit risk</b>	<b>28,180</b>	<b>25,174</b>	<b>33,076</b>	<b>30,023</b>

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	
	2017/18 Actual \$'000	2016/17 Actual \$'000	2017/18 Actual \$'000	2016/17 Actual \$'000
<b>Counterparties with credit ratings</b>				
<i>Cash and cash equivalents</i>				
AA-	14,932	3,705	15,716	4,473
<i>Term deposits</i>				
AA-	789	10,590	789	10,590
Borrower notes				
AA+	1,280	1,280	1,280	1,280
<b>Counterparties without credit ratings</b>				
<i>Community and related party loans</i>				
Community loans with no defaults in the past	179	254	179	254
Deferred settlement receivable with no default in the past	-	-	-	510
Unrated equity investments	14,248	13,716	15,758	14,967
Unrated fixed interest investments	-	-	1,828	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 (2017: \$500,000) and a committed cash advance facility of \$15,000,000 (2017: \$15,000,000), of which \$15,000,000 (2017: \$15,000,000) is available to be drawn. Council's committed cash advance facility expires on 31 July 2018 but has been renegotiated for another term ending on 31 July 2021.

Council utilises funding through the Local Government Funding Agency Limited (LGFA). As at 30 June 2018 Council had borrowed \$80,000,000 (2017: \$80,000,000) and held borrower notes with a face value of \$1,280,000 (2017: \$1,280,000).

Council is also exposed to liquidity risk as a guarantor of all of LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. Information about this exposure is contained in Note 27.

### Contractual maturity analysis of financial liabilities, excluding derivatives

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

	Council		Group	
	2017/18 Actual \$'000	2016/17 Actual \$'000	2017/18 Actual \$'000	2016/17 Actual \$'000
<b>Carrying amount</b>				
Payables, taxes and transfers	15,222	17,676	15,266	17,774
Secured loans	80,000	80,000	80,000	80,000
<b>Total carrying amount</b>	<b>95,222</b>	<b>97,976</b>	<b>95,266</b>	<b>97,774</b>
<b>Contractual cash flows</b>				
Payables, taxes and transfers	15,222	17,676	15,266	17,774
Secured loans	89,654	89,389	89,654	89,389
<b>Total contractual cash flows</b>	<b>104,876</b>	<b>107,065</b>	<b>104,920</b>	<b>107,163</b>

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
<b>Council 2018</b>				
Payables, taxes and transfers	15,222	-	-	-
Secured loans	12,146	6,909	43,812	26,787
<b>Total</b>	<b>27,368</b>	<b>6,909</b>	<b>43,812</b>	<b>26,787</b>
<b>Council 2017</b>				
Payables, taxes and transfers	17,676	-	-	-
Secured loans	21,924	11,585	23,354	32,526
<b>Total</b>	<b>39,600</b>	<b>11,585</b>	<b>23,354</b>	<b>32,526</b>
<b>Group 2018</b>				
Payables, taxes and transfers	15,266	-	-	-
Secured loans	12,146	6,909	43,812	26,787
<b>Total</b>	<b>27,412</b>	<b>6,909</b>	<b>43,812</b>	<b>26,787</b>
<b>Group 2017</b>				
Payables, taxes and transfers	17,774	-	-	-
Secured loans	21,924	11,585	23,354	32,526
<b>Total</b>	<b>39,698</b>	<b>11,585</b>	<b>23,354</b>	<b>32,526</b>

### Contractual maturity analysis of derivative financial instruments

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

				Council and Group	
				2017/18 Actual \$'000	2016/17 Actual \$'000
Net settled derivative liabilities					
Carrying amount				7,257	4,963
Contractual cash flows				24,686	6,108
	Less than 1 yr \$'000	1-2 yrs \$'000	2-5 yrs \$'000	More than 5 yrs \$'000	
Net settled derivative liabilities					
2017/18	2,060	2,701	9,091	10,834	
2016/17	1,195	1,298	2,458	1,157	

## 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	
	2017/18 Actual \$'000	2016/17 Actual \$'000	2017/18 Actual \$'000	2016/17 Actual \$'000
<b>Carrying amount</b>				
Cash and cash equivalents	14,932	3,705	15,716	4,473
Recoverables and receivables	11,000	9,345	11,074	9,890
<i>Other financial assets</i>				
- term deposit	789	10,590	789	10,590
- community loans	179	254	179	254
- deferred settlement receivable	-	-	-	510
- LGFA borrower notes	1,280	1,280	1,280	1,280
<b>Total carrying amount</b>	<b>28,180</b>	<b>25,174</b>	<b>29,038</b>	<b>26,997</b>
<b>Contractual cash flows</b>				
Cash and cash equivalents	14,932	3,705	15,716	4,473
Recoverables and receivables	11,000	9,345	11,074	9,890
<i>Other financial assets</i>				
- term deposit	804	10,831	804	10,831
- community loans	206	300	206	300
- deferred settlement receivable	-	-	-	510
- LGFA borrower notes	1,416	1,411	1,416	1,411
<b>Total contractual cash flows</b>	<b>28,358</b>	<b>25,592</b>	<b>29,216</b>	<b>27,415</b>

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
<b>Council 2018</b>				
Cash and cash equivalents	14,932	-	-	-
Recoverables and receivables	11,000	-	-	-
<i>Other financial assets</i>				
- term deposit	804	-	-	-
- community loans	69	52	85	-
- LGFA borrower notes	190	107	694	425
<b>Total</b>	<b>26,995</b>	<b>159</b>	<b>779</b>	<b>425</b>
<b>Council 2017</b>				
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
<b>Total</b>	<b>24,300</b>	<b>312</b>	<b>465</b>	<b>515</b>

	Less than 1 yr \$'000	1-2 yrs \$'000	2-5 yrs \$'000	More than 5 yrs \$'000
<b>Group 2018</b>				
Cash and cash equivalents	15,716	-	-	-
Recoverables and receivables	11,074	-	-	-
<i>Other financial assets</i>				
- term deposit	804	-	-	-
- community loans	69	52	85	-
- LGFA borrower notes	190	107	694	425
<b>Total</b>	<b>27,853</b>	<b>159</b>	<b>779</b>	<b>425</b>
<b>Group 2017</b>				
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	-
- loans to related parties	-	510	-	-
- LGFA borrower notes	347	182	367	515
<b>Total</b>	<b>25,613</b>	<b>822</b>	<b>465</b>	<b>515</b>

## 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

	2017/18		2016/17	
	Actual -100bps \$'000	Actual +100bps \$'000	Actual -100bps \$'000	Actual +100bps \$'000
<b>Council</b>				
<i>Financial assets</i>				
Cash and cash equivalents	(149)	149	(37)	37
Term deposits	(8)	8	-	-
<i>Financial liabilities</i>				
Derivatives	(7,500)	6,825	(3,854)	3,560
<b>Group</b>				
<i>Financial assets</i>				
Cash and cash equivalents	(157)	157	(45)	45
Term deposits	(8)	8	-	-
Fixed interest investments	(18)	18	-	-
<i>Financial liabilities</i>				
Derivatives	(7,500)	(6,825)	(3,854)	3,560

### Foreign exchange risk

	2017/18		2016/17	
	Actual -100bps \$'000	Actual +100bps \$'000	Actual -100bps \$'000	Actual +100bps \$'000
<b>Group</b>				
<i>Financial assets</i>				
Cash and cash equivalents	8	(8)	19	(19)

### Equity price risk

	2017/18		2016/17	
	Actual -100bps \$'000	Actual +100bps \$'000	Actual -100bps \$'000	Actual +100bps \$'000
<b>Group</b>				
<i>Financial assets</i>				
Equity investments	22	(22)	20	(20)

### 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 (2017 -100bps/+100bps).



## Note 33 – 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 34 – EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

The major variance explanations are set out below and explain the significant differences between actual results for 2017/18 compared to the budget for 2017/18.

Overall revenue was \$36m greater than budgeted. This was mainly due to vested and found asset income of \$26m not being budgeted. Also contribution income was \$4m higher than budgeted from growth exceeding budgeted levels throughout the district and in particular for Pokeno. Subsidy income received from NZTA was \$2m higher for items not budgeted including the LED lights project and extra subsidy in connection to the Te Awa cycleway. General recoveries were \$1.7m above budget and included recoveries from additional work carried out to meet demand for resource consent requests.

Overall expenses were \$6m greater than budget. Asset write-offs mainly occur when infrastructure assets are disposed for no value and these were not budgeted. This year asset write-offs were \$3m. Less was spent on employees compared to budget due to vacancies during the year and that was offset by \$3m more spent on consultants to cover staff shortages and cover off extra work required in the consents area for which additional fees income was received and is included under revenue.

At an operating level the surplus was \$29.5m above budget.

Total comprehensive revenue and expense was \$81.9m and was \$32.9m above budget. Most of the difference is explained by the extra operating surplus of \$29.5m. Other comprehensive revenue and expense includes revaluation surpluses which are \$3.4m greater than was budgeted and this explains the remainder of the variance.

The statement of financial position shows an increase in overall net assets of \$87.8m compared to budget. The biggest variance was for property, plant and equipment. Other differences include fewer borrowings compared to budget estimates. Other liabilities are less than was budgeted while cash and cash equivalents is higher than budgeted due to cash flow timing differences.

The cash flow statement highlights how the capital programme was below budget and is offset by no new borrowings this year and an increase in cash equivalents at balance date.

## Note 35 – INSURANCE OF ASSETS

The total value of all assets of Council that are covered by insurance contracts as at 30 June 2018 is \$587,790,392 (2017: \$556,169,327) and the maximum amount to which they are insured is \$254,386,233 (2017: \$189,402,124).

Insurance class	Total declared value	Policy limit
Infrastructure	\$375,407,242	\$6,000,000 per loss (primary layer contracts provide for recovery of 100% of the costs of loss or damage to declared assets)
		\$100,000,000 per loss (For anything that falls outside primary layer cover, these insurance contracts provide for the recovery of 40 per cent of the costs of loss or damage to declared assets)
Material Damage	\$207,996,917	\$150,000,000 (each and every loss and in the annual aggregate)
		\$25,000,000 (each and every loss and in the annual aggregate for Fire losses)
Motor Vehicle	\$3,971,303	\$3,971,303
Other	\$414,930	\$414,930
<b>Total</b>	<b>\$587,790,392</b>	<b>\$254,386,233</b>

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 2018 the balance of this reserve was \$404,964 (2017: \$483,083).

# OTHER LEGISLATIVE DISCLOSURES

## Funding impact statement

### Whole of Council

	2016/17 Annual plan \$'000	2016/17 Annual report \$'000	2017/18 Annual plan \$'000	2017/18 Actual \$'000
<b>Sources of operating funding</b>				
General rates, uniform annual general charge, rates penalties	51,604	52,394	54,159	54,916
Targeted rates	21,557	19,863	23,304	23,242
Subsidies and grants for operating purposes	8,047	8,143	7,524	7,538
Fees and charges	9,725	9,233	10,164	9,556
Interest and dividends from investments	500	855	100	497
Local authorities fuel tax, fines, infringement fees, and other receipts	7,976	9,038	7,619	9,292
<b>Total operating funding</b>	<b>99,409</b>	<b>99,526</b>	<b>102,870</b>	<b>105,041</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	74,556	77,828	77,398	79,548
Finance costs	3,588	3,549	4,393	3,997
Other operating funding applications	2,355	2,716	2,792	2,906
<b>Total applications of operating funding</b>	<b>80,499</b>	<b>84,093</b>	<b>84,583</b>	<b>86,451</b>
<b>Surplus (deficit) of operating funding</b>	<b>18,910</b>	<b>15,433</b>	<b>18,287</b>	<b>18,590</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	9,494	11,174	9,037	10,969
Development and financial contributions	8,217	8,547	8,445	12,633
Increase (decrease) in debt	19,142	20,000	28,300	-
Gross proceeds from the sale of assets	217	2,537	202	2,590
Lump sum contributions	-	-	-	-
Other dedicated capital funding	93	1,220	97	1,034
<b>Total sources of capital funding</b>	<b>37,163</b>	<b>43,478</b>	<b>46,081</b>	<b>27,226</b>
<b>Applications of capital funding</b>				
Capital expenditure				
- to meet additional demand	9,360	9,381	11,549	7,117
- to improve the level of service	12,945	12,264	15,741	9,227
- to replace existing assets	25,826	26,597	27,409	24,009
Increase (decrease) in reserves	7,700	3,924	9,307	4,110
Increase (decrease) in investments	242	6,745	362	1,353
<b>Total applications of capital funding</b>	<b>56,073</b>	<b>58,911</b>	<b>64,368</b>	<b>45,816</b>
<b>Surplus (deficit) of capital funding</b>	<b>(18,910)</b>	<b>(15,433)</b>	<b>(18,287)</b>	<b>(18,590)</b>
<b>Funding balance for Whole of Council</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Funding impact statement

### Water supply

	2016/17 Long term plan \$'000	2017/18 Long term plan \$'000	2017/18 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge, rates penalties	186	198	375
Targeted rates	10,129	10,957	8,375
Subsidies and grants for operating purposes	-	-	-
Fees and charges	41	42	112
Internal charges and overheads recovered	274	361	196
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	24
<b>Total operating funding</b>	<b>10,630</b>	<b>11,558</b>	<b>9,082</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	3,702	3,934	4,318
Finance costs	-	-	-
Internal charges and overheads applied	3,374	3,768	2,913
Other operating funding applications	40	41	86
<b>Total applications of operating funding</b>	<b>7,116</b>	<b>7,743</b>	<b>7,317</b>
<b>Surplus (deficit) of operating funding</b>	<b>3,514</b>	<b>3,815</b>	<b>1,765</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	1,841	1,875	3,075
Increase (decrease) in debt	4,573	3,201	1,720
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding*	93	97	137
<b>Total sources of capital funding</b>	<b>6,507</b>	<b>5,173</b>	<b>4,933</b>
<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	2,472	3,232	987
- to improve the level of service	3,527	3,236	1,557
- to replace existing assets	1,890	2,022	1,513
Increase (decrease) in reserves	2,132	498	2,641
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding</b>	<b>10,021</b>	<b>8,988</b>	<b>6,698</b>
<b>Surplus (deficit) of capital funding</b>	<b>(3,514)</b>	<b>(3,815)</b>	<b>(1,765)</b>
<b>Funding balance for Water supply</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

## Funding impact statement

### Wastewater

	2016/17 Long term plan \$'000	2017/18 Long term plan \$'000	2017/18 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge, rates penalties	204	208	362
Targeted rates	6,642	7,208	9,459
Subsidies and grants for operating purposes	-	-	-
Fees and charges	1,574	1,618	1,313
Internal charges and overheads recovered	60	67	97
Local authorities fuel tax, fines, infringement fees, and other receipts	279	297	5
<b>Total operating funding</b>	<b>8,759</b>	<b>9,398</b>	<b>11,236</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	3,072	2,745	3,913
Finance costs	-	-	-
Internal charges and overheads applied	3,713	3,864	2,634
Other operating funding applications	107	112	398
<b>Total applications of operating funding</b>	<b>6,892</b>	<b>6,721</b>	<b>6,945</b>
<b>Surplus (deficit) of operating funding</b>	<b>1,867</b>	<b>2,677</b>	<b>4,291</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	1,841	1,900	2,530
Increase (decrease) in debt	2,063	4,355	1,363
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>3,904</b>	<b>6,255</b>	<b>3,893</b>
<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	564	369	962
- to improve the level of service	2,063	4,355	2,851
- to replace existing assets	2,288	2,345	1,294
Increase (decrease) in reserves	856	1,863	3,077
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding</b>	<b>5,771</b>	<b>8,932</b>	<b>8,184</b>
<b>Surplus (deficit) of capital funding</b>	<b>(1,867)</b>	<b>(2,677)</b>	<b>(4,291)</b>
<b>Funding balance for Wastewater</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Funding impact statement

### Stormwater

	2016/17 Long term plan \$'000	2017/18 Long term plan \$'000	2017/18 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge, rates penalties	63	65	87
Targeted rates	1,651	1,695	1,795
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	264	290	299
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	1
<b>Total operating funding</b>	<b>1,978</b>	<b>2,050</b>	<b>2,182</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	705	803	617
Finance costs	-	-	-
Internal charges and overheads applied	556	607	417
Other operating funding applications	4	4	16
<b>Total applications of operating funding</b>	<b>1,265</b>	<b>1,414</b>	<b>1,050</b>
<b>Surplus (deficit) of operating funding</b>	<b>713</b>	<b>636</b>	<b>1,132</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	955	984	902
Increase (decrease) in debt	942	706	701
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>1,897</b>	<b>1,690</b>	<b>1,603</b>
<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	787	1,325	501
- to improve the level of service	952	706	733
- to replace existing assets	72	74	94
Increase (decrease) in reserves	799	221	1,407
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding</b>	<b>2,610</b>	<b>2,326</b>	<b>2,735</b>
<b>Surplus (deficit) of capital funding</b>	<b>(713)</b>	<b>(636)</b>	<b>(1,132)</b>
<b>Funding balance for Stormwater</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Funding impact statement

### Roading

	2016/17 Long term plan \$'000	2017/18 Long term plan \$'000	2017/18 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge, rates penalties	19,195	19,534	20,078
Targeted rates	-	-	-
Subsidies and grants for operating purposes	8,429	8,380	7,335
Fees and charges	145	145	166
Internal charges and overheads recovered	4,514	4,736	1,545
Local authorities fuel tax, fines, infringement fees, and other receipts	441	458	2,140
<b>Total operating funding</b>	<b>32,724</b>	<b>33,253</b>	<b>31,264</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	18,242	18,461	17,431
Finance costs	-	-	-
Internal charges and overheads applied	6,283	6,489	3,945
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>24,525</b>	<b>24,950</b>	<b>21,376</b>
<b>Surplus (deficit) of operating funding</b>	<b>8,199</b>	<b>8,303</b>	<b>9,888</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	9,494	9,091	9,993
Development and financial contributions	1,715	1,771	3,424
Increase (decrease) in debt	2,126	2,340	1,086
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding*	-	-	113
<b>Total sources of capital funding</b>	<b>13,335</b>	<b>13,202</b>	<b>14,616</b>
<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	4,645	3,206	3,468
- to improve the level of service	2,343	2,560	1,282
- to replace existing assets	17,240	16,930	17,788
Increase (decrease) in reserves	(2,694)	(1,191)	1,966
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding</b>	<b>21,534</b>	<b>21,505</b>	<b>24,504</b>
<b>Surplus (deficit) of capital funding</b>	<b>(8,199)</b>	<b>(8,303)</b>	<b>(9,888)</b>
<b>Funding balance for Roothing</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*Other dedicated capital funding for the Roothing group of activities represents capital income for motorcycle safety upgrades.

## Funding impact statement

### Sustainable environment

	2016/17 Long term plan \$'000	2017/18 Long term plan \$'000	2017/18 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge, rates penalties	6,773	7,191	6,890
Targeted rates	2,459	2,572	2,786
Subsidies and grants for operating purposes	-	-	-
Fees and charges	6,085	6,350	6,582
Internal charges and overheads recovered	668	677	644
Local authorities fuel tax, fines, infringement fees, and other receipts	2,913	2,986	4,077
<b>Total operating funding</b>	<b>18,898</b>	<b>19,776</b>	<b>20,979</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	13,760	14,019	16,815
Finance costs	-	-	-
Internal charges and overheads applied	5,547	5,742	5,111
Other operating funding applications	7	8	218
<b>Total applications of operating funding</b>	<b>19,314</b>	<b>19,769</b>	<b>22,144</b>
<b>Surplus (deficit) of operating funding</b>	<b>(416)</b>	<b>7</b>	<b>(1,165)</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	100
Development and financial contributions	-	-	-
Increase (decrease) in debt	154	-	-
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding*	-	-	-
<b>Total sources of capital funding</b>	<b>154</b>	<b>-</b>	<b>100</b>
<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	461	16	136
- to replace existing assets	349	5	2
Increase (decrease) in reserves	(1,072)	(14)	(1,203)
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding</b>	<b>(262)</b>	<b>7</b>	<b>(1,065)</b>
<b>Surplus (deficit) of capital funding</b>	<b>416</b>	<b>(7)</b>	<b>1,165</b>
<b>Funding balance for Sustainable environment</b>	<b>-</b>	<b>-</b>	<b>-</b>



## Funding impact statement

### Sustainable communities

	2016/17 Long term plan \$'000	2017/18 Long term plan \$'000	2017/18 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge, rates penalties	18,421	19,275	19,882
Targeted rates	597	600	630
Subsidies and grants for operating purposes	-	-	198
Fees and charges	1,590	1,633	1,376
Internal charges and overheads recovered	325	282	392
Local authorities fuel tax, fines, infringement fees, and other receipts	1,429	1,465	2,017
<b>Total operating funding</b>	<b>22,362</b>	<b>23,255</b>	<b>24,495</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	13,100	13,425	14,072
Finance costs	-	-	-
Internal charges and overheads applied	5,570	5,872	5,234
Other operating funding applications	588	595	616
<b>Total applications of operating funding</b>	<b>19,258</b>	<b>19,892</b>	<b>19,922</b>
<b>Surplus (deficit) of operating funding</b>	<b>3,104</b>	<b>3,363</b>	<b>4,573</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	876
Development and financial contributions	1,865	1,915	2,701
Increase (decrease) in debt	3,394	3,459	1,013
Gross proceeds from the sale of assets	-	-	2,262
Lump sum contributions	-	-	-
Other dedicated capital funding*	-	-	784
<b>Total sources of capital funding</b>	<b>5,259</b>	<b>5,374</b>	<b>7,636</b>
<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	892	3,988	1,199
- to improve the level of service	3,563	3,549	2,476
- to replace existing assets	1,661	2,761	1,732
Increase (decrease) in reserves	2,247	(1,561)	6,802
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding</b>	<b>8,363</b>	<b>8,737</b>	<b>12,209</b>
<b>Surplus (deficit) of capital funding</b>	<b>(3,104)</b>	<b>(3,363)</b>	<b>(4,573)</b>
<b>Funding balance for Sustainable communities</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*Other dedicated capital funding for the Sustainable Communities group of activities represents capital income for the Rangiriri to Te Kauwhata walkway and for the Ngaruawahia golf course to Horotiu sections of the Te Awa cycleway.

## Funding impact statement

### Governance

	2016/17 Long term plan \$'000	2017/18 Long term plan \$'000	2017/18 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge, rates penalties	6,420	6,597	6,742
Targeted rates	190	193	197
Subsidies and grants for operating purposes	-	-	5
Fees and charges	-	-	1
Internal charges and overheads recovered	1,073	1,097	1,251
Local authorities fuel tax, fines, infringement fees, and other receipts	259	16	17
<b>Total operating funding</b>	<b>7,942</b>	<b>7,903</b>	<b>8,213</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	2,770	2,494	2,630
Finance costs	-	-	-
Internal charges and overheads applied	4,458	4,655	4,499
Other operating funding applications	-	-	2
<b>Total applications of operating funding</b>	<b>7,228</b>	<b>7,149</b>	<b>7,131</b>
<b>Surplus (deficit) of operating funding</b>	<b>714</b>	<b>754</b>	<b>1,082</b>
<b>Sources of capital funding</b>			
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	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	39
Increase (decrease) in reserves	714	754	1,043
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding</b>	<b>714</b>	<b>754</b>	<b>1,082</b>
<b>Surplus (deficit) of capital funding</b>	<b>(714)</b>	<b>(754)</b>	<b>(1,082)</b>
<b>Funding balance for Governance</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Funding impact statement

### Organisational support

	2016/17 Long term plan \$'000	2017/18 Long term plan \$'000	2017/18 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge, rates penalties	464	691	500
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	11	12	6
Internal charges and overheads recovered	32,389	33,984	27,674
Local authorities fuel tax, fines, infringement fees, and other receipts	1,147	1,248	1,508
<b>Total operating funding</b>	<b>34,011</b>	<b>35,935</b>	<b>29,688</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	19,400	19,748	20,451
Finance costs	3,968	4,934	3,997
Internal charges and overheads applied	7,442	7,698	6,646
Other operating funding applications	1,630	1,814	1,570
<b>Total applications of operating funding</b>	<b>32,440</b>	<b>34,194</b>	<b>32,664</b>
<b>Surplus (deficit) of operating funding</b>	<b>1,571</b>	<b>1,741</b>	<b>(2,976)</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	3,763	7,059	(5,883)
Gross proceeds from the sale of assets	217	202	328
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>3,980</b>	<b>7,261</b>	<b>(5,555)</b>
<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	36	68	192
- to replace existing assets	2,328	3,278	1,547
Increase (decrease) in reserves	2,972	5,136	(11,623)
Increase (decrease) in investments	215	520	1,353
<b>Total applications of capital funding</b>	<b>5,551</b>	<b>9,002</b>	<b>(8,531)</b>
<b>Surplus (deficit) of capital funding</b>	<b>(1,571)</b>	<b>(1,741)</b>	<b>2,976</b>
<b>Funding balance for Organisational support</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 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 \$18.6m and was \$300k above budget. Total sources of operating funding (income) was \$2m higher and was offset by operating expenditure also being \$2m higher.

The extra income included general rate income above budget of \$410k and rates penalties above budget of \$346k. Fees and charges income was lower than budget by \$600k explained mainly from less refuse bag sticker sales than was budgeted. Other receipts were above budget by \$1.7m and this was mainly due to greater recoveries from extra work undertaken to meet demand for resource consent requests.

The extra operating expenditure included additional consultant costs of \$860k to help address the higher demand for resource consents processing. Also there were higher maintenance costs including extra for mowing of \$480k and for additional environment maintenance of \$780k. Finance costs were \$400k less due to lower than budgeted interest rates and from less borrowings compared to budget also saving interest costs.

Sources of capital funding were \$19m less compared to budget. There was no increase in borrowings due to extra capital income received and less actual spend on the capital programme compared to budget. Subsidy income received from NZTA was \$2m higher for items not budgeted including the LED lights project and extra subsidy in connection to the Te Awa cycleway. Contribution income was \$4m higher than budgeted from growth exceeding budgeted levels throughout the district and in particular for Pokeno. Also financial contributions income was received that was not budgeted. Proceeds from sale of assets were \$2m more than budgeted and include property sales that were not budgeted. Other dedicated funding of \$1m for the Te Awa cycleway was also not budgeted.

Capital expenditure was \$15m less than budget. Some growth projects did not proceed such as extension of Tuakau water reticulation, new parks at Pokeno and road improvements at Raglan. The delay is due to timing and the budgets have been carried forward. Some level of service projects were also budgeted that were not completed including the upgrade of the supervisory control and data acquisition (SCADA) system for better monitoring of pump stations and treatment plants. Also the market square development project at Pokeno and the Raglan wastewater upgrade was budgeted but not completed. Some renewal projects were budgeted but not completed including renewal works for the Tuakau library.

In summary, because Council is a net borrower the additional borrowing of \$28m budgeted was not required in the funding mix for capital works this year because of additional capital income of \$9m, less capital expenditure of \$15m, less increase in reserves of \$5m and a greater increase in investments of \$1m.

The group of activities funding impact statements compare the actual to the 2017/18 LTP budget (whereas the whole of Council funding impact statement compares to the annual plan for 2017/18).

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 and from less borrowed during the year compared to the LTP budget. The organisational support activity shows a negative increase in debt because of internal debt charged to the other activities while the organisational support activity through its treasury function balances the internal change in debt with the external change in debt.

## Annual report disclosure statement

### For the year ended 30 June 2018

#### 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

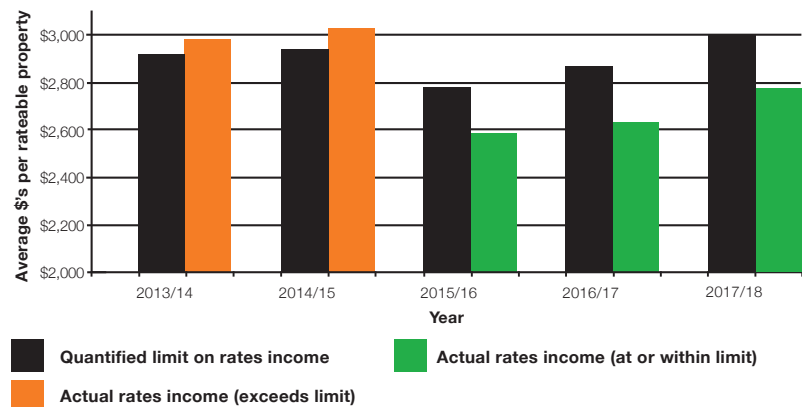
Council meets the rates affordability benchmarks if:

- 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.

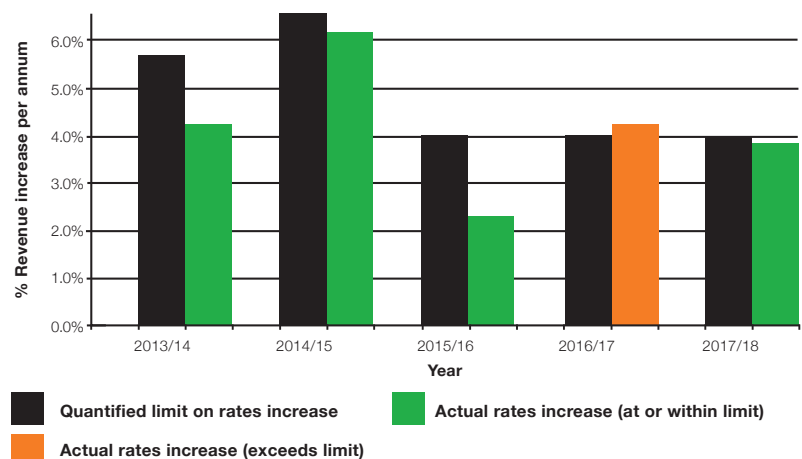
The quantified limit for the current year is an average total rate per rateable property of \$2,999.



##### 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 in rates per rateable property is 4% per year measured cumulatively from 2015/16.



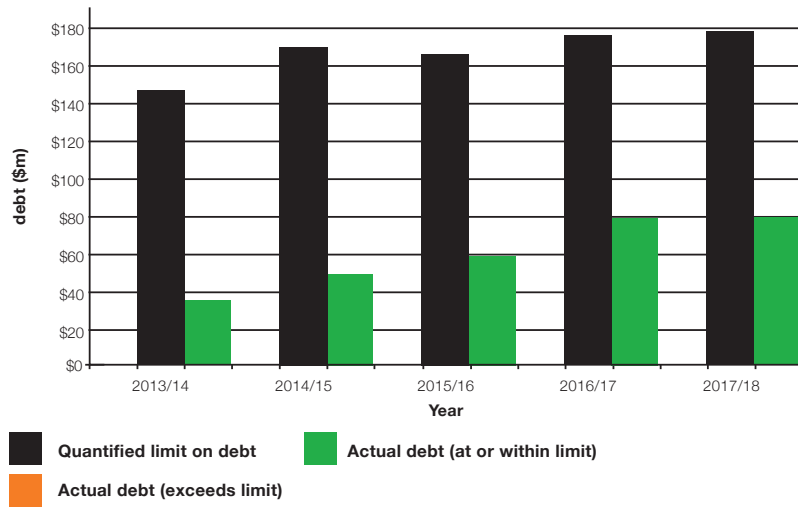
## Debt affordability benchmarks

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.

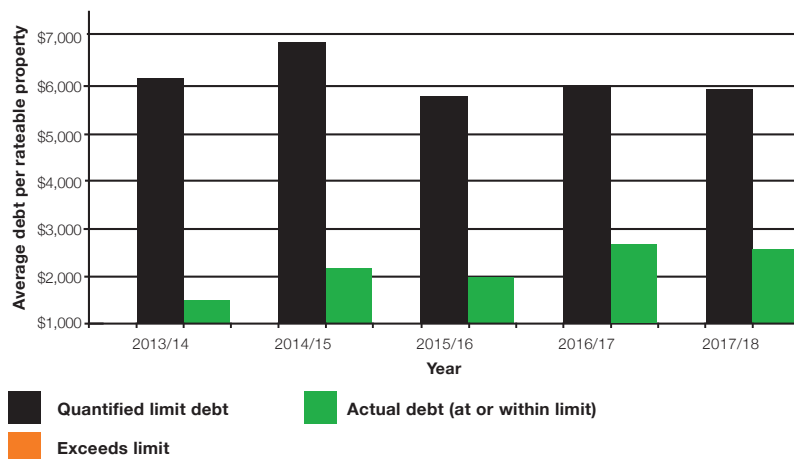
The quantified limit on net debt is \$178.9 million.



### 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.

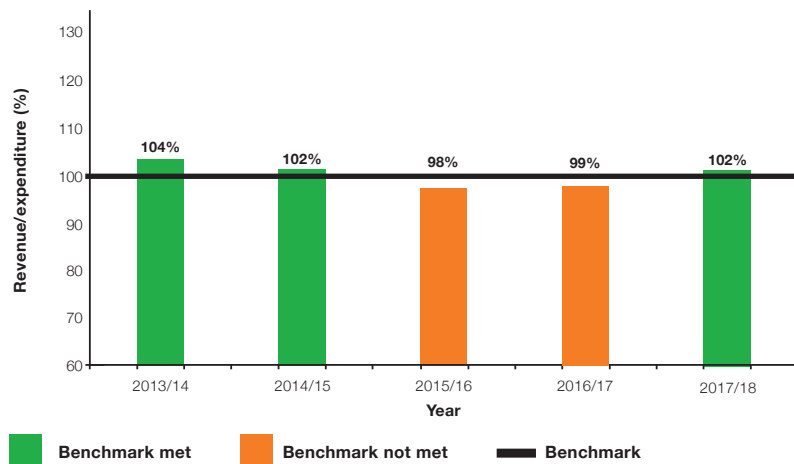
The quantified limit on net debt per rateable property is \$5,957.



### 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).

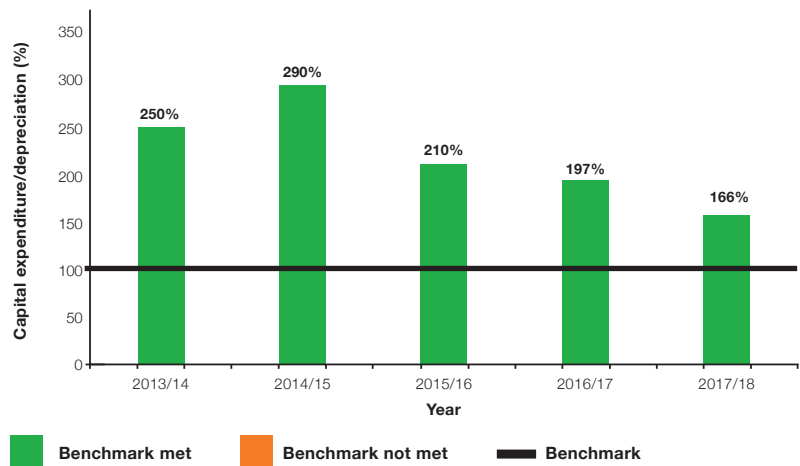
Council meets this benchmark if its revenue is equal to or greater than its operating expenses.



### Essential services benchmark

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

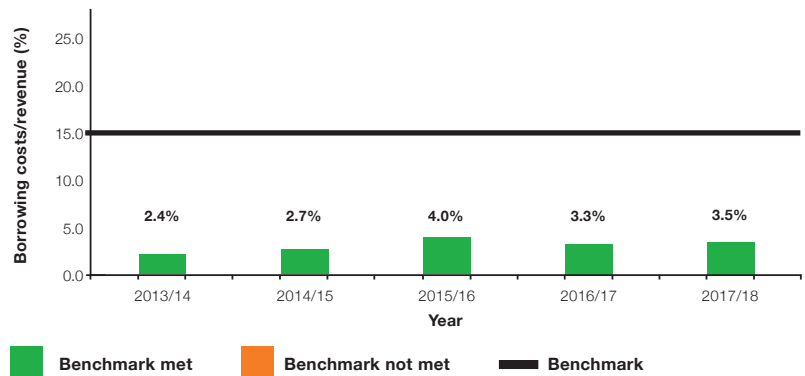
Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



### 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).

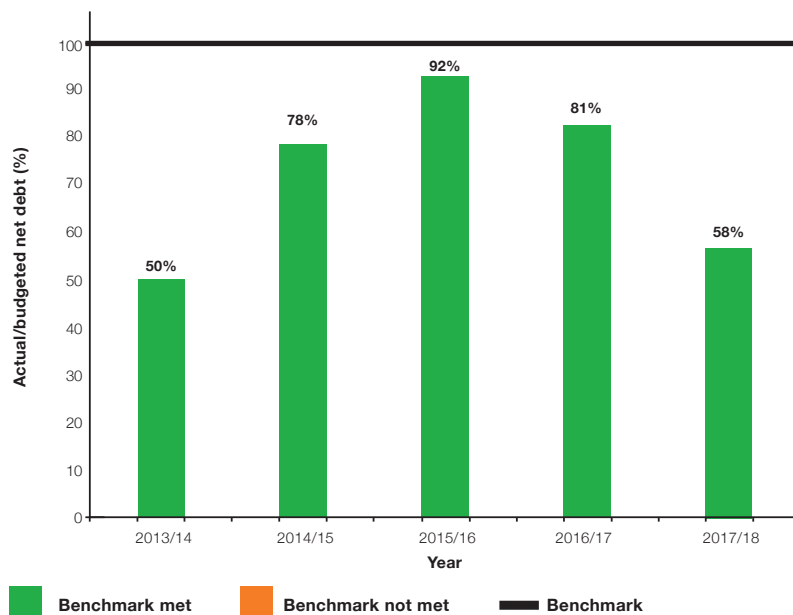
Because Statistics New Zealand projects that Council's population will grow faster than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 15% of its planned revenue.



### 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).

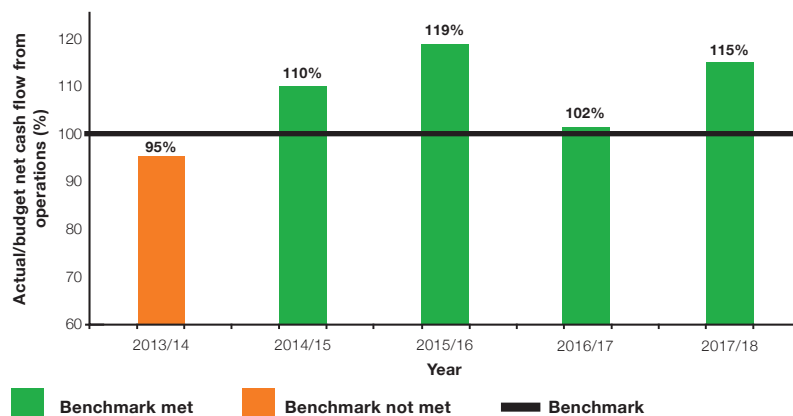
Council meets the debt control benchmark if its actual net debt equals or is less than planned net debt.



### 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 and group's annual report for the year ended 30 June 2018**

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 8 October 2018. 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 132:
  - present fairly, in all material respects:
    - the District Council and Group's financial position as at 30 June 2018;
    - 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 Public Benefit Entity Reporting Standards;
- the funding impact statement on page 133, 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 2018, including:
  - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
  - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
- complies with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities on pages 134 to 141, 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 134 to 141, 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 performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 143 to 145, 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 our 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.
- 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 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 53, 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 I (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit of the audited information and our report on the disclosure requirements, we have audited the District Council's 2018-28 long term plan, performed a limited assurance engagement related to the District Council's debenture trust deed and a retrospective review of two procurements selected by the District Council, which are compatible with those independence requirements. Other than these engagements, we have no relationship with, or interests in, the District Council or its subsidiaries and controlled entities.



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

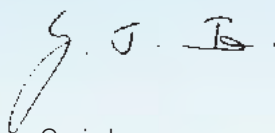
The Council and management of the Waikato District Council accept responsibility for:

- (a) the preparation of the Annual Financial Statements and the judgements used in them, and
- (b) 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 2018 fairly reflect the financial position and operations of the Council.



Allan Sanson  
**Mayor**



Gavin Ion  
**Chief Executive**



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