

NAVIGATING THE FUTURE

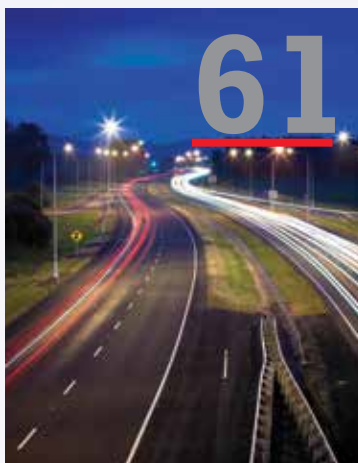
# OUR JOURNEY SO FAR

## ANNUAL REPORT 2013-14





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# From the Mayor and Chief Executive

Over the past few years our focus has been firmly on local government's efficiency and accountability. That's reflected in the changes in the Local Government Act 2002 and other laws which directly control services we provide. And, we're acutely aware that the district's residents and ratepayers support us in improving what we do and how we do it.

After all, the work we do touches almost every facet of their life. It's important therefore it's done right.

Our major initiative to improve the way we deliver services, begun in the 2012/13 financial year, was to streamline our executive team. This was a massive change but was necessary if we are to achieve our aim of improving our customer service throughout the whole organisation. During the 2013/14 year, we restructured our customer team to provide a broader, more integrated service. Since then, we've carried out additional team reorganisations so they better support the organisation's vision.

But change on such a scale that in some areas our progress slowed, inevitable as new staff came on board and temporary staff filled in vacancies.

We're establishing a greater rigour around how we operate, streamlining our processes to create greater efficiencies to further improve our service to our customers.

It's not been easy and has been an upheaval for our staff members, who are to be commended for the professional way they've handled the on-going changes to their workplaces, roles and changes within their teams.

Alongside this, we want to improve how we work with you. We consulted with you about our draft Engagement Summary Statement during the Annual Plan process. We are now in the process of adopting a Community Engagement Strategy so we're consistent in how we consult and discuss issues with you. It's the philosophy that lies behind these that's important; to make sure we do work with you to provide the services and develop the type of communities you want to live in. So, we've been getting out into the communities more, coming to you rather than expecting you to come to us, because for many, councils are remote organisations that you only occasionally have to deal with for things such as dog registration, building consents or rates.

We want this to change and the signs are already there that what we're doing is working, with an encouragingly high number of submissions (755) to our 2014/15 Draft Annual Plan. This reflects the 12 meetings we held around the district during consultation. We also had our 2014/15 Annual Plan hearings in the wider district, in Tuakau and Raglan as well as Ngaruawahia.

This sense of partnership extends to the regional and sub-regional level too. Through the Mayoral Forum we're working on the Waikato Spatial Plan, which is about shaping Waikato's future. This will be done in conjunction with Waikato organisations, groups and individuals and will identify the challenges, opportunities and directions Waikato communities will face over the next 30 years. Such challenges include rural depopulation, an ageing population, water allocations as well as urban growth and development.

As well, we're co-operating with councils within the region to align bylaws and policies where possible to reduce costs, operational conflicts and provide a more seamless service to residents of the Waikato region as a whole. A key milestone is a joint roading centre of excellence, developed to achieve better results at a lower cost.

Hamilton City, Waipa and Waikato District Councils are also considering the concept of a joint council-controlled organisation for managing water services. The three councils are investigating the options so they can decide whether this would be in the public's interest. Operationally, the councils are already working together and we all face similar challenges in managing growth and affordability for our communities in the future.

Economic development is a big priority for our district, which is experiencing considerable growth in some areas. We want all parts of our district to be able to make the most of their potential. Over the past year, we've been developing our Open Waikato initiative to encourage investment and attract people, both visitors and permanent residents to the area so they can experience the great things we have to offer. The feedback and results so far have been extremely positive. Our E Tu Waikato event in October 2014, co-hosted with Waikato-Tainui, is the show-case of our year's work so far and another step along the way to making Open Waikato a strong presence and resource for business.

Financially, we've kept on target. There have been areas where budgets have been carried forward into the next financial year. This doesn't mean the work won't be done. Rather, this relates to our policy of not carrying out work until there is a demand for the infrastructure, or the projects are still in progress but haven't been completed so part of the budget has been moved forward, or there have been issues that have resulted in unavoidable delays.

During 2013, we had a wastewater overflow into Raglan Harbour which was a breach under the Resource Management Act 1991. This was extremely disappointing and highlighted shortcomings which we have worked to put right.

Also in Raglan, it's good to see the Whaanga Coast wastewater reticulation go ahead after many years of discussion. Properties are already connected to the scheme. Further north, Pokeno's wastewater system, which has been the subject of local debate and consultation as well, is under way with the central business area reticulation the first phase.

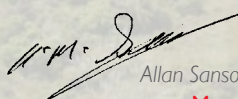
The past year has been one of consolidation as we continue the direction established in the first year of our Long Term Plan 2012-22. We have been able to maintain a steady path while dealing with legislative changes as well as our own internal structural changes.

Our involvement at a regional level is providing us with tangible benefits at a district level, gaining the very real benefits of working in collaboration with our neighbouring councils.

This sense of collaboration will continue in how we work within our communities and we encourage you to talk with us, not just about contentious issues but also about the things that you want to see happen within your community. Your councillors and community board members want to better understand your views and perspectives so that when we make decisions, they're informed decisions.

Last year we said we could feel confident we were on the right track to a stronger, more prosperous district. We're pleased to say 2013/14 has demonstrated that indeed, our joint efforts are paying off. The groundwork we have been putting in and the direction we have set are showing dividends and we're sure this will continue to pay off district-wide in the coming years.

Thank you to our staff and councillors for the solid teamwork over the past year. Even as we've navigated some choppy waters, we've still achieved good results and improvements.



Allan Sanson  
Mayor



Gavin Ion  
Chief Executive





# Our role

The Council is elected by the residents and ratepayers of the Waikato district, with thirteen councillors representing 10 wards, plus the Mayor who is elected at large. The councillors and the Mayor make the decisions affecting the communities across the whole district.

Five community boards, whose members are elected within the board areas, deal with local issues within their areas.

Community committees and groups also play an important role within community decision-making, with the Council working with them and the community boards to gain local perspectives to be taken into account as part of its decision-making.

## Wards

- Awaroa ki Tuakau
- Eureka
- Hukanui-Waerenga
- Huntly
- Newcastle
- Ngaruawahia
- Onewhero-Te Akau
- Raglan
- Tamahere
- Whangamarino

## Community boards

- Huntly Community Board
- Ngaruawahia Community Board
- Onewhero – Tuakau Community Board
- Raglan Community Board
- Taupiri Community Board



Ward boundaries that took effect on 12 October 2013

New Zealand  
Waikato District

## Community groups and committees:

We have a number of voluntary community committees and groups that advocate on behalf of communities in their areas, which include:

- Aka Aka
- Eureka
- Glen Afton / Pukemiro
- Gordonton
- Horsham Downs
- Matangi
- Meremere
- Newstead
- North East Waikato  
(including Mangatawhiri, Mangatangi and Maramarua)
- Pokeno
- Pukekawa
- Rangiriri
- Tamahere
- Tuakau and Districts  
(including Tuakau, Onewhero and Port Waikato)
- Tauwhare
- Te Kauwhata
- Te Kowhai
- Whatawhata

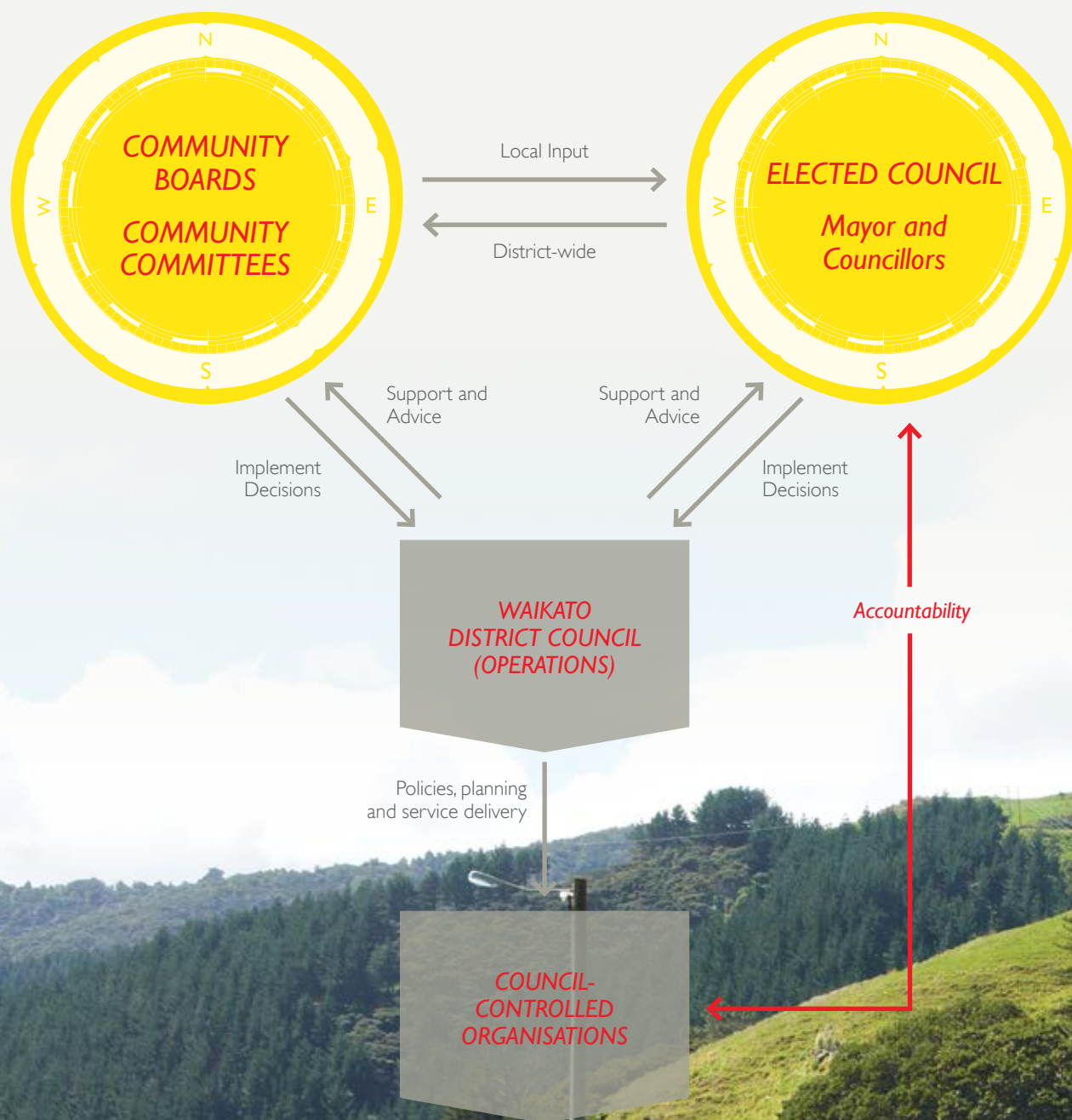
Every day, what you do is influenced by what the Council provides 24 hours a day, seven days a week. Residents expect the Council to provide the basics of roads and footpaths, street lights, water and wastewater and rubbish, and these are the major areas where our money is spent. But, the Council does lots more than that, things which are often taken for granted and which have a direct impact on communities. For example the Council makes sure buildings are safe to be in; responds to emergencies; decides where and who can sell alcohol; inspects restaurants and food shops to be sure they're clean and safe so their customers don't get sick; keeps tabs on dogs; provides walkways, parks, playgrounds and sports grounds so everyone has somewhere for play and leisure; and makes funding available for community organisations that are contributing to social needs in the community. It's a big job that's fundamental to helping ensure our communities are great places to be.

To do all of this we need to:

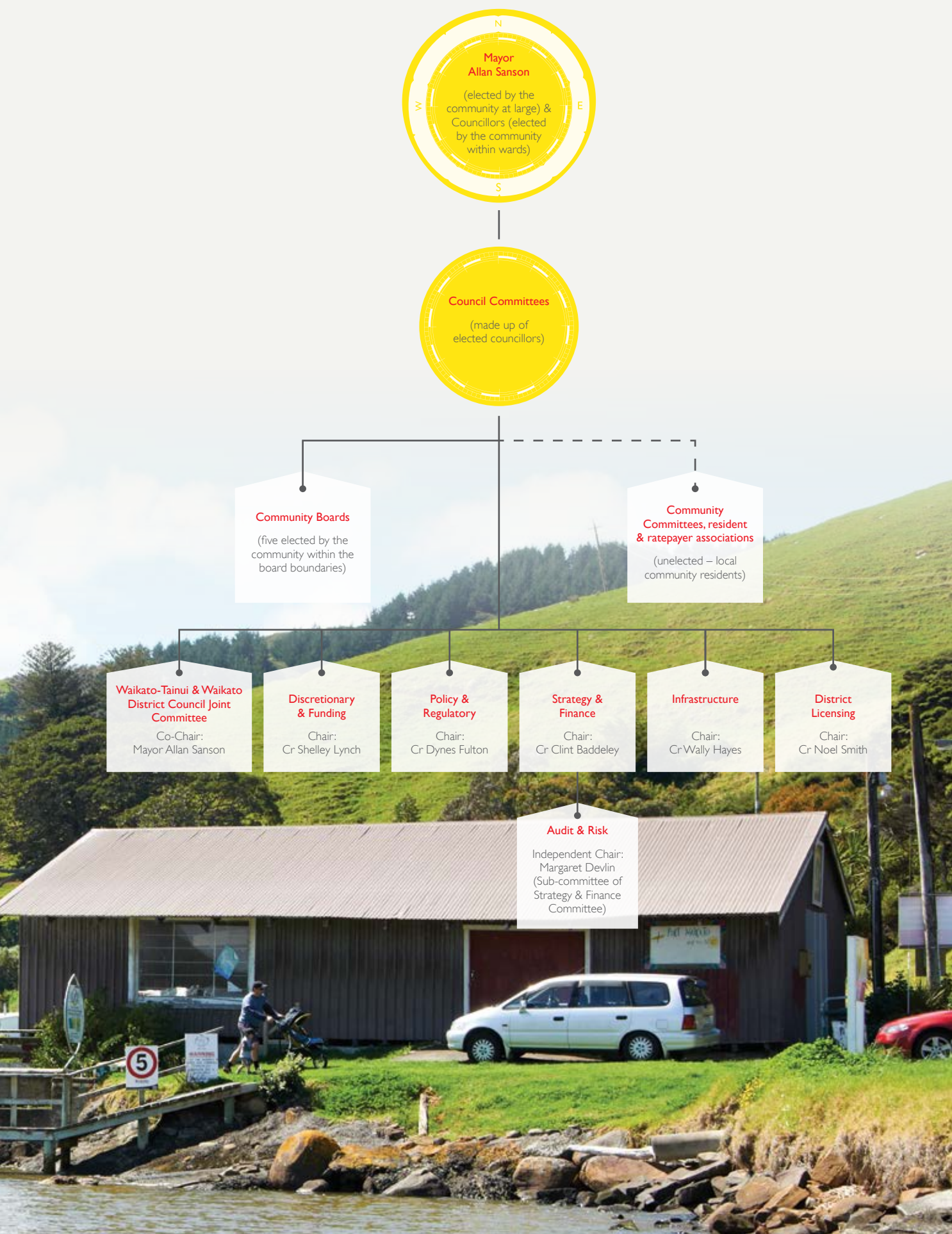
- Get an understanding of what you think about issues through discussion and consultation, before making decisions that affect you
- Work and consult with the community boards and community committees so we can take community views into account when we make decisions about issues in their areas
- Prepare, consult on and adopt the Long Term Plan and Annual Plans, which contain the details about our work plans
- Report back to you through the Annual Report on how well we've carried out our work
- Set the rates which fund the things we do on your behalf
- Manage the Council's finances, assets (buildings, roads and footpaths, pipe networks etc) and risks
- Develop and carry out strategies, policies and plans including the District Plan and structure plans to guide the district's growth and development
- Decide rules around activities such as district planning, resource and building consents, liquor licensing, psychoactive substances, food hygiene controls
- Provide community amenities such as swimming pools and libraries, parks and sports facilities
- Make bylaws such as speed limits, parking, food hygiene, liquor control, animal control, beaches and reserves, signs and billboards
- Carry out shareholder responsibilities for Council-owned organisations such as Strada Corporation Ltd
- Monitor and review how well the Council organisation is doing its job.



# How the Waikato District Council works









# Who we are

## The Council

### **Noel Smith**

Newcastle Ward  
Councillor

### **Clint Baddeley**

Raglan Ward  
Councillor

### **Wally Hayes**

Tamahere Ward  
Councillor

### **Janet Gibb**

Ngaruawahia  
Ward Councillor

### **Allan Sanson**

Mayor



### **Rob McGuire**

Eureka Ward  
Councillor

### **Jan Sedgwick**

Whangamarino  
Ward Councillor

### **Moera Solomon**

Ngaruawahia Ward  
Councillor

### **Rosemarie Costar**

Onewhero-Te Akau Ward  
Councillor

### **Dynes Fulton**

Deputy Mayor, Hukanui-  
Waerenga Ward Councillor



## The Executive Team

### **Shelley Lynch**

Huntly Ward  
Councillor

### **Jacqui Church**

Awaroa ki Tuakau  
Ward Councillor

### **Tony Whittaker**

General Manager  
Strategy and Support

### **Gavin Ion**

Chief Executive

### **Lionel Petersen**

Awaroa ki Tuakau Ward  
Councillor

### **Graeme Tait**

Huntly Ward  
Councillor

### **Sue Duignan**

General Manager  
Customer Support

### **Tim Harty**

General Manager  
Service Delivery



# What we stand for

## Our vision

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

### WHAT WE WANT TO ACHIEVE FOR WAIKATO DISTRICT:

When we talk with the people in the Waikato district, the message is that our work has to contribute to the things that make our communities work well and create places that are great in which to live and work. So, we have five 'community outcomes' which we work to achieve every year through all the activities and projects we do and on which we are reporting in this Annual Report.

You'll see in our activities section from page 17 how the work we've done throughout the year contributes to these outcomes.

### ACCESSIBLE WAIKATO

A district where the community's access to transport infrastructure and technology meets its needs

### SUSTAINABLE WAIKATO

A district where growth is managed effectively and natural resources are protected and developed for future generations

### THRIVING WAIKATO

The Council's processes encourage the continuity of existing businesses and the establishment of new businesses and industry

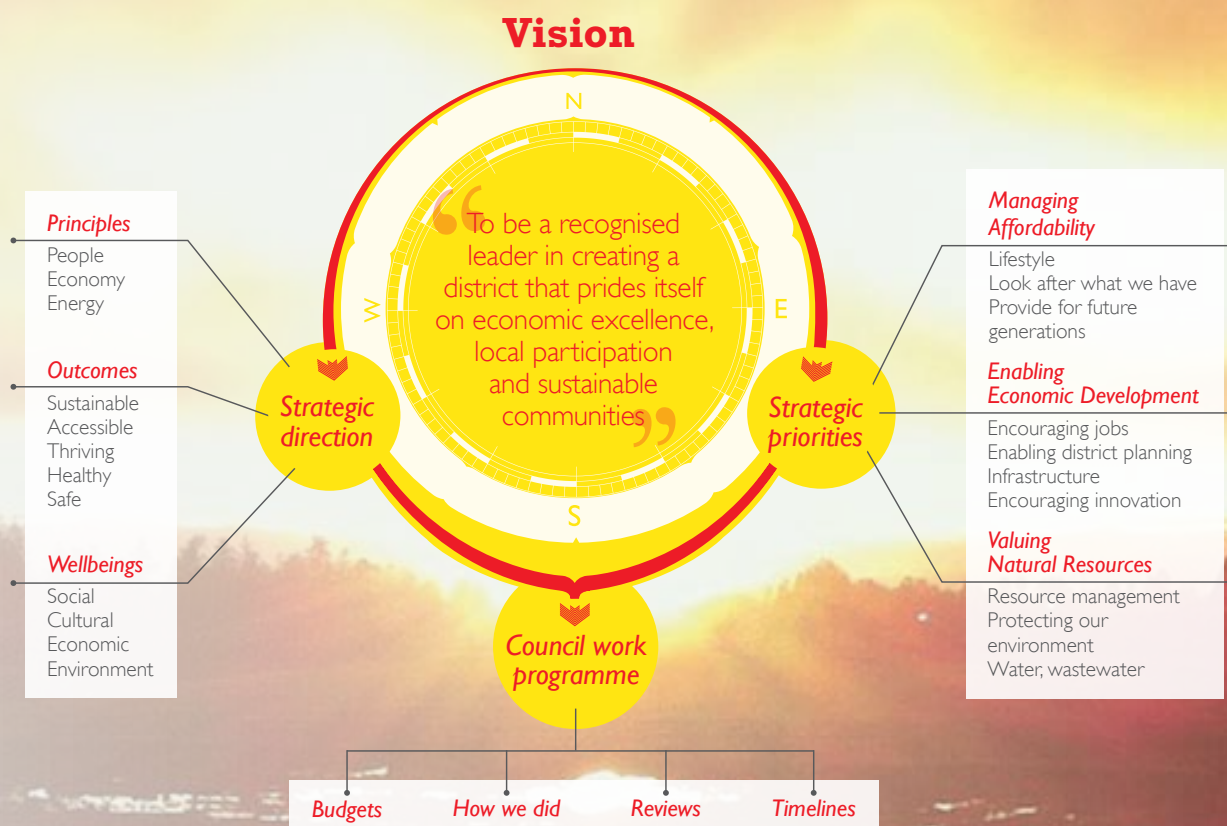
### HEALTHY WAIKATO

A district with services and activities that promote a healthy community

### SAFE WAIKATO

A district where people feel safe and supported within their communities.





## Our direction

We have three guiding principles as part of our decision-making. Aligned to these principles are our strategic priorities. Together these form the framework within which we set our strategic direction.



### PEOPLE

- Community engagement
- Managing diversity, aspirations and capability
- Building relationships and partnerships



### ECONOMY

- Encourage innovative thinking
- Prudent financial management
- Stimulate sustainable growth



### ENERGY

- Active leadership
- Sustainable management of natural resources
- Empower

# How we deliver













# Statement of Service Provision

## THIS SECTION

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



We've achieved our targets (green)



We're on track towards the target but haven't quite made it (within 5% and expected to reach target) (amber)



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

WATER SUPPLY 19

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STORMWATER 25

ROADING 27

SUSTAINABLE ENVIRONMENT 30

ANIMAL CONTROL 31

BUILDING QUALITY 33

STRATEGIC & DISTRICT PLANNING 35

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# What we did

## Statement of Service Provision

This section is about what we have done over the past year and how well we did it; what's formally known as Service Performance.

Our projects, activities and their associated budgets are divided into eight separate groups of activities where we talk about the issues that have arisen during the year and how we've dealt with or are dealing with them, and the highlights. We've shown below which community outcome each of these activities primarily contributes to, with green, amber and red 'traffic lights' to show our progress.

- **Green** indicates we achieved against the outcome
- **Amber** indicates we're on track (within 5% and expected to reach target)
- **Red** indicates improvement is needed (variance greater than 5%)

If we're going to keep improving what we do, we have to measure how well we're doing our job. We have 66 performance measures and targets across all our activities, which we aim to meet each year. Some of these measures are based on residents' opinions of what we're doing, through our Annual Satisfaction Survey. Others are based on how well we respond to our customers' requirements.

We report our progress every three months as well, so we can tweak and adjust what we do to stay on track. You'll see we have mixed reports, having met and exceeded some targets (green), on track for others (amber) and missed some as well (red). We've said why these results have come about so you can decide if we're doing as well as we could, and what we're doing about the areas where we haven't met our targets.

Activity	Outcome				
	Accessible	Sustainable	Thriving	Healthy	Safe
Water supply					
Wastewater					
Stormwater					
Roading					
<b>Sustainable Environment</b>					
- Animal Control					
- Building Quality					
- Strategic & District Planning					
- Solid Waste					
- Environmental Health					
<b>Sustainable Communities</b>					
- Economic Development					
- Grants & Donations			Not measured		
- Leisure Facilities					
- Community Facilities					
- Emergency Management					
- Customer Delivery					
Council Leadership					
Organisational Support					



# Water supply

**Objective: Healthy and Safe Waikato. The Council's supply of water is reliable and safe to drink. There is a good flow of water for fire-fighting.**

## What we planned

Our strategic focus for water was to maintain our present network, addressing specific health issues and carrying out projects that are predominantly growth-driven.

During the year we focused on extending reticulation in growth areas such as the northern part of the district and Horotiu and to replace and upgrade water infrastructure, for example Raglan's water mains.

Most of our projects have gone ahead while others have varied in timing or scope.

**Pokeno, Tuakau:** We planned to extend our water network and facilities and have continued expanding the local pipe network; however, the majority of these projects have been moved to the 2014/15 financial year (carried forward), including the mains and new treatment plant.

This was because our analysis and preparation for the projects highlighted new things to be considered. Keeping in mind the growth in these two areas, we had to think about where water would come from, the need for a reliable service, and importantly the cost, which was going to be prohibitive. It made better sense for us to enter into a contract with Watercare for a bulk water supply, and we're still negotiating this.

Meanwhile, the local pipe network is being expanded as required.

**Southern District:** While accommodating fast growth is a priority in the north, further south we've delayed extending the Southern District water network because there hasn't been as much growth as expected.

**Horotiu:** We've completed the first phase of the water network for the Northgate industrial development and further work will depend on the development's progress.

**Water storage:** Another project that's been carried forward is the new water storage reservoir in Port Waikato. The former Franklin District Council had chosen a site for the reservoir but on closer inspection, it wasn't suitable so we're now looking for another, more appropriate site. Similarly, in Tamahere we are still trying to find suitable land for new reservoirs.

**Raglan:** In Raglan the water mains are old, fragile and past their useful life. Over the past year our priority has been to gradually replace and upgrade them and this will continue during the 2014/15 financial year.

**Huntly:** Residents in Huntly's Te Ohaaki Road have told us they would like Council-supplied water. As part of the project we've done initial design work, determined costs and obtained a government subsidy to help fund the project.

**Water meters:** We've been gradually preparing our network so we can install water meters in the district, but we've yet to decide what type of meters will be best, so we put the next stage of preparatory work, in Ngaruawahia, on hold until the 2014/15 financial year.

## Issues

**Compliance:** We have reviewed how we've been managing our reporting on resource consent conditions. This review highlighted where we needed more resources and we now have a staff member whose role is to ensure we comply with all reporting conditions for resource consents for water, stormwater, wastewater and drinking water standards.

**Deficit:** There was a significant short-fall in the operational reserve for water and our spending went up because of the increased standards we had to meet for drinking water. As part of our long-term plan, you'll recall we increased targeted water rates by 12 per cent for non-metered properties in Huntly, Ngaruawahia and Raglan so we could meet these costs and get the account out of the red. We are ahead of our target of clearing the deficit by the end of June 2020.

## Operations







As part of our resource consent compliance review, we've identified areas where we have operational gaps in our plants. We're now dealing with these and more work will be included in the 2015-2025 Long Term Plan.

## Highlights

**Raglan treatment plant:** The Raglan water treatment plant upgrade is under way and when it's finished, all water from that plant will meet the requirements of the drinking water standards. With the upgrade's completion, we will also comply with our resource consent conditions.

**Bylaw:** In June 2014, we passed a new district-wide water supply bylaw after asking the community about their views of the proposal. This bylaw aims to protect, promote and maintain public health and safety; promote efficient use of water from the public supply system and protect against its waste, misuse, and contamination. It covers things such as conditions of supply and breaches of those conditions and protecting water supplies from contamination or interruption.

### How we measured success

Measure	Target	Result 13/14	Result 12/13		Explanation
The number of times per annum we find harmful bacteria in our routine water supply reticulation testing (less than 1 per 100mLs)	0	0	0		
The percentage of network pressure tests that comply with set standards (200kPA at the boundary)	85%	77%	88%		In 2013/14, we focussed on the older, less efficient networks and this reflects our result
The percentage of "no water" complaints where customers have been contacted within 2 hours	100%	99%	94%		Two of the three customer complaints received were not contacted within the two-hour timeframe because of staff resourcing levels
Based on the Annual Satisfaction Survey, the percentage of respondents that are satisfied with the service they receive from the Council	>78%	87%	78%		
The percentage of time that each reservoir is maintained above 40% full	>97%	100%	99.9%		
The percentage of hydrants that, when tested, have the required minimum flow of 25 litres/second at 100kPA	>52%	17%	21%		In 2013/14, we focussed on the older, less efficient networks and this reflects our result





## What our results tell us

These measures are one way for us to demonstrate our water is safe to drink, we have enough water to use every day and for fire-fighting, and residents are happy with our services. Most of our results show an improvement since the previous year. Where measures indicate lost ground is regarding water pressure testing and meeting the required minimum flow from hydrants. Our work programme is prioritised according to our test results so that we can get the most urgent work done first, and so we can do our upgrades cost-effectively. Our results will gradually improve as the work is completed over time.

The potential negative effects of our water supply activity are:

- Potential contamination of the raw water supply
- Discharges of backwash water from treatment plants and chlorinated water from maintenance activities or pipe failures
- Effects on river ecology caused by river water extraction during low flows
- Depletion of aquifer resources
- Health and safety risks associated with the operation, maintenance or construction of water supply infrastructure
- Insufficient water supplies during times of drought or emergency
- Drinking water not meeting the Drinking Water Standards 2005
- Inadequate pressure and flow to fight fires.

**4%**

General rates

**42%**

Targeted rates

**49%**

Fees and charges

**5%**

Internal charges recovered



**69%**

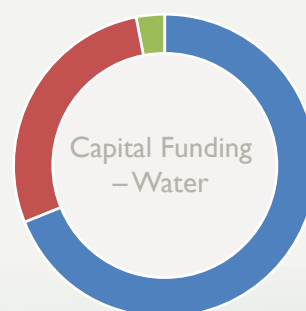
Development and financial contributions

**28%**

Increase in debt

**3%**

Other dedicated capital funding



# Wastewater

**Objective: Healthy and Safe Waikato. The Council provides reliable, efficient and effective wastewater services.**

## What we planned

Our strategic focus for wastewater is to ensure wastewater is suitably collected, treated and disposed of to protect our environment and the public's health.

Our focus was on extending our wastewater system in areas of growth, upgrades where there were concerns about potential health risks, and renewing reticulation to ensure our wastewater system continues to operate effectively.

**Review:** As part of identifying how we can improve our operations, we have reviewed the district's water and wastewater treatment plants operations and risks. As a result we are:

- Carrying out more staff training to increase our understanding of biological processes so we can operate the plants more effectively
- Improving our data collection and sampling, analysis and reporting
- Improving our limited knowledge of history and trends so we can increase our understanding of the complete process and minimise compliance issues
- Updating standard operating procedures to achieve consistency in how we operate our plants.

We have created a dedicated Waters Compliance Officer role focussing on meeting our reporting requirements for water, wastewater and stormwater. Other things we're doing include improving our maintenance and how we manage and respond to alarms alerting us to overflows and other issues. After the 2013/14 financial year closed, there was a wastewater overflow in Raglan, caused by a blockage in the system from inappropriate objects being put into the wastewater system. We carried out a prompt investigation to find the problems and immediately addressed a systems gap. The upgrades and work programme already underway will address the remaining issues.

To better understand what's happening in our plants and wastewater systems, we're upgrading how we gather, manage and use data and information, so we can see the trends and catch potential issues before they escalate.

The review also included a risk analysis which showed the Raglan wastewater plant was the highest-risk facility, with the anaerobic ponds and the control / electrical systems being of most concern. The planned improvements are being accelerated to minimise our risks.

**Pokeno, Tuakau:** We've started the new pipeline to take wastewater from Tuakau and Pokeno to the Watercare plant west of Tuakau. This will be finished towards the end of 2014.

The first phase of the new reticulated wastewater system for Pokeno village began in May 2014. At a cost of \$964,365, this phase of the scheme is designed to connect the commercial heart of the village to the new wastewater system. We commissioned an environmental baseline assessment in December 2013 which highlighted the need for wastewater reticulation, as more than half the properties in the existing village have problems with wastewater disposal. Businesses also wanted to cater for extra demand as the township develops. This part of the scheme is expected to be finished by September 2014.

While it's being built, we're going to talk with residents about wastewater disposal from their properties so the next phases of the project can be decided. We've agreed a 50 per cent subsidy will be available for existing home owners, but not for land-owners wanting to develop after the existing properties have been connected.

**Raglan:** The Whaanga Coast low-pressure reticulation system was largely completed by 30 June 2014, as enough residents made the commitment to connecting to make it a viable proposition.

An environmental baseline assessment done in November 2013 showed nearly 80 per cent of properties visited had problems with on-site wastewater disposal and reticulation was essential to avoid a public health risk.

By June, the owners of 73 residential and two commercial properties had signed up, with a bit of leeway provided for those who hadn't joined to take up the proposal. There was a slight delay in construction because of the unavailability of materials and to finalise discussions with some property owners.

The cost of the project is \$3.7 million. Existing property owners who joined the scheme at the start receive a subsidy, with the Council covering 52 per cent of the total.

Meanwhile the upgrade to the Raglan pump station has been carried forward because we want to review our overall programme.

**Huntly:** The reticulation renewal project in this area was somewhat challenging because of the ground conditions but with remedial work we were able to put in the replacement pipes.

**Te Kauwhata:** Work on the new pump station in Travers Road to provide for growth in Te Kauwhata began during this financial year.



## Issues

**Overflow:** In July 2013, there was a wastewater overflow from the Raglan wastewater treatment plant, in which about 5000 cubic metres of partially treated wastewater overflowed from the pond into a tidal tributary of the Raglan Harbour.

Since then, the Council and the Waikato Regional Council have completed full investigations. The causes of the overflow included discharge pumps not starting, and a lack of telemetry alarms which (had there been alarms installed) would have sounded if a pump failed. Our response and how we ran the plant should have been much better. This has now been addressed.

The Council was formally charged with discharging a contaminant into the environment, under the Resource Management Act 1991. This charge resulted in the Council being sentenced in the Hamilton District Court in June 2014, and a penalty of \$56,250 plus costs imposed.

We've upgraded the monitoring system, changed our operational procedures at the plant, and accelerated the standardisation and replacement of our telemetry system. There will be more changes as a result of the water and wastewater plant review.

The discharge also raised local concerns about whether the plant could cope with more wastewater, especially with development in the area and Whaanga Coast joining the network. The overflow was not because of capacity. The plant is more than capable of dealing with both present and forecast demand.

**Stormwater inflows:** While our wastewater system can deal with demand, it does have difficulty in coping when there's a lot of rain. This is because, although it's illegal, many properties have the stormwater connected into the wastewater pipes, rather than the stormwater system. This means the large and sudden influx of stormwater during heavy rainfall puts our wastewater system to the test because it's designed for wastewater demand, not rainfall. The problem is worsened by the natural inflow of groundwater seeping into the pipes. Where we know stormwater pipes on properties are illegally connected into the wastewater system, we ask owners to put it right.

## Highlights

A \$4 million injection of funds has boosted the quality of wastewater from Ngaruawahia's and Huntly's wastewater treatment plants. It was a requirement of the Council's new resource consents for both sites.

A new filtration and UV system was installed at Ngaruawahia to deal with summer algae blooms and a new UV system at Huntly ensures we comply with our resource consent conditions for discharge quality.

Now there is improved treatment, the treated wastewater discharge into the river is of a higher quality than before.

## How we measured success

Measure	Target	Result 13/14	Result 12/13	Explanation
The percentage of customer complaints about wastewater overflows responded to within one hour	100%	94%	96%	 Calls were incorrectly logged, giving lower than expected results
The numbers of wastewater odour complaints received reduce each year	<45	16	18	
The percentage of respondents to the Annual Satisfaction Survey who are satisfied with wastewater services within the district	>78%	87%	91%	



The percentage of wastewater consents that achieve at least 'High Level of Compliance' from the Waikato Regional Council

>70% 44% 62.5%



This result is for the previous 2012/13 financial year.

**Meremere:** Partial compliance. The quality of discharge continues to be inadequate with suspended solids and bacterial compliance targets particularly hard to meet

**Ngaruawahia:** Partial compliance. Generally showed some good performance, however difficulty continued in meeting some of the treatment discharge consent conditions, particularly suspended solids and E.coli. Discharge quantity allowances were not exceeded on any occasion during the 2012/13 consent reporting year

**Raglan:** Partial compliance. Results show a modest improvement in suspended solids and a very good improvement in treatment over the previous year. In June 2013 a number of factors resulted in a storage pond overflow and the need to run the discharge pumps outside the consented times. An extensive upgrade of the SCADA system is currently underway

**Huntly:** Partial compliance. Tests indicate that the effluent quality does not meet the requirements of the new consent in terms of suspended solids or E.coli. A Ultra Violet (UV) treatment unit was installed and commissioned in mid September 2013. E.coli results are expected to be within required limits for the majority of 2013/14

**Te Kauwhata:** Full compliance

**Tauwhare Pa:** Full compliance

**Maramarua:** High level of compliance

**Te Kowhai:** Partial compliance. The plant currently has no de-nitrification step in the process to reduce the nitrate that is generated. Council is currently considering options to improve the system

**Matangi:** Partial compliance. There are still instances of high flow, particularly when ground water tables are high. Council has embarked on a programme to inspect and seal septic tanks in the catchment

## What our results tell us

We're aware we need to respond quickly to wastewater overflows because public health can be at risk. Our measurement results overall show some reversal in trends. While there's been a slight drop in our response to customer complaints about wastewater overflows within an hour, the result is still positive. And, we're still meeting our target for satisfaction with wastewater services. The number of people complaining about odour has decreased and we expect this trend to continue as our upgrades are completed.

We're also developing a 50-year strategy which will provide us with the direction to effectively meet long-term demand for wastewater services.

The potential negative effects of our wastewater activity are:

- Discharges to land and waterways not complying with resource consents
- Odour from manholes, pump stations and treatment plants
- Overflows from manholes
- Health and safety risks associated with the operation, maintenance or construction of wastewater infrastructure
- Pump station overflows
- Chemical spills at treatment plants.

4%

General rates

81%

Targeted rates

13%

Fees and charges

2%

Internal charges recovered



37%

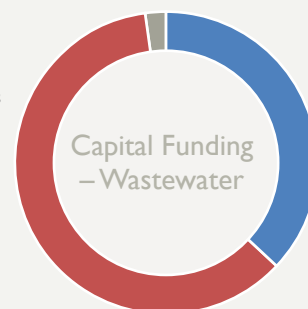
Development and financial contributions

61%

Increase in debt

2%

Lump sum contributions





# Stormwater

**Objective: Sustainable and Safe Waikato. During rain events, the stormwater system minimises disruption to businesses and homes.**

The strategic focus for stormwater is to maintain our current infrastructure to protect our environment from storm damage and runoff, and address any growth-driven projects.

Our major projects addressed network improvements in Raglan; continued extensions to cater for growth; and maintenance upgrades to the existing network where required.

## What we planned

**Raglan:** Work on Raglan's stormwater system planned for the 2013/14 financial year has been carried forward. This is because while we have funding in our capital works budgets to meet future needs we're still determining the best and most effective way of allocating the funds. Our 50-year stormwater strategy, due to be finished soon, is a more recent project and will provide us with good information on how best to manage our stormwater catchment. That in turn will guide our thinking on our stormwater catchment planning and subsequent work.

**Pokeno:** Stormwater extensions, including the stormwater treatment ponds, are continuing. Footpaths and wetlands will be vested in the Council as each stage is completed.

**Tamahere:** During the year we sent about 950 Tamahere property owners the results of an updated stormwater drainage study which contained details of the effects of a one-in-100 year extreme rainfall event.





Property owners can use this information when they're making decisions about their property development, and we can use it when we're planning our infrastructure such as underground services and roads.

## Highlights

**Port Waikato:** The upgrade of the stormwater pipe system is finished and will address local flooding issues there. The upgraded kerb and channel which was part of this project has brought the roading system up to urban standard.



## How we measured success

Measure	Target	Result 13/14	Result 12/13		Explanation
The number of complaints received about stormwater flooding does not increase	<140	26	23		
The percentage of respondents to the Annual Satisfaction Survey who are satisfied with stormwater services	>78%	69%	69%		Customer comments reflect complaints about flooding when it rains, inadequate drainage, and problems with run-off
The percentage of complaints about stormwater flooding where the customer has been contacted within 6 hours	100%	73%	66%		This result, while improved on the previous year, seven of 26 complaints weren't responded to in time, because we incorrectly logged and reported the complaints
The percentage of communities that achieve at least a "High Level of Compliance" from Waikato Regional Council	85%	100%	100%		

## What our results tell us

Our response rate to customers and compliance with resource consent conditions is our focus when measuring what we're doing, because these reflect the overall level of service and quality of our stormwater system. We are providing training to our staff to address the issue of delays in customer responses. Meanwhile, we are achieving excellent results for complying with our stormwater consents and our staff changes will help us maintain this standard.

The potential negative effects of our stormwater activity are:

- Discharges to land and waterways not complying with resource consents
- 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)
- Erosion of streams and river beds
- Chemical spills affecting waterways
- Health and safety risks associated with the operation, maintenance or construction of stormwater infrastructure
- Potential impacts on customer satisfaction due to service failure / delays / responsiveness.

**6%**

General rates

**84%**

Targeted rates

**10%**

Internal charges recovered

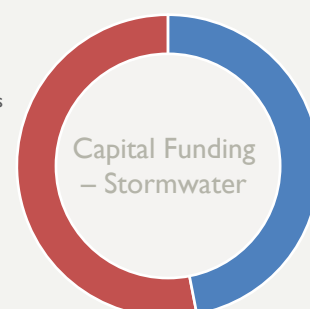


**47%**

Development and financial contributions

**53%**

Increase in debt





# Roading

**Objective: Accessible and Safe Waikato: The roading network is well maintained, safe and provides a comfortable means of travel.**

## What we planned

Our strategic focus for roading is to concentrate on maintaining the current road network and deliver projects which are mostly growth-driven and ensure safety on the network.

**Tamahere:** Work has started on Wiremu Tamihana Drive at Tamahere and will go through until November 2014. The road is a key aspect of the Tamahere Structure Plan and will take the traffic load off Newell Road between State Highway 1 and Airport Road and encourage mainstream traffic to use the new Waikato Expressway. When finished, the new link will provide access to the proposed village hub on Devine Road. The traffic congestion at the SH1 and Airport Road intersection will decrease as well.

**Bridge maintenance:** Maintenance of the Tuakau Bridge is an important part of the work programme and should be completed by the end of 2014. Renewal work on Tainui Bridge has been deferred as the inspection and investigation to determine what work is required was complex, so we delayed the work until that's completed.

**Raglan:** Street work on Norrie Avenue in Raglan was deferred for design and construction over a two-year period because we had to design and construct other enabling works before doing the main construction.

The project for James Street in Raglan has been deferred to the 2014/15 summer.

The work is ready to go now but rather than risk inconveniencing residents and road users by doing the work during winter, which could have meant weather-related delays, we decided to take advantage of summer's drier weather, so reducing construction time and inconvenience.

## Issues

**Road repairs:** We put \$211,600 towards repairing Seddon Road, Piako Road and Holland Road, all of which had been severely damaged by drought because these roads are on peat, which dried out too quickly, damaging the road surfaces. These projects were finished late 2013. Another \$44,400 went to replenish the disaster recovery fund, which was set up for emergency repair work such as storm damage and slips. Drought damage falls into the same category.

## Highlights








More than \$700,000 was put into roads and street lighting for Onewhero and Tuakau. The funding covered more than \$450,000 for resealing urban roads in Tuakau, Port Waikato and Pokeno and \$143,000 for upgrading street lighting.

In Port Waikato, \$100,000 went towards kerb and channelling along Mission Road.

Another \$1 million went into street works for Ngaruawahia, Huntly, Taupiri and Te Kauwhata. This included resealing urban roads, and improving Rayner Road in Huntly, while street lighting in Ngaruawahia and Huntly was improved.



## How we measured success

Measure	Target	Result 13/14	Result 12/13	Explanation
Respondents are satisfied or very satisfied with the standard of roads overall as measured by the Annual Satisfaction Survey	65%	75%	75%	
Respondents are satisfied or very satisfied with the standard of the unsealed roads as measured by the Annual Satisfaction Survey	28%	43%	37%	
Respondents are satisfied or very satisfied with footpaths as measured by the Annual Customer Satisfaction Survey	46%	56%	53%	
Percentage of urgent trip hazards which are responded to within 24 hours of notification to the contractor	100%	Not measured	100%	 While we have responded to all safety issues during the 2013/14 financial year, staff loss as a result of our restructure left gaps in our operational processes, which meant this was not measured for the 2013/14 financial year
Respondents are satisfied or very satisfied with signs and markings on the road network as measured by the Annual Satisfaction Survey	76%	85%	83%	
Number of reported injury crashes where road factors were a contributing factor (5 year moving average)	Urban <10 Rural <22	Urban: 1 Rural: 10	Urban=1 Rural=22	
Respondents are satisfied or very satisfied with the safety of the Waikato district's roads as measured by the Annual Satisfaction Survey	55%	73%	70%	





## What our results tell us

How we maintain roads has a direct effect on how safe they are for road users. Therefore when we evaluate our performance measures, one of the things we're finding out is how effective we are at contributing to lower crash rates and therefore fewer injuries.

People are recognising the work we're doing, with our satisfaction survey results exceeding our targets. We also know from our survey results we need to keep our focus on continuing improvement. For instance, many residents, particularly in the northern part of the district, have indicated they have issues with unsealed roads. We have put more staff resources towards our quality checking and working more closely with our contractors so that we are meeting our customers' expectations and the requirements of our contracts. The 2014/15 financial year is the final year of our major road maintenance contracts, so a lot of work is being planned to ensure the issues raised by our customers can be clearly managed through the new contracts.

We are also putting processes in place during the 2014/15 financial year so we can provide accurate results for our performance in responding to complaints about trip hazards.

The potential negative effects of our roading activities are:

- Road and environment factors can contribute to crashes, particularly those that involve loss of control
- Increased traffic congestion on existing transport network
- The particular needs of cyclists and pedestrians conflicts with other forms of traffic
- Speed restrictions imposed on inappropriate locations cause speed limits to be ignored
- Economically, the cost of desired infrastructure improvements may exceed the community's ability to pay
- Transport development may impinge on culturally significant lands
- The quality of surface runoff from roads that discharges into adjacent coastal or other waters
- Dust nuisance.

**62%**

General rates

**23%**

Subsidies for operating purposes

**15%**

Internal charges recovered



**65%**

Subsidies and grants for capital expenditure

**19%**

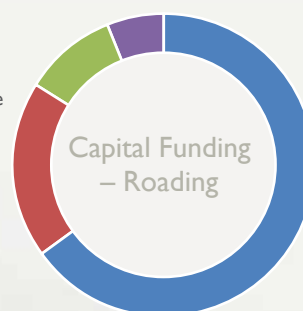
Development and financial contributions

**10%**

Increase in debt

**6%**

Other dedicated capital funding



# Sustainable Environment

The Sustainable Environment Group of Activities includes single activities that naturally fit, as together they contribute to the quality of the community environment as a whole.

The activities included in this group are:

Animal control, Building Quality, Consents, Environmental Health and Liquor Licensing, Monitoring and Enforcement, Regulatory Support, Strategic and District Planning (including development of structure plans, RMA Policy etc), Waste Minimisation and Refuse.

## What we planned

Our strategic focus for a sustainable environment is to have an integrated approach to providing sustainable, attractive, affordable and safe options for living in a way that's in tune with what ratepayers want. This needs more streamlined processes that cost less while still providing required results for both the community and the Council.

The major projects throughout this group included consultation around law changes affecting the community, library services and renovations, and services.

**29%**  
General rates

**19%**  
Targeted rates

**35%**  
Fees and charges

**6%**  
Internal charges recovered

**11%**  
Local authorities fuel, tax, fines, infringement fees and other receipts



Operational  
Funding –  
Sustainable  
Environment



# Animal control

## Objective: Safe Waikato: To feel safe in the community.

### What we planned

**Dog pound:** The major project for 2013/14 was to build a new dog pound in Tuakau. However, the site we wanted wasn't suitable so we put that project on hold. When the contract for managing the Auckland Council-owned pound at Pukekohe became available, we decided to take up the opportunity. This has proven to be a positive move with faster responses to complaints and more proactive animal control in the northern part of our district.

### Issues

**Dog management:** Waikato district's dog population has increased markedly, with 13,075 registered dogs currently in the district. This means there is an increase in the number of roaming dogs and it has been a challenge to get them off the streets.

Staff safety has been highlighted after a member of the animal control team was attacked and injured at one of the pounds. We've made changes within the pound to keep our staff as safe as possible and introduced measures such as temperament testing for dogs to reduce the risk of further attacks.





### Highlights

**Rehoming:** It's been good news for around 80 stray dogs successfully adopted into new homes during the 2013/14 financial year. This compares to 39 in 2011/12 and 58 in 2012/13. A big part of this success is the help of a volunteer who took up the challenge of finding the dogs new homes. We've now taken over this task and are also continuing to get good results.

**Staffing:** We've hired three Animal Control Officers who are based in Tuakau, so we are quicker to respond to complaints and issues in this area. This complements our taking over the Pukekohe dog pound management.

**Dog registrations:** The number of dogs registered for the 2013/14 year was 13,075, which is up from the previous year by 519 (12,556). There was also a drop in the number of unregistered dogs seized, down to 129 from 143. This is an encouraging trend and reflects our policy to reduce registration fees and rewarding responsible dog owners, and our proactive management.

### How we measured success

Measure	Target	Result 13/14	Result 12/13		Explanation
The percentage of respondents who indicate that they feel safe from dog intimidation as measured by the Annual Satisfaction Survey	75%	55%	68%		Comments from residents indicate they have concerns about aggressive dogs in some parts of the district, with other dogs and livestock bitten
All complaints related to aggressive dog behaviour have a response initiated within 30 minutes	100%	44%	100%		Before November 2013, our recording methods were inaccurate, despite our officers' responding within the timeframes. Our results are now trending closer to the target and we expect our results to meet the 100% target, which is a more accurate reflection of our officers' work
The percentage of complaints regarding stray stock responded to with two hours of notification	100%	34%	100%		Before November 2013, our recording methods were inaccurate, although officers were responding within the timeframes. Since November, our reports are showing a trend closer to target, and with further training, our targets should be met, which is a more accurate reflection of our officers' actual work
The number of dog owners who appear on the animal control offenders list (for three or more infringements or impounds) does not increase from current levels of 432 owners and reduces over time	432	844	555		Our staffing level has nearly doubled in the past 12 months which enabled us to respond to more jobs, find more unknown dogs and provide our communities with more proactive patrols for roaming dogs. This has resulted in more enforcement being taken against dog owners which reflects the result

### What our results tell us

There is a natural focus on the negative side of animal control, in particular regarding dogs. People are much more aware of and sensitive to the risk of dog attacks and our performance measure from the Annual Satisfaction Survey reflect this concern. In our district, there seems to be an increasing number of dogs being bought for security and intimidation, rather than as family pets. This is more obvious in the smaller towns within the district.

There has been an increase of more than 500 in dog registrations over the previous year and another drop in unregistered dogs seized. This is indicative of the lower dog registration fees and price structure, which is aimed at encouraging people to keep their dogs under control and well-trained. We want to reduce the number of dog owners whose dogs stray through being more active in the community and educating the wider public on dog owner responsibility.

The potential negative effects of our Animal Control activities are:

- Injury to Animal Control Officers from attack by dog owners, dogs and livestock
- Dog owners disgruntled by enforcement action taken against them
- Members of the public are at risk from dog attack
- Dog control activity is predominantly paid for through registration of known dogs which may not target those those that use the service.





# Building quality

**Objective: Safe and Thriving Waikato: All building activities are carried out in accordance with legislative standards so that people feel safe. The Council's processes recognise the need for prompt delivery of service.**

## What we planned

With the amount of growth in the district, particularly in the northern part, our focus was on improving and streamlining our processes so that we could deal with the number of consents and making sure our customer service is as good as it can be.

## Issues

**Growth:** Growth in housing particularly has put a lot of pressure on our consents team, considering we've processed 109 more consents for new dwellings over the previous year. Given there are between eight and 10 inspections for each dwelling consent, this means we have carried out around 870 more dwelling inspections than during the previous year, to ensure homes are built to the required standards.

**Staffing:** As well as dealing with the increase in consents being filed, we have had to replace two staff members who left, leaving vacancies to be filled. This came at a time when there's a country wide shortage of trained inspection staff.

**Priorities:** These constraints mean we have prioritised our work to concentrate on consent inspections and processing, because these are extremely important services for our community so that people can get into their homes and builders can continue in their businesses without delays. Our other priority has been inspecting existing accommodation buildings, such as motels and rest-homes, so we know they comply with safety systems.

## Highlights

**Efficiencies:** Over the past year we have refined our processes to create more efficiency within our systems so we can continue to process all consents within the 20-day statutory timeframe. We received more than 1624 building consent applications, up from 1431 in the previous year. Even with the extra workloads that growth imposes, we have been able to keep to our commitment to this and were able to process 99 per cent of these within the statutory timeframes.

## How we measured success

Measure	Target	Result 13/14	Result 12/13		Explanation
The number of existing buildings which are monitored and audited for compliance each year	At least 250 per annum	45	81		Over the past year, inspections for building consents have taken priority because of increased workloads and staff shortages
The percentage of those buildings that provide sleeping care or paid accommodation which are audited for compliance annually	100%	100%	100%		
The number of existing pools which are inspected for fencing compliance within each year	At least 350 per annum	244	357		With increased workloads and staff shortages, we have prioritised inspections for building consents over other areas
The percentage of building consent applications which are processed within 20 working days	100%	99.9%	99.5%		One consent out of the 1628 processed was not processed within the timeframe because of errors in the consent processing system

## What our results tell us

Customer service is at the core of our performance measures and our results reflect this focus, in that while we've had a much higher workload, coinciding with staff shortages, we have ensured we have met customer demand and expectation. The flexibility this requires is seen in our results.

While the number is low for inspecting existing buildings for compliance, we've maintained our 'not negotiable' stance on inspecting buildings which provide sleeping care and accommodation because people's safety and lives can depend on them. We check on the independent inspections which contractors and owners do each year for things like fire safety systems, automatic doors, fire exits and safety processes.

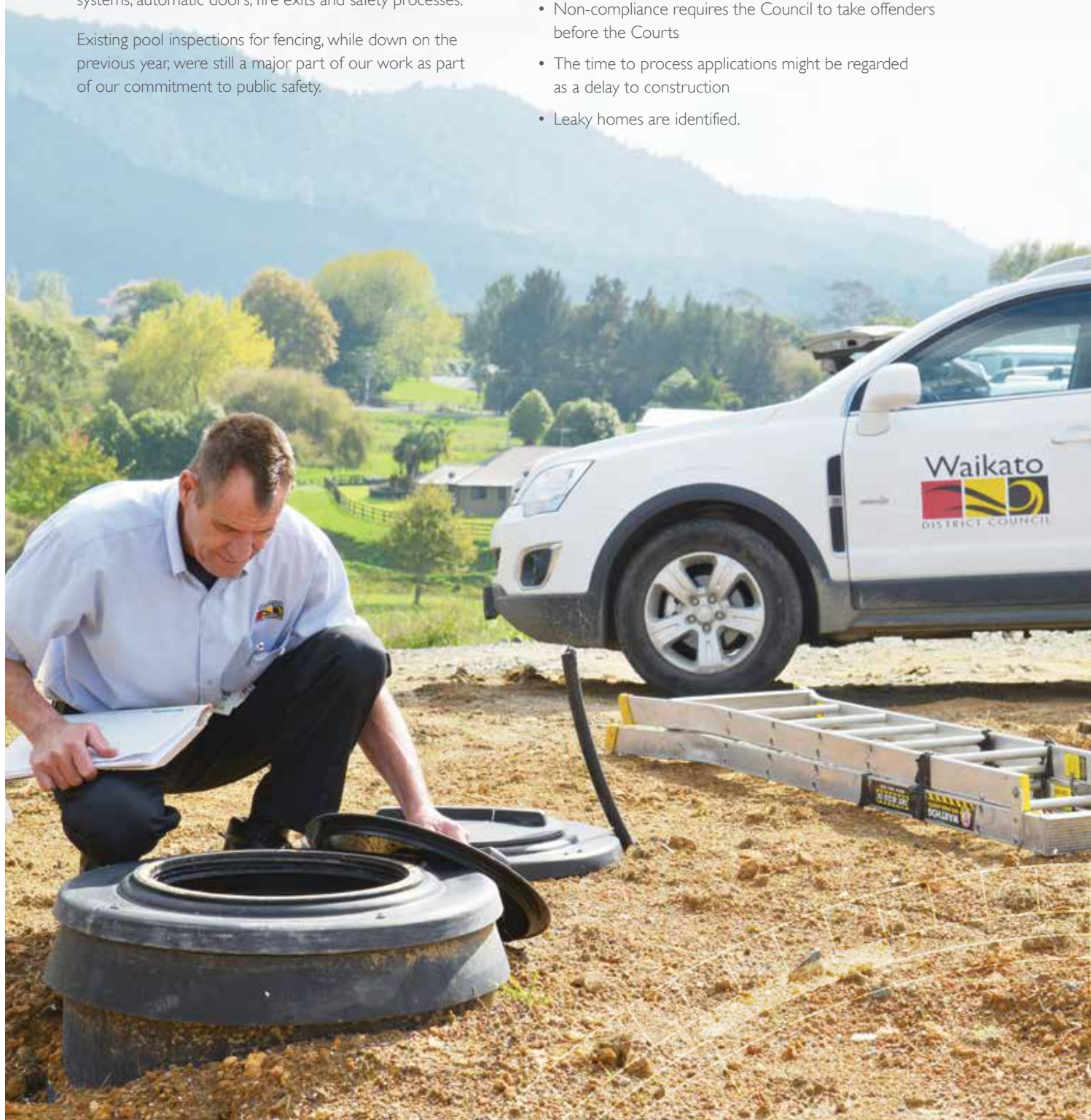
Existing pool inspections for fencing, while down on the previous year, were still a major part of our work as part of our commitment to public safety.

That we've been able to process 99.9 per cent of consents within the statutory timeframe (up from 99.5 per cent) is a direct result of the effort we've put in to improve how we work to deliver better quality service to our customers.

We will be hiring another building inspector to supplement our staffing to improve our results further.

The potential negative effects of our Building Quality activities are:

- Legislation is requiring more Council input into plan review and building inspection, which increases costs
- Non-compliance requires the Council to take offenders before the Courts
- The time to process applications might be regarded as a delay to construction
- Leaky homes are identified.





# Strategic & district planning

**Objective: Thriving and Sustainable Waikato: The Council provides an efficient and punctual service to its customers. Consultation is undertaken to provide involvement of the community in decision-making.**

Sustainable growth in appropriate locations beneficial to the district is encouraged.

## What we planned

We planned to start developing an integrated district growth strategy and a structure plan for Ngaruawahia during the past year. Work on Tuakau's structure plan was also to be continued.

## Issues

**Water:** Water is becoming more of an issue for our future development. Auckland Council and Watercare have indicated they want to take more water from the Waikato River and we have much more growth in the Pokeno area and in Tuakau. Over the past year it has become clear we have to assess water availability from the Waikato River to support land use planning and development.

**Pokeno:** Once Plan Change 24 (Pokeno Structure Plan) was confirmed, development in Pokeno has moved quickly. The developer has submitted in quick succession, a large number of resource consent applications for earthworks and subdivisions in the Helenslee area. Physical works have been completed, titles issued and houses built. This has been a significant workload for consent team staff both in terms of resource consents and of checking building consents.

**Consent Numbers:** The numbers of consents processed over the past year has increased markedly. The consents planners processed 663 resource consents, up from 563 for 2012/13. The Public Information Memorandum (PIM) staff assessed 1082 building consents, 59 up from the previous year. Land Information Memorandum (LIMs) processing increased to 1105 from 1095, and Property Information Requests numbered 1208 (1128). Our duty planner service, which has been operating since October 2013, responded to 1893 enquiries to the end of the financial year.

## Highlights

**Future Proof:** On a regional basis we have continued supporting the Future Proof Growth & Development Strategy, along with our Future Proof partners, Hamilton City Council, Waipa District Council, Waikato Regional Council, Tangata Whenua and the New Zealand Transport Agency. In particular we have:

- Helped resolve some of the outstanding appeals on the Proposed Regional Policy Statement
- Submitted to the Proposed Auckland Unitary Plan
- Provided input into the Ruakura Private Plan Change Board of Inquiry hearing
- Submitted in support of the Notices of Requirement which alter the existing designations for the Hamilton Section of the Waikato Expressway
- Submitted in support of the Notice of Requirement for the Southern Links route
- Contributed to the Future Proof demographic and economic analysis
- Supported development of a sub-regional infrastructure strategy
- Monitored implementation of Future Proof.

**Strategies:** Looking more locally, we have begun drafting a District Development Strategy. This was originally described as a growth strategy, but we decided that development was a better way of describing this strategy, as there are many areas of the district which aren't expected to grow in population, but the existing communities want to develop their potential. The project was launched in March 2014 and we're now focusing on collecting information and drafting a scoping report. The strategy is expected to be finished by the end of 2015.

Another strategy developed in the past year is the Waikato District Heritage Strategy, which provides a way for the people of Waikato district to identify, promote and manage our heritage. The workshops have drawn in people keen to be involved in making their heritage part of developing their communities as visitor destinations to increase tourism and economic opportunities. They're coming up with new and fresh ideas about making the most of their heritage to create opportunities for the future.

**Placemaking:** Community engagement is all about being in touch with the district's residents, working with you to find out what you want for your communities. Our staff are involved in community engagement in some way simply through their everyday work with the public. It's most apparent in the strategic and district planning area, where we're involved in helping you plan how your communities, towns and villages are going to develop.

We've adopted an approach called 'placemaking' as one way of working with communities, to harness local knowledge when planning, designing and managing public spaces. Through this approach, we can capitalise on the inspiration that locals bring to the planning process. At the heart of placemaking is listening to the people who live, work and play in a particular space, to find out what their needs and aspirations are. The information is then used to create a common vision that is brought to life through small-scale, achievable improvements. It allows people to look with fresh eyes at the potential of their towns and localities.

It needs passion, goodwill and drive within the community to make placemaking a success, and we're already seeing positive results. Residents in Onewhero-Tuakau and in Huntly are now developing projects as a result of placemaking workshops.

**Pokeno:** Looking to the future, we've been developing options for the town centre of Pokeno, a concept which wasn't addressed in the Pokeno Structure Plan. This aims to create Market Square as a central focus for the growing community in a way that reflects its history as well as provide for future community development.

**Structure plans:** In Tuakau, we have continued developing the structure plan. With Auckland on its doorstep and with Tuakau offering affordable land, this small town is growing and we need to make sure it does so in the right way. Using the structure plan, we'll be able to plan land use and what will be needed in infrastructure and amenities, and ensure the town is environmentally sustainable. The community has shown its interest with good feedback from our public open day in March 2014. We're also talking with local iwi and others interested in what's happening. We've completed technical reports which support the structure plan and the draft should be ready soon for informal consultation.

Likewise, we're developing a structure plan for Ngaruawahia and its surrounding area. In Ngaruawahia especially the relocation of State Highway 1 is providing a real impetus to look at how we can unlock the town's potential. Still in its early stages, this holds real promise as the community gradually gets involved through our open days held in Te Kowhai, Horotiu, Taupiri, Glen Massey and Ngaruawahia. We've also been talking with community committees, Waikato-Tainui and local iwi.

**Huntly:** Huntly's better known as a mining town yet there's much more to it than meets the eye. The community is keen to let people know it, especially with Huntly's reduced reliance on mining and the impending opening of the new Waikato Expressway which replaces the existing State Highway 1.

Through the Huntly Community Board, a new community plan is coming together which is highlighting the as-yet unrecognised benefits the Huntly area offers. Concurrent to that, we're assessing how much industrial land might be needed in Huntly and where potential sites could be located.

**District plan changes:** Projects around zoning included the rezoning of land in Raglan (Plan Change 14), to change the land zoning from Coast to Pa Zone in Wainui Road, converting some properties from Living to Business, others from Rural to Light Industrial. This should be notified by the end of 2014.

A private plan change for the Rangitahi Peninsula at Raglan has been lodged to rezone land for residential development. We expect the decision on this before the end of the year.

We've also started identifying possible amendments to the District Plan for technical reasons because of interpretation or implementation difficulties. This is Plan Change 8 and should be notified by the end of 2014.

**Papakaainga:** The District Plan has presented some issues regarding multiple-owned Maaori land. To find a solution, we've initiated a forum with the Waikato Regional Council, Maaori Land Court and Te Puni Kokiri, with support from our Future Proof partners. The aim is to help Maaori land owners plan papakaainga (housing development on multiple-owned Maaori land) and develop economic opportunities. Planning workshops were held in February 2014 for Maaori land block trustees, with the goal being the development of a papakaainga toolkit for the whole region produced by the end of 2014.

## Resource consents

We've had great results in reducing the cost of land use consents and subdivision consents as a result of our Lean project, which is all about getting more value for customers by using fewer resources. Since the Council restructure and the resulting consents team restructure, we have focussed time and skills on improving consents processes, in particular streamlining and cutting out unnecessary steps; reducing the length of consent reports and processes for post-subdivision approvals; reducing reporting times and processing costs. We are receiving fewer complaints about service, and we've reduced fees for post-subdivision certificates. More improvements are scheduled for the 2014/15 financial year.

**Key relationships:** Customer relationships are important to us and we've put a strong emphasis on building new relationships and strengthening our existing relationships with key customers. We had a hui with iwi in May 2014 and meet and greet sessions with survey firms are planned for the first half of the 2014/15 year. The aim is to improve our customers' understanding about who we are, what we do, and how we are improving our service. We also want a better understanding of our customers and how they view our processes so that we can make improvements and efficiencies where possible.



## How we measured success

Measure	Target	Result 13/14	Result 12/13	Explanation
The percentage of resource consent applications which are processed within the statutory time frames	100%	99.7%	99.1%	 <p>Two of the 625 resource consents processed were not completed within the statutory timeframe. We took more time before issuing one consent to rectify a processing deficiency. For the other, we took longer so as to ensure a robust decision</p>
The percentage of time that people receive assistance with consent applications when requested	100%	100%	100%	
All district plan changes will be undertaken as per the RMA statutory process	100%	100%	100%	
Consultation undertaken including: Informal consultation; opportunity to submit and present views; public hearing process and written advice of the Council's decision on submission	100%	100%	100%	
The number of consents granted that are inconsistent with our district growth strategy	0	0	0	

## What our results tell us

Under our Joint Management Agreement with Waikato-Tainui we consult with iwi on applications and plan changes as a priority. We carry out successful informal consultation with our communities through open days, workshops, drop-in sessions, as well as key stakeholder consultation. We also use written information such as pamphlets and letters. This is in addition to the Special Consultative Procedure.

The vast majority of customers are receiving a resource consent processing service in accordance with statutory timeframes so this is not causing delays to development. The number of resource consents not processed within the timeframe is decreasing each year as we improve our systems and processes, with just two missing the timeframe in the 2013/14 year. Our success rates are reflected in the congratulations received from the Ministry for the Environment for our performance in this area of service.

Through the Duty Planner, customers have a dedicated resource available which provides them with advice on the requirements of the District Plan rules and resource consent processes to be followed. This is supported by team leaders and senior staff.

The potential negative effects of our strategic and district planning activity are:

- Planning might increase development costs through compliance costs, development levies or financial contributions
- Non-compliance with statutory requirements for issuing resource consents might cause delays
- Inadequate or harsh monitoring of District Plan requirements might discourage development, affecting the economy in the district.



# Solid waste

**Objective: Sustainable Waikato: To provide residents with an ideal quality refuse and recycling collection service.**

## What we planned

To prepare for changes to the Code of Practice for Temporary Traffic Management, our Annual Plan included targeted rate increases to cover anticipated cost increases resulting from the changes.

As part of the Waste Management and Minimisation Plan (WMMP) implementation, our kerbside solid waste and recycling services were to be reviewed. The review has taken place, and consultation is now planned for this financial year. The aim is for consistent service that reduces waste to landfill in line with the WMMP goal of zero waste to landfill throughout the district.

## Issues

**Code of Practice changes:** The changes to the Code of Practice for Temporary Traffic Management came into force from 1 July 2013. The new rules, which are designed to reduce health and safety risks for rubbish and recycling contractors, could have meant increased costs for collections. Therefore we put up the targeted rates in anticipation. After we adopted the Annual Plan and set the rates, we reviewed how our contractors carried out collections. We were then able to negotiate with NZ Transport Agency so that we complied with the code of practice but didn't increase the time needed for our collections.

This means we have \$204,000 more than was budgeted for and this is now in our reserves fund. We will take this into account when we next review the rates.

**Transfer stations:** We had planned to upgrade our transfer stations during the year. However, the priority project, the Huntly transfer station, was delayed because it is a complex project and we needed to take time to resolve the issues within the upgrade and secure funding.

## Highlights

**Review:** Different areas of our district have different rubbish and recycling methods, which means we deal with a variety of bags, crates and bins. Additionally, there hasn't been any reduction in the amount of waste going to landfill during the past six years. We decided things need to change if we're to streamline and standardise our service, increase recycling and minimise waste going to landfill. A review of our kerbside solid waste and recycling service carried out in 2013/14 has identified changes we think are needed to achieve what's required. We want to find out your views on this. The details will be in the next Long Term Plan when we will be consulting with you about your views on our proposals.

## How we measured success

Measure	Target	Result 13/14	Result 12/13		Explanation
Percentage of refuse complaints resolved within 3 working days	100%	90%	91.4%		Our results did not reach targets because staff resource levels hindered our ability to always respond within the timeframes
Percentage of recycle complaints resolved within 3 working days	100%	91%	97%		Our results did not reach targets because staff resource levels hindered our ability to always respond within the timeframes
The number of missed bags in the Council's bag refuse collection is no more than 200 per year	<200 per year	114	65		The number of missed bags increased during the 2013/14 year because of difficulties imposed through the contractor's staff shortages



## What our results tell us

According to the Annual Satisfaction Survey, rubbish collection is the highest rated Council service for 93 per cent of respondents who were satisfied or very satisfied with the collection and recycling service. One of the biggest problems for our customers is when we miss collecting their rubbish and recycling. We're always aiming for 100 per cent but our results show we can still improve. We've met the target for missed bags, and we are working with our contractors to try to reduce human error when a street is missed or a bag overlooked.

The potential negative effects of our Solid Waste activities are:

- Increase in the amount of refuse to be disposed as population increases over time
- Environmental impacts caused by the discharge of contaminants to land and water from closed landfills
- Ease of disposal, through convenient waste management services, encourages increased quantities of material to be sent to waste by customers
- Potential impacts on customer satisfaction due to service failure / delays / responsiveness
- Health and safety risks associated with the operation, maintenance, or construction of solid waste infrastructure.



# Environmental health

**Objective: Healthy, Safe and Thriving Waikato:  
The community's health and wellbeing is protected.**

## What we planned

**Alcohol policy:** The government has changed the law regarding the sale of alcohol, and so we've reviewed how we deal with its sale and supply within our communities. The law allows councils to have a Local Alcohol Policy if they choose. This policy can specify the number of alcohol outlets allowed, the hours of operation and where the outlets should be.

We started developing a policy in line with the new law in August 2013 with a survey. However, the community response was low, with just 65 people providing their views. We had planned to develop a draft for February and then consult formally with the community after that.

Given the low level of response to our survey, we decided to hold workshops in our main urban areas of Tuakau, Te Kauwhata, Huntly, Ngaruawahia and Raglan to get the views of local communities about liquor licensing in their areas. These workshops were held in August and means we've gained a wider community input into the draft policy before the formal consultation process.





## Highlights

**Alcohol licensing committee:** A new District Licensing Committee was appointed, with its five members responsible for deciding how alcohol is sold and supplied in the district. The committee is a new requirement as part of the Sale and Supply of Alcohol Act 2012.





## Psychoactive substances policy

We developed our Psychoactive Substances (Local Approved Products) Policy, and received 484 submissions to the proposed policy, with councillors hearing from 25 of those submitters in May 2014. In June, as a result of the hearings, the draft was amended and the new policy has now been adopted.

Under this policy, any places selling psychoactive substances can't do so within 500 metres of another similar outlet. Neither can any retailer selling approved psychoactive products be within 100 metres of a sensitive site. These provisions are consistent with neighbouring Hamilton City Council's and Waipa District Council's policies.

The effect of this policy is that there can be only one potential retailer of legal highs in the Waikato district, located in the business zone on the main street of Huntly.

## How we measured success

Measure	Target	Result 13/14	Result 12/13		Explanation
Percentage of "at risk" registered food premises inspected per year	100%	100%	100%		
Percentage of "at risk" liquor premises inspected per year	100%	100%	100%		
Percentage of excessive noise complaints responded to within agreed timeframes. (Due to geographical characteristics of the district response times will vary in different parts of the district)	90%	76%	Not measured		For the year, 1002 excessive noise complaints were received, 758 of these responded to within specified timeframes. Technical issues meant the contractor didn't receive 50 of the calls. 194 calls were attended outside specified timeframes with 67 of these more than 30 minutes over time
Percentage of public nuisance complaints responded to within two working days	95%	74%	Not measured		A total of 100 nuisance complaints were received during the year with 74 responded to within 2 working days. Most remaining calls were either completed within 5 working days or within the 2 working day timeframe but not recorded accurately

## What our results tell us

We made 330 visits to food premises and 57 visits to alcohol premises throughout the year.

Complaints about excessive noise complaints totalled 1002. A new contract is now in place from 1 May and we are working with the contractor to improve response times. The noise control system is being reviewed to address the technical issues encountered with calls not reaching the contractor.

A further 77 environmental complaints were referred to an environmental health officer. With our targets not being met for responding to complaints in all cases, we have taken steps to improve our customer request system so that we were able to measure our response to complaints about excessive noise and public nuisances. We're also taking steps so that we have accurate records of when calls are received and responded to.

Potential significant effects:

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

# Sustainable Communities

The Sustainable Communities Group of Activities includes single activities that contribute to the social and economic aspects of our communities, providing things that help maintain their social fabric, such as leisure and community facilities, emergency management and facilitating economic development.

The activities included in this group are:

Customer Delivery, Economic Development, Grants & Donations, Leisure Facilities (aquatic centres, libraries and parks and reserves), Emergency Management (Civil Defence and rural fire), Community Facilities (cemeteries, property, toilets, pensioner housing etc).

## What we planned

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

The major projects in this group included the development and upgrades of sports and recreation grounds and leisure facilities, particularly in areas of growth, as well as addressing changes in Civil Defence and Emergency Management.

**80%**

General rates

**3%**

Targeted rates

**7%**

Fees and charges

**2%**

Internal charges recovered

**8%**

Local authorities fuel, tax, fines, infringement fees and other receipts



**53%**

Development and financial contributions

**16%**

Increase in debt

**31%**

Gross proceeds from sale of assets





# Economic development

## Objective: Thriving and Sustainable Waikato: Town and village centres are developed sustainably.

### What we planned

How we address some parts of the District Plan so we can better help people wanting to invest in our district formed part of our actions to encourage Waikato district's economic development. This is being done through Plan Change 8, which has been one of our projects for the past financial year.

### Highlights

An exciting project to attract business, visitors and new residents to Waikato district gained impetus over the past financial year. Called Open Waikato, this initiative is about Waikato district being the place to be for business, exploration, living and more. This economic development initiative came out of the Economic Development Roadmap produced in 2012 and there are some interesting projects evolving as a result.

While Open Waikato is a Council initiative, it's being developed as a brand that is different to the Council's, designed to attract new business, visitors and residents.

But, it's much more than a brand, because behind it lies rigorous analysis, economic data and information that's up-to-date and relevant for the people we want to see come to Waikato district.

We've completed a labour supply report, an economic profile and economic reports for the Tuakau and Ngaruawahia structure plans. All of this information is available on the Open Waikato website ([www.openwaikato.co.nz](http://www.openwaikato.co.nz)), which is now up and running. Full of news, interesting case studies and videos, and key information for those wanting to visit, live or invest in our district, this website provides insights into what makes our district 'tick.'

This is the public face of what we've been doing behind the scenes as we have worked with companies and communities alike during the past year.

A key component of our economic development roadmap is about building relationships and connections.

We've continued to build strong relationships with our regional partners supporting the Waikato regional economic strategy, locally through business community engagement and nationally, where we have been talking with bodies such as Treasury about infrastructure resilience and New Zealand Trade and Enterprise to support their regional profiles.

On the business side, we've seen new industries start up and companies relocate to take advantage of what Waikato district has to offer. Our emphasis on business improvement and customer service as well as our focus on working in partnership with our customers helped make the consents processes for new businesses wanting to come here as smooth as possible. For example, we have set up a project management approach to major consents and investment projects, such as with a large-scale industrial investment in Tuakau.

Now, Yashili's new milk powder plant is a landmark in Pokeno, while Concretec NZ also established a plant in the same area and Waikato Milking Systems has relocated to Horotiu.

Economic development also means our communities taking the initiative to make their areas inviting and developing to realise their potential. In line with the philosophy behind our draft Community Engagement Strategy, we've been involved with our townships, such as in Huntly, where we have been assisting them in re-establishing a business network to help our business sector grow.



## How we measured success

Measure	Target	Result 13/14	Result 12/13	Explanation
The percentage of people who have indicated that the Waikato district has processes that encourage the continuity of existing businesses and the establishment of new businesses and industry, as measured through the Annual Satisfaction Survey	50%	47%	New measure	 <p>This is a new measure, which has no previous benchmark. New initiatives to support existing businesses and new investment are underway to lift this level of service</p>
The percentage of people who agree that productive activities in the district are not unduly restricted, as measured through the Annual Satisfaction Survey	50%	56%	New measure	
The percentage of people who have indicated that the Waikato district is a district where the community's access to infrastructure, transport and technology meets its needs, as measured through the Annual Satisfaction Survey	50%	52%	New measure	

## What our results tell us

We're pleased with our results so far. They're an indication of the great effort everyone within the Council and the community has put towards making a difference to our district and making it a place where business and people can thrive. There is a great deal more to be done and what's been achieved so far points to what can still be accomplished.

Potential significant effects:

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





# Grants & donations

## Objective: Thriving Waikato: The Council supports community activities.

### What we planned

During the 2013/14 Annual Plan process, we allocated another \$20,000 in the budget for grants and donations. This was over and above the amounts already in the 2012 -22 Long Term Plan and by doing this, the community as a whole agreed that the additional funding was beneficial to the community. We ended up providing three more grants as a result of that process.

### Highlights

**New grants:** A wide variety of community groups got the benefit of grants to help them continue their activities and work. Historical groups gained funding for commemoration events and identifying, researching and documenting significant historical sites. Community events, sports and fire-fighting operations also received funding boosts. All the grants aim to provide a direct benefit to the community as a whole.

**Funds streamlined:** In the past, we had four avenues from which community organisations and individuals could get funding: From the Council through the Long Term Plan or Annual Plan process; community board grants; events funding and the rural ward fund.

We decided this needed to be streamlined and brought into line with the Local Government Act 2002. Applications to the rural ward fund (the rural equivalent of the community board grants), and the events fund now go to the Discretionary & Funding Committee. This committee was established in 2013 and makes decisions about funding for district-wide events and projects within the rural wards.

The community boards still have funding for grants for small events and projects within their respective areas. People and organisations can apply to these funds four times a year.

**Funding policy:** Until now, we have had four different policies for community funding. We have now drafted a new policy, the Discretionary Grants Policy, bringing these policies together into one and aligning it with Local Government Act 2002 requirements. We will be able to provide more clarity about who can apply and for what purpose. We're also reviewing how recipients report back to the Council, so there's more accountability and information about how they've spent their grants.

### Potential significant effects

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



# Leisure facilities

**Objective: Healthy and Thriving Waikato: The community has access to safe and well-maintained recreation and leisure facilities.**

Have up-to-date library stock and technology available at libraries.

## What we planned

The Raglan library, access to Auckland libraries for North Waikato residents affected by the 2010 boundary changes, e-books in libraries, and the possibility of moving the Tuakau library were all part of our 2013/14 plan.

Of the park upgrades planned for the 2013/14 financial year, we've completed the Huntly and Centennial park upgrades and the Raglan Kopua Domain upgrade is now under way, while in Ngaruawahia, the skate-park extension is finished.

In Tamahere, where we need to accommodate the growth that is taking place in the area, we're planning for the development of new sports and recreation grounds. A management plan will soon be drafted for this.

## Issues

**Library relocation:** Tuakau library was the subject of community debate as we considered the feasibility of moving it to space next to the Council's service centre. In response to community views, we decided to remain at the existing site.

We have budgeted \$460,000 for 2016/17 and 2017/18 to upgrade the current site. Over the past year, we have been talking with the community about the proposal and we're continuing this discussion in the 2014/15 year.

**Staff:** Over the past year, we've focused on building our staff structure and taking a proactive approach to our work.

## Highlights

**Libraries:** Raglan's library has a whole new look, with the community joining us to create a fresh and exciting space. This project is a tremendous example of the 'placemaking' approach we're using increasingly in the community to bring people together to transform an ordinary space into an extraordinary place. At Raglan library, the community has come together to create an exceptional space, recycling materials and objects with flair and inspiration to make the most of a limited budget. More floor space and a new reception area provided the impetus, with members of the community banding together to create furniture from donated wooden pallets, stools and art features made, naturally, from donated books; a three-dimensional artwork, and even ottomans covered in Raglan-designed kite material.

On a more prosaic note, we're re-writing our collection development policy which, while it doesn't sound very customer-focused, will make our collections processes much more efficient and will end up giving our staff more time dealing with the public. This is what our customers want.

**Book Programmes:** Children at Meremere are getting enthused with reading, thanks to our book programmes. There are now two staff members at the Meremere library and their reading and activities programmes developed on site are showing tangible results. Local children of all ages are getting into reading, whether little ones learning to read or older children learning how to use the library system so they can borrow books to take home to read.










**Walkway:** In Tamahere, we've built the new Allan Turner Walkway. This is a shared walkway and cycleway suspension bridge across the Mangaharakeke stream. Named after a former Council staff member who passed away in 2012, it connects Woodcock Road and Fuchsia Lane and has room for two-way pedestrian and cycle traffic.

**Pool upgrade:** The pumps and filters at the Ngaruawahia swimming pool have been renewed at a cost of about \$100,000.

### How we measured success

Measure	Target	Result 13/14	Result 12/13		Explanation
The percentage of respondents who have indicated that our parks and reserves are well maintained as measured through the Annual Satisfaction Survey	100%	84%	81%		Residents' comments about maintenance focus on weed growth, infrequency of mowing and rubbish removal
The percentage of respondents who have indicated that they feel safe in our parks and reserves as measured through the Annual Satisfaction Survey	100%	80%	75%		Residents' comments indicate dissatisfaction with lighting in parks and glass being a hazard, and children experiencing bullying in parks
The number of complaints the Council receives about pool water quality	1 or less per pool per quarter	0 for the year	1 for the year		
Reliable daily access to free Internet service at all libraries (excluding supplier issues)	100%	100%	100%		
Library stock is purchased in accordance with the library's collection development policy and that 50% of the book collection is not more than 5 year old. (Note: this is based on the active collection being books less than ten years old. Books older than 10 years are generally reference items, specialist items, local history or core stock that has long-term value). The percentage of respondents who indicate through the bi-annual library survey that they are satisfied with the service they receive	80%	100%	100%		
The percentage of respondents who indicate through the bi-annual library survey that they are satisfied with the service they receive	>90%	Survey not held in this year	98%		This survey is carried out every two years and so has not been conducted in the 2013/14 year

### What our results tell us

Our focus is on whether or not our customers are happy with the service they're receiving and while we haven't yet reached our targets regarding parks and reserves, there has been some improvement in responses. We are continuing safety work in our parks and reserves and are in regular discussion with our contractors to initiate further improvements.

The potential negative effects of our leisure facilities activities are:

- Damaged library items
- Inappropriate books / magazines / material in the collection (i.e. Adult material, or offensive to cultures, religion, or in general)
- Disability access to facilities
- Noise and disorderly behaviour issues from events at reserves, and general use of herbicides impacting the environment
- Damages to property and harm to people from falling trees and branches
- Reserves create a fire hazard for properties
- Hazardous chemicals used to keep bio-hazards under control can be harmful if mishandled
- Accidents at aquatic facilities.

# Community facilities

**Objective: Healthy, Thriving and Safe Waikato: The community has access to safe and well-maintained facilities.**

## What we planned

**Hall rates:** We said we would review our halls targeted rates in view of many hall committees asking for targeted rates increases to cover maintenance costs. We began this review in 2013/14 and this will continue in the 2014/15 financial year.

**Boat ramps:** Many ramps were scheduled for upgrades and this work has started. In Otatau, the Hoods Landing ramp upgrade has been completed and access ways to Lake Waahi, Lake Waikare and Shuggs Landing have been finished, as well as minor work around the Ngaruawahia boat ramp. At Puriri Park, the boat ramp upgrade is almost finished.

Te Akau's boat ramp's existing structure is in poor condition and more funds are needed for this project to go ahead. Similarly the required work for Elbow Reserve needs a resource consent and the work programme and funding need to be confirmed.

In the coming year, we will be assessing the rest of our boat ramps so we have a good understanding of their condition and engineering requirements to improve them. We'll then have a better idea of what work is needed and the funding required to fix them. The work will then be factored into the 2015-25 Long Term Plan.

**Tuakau cemetery:** We had planned to begin developing land for a cemetery in Tuakau in the past financial year, but no suitable land has yet become available for sale.

## Highlights

**Meremere hall:** A \$570,000 grant from the Lottery Community Facilities Fund was the kick-start needed for Meremere to get a new community hall. The present hall is around 90 years old and has outlived its usefulness. When the new hall is built, the people in Meremere and its surrounding district will have a great new hub for community events and activities. The Lotteries grant supplements the Council's \$411,200 and underwriting of \$370,000. Meremere residents can look forward to their new hall opening by the end of 2014.

**Office upgrade:** The upgrade of our offices in Ngaruawahia has finally been completed. This has been a big project as we've created an open plan office that's helped in implementing our corporate business plan. The aim was to get rid of the walls which cut people off from each other and help our teams communicate better, and be more effective in how they work together to provide better services for our customers. It's proven to have a positive effect.





## How we measured success

Measure	Target	Result 13/14	Result 12/13	Explanation
Respondents are satisfied or very satisfied with the condition of Council facilities as measured by the Annual Satisfaction Survey	>65%	82%	60%	
The percentage of customer complaints regarding the condition of public toilets responded to within one working day	95%	16%	59%	 Our systems for recording complaints have not been standard over the past year. This means we haven't been able to adequately demonstrate our performance against our measurement target
The number of complaints received regarding the condition of our cemeteries	less than 7 complaints/year	26	39	 Inadequate operating procedures have meant we have not met expected standards

## What our results tell us

We continue to respond to customer requests regarding cemeteries. The total numbers of complaints show a downward trend. New cemetery policies and improved standards for maintenance in the coming year will see improvements in this area.

Complaints about the conditions of public toilets are responded to within 24 hours, so we know our performance is on track. We have made changes to ensure better, more accurate measurement processes are in place for the 2014/15 financial year so we can accurately demonstrate our performance.

The potential negative effects of our community facilities activities are:

- Isolation / location of public toilets leading to safety concerns
- Congregation of undesirable groups with the potential to vandalise equipment
- Toilets can present a sanitary risk to the community
- Considered to have a negative aesthetic effect
- Noise and disorderly behaviour issues from events at cemeteries, and general use of cemeteries.
- Potential pollution of waterways from cemetery activities.



# Emergency management

**Objective: Safe Waikato: Provide a key role in ensuring the organisation and community are able to respond, effectively manage and recover from disaster impacts.**

## Issues

When floods or other disasters happen, our civil defence team are out there supporting the community. The joint arrangements that had existed were not working so they've been dissolved and we've made new arrangements with Waikato Regional Council and the Group Emergency Management Office (GEMO) to start reinvigorating our civil defence capabilities.

Rural fire sits outside the GEMO arrangement, but we are responsible for managing all wildfires professionally and proactively.

## Highlights

As a result of our partnership with GEMO a new staff member dedicated to civil defence and emergency management has been on the ground since early 2014 and is making a real difference.

Since our new staff member started, we've put a lot of new initiatives in place which are paying dividends. For instance, we've been working with communities to help them be self-sufficient, supporting them with advice and guidance to produce their own community response plans that work for their areas. Residents are keen to remain involved as part of their communities' civil defence preparedness. We've also started talking with marae throughout our district to help them develop their own preparedness strategies.

We've been delighted with the response from our own staff, with more than 100 volunteering for civil defence training. A welfare manager and a recovery manager have been appointed.

Alternate controllers have also been appointed from Waikato Regional Council, and the Waipa, Waitomo and Otorohanga District Councils. Our own controller has had training to be able to work effectively with journalists, who form an integral part of any emergency response.

Civil defence can't be effective without the right tools. We've built a fully equipped, dedicated emergency operations centre within the Council offices in Ngaruawahia, with radios, satellite phones, large screens for monitoring media, and sufficient computer capability for the wide range of staff needed at any given time during an emergency. There's also a new emergency response vehicle.

Essential to our response capability is knowing what buildings can be used in an emergency for welfare centres throughout the district. A database of suitable public and private buildings and facilities has been developed and will be continually added to.

While our partnership with GEMO forms a baseline for improving our competence in civil defence response we also need a specific Waikato district local plan and this is now being developed.

## How we measured success

Measure	Target	Result 13/14	Result 12/13	Explanation
Emergency Operation Centre (EOC) radios are commissioned and functioning on mandated ES bands. Weekly radio test to be performed between WDC's CD radio locations and WVEOA (Waikato Valley Emergency Operations Area) headquarters	100%	100%	75%	 A new staff member dedicated to Emergency Management ensures we are now able to meet our targets for this measure
Undertake two Waikato District localised exercises involving community centre offices eg Raglan, Tuakau, etc	2 per annum	0	1	 We have not had the resources or training to carry out these exercises as required
Undertake a joint annual training exercise with WVEOC parties	2 per annum	0	1	 This training exercise was not carried out as the Council was rebuilding the Civil Defence and Emergency Management function



## What our results tell us

The recent audit overseen by the Ministry of Civil Defence and Emergency Management was useful in identifying the priorities we need to address. We're confident the intensive work we've carried out over the past year, and are continuing, has put us on the right path to meeting all our targets in the future.

We had our first training exercise on 8 July 2014. This was region-wide, coordinated by the Group Emergency Management Office and involved staff from throughout the Council. With real-time information coming through based on a realistic type of emergency, this exercise was an excellent test of our staff, systems and processes. The results were encouraging and showed us that while we've come a long way, we still have more to do. We are addressing the gaps so that our ability to respond is improved. The regular monitoring we carry out helps us see how we're tracking and this will continue as we keep making the changes needed.

Another positive aspect of our improvements is the linkage with our business continuity planning, which is also being reviewed. Details of this are in the Organisational Support Group of Activities on page 58.

Potential significant effects:

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



# Customer delivery

**Objective: Thriving Waikato: Customers are delivered an effective and responsive experience.**

## What we planned

Our major focus was to upskill staff to improve customer service as part of our business plan.

## Issues

We are addressing some technological limitations for our outer offices to improve our ability to respond to our customers.

## Highlights

**Call centre:** Our call centre staff have dealt well with changes in the ways we can talk with our customers. No longer reliant on just phone calls or emails, we now have a web-chat service which allows people to find solutions to problems through the Council's website.










People are slowly becoming aware of this service. It is a great addition that we'll continue to encourage our customers to use so they can receive quicker, more efficient service without having to come to our offices. This also complements our on-line dog registration service.

We wanted to get rid of queues wherever possible, so we took a leaf out of the hospitality industry's book and trialled a 'concierge' system at our Ngaruawahia office where a staff member finds out customer needs when they enter the building. The aim was to help people who had simple requests or appointments so they didn't have to wait in line behind others with more complex queries. This worked so well we're now going to put the system into our Tuakau office.

### How we measured success

Measure	Target	Result 13/14	Result 12/13		Explanation
Respondents are satisfied or very satisfied with the overall service received when contacting council as measured by the Annual Satisfaction Survey	75%	75%	66%		
Respondents who deal with front-line staff are satisfied or very satisfied with the service they receive as measured by the Annual Satisfaction Survey	90%	81%	80%		We have had challenges in staff recruitment which has meant our service has not been at the level we want or customers expect
Respondents who contact the Council by phone are satisfied or very satisfied with the service they receive as measured by the Annual Satisfaction Survey	90%	79%	66%		The improvement reflects changes we have put in place, with dedicated resources for our 0800 number paying dividends. While we expect further improvement, not all Council staff are using our system to notify their availability during business hours. This means call centre staff don't know if staff are available and affects our efficiency in handling calls
Percentage of all calls to the Council's main telephone number which are answered within 30 seconds	80%	74%	73%		The drop in service levels are attributed to issues about refuse collections during the Easter and ANZAC public holidays, putting our call centre under immense pressure
Percentage of all calls to the Council's main telephone number which are abandoned (caller hangs up)	<5%	4%	4%		

### What our results tell us

We're showing generally positive results, which indicates our staff training and improved technology is working. We still need to keep improving as our results for customer satisfaction with service from front-line staff and by phone are yet to meet our targets.

Our new 'concierge' system should help increase customers' satisfaction with our front-line service, along with our customer service training, which all staff have received.

Potential significant effects:

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

# Council Leadership

**Objective: Thriving Waikato. Communities have an opportunity to influence the decision-making process.**

The activities included in this group are:

Governance, Maaori Participation and Liaison, Committees and Community Boards, Elections, Council Support.

## What we planned

Our focus is to be strategic and broad-based in identifying outcomes and exploring new outcomes for communities; being more enquiring and interested in ensuring Council operations are performing to expectations.

During the year our major projects focused on supporting the triennial elections. Legislative changes meant that the Mayor's responsibilities were amended in the Local Government Act 2002 Amendment Act 2012. Under the amendments, the Mayor's role is to provide leadership both to the Council and the people in the district. The Mayor's role is also to lead the development of the Council's plans including the Long Term Plan and the Annual Plan, policies and budgets for the Councillors' consideration.

We continue to work together with our Joint Management Agreement partners Waikato Tainui and Ngaati Maniapoto to further enable Maaori involvement in Council decision-making. Iwi and haapu are regular submitters on resource consent issues and received weekly updates on applications for land use consents.

## Highlights

**Maaori participation:** On 16 April 2014, we held a joint committee hui for the Joint Management Agreement with Waikato-Tainui, with all obligations under the agreement being met. Another hui is planned for October 2014.

We also met in a joint committee hui on 7 March 2014 under the Joint Management Agreement with Maniapoto, with another hui in September 2014. All obligations under the agreement have been met.

Governance hui were also held with Ngati Haua Iwi Trust and Nga Uri o Taahinga. These hui are to build relationships and confirm existing relationships, make introductions and to discuss shared visions and objectives for the Waikato district.



**Working in partnership:** In line with our draft Community Engagement Strategy, we're working on improving the way our community boards and the Council work together as well as with the community. We already have a strong working relationship and in the first half of 2014 we started developing initiatives such as work-shopping, to further strengthen this partnership between community boards and the Council so there's more meaningful and open communication and direction.

**New committee structure:** Following the 2013 local government elections, we made changes to the committee structure aimed at streamlining and improving how we work:

- **Infrastructure** – this combines the previous Roding and Water & Facilities committees.
- **Policy & Regulatory** – responsible for developing Council policies; preparing Long Term Plan-related policies and will lead the review of the District Plan.
- **Strategy & Finance** – responsible for the draft Annual Plan and the Long Term Plan; finance and treasury; administration of the existing District Plan; Future Proof; the District Growth Strategy and structure plans.
- **Discretionary & Funding** – we've streamlined the way we consider discretionary grants and donations. This committee is responsible for deciding the grants which used to be considered through the Council's Rural Ward Discretionary Fund and the Events Fund.
- **Audit & Risk** – this is a sub-committee of the Strategy and Finance Committee. It provides us with independent assurance and assistance around risks, compliance and accountability.
- **Regulatory** – a sub-committee of the Policy and Regulatory Committee, this committee is responsible for hearing resource consents under the Resource Management Act and appeals under the Dog Control Act.



## How we measured success

Measure	Target	Result 13/14	Result 12/13	Explanation
Percentage of respondents who understand how the Council makes decisions as measured by the Annual Satisfaction Survey	65%	60%	56%	 Residents' comments reflect the perception that decisions are made before meetings take place, lack of listening, one-way communication and lack of adequate consultation
Percentage of respondents who agree that they have had the opportunity to be involved and participate in the way the Council makes decisions as measured by the Annual Satisfaction Survey	65%	67%	58%	

## What our results tell us

Residents have made it clear that for them to feel they can play a constructive part in the Council's decision-making, we need to make it easy for them to have their say and provide us with input. For that reason, we've been working on a Community Engagement Strategy. That is still being finalised, but we've already been putting the philosophy in place, working in close partnership with communities. For instance, in Tuakau there have been community workshops designed to encourage community groups to work together and contribute to a vision for Tuakau's future. These workshops are organised by the community together with local councillors.

Over the past year, we have upgraded our website to make it more obvious how to access information about the Council. All our committee and Council meeting agendas and minutes are available and the public can always come along to meetings to hear what's going on first-hand. Our district-wide newsletter, Link, continues to provide another way for residents to find out about what the Council is doing and the decisions being made.

Potential significant effects:

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

**79%**

General rates

**2%**

Targeted rates

**16%**

Fees and charges

**3%**

Local authorities fuel, tax, fines, infringement fees and other receipts



# Organisational Support

**Objective: Thriving and Sustainable Waikato. Communities feel well informed and part of consultation. The Council does its part in ensuring a sustainable approach to managing property.**

The activities included in this group are:

Communications, business improvement, human resources, health and safety, finance and treasury, rates, information management, legal counsel, corporate property and plant and management, infrastructure planning, design and operations.

## What we planned

Our strategic focus is to put into action the initiatives to take the organisation forward; making services more efficient and cost-effective for ratepayers and continually reviewing how we can improve.

During the year our major projects were to achieve savings and increase returns from council-owned organisations.

We expected to achieve a further \$30,000 savings through procurement for 2013/14 following the \$80,000 savings achieved in the 2012/13 year. This was exceeded, with \$200,000 of savings delivered for the financial year.

The Council's investment in Strada was expected to provide a financial return through a \$100,000 annual dividend. Again expectations were surpassed with a subvention payment amount of \$429,000 received, \$300,000 more than expected.





## Issues

An area of concern has been the long-term deficits for water and wastewater operational reserves. Good progress is being made and while there's a long way to go to get the reserves back in the black, they are ahead of projections for this to happen.

Consultation for the 2012-22 Long Term Plan raised the question of a targeted rate for forestry, to help fund rural roads maintenance as the forestry harvesting traffic increases. The increased heavy traffic has the potential to cause damage to roads not constructed to take such loadings and our present planning for renewing our rural roads doesn't allow for forestry traffic.

In early 2014 we consulted with organisations within the rural and forestry sectors to find out their views.

We had proposed further consultation with the forestry and rural sectors as part of the 2015-25 Long Term Plan consultation process. Instead, given the views put forward so far and the complex nature of such a rate, we've decided to set up an industry forum group to further discuss the issue and find a solution. An allowance for funding from the general rate to deal with the impact of traffic from forestry harvesting is to be proposed within the draft 2015-25 Long Term Plan.



## Highlights

**Māori participation:** In 2014 we invited all iwi groups to a hui to discuss the Resource consents process. Council staff attended the Turangawaewae Marae poukai to share information.

More than 2000 Waikato residents enjoyed the Waikato District Matariki Festival events, which the Council co-ordinated and funded. We also updated the Council logo in 2014, adding the translation for Waikato District Council. As well, we have adopted a Bi-lingual Signage Policy through the Annual Plan submission process.

Internally, we continue to support staff to improve their cultural competency and awareness through Nga Kaupapa Māori induction sessions, events and initiatives during Te Wiki o te Reo Māori.

**Business improvement:** Our drive over the past year has been to make what we do inside the organisation better, so we can achieve the quality of customer service you expect. To do this, we have to have the right systems and processes in place to support our staff. During the past year, we reviewed our corporate business plan and implemented a raft of different initiatives inside the organisation. The aim is “doing the right thing” across the organisation.

This has involved putting in new project management systems and processes, backed up with staff training with a heightened emphasis on how we deliver to our customers effectively and promptly. New software has been installed to help us improve the way we report and monitor our performance and are achieving our performance measures.

In addition we have focused on better integrating how each staff member carries out their roles, with individual performance plans integrated into the wider operational business plans and the work programme. This is helping our teams work together more effectively to deliver on what's required.

Following the executive team review we've carried out internal restructures, reviewing roles and teams across the organisation. This review is an essential part of implementing the philosophy driving the corporate business plan's goal of improving customer service. In the same way the office upgrade, which has transformed the main office in Ngaruawahia into open plan, complements the corporate plan and is designed to generate better communication between our staff members and teams.

**Asset management:** A major part of our business improvement is the rewrite of what were our Asset Management Plans. We've now expanded these into Activity Management Plans so that instead of being static documents listing our assets and updated on a three-yearly basis, they will be living documents integrating into our systems and processes. They will provide information about, and link to details about our assets, their condition and maintenance, and the projects linked to them, such as our waters infrastructure networks, our buildings, roads, parks and reserves.

**Business continuity:** Part of running our business is also being able to continue providing services even when there's an emergency. While civil defence emergencies are the most obvious times when our systems are put to the test, we also have to think about continuing business at times when it's just our organisation that's affected. This could be, for instance, the effects of a pandemic outbreak or a fire. While we might be severely affected, our customers will still be relying on us to provide services to them.

Drawing from the experiences of Christchurch city and other councils, we've reviewed and updated our business continuity plan so we are better prepared for emergencies. The plan identifies how we can respond to our customers, keep our organisation operating effectively and still deal with the effects of an emergency.

## How we measured success

Measure	Target	Result 13/14	Result 12/13		Explanation
Percentage of respondents who are satisfied with information provided by the Council as measured by the Annual Satisfaction Survey	>55%	69%	69%		
Percentage of respondents who are satisfied with the Council's consultation programme as measured by the Annual Satisfaction Survey	>55%	58%	53%		
Reduction in total annual electricity consumption for Council-occupied buildings compared to 2012/13 total consumption	4%	Not measured	9.37% decrease		Our supplier, Contact Energy, does not have the data available for us to be able to measure for this target



## What our results tell us

Our Annual Satisfaction Survey asks residents about their satisfaction with Council information regarding emergencies, consent processes and information gained through the Council website. The percentage of people satisfied remains steady. A total of 68 per cent of residents were satisfied or very satisfied with the information they found on the website (63 per cent in 2012/13). The number of residents who went to the website for information also rose. These responses indicate a greater awareness of and satisfaction with the website as an information source and reflect the changes we've made to improve the site. During the past year, we've made the website more user-friendly to make information more accessible and easier to find. Residents can now also use the website to contact our customer centre directly through our on-line request service.

Similarly, the number of residents who had access to up-to-date information regarding consents also increased from 73 per cent in 2012/13 to 93 per cent in 2013/14.

A total of 77 per cent of residents surveyed strongly agreed or agreed there was enough information about how they can help themselves in an emergency, up from 72 per cent in 2012/13.

We've put a strong emphasis on improving civil defence and emergency management services during the past year, going out to the community to get volunteer involvement and communicating with residents face-to-face so that there is a heightened awareness of emergency management and how they can respond.

Our Link newsletter is another channel where people get information about our activities, and the latest readership survey carried out in June / July 2014 had 172 responses. The survey asked about how readers perceive the newsletter, and whether it contains the type of information they want to read about. The feedback was positive. A total of 85 per cent of the respondents said they read more than half the articles, while 83 per cent think the information is relevant or very relevant.

We have put more resources into improving our consultation over the past year, so we can improve our understanding of what residents think about issues and proposals. Our results show this is paying off and should improve further as our Community Engagement Strategy and internal Community Engagement Policy are embedded.

Potential significant effects:

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

**7%**

General rates

**88%**

Internal charges recovered

**5%**

Local authorities fuel tax, fines, infringement fees and other receipts

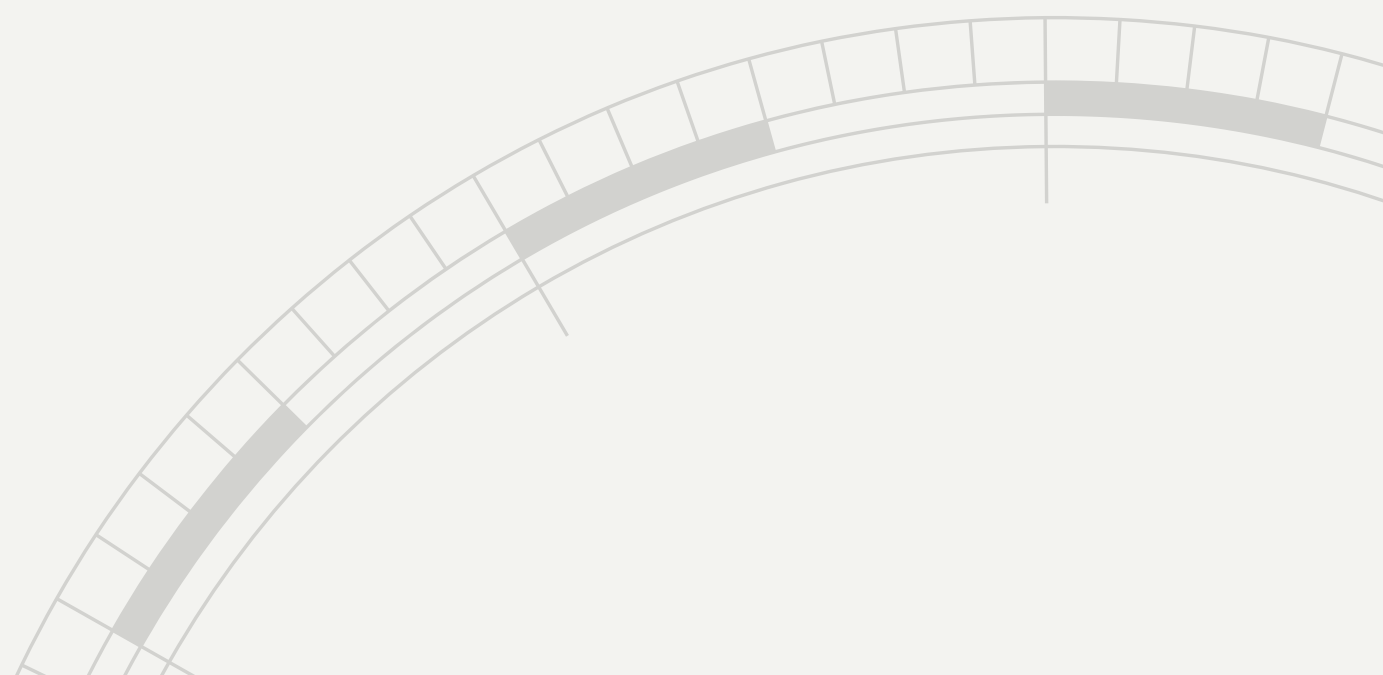


**101%**

Decrease in debt

**-1%**

Gross Proceeds from sale of assets







# Financial Pathway

## THIS SECTION

**\$88.5**  
million operating  
expenditure

**\$42.8**  
million capital  
expenditure

**\$103.6**  
million income

**1.87%**  
general rate increase  
for 2013/14

**\$37.5**  
million of borrowings

**73%**  
of operations funded  
from rates

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# From the Chairman Strategy and Finance Committee and General Manager Strategy and Support

The Council's budgeted income for this financial year was \$99.8 million, against which actual income earned was \$103.6 million, a positive variance of \$3.8 million albeit a 5 per cent decrease on 2012/13 figures. Found and vested assets, which are not a budgeted item, account for the majority of the variance (\$4.3 million) along with the increase in the fair value of the Council's interest rate instruments (\$1.3 million gain on forward rate agreements), approximately \$809,000 coming from additional rates income, \$329,000 from a subvention payment from Strada Corporation offset with \$1 million less than anticipated development contribution income and \$2.1 million less subsidy income.

The Council's operational expenditure budget was \$84.8 million, of which actual operational expenditure was \$88.5 million. This amount includes asset write-offs of \$5.7 million which are not a budgeted item. Taking this into account the Council incurred \$2 million less than what was budgeted for 2013/14. The total operational expenditure (excluding asset write-offs for each year) reflected an increase of 6 per cent from 2012/13 expenditure levels. The \$2 million variance against budget relates mainly to personnel cost savings from the structure reviews undertaken for the service delivery and customer support teams and delays in recruitment (\$1.09 million), and depreciation and amortisation expense savings from delayed capital work programmes (\$895,000).

Condition assessment work along with activity and asset management planning has been a focal point this year to ensure that forward work programmes have a strong foundation, are prudent and projects are appropriately prioritised. Although the change processes have positioned us well strategically for the future, some projects haven't been progressed as quickly as we would have liked. However good progress has been made on the review of internal processes particularly in the consenting area, which has provided operational efficiencies and led to a drop in related fees from 2014/15 onwards, progression of development in both Horotiu and Pokeno, negotiating water and wastewater supply and treatment options for the northern sector of the district, and delivering on the economic development roadmap.

Capital programmes were budgeted at \$56 million for 2013/14. In addition to this, budget for projects that had not been fully completed during 2012/13 totalled \$41 million. Therefore, although when compared to the Annual Plan budget the programmed works sits at 76 per cent of budget (\$43 million) the budget usage including progression of prior years' work was approximately 44 per cent. Variance in capital work programmes can arise as a result of consultation processes, such as for the Whaanga Coast wastewater project which was first allocated budget in 2009, progression and related timing of subdivision activity within the district, adverse weather resulting in delays, and lengthy negotiations over land purchase. This year the Council found that the demand for contractors during the peak construction season outstripped the supply of available contractors. This had an impact on the timing of works and some planned projects were not able to be completed before the end of the financial year.

The Council has continued to focus on maintaining what we have in the first instance, limiting service level increases to those required by legislation or third party agreements and supporting our identified residential and industrial growth nodes primarily supported by structure plans and development agreements in place.

Debt at the end of June 2014 was \$37.5 million, significantly lower than the forecast of \$89.2 million due to unforeseen delays and re-staging of capital works programmes. As mentioned earlier, these delays have created a favourable variance in interest and depreciation costs for 2013/14.

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 pegged rate increases to the expected local government cost index figures, as it better reflects the cost increases that the Council faces each year. In the first year of the Long Term Plan the Council met the set targets, however in 2013/14 there was a small breach (\$61) on the average rates per dwelling target.

**Cr. Clint Baddeley**

Chairman Strategy  
and Finance

**Tony Whittaker**

GM Strategy  
and Support





### Council controlled organisations

The Council operates four Council Controlled Organisations (CCOs). These organisations independently manage facilities and deliver services. The following information explains what the organisations do and how their performance is measured.

The Council has previously sought feedback from the community on its continued involvement in the Waikato Regional Airport Limited and Strada Corporation. The Council resolved during the Long Term Plan to continue its shareholding in both organisations.

### 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.

Since its formation, the company has generally traded profitably and provided significant dividends that supplemented the Council's income. The road contracting market is now very competitive, and the Council is able to obtain a fair price in this market. The reasons for ownership of the company were reviewed during the Long Term Plan and it was determined that the Council should own Strada for the purpose of a financial return. For 2013/14 Strada declared a subvention payment to the Council of \$429,000 exceeding budgeted dividend expectations by \$329,000.

Strada provides services to Waikato District Council and a number of other clients. The relationship between the Council and Strada Corporation is at arm's length and most of the work is fully contestable through the tender process.

Strada's operations include:

- Civil engineering
- Road construction
- Maintenance
- Quarry operations
- Drainage
- Subdivision work

Strada focused on securing maintenance contract work during 2013/14 and met all of their financial Statement of Intent measures as detailed below:

Agreed Measures	Statement of Intent	Actual 2013/14
Proprietorship Ratio	80%	86%
Net profit after tax as a percentage of average shareholders' funds	8%	12%
Debt / equity ratio	45:55	35:65
Interest coverage	4.0:1	5.9:1

## 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 Council elected to retain its shareholding for the purpose of the Long Term Plan. In addition, the Local Government Act defines the shareholding in an airport as a strategic asset.

The airport operates to:

- Provide affordable, reliable and safe access to the air transport system.

The performance of the airport was different to that forecasted for the 2013/14 year. Earnings before interest, taxation and depreciation were \$2.21 million against a target of \$2.62 million. The difference of \$407,000 results mainly from lower gross margins on Titanium Park land sales. A number of financial measures stipulated in the statement of intent did not meet expectations for this reason.

Agreed Measures	Statement of Intent	Actual 2013/14
Earnings before interest, taxation and depreciation (EBITDA)	\$2.62M	\$2.21M
Net surplus / (deficit) after tax	\$146K	(\$232K)
Net profit after tax to shareholders' funds	0.3%	(0.4%)
Net profit after tax to total assets	0.2%	(0.3%)
Percentage of non-landing charges revenue to total revenue	81.7%	82.1%
Total liabilities / shareholders' funds: (debt / equity ratio)	24:76	26:74
Applicable to parent company (airport) operations only		
Interest rate cover	2.63	3.05

## Local Authority Shared Services Limited

Local authorities of the Waikato region established the Local Authority Shared Services (LASS) Limited during 2005/2006, the 12 local authorities of the region, being Environment Waikato (now 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.

Local Authority Shared Services Ltd is in operation to:

- Provide information collection and management at a lower aggregate cost, these include:
  - Shared valuation data services (SVDS)
  - Waikato regional transport model (WRTM)
  - Waikato regional aerial photography.

The Waikato Mayoral Forum in 2012 enabled the creation of five working parties to investigate collaborative opportunities in the areas of governance structures, planning, three waters, roading and economic development. Each working party is led by a Council CEO in conjunction with a group of Mayors / Chairs from the Waikato Mayoral Forum. LASS is available as a support entity to assist these working parties.

Opportunities in the area of procurement have also been identified and the shareholders are looking to progress these opportunities.

The statement of Intent for 2013/14 was updated to reflect performance targets for both joint procurement and insurance brokerage.



## Agreed Measures

1. <b>Shareholder Survey:</b> The company will carry out an annual survey of shareholders to assist the directors in developing improvements on behalf of the shareholders, and to receive a majority of shareholder approval on the service provided.	Annual survey of shareholders was completed in January 2014 with nine of the twelve shareholder councils responding. Nine councils responded that the concept of LASS was still delivering benefits to their council. Two councils responded that they were very satisfied with the efforts being made by LASS to advance shared services opportunities and seven were fairly satisfied. The comments were made that achievements are constrained by fundamental challenges, and that more benefits could be seen with a more dedicated response.
2. <b>Costs Control:</b> Administration expenditure shall not exceed that budgeted by more than 5 per cent unless prior approval is obtained from the directors.	Achieved, actual expenditure was \$10,306 unfavourable to budget -4.8%.
3. <b>Cashflow:</b> The company maintains an overall positive cashflow position.	Not achieved this year as cashflow was intentionally operated at a negative level in order to use up prior year surpluses. The company still maintains a safe cash position with the cash, cash equivalents and bank account balances at the end of June 2014 being \$442,598.
4. <b>Reporting:</b> The board will provide a written report on the business operations and financial position of the LASS on a six monthly basis.	Six monthly reports have been sent to shareholders.
5. <b>Statutory Adherence:</b> There will be an annual report to directors that all statutory requirements of the LASS are being adhered to.	All parties have confirmed that there were no legislative breaches during the year and this will be reported to the LASS Board at the September meeting when the Annual Report is presented.
6. <b>SVDS Availability:</b> That SVDS is available to users at least 99 per cent of normal working hours.	SVDS was available 100% of working hours.
7. <b>SVDS Sales Data Delivery:</b> That at least 98 per cent of agreed timelines are met for sale and property files that have been delivered to the FTP server for access to customers.	100% of Sales and Property files were supplied to Property IQ on time.
8. <b>SVDS Major Enhancement Development Hours:</b> All capital enhancement development work is supported by a business case approved by the advisory group.	Not applicable this year as only minor works items of \$5,000 or less have been undertaken as per the road map approved by the advisory group.
9. <b>WRTM:</b> That all required modelling reports are actioned within the required timeframe.	All WRTM modelling reports were completed within specified timeframes.
10. <b>WRTM:</b> That the base model adheres to "screenline Validation Standards" as set out in the NZTA Economic Evaluation Manual as indicated by an external independent review.	Report from peer reviewer in October 2013 shows the model continues to meet all criteria. Due to current work being undertaken on the census update, this will next be reviewed in July 2014.
11. <b>WRTM:</b> That a full report on progress of the model be provided to the LASS Board twice each year.	Reports were provided at the LASS board meetings in January and May 2014.
12. <b>Insurance:</b> The key performance indicators within the brokerage contract are met.	This target has been achieved.
13. <b>Joint Procurement:</b> That any joint procurement projects deliver as per project approved objectives.	LASS joint procurement satisfactorily achieved for computer generated print, mail and E-services for rates, accessing online economic profile data, and postal and courier services.
14. <b>Advice to the Waikato Mayoral Forum:</b> In response to requests from shareholders, the company will provide regular reports and updates to the Waikato Mayoral Forum regarding progress with shared service initiatives.	Updates are provided at all Mayoral Forums, the most recent being June 2014.

## 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 provide a legal entity which upon incorporation under the Charitable Trust Act 1957 may receive funds from the Waikato Foundation Trust, and be empowered to make distribution of income and capital for the charitable purposes as authorised by the trust deed.

The Waikato Foundation Trust was wound up and \$2.56 million was transferred to the Waikato District Community Wellbeing Trust during 2011/12.

The trust holds the trust fund for such purposes as the trustees consider are charitable under the law of New Zealand, and in particular:

- That promote the social, environmental and cultural wellbeing of the Waikato district and its communities; and
- That deliver on the aspirations and community outcomes of the Waikato district as identified and promoted by the community from time to time and endorsed by the Waikato District Council.

The Trust approved \$119,000 in grants during 2013/14 as follows:

• Huntly Lions Club	\$40,000
• Allan Turner Memorial Walkway	\$40,000
• Ngaruawahia Rugby League Club	\$19,000
• North Waikato Crime Prevention Trust	\$20,000

## Agreed Measures

1. Ensure that the total grant disbursement does not exceed 50% of the net income for that year after allowing for the CPI movement and expenses.	Achieved. The 2013/14 year grant allocation of \$119,000 was calculated with reference to the 2012/13 Trust performance and Statement of Intent requirements. This allocation amounts to a distribution of 38% compared with a maximum allowed of 50% as per the Statement of Intent.
2. Ensure that the real (inflation adjusted) value of the fund is protected.	Achieved. The capital maintenance fund has been increased by 2% of opening capital while the annual Consumer Price Index increased by only 1.6% over the year.
3. Ensure that no more than 10% of the capital is distributed in any one year.	Achieved. The first grants were approved in the 2013/14 year and totalled \$119,000 or 4.09% of total opening capital.
4. Identify opportunities to grow the fund.	Achieved. The trustees have decided to grow the fund by retaining at least 50% of earnings and by transferring an amount to a capital maintenance fund to protect the real value of the Trust's equity. This practice is in accordance with the Statement of Intent.
5. Establish a process for promoting the fund availability and allocating the fund.	Achieved. The Trustees decided to integrate their process into Council's annual plan process. Projects supported by Council but unable to be funded were included for consideration by the Trustees.
6. Monitor the performance of investments by receiving and considering financial information, on at least a quarterly basis, and receiving regular updates.	Achieved. The trustees have received and discussed quarterly portfolio performance reports from Gareth Morgan Investments. Half-year financial statements were received and considered on 18 February 2014.



Returns on Investment	Value (000's)	2013/14 Return
Financial	\$414	5%
Property	\$450	10%

**Equity as follows:**

Strada Corporation Limited	\$4,500	10%
Waikato Regional Airport Limited	0%	0%
NZ Government Insurance Corporation Limited	0%	0%
Local Authority Shared Services Limited	0%	0%
Waikato District Community Wellbeing Trust	0%	0%









# Financial Statements

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**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 June 2014

	Note	COUNCIL			GROUP	
		2013/14	2013/14	2012/13	2013/14	2012/13
		Actual	Budget	Actual	Actual	Actual
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>Income</b>						
Rates, excluding targeted water supply rates	2	59,517	60,146	57,143	59,517	57,143
Other activity income		16,210	14,541	14,264	21,341	19,927
Development and financial contributions		6,355	7,326	4,703	6,355	4,703
Subsidies and grants		14,822	16,982	16,549	14,822	16,549
Finance income	3	139	192	121	235	214
Other income	5	5,309	625	14,951	4,909	14,637
Other gains	4	1,294	-	1,427	1,737	1,724
<b>Total income</b>		<b>103,646</b>	<b>99,812</b>	<b>109,158</b>	<b>108,916</b>	<b>114,897</b>
<b>Expenditure</b>						
Personnel costs	6	23,225	24,313	22,585	26,344	25,807
Depreciation and amortisation expense	15,16,17	19,583	20,478	18,836	20,234	19,487
Audit fees	7	145	148	141	198	199
Other expenditure	7	6,912	418	6,920	6,933	6,921
Finance expenditure	3	2,251	3,818	2,163	2,461	2,405
Activity expenditure		36,362	35,638	33,150	36,500	33,831
Other losses	4	8	-	823	169	823
<b>Total operating expenditure</b>		<b>88,486</b>	<b>84,813</b>	<b>84,618</b>	<b>92,839</b>	<b>89,473</b>
Operating surplus (deficit) before tax and share of equity accounted investments		15,160	14,999	24,540	16,077	25,424
Share of joint venture's surplus(deficit)		-	-	-	80	(68)
<b>Surplus(deficit) before tax</b>		<b>15,160</b>	<b>14,999</b>	<b>24,540</b>	<b>16,157</b>	<b>25,356</b>
Income tax expense	8	-	-	-	(129)	(260)
<b>Surplus (deficit) after tax wholly attributable to Waikato District Council</b>		<b>15,160</b>	<b>14,999</b>	<b>24,540</b>	<b>16,028</b>	<b>25,096</b>
<b>Other comprehensive income</b>						
Gain (Loss) on property revaluations	15	12,084	50,824	32,408	12,084	32,408
Revaluation reserve – landfill		10	-	(58)	10	(58)
Financial assets at fair value through other comprehensive income		1	-	(16)	1	(16)
<b>Other comprehensive income for the year, net of tax</b>		<b>12,095</b>	<b>50,824</b>	<b>32,334</b>	<b>12,095</b>	<b>32,334</b>
<b>Total comprehensive income for the year</b>		<b>27,255</b>	<b>65,823</b>	<b>56,874</b>	<b>28,123</b>	<b>57,430</b>

Explanations of significant variances against budget are detailed in note 36.

The accompanying notes form part of these financial statements.



**STATEMENT OF FINANCIAL POSITION**

As at 30 June 2014

	Note	COUNCIL			GROUP	
		2013/14 Actual \$'000	2013/14 Budget \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
<b>ASSETS</b>	<b>Current assets</b>					
	Cash and cash equivalents	9	976	430	911	2,411
	Debtors and other receivables	10	15,307	14,597	16,218	15,651
	Other financial assets	13	81	98	83	3,052
	Inventory	11	-	-	-	23
	Biological assets – cattle	12	83	75	88	83
	Prepayments		424	169	284	426
	Non-current assets held for sale	14	400	622	384	400
	<b>Total current assets</b>		<b>17,271</b>	<b>15,991</b>	<b>17,968</b>	<b>22,046</b>
	<b>Non-current assets – Other financial assets</b>					
	Investment in CCO's and other similar entities	13	7,359	8,909	7,359	5,129
	Investments in other entities	13	942	-	1,002	942
	Property, plant and equipment	15	1,497,861	1,591,465	1,468,850	1,503,924
	Intangible assets	16	5,465	2,558	1,155	5,534
<b>LIABILITIES</b>	Investment property	18	450	440	445	830
	Investment in joint venture	30	-	-	-	2,444
	Derivative financial instruments	23	234	-	-	234
	<b>Total non-current assets</b>		<b>1,512,311</b>	<b>1,603,372</b>	<b>1,478,811</b>	<b>1,519,037</b>
	<b>Total assets</b>		<b>1,529,582</b>	<b>1,619,363</b>	<b>1,496,779</b>	<b>1,508,067</b>
	<b>Current liabilities</b>					
	Creditors and other payables	19	23,049	16,961	14,250	23,026
	Employee entitlements	21	2,909	2,873	3,023	3,278
	Borrowing	22	2,458	256	4,036	2,458
	Provisions	20	549	246	210	578
	Current tax liabilities		-	-	-	82
	<b>Total current liabilities</b>		<b>28,965</b>	<b>20,336</b>	<b>21,519</b>	<b>29,422</b>
	<b>Non-current liabilities</b>					
	Derivative financial instruments	23	-	2,476	1,055	-
	Employee entitlements	21	169	207	157	188
	Borrowing	22	35,000	88,936	35,695	38,250
	Provisions	20	1,417	1,496	1,577	1,417
	Deferred tax liabilities	8	-	-	-	217
<b>EQUITY</b>	<b>Total non-current liabilities</b>		<b>36,586</b>	<b>93,115</b>	<b>38,484</b>	<b>40,072</b>
	<b>Total liabilities</b>		<b>65,551</b>	<b>113,451</b>	<b>60,003</b>	<b>69,494</b>
	<b>Net assets</b>		<b>1,464,031</b>	<b>1,505,912</b>	<b>1,436,776</b>	<b>1,443,466</b>
	Accumulated funds		909,588	934,904	885,542	913,308
	Other reserves		554,443	571,008	551,234	558,281
	<b>Total equity</b>		<b>1,464,031</b>	<b>1,505,912</b>	<b>1,436,776</b>	<b>1,443,466</b>

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

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 June 2014

	COUNCIL			GROUP	
	2013/14 Actual \$'000	2013/14 Budget \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
<b>Balance at beginning of year</b>					
<b>Accumulated funds</b>	885,542	907,080	850,582	888,907	853,323
Share of joint venture's earnings	-	-	-	364	432
<b>Other reserves</b>					
Revaluation	532,535	546,323	503,935	532,960	504,360
Restricted	28	29	27	2,564	2,563
Council-created	21,183	13,157	19,466	21,183	19,466
Special rates and user pays	(1,376)	(3,208)	(1,013)	(1,376)	(1,013)
Capital replacement fund	14,550	3,538	14,429	14,550	14,429
Development contributions	(15,719)	(26,880)	(7,513)	(15,719)	(7,513)
Fair value through other comprehensive income	33	50	49	33	49
Balance at 1 July as previously reported	1,436,776	1,440,089	1,379,962	1,443,466	1,386,096
<b>Comprehensive income for the year</b>					
<b>Accumulated funds</b>					
Surplus (deficit) after tax	15,160	14,999	24,540	15,948	25,164
Share of joint venture's retained earnings	-	-	-	80	(68)
<b>Other reserves</b>					
Revaluation	12,084	50,824	32,408	12,084	32,408
Revaluation – landfill	10	-	(58)	10	(58)
Fair value through other comprehensive income	1	-	(16)	1	(16)
Total comprehensive income for the year wholly attributable to Waikato District Council	27,255	65,823	56,874	28,123	57,430
<b>Transfers to (from) accumulated funds</b>					
<b>Accumulated funds</b>	8,886	12,825	10,480	8,009	10,480
<b>Other reserves</b>					
Revaluation	(2,520)	-	(3,750)	(1,773)	(3,750)
Restricted	1	1	1	131	1
Council-created	(1,859)	(421)	1,717	(1,859)	1,717
Special rates and user pays	1,272	38	(363)	1,272	(363)
Capital replacement fund	1,562	(44)	121	1,562	121
Development contributions	(7,342)	(12,399)	(8,206)	(7,342)	(8,206)
Total transfers to (from) accumulated funds	-	-	-	-	-
<b>Equity received (transferred)</b>					
Equity transferred to Waikato Regional Council	-	-	(167)	-	(167)
Equity received from SVDS (ex FDC)	-	-	107	-	107
Total equity received (transferred)	-	-	(60)	-	(60)
Balance at 30 June wholly attributable to Waikato District Council	1,464,031	1,505,912	1,436,776	1,471,589	1,443,466

The accompanying notes form part of these financial statements.



	COUNCIL			GROUP	
	2013/14 Actual \$'000	2013/14 Budget \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
<b>Represented by equity at the end of the year</b>					
<b>Accumulated funds</b>	909,588	934,904	885,542	912,864	888,907
Share of joint venture's earnings	-	-	-	444	364
<b>Other reserves</b>					
Revaluation	542,109	597,147	532,535	543,281	532,960
Restricted	29	30	28	2,695	2,564
Council-created	19,324	12,735	21,183	19,324	21,183
Special rates and user pays **	(104)	(3,170)	(1,376)	(104)	(1,376)
Capital replacement fund	16,112	3,494	14,550	16,112	14,550
Development contributions **	(23,061)	(39,278)	(15,719)	(23,061)	(15,719)
Fair value through other comprehensive income	34	50	33	34	33
Balance at 30 June wholly attributable to Waikato District Council	1,464,031	1,505,912	1,436,776	1,471,589	1,443,466

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

The accompanying notes form part of these financial statements.

\*\* These debit reserves have arisen through advance funding of projects by Council before special rates and development contributions have been allocated.

**STATEMENT OF CASH FLOWS**

For the year ended 30 June 2014

	COUNCIL			GROUP	
	2013/14 Actual \$'000	2013/14 Budget \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
<b>Cash flows from operating activities</b>					
Receipts from rates revenue	64,427	60,015	60,639	64,427	60,639
Subsidies received	16,884	17,183	18,201	16,884	18,201
Contributions received	3,640	7,643	4,703	3,640	4,703
Receipts from activities revenue	13,287	15,066	8,169	17,991	13,923
Interest received	104	192	116	200	209
Dividends received	400	50	300	27	31
Payments to suppliers and employees	(63,696)	(60,674)	(60,946)	(66,920)	(64,695)
Interest paid	(2,105)	(3,818)	(2,079)	(2,315)	(2,322)
Income tax paid	-	-	-	(112)	-
Goods and services tax (net)	760	-	(723)	810	(924)
Net cash from (used in) operating activities (note 25)	33,701	35,657	28,380	34,632	29,765
<b>Cash flows from investing activities</b>					
Proceeds from sale of property, plant and equipment	283	63	389	783	676
Proceeds from sale of non-current assets held for sale	312	-	65	312	65
Community loans repayments received	83	-	84	83	84
Purchase of intangible assets	(4,618)	(701)	(199)	(4,686)	(199)
Purchase of property, plant and equipment	(27,401)	(66,337)	(42,054)	(28,318)	(43,040)
Purchase of investment property	-	-	-	(35)	-
Acquisition of investments	(22)	-	(560)	(45)	(784)
Net cash (used in) from investing activities	(31,363)	(66,975)	(42,275)	(31,906)	(43,198)
<b>Cash flows from financing activities</b>					
Proceeds from borrowings	-	31,483	70,610	-	70,610
Repayment of borrowings	(2,273)	(583)	(56,443)	(2,773)	(56,943)
Advances to joint venture	-	-	-	-	(250)
Net cash from financing activities	(2,273)	30,900	14,167	(2,773)	13,417
<b>Net increase (decrease) in cash, cash equivalents and bank overdrafts</b>	<b>65</b>	<b>(418)</b>	<b>272</b>	<b>(47)</b>	<b>(16)</b>
Cash, cash equivalents and bank overdrafts at the beginning of the year	911	848	639	2,458	2,474
Closing cash and cash equivalents and bank overdrafts	976	430	911	2,411	2,458

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

The accompanying notes form part of these financial statements.



## STATEMENT OF RESERVE FUNDS

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 a loan because the amount borrowed is repaid by income received rather than from 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	Balance 1 July 2013 \$'000	Transfers into fund 2013/14 \$'000	Transfers out of fund 2013/14 \$'000	Balance 30 June 2014 \$'000
Conservation fund	To fund expenditure items for conservation purposes	Sustainable environment	413	95	-	508
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	262	321	(341)	242
Housing for the elderly	Income from housing for the elderly is put aside for use on the properties involved	Sustainable communities	52	189	(198)	43
Plant reserve	Reserve used for control of expenditure and sale proceeds for vehicle and other plant running and maintenance costs	Organisational support	126	1,370	(1,347)	149
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	14	171	(148)	37
Raglan Kopua Holiday Park reserve	Income and expenditure for Kopua Camp at Raglan is kept separate. The camp operation is self funding	Sustainable communities	316	1,229	(1,079)	466
Wainui Reserve farm	Income and Expenditure for Wainui Reserve farm operations is kept separate. The farm operation is self funding and surpluses used towards projects at Wainui Reserve	Sustainable communities	159	163	(167)	155
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	14	-	-	14
Disaster recovery fund	Fund set aside for use in the event of a disaster	Organisational support	990	166	-	1,156
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	46	2	-	48
North Waikato development reserve	Remaining funds with interest credits from the Department of Corrections for use to assist the local community	Sustainable communities	279	14	-	293
Hamilton East property proceeds	Proceeds from the sale of the Hamilton East property held separate for property related purposes	Organisational support	2,475	-	(144)	2,331

**STATEMENT OF RESERVE FUNDS** continued

Reserve	Purpose	Related activities	Balance 1 July 2013 \$'000	Transfers into fund 2013/14 \$'000	Transfers out of fund 2013/14 \$'000	Balance 30 June 2014 \$'000
Hakarimata Restoration Trust	A restricted reserve for Hakarimata Hills Reserve Trust to record all trust operations	Sustainable environment	13	1	-	14
Ex FDC community partnership loans reserve	Reserve taken over from the former Franklin District Council to fund loans for community initiatives	Sustainable communities	122	6	-	128
Ex FDC development fund (ex shares sold)	Reserve representing the share of the Auckland Airport Shares received by the former Franklin District Council and transferred to Waikato District Council on part amalgamation in 2010	Organisational support	1,986	-	(203)	1,783
Ex FDC 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	5,266	-	(15)	5,251
Ex FDC 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	436	20	(56)	400
Structure plan non-growth reserve	Reserve to provide funding for the non-growth element of Structure Plan development	Organisational support	475	493	-	968
Waste minimisation reserve	To manage waste minimisation grants and qualifying expenditure	Sustainable environment	232	17	-	249
Huntly College jubilee award	A restricted reserve for the interest income to be used as educational sponsorship	Sustainable communities	13	1	(1)	13
Frances Paki Trust	A restricted reserve in memory of Francis Paki of Huntly. Interest income to be used as sponsorship for educational purposes	Sustainable communities	1	-	-	1
Mungall Scholarship Trust	A restricted reserve in memory of Agnes Simpson Mungall. Interest income to be used for educational sponsorship	Sustainable communities	1	-	-	1
Sundry reserves	Sundry reserves for township development and other operational purposes	Sustainable communities	5,824	45	(2)	5,867
Targeted rate reserves – operational	Reserves to monitor operational costs in relation to special rates and user pays	Stormwater, Sustainable communities, Wastewater, Water supply	(1,376)	17,291	(16,019)	(104)



Reserve	Purpose	Related activities	Balance 1 July 2013 \$'000	Transfers into fund 2013/14 \$'000	Transfers out of fund 2013/14 \$'000	Balance 30 June 2014 \$'000
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	14,550	16,629	(15,067)	16,112
Revaluation reserves	Non-cash reserves representing the increases or decreases in the value of infrastructural assets that are periodically revalued	Roading, Stormwater, Sustainable communities, Sustainable environment, Wastewater, Water supply, Organisational support	532,535	12,094	(2,520)	542,109
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	(14,012)	6,832	(16,633)	(23,813)
<b>Total reserves</b>			<b>551,234</b>	<b>49,127</b>	<b>(45,918)</b>	<b>554,443</b>

# Notes to the Financial Statements

## NOTE I

### STATEMENT OF ACCOUNTING POLICIES

Waikato District Council is a territorial authority governed by the Local Government Act 2002 (LGA 2002) and is domiciled in New Zealand.

The Waikato District Council Group (the Group) consists of the ultimate parent Waikato District Council (Council), its 100% owned subsidiary Strada Corporation Limited (Strada) and the Waikato District Community Wellbeing Trust. Strada is a 50% party to a Joint Venture Agreement, Waikato Quarries Limited. All the companies in which Council has an interest, directly or through Strada, are incorporated and domiciled in New Zealand.

The primary objective of Council and the Group is to provide goods and services for the community or social benefit rather than making a financial return. Accordingly, Council has designated itself and the Group as Public Benefit Entities (PBE) for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of Council and the Group are for the year ended 30 June 2014. They were authorised for issue by Council on 13 October 2014.

### Basis of preparation

#### Statement of compliance

The financial statements of Council and the Group have been prepared in accordance with the requirements of LGA 2002 which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

These financial statements comply with NZ IFRS and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

#### Measurement base

The financial statements have been prepared on an historical cost basis, modified by the revaluation of land and buildings, certain infrastructural assets, investment properties and certain financial instruments (including derivative instruments).

#### Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000's). The functional currency for Council and subsidiaries is New Zealand dollars.

#### Changes in accounting policies and disclosures

There have been no changes in accounting policies during the financial year.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, Council is classified as a Tier 1 reporting entity and will be required to apply full Public Benefit Entity Accounting Standards (PAS). The effective date for the new standards for public sector entities is for reporting period beginning on or after 1 July 2014. Therefore Council will transition to the new standards in preparing its 30 June 2015 financial statements. Council has not assessed the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities the XRB has effectively frozen the financial accounting requirements for public benefit entities up until the new Accounting Standards Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

### Significant accounting policies

#### Basis of consolidation

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

#### 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.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The consideration recognised in the acquisition of a subsidiary reflects the fair value of the assets and liabilities transferred to Council by the former owner.

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.



### Joint venture

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

### Revenue

Revenue is measured at the fair value of the consideration received or receivable.

- Rates are set annually by resolution from Council and relate to a financial year. All ratepayers are invoiced within the financial year for which the rates have been set. Rates revenue is recognised when payable.
- Water billing revenue is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.
- Council receives government grants from New Zealand Transport Agency (NZTA), which subsidises 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.
- Revenue from the sale 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.
- Rental income from investment properties is recognised as revenue on a straight line basis over the term of the lease.
- Traffic and parking infringements income is recognised when the infringement notice is issued.
- Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as income. Assets vested in Council are recognised as income when control over the asset is obtained.
- Development and financial contributions are recognised as revenue when Council provides, or is able to provide, the service for which the contribution was charged.
- Interest income is recognised using the effective interest method.
- Dividends receivable are recognised when the right to receive the payment has been established.

### Construction contracts

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract at balance date. The stage of completion is measured by reference to the contract costs incurred up to balance date as a percentage of total estimated costs for each contract.

Contract costs include all costs directly related to specific contracts and costs that are specifically chargeable to the customer under the terms of the contract. An expected loss on construction contracts is recognised immediately as an expense in the surplus or deficit.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred. When it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented as a liability.

### Borrowing costs

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

### 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.

### Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates 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 current year surplus or deficit.

### Income tax

Income tax expense is the aggregate of current period movements in relation to 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 financial statements and the corresponding tax bases used in the computation of taxable surplus.

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 surplus will be available against the deductible temporary differences or that 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 surplus nor taxable surplus.

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 to transactions taken directly to equity.

## Leases

### *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.

## Cash and cash equivalents

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.

## Debtors and other receivables

Short term debtors and other receivables are recorded at their face value, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that Council 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, receivership or liquidation; and default in payments are considered indicators that the debt 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. 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 uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

## Inventory

Inventory held for distribution or consumption in the provision of services that are not supplied on a commercial basis is measured at cost, using the first in first out (FIFO) basis, adjusted when applicable, for any loss of service potential. Where inventory is acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventory held for use in the production of goods and services on a commercial basis, such as raw material stocks and trading stocks, is valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the FIFO method.

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

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

## Other financial assets

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 income.

The classification depends on the purpose for which the investments were 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 as a grant.

### *Held to maturity investments*

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

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

*Fair value through surplus or deficit*

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term and such an asset is classified as a current asset. Council's derivatives are categorised as held for trading unless they are designated into hedge accounting relationship for which hedge accounting is applied. The current/non-current classification of derivatives is explained in the derivatives accounting policy below. 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 income*

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 income 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 debt. 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 debtors and other 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 (i.e. not past due).

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

*Financial assets at fair value through other comprehensive income*

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.

**Derivative financial instruments**

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.

**Non-current assets held for sale**

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and their fair value, less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale 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 while they are classified as held for sale.

**Property, plant and equipment**

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.
- **Infrastructure 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.



Council's pensioner housing and other non-commercial rental properties which are held for service delivery objectives, rather than for rental income or capital appreciation, are accounted for as property, plant and equipment.

Items of property, plant and equipment are shown at cost or valuation, 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. Only assets with a life of over one year and value of over \$2,000 are capitalised. Subsequent expenditure on an asset which restores or increases the service potential of the asset beyond the current economic benefit of that asset is capitalised. The costs of day to day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

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

Items of property, plant and equipment are initially recognised at cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at 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:

#### Depreciation Rates

Description	Useful Life (Years)	Depreciation Rate
Audio visual materials and electronic games, Libraries	5	20%
Buildings	12.5 - 100	1% - 8%
Vehicles / moveable plant	4 - 20	5% - 25%
Library books	8	12.5%
Computers	4 - 7	14% - 25%
Office equipment	2 - 20	5% - 50%
Furniture and fixtures	10	10%
Water treatment	1 - 100	1% - 100%
Water reticulation	2 - 100	1% - 50%
Wastewater	1 - 100	1% - 100%
Urban stormwater	30 - 100	1% - 33.3%
Roading pavement sealed	1 - 100	1% - 100%
Pavement (basecourse)		
- sealed	65 - 105	0.95% - 1.54%
- unsealed metal	20	5%
Surface water channel	20 - 80	1.25% - 5%
Culverts	80	1.25%
Guardrails / barriers	40 - 80	1.25% - 2.5%
Footpaths	15 - 80	1.25% - 6.7%
Street lighting	20	5%
Bridges	60 - 100	1.67% - 5%
Parks and reserves	10 - 100	1% - 10%
Solid waste	5 - 80	1.25% - 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. All other classes of property, plant and equipment are stated at depreciated historical cost.

The carrying values of the revalued assets are assessed at each balance date 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 income 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 income.

### Intangible assets

#### 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. Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Staff training costs and costs associated with maintaining computer software are recognised as an expense when incurred. This asset class, which is amortised on a straight line basis, has a finite useful life of 3 to 7 years and the amortisation rates are between 14% and 33%. Strada's software assets are amortised on a straight line or diminishing-value basis over their finite useful lives. The useful lives are between 1 and 4 years and the amortisation rates are between 25% and 100%.

#### Consents

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

### Impairment of property, plant and equipment and intangible assets

Intangible assets that have an indefinite useful life, or are not yet available for use, or are not subject to amortisation are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment at each balance date. Where there is an indicator of impairment, the asset's recoverable amount is estimated. 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.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where Council or the Group would, if deprived of the asset, replace its remaining service potential.

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

If an asset's carrying amount exceeds its recoverable amount, the asset is 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 revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously 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 (other than goodwill) the reversal of an impairment loss is recognised in the surplus or deficit.

### Biological Assets

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.

### Investment property

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 measured initially at cost, including transaction costs. After initial recognition, all investment properties are measured at fair value as determined annually by an independent valuer. Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

### Creditors and other payables

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

### Employee entitlements

#### 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 at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

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

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

#### *Long term employee entitlements*

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

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

#### *Superannuation schemes – Defined contribution schemes*

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

#### *Presentation of employee entitlements*

Employee entitlements expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as non-current liabilities.

### **Provisions**

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 is recognised as an interest expense and is included in finance costs.

Provision has been made for future obligations in respect of closed landfills, weathertightness and contract completion costs.

### **Borrowing**

Borrowing is initially recognised at fair value net of transaction costs. After initial recognition, all 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.

### **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 contribution
  - fair value through other comprehensive income.

#### *Revaluation reserves*

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

#### *Restricted reserves*

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

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

#### *Council-created reserves*

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

Council and the Group's objectives, policies, and processes for managing capital are explained in Note 35.

#### *Fair value through other comprehensive income*

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

### **Goods and Services Tax (GST)**

All items in the financial statements are stated exclusive of GST except for trade 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 in its 2013/14 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.

### **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.

### **Critical accounting estimates and assumptions**

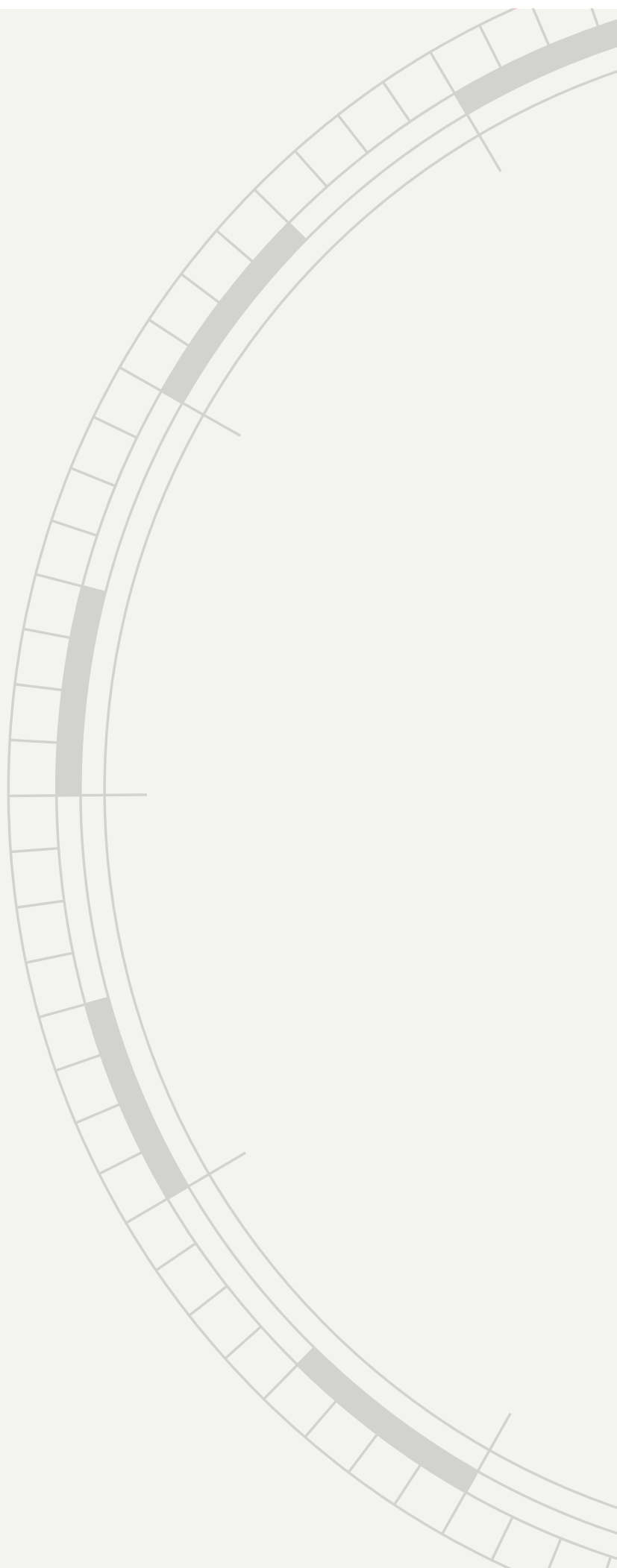
In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including 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.

#### *Landfill aftercare provision*

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



**NOTE 2**  
**RATES, EXCLUDING TARGETED WATER SUPPLY RATES**

	COUNCIL		GROUP	
	2013/14 Actual	2012/13 Actual	2013/14 Actual	2012/13 Actual
	\$'000	\$'000	\$'000	\$'000
General rates	35,762	34,840	35,762	34,840
Uniform annual general charge	9,364	9,057	9,364	9,057
<b>Total general rates income</b>	<b>45,126</b>	<b>43,897</b>	<b>45,126</b>	<b>43,897</b>
<i>Targeted rates</i>				
Community centres and facilities	562	528	562	528
Wastewater	4,789	4,224	4,789	4,224
Refuse & waste management	2,967	2,730	2,967	2,730
Water, excluding targeted water supply rates	3,342	3,077	3,342	3,077
Stormwater	1,461	1,445	1,461	1,445
Community Boards	176	176	176	176
<b>Total targeted rates</b>	<b>13,297</b>	<b>12,180</b>	<b>13,297</b>	<b>12,180</b>
plus: Penalties revenue	1,463	1,576	1,463	1,576
<b>Total rates revenue</b>	<b>59,886</b>	<b>57,653</b>	<b>59,886</b>	<b>57,653</b>
less: Rate remissions	(369)	(510)	(369)	(510)
<b>Total net rates</b>	<b>59,517</b>	<b>57,143</b>	<b>59,517</b>	<b>57,143</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. The annual rates income of Council for the purposes of the LGFA Guarantee and Indemnity Deed disclosure is shown below:

	COUNCIL	
	2013/14 Actual	2012/13 Actual
	\$'000	\$'000
Rates, excluding targeted water supply rates	59,517	57,143
Targeted water supply rates	3,819	3,670
Lump sum contributions	66	92
	<b>63,402</b>	<b>60,905</b>

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.

**Rates remissions**

	COUNCIL		GROUP	
	2013/14 Actual	2012/13 Actual	2013/14 Actual	2012/13 Actual
	\$'000	\$'000	\$'000	\$'000
Land used for community and sporting purposes	143	131	143	131
Land protected for historical or cultural purposes	53	59	53	59
Transitional rates remission	21	295	21	295
CV's under \$1,000	45	25	45	25
Maaori freehold land	107	-	107	-
<b>Total remissions</b>	<b>369</b>	<b>510</b>	<b>369</b>	<b>510</b>

**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	
	2012/13	2011/12
Total number of rating units	29,231	28,839
Total land value	\$10,724,642	\$10,699,333
Total capital value	\$17,722,695	\$17,495,528

**NOTE 3****FINANCE INCOME AND COSTS**

	COUNCIL		GROUP	
	2013/14 Actual	2012/13 Actual	2013/14 Actual	2012/13 Actual
	\$'000	\$'000	\$'000	\$'000
<b>Finance income</b>				
Interest – bank deposits	79	94	106	187
Interest – financial assets	38	-	107	-
Interest – community loans	22	27	22	27
Total finance income	139	121	235	214
<b>Less finance costs</b>				
Interest – bank borrowings	2,093	2,023	2,303	2,265
Interest – LGFA borrowings	44	34	44	34
Provision: discount unwinding	113	104	113	104
Other finance costs	1	2	1	2
Total finance costs	2,251	2,163	2,461	2,405
Net finance costs	(2,112)	(2,042)	(2,226)	(2,191)

**NOTE 4****OTHER GAINS (LOSSES)**

	Note	COUNCIL		GROUP	
		2013/14 Actual	2012/13 Actual	2013/14 Actual	2012/13 Actual
		\$'000	\$'000	\$'000	\$'000
<b>Other gains</b>					
Investment property revaluation gain	18	5	5	5	5
Interest rate swaps revaluation gains	23	1,289	1,422	1,289	1,422
Property, plant and equipment gains on disposal		-	-	182	-
Fair value through surplus(deficit) realised gain		-	-	261	128
Fair value through surplus(deficit) unrealised gain		-	-	-	169
Total other gains		1,294	1,427	1,737	1,724



	Note	COUNCIL		GROUP	
		2013/14 Actual \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
Other losses					
Fair value loss on biological assets		5	-	5	-
Fair value through surplus(deficit) unrealised loss		-	-	66	-
Investment property revaluation loss	18	-	-	95	-
Property, plant and equipment losses on disposal		3	823	3	823
Total other losses		8	823	169	823
Net other gains (losses)		1,286	604	1,568	901

**NOTE 5****OTHER INCOME AND SIGNIFICANT REVENUE ITEMS**

	COUNCIL		GROUP	
	2013/14 Actual \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
Vested assets	4,087	2,621	4,087	2,621
Found assets	268	11,394	268	11,394
Dividends	-	400	27	31
Other income	525	536	527	591
Subvention payment received	429	-	-	-
Total other income	5,309	14,951	4,909	14,637
<b>Significant revenue items</b>				
NZ Transport Agency government subsidies	14,395	16,006	14,395	16,006
Petrol tax	423	401	423	401
Fees and charges Council	1,554	1,496	1,554	1,496
Regulatory revenue	6,650	5,585	6,650	5,585
Infringements and fines	162	150	162	150

There are no unfulfilled conditions or other contingencies attached to subsidies and grants recognised (2013: \$nil).

**NOTE 6****PERSONNEL COSTS**

	COUNCIL		GROUP	
	2013/14 Actual \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
Salaries and wages	22,835	21,815	25,875	24,968
Defined contribution plan employer contributions	492	317	554	352
Increase (decrease) in employee entitlements liabilities	(102)	453	(85)	487
Total personnel costs	23,225	22,585	26,344	25,807

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

**NOTE 7****OTHER EXPENDITURE AND SIGNIFICANT EXPENDITURE ITEMS**

	COUNCIL		GROUP	
	2013/14 Actual	2012/13 Actual	2013/14 Actual	2012/13 Actual
	\$'000	\$'000	\$'000	\$'000
<b>Other expenditure</b>				
Rates penalty write offs	551	191	551	191
Asset write off not included in activity expenditure	5,679	6,646	5,679	6,646
Other expenditure	682	83	703	84
<b>Total other expenditure</b>	<b>6,912</b>	<b>6,920</b>	<b>6,933</b>	<b>6,921</b>

**Significant expenditure items – Fees to auditor**

Audit fees – annual report	145	141	198	199
Grants & donations	1,007	1,153	1,007	1,153
Legal expenses	682	908	685	911
Consultant expenses	3,660	1,605	3,814	1,724
Bad debt written off	664	100	664	100
Impairment of receivables	321	81	321	81
Inventories consumed	-	-	1,077	1,426
Minimum lease payments under operating leases	141	130	141	140
Litigation settlement	57	-	57	-
Insurance proceeds	(56)	-	(56)	-

In June 2014, Council was convicted of discharging waste water into Raglan Harbour in June 2013. On 4 July 2014 the District Court in Hamilton sentenced Council to a fine of \$56,543 (including costs). The proceeds of an insurance claim are expected to amount to \$55,543 leaving a net cost of \$1,000.

**NOTE 8****TAX**

	COUNCIL		GROUP	
	2013/14 Actual	2012/13 Actual	2013/14 Actual	2012/13 Actual
	\$'000	\$'000	\$'000	\$'000
Operating surplus before tax expense	15,160	24,540	16,157	25,164
Prima facie tax at 28%	4,244	6,871	4,524	7,046
Adjusted for tax effect of permanent differences				
- Non-assessable income (net)	(4,244)	(6,871)	(4,201)	(6,789)
- Prior period adjustment	-	-	-	(1)
- Non-deductible expenditure	-	-	(194)	4
<b>Total income tax expense</b>	<b>-</b>	<b>-</b>	<b>129</b>	<b>260</b>
<b>Comprising</b>				
Current year tax	-	-	261	-
Deferred tax	-	-	(46)	260
Deferred tax reclassification	-	-	(86)	-
Prior period adjustment	-	-	-	-
<b>Income tax expense</b>	<b>-</b>	<b>-</b>	<b>129</b>	<b>260</b>

Deferred tax (assets) liabilities	Plant and equipment \$'000	Employee entitlements \$'000	Other provisions \$'000	Total tax loss \$'000	Total \$'000
<b>Balance at 1 July 2012</b>	(371)	57	(72)	364	(22)
Charged to profit and loss	12	2	23	(297)	(260)
<b>Balance at 30 June 2013</b>	(359)	59	(49)	67	(282)
Charged to equity	95	6	32	(67)	66
Charged to profit and loss	(1)	-	-	-	(1)
<b>Balance at 30 June 2014</b>	(265)	65	(17)	-	(217)

	COUNCIL		GROUP	
	2013/14 Actual \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
<b>Imputation credit account</b>				
Opening balance	-	-	1,860	2,016
Imputation credits available for use in subsequent years	-	-	195	(156)
<b>Balance at end of year</b>	-	-	2,055	1,860

## NOTE 9 CASH AND CASH EQUIVALENTS

	COUNCIL		GROUP	
	2013/14 Actual \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
Cash at bank and on hand	976	536	2,411	2,076
Term deposits with maturities of less than three months at acquisition	-	375	-	375
<b>Total cash and cash equivalents</b>	<b>976</b>	<b>911</b>	<b>2,411</b>	<b>2,451</b>

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

The total value of cash equivalents that can only be used for a specific purpose is \$28,412 (2013: \$27,792).

Cash and cash equivalents used for the purpose of the statement of cash flows are as shown above.



**NOTE 10**  
**DEBTORS AND OTHER RECEIVABLES**

	COUNCIL		GROUP	
	2013/14 Actual	2012/13 Actual	2013/14 Actual	2012/13 Actual
	\$'000	\$'000	\$'000	\$'000
Rates receivable	4,575	5,137	4,575	5,137
Sundry debtors	11,347	11,410	12,135	12,088
Receivables from subsidiaries (Note 29)	450	415	6	-
Gross debtors and other receivables	16,372	16,962	16,716	17,225
Provision for impairment	(1,065)	(744)	(1,065)	(744)
Total debtors & other receivables	15,307	16,218	15,651	16,481

Debtors and other 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.

**Impairment**

Council does not provide for any impairment of rates receivable 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 impairment 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 rates receivable is as follows:*

	COUNCIL	
	2013/14 Actual	2012/13 Actual
	\$'000	\$'000
2013/14 rates	3,079	-
2012/13 rates	669	3,400
2011/12 rates	345	772
2010/11 and before rates	482	965
Total	4,575	5,137
Less provision	(878)	(560)
Carrying amount	3,697	4,577

The ageing profile of other receivables at year end is:

	Gross \$'000	Impairment \$'000	Total \$'000
<b>Council 2013/14</b>			
Not past due	10,979	(6)	10,973
Past due 1 - 60 days	277	(2)	275
Past due 61 - 120 days	177	(19)	158
Past due > 121 days	364	(160)	204
Total gross trade receivables	11,797	(187)	11,610

**Council 2012/13**

Not past due	11,411	-	11,411
Past due 1 - 60 days	266	(36)	230
Past due 61 - 120 days	106	(106)	-
Past due > 121 days	42	(42)	-
Total gross trade receivables	11,825	(184)	11,641

**Group 2013/14**

Not past due	11,312	(6)	11,306
Past due 1 - 60 days	288	(2)	286
Past due 61 - 120 days	177	(19)	158
Past due > 121 days	364	(160)	204
Total gross trade receivables	12,141	(187)	11,954

**Group 2012/13**

Not past due	10,901	-	10,901
Past due 1 - 60 days	253	(36)	217
Past due 61 - 120 days	198	(106)	92
Past due > 121 days	736	(42)	694
Total gross trade receivables	12,088	(184)	11,904

All receivables greater than 30 days in age are considered to be past due.

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

	COUNCIL		GROUP	
	2013/14 Actual \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
Individual impairment	187	184	187	184
Collective impairment	878	560	878	560
Total provision for impairment	1,065	744	1,065	744

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		GROUP	
	2013/14 Actual \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
Past due 1 - 60 days	6	36	6	36
Past due 61 - 120 days	21	106	21	106
Past due > 121 days	160	42	160	42
Total individual impairment	187	184	187	184

Movements in the provision for impairment of receivables are as follows:

	COUNCIL		GROUP	
	2013/14 Actual	2012/13 Actual	2013/14 Actual	2012/13 Actual
	\$'000	\$'000	\$'000	\$'000
At 1 July	744	662	744	662
Additional provision made during the year	664	194	664	194
Provisions reversed during the year	(35)	(12)	(35)	(12)
Receivables written off during the period	(308)	(100)	(308)	(100)
At 30 June	1,065	744	1,065	744

## NOTE 11 INVENTORY

	COUNCIL		GROUP	
	2013/14 Actual	2012/13 Actual	2013/14 Actual	2012/13 Actual
	\$'000	\$'000	\$'000	\$'000
Fuel (at cost)	-	-	12	16
Bitumen (at cost)	-	-	7	1
Cement (at cost)	-	-	4	1
Total inventory	-	-	23	18

No inventory items are pledged as security for liabilities (2012: \$nil).

## NOTE 12 BIOLOGICAL ASSETS – CATTLE

	COUNCIL		GROUP	
	2013/14 Actual	2012/13 Actual	2013/14 Actual	2012/13 Actual
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	88	75	88	75
Increase through purchases	88	39	88	39
Gains (losses) from fair value adjustments	(5)	17	(5)	17
Decrease through sales	(88)	(43)	(88)	(43)
Balance at 30 June	83	88	83	88

Council keep 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 111 (2013: 124).

Council has no biological assets with restricted title.



### NOTE 13 OTHER FINANCIAL ASSETS

	COUNCIL		GROUP	
	2013/14 Actual	2012/13 Actual	2013/14 Actual	2012/13 Actual
	\$'000	\$'000	\$'000	\$'000
<b>Current portion</b>				
Equity instruments	-	-	1,554	1,494
Fixed interest instruments	-	-	1,417	1,261
Community loans	81	83	81	83
<b>Total current portion</b>	<b>81</b>	<b>83</b>	<b>3,052</b>	<b>2,838</b>
<b>Non-current portion</b>				
<i>Investments in CCOs and similar entities</i>				
Local Authority Shared Services Limited **(note 29)	220	220	220	220
Waikato Regional Airport Limited	2,639	2,639	2,639	2,639
Advance to Waikato Quarries Limited	-	-	2,270	2,270
Strada – shares	2,500	2,500	-	-
Strada – introduced capital	2,000	2,000	-	-
<b>Total investment in CCOs and similar entities</b>	<b>7,359</b>	<b>7,359</b>	<b>5,129</b>	<b>5,129</b>
<i>Investments in other entities</i>				
Community loans	333	394	333	394
LGFA borrower notes	560	560	560	560
NZ Local Government Insurance Corp Limited	49	48	49	48
<b>Total investment in other entities</b>	<b>942</b>	<b>1,002</b>	<b>942</b>	<b>1,002</b>
<b>Total non-current portion</b>	<b>8,301</b>	<b>8,361</b>	<b>6,071</b>	<b>6,131</b>
<b>Total other financial assets</b>	<b>8,382</b>	<b>8,444</b>	<b>9,123</b>	<b>8,969</b>

\*\* 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>9,376</b>	<b>220,174</b>

**Fair value***Community loans*

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

Their fair value is \$413,385 (2013: \$489,039). Fair value has been determined using cash flows discounted at the interest rate (current at 1 July 2014) charged by Council on community loans. The rate used is 6.4% (2013: 6.4%).

The face value of total community loans is \$436,130 (2013 \$519,082).

*Unlisted investments and advances*

The fair values of Council's equity instruments in Waikato Regional Airport Limited and Local Authority Shared Services Limited have not been disclosed because their fair values cannot be reliably measured as there is no active market for these instruments. Therefore these investments are held at cost.

The fair value of Council's investment in NZ Local Government Insurance Corporation Limited (trading as Civic Assurance) is \$49,396 (2013: \$48,308). This is based on Council's share, currently 0.4% (2013: 0.37%), of the assets less liabilities of the company. The change in value has been taken to fair value through other comprehensive income.

*Impairment*

Civic Assurance made a loss for a fourth consecutive year. Impairment of Council's investment has been measured by calculating the value of the company's net assets at balance date. Apart from this, no other financial assets are either past due or impaired.

**NOTE 14****NON-CURRENT ASSETS HELD FOR SALE**

	COUNCIL		GROUP	
	2013/14 Actual \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
Land	-	349	-	349
Buildings	400	35	400	35
Total non-current assets held for sale	400	384	400	384

The dwelling on a property at 62 Devine Road, Tamahere is on the market for removal. It is expected that the sale will be completed in the 2014/15 financial year.

The two properties classified as held for sale at 30 June 2013 have both been sold during the current year.

**NOTE 15**  
**PROPERTY, PLANT AND EQUIPMENT**

COUNCIL 2014	Cost / revaluation \$'000	Accumulated depreciation and impairment charges \$'000	Carrying amount \$'000	Current year additions and transfers from WIP \$'000	Current year disposals \$'000
<b>Operational assets</b>					
Land	15,190	-	15,190	-	-
Buildings	24,731	(686)	24,045	752	(7)
Library books	4,161	(2,825)	1,336	334	-
Vehicles / moveable plant	5,430	(2,317)	3,113	427	(330)
Office equipment	1,213	(934)	279	49	-
Computer equipment	4,235	(3,515)	720	309	-
Furniture	1,088	(522)	566	141	-
Total operational assets	56,048	(10,799)	45,249	2,012	(337)
<b>Infrastructural assets</b>					
Wastewater	73,217	(3,536)	69,681	7,202	(219)
Stormwater	34,661	(743)	33,918	2,656	(199)
Water	77,061	(3,666)	73,395	6,901	(683)
Drainage	1,900	-	1,900	-	-
Solid waste	1,007	(36)	971	12	(12)
Roading	846,813	-	846,813	21,775	(4,172)
Bridges / culverts / pipes	143,796	-	143,796	1,194	(438)
Land under roads	104,441	-	104,441	602	(172)
Work in progress (WIP)	41,524	-	41,524	(1,575)	-
Total infrastructural assets	1,324,420	(7,981)	1,316,439	38,767	(5,895)
<b>Restricted assets</b>					
Land	65,437	-	65,437	-	-
Buildings	22,969	(493)	22,476	396	-
Parks and reserves	20,328	(1,079)	19,249	1,319	(94)
Total restricted assets	108,734	(1,572)	107,162	1,715	(94)
Total Council's property, plant and equipment	1,489,202	(20,352)	1,468,850	42,494	(6,326)



Current year reclassification \$'000	Current year depreciation \$'000	Accumulated depreciation disposed \$'000	Revaluation surplus \$'000	Cost / revaluation \$'000	Accumulated depreciation and impairment charges \$'000	Carrying amount \$'000
-	-	-	-	15,190	-	15,190
(400)	(758)	-	-	25,076	(1,444)	23,632
-	(280)	-	-	4,495	(3,105)	1,390
-	(650)	289	-	5,527	(2,678)	2,849
-	(34)	-	-	1,262	(968)	294
-	(300)	-	-	4,544	(3,815)	729
-	(84)	-	-	1,229	(606)	623
(400)	(2,106)	289	-	57,323	(12,616)	44,707
-	(1,865)	10	637	75,446	-	75,446
-	(408)	5	(5,941)	30,031	-	30,031
-	(1,904)	65	(2,713)	75,061	-	75,061
-	-	-	26	1,926	-	1,926
-	(18)	-	368	1,321	-	1,321
-	(8,964)	54	29,804	885,310	-	885,310
-	(2,349)	7	(13,137)	129,073	-	129,073
-	-	-	-	104,871	-	104,871
-	-	-	-	39,949	-	39,949
-	(15,508)	141	9,044	1,342,988	-	1,342,988
-	-	-	-	65,437	-	65,437
-	(514)	-	-	23,365	(1,007)	22,358
-	(1,148)	5	3,040	22,371	-	22,371
-	(1,662)	5	3,040	111,173	(1,007)	110,166
(400)	(19,276)	435	12,084	1,511,484	(13,623)	1,497,861

**NOTE 15** continued

COUNCIL 2013	Cost / revaluation \$'000	Accumulated depreciation and impairment charges \$'000	Carrying amount \$'000	Current year additions and transfers from WIP \$'000	Current year disposals \$'000
<b>Operational assets</b>					
Land	15,071	-	15,071	179	-
Buildings	23,737	-	23,737	1,706	(852)
Library books	3,840	(2,556)	1,284	321	-
Vehicles / moveable plant	4,966	(2,367)	2,599	1,368	(904)
Office equipment	1,167	(1,060)	107	196	(150)
Computer equipment	3,805	(3,300)	505	430	-
Furniture	1,756	(1,547)	209	457	(1,125)
Total operational assets	54,342	(10,830)	43,512	4,657	(3,031)
<b>Infrastructural assets</b>					
Wastewater	69,705	(1,657)	68,048	4,233	(721)
Stormwater	33,518	(367)	33,151	1,147	(4)
Water	75,100	(1,822)	73,278	2,742	(781)
Drainage	6,623	-	6,623	-	(4,723)
Solid waste	1,007	(18)	989	-	-
Roading	819,262	-	819,262	23,463	(62)
Bridges / culverts / pipes	122,698	-	122,698	3,873	(202)
Land under roads	104,446	-	104,446	15	(20)
Work in progress (WIP)	28,841	-	28,841	12,683	-
Total infrastructural assets	1,261,200	(3,864)	1,257,336	48,156	(6,513)
<b>Restricted assets</b>					
Land	60,784	-	60,784	4,613	-
Buildings	20,737	-	20,737	2,232	-
Parks and reserves	20,005	-	20,005	552	(229)
Total restricted assets	101,526	-	101,526	7,397	(229)
Total Council's property, plant and equipment	1,417,068	(14,694)	1,402,374	60,210	(9,773)

Current year reclassification \$'000	Current year depreciation \$'000	Accumulated depreciation disposed \$'000	Revaluation surplus \$'000	Cost / revaluation \$'000	Accumulated depreciation and impairment charges \$'000	Carrying amount \$'000
(60)	-	-	-	15,190	-	15,190
140	(698)	12	-	24,731	(686)	24,045
-	(269)	-	-	4,161	(2,825)	1,336
-	(597)	647	-	5,430	(2,317)	3,113
-	(25)	151	-	1,213	(934)	279
-	(215)	-	-	4,235	(3,515)	720
-	(55)	1,080	-	1,088	(522)	566
80	(1,859)	1,890	-	56,048	(10,799)	45,249
-	(1,917)	38	-	73,217	(3,536)	69,681
-	(379)	3	-	34,661	(743)	33,918
-	(1,867)	23	-	77,061	(3,666)	73,395
-	-	-	-	1,900	-	1,900
-	(18)	-	-	1,007	(36)	971
-	(8,666)	5	12,811	846,813	-	846,813
-	(2,175)	5	19,597	143,796	-	143,796
-	-	-	-	104,441	-	104,441
-	-	-	-	41,524	-	41,524
-	(15,022)	74	32,408	1,324,420	(7,981)	1,316,439
40	-	-	-	65,437	-	65,437
-	(493)	-	-	22,969	(493)	22,476
-	(1,083)	4	-	20,328	(1,079)	19,249
40	(1,576)	4	-	108,734	(1,572)	107,162
120	(18,457)	1,968	32,408	1,489,202	(20,352)	1,468,850



**NOTE 15** continued

GROUP 2014	Cost / revaluation \$'000	Accumulated depreciation and impairment charges \$'000	Carrying amount \$'000	Current year additions and transfers from WIP \$'000	Current year disposals \$'000
<b>Operational assets</b>					
Land	17,410	-	17,410	-	-
Buildings	26,209	(736)	25,473	853	(7)
Library books	4,161	(2,825)	1,336	335	-
Vehicles / moveable plant	16,879	(10,925)	5,954	1,191	(2,639)
Office equipment	1,534	(1,182)	352	100	(178)
Computer equipment	4,235	(3,515)	720	309	-
Furniture	1,088	(522)	566	141	-
Total operational assets	71,516	(19,705)	51,811	2,929	(2,824)
<b>Infrastructural assets</b>					
Wastewater	73,217	(3,536)	69,681	7,202	(219)
Stormwater	34,661	(743)	33,918	2,656	(199)
Water	77,061	(3,666)	73,395	6,901	(683)
Drainage	1,900	-	1,900	-	-
Solid waste	1,007	(36)	971	12	(12)
Roading	846,815	-	846,815	21,775	(4,172)
Bridges / culverts / pipes	143,796	-	143,796	1,194	(438)
Land under roads	104,441	-	104,441	602	(172)
Work in progress (WIP)	41,524	-	41,524	(1,575)	-
Total infrastructural assets	1,324,422	(7,981)	1,316,441	38,767	(5,895)
<b>Restricted assets</b>					
Land	65,438	-	65,438	-	-
Buildings	22,968	(493)	22,475	396	-
Parks and reserves	20,326	(1,079)	19,247	1,319	(94)
Total restricted assets	108,732	(1,572)	107,160	1,715	(94)
Total Group's property, plant and equipment	1,504,670	(29,258)	1,475,412	43,411	(8,813)

Current year reclassification \$'000	Current year depreciation \$'000	Accumulated depreciation disposed \$'000	Revaluation surplus \$'000	Cost / revaluation \$'000	Accumulated depreciation and impairment charges \$'000	Carrying amount \$'000
(112)	-	-	-	17,298	-	17,298
(727)	(801)	-	-	26,328	(1,537)	24,791
-	(280)	2,282	-	4,496	(3,105)	1,391
-	(1,237)	194	-	15,431	(9,880)	5,551
(26)	(55)	-	-	1,430	(1,043)	387
-	(300)	-	-	4,544	(3,815)	729
-	(84)	-	-	1,229	(606)	623
(865)	(2,757)	2,476	-	70,756	(19,886)	50,770
-	(1,865)	10	637	75,446	-	75,446
-	(408)	5	(5,941)	30,031	-	30,031
-	(1,904)	65	(2,713)	75,061	-	75,061
-	-	-	26	1,926	-	1,926
-	(18)	-	368	1,321	-	1,321
-	(8,964)	54	29,804	885,312	-	885,312
-	(2,349)	7	(13,137)	129,073	-	129,073
-	-	-	-	104,871	-	104,871
-	-	-	-	39,949	-	39,949
-	(15,508)	141	9,044	1,342,990	-	1,342,990
-	-	-	-	65,438	-	65,438
-	(514)	-	-	23,364	(1,007)	22,357
-	(1,148)	5	3,040	22,369	-	22,369
-	(1,662)	5	3,040	111,171	(1,007)	110,164
(865)	(19,927)	2,622	12,084	1,524,917	(20,993)	1,503,924

**NOTE 15** continued

GROUP 2013	Cost/ revaluation \$'000	Accumulated depreciation and impairment charges \$'000	Carrying amount \$'000	Current year additions and transfers from WIP \$'000	Current year disposals \$'000
<b>Operational assets</b>					
Land	17,291	-	17,291	179	-
Buildings	25,178	-	25,178	1,743	(852)
Library books	3,840	(2,556)	1,284	321	-
Vehicles / moveable plant	16,478	(11,142)	5,336	2,285	(1,884)
Office equipment	1,454	(1,285)	169	231	(151)
Computer equipment	3,805	(3,300)	505	430	-
Furniture	1,756	(1,547)	209	457	(1,125)
Total operational assets	69,802	(19,830)	49,972	5,646	(4,012)
<b>Infrastructural assets</b>					
Wastewater	69,705	(1,657)	68,048	4,233	(721)
Stormwater	33,518	(367)	33,151	1,147	(4)
Water	75,100	(1,822)	73,278	2,742	(781)
Drainage	6,623	-	6,623	-	(4,723)
Solid waste	1,007	(18)	989	-	-
Roading	819,262	-	819,262	23,463	(62)
Bridges / culverts / pipes	122,698	-	122,698	3,873	(202)
Land under roads	104,446	-	104,446	15	(20)
Work in progress (WIP)	28,841	-	28,841	12,683	-
Total infrastructural assets	1,261,200	(3,864)	1,257,336	48,156	(6,513)
<b>Restricted assets</b>					
Land	60,785	-	60,785	4,613	-
Buildings	20,736	-	20,736	2,232	-
Parks and reserves	20,003	-	20,003	552	(229)
Total restricted assets	101,524	-	101,524	7,397	(229)
Total Group's property, plant and equipment	1,432,526	(23,694)	1,408,832	61,199	(10,754)



Current year reclassification \$'000	Current year depreciation \$'000	Accumulated depreciation disposed \$'000	Revaluation surplus \$'000	Cost / revaluation \$'000	Accumulated depreciation and impairment charges \$'000	Carrying amount \$'000
(60)	-	-	-	17,410	-	17,410
140	(748)	12	-	26,209	(736)	25,473
-	(269)	-	-	4,161	(2,825)	1,336
-	(1,175)	1,392	-	16,879	(10,925)	5,954
-	(49)	152	-	1,534	(1,182)	352
-	(215)	-	-	4,235	(3,515)	720
-	(55)	1,080	-	1,088	(522)	566
80	(2,511)	2,636	-	71,516	(19,705)	51,811
-	(1,917)	38	-	73,217	(3,536)	69,681
-	(379)	3	-	34,661	(743)	33,918
-	(1,867)	23	-	77,061	(3,666)	73,395
-	-	-	-	1,900	-	1,900
-	(18)	-	-	1,007	(36)	971
-	(8,664)	5	12,811	846,815	-	846,815
-	(2,175)	5	19,597	143,796	-	143,796
-	-	-	-	104,441	-	104,441
-	-	-	-	41,524	-	41,524
-	(15,020)	74	32,408	1,324,422	(7,981)	1,316,441
40	-	-	-	65,438	-	65,438
-	(493)	-	-	22,968	(493)	22,475
-	(1,083)	4	-	20,326	(1,079)	19,247
40	(1,576)	4	-	108,732	(1,572)	107,160
120	(19,107)	2,714	32,408	1,504,670	(29,258)	1,475,412

**NOTE 15 continued****Infrastructural assets – further disclosures**

		ADDITIONS		
	Closing book value	Constructed by Council	Assets transferred to Council	Estimated replacement cost
COUNCIL 2013/14	\$'000	\$'000	\$'000	\$'000
<b>Infrastructural assets</b>				
Water treatment plants & facilities	4,519	3,823	-	9,054
Other water assets	70,542	1,921	1,157	107,441
Wastewater treatment plants & facilities	14,640	5,246	-	26,772
Other wastewater assets	60,806	609	1,347	108,129
Stormwater drainage	31,957	976	1,680	39,222
Roads & footpaths	1,014,383	21,741	34	1,220,552
Total infrastructural assets	1,196,847	34,316	4,218	1,511,170

**COUNCIL 2012/13**

<b>Infrastructural assets</b>				
Water treatment plants & facilities	3,744	1,667	-	7,796
Other water assets	69,651	111	965	102,296
Wastewater treatment plants & facilities	17,231	693	-	27,992
Other wastewater assets	52,450	2,632	908	83,753
Stormwater drainage	35,818	166	980	44,656
Roads & footpaths	990,609	16,174	11,162	1,181,483
Total infrastructural assets	1,169,503	21,443	14,015	1,447,976

**Valuation****Operational and restricted land and buildings**

Land, buildings and properties valued by their components have been valued at fair value as determined by an independent valuer using market-based evidence. The most recent valuation was performed by Chris Coakley of QV Valuations a division of Quotable Value Limited and dated 30 June 2012.

**Parks and reserves**

Parks and reserves assets have been valued at fair value as determined on a depreciated cost basis by an independent valuer. The most recent valuation was performed by Marvin Clough and Robert Berghuis of Beca Limited and is dated 30 June 2014.

**Infrastructural asset classes: water, wastewater, stormwater and refuse transfer stations**

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 Marvin Clough and Robert Berghuis of Beca Limited and is dated 30 June 2014.

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:

- All assets are valued and depreciated on a straight line basis.
- Only existing utilities assets have been included.
- Assets are assumed to have zero residual value at the end of their effective useful lives.
- Minimum remaining useful life is assumed as 2.5% of the base life years.

### Infrastructural asset classes: roading and bridges

Road and bridge assets have also been valued at fair value as determined using the optimised depreciated replacement cost basis by an independent valuer. The most recent valuation was performed by Gregg Morrow, John Vessey and Gemma Mathieson of Opus International Consultants Limited. The valuation is effective at 30 June 2014.

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:

- Information on the surface area, specific surface type and surfacing date was used as defined in the RAMM treatment length table at the time of valuation.
- The unit rate is per square metre of surface type and aggregate grading.
- Cost rates for urban and rural areas are identical.
- Surface material base lives are those used in the 2012 valuation.
- The surfacing layer was depreciated on straight line basis over the useful life.

### 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 is stated at deemed cost and is not revalued.

### Strada

#### Revaluation

Strada's land and buildings were valued at 30 June 2014 by two independent registered valuers being: Peter Smith of SGHU Valuations LP and Russell Fergusson of Fergusson Lockwood Limited. The valuers were contracted as independent parties, are members of the Property Institute of New Zealand and have the appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

Where the fair value of land and buildings was able to be determined by reference to the price in an active market for the same or similar asset, that information was used to determine fair value. Where the fair value of an asset was not able to be determined in this manner, the fair value was determined using other market based evidence such as by a discounted cash flow calculation using market estimates of the cash flows able to be generated by the asset and a market based discount rate. Where the fair value of the asset was not able to be determined using market based evidence, depreciated replacement cost would be considered the most appropriate basis for determination of fair value. Significant assumptions utilised in defining fair value were: occupancy status and lease arrangements, replacement cost and remaining useful life.

#### Other

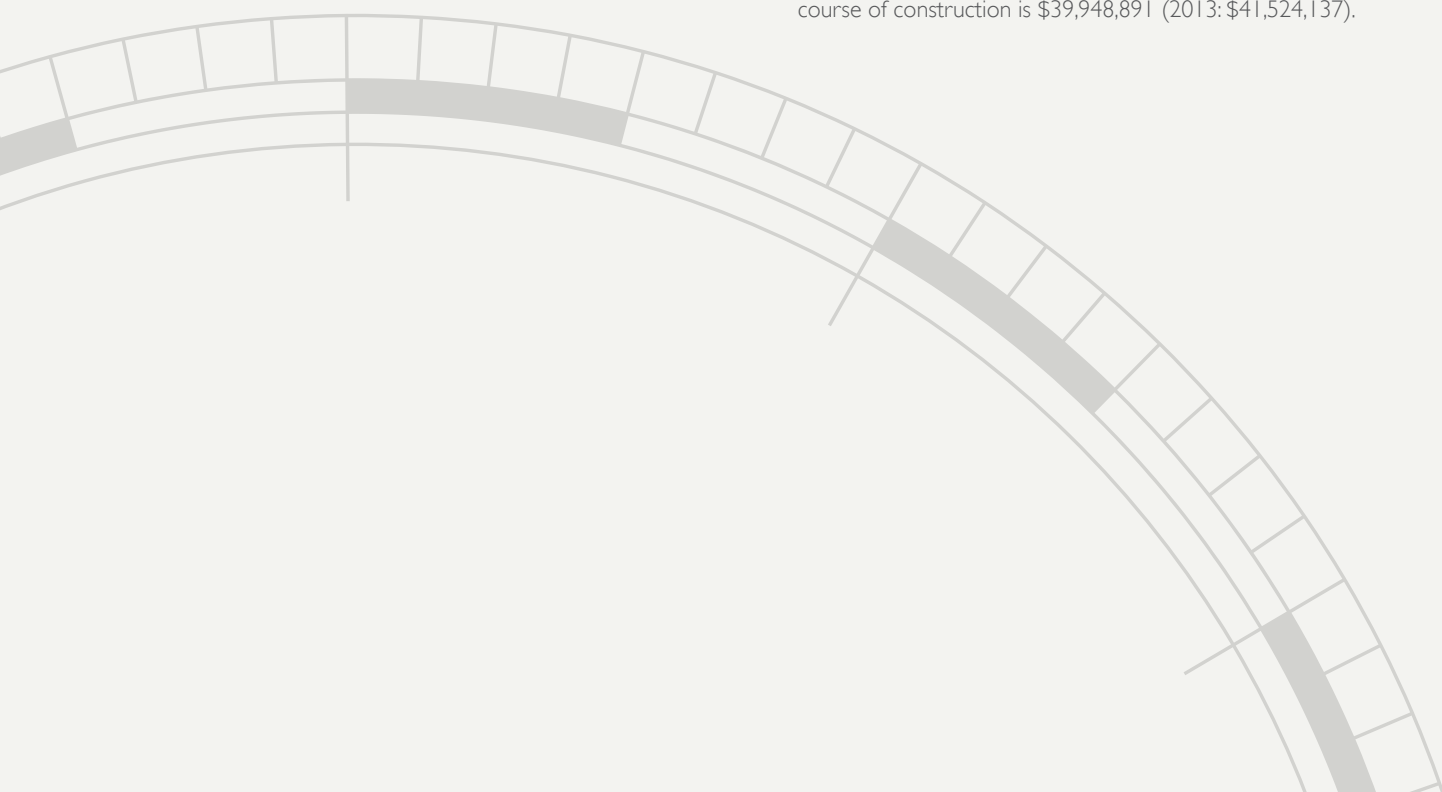
There are no items of property, plant and equipment that are not in current use. There have been no restrictions in titles relating to property, plant and equipment or items pledged as security for liabilities other than as disclosed above.

No impairment losses have been recognised for property, plant and equipment in the current period (2013: \$nil).

There are no items of property, plant and equipment held under finance leases in the current period (2013: nil).

#### Work in progress

The total amount of property, plant and equipment in the course of construction is \$39,948,891 (2013: \$41,524,137).





**NOTE 16**  
**INTANGIBLE ASSETS**

	COUNCIL			GROUP		
	Computer software \$'000	Consents \$'000	Total \$'000	Computer software \$'000	Consents \$'000	Total \$'000
<b>Balance at 1 July 2013</b>						
Cost	3,408	904	4,312	3,498	904	4,402
Accumulated amortisation and impairment	(2,796)	(361)	(3,157)	(2,886)	(361)	(3,247)
Opening carrying amount	612	543	1,155	612	543	1,155
<b>Year ended 30 June 2014</b>						
Additions	581	4,036	4,617	650	4,036	4,686
Disposal – cost	-	-	-	(48)	-	(48)
Disposal – accumulated amortisation	-	-	-	48	-	48
Amortisation charge	(238)	(69)	(307)	(238)	(69)	(307)
Closing carrying amount	955	4,510	5,465	1,024	4,510	5,534
<b>Balance at 30 June 2014</b>						
Cost	3,989	4,940	8,929	4,100	4,940	9,040
Accumulated amortisation and impairment	(3,034)	(430)	(3,464)	(3,076)	(430)	(3,506)
Closing carrying amount	955	4,510	5,465	1,024	4,510	5,534
<b>Balance at 1 July 2012</b>						
Cost	3,210	904	4,114	3,300	904	4,204
Accumulated amortisation and impairment	(2,465)	(313)	(2,778)	(2,554)	(313)	(2,867)
Opening carrying amount	745	591	1,336	746	591	1,337
<b>Year ended 30 June 2013</b>						
Additions	198	-	198	198	-	198
Disposal – cost	-	-	-	(3)	-	(3)
Disposal – accumulated amortisation	-	-	-	3	-	3
Amortisation charge	(331)	(48)	(379)	(332)	(48)	(380)
Closing carrying amount	612	543	1,155	612	543	1,155
<b>Balance at 30 June 2013</b>						
Cost	3,408	904	4,312	3,498	904	4,402
Accumulated amortisation and impairment	(2,796)	(361)	(3,157)	(2,886)	(361)	(3,247)
Closing carrying amount	612	543	1,155	612	543	1,155

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.

At balance date Strada has \$62,147 (2013: nil) of intangible assets under construction.

**NOTE 17****DEPRECIATION AND AMORTISATION EXPENSE BY GROUP OF ACTIVITY**

	COUNCIL	
	2013/14 Actual \$'000	2012/13 Actual \$'000
<b>Directly attributable depreciation and amortisation</b>		
Water supply	1,913	1,877
Wastewater	1,922	1,954
Stormwater	410	381
Roading	11,313	10,840
Sustainable environment	18	19
Sustainable communities	2,487	2,390
Council leadership	-	-
Organisational support	1,520	1,375
	19,583	18,836

**NOTE 18****INVESTMENT PROPERTY**

	Note	COUNCIL		GROUP	
		2013/14 Actual \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
<b>At valuation</b>					
Balance at 1 July		445	440	445	440
Fair value gains (losses) on valuation	4	5	5	(90)	5
Reclassification		-	-	440	-
Additions		-	-	35	-
Balance at 30 June		450	445	830	445

Council's investment properties are valued at fair value effective at 30 June each year. The 2014 valuation was performed by Mairi Macdonald, an independent valuer from Quotable Value Limited. Quotable Value Limited 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 NZIAS 40 Investment Property.

During the current year, Strada reclassified land and buildings at 2&4 Brownlee Avenue, Ngaruawahia from property, plant & equipment to investment property.

The property was valued at 30 June 2014 by Peter Smith of SGHU Valuations LP (Registered Valuers). The valuers were contracted as independent parties and are members of the Property Institute of New Zealand and have the appropriate qualifications and recent experience in the valuation of properties in the relevant location.

The valuation, which conforms to New Zealand Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

There are no capital or operating expenditure obligations at balance date.

Strada's bank loan is secured over the Company's assets including investment property.

	COUNCIL		GROUP	
	2013/14 Actual \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
Rental income	43	40	77	40
Expenses from investment property generating income	-	-	4	-
Expenses from investment property not generating income	-	-	-	-

**NOTE 19**  
**CREDITORS AND OTHER PAYABLES**

	Note	COUNCIL		GROUP	
		2013/14 Actual \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
Trade payables		4,552	3,159	5,320	4,100
Deposits and bonds		250	288	250	288
Accrued expenses		15,735	8,690	15,906	8,863
Amounts due to related parties	29	1,467	1,155	115	1
Rates in advance		659	452	659	452
Income in advance		386	506	597	560
GST payable		-	-	179	129
Total creditors and other payables		23,049	14,250	23,026	14,393

Creditors and other payables are non-interest bearing and are normally settled within 30 days, therefore the carrying value of creditors and other payables approximates their fair value and all are classified as current liabilities.

**NOTE 20**  
**PROVISIONS**

	COUNCIL		GROUP	
	2013/14 Actual \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
<b>Current portion</b>				
Weathertightness	435	100	435	100
Landfill aftercare	114	110	114	110
Contract completion	-	-	29	52
Total current portion	549	210	578	262
<b>Non-current portion</b>				
Weathertightness	-	140	-	140
Landfill aftercare	1,417	1,437	1,417	1,437
Total non-current portion	1,417	1,577	1,417	1,577
Total provisions	1,966	1,787	1,995	1,839

Movements for each class of provision are as follows:

	Landfill aftercare \$'000	Weathertightness \$'000	Total \$'000
<b>COUNCIL</b>			
<b>2013/14</b>			
Balance at 1 July 2013	1,547	240	1,787
Increase (decrease) during the year	(10)	323	313
Amounts used	(119)	(78)	(197)
Unused amounts reversed	-	(50)	(50)
Discount unwinding	113	-	113
Balance at 30 June 2014	1,531	435	1,966
<b>2012/13</b>			
Balance at 1 July 2012	1,542	200	1,742
Increase (decrease) during the year	58	54	112
Amounts used	(157)	(14)	(171)
Discount unwinding	104	-	104
Balance at 30 June 2013	1,547	240	1,787



Movements for each class of provision are as follows:

GROUP	Landfill aftercare \$'000	Weathertightness \$'000	Contract completion \$'000	Total \$'000
<b>2013/14</b>				
Balance at 1 July 2013	1,547	240	52	1,839
Increase (decrease) during the year	(10)	323	20	333
Amounts used	(119)	(78)	(43)	(240)
Unused amounts reversed	-	(50)	-	(50)
Discount unwinding	113	-	-	113
Balance at 30 June 2014	1,531	435	29	1,995
<b>2012/13</b>				
Balance at 1 July 2012	1,542	200	99	1,841
Increase (decrease) during the year	58	54	51	163
Amounts used	(157)	(14)	(98)	(269)
Discount unwinding	104	-	-	104
Balance at 30 June 2013	1,547	240	52	1,839

#### Weathertightness claims

Five claims have been lodged with the Weathertight Homes Resolution Service (WHRS) as at 30 June 2014 (2013: six). These claims relate to weathertightness issues of homes in Council's district. A provision for these claims has been established based on estimates of Council's share that are in excess of Council's insurance cover.

Council is subject to another claim in respect of weathertightness building defects that was received by Council directly and which is progressing through the resolution process.

Since balance date, settlement was agreed on the latter claim. See note 33 for details.

#### 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 30 years. The long term nature of the liability means that there are inherent uncertainties in estimating the costs which will be incurred. The provision has been made taking into account existing technology and known changes to legal requirements.

The gross provision before discounting is \$3,626,230 (2013: \$3,512,128).

A discount rate of 7.36% (2013: 7.28%) and an inflation factor of 2.9% (2013: 2.9%) 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.

#### Discount unwinding

Discount unwinding represents an increase in the provision due to the passage of time and the effect of any change in the discount rate.

## NOTE 21 EMPLOYEE ENTITLEMENTS

	COUNCIL		GROUP	
	2013/14 Actual	2012/13 Actual	2013/14 Actual	2012/13 Actual
	\$'000	\$'000	\$'000	\$'000
<b>Current portion</b>				
Annual leave	1,585	1,569	1,749	1,728
Long service leave	23	31	23	31
Sick leave provision	109	75	109	75
Accrued pay	906	603	1,090	764
Other employee liabilities	286	745	307	783
<b>Total current portion</b>	<b>2,909</b>	<b>3,023</b>	<b>3,278</b>	<b>3,381</b>
<b>Non-current portion</b>				
Long service leave	9	8	19	13
Retirement Gratuities	160	149	160	149
Sick leave	-	-	9	8
<b>Total non-current portion</b>	<b>169</b>	<b>157</b>	<b>188</b>	<b>170</b>
<b>Total employee entitlements</b>	<b>3,078</b>	<b>3,180</b>	<b>3,466</b>	<b>3,551</b>

The present values of 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 4.85% (2013: 4.17%) and an inflation factor of 2.57% (2013: 2.32%) have been used.

## NOTE 22 BORROWING

	COUNCIL		GROUP	
	2013/14 Actual	2012/13 Actual	2013/14 Actual	2012/13 Actual
	\$'000	\$'000	\$'000	\$'000
<b>Current portion</b>				
Bank loans	2,458	4,036	2,458	7,786
<b>Total current portion</b>	<b>2,458</b>	<b>4,036</b>	<b>2,458</b>	<b>7,786</b>
<b>Non-current portion</b>				
LGFA borrowing	35,000	35,000	35,000	35,000
Bank loans	-	695	3,250	695
<b>Total non-current portion</b>	<b>35,000</b>	<b>35,695</b>	<b>38,250</b>	<b>35,695</b>
<b>Total borrowing</b>	<b>37,458</b>	<b>39,731</b>	<b>40,708</b>	<b>43,481</b>

### Loans and facilities

Council secured debt of \$37,458,000 (2013 \$39,731,000) is either issued at a fixed rate of interest or has been swapped for fixed interest instruments. No new swaps (2013: \$28,000,000) have been undertaken during the current year.

Council's committed cash advance facility of \$15,000,000 (2013: \$28,500,000) expires on 30 June 2015.

The total of Strada's bank overdraft and revolving credit facility is \$50,000 (2013: \$550,000). The interest rate is reset quarterly based on the 90 day bill rate plus a margin for credit risk. The fair value of Strada's term loan is \$3,459,407 (2013: \$3,973,299). Fair value has been determined using cash flows discounted at a rate based on the 90 day bill rate which determines the applicable interest rate. The average interest rate on borrowings is 5.84% (2013: 5.89%), which is determined only on interest bearing borrowings.

At 30 June 2014 total borrowings from Local Government Funding Agency Limited (LGFA) were \$35,000,000 (2013: \$35,000,000). The average rate of interest was 4.41% (2013: 3.5%). Since balance date an additional \$5,000,000 has been borrowed.

### Fair value of borrowings

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

	CARRYING AMOUNT		FAIR VALUE	
	2013/14 \$'000	2012/13 \$'000	2013/14 \$'000	2012/13 \$'000
<b>Council</b>				
Secured loans	35,000	35,695	34,147	39,047
<b>Total non-current borrowings</b>	<b>35,000</b>	<b>35,695</b>	<b>34,147</b>	<b>39,047</b>

The fair values are based on cash flows discounted using a rate based on the borrowing rates which range from 4.28% to 5.30% (2013: 3.41% to 4.70%).

	CARRYING AMOUNT		FAIR VALUE	
	2013/14 \$'000	2012/13 \$'000	2013/14 \$'000	2012/13 \$'000
<b>Group</b>				
Secured loans	38,250	35,695	38,082	42,593
<b>Total non-current borrowings</b>	<b>38,250</b>	<b>35,695</b>	<b>38,082</b>	<b>42,593</b>

The fair values are based on cash flows discounted using a weighted average rate based on the borrowing rates which range from 4.28% to 5.84% (2013: 3.41% to 4.70%).

The carrying amount of borrowings repayable within one year approximates its fair value as the effect of discounting is not significant.

### Internal loans

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

	Balance at 1 July \$'000	Borrowings \$'000	Repayments \$'000	Balance at 30 June \$'000	Interest Paid \$'000
<b>2013/14</b>					
Water supply	5,124	328	481	4,971	256
Wastewater	7,612	2,123	530	9,205	384
Stormwater	1,397	1,114	54	2,457	72
Roading	25,726	1,241	1,424	25,543	1,309
Sustainable environment	530	-	24	506	27
Sustainable communities	12,016	275	508	11,783	615
Council leadership	3,441	-	619	2,822	165
Organisational support	343	-	16	327	18
<b>Total internal loans (gross)</b>	<b>56,189</b>	<b>5,081</b>	<b>3,656</b>	<b>57,614</b>	<b>2,846</b>
<b>2012/13</b>					
Water supply	4,494	1,030	400	5,124	270
Wastewater	4,778	3,255	421	7,612	287
Stormwater	1,154	285	42	1,397	71
Roading	25,930	1,031	1,235	25,726	1,581
Sustainable environment	551	-	21	530	34
Sustainable communities	10,258	2,079	321	12,016	632
Council leadership	4,009	-	568	3,441	235
Organisational support	-	343	-	343	-
<b>Total internal loans (gross)</b>	<b>51,174</b>	<b>8,023</b>	<b>3,008</b>	<b>56,189</b>	<b>3,110</b>



## NOTE 23 DERIVATIVE FINANCIAL INSTRUMENTS

	COUNCIL		GROUP	
	2013/14 Actual	2012/13 Actual	2013/14 Actual	2012/13 Actual
	\$'000	\$'000	\$'000	\$'000
<b>Non-current assets</b>				
Interest rate swaps held for trading	234	-	234	-
<b>Non-current liabilities</b>				
Interest rate swaps held for trading	-	1,055	-	1,055

### Fair value

The fair values of interest rate swaps have been determined by calculating the expected cash flows under the terms of the swaps and discounting them to their present value. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from the instrument prices.

### Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts for Council is \$44,000,000 (2013: \$47,000,000) and for the Group is \$44,000,000 (2013: \$47,000,000). At 30 June 2014 the fixed interest rates of the swaps range from 3.08% to 6.45% (2013: 2.77% to 6.45%).

## NOTE 24 REVALUATION RESERVE – PROPERTY, PLANT AND EQUIPMENT

	COUNCIL		GROUP	
	2013/14 Actual	2012/13 Actual	2013/14 Actual	2012/13 Actual
	\$'000	\$'000	\$'000	\$'000
<b>Asset revaluation reserves consist of:</b>				
Land	42,134	42,413	42,918	42,359
Buildings	23,335	23,335	23,723	23,814
Parks and reserves	10,082	7,093	10,082	7,093
Wastewater	30,226	29,690	30,226	29,690
Water	29,790	32,797	29,790	32,797
Bridges	72,853	86,252	72,853	86,252
Roading	330,291	301,968	330,291	301,968
Urban stormwater	2,251	8,234	2,251	8,234
Rural drainage	545	519	545	519
Solid waste	602	234	602	234
Total revaluation reserves	542,109	532,535	543,281	532,960

**NOTE 25****RECONCILIATION OF NET SURPLUS (DEFICIT) AFTER TAX WITH NET CASH FLOWS FROM OPERATING ACTIVITIES**

	COUNCIL		GROUP	
	2013/14 Actual \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
<b>Net operating surplus (deficit) after tax</b>	15,160	24,540	16,028	25,096
<b>Plus (minus) non-cash items</b>				
Depreciation, amortisation and asset write off	25,262	25,481	25,913	26,131
Decrease (increase) in future tax benefits	-	-	(65)	260
Vested and found assets	(4,355)	(14,015)	(4,355)	(14,015)
(Gains) losses in fair value of investment property	(5)	(5)	90	(5)
(Gains) losses on derivative financial instruments	(1,289)	(1,422)	(1,289)	(1,422)
(Gains) losses on biological assets	5	-	5	-
Interest income on financial assets not at fair value through surplus or deficit	(20)	1	(20)	1
Capitalised internal charges	(2,551)	(3,314)	(2,551)	(3,313)
Changes in provision	189	(14)	166	(14)
To Waikato Regional Council re drainage district funds transferred	-	(167)	-	(167)
Share of joint venture's operating (profit) loss after tax	-	-	(80)	68
Gains on fair value through surplus or deficit	-	-	(195)	(297)
<b>Plus (minus) classified as investing or financing activities</b>				
(Gains) losses on disposal of property, plant and equipment	3	823	(179)	774
Decrease (increase) in creditors for capital expenditure	(8,187)	(826)	(8,187)	(826)
<b>Plus (minus) movement in working capital items</b>				
Debtors and other receivables	934	(2,028)	843	(1,832)
Prepayments	(141)	(128)	(133)	(136)
Inventories	-	-	5	13
Biological assets	-	(13)	-	(13)
Creditors and other payables	8,798	(986)	8,639	(977)
Provision for completion costs	-	-	-	(47)
Income tax payable	-	-	82	-
Employee benefits	(102)	453	(85)	486
<b>Net cash inflow (outflow) from operating activities</b>	<b>33,701</b>	<b>28,380</b>	<b>34,632</b>	<b>29,765</b>

**NOTE 26****RECONCILIATION OF TOTAL COMPREHENSIVE INCOME WITH NET OPERATING FUNDING  
(PER FUNDING IMPACT STATEMENT)**

	COUNCIL	
	2013/14 Actual \$'000	2012/13 Actual \$'000
Total comprehensive income wholly attributable to Waikato District Council	27,255	56,874
Surplus (Deficit) of operating funding per Whole of council funding impact statement	19,564	20,455
	7,691	36,419
<b>The difference is due to:</b>		
Capital income	15,388	14,603
Revaluation of assets	12,084	32,408
Revaluation reserve landfill	10	(58)
Financial assets at fair value	1,289	(16)
Depreciation and amortisation	(19,583)	(18,836)
Profit (Loss) on sale	(3)	(823)
Write off of assets	(5,679)	(6,646)
Vested and found assets	4,355	14,015
Change in provisions	(189)	14
Interest income from financial assets	19	-
Other non-cash income	-	331
Unrealised gains	5	1,427
Unrealised losses	(5)	-
	7,691	36,419

**NOTE 27****CAPITAL COMMITMENTS AND OPERATING LEASES**

	COUNCIL		GROUP	
	2013/14 Actual \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
<b>Capital commitments</b>				
Strada Corporation Limited	954	1,032	-	-
Other commitments	11,298	5,723	11,489	5,937
Total capital commitments	12,252	6,755	11,489	5,937
<b>Commitments for:</b>				
Property, plant and equipment	12,106	6,676	11,343	5,858
Intangible assets	146	79	146	79
Total capital commitments	12,252	6,755	11,489	5,937

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



### Operating leases as lessee

Council and the Group lease property, plant and equipment in the normal course of business. The leases have non-cancellable terms of between 12 months and four years three months (2013: four years and three months). The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	COUNCIL		GROUP	
	2013/14 Actual \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
<b>Non-cancellable operating lease payments payable:</b>				
Not later than one year	491	419	493	425
Later than one year and not later than five years	308	380	309	382
Later than five years	-	-	-	1
<b>Total minimum operating lease payments payable</b>	<b>799</b>	<b>799</b>	<b>802</b>	<b>808</b>

### Council

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

Council has a contract with Canon NZ for the lease of photocopiers. There are no minimum amounts payable; charges are based on actual volumes of printing. The agreement has a term of four years from the date of signing (5 September 2012) with provision for a one year renewal.

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. The Council and Group do not have the option to purchase any assets at the end of the lease term.

### Strada

Strada leases GPS equipment and photocopiers in the normal course of its business. The terms of those leases are one month, 15 and 27 months respectively. (2013: three months, 13 and 27 months).

There are no restrictions placed on the Council or Group by any leasing arrangements.

### 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 65 years.

Waikato Quarries Limited and Strada entered into an operating lease relating to the Tauhei Quarry land with a lease term of 30 years with two rights of renewal, each of five years. Because the lease income is dependent on the quarry's revenue, Strada is unable to reliably estimate the income and has therefore not disclosed it in the future aggregate minimum lease payments to be collected.

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

	COUNCIL		GROUP	
	2013/14 Actual \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
<b>Non-cancellable operating lease payments receivable:</b>				
Not later than one year	466	475	491	475
Later than one year and not later than five years	1,071	1,359	1,171	1,359
Later than five years	671	841	673	841
<b>Total minimum operating lease payments receivable</b>	<b>2,208</b>	<b>2,675</b>	<b>2,335</b>	<b>2,675</b>

No contingent rents have been recognised during the year (2013: nil).

Council has previously disclosed only those lease payments receivable from leasing its investment property. In the current year all operating leases have been included and the comparative amounts have been re-stated accordingly.

## NOTE 28

### CONTINGENCIES

#### Contingent liabilities

	COUNCIL		GROUP	
	2013/14 Actual	2012/13 Actual	2013/14 Actual	2012/13 Actual
	\$'000	\$'000	\$'000	\$'000
Quantifiable contingent liabilities				
Guarantees	-	-	559	375
Uncalled share capital (WRAL)	1,500	1,500	1,500	1,500

#### Guarantees

Strada has \$559,203 (2013: \$375,000) bonds guaranteed by the ANZ National Bank Limited. The bonds will be payable if Strada is unable to fulfil its contractual obligations.

#### Outstanding insurance claims

There are four outstanding claims (2013: eight) in varying stages of progress. Council is unable to quantify its contingent liability for all (2013: four) of these claims. The maximum Council liability ranges from \$1,000 to \$10,000 including GST (2013: \$1,000 \$10,000) for each claim which is the excess on the insurance policies.

#### Unquantified claims

As disclosed in Note 20, a provision of \$435,000 (2013: \$240,000) has been recognised for weathertightness claims where Council has received notice of the claim. Council is exposed to potential future claims which have not yet been advised until the statutory limitation period expires. The amount of potential future claims is not able to be reliably measured and is therefore unquantifiable. Claims must be made within 10 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.

#### NZ Mutual Liability Riskpool

Riskpool is a mutual liability trust which provides public liability and professional indemnity insurance for its members. Council is a member of Riskpool. The Trust Deed of Riskpool provides that, if there is a shortfall (whereby claims exceed contributions of members and reinsurance recoveries) in any Fund year, then the Board may make a call on members for that Fund year. Council received a notice that there would be no call in the 2014 year. Hence Council has a contingent liability of \$nil (2013: \$nil).

#### Other claims

At balance date no (2013: nil) other claims expose Council to contingent liabilities. Council's maximum financial exposure is \$nil (2013: \$nil).

#### Capital contributions

During May 2004, the shareholders of Waikato Regional Airport (WRAL) of which Waikato District Council has a 15.63% shareholding, authorised the company issuing further shares totalling \$21.6m to shareholders. The capital restructure is part of the WRAL airport development and allows WRAL to borrow commercially at more favourable interest rates. After the payment of \$1,875,000 in the 2009/10 financial year Council's contingent liability is \$1,500,000 (2013: \$1,500,000).

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

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

Council is one of ten local authority guarantors and 31 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 2014 LGFA had borrowings totalling \$3.695billion (2013: \$2.497billion).

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 29 RELATED PARTY TRANSACTIONS

Waikato District Council has a 100% shareholding in Strada Corporation Limited. Strada has a 50% interest in a joint venture with Perry Aggregates Limited. The joint venture is called Waikato Quarries Limited.

All related party transactions and related payments are on normal commercial terms. There was no impairment of any of these transactions (2013: nil).

The following transactions were carried out between related parties:

	GROUP	
	2013/14 Actual \$'000	2012/13 Actual \$'000
<b>Between Council and Strada</b>		
Road construction and urban services provided by Strada	9,282	8,918
Dividends from Strada to Council	-	-
Rates paid to and refuse disposal by Council	17	14
Council's accounts payable to Strada	1,456	1,155
Dividends receivable at 30 June	-	400
Subvention payment receivable	429	-
<b>Between Council and Waikato District Community Wellbeing Trust (WBT)</b>		
Council's accounts receivable from WBT	15	15
<b>Between Council and Local Authority Shared Services (LASS)</b>		
Charges from LASS	224	134
Council's accounts payable to LASS	11	15
Council's accounts receivable from LASS	6	-
<b>Between Council and Waikato Regional Airport Limited (WRAL)</b>		
Charges from Council to WRAL	100	100
Charges from WRAL to Council	-	-
<b>Between Strada and Waikato Quarries Limited (WQL)</b>		
Lease revenue	266	233
Strada's trade and other receivables from WQL	19	13
Loan receivable from WQL	2,270	2,270
<b>Between Strada and Perry Aggregates Limited</b>		
Road maintenance and trucking sales by Strada	-	16
Metal purchases by Strada	172	281
Accounts payable by Strada	104	3

	COUNCIL		GROUP	
	2013/14 Actual \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
<b>Transactions with key management personnel</b>				
Salaries and other short term employee benefits	1,570	2,049	2,230	2,615
Termination benefits	-	224	-	224
Post employment benefits	-	-	12	-
Other long term benefits	-	-	-	-
	1,570	2,273	2,242	2,839



Council's key management personnel include the Mayor; Councillors, the Chief Executive and General Managers. Strada's key management personnel include directors, the General Manager, Finance Manager and Rooding Manager. 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.

Councillor J Church is a director of Great Goods Limited; Council purchased \$2,722 of goods from the company during the current year. There were no balances outstanding at 30 June 2014.

Councillor Church is also a Committee member of Art at the Port which was paid \$1,304 by Council for community workshops; again, no amounts were outstanding at balance date.

Tuakau and Districts Development Association, of which Councillor Church is a member, received \$11,826 from Council for graffiti removal costs during the year. There was an amount payable of \$600 at 30 June.

Business and Professional Women – Franklin received a Mayoral grant of \$174. Councillor Church is a member of the organisation. There were no amounts payable at balance date.

Onewhere Area School received a grant of \$500 from Council in the current year; Councillor J Costar is a member of the Board of Trustees.

Councillor S Lynch is a trustee of Waikato Coalfields Museum Society which receives an annual operating grant from Council of \$50,000. During 2013 an additional grant of \$29,900 was also made. At 30 June there was an amount payable of \$369 (2013: \$28,750).

Gordonton Woodlands Trust has a trustee position for a councillor. Councillors A Morse and D Fulton have filled that position during the year. A total of \$126,790 (2013: \$164,128) has been paid in grants to the Trust. \$369 (2013: \$1,725) was payable at balance date.

Councillor M Solomon is a trustee of Ngaruawahia Community House Incorporated. Grants and donations paid by Council during the year amounted to \$16,156 (2013: \$24,912). \$4,184 (2013: \$36) was payable at year end.

Councillor Solomon is also a trustee of Twin Rivers Arts (Ngaruawahia) Council Incorporated. Council paid grants and donations during the year of \$11,289 (2013: \$14,102). The amount payable at balance date was \$0 (2013: \$3,100).

M Devlin (Independent Chair – Audit and Risk Committee) is a director of WEL Networks Limited. Council purchased services during the year of \$108,000 (2013: \$347,003). Balances payable at balance date were \$46,863 (2013: \$4,988).

M Devlin and T Whittaker are members of the Risk Management Committee of the University of Waikato. Council paid enrolment fees for staff of \$3,362 (2013: \$8,170). There were no amounts outstanding at 30 June 2014 or 30 June 2013.

During the year Strada Corporation Limited purchased \$20,695 (2013: \$17,878) of legal and employment advice from Tompkins Wake in which a Strada director is a partner. There were no amounts payable at 30 June 2014 (2013: \$nil).

Strada Corporation Limited has a director who is also a director of Admark Visual Imaging Limited. \$5,297 (2013: \$3,035) expenses in relation to marketing costs included in surplus or deficit relate to transactions with Admark Visual Imaging Limited. There were no amounts payable at 30 June 2014 (2013: \$661).

A director of Strada is also a partner in Chiefs Limited. Entertainment expenses of \$2,341 (2013: \$5,940) were paid by Strada to Chiefs Limited.

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.

No provision has been required, nor any expense recognised for impairment of receivables or any loans or other receivables to related parties (2013: \$nil).

## NOTE 30 INVESTMENT IN JOINT VENTURE

	COUNCIL		GROUP	
	2013/14 Actual	2012/13 Actual	2013/14 Actual	2012/13 Actual
	\$'000	\$'000	\$'000	\$'000
<b>Investment in Waikato Quarries Limited</b>				
Original investment	-	-	2,000	2,000
Balance at 1 July	-	-	2,364	2,432
Share of total comprehensive income	-	-	80	(68)
Balance at 30 June	-	-	2,444	2,364

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

The joint venture has no commitments or contingencies (2013: nil).

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

	GROUP	
	2013/14 Actual \$'000	2012/13 Actual \$'000
<b>Strada's interest is as follows:</b>		
Current assets	1,238	1,304
Non-current assets	5,413	5,509
Current liabilities	2,913	2,958
Non-current liabilities	1,294	1,491
Income	4,685	4,061
Expenses	4,605	4,128

**NOTE 31**  
**REMUNERATION**  
**Elected Representatives**

	2013/14 Actual \$'000	2012/13 Actual \$'000
<b>Cash benefits</b>		
A Sanson, Mayor	115	112
C Baddeley	42	39
J Church	24	-
R Costar	24	-
R Dixon	10	32
D Fulton	49	48
J Gibb	24	-
W Hayes	40	32
J Hayman	10	32
S Lynch	39	32
R McGuire	34	32
A Morse	12	39
L Petersen	34	32
P Sands	10	32
J Sedgwick	34	32
N Smith	36	39
M Solomon	34	32
G Tait	36	39
Total cash benefits	607	604
<b>Non-cash benefits</b>		
A Sanson, Mayoral car	17	17
Total non-cash benefits	17	17

### 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 \$276,093 (2013: \$269,603) in terms of his contract. The Chief Executive's total remuneration included other benefits as follows:

	COUNCIL	
	2013/14 Actual \$'000	2012/13 Actual \$'000
Salary and other short term employee benefits	276	270
Vehicle	17	17
Defined contribution plan employer contributions (KiwiSaver)	8	6
Expenses allowance	2	2
Other fringe benefits (value of benefit plus FBT)	8	7
<b>Total Chief Executive remuneration</b>	<b>311</b>	<b>302</b>

### Employee numbers

	COUNCIL	
	2013/14 Actual	2012/13 Actual
<b>Employee numbers at 30 June</b>		
Full-time employees	268	262
Part-time employees (inc casual employees)	67	69
<b>Total employees</b>	<b>335</b>	<b>331</b>

A full-time employee works 40 hours per week.

### Full-time equivalent employees at 30 June

Full-time employees	268.05	262.05
Part-time employees (in full time equivalents)	25.44	22.25
<b>Total full-time equivalent employees</b>	<b>293.49</b>	<b>284.30</b>

### Total annual employee remuneration by band – At 30 June 2014

	COUNCIL	
	2013/14	2012/13
\$0 - \$60,000	151	180
\$60,001 - \$80,000	89	62
\$80,001 - \$100,000	60	63
\$100,001 - \$120,000	22	15
\$120,001 - \$140,000	6	5
\$140,001 - \$320,000	7	6
	<b>335</b>	<b>331</b>

Total remuneration includes non-financial benefits provided to employees

There are fewer than five employees in each of the bands above \$140,001 therefore the numbers for those bands have been combined into a single band of \$140,001 - \$320,000.

## NOTE 32

### SEVERANCE PAYMENTS

For the year ended 30 June 2014, Council made six (2013: five) severance payments to employees totalling \$90,801 (2013: \$131,443).

The value of each of the severance payments was:	65,000	8,986	6,060
	5,000	4,755	1,000

Strada made no (2013: three) severance payments to employees during the year. The payments totalled \$0 (2013: \$50,692).



**NOTE 33****EVENTS AFTER BALANCE DATE**

On 10 July 2014 the New Zealand Transport Agency (NZTA) revoked 25.19 kms of state highway to be vested in Council. The vestment has followed the completion by NZTA of the Ngaruawahia by-pass. The fair value of the assets transferred to Council has been assessed at \$17,500,000.

On 5 September 2014 settlement was reached on a "leaky home" claim (see note 20). Total cost to Council is subject to negotiation with another party. Council's maximum exposure is \$283,000.

There were no events which would have had a material effect on the performance or position as presented for 2013.

**NOTE 34****FINANCIAL INSTRUMENTS****A. Financial instruments categories**

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

	<b>COUNCIL</b>		<b>GROUP</b>	
	2013/14 Actual	2012/13 Actual	2013/14 Actual	2012/13 Actual
	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>				
<i>Loans and receivables</i>				
Cash and cash equivalents	976	911	2,411	2,458
Debtors and other receivables	15,307	16,218	15,651	16,481
Community loans	414	477	414	477
Loans to related parties	-	-	2,270	2,270
LGFA borrower notes	560	560	560	560
<b>Total loans and receivables</b>	<b>17,257</b>	<b>18,166</b>	<b>21,306</b>	<b>22,246</b>
<i>Fair value through surplus or deficit</i>				
Fixed interest investments	-	-	1,417	1,261
Equity investments	-	-	1,554	1,494
Derivative financial instruments assets	234	-	234	-
<b>Total fair value through surplus or deficit</b>	<b>234</b>	<b>-</b>	<b>3,205</b>	<b>2,755</b>
<i>Fair value through other comprehensive income</i>				
Unlisted shares in NZ Government Insurance Corporation Limited	49	48	49	48
<i>Financial assets at cost</i>				
Local Authority Shared Services Limited	220	220	220	220
Investment in subsidiary	4,500	4,500	-	-
Waikato Regional Airport Limited	2,639	2,639	2,639	2,639
<b>Total financial assets at cost</b>	<b>7,359</b>	<b>7,359</b>	<b>2,859</b>	<b>2,859</b>
<b>Financial Liabilities</b>				
<i>Fair value through surplus or deficit</i>				
Derivative financial instruments liabilities	-	1,055	-	1,055
<i>Financial liabilities at amortised cost</i>				
Creditors and other payables	23,049	14,250	23,026	14,393
<b>Borrowings:</b>				
Secured loans	37,458	39,731	40,708	43,481
<b>Total financial liabilities at amortised cost</b>	<b>60,507</b>	<b>53,981</b>	<b>63,734</b>	<b>57,874</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	
	2013/14 Actual \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
<b>Quoted market price</b>				
Fixed interest investments	-	-	1,417	1,261
Equity investments	-	-	1,554	1,491
	-	-	2,971	2,752
<b>Observable inputs</b>				
Financial liabilities – derivatives	-	1,055	-	1,055
Financial assets – derivatives	234	-	234	-
<b>Significant non-observable inputs</b>				
Shares	49	48	49	48

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

### Valuation techniques with significant non-observable inputs (level 3)

The table below provides reconciliation from the opening balance to the closing balance for the level 3 fair value measurements.

	GROUP	
	2013/14 Actual \$'000	2012/13 Actual \$'000
Balance at 1 July	48	65
Gains and losses recognised in other comprehensive income	1	(16)
Other movements	-	(1)
Balance at 30 June	49	48

## C. Financial instrument risks

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

### MARKET RISK

#### Price risk

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

### Currency risk

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

### Fair value interest rate risk

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

Borrowings and investments issued at fixed rates of interest expose Council to fair value interest rate risk. Council's Treasury Risk Management Policy is to maintain between 50% and 95% of its total external debt portfolios in fixed borrowings. GMI actively manages the average maturity date of WBT's fixed interest investments in response to changes in GMI's interest rate view.

### Cash flow interest rate risk

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

Generally, Council raises long term borrowing at floating rates and swaps them into fixed rates using interest rate swaps to manage the cash flow interest rate risk. Council enters into interest rate swaps in order to manage the cash flow interest rate risk.

### Maximum exposure to credit risk

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

	COUNCIL		GROUP	
	2013/14 Actual \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
Cash and cash equivalents	976	911	2,411	2,458
Debtors and other receivables	15,307	16,218	15,651	16,481
Community loans	414	477	414	477
Loans to related parties	-	-	2,270	2,270
- fixed interest instruments	-	-	1,417	1,261
- equity investments	-	-	1,554	1,491
LGFA borrower notes	560	560	560	560
Derivative financial instruments assets	234	-	234	-
Total credit risk	17,491	18,166	24,511	24,998

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.

A high proportion of Strada's debt is variable debt, which exposes Strada to potential interest rate fluctuation risks. Strada's directors regularly monitor interest rate trends and will fix debt interest rates when appropriate in order to minimise risks.

### 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 exposure to credit risk is limited to losses associated with cash, community advances and accounts receivable.

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

Council is exposed to credit risk as a guarantor of all of LGFA's borrowings. Information about this exposure is explained in note 28.

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



### Credit quality of financial assets

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	
	2013/14 Actual	2012/13 Actual	2013/14 Actual	2012/13 Actual
	\$'000	\$'000	\$'000	\$'000
<b>Counterparties with credit ratings</b>				
Cash and cash equivalents				
AA-	976	911	2,411	2,458
<b>Fixed interest investments</b>				
AAA	-	-	165	29
AA+	-	-	42	-
AA	-	-	209	337
AA-	-	-	483	449
A+	-	-	63	75
A	-	-	68	79
A-	-	-	89	76
BBB+	-	-	85	73
BBB	-	-	34	11
BB+	-	-	-	1
<b>Derivative financial instrument assets</b>				
AA-	234	-	234	-
<b>Borrower notes</b>				
AA+	560	560	560	560
<b>Counterparties without credit ratings</b>				
<b>Community and related party loans</b>				
Community loans with no defaults in the past	358	370	358	370
Community loans with payment moratorium	56	107	56	107
Loans to related parties with no defaults in the past	-	-	2,270	2,270
Unrated equity investments	-	-	1,645	1,494
Fixed interest investments with no defaults in the past	-	-	88	234
<b>Total credit risk</b>	<b>2,184</b>	<b>1,948</b>	<b>8,860</b>	<b>8,513</b>

Comparative amounts in the table above have been re-stated because more accurate information has since become available. 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 (2013: \$500,000) and a committed cash advance facility of \$15,000,000 (2013: \$28,500,000), of which \$12,800,000 (2013 \$3,890,000) is available to be drawn. Council's committed cash advance facility expires in June 2015.

Council utilises funding through the Local Government Funding Agency Limited (LGFA). As at 30 June 2014 Council had borrowed \$35,000,000 (2013: \$35,000,000) and held borrower notes with a face value of \$560,000 (2013: \$560,000).

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 28.

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

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

	COUNCIL		GROUP	
	2013/14 Actual	2012/13 Actual	2013/14 Actual	2012/13 Actual
	\$'000	\$'000	\$'000	\$'000
<b>Carrying amount</b>				
Creditors and other payables	23,049	14,250	23,026	14,393
Secured loan	37,458	39,731	40,708	43,481
<b>Total</b>	<b>60,507</b>	<b>53,981</b>	<b>63,734</b>	<b>57,874</b>
<b>Contractual cash flows</b>				
Creditors and other payables	23,049	14,250	23,026	14,393
Secured loan	44,115	46,300	47,574	50,385
<b>Total</b>	<b>67,164</b>	<b>60,550</b>	<b>70,600</b>	<b>64,778</b>
	Less than 1 yr	1-2 yrs	2-5 yrs	More than 5 yrs
	\$'000	\$'000	\$'000	\$'000
<b>Council 2014</b>				
Creditors and other payables	23,049	-	-	-
Secured loans	4,025	1,544	33,145	5,401
	27,074	1,544	33,145	5,401
<b>Group 2014</b>				
Creditors and other payables	23,131	-	-	-
Secured loans	4,025	5,003	33,145	5,401
	27,156	5,003	33,145	5,401
<b>Council 2013</b>				
Creditors and other payables	14,250	-	-	-
Secured loans	5,760	1,485	23,296	15,759
<b>Total</b>	<b>20,010</b>	<b>1,485</b>	<b>23,296</b>	<b>15,759</b>
<b>Group 2013</b>				
Creditors and other payables	14,393	-	-	-
Secured loans	9,845	1,485	23,296	15,759
<b>Total</b>	<b>24,238</b>	<b>1,485</b>	<b>23,296</b>	<b>15,759</b>

### Contractual maturity analysis of derivative financial assets and liabilities

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

	COUNCIL		GROUP	
	2013/14 Actual	2012/13 Actual	2013/14 Actual	2012/13 Actual
	\$'000	\$'000	\$'000	\$'000
<b>Net settled derivative assets</b>				
Carrying amount	234	-	234	-
Contractual cash flows	46,009	-	46,009	-
<b>Net settled derivative liabilities</b>				
Carrying amount	-	1,055	-	1,055
Contractual cash flows	-	48,569	-	48,568
	Less than 1 yr	1-2 yrs	2-5 yrs	More than 5 yrs
	\$'000	\$'000	\$'000	\$'000

#### Council and Group

<b>Net settled derivative assets</b>				
2013/14	3,393	6,381	13,925	22,310
2012/13	-	-	-	-
<b>Net settled derivative liabilities</b>				
2013/14	-	-	-	-
2012/13	3,800	3,786	19,024	21,959

### 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	
	2013/14 Actual	2012/13 Actual	2013/14 Actual	2012/13 Actual
	\$'000	\$'000	\$'000	\$'000
<b>Carrying amount</b>				
Cash and cash equivalents	976	911	2,411	2,458
Debtors and other receivables	15,307	16,218	15,651	16,481
Other financial assets				
- community loans	414	477	414	477
- loans to related parties	-	-	2,270	2,270
- LGFA borrower notes	560	560	560	560
<b>Total</b>	<b>17,257</b>	<b>18,166</b>	<b>21,306</b>	<b>22,246</b>
<b>Contractual cash flows</b>				
Cash and cash equivalents	976	911	2,411	2,458
Debtors and other payables	15,307	16,218	15,651	16,481
Other financial assets				
- community loans	519	625	519	625
- loans to related parties	-	-	2,270	2,270
- LGFA borrower notes	603	654	603	654
<b>Total</b>	<b>17,405</b>	<b>18,408</b>	<b>21,454</b>	<b>22,488</b>

	Less than 1 yr \$'000	1-2 yrs \$'000	2-5 yrs \$'000	More than 5 yrs \$'000
<b>Council 2014</b>				
Cash and cash equivalents	976	-	-	-
Debtors and other receivables	15,307	-	-	-
Other financial assets				
- community loans	100	160	125	134
- LGFA borrower notes	-	-	499	104
<b>Total</b>	<b>16,383</b>	<b>160</b>	<b>624</b>	<b>238</b>

<b>Group 2014</b>				
Cash and cash equivalents	2,411	-	-	-
Debtors and other receivables	15,651	-	-	-
Other financial assets				
- community loans	100	160	125	134
- loans to related parties	-	-	-	2,270
- LGFA borrower notes	-	-	499	104
<b>Total</b>	<b>18,202</b>	<b>160</b>	<b>624</b>	<b>2,508</b>

<b>Council 2013</b>				
Cash and cash equivalents	911	-	-	-
Debtors and other receivables	16,218	-	-	-
Other financial assets				
- community loans	108	183	122	212
- LGFA borrower notes	-	-	555	99
<b>Total</b>	<b>17,237</b>	<b>183</b>	<b>677</b>	<b>311</b>

<b>Group 2013</b>				
Cash and cash equivalents	2,451	-	-	-
Debtors and other receivables	16,481	-	-	-
Other financial assets				
- community loans	108	183	122	212
- loans to related parties	-	-	-	2,270
- LGFA borrower notes	-	-	555	99
<b>Total</b>	<b>19,040</b>	<b>183</b>	<b>677</b>	<b>2,581</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.

	2013/14		2012/13	
	Actual -100bps \$'000	Actual +100bps \$'000	Actual -100bps \$'000	Actual +100bps \$'000
<b>Council</b>				
<b>Financial assets</b>				
Cash and cash equivalents	(10)	10	(9)	9
Derivatives	(1,702)	1,599	-	-
<b>Financial liabilities</b>				
Derivatives – held for trading	(1,702)	1,599	(2,153)	2,005
Borrowings: secured loans	-	-	-	-
<b>Group</b>				
<b>Financial assets</b>				
Cash and cash equivalents	(24)	24	(25)	25
Derivatives	(1,702)	1,599	-	-
<b>Financial liabilities</b>				
Derivatives – held for trading	-	-	(2,153)	2,005
Borrowings: term loans	(33)	33	-	-

### Foreign exchange risk

	2013/14		2012/13	
	Actual -100bps \$'000	Actual +100bps \$'000	Actual -100bps \$'000	Actual +100bps \$'000
<b>Group</b>				
<b>Financial assets</b>				
Cash and equity investments	21	(21)	17	(17)

### Equity price risk

	2013/14		2012/13	
	Actual -100bps \$'000	Actual +100bps \$'000	Actual -100bps \$'000	Actual +100bps \$'000
<b>Group</b>				
<b>Financial assets</b>				
Equity investments	16	(16)	15	(15)

### 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 and measured as a basis points (bps) movement. For example, a decrease in 100bps is equivalent to a decrease in interest rates of 1%.

The sensitivity for derivatives (interest rate swaps) has been calculated using a derivative valuation model based on parallel shift in interest rates of 100bps/+100bps (2013 100bps/+100bps).

**NOTE 35****CAPITAL MANAGEMENT**

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

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

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

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

Council has the following Council-created reserves:

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

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

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

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

**NOTE 36****EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET**

The major variance explanations set out below explain the significant differences between:

- Actual results for 2013/14 compared to the budget for 2013/14 and
- Actual results for 2013/14 compared with those for 2012/13.

There was an increase between actual income and budgeted income from unbudgeted changes to the fair value of Council's interest rate instruments, more rates income and a subvention payment from Strada Corporation. Both general rate and targeted rate income was higher than the previous year due to increases in the number of charges through growth in the district along with the budgeted increases required to cover expenditure requirements. Targeted rates in particular have been increased to reduce deficits within the operating reserves over the period of the Long Term Plan. Strada Corporation will make a subvention payment to Council for 2013/14 in excess of the budgeted dividend payment.

Other activity income encompasses Council's fees and charges including infringements, consent applications, dog registrations, service connections and other regulatory function income. This category also covers cost sharing arrangements for capital work programmes; this is where the main difference has been between 2012/13 and 2013/14 actuals in relation to a major roading intersection at Horotiu. These miscellaneous recoveries also account for the variance to budget, again on cost sharing of roading infrastructure and recovery of election costs from other bodies that shared in our contract. Subsidies and grant income is sourced mainly from the New Zealand Transport Agency in relation to the roading work programmes. The variance between budget and actual is due to timing and the remaining subsidy has been redistributed in the 2014/15 programme.

Contribution income was higher than the previous year but was still below budget due to staging of development and related timing of uplift of consents. Last year field inspections led to a number of culverts, retaining walls and storm water channels being added to the roading and bridges database. These assets, as found assets, increase the revenue. This income type is not budgeted for but has been significantly lower for the 2013/14 year. Vested asset income, also unbudgeted, arises when infrastructure is transferred to council to maintain following completion of development works. During the 2013/14 year residential development in Pokeno and industrial development in Horotiu contributed to another \$2 million on top of what was received in 2012/13. Gains on Council's financial instruments, revaluation of interest rate derivatives, are not budgeted for hence the \$1.3 million variance.

There was more depreciation and amortisation expense compared to the previous year; reflecting the increased asset base following revaluation and additions during the year. Depreciation was below budget as a number of capital projects were not completed as planned. Delays in the capital work programme meant that no further external borrowing was raised during the year; this has led to lower than anticipated finance costs.

Asset write-offs were not budgeted for and arise as assets are disposed because they have reached the end of their useful lives, been replaced or transferred. In 2012/13 the final drainage district transfers to the Waikato Regional Council occurred. Personnel costs were lower than both the previous year and budget due to savings related to the review of the Service Delivery and Customer Support team structures and delays in recruitment.

The gain on property, plant and equipment revaluations was significantly lower than expected mainly due to differences in predictive cost indices compared to actual cost escalations and relative completion of budgeted works. There was a decline in the rates for valuing pipes which were last valued in 2011. The main difference when comparing this year's revaluation gain to the previous year's figure arises from actual increase in costs being lower than the predictive indices used in budgeting, construction date updates for bridges and adjustments to the width of footpaths within the asset management database.

At balance date, cash and cash equivalents on hand are higher than at the same time last year due to normal working capital fluctuation. Council utilises funds on hand ahead of increased borrowing, which is in line with budget. Debtors are slightly lower than the previous year reflecting the write down of some of the outstanding rates accounts and an increased provision for impairment on rates and trade receivables. This is still higher than budget due to timing differences for development works.

Creditors are significantly higher than both budget and last year's figure due to the timing of physical works reconciliations for Horotiu and Pokeno. Borrowings decreased over the year as no new debt was raised and in fact a small amount of debt was repaid, again significantly less than budget due to the relative timing of capital work programmes.

### **NOTE 37** **STATUTORY BREACH**

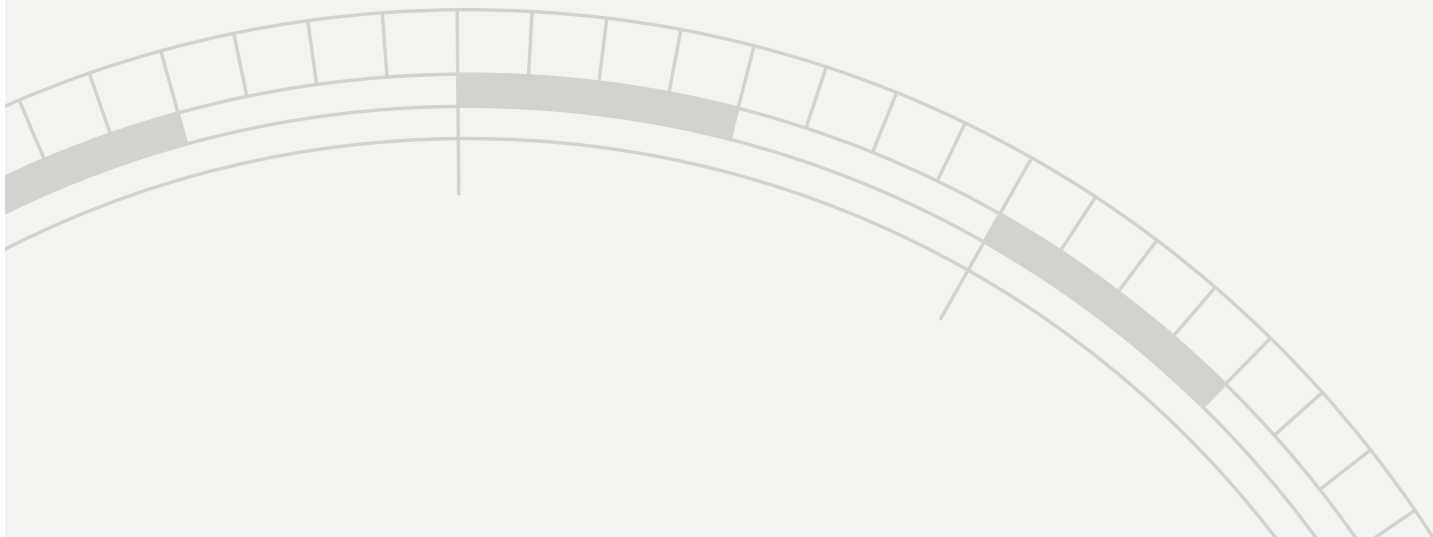
A review has identified some technical issues in the way some rates have been set, in particular the stormwater rate. These do not affect the amount of rates required. Council will ensure full compliance with the detail of the legislative requirements in future.

### **NOTE 38** **INSURANCE OF ASSETS**

The total value of all assets of Council that are covered by insurance contracts at as 30 June 2014 is \$423,984,643 and the maximum amount to which they are insured is \$179,651,348.

Insurance Class	Total Declared Value	Policy Limit
Infrastructure	\$246,348,159	\$25,000,000 per loss (These insurance contracts provide for the recovery of 40 per cent of the costs of loss or damage to declared assets)
Material Damage	\$172,985,136	\$150,000,000 each and every loss and in the annual aggregate (\$125,000,000 each and every loss and in the annual aggregate for Fire losses)
Motor Vehicle	\$3,163,782	\$3,163,782
Other	\$1,487,566	\$1,487,566
<b>Total</b>	<b>\$423,984,643</b>	<b>\$179,651,348</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 2014 the balance of this reserve was \$1,556,762.



# Other Legislative Disclosures

## FUNDING IMPACT STATEMENT FOR WHOLE OF COUNCIL

	2012/13 Annual Plan \$'000	2012/13 Annual Report \$'000	2013/14 Annual Plan \$'000	2013/14 Actual \$'000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	44,536	45,474	46,079	46,589
Targeted rates (other than a targeted rate for water supply)	12,113	12,088	13,258	13,231
Subsidies and grants for operating purposes	7,134	6,985	6,712	6,680
Fees, charges and targeted rates for water supply	10,870	10,419	11,716	11,411
Interest and dividends from investments	200	521	292	119
Local authorities fuel tax, fines, infringement fees, and other receipts	2,706	3,648	2,986	4,682
<b>Total operating funding</b>	<b>77,559</b>	<b>79,135</b>	<b>81,043</b>	<b>82,712</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	50,548	54,432	58,340	58,202
Finance costs	2,571	2,056	3,818	2,137
Other operating funding applications	9,183	2,192	2,186	2,809
<b>Total applications of operating funding</b>	<b>62,302</b>	<b>58,680</b>	<b>64,344</b>	<b>63,148</b>
<b>Surplus (deficit) of operating funding</b>	<b>15,257</b>	<b>20,455</b>	<b>16,699</b>	<b>19,564</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	9,879	9,564	10,270	8,138
Development and financial contributions	7,095	4,777	7,539	6,438
Increase (decrease) in debt	38,171	14,166	30,900	(2,273)
Gross proceeds from the sale of assets	149	455	63	594
Lump sum contributions	1,107	263	959	812
<b>Total sources of capital funding</b>	<b>56,401</b>	<b>29,225</b>	<b>49,731</b>	<b>13,709</b>
<b>Applications of capital funding</b>				
Capital expenditure				
- to meet additional demand	17,285	11,013	18,910	13,743
- to improve the level of service	14,451	7,032	11,071	6,022
- to replace existing assets	26,921	28,348	26,005	22,992
Increase (decrease) in reserves	13,001	2,539	10,444	(9,465)
Increase (decrease) in investments	-	748	-	(19)
<b>Total applications of capital funding</b>	<b>71,658</b>	<b>49,680</b>	<b>66,430</b>	<b>33,273</b>
<b>Surplus (deficit) of capital funding</b>	<b>(15,257)</b>	<b>(20,455)</b>	<b>(16,699)</b>	<b>(19,564)</b>
<b>Funding balance for Whole of Council</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## FUNDING IMPACT STATEMENT FOR WATER SUPPLY

	2012/13 Long-Term Plan \$'000	2013/14 Long-Term Plan \$'000	2013/14 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	134	137	302
Targeted rates (other than a targeted rate for water supply)	3,008	2,851	3,342
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	3,592	4,771	3,888
Internal charges and overheads recovered	281	279	361
Local authorities fuel tax, fines, infringement fees, and other receipts	44	46	11
<b>Total operating funding</b>	<b>7,059</b>	<b>8,084</b>	<b>7,904</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	2,993	3,357	2,627
Finance costs	-	-	-
Internal charges and overheads applied	2,477	2,770	2,430
Other operating funding applications	40	42	68
<b>Total applications of operating funding</b>	<b>5,510</b>	<b>6,169</b>	<b>5,125</b>
<b>Surplus (deficit) of operating funding</b>	<b>1,549</b>	<b>1,915</b>	<b>2,779</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	1,604	1,748	790
Increase (decrease) in debt	2,084	2,547	328
Lump sum contributions	-	-	36
<b>Total sources of capital funding</b>	<b>3,688</b>	<b>4,295</b>	<b>1,154</b>
<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	2,989	3,669	190
- to improve the level of service	1,995	2,642	383
- to replace existing assets	2,436	2,126	1,796
Increase (decrease) in reserves	(2,183)	(2,227)	1,564
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding</b>	<b>5,237</b>	<b>6,210</b>	<b>3,933</b>
<b>Surplus (deficit) of capital funding</b>	<b>(1,549)</b>	<b>(1,915)</b>	<b>(2,779)</b>
<b>Funding balance for Water supply</b>	<b>-</b>	<b>-</b>	<b>-</b>

**FUNDING IMPACT STATEMENT  
FOR WASTEWATER**

	2012/13 Long-Term Plan \$'000	2013/14 Long-Term Plan \$'000	2013/14 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	82	130	245
Targeted rates (other than a targeted rate for water supply)	4,129	4,806	4,723
Subsidies and grants for operating purposes	-	-	-
Fees and charges	735	826	723
Internal charges and overheads recovered	91	94	138
Local authorities fuel tax, fines, infringement fees, and other receipts	27	28	13
<b>Total operating funding</b>	<b>5,064</b>	<b>5,884</b>	<b>5,842</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	2,785	2,224	1,578
Finance costs	-	-	-
Internal charges and overheads applied	1,989	2,701	2,046
Other operating funding applications	54	56	142
<b>Total applications of operating funding</b>	<b>4,828</b>	<b>4,981</b>	<b>3,766</b>
<b>Surplus (deficit) of operating funding</b>	<b>236</b>	<b>903</b>	<b>2,076</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	1,584	1,647	1,306
Increase (decrease) in debt	5,022	5,806	2,123
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	58	726	66
<b>Total sources of capital funding</b>	<b>6,664</b>	<b>8,179</b>	<b>3,495</b>
<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	3,122	6,896	6,400
- to improve the level of service	5,096	6,157	1,464
- to replace existing assets	1,409	1,468	1,931
Increase (decrease) in reserves	(2,727)	(5,439)	(4,224)
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding</b>	<b>6,900</b>	<b>9,082</b>	<b>5,571</b>
<b>Surplus (deficit) of capital funding</b>	<b>(236)</b>	<b>(903)</b>	<b>(2,076)</b>
<b>Funding balance for Wastewater</b>	<b>-</b>	<b>-</b>	<b>-</b>

## FUNDING IMPACT STATEMENT FOR STORMWATER

	2012/13 Long-Term Plan \$'000	2013/14 Long-Term Plan \$'000	2013/14 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	67	69	99
Targeted rates (other than a targeted rate for water supply)	1,482	1,526	1,461
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	117	142	166
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
<b>Total operating funding</b>	<b>1,666</b>	<b>1,737</b>	<b>1,726</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	433	388	272
Finance costs	-	-	-
Internal charges and overheads applied	632	834	390
Other operating funding applications	-	-	16
<b>Total applications of operating funding</b>	<b>1,065</b>	<b>1,222</b>	<b>678</b>
<b>Surplus (deficit) of operating funding</b>	<b>601</b>	<b>515</b>	<b>1,048</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	852	877	-
Development and financial contributions	-	-	1,006
Increase (decrease) in debt	1,575	819	1,114
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	151	155	-
<b>Total sources of capital funding</b>	<b>2,578</b>	<b>1,851</b>	<b>2,120</b>
<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	3,580	1,412	2,262
- to improve the level of service	1,639	975	1,198
- to replace existing assets	145	151	38
Increase (decrease) in reserves	(2,185)	(172)	(330)
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding</b>	<b>3,179</b>	<b>2,366</b>	<b>3,168</b>
<b>Surplus (deficit) of capital funding</b>	<b>(601)</b>	<b>(515)</b>	<b>(1,048)</b>
<b>Funding balance for Stormwater</b>	<b>-</b>	<b>-</b>	<b>-</b>

**FUNDING IMPACT STATEMENT  
FOR ROADING**

	2012/13 Long-Term Plan \$'000	2013/14 Long-Term Plan \$'000	2013/14 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	18,110	18,338	18,493
Targeted rates (other than a targeted rate for water supply)	-	-	-
Subsidies and grants for operating purposes	7,113	7,386	6,680
Fees, charges and targeted rates for water supply	-	-	70
Internal charges and overheads recovered	5,366	5,501	4,342
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	14
<b>Total operating funding</b>	<b>30,589</b>	<b>31,225</b>	<b>29,599</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	9,626	9,881	15,146
Finance costs	-	-	27
Internal charges and overheads applied	5,336	5,253	4,800
Other operating funding applications	7,103	7,340	-
<b>Total applications of operating funding</b>	<b>22,065</b>	<b>22,474</b>	<b>19,973</b>
<b>Surplus (deficit) of operating funding</b>	<b>8,524</b>	<b>8,751</b>	<b>9,626</b>
<b>Sources of capital funding</b>			
Subsidies for capital expenditure	9,879	10,041	8,138
Development and financial contributions	1,477	1,523	2,439
Increase (decrease) in debt	193	1,279	1,241
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	793	-	710
<b>Total sources of capital funding</b>	<b>12,342</b>	<b>12,843</b>	<b>12,528</b>
<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	2,391	3,462	4,583
- to improve the level of service	190	1,278	1,610
- to replace existing assets	18,040	17,742	16,561
Increase (decrease) in reserves	245	(888)	(600)
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding</b>	<b>20,866</b>	<b>21,594</b>	<b>22,154</b>
<b>Surplus (deficit) of capital funding</b>	<b>(8,524)</b>	<b>(8,751)</b>	<b>(9,626)</b>
<b>Funding balance for Roading</b>	<b>-</b>	<b>-</b>	<b>-</b>



## FUNDING IMPACT STATEMENT FOR SUSTAINABLE ENVIRONMENT

	2012/13 Long-Term Plan \$'000	2013/14 Long-Term Plan \$'000	2013/14 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	5,980	6,006	4,447
Targeted rates (other than a targeted rate for water supply)	2,767	2,915	2,964
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	5,125	5,377	5,395
Internal charges and overheads recovered	1,668	1,674	1,002
Local authorities fuel tax, fines, infringement fees, and other receipts	606	628	1,727
<b>Total operating funding</b>	<b>16,146</b>	<b>16,600</b>	<b>15,535</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	12,023	12,417	11,782
Finance costs	-	-	-
Internal charges and overheads applied	4,539	4,567	3,874
Other operating funding applications	-	-	36
<b>Total applications of operating funding</b>	<b>16,562</b>	<b>16,984</b>	<b>15,692</b>
<b>Surplus (deficit) of operating funding</b>	<b>(416)</b>	<b>(384)</b>	<b>(157)</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<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	90	64	2
- to replace existing assets	-	228	31
Increase (decrease) in reserves	(506)	(676)	(190)
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding</b>	<b>(416)</b>	<b>(384)</b>	<b>(157)</b>
<b>Surplus (deficit) of capital funding</b>	<b>416</b>	<b>384</b>	<b>157</b>
<b>Funding balance for Sustainable environment</b>	<b>-</b>	<b>-</b>	<b>-</b>

**FUNDING IMPACT STATEMENT  
FOR SUSTAINABLE COMMUNITIES**

	2012/13 Long-Term Plan \$'000	2013/14 Long-Term Plan \$'000	2013/14 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	14,498	15,243	14,771
Targeted rate (other than a targeted rate for water supply)	535	536	562
Subsidies and grants for operating purposes	21	21	-
Fees, charges and targeted rates for water supply	1,408	1,449	1,335
Internal charges and overheads recovered	534	539	306
Local authorities fuel tax, fines, infringement fees, and other receipts	1,268	1,303	1,518
<b>Total operating funding</b>	<b>18,264</b>	<b>19,091</b>	<b>18,492</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	11,388	11,673	11,279
Finance costs	-	-	-
Internal charges and overheads applied	4,148	4,479	4,183
Other operating funding applications	504	533	528
<b>Total applications of operating funding</b>	<b>16,040</b>	<b>16,685</b>	<b>15,990</b>
<b>Surplus (deficit) of operating funding</b>	<b>2,224</b>	<b>2,406</b>	<b>2,502</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	1,578	1,696	897
Increase (decrease) in debt	3,517	682	275
Gross proceeds from sale of assets	-	-	516
Lump sum contributions	105	150	-
<b>Total sources of capital funding</b>	<b>5,200</b>	<b>2,528</b>	<b>1,688</b>
<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	5,205	1,124	308
- to improve the level of service	4,671	793	370
- to replace existing assets	1,759	1,214	1,375
Increase (decrease) in reserves	(4,211)	1,803	2,137
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding</b>	<b>7,424</b>	<b>4,934</b>	<b>4,190</b>
<b>Surplus (deficit) of capital funding</b>	<b>(2,224)</b>	<b>(2,406)</b>	<b>(2,502)</b>
<b>Funding balance for Sustainable communities</b>	<b>-</b>	<b>-</b>	<b>-</b>

**FUNDING IMPACT STATEMENT  
FOR COUNCIL LEADERSHIP**

	2012/13 Long-Term Plan \$'000	2013/14 Long-Term Plan \$'000	2013/14 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	5,558	5,753	6,274
Targeted rates (other than a targeted rate for water supply)	193	193	179
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	1,248	1,283	1,209
Local authorities fuel tax, fines, infringement fees, and other receipts	41	126	258
<b>Total operating funding</b>	<b>7,040</b>	<b>7,355</b>	<b>7,920</b>
<b>Applications of operating funding</b>			
Payments to suppliers and staff	2,051	2,258	3,010
Finance costs	-	-	-
Internal charges and overheads applied	4,540	4,595	4,404
Other operating funding applications	-	-	3
<b>Total applications of operating funding</b>	<b>6,591</b>	<b>6,853</b>	<b>7,417</b>
<b>Surplus (deficit) of operating funding</b>	<b>449</b>	<b>502</b>	<b>503</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<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	-	-	24
- to replace existing assets	-	-	31
Increase (decrease) in reserves	449	502	448
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding</b>	<b>449</b>	<b>502</b>	<b>503</b>
<b>Surplus (deficit) of capital funding</b>	<b>(449)</b>	<b>(502)</b>	<b>(503)</b>
<b>Funding balance for Council leadership</b>	<b>-</b>	<b>-</b>	<b>-</b>

**FUNDING IMPACT STATEMENT  
FOR ORGANISATIONAL SUPPORT**

	2012/13 Long-Term Plan \$'000	2013/14 Long-Term Plan \$'000	2013/14 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	108	333	1,958
Targeted rate (other than a targeted rate for water supply)	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	9	10	-
Internal charges and overheads recovered	23,858	25,323	23,409
Local authorities fuel tax, fines, infringement fees, and other receipts	920	1,134	1,260
<b>Total operating funding</b>	<b>24,895</b>	<b>26,800</b>	<b>26,627</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	13,356	13,766	15,059
Finance costs	2,571	4,132	2,110
Internal charges and overheads applied	5,393	5,384	6,255
Other operating funding applications	1,483	1,359	2,016
<b>Total applications of operating funding</b>	<b>22,803</b>	<b>24,641</b>	<b>25,440</b>
<b>Surplus (deficit) of operating funding</b>	<b>2,092</b>	<b>2,159</b>	<b>1,187</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	38,270	27,414	(7,354)
Gross proceeds sale of assets	149	95	78
Lump sum contributions	-	-	-
<b>Total sources of capital funding</b>	<b>38,419</b>	<b>27,509</b>	<b>(7,276)</b>
<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	770	64	971
- to replace existing assets	3,132	1,719	1,229
Increase (decrease) in reserves	36,609	27,885	(8,270)
Increase (decrease) in investments	-	-	(19)
<b>Total applications of capital funding</b>	<b>40,511</b>	<b>29,668</b>	<b>(6,089)</b>
<b>Surplus (deficit) of capital funding</b>	<b>(2,092)</b>	<b>(2,159)</b>	<b>(1,187)</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 shows a higher than budgeted surplus from operating funding. The extra surplus is explained by a combination of more operating funding and reduction in operating applications. Rates income is up due to more rate payers than was budgeted. There was more recovery of costs associated with work outsourced in the consents area. There was no dividend income this year but a subvention payment received saw more received than was budgeted for dividend income. On the application of operating funding side there was a significant saving in finance costs due to the delay in the capital programme and savings from lower than budgeted average interest rates.

Sources of capital funding are significantly less than budgeted mainly due to the budgeted additional borrowing not being required. During the year a small amount of debt was repaid. The subsidy capital income was less than budgeted because the related capital works was below the budgeted amount. The remaining budgets for both the works and subsidy have been carried forward for completion in 2014/15. Development contribution income was below budget due to staging in relation to development and related timing of uplift of consents.

The capital programme is below budget especially in the growth and improvement of level of service areas. Renewals work was largely paid for from depreciation and subsidy income. This has meant additional external borrowing was not required this year. Where borrowing was required for an activity, an internal loan was used and funded as part of the internal treasury function under organisational support.

**57%**

General rates

**16%**

Targeted rates

**8%**

Subsidies for operating purposes

**15%**

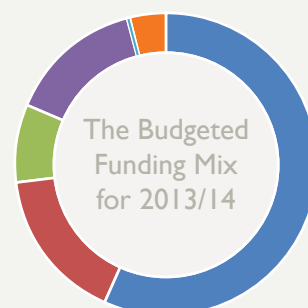
Fees and charges

**0%**

Interest and dividends

**4%**

Local authorities fuel tax, fines, infringement fees and other receipts



**56%**

General rates

**16%**

Targeted rates

**8%**

Subsidies for operating purposes

**14%**

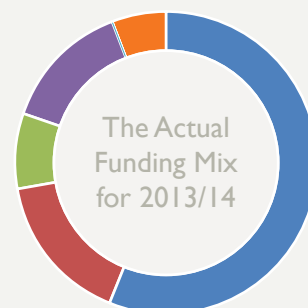
Fees and charges

**0%**

Interest and dividends

**6%**

Local authorities fuel tax, fines, infringement fees and other receipts



## ANNUAL REPORT DISCLOSURE STATEMENT

### 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.

The regulations require comparative amounts for the previous four years to be disclosed but do allow for a transition period during which those requirements are relaxed. Council has disclosed only one year of comparatives for the rates and debt affordability benchmarks as prior to that Council was not required to have developed these measures in its financial strategy. For the remainder of the graphs only two years of comparatives have been disclosed as years three and four were prior to or during the time of amalgamation with part of the former Franklin District Council.

### Rates affordability benchmark

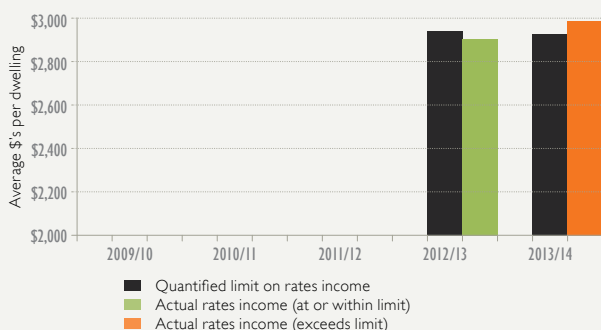
Council meets the rates affordability benchmark if:

- 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

The following 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.

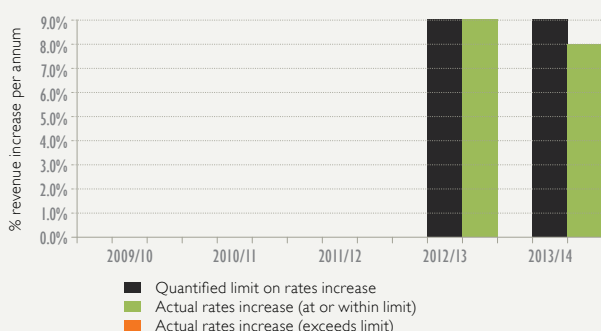
The quantified limit for the current year is an average total rate per dwelling of \$2,924.



#### Rates (increases) affordability

The following 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 for the current year is 5.8% of the previous year's rates per dwelling.



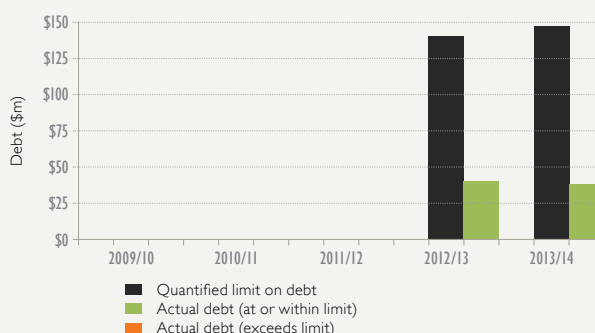
### Debt affordability benchmarks

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

#### Debt limit 1

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

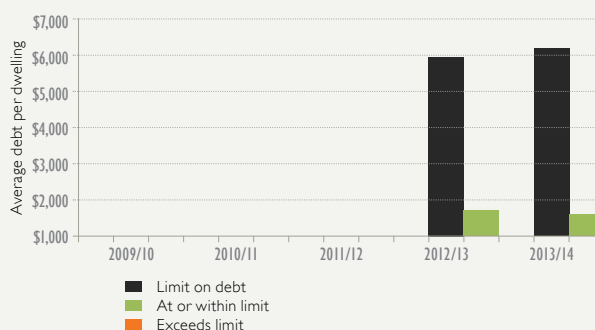
The quantified limit on net debt is \$147million.



#### Debt limit 2

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

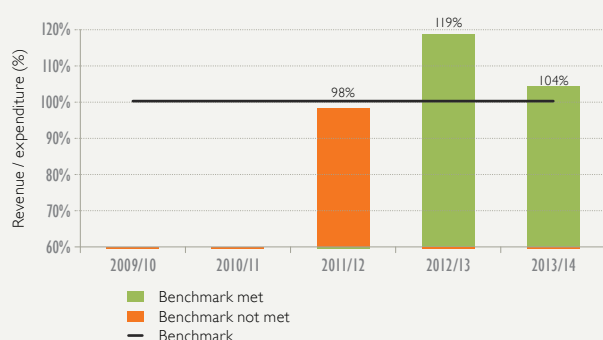
The quantified limit on average net debt per dwelling is \$6,167.



### Balanced budget benchmark

The following 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).

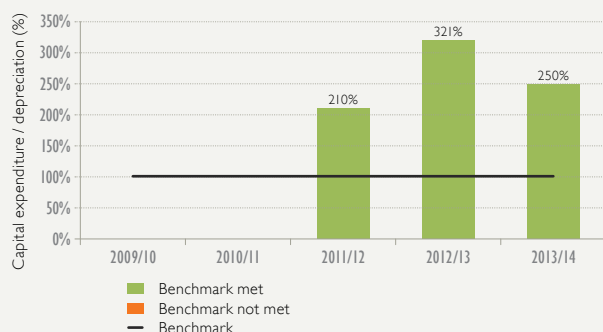
Council meets this benchmark if its revenue is equal to or greater than its operating expenses.



### Essential services benchmark

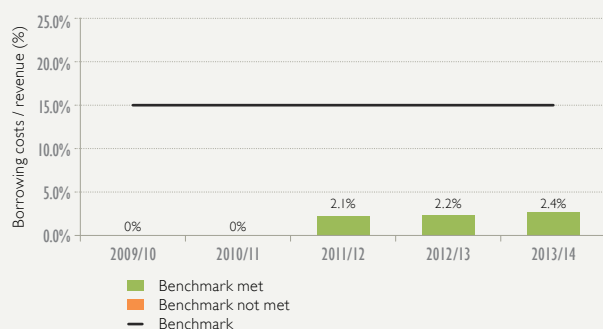
The following graph displays Council's capital expenditure on network services as a proportion of depreciation on network services.

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



### Debt servicing benchmark

The following 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).

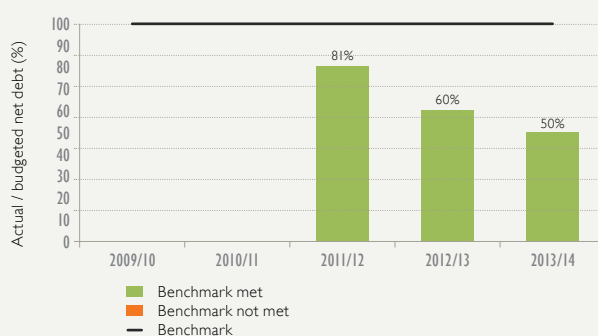


Because Statistics New Zealand projects that Council's population will grow faster than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 15% of its planned revenue.

### Debt control benchmark

The following 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).

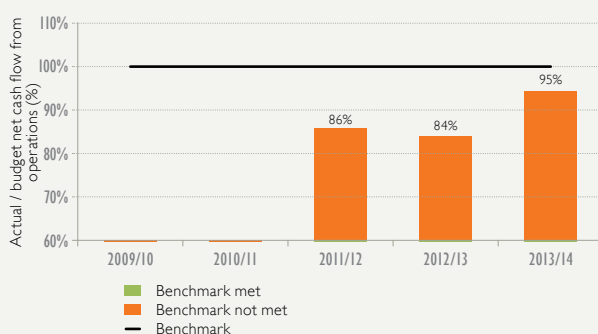
Council meets the debt control benchmark if its actual net debt equals or is less than planned net debt.



### 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.







# Auditor's Report

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

## Independent Auditor's Report

### To the readers of Waikato District Council and group's annual report for the year ended 30 June 2014

The Auditor-General is the auditor of Waikato District Council (the District Council) and group. The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand to audit:

- the financial statements of the District Council and group that comprise:
  - the statement of financial position as at 30 June 2014 on page 71;
  - the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2014 on pages 70 and 72 to 74; and
  - the notes to the financial statements that include accounting policies and other explanatory information about the financial statements on pages 75 to 130;
- the statement of service provision of the District Council on pages 17 to 59 and each group of activities carried out by the District Council on pages 19 to 59;
- the funding impact statements in relation to each group of activities of the District Council on pages 132 to 139;
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 132 to 139;
- the funding impact statement of the District Council on page 131; and
- the disclosures of the District Council that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 141 to 142.

In addition, the Auditor-General has appointed me to report on whether the District Council and group's annual report complies with the *Other Requirements* of schedule 10 of the Local Government Act 2002, where applicable, by including:

- information about:
  - internal borrowing on page 111;
  - reserve funds on pages 75 to 77;
  - remuneration paid to the elected members and certain employees of the District Council on pages 119 to 120;
  - employee staffing levels and remuneration on page 120;
  - severance payments on page 120;

- council-controlled organisations on pages 63 to 66;
- rating base units on page 87; and
- insurance of assets on page 130;
- a report on the activities undertaken by the District Council and group to establish and maintain processes to provide opportunities for Maori to contribute to the Council's decision-making processes on page 54; and
- a statement of compliance signed by the mayor of the Council, and by the District Council and group's chief executive on page 149.

## Opinion

### Audited information

In our opinion:

- the financial statements of the District Council and group on pages 70 to 130:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - the District Council and group's financial position as at 30 June 2014; and
    - the results of its operations and cash flows for the year ended on that date;
- the statement of service provision of the District Council on pages 17 to 59:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects the District Council's levels of service for the year ended 30 June 2014, including:
    - the levels of service as measured against the intended levels of service adopted in the long-term plan; and
    - the reasons for any significant variances between the actual service and the expected service;
- the funding impact statements in relation to each group of activities of the District Council on pages 132 to 139, fairly reflects by each group of activities, 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;
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 132 to 139, fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the District Council's long-term plan or annual plan;

- the funding impact statement of the District Council on page 131, fairly reflects 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; and
- the disclosures on pages 75 to 130 represent a complete list of required disclosures and accurately reflects the information drawn from District Council's audited information.

### **Compliance with the other requirements of schedule 10**

In our opinion, which is not an audit opinion, the District Council and group's annual report complies with the *Other Requirements* of schedule 10 that are applicable to the annual report.

Our audit was completed on 13 October 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and we explain our independence.

### **Basis of opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and statement of service provision. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the District Council and group's preparation of the information we audited that fairly reflect the matters to which they relate. We consider internal control in order to design 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.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of all disclosures in the information we audited;

- determining the appropriateness of the reported statement of service provision within the Council's framework for reporting performance; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited.

When reporting on whether the annual report complies with the *Other Requirements* of schedule 10 of the Local Government Act 2002, our procedures were limited to making sure the information required by schedule 10 was included in the annual report, where relevant, and identifying material inconsistencies, if any, with the information we audited. This work was carried out in accordance with International Standard on Auditing (New Zealand) 720; *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*. As a result we do not express an audit opinion on the District Council's compliance with the requirements of schedule 10.

We did not evaluate the security and controls over the electronic publication of the information we are required to audit and report on. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate evidence to provide a basis for our opinion.

## Responsibilities of the Council

The Council is responsible for preparing:

- financial statements and statement of service provision that:
  - comply with generally accepted accounting practice in New Zealand;
  - fairly reflect the District Council and group's financial position, financial performance and cash flows; and
  - fairly reflect its service performance, including achievements compared to forecast;
- funding impact statements in relation to each group of activities that fairly reflects by each group of activities 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;
- statements about budgeted and actual capital expenditure in relation to each group of activities that fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the District Council's long-term plan or annual plan;
- a funding impact statement that fairly reflects 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;
- disclosures in accordance with the requirements of the Local Government (Financial Reporting and Prudence) Regulations 2014; and



- the other information in accordance with the requirements of schedule 10 of the Local Government Act 2002.

The Council is responsible for such internal control as it determines is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Council is also responsible for the publication of the annual report, whether in printed or electronic form.

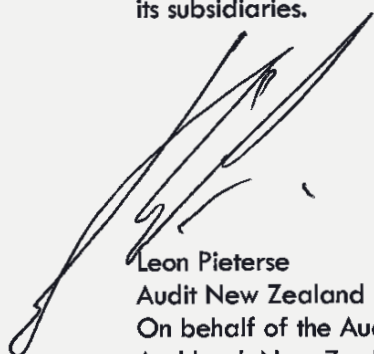
The Council's responsibilities arise under the Local Government Act 2002.

### **Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on, the information we are required to audit, and whether the Council has complied with the *Other Requirements* of schedule 10, and reporting that opinion to you. Our responsibility arises under section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

### **Independence**

When carrying out this audit, which includes our report on the *Other Requirements*, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. Other than this audit, which includes our report on the *Other Requirements*, we have no relationship with or interests in the District Council or any of its subsidiaries.



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

# Statements of Compliance and Responsibility

## Statement of Compliance

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

## Statement of Responsibility

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

In the opinion of the Council and management of the Waikato District Council, the Annual Financial

Statements and Statements of Service Performance for the year ended 30 June 2014 fairly reflect the financial position and operations of the Council.

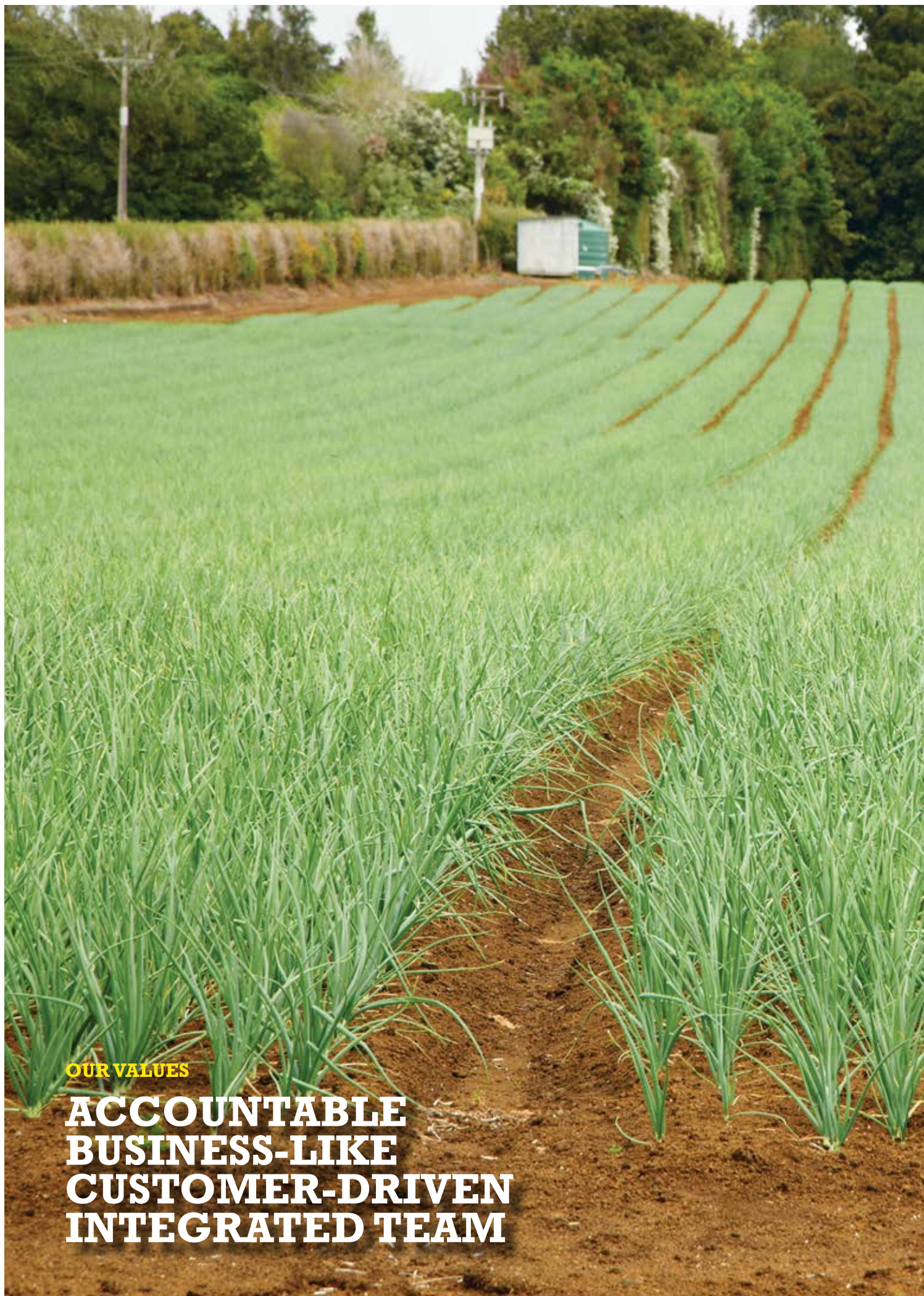


Allan Sanson  
Mayor



Gavin Ion  
Chief Executive





#### OUR VALUES

**ACCOUNTABLE  
BUSINESS-LIKE  
CUSTOMER-DRIVEN  
INTEGRATED TEAM**







**Waikato District Council**

15 Galileo Street,  
Ngaruawahia,  
New Zealand

Private Bag 544,  
Ngaruawahia 3742  
New Zealand

PHONE 07 824 8633

FREEPHONE 0800 492 452

FAX 07 824 8091

**[www.waikatodistrict.govt.nz](http://www.waikatodistrict.govt.nz)**

