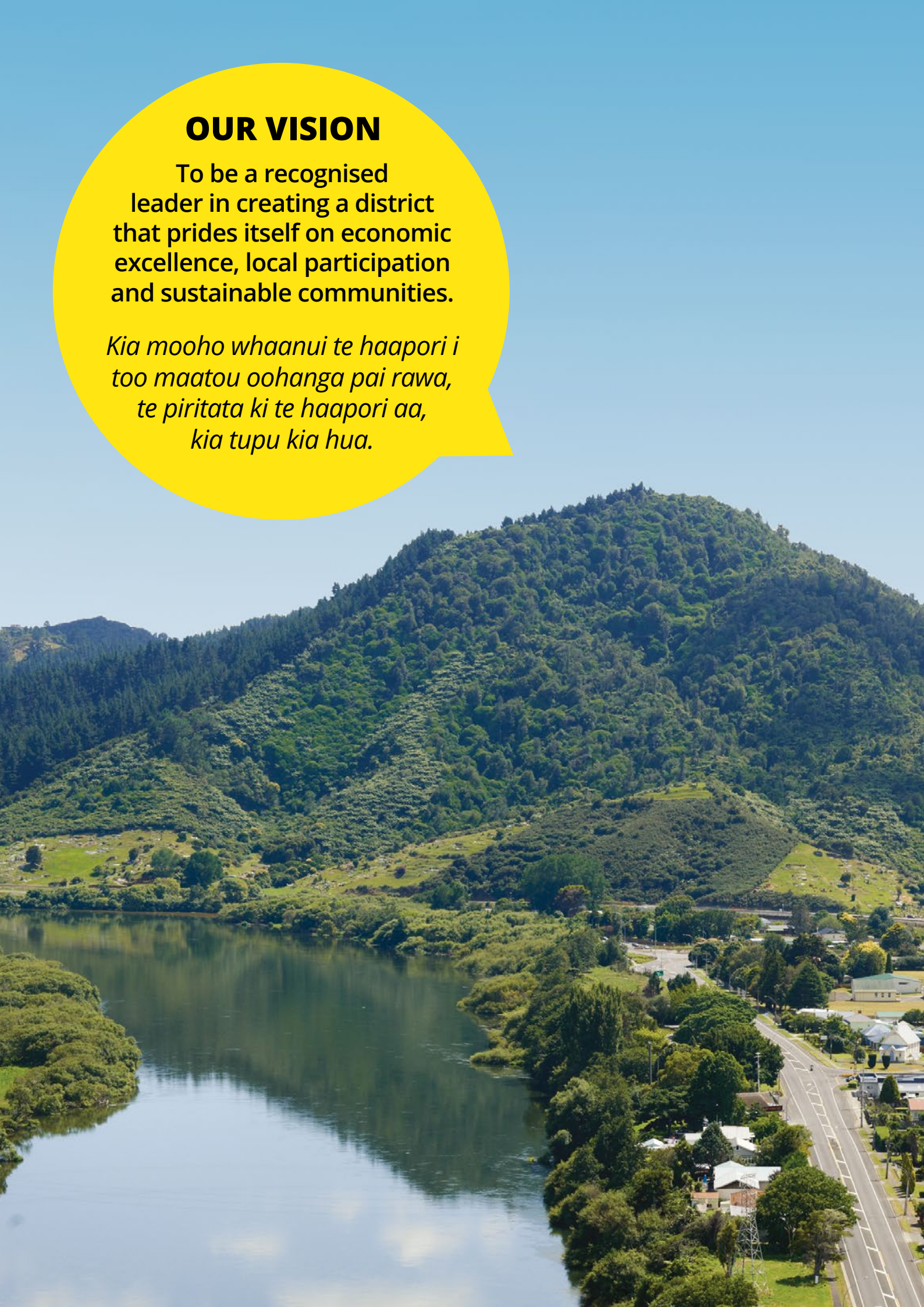


# GROWING THE DISTRICT OUR JOURNEY SO FAR



**ANNUAL** REPORT 2015/16  
*Te Riipoata-a-tau*





# OUR VISION

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

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

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# THIS IS WAIKATO DISTRICT

### WAIKATO IS HOME TO...

**69,900**  
PEOPLE  
(24.3% IDENTIFY AS MAAORI)

**162** NEW  
NZ  
CITIZENS IN 2015/16

**14,254** DOGS





### WAIKATO SPANS...

OVER


**452,000**

HECTARES  
OF LAND

### IN 2015/16 WE SUPPORTED...

**167**


COMMUNITY  
GROUPS



AND

**253**

DOGS WERE  
RE-HOMED



### WE PROVIDE...

**12,568,040**

LITRES OF  
DRINKING WATER A DAY

**53** PUBLIC  
TOILETS  
USED BY 3,500  
PEOPLE EVERY DAY

**12**   
SKATEPARKS

**43**   
SPORTS PARKS

**3** SWIMMING  
POOLS

REGULAR  
COLLECTIONS  
FOR 10,300  
TONNES OF  
REFUSE EACH YEAR

### WE MAINTAIN...

**1,830KMS**   
OF SEALED ROADS

**221KMS**  
OF FOOTPATHS

**604KMS**  
OF UNSEALED  
ROADS 

**51** NEIGHBOURHOOD  
RESERVES 

**34**   
COMMUNITY HALLS

### WE OPERATE...

**6** LIBRARIES THAT SERVICE  
18,264 LIBRARY MEMBERS 

**31** WATER  
RESERVOIRS  
WITH A TOTAL  
CAPACITY OF **18,690m³**

**10** WATER TREATMENT  
PLANTS WITH A TOTAL CAPACITY  
OF **19,000m³** 

 **2** ANIMAL  
SHELTERS

**22**  
CEMETERIES

**23** DOG  
EXERCISE AREAS

## OVERVIEW TIROHANGA WHAANUI

03

This is Waikato district

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Our role and structure

04

From the Mayor  
and Chief Executive

07

Who we are

# FROM THE MAYOR AND CHIEF EXECUTIVE

## Managing a growing district

Over the past year our focus has been on planning for and managing rapid growth in our district.

As spill-over demand from Auckland's housing crisis spreads south, and as the Waikato region continues to develop as a nationally significant freight and transport juncture for the upper North Island, we have worked to ensure we manage our growth in ways that are socially, environmentally and economically sustainable.

We have also continued to work with our neighbouring councils in the Waikato region and Auckland to reach common understandings over shared cross-boundary issues.

## Infrastructure management

We continued to make progress in developing ways for maintaining and building the infrastructure we need to support an expected population growth of more than 26 per cent over the next 15 years (from about 69,900\* this year to 88,200\* in 2031.)

Results from the first year of our new roading 'Alliance' with Downer NZ have demonstrated that the new contract model is delivering improvements in efficiency and customer responsiveness for our roading and footpath maintenance services. We can now look forward confidently to continuing to meet our growing infrastructure needs as the development of the new Waikato Expressway will, when it is completed, add nearly 100 kilometres of ex-State Highway roading to our district network.

We adopted a draft Record of Agreement (RoA) to form a water and wastewater Council-controlled organisation (CCO) with Hamilton City and Waipa District Councils to manage water supply and waste water across the sub-region. Provided all three councils confirm their commitment to this initiative after the October local body elections, a formal proposal will be subject to public consultation in 2017. Independent reports suggest a CCO would provide financial savings, as well as other benefits including improved environmental compliance, higher quality drinking water, fit-for-purpose infrastructure and the opportunity to maximise our joint expertise.

## Shared services initiatives

We continued to investigate the potential for developing more shared services with other local councils in areas such as procurement, and systems for human resources (HR) and geographic information (GIS). In doing so, we are mindful of the new Section 17A of the Local Government Act that requires us to review the cost-effectiveness of the funding, governance and delivery of all our services by August 2017, and regularly thereafter.

## Strong financial performance

We met our financial targets. We have maintained a judicious balance in setting rates and debt levels that are affordable, but that also enable us to provide for the present and future needs of our growing community.

Average rates per rateable property were \$2,596 for the 2015/16 year and this sits comfortably within Government affordability measures. Average debt per rateable property is \$2,012. This is 65 per cent below our current debt servicing limit and leaves a generous capacity for funding services and facilities needed to meet future growth.

Following the sale of its quarry interests to Fulton Hogan, our CCO Strada Corporation Ltd reviewed its strategic direction in an increasingly competitive road contracting industry. It made the decision to close, and will be wound up once the sale of its assets is concluded. The Council will receive a dividend and return of capital through this process.

## Economic development

Recognising the need to balance a growth in population with a growth in employment opportunities and vice versa, we adopted a strategy for implementing our Economic Development Plan to capitalise on the district's growth potential in areas of economic strength – including primary and food industries, energy, freight and logistics.

Major developments during the year included the opening of Yashili NZ's \$220m infant formula plant in Pokeno in November, and the Ports of Auckland decision in February to purchase 33 hectares of land for an inland freight hub at Northgate Business Park in Horotiu.

*\*University of Waikato population projections*

We submitted a Registration of Interest for extended Government funding of broadband in our district, supported by a Digital Enablement Plan.

We also partnered with Waikato Innovation Park to offer a free advisory service for North Waikato firms needing help to establish and grow their businesses.

## Caring for our environment

Waikato communities send more than 35,000 tonnes of refuse to landfill, but 64 per cent of it (23,000 tonnes) could be recycled in some way. We embarked on a major waste minimisation campaign and community consultation that has led to the introduction of new refuse and recycling services throughout our district starting in the new financial year.

As part of our District Plan Review we engaged with 4,500 property owners to seek feedback on sites we proposed identifying as Significant Natural Areas to protect the biodiversity of our district.

We're disappointed that we suffered two wastewater spills into Raglan Harbour this year. The Council has approved funding for some short term actions to improve the situation whilst we develop a longer term plan to minimise future incidences.

## Building communities together

Growth inevitably brings change. We are working hard to ensure we build our communities as our townships grow. We've undertaken new inclusive initiatives to bring people together from Youth Awards to 'placemaking' projects to revitalise the public spaces in our towns. We've also adopted new methods for engaging with our communities, from the introduction of new online services and searchable databases on our website, to meeting with you on local market days.

We also committed grants totalling more than \$1.2m on behalf of the Creative Communities Scheme Fund, the Waikato District Community Wellbeing Trust, and from targeted and discretionary council funds, for distribution to nearly 200 community groups, organisations and charities throughout the district to enable our communities to come together to meet some of their own needs.

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

**"Growth inevitably brings change. We are working hard to ensure we build our communities as our townships grow."**



Allan Sanson  
Mayor

Gavin Ion  
Chief Executive

# OUR ROLE AND STRUCTURE

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

## Wards

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

## Community boards

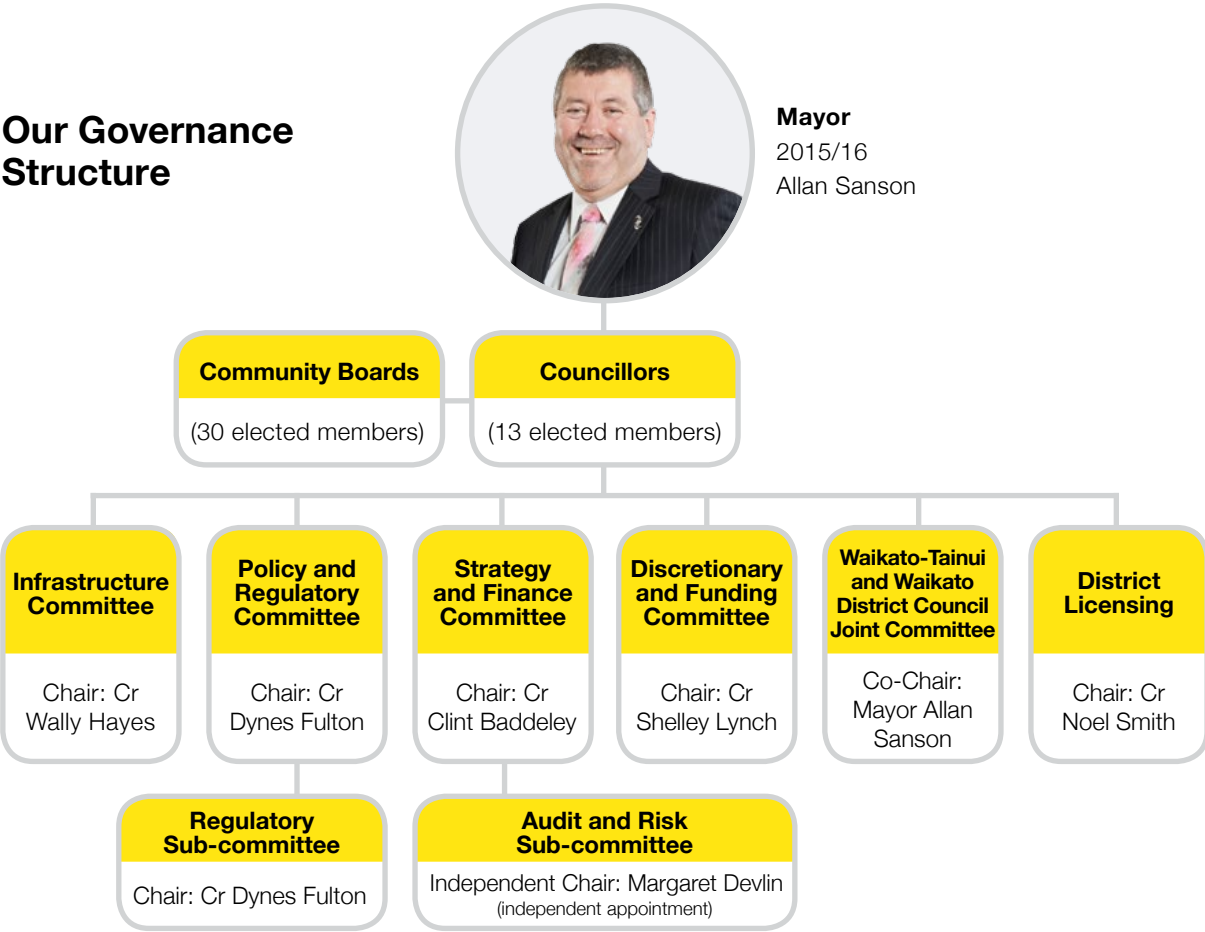
Five community boards, whose members are elected within the board areas, deal with local issues within their areas. Community boards are established in Huntly, Ngaruawahia, Onewhero-Tuakau, Raglan and Taupiri.

## Community committees and groups

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

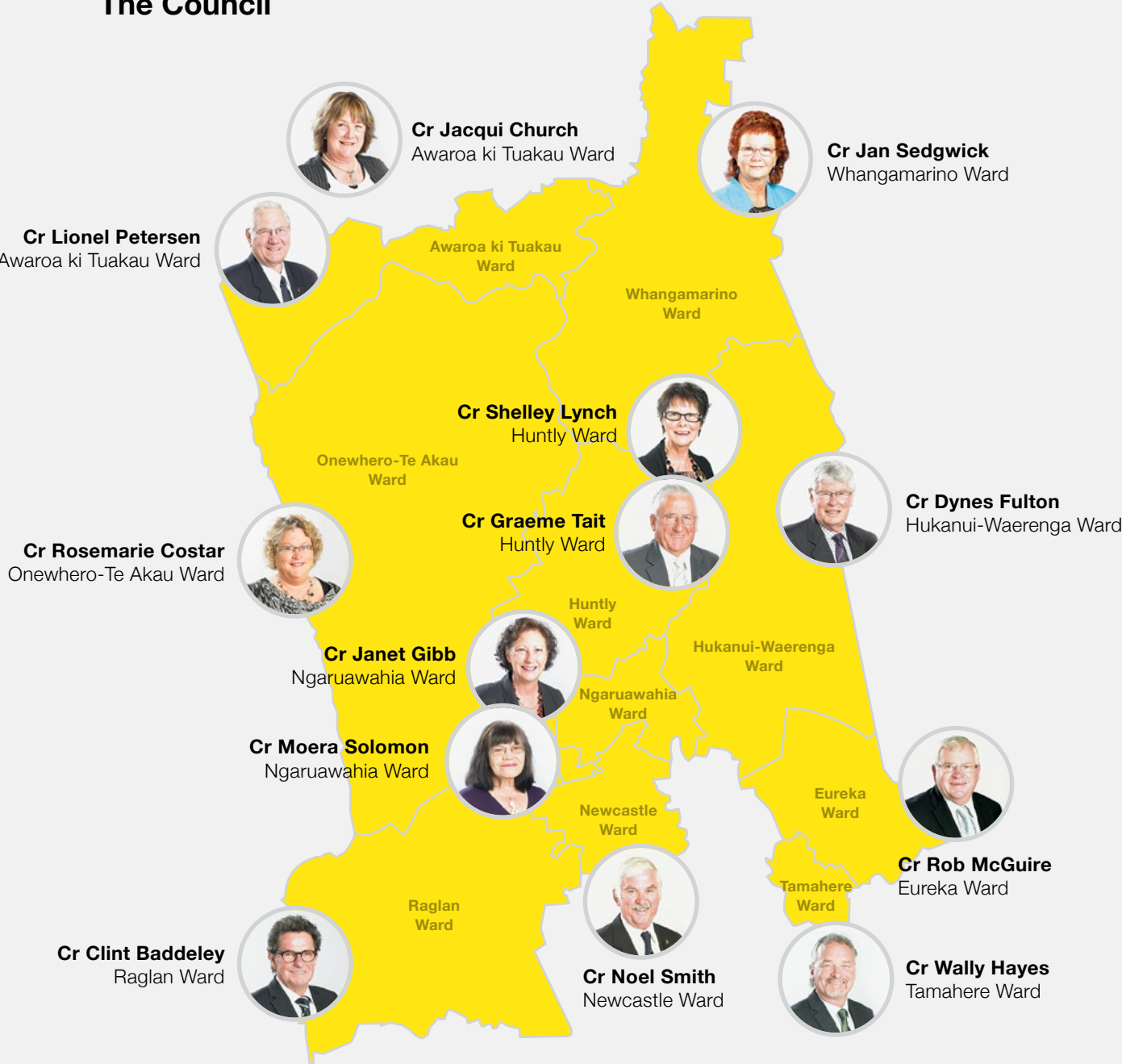
They include: Aka Aka, Eureka, Glen Afton/ Pukemiro, Gordonton, Horsham Downs, Matangi, Meremere, Newstead, North East Waikato (including Mangatawhiri, Mangatangi and Maramarua), Pokeno, Port Waikato, Pukekawa, Rangiriri, Tamahere, Te Kauwhata, Te Kowhai, and Whatawhata.

## Our Governance Structure

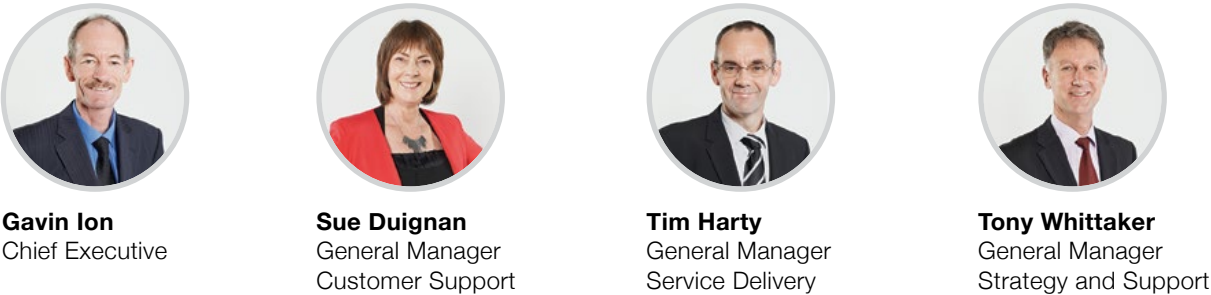


# WHO WE ARE 2015/16

## The Council



## The Executive Team





# STATEMENT OF SERVICE PROVISION

## TAUAAKI RATONGA WHAKARITENGA

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<b>42</b>	<b>Water supply</b>		
<b>47</b>	<b>Organisational support</b>		
<b>48</b>	<b>Progress towards community outcomes</b>		

# STATEMENT OF SERVICE PROVISION

## What we did

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

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

## People

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

## Economy

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

## Energy

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

Activity	Outcome		
	People	Economy	Energy
Governance	✓	✓	✓
Sustainable Communities <ul style="list-style-type: none"><li>- Customer and partnership focus</li><li>- Economic development</li><li>- Emergency management</li><li>- Grants and donations</li><li>- Parks and facilities</li></ul>	✓	✓	✓
Sustainable Environment <ul style="list-style-type: none"><li>- Animal control</li><li>- Building quality</li><li>- Environmental health</li><li>- Strategic and district planning</li><li>- Solid waste</li></ul>	✓	✓	✓
Roading	✓	✓	✓
Stormwater	✓	✓	✓
Wastewater	✓	✓	✓
Water Supply	✓	✓	✓
Organisational Support			

## How we did

We have established performance measures for our work programmes to gauge our progress towards the community outcomes identified. In the following pages, you'll see we have shown how we're doing against our performance measures. We've used the 'traffic light' system to indicate whether:

- We've achieved
- We're on track towards the target but haven't quite made it (within 5%)
- We've not met the target (variance greater than 5%)

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

# GOVERNANCE

## What we did

### Involved our communities in decision-making

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

We engaged with our communities on more than 30 initiatives, plans, strategies and bylaws throughout the year, from the Freedom Camping Bylaw to plan changes to our District Plan, and from our Sport and Recreation Strategy to rolling out our Youth Engagement Plan.

To help make it easier for you to deal with us we expanded our efforts to interact and consult with you through electronic and print communications and surveys, and we've been coming to your communities by running public meetings and market day stands. We also upgraded our Council website – providing a wider range of online services and searchable databases – and attracted nearly 150,000 people to visit our website over the past year (compared with a district population of about 69,900).

We developed a Youth Engagement Plan and we hosted our inaugural Youth Awards to recognise youth leadership in our community. We also recognised the outstanding contribution being made by community volunteers across the district in our biennial Mayoral Community Awards.

A new 'placemaking' strategy is designed to give communities 'ownership' of their public places. We talked with our communities in Pokeno, Tuakau, Huntly, Ngaruawahia and Raglan to help identify projects to revitalise the public spaces in our towns.

As a Council we have set ourselves a challenge to have the most engaged community by 2020 and we have established annual performance indicators for our staff to meet this goal.

### Monitored our performance

We continued to measure your response to how we work with you through an independent customer satisfaction survey which involves weekly telephone polling. We are pleased to hear you think we are responsive and becoming easier to work with, but we know we still have a way to go to ensure we engage with you on all the right issues.

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

### Developed our regional partnerships

Through the Waikato Mayoral Forum we continued to work with other Waikato councils to develop a first draft Waikato Plan to guide regional development in four priority areas: planning for population change, getting investment right, partnering with iwi/Maaori, and addressing issues around the allocation and quality of fresh water. Public consultation on the Waikato Plan is due in early 2017.

### Maintained iwi partnerships

Tangata whenua are partners in Future Proof, the sub-regional growth strategy we've established with Hamilton City, Waipa District and Waikato Regional Councils. We met regularly with our regional tangata whenua reference group, Nga Karu Atua o te Waka, on sub-regional growth and iwi development issues.

In line with our Joint Management Agreement (JMA) with Waikato-Tainui and our Waipa River JMA with Ngati Maniapoto we held co-governance forum hui (meetings) with representatives from each of these iwi.

A planned outdoor celebration of the anniversary of the 2010 signing of our historic Waikato River JMA with Waikato-Tainui was postponed until the new financial year as a result of bad weather.

We continued to consult regularly with recognised Iwi Management Committees in our district on proposed plan changes to the operative District Plan as well as on the District Plan Review.

### Established democratic representation

In recognition of the fast growth being experienced in Pokeno we established a new Pokeno Community Committee to provide a formal voice for that community and a formal structure through which the Council can maintain strong links with the community.

## How we did

Performance measures	2014/15 result	2015/16 target	2015/16 result	Rating	Explanation
Satisfaction of residents that they were able to contact their councillor as and when required.	New measure	100%	76%		The contact details of our councillors are available on our website or through the call centre. Some of our councillors also write regular columns for community newspapers – their contact details are included at the end of the column.
Number of upheld objections/appeals lodged against election process.	0	0	0		No election processes have been undertaken during the 2015/16 financial year.
Number of joint committee meetings held per annum.	New measure	2 Waikato-Tainui, 2 Maniapoto	1 Waikato-Tainui, 1 Maniapoto		Two joint meetings were held successfully. Attempts to organise a second JMA meeting with Waikato-Tainui were unsuccessful. A second meeting with Maniapoto was held just after the year's end.
Number of identified or notified breaches/objections under Joint Management Agreements, MOU's and MOA's.	New measure	0	0		No breaches were identified.
Number of formal governance hui held between the Council and iwi/hapuu groups.	New measure	Minimum of 3	4		Target met.
Percentage of minutes of all open meetings that are made publicly available via the Council's website.	100%	100%	100%		Target met.
Percentage of Council decisions that comply with statutory requirements.	New measure	100%	100%		All Council decisions taken during the course of the 2015/16 financial year have complied with statutory requirements and met the Council's statutory obligations. These decisions are minuted in the Council agendas.

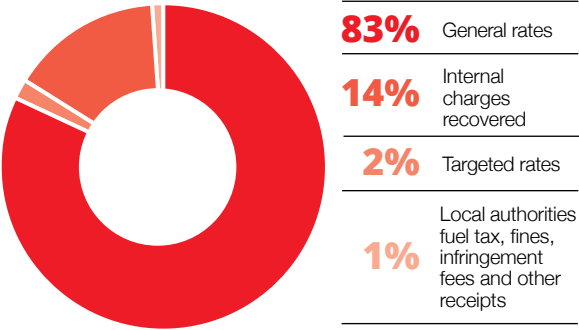
## What this tells us

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

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

## How we paid for it

### Operational funding



# SUSTAINABLE COMMUNITIES

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

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

## Customer and partnership focus

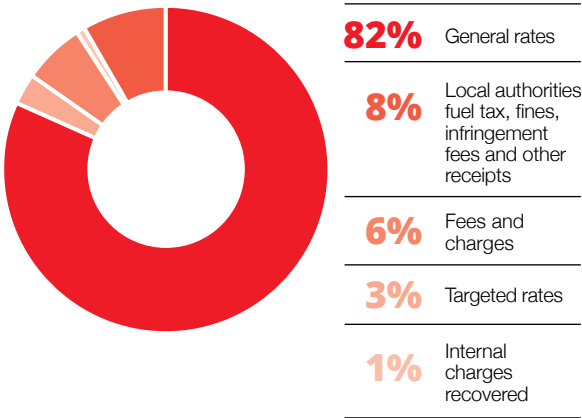
We want to make it easy for you to contact us about issues and questions regarding the services we provide. Key contact points include staff in our libraries and service centres, and our call centre. In order for our customer to feel supported outside of normal working hours, an after-hours service is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

## Economic development

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

## How we paid for it

### Operational funding



## Emergency management

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

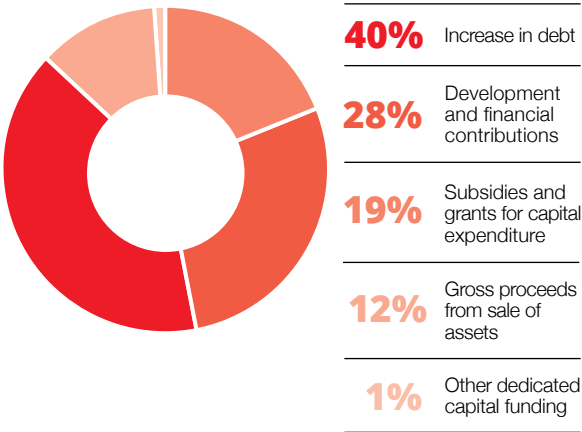
## Grants and donations

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

## Parks and facilities

We provide many parks and reserves, playgrounds and public facilities including aquatic centres and libraries, walkways and sports grounds, providing the facilities and amenities needed for a healthy and thriving community.

### Capital funding



# Customer and partnership focus

## What we did

### Customer satisfaction survey

We set high targets for responding to and engaging with our community and commissioned the National Research Bureau to undertake a customer satisfaction survey by means of randomised telephone polling throughout the year. Overall results varied from 41 per cent satisfaction that the Council engages with customers on the right issues through to 90 per cent satisfaction with the district’s parks and reserves, including sports fields and playgrounds, and 93 per cent satisfaction with the quality of our library services.

### Staff responsiveness

We introduced new critical training for our customer delivery staff to support them in dealing with customers to resolve difficult situations or enquiries. We provided this team with more technical knowledge to empower our customer delivery staff to resolve queries at first point of contact, and as our ability to do this rose through the year the number of repeat calls dropped.

We also consistently exceeded targets for the timeliness of our response to customers’ service requests.

Positive comments in support of our survey results showed that customers found Council staff helpful and easy to deal with, although satisfaction with the resolution of requests hovered at 59 per cent overall despite exceeding targets in some quarters.

### Customer engagement

We engaged with our communities on more than 30 initiatives, plans, strategies and bylaws during the year, from the Freedom Camping Bylaw to plan changes to our District Plan, and from our Sport and Recreation Strategy to rolling out our Youth Engagement plan. To complement our formal consultation processes we undertook electronic and print communications and surveys, and ran public meetings and market day stands.

Our online customer engagement has surged as a result of upgrading our website and expanding our online services and searchable databases. Compared with 2014/15, website analytics for 2015/16 show a 29 per cent rise in visits to the website, a 27 per cent rise in users (to nearly 150,000 unique visitors), and a 17 per cent increase in page views. There’s been a jump in website traffic coming to the site via social media (up 488 per cent) and a big rise in visitors viewing the website using mobile (up 90 per cent) and tablets (up 27 per cent).

### Library services and opening hours

Our libraries are an important focus for community activity. Based on customer feedback we extended our library opening hours in Ngaruawahia, Raglan and Tuakau, and we’ll extend opening hours at Te Kauwhata and Huntly in the second half of the 2016 calendar year. This has made it easier for customers to make use of the facilities, engage in learning opportunities and do some council business after hours, like paying rates at our integrated sites.

Another new initiative saw the introduction of tablet devices at self-led learning stations in our libraries at Ngaruawahia, Raglan, Te Kauwhata and Tuakau. The tablets are pre-loaded with learning applications (apps) such as TED talks and searchable newspaper files. The tablets will also be introduced at the Huntly and Meremere libraries in the second half of the 2016 calendar year.

We are in the process of reviewing our Collections Policy and started buying more Te Reo and heritage books in line with our policy and customer demand. We also started planning for the refurbishment of the Huntly library.



How we did

Performance measures	2014/15 result	2015/16 target	2015/16 result	Rating	Explanation
Percentage of customers satisfied that the Council engages with the community regarding the right issues.	New measure	60%	41%		The result is disappointing as it does not reflect the amount of engagement activities the Council has undertaken during 2015/16. We will continue to actively engage with the community in 2016/17 in line with our Community Engagement Strategy, our work programme and legislative requirements.
Percentage of customers satisfied with the ease of access to information regarding key community issues.	New measure	60%	46%		The Council has interacted with the community through various means (e.g. website, social media, The Link, open and market days and letter drops) throughout the year. Staff are always on hand to address any request for information. A very high neutral response to our survey means the 'low satisfaction' score may be misleading.
Percentage of customers satisfied that the material available on key issues is clear and provides sufficient information to allow feedback.	New measure	60%	42%		We always try to provide information in a clear, concise manner whilst not detracting from key messages and legislative requirements. We will continue to try to simplify complex issues communicated to the public and look at best practice approaches.
Percentage of customers satisfied that council provides a suitable range of options and avenues to engage through.	New measure	60%	50%		The final result does not adequately reflect the effort that councillors and staff have placed on engagement, using face to face and postal techniques and a range of traditional and online media.
Percentage of customers satisfied that Council provides sufficient time and opportunity for engagement with the community.	New measure	60%	47%		The times and opportunities for engagement are agreed with our councillors as they (as the elected representatives) have a good understanding of their communities. We provided numerous engagement opportunities throughout the year. It's hard to ascertain why the result is falling short.
Average level of effort to conduct business with council. On a scale of 1 – 5 (5 being high effort) how much effort did it take to conduct your business with the Council?	New measure	Less than or equal to 3	2.6		Staff have embraced the 'every interaction counts' sentiment and the effort required by our customers has reduced. Survey feedback indicates we need to concentrate on 'closing loops' for customers by giving clear explanations and making the right person available.
Percentage of CRM calls responded to within agreed timeframes.	New measure	80%	93%		These results have been steady since January 2016. For five consecutive months the results were over 90%, which indicates that the changes brought about by our Service Request Project have stabilised and moved performance to a new norm.
Percentage of respondents/ customers who are satisfied or very satisfied with the resolution of their request of the Council.	New measure	70%	59%		Again, we need to 'close loops' for customers. Dissatisfaction with outcomes is usually amplified when customers do not feel a reasonable explanation is present or it is difficult to personally engage with appropriate staff.

Performance measures	2014/15 result	2015/16 target	2015/16 result	Rating	Explanation
Percentage of respondents who are satisfied or very satisfied with the overall service received when contacting the Council.	70%	75%	66%		Customers have rated us higher for 'service received' than 'satisfaction with resolution of request'. All staff are making an effort to represent the Council professionally and to make every interaction count. In this and other measures, neutral survey responses have affected results.
Net Promoter Score (level of likelihood that library users will recommend to friends and family their library as a place to go).	New measure	80%	93%		93% of respondents say they would recommend our libraries as a place to go. The 2016/17 survey will continue to focus on our existing customer satisfaction but also try to understand how we can engage with community members who are not currently using our growing number of library services.
Level of customer satisfaction that the quality of library resources meets their needs.	New measure	90%	93%		A very positive response. Our focus for the next survey will be to increase the number of respondents through improved customer engagement and better use of online channels. We also want to survey non library users to understand why they choose not to engage with our six district libraries.
Percentage of books that are less than five years old.	New measure	50%	69%		We have culled old stock, rotated our collection across sites and purchased new material to meet our members' needs. Our 2016/17 Collection Policy review will focus on non-fiction material as technology is reducing customer needs for hard copy books of this type.
Percentage of books that are less than 10 years old (excluding reference, specialist items, local history and core stock of long term value).	New measure	100%	93%		The reporting software does not easily identify reference material and stock of long term value and it's assumed some of this stock is being included in the main collection reporting. A Collection Policy review in 2016/17 will gather all relevant and necessary data to ensure our collection and services are meeting the needs of our customers and communities.
Percentage of time that access to a free internet service is available in libraries.	100%	100%	98%		We have not achieved this target due to the Ngaruawahia Library refurbishment. During the site closure asbestos was found within the building which meant the hardware required to operate the free WIFI and internet service was not accessible. Apart from Ngaruawahia, the internet service has been utilised consistently at all sites throughout 2015/16. This service provides a number of customers with their only platform to access resources, entertainment and online communities.
Number of publicly shared reports assessing Council's progress against its goals and objectives.	New measure	4	4		The quarterly non-financial report is presented to the Strategy and Finance Committee and then displayed as part of the Our Plan boards.

What this tells us

Satisfaction with the way in which we engage with our communities on key issues was low despite a strong Council focus on this area.

This may be partly due to the high number of initiatives we must undertake to plan and cater for the high growth we are experiencing in our district.

Survey results varied through the year depending on the issues at hand and the level of perceived engagement activity. Many customer satisfaction targets were surpassed in some periods even if the overall results for the year were below target. Overall there were also high 'neutral' response rates and relatively low dissatisfaction scores on questions relating to community engagement, so some 'low satisfaction' results may be misleading.

Potential significant negative effects

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

Economic development

What we did

Strategy

In 2015/16 we adopted an Economic Development Plan and implementation strategy to map a way ahead for our district. The Plan identifies the potential for growth in proven areas of economic strength, including primary and food industries, energy, freight and logistic industries. It also identifies the opportunities provided by the district's geographic positioning between the other growth regions of Auckland and Bay of Plenty and the Government's major investment in roading infrastructure through the Waikato district to link these major growth regions.

Regional approach

North Waikato has strong ties with Auckland Council's Franklin ward and we continue to meet with Franklin Local Board representatives to develop cooperative approaches to cross-boundary issues such as roads and transport, planning spaces, economic development and how to handle growth.

We're also working with our regional partners through the Waikato Mayoral Forum to develop a prospectus to promote the Waikato region to attract visitors, businesses and talent to support its economic development. The 'Waikato Story' has been prepared

and a website is the next phase for the new financial year. We also helped review priorities within the regional economic development strategy, 'Waikato Means Business'.

Tourism is a regional growth industry. Along with six other councils across the region, Waikato District Council co-funds Hamilton & Waikato Tourism to promote the district both domestically and internationally. We are currently supporting the agency to develop a regional tourism opportunity plan which will help to identify local visitor product development opportunities. We are also helping fund a Franklin Tourism Group to focus on developing a strong tourism operators' network in North Waikato.

Highlights

New business development

Latest figures show an annual employment growth to March 2015 of 3.1 per cent (compared with 2.4 per cent nationally) and a 2.2 per cent growth in the number of businesses in the district (compared with 1.8 per cent across New Zealand).

Major developments during the year included the opening of Yashili New Zealand's \$220m infant formula manufacturing plant in Pokeno in November 2015, bringing a major exporter and 85 new jobs to the region. After attending our economic development conference in October 2014, Ports of Auckland announced in February this year it was purchasing 33 hectares of land at Northgate Business Park, Horotiu, for development as a freight hub. The Waikato freight hub is designed to serve growth in the region and to complement an existing network of freight hubs in South Auckland, Manawatu and Bay of Plenty.

We continue to support other potential developments in our district, notably in the food industry, through our 'Open Waikato' economic development initiatives.

We also partnered with Waikato Innovation Park to offer a free advisory service for North Waikato firms needing help to establish and grow their businesses.

Ultrafast broadband

In September 2015 we submitted a Registration of Interest (ROI) for extended Government funding of broadband in our district. We also developed a Digital Enablement Plan with a budget of \$100,000 to support initiatives in any Waikato district areas identified by the Government for this extended funding. In May we surveyed the Tamahere and Matangi communities to help ascertain whether there was sufficient community support to attract commercial investment in fibre-based broadband for the area.

How we did

Performance measures	2014/15 result	2015/16 target	2015/16 result	Rating	Explanation
Net Promoter Score (level of likelihood that business owners will recommend WDC as a district to do business in).	-8.0	20% increase on previous year (-6.4)	+6 (A positive shift of 14 percentage points)		Respondents in the business perception survey rated the Waikato district 8.6 out of 10 as a place to do business, and we achieved a Net Promoter Score of 6. These results are very positive and continue the trend of an improving perception for the district.
The percentage increase in number of business units in the Waikato District (Same or higher than New Zealand growth rate in number of business units).	New measure	District growth rate is = or higher than NZ growth rate	2.20		The percentage increase in geographic (business) units in the Waikato district for 2015/16 was 2.2%. The corresponding increase for all New Zealand was 1.78%. This reflects the growth in district population and supports the perception that the district is attractive to new businesses.
Number of enquiries that generate through the Open Waikato website.	New measure	20% increase on previous year	109%		A total of 67 enquiries were received through the Open Waikato website in 2015/16. This is a significant increase on the 32 enquires we received in 2014/15. The appointment of a new marketing resource is expected to further increase the number of enquiries through this channel.
Measureable tourism expenditure in \$.	New measure	\$97m	\$85m		We set a target \$1m higher than MBIE's tourism expenditure estimates for 2014/15. After we adopted our LTP, MBIE changed their methodology for calculating expenditure and revised the 2014/15 figure down from \$96m to \$77.8m. Therefore, although tourism expenditure has increased, we have not met the target.
The percentage delivery of the Economic Development strategic work programme.	New measure	90%	93%		All projects were undertaken on time except recruitment of a marketing officer which occurred in July 2016. Projects completed include the submission to MBIE of a Digital Enablement Plan, the adoption of a new Economic Development Strategy, and a survey in Tamahere and Matangi to gauge community support for a fibre optic internet service.



What this tells us

Business and employment growth are supported by a population growth which has, in turn, fuelled a 54 per cent growth in new dwelling consents (to 791) in the past year. Statistics for the year to May 2016 show the number of new dwellings consented by Waikato District Council is now the third highest of any district council after Selwyn (in Canterbury) and Queenstown.

In response to the continuing growth the district is forecast to experience, we are planning infrastructural support for this growth with a particular focus on our larger towns including Huntly, Ngaruawahia, Pokeno, Raglan and Tuakau.

Increasing development is also fuelling a higher demand for Council services so we are continuing to focus on improving our overall customer service

and community engagement processes, including developing more online services.

Waikato district's reputation as a place to do business is increasing according to the six-monthly business perception surveys we've commissioned. In March 2016 respondents rated the district as 8.6 out of 10 as a place where business owners would recommend a colleague or friend do business. This compares with a rating of 7.9 out of 10 in April 2015. The 'net promoter score' for our district – which measures advocates versus detractors – rose to +6.0 in the March survey compared with -8.0 in the first survey in November 2014.

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

Emergency management

What we did

Disaster response capability

Civil Defence and Emergency Management (CDEM) training has been ongoing throughout the year. More than 100 council staff are now trained and capable of forming teams to operate and support the district's Emergency Operations Centre (EOC). About one third of these personnel have undertaken intermediate level CDEM training and some have completed advanced training. We also ran a successful council training exercise to test our standard operating procedures in the EOC.

We have helped facilitate the completion of four community response plans, and there are four more in development. We've also started discussions with other communities to help identify and bring together a local group prepared to take responsibility for this important function to ensure their community is ready to manage the first 72 hours of an emergency.

We took part in an annual North Island Red Cross exercise in September, and we promoted and took part in the Ministry of Civil Defence and Emergency Management's 'Get Ready Get Thru' public campaign in October. This included support for the innovative Waikato Civil Defence three-day 'Disaster House', publicised on social media, in which three young

people showed what it was like to survive three days on whatever they could grab from their homes in 10 minutes.

Business resilience

Having completed our district's Civil Defence Emergency Management Plan the previous year, this year we developed a 'recovery' plan for rehabilitation after a disaster. This includes how we prioritise and restore our critical infrastructure and services such as water and roading. We undertook a training exercise to test the plan and will continue to refine our capability to improve our business resilience in case of a civil emergency.

A commissioned assessment of tsunami risk on the district's west coast was completed and concluded that Port Waikato, Raglan Harbour and Aotea Harbour are at low risk of inundation, but tsunami waves would produce potentially dangerous currents that would persist for many hours, particularly at the entrance to each harbour.

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

How we did

Performance measures	2014/15 result	2015/16 target	2015/16 result	Rating	Explanation
The percentage of community response plans completed.	New measure	15%	13%		We have completed four community response plans, started four plans, and four plans are in the very initial stages of start-up. We will continue to work with communities around response plans in 2016/17.
Council maintains a minimum number of trained staff to fulfil core Emergency Operations Centre roles.	New measure	30 staff trained	103 staff trained		We have provided foundation training for 103 staff and intermediate training for 35 to fulfil core EOC roles. Going forward we will provide foundation training as part of the induction programme for new staff and intermediate training for staff identified for roles in the EOC.
Percentage of Council's business continuity processes implemented.	New measure	100%	100%		Key processes have been identified, captured and prioritised throughout the business. These processes contribute to a new framework which ensures that the business will be able to respond and recover as fast as practicable in the event of significant disruption.
Council manages local participation in the national Get Ready, Get Thru campaign annually.	New measure	100%	100%		Council participated in the 'Drop Cover Hold' exercise and 'Get Ready Get Thru' annual campaign.

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

# Grants and donations

## What we did

### Local groups supported

We made grants and donations from Council-owned or administered funds to support the work of 192 organisations and charities throughout the district that otherwise might not have access to funding for their work.

From Council-owned funds we committed more than \$1.2m for distribution to 167 local groups. Of this the largest single amount was \$600,000 set aside for Te Awa – Great New Zealand River Ride.

Another 21 local groups benefited from \$46,715 we distributed on behalf of the Creative Communities Scheme Fund, and the work of four more groups benefited from \$51,048 we distributed on behalf of an independent trust we administer, the Waikato District Community Wellbeing Trust (see page 57).

### Council funds committed

As identified in the table, nearly \$1m of Council funding was committed for distribution to 31 local groups as a result of consulting with you when we developed our Long Term and Annual Plans. A further \$256,360 of discretionary grants and other funding was committed for distribution to 136 local groups during the year through applications processes managed by Council committees and Community Boards.

One initiative we supported to benefit the district is the Bush Tramway Club's rebuilding of 500m of the Glen Afton heritage railway line to provide a real destination at Glen Afton for Sunday visitors each month.

Not all of the amount committed was distributed within the year under review. Rather than distributing the \$600,000 set aside for the Te Awa River Ride, it was decided it would be more beneficial to spend the money directly on the project by transferring it to the Council's roading team to help construct the final sections of the cycleway. So far \$367,000 has been spent on the recently-completed Ngaruawahia section. The balance will be spent in the new financial year to help construct the final Horotiu section which will complete a continuous riverside cycleway from The Point in Ngaruawahia to Hamilton Gardens.

Of other funding committed and not yet paid out, \$10,000 for Waikato district crime prevention initiatives will be released as soon as a new trust is established, and \$10,000 for the Onewhero Old School Building will be released when the balance of funding needed for the project is raised.

Some Council-owned funds distributed in 2015/16 arose from commitments made in the 2014/15 year. These are also identified in the table.

Description	Annual Plan 2015/16 Committed \$	Amount Paid 2015/16 \$
Twin Arts Information Centre	5,000	5,000
Raglan Museum	20,000	20,000
Air Ambulance	15,000	15,000
Northern Surf Lifesaving	34,500	34,500
Waikato District Sports Award	5,000	5,000
Life Education Trust	5,000	5,000
Ecosourced Waikato in the District	2,000	2,000
Waikato district crime prevention	10,000	–
Bush Tramway	1,000	1,000
Bush Tramway (one-off grant)	5,000	5,000
Raglan Coastguard	33,346	33,346
Te Akau Community	7,000	7,000
Te Otamanui Lagoon	25,000	25,000

Description	Annual Plan 2015/16 Committed \$	Amount Paid 2015/16 \$
Tamahere Community Committee	4,000	4,452*
FIFA U20 World Cup	5,000	5,000
Waikato River Alive	–	7,000*
Tuakau and District Museum Society Inc.	10,000	10,000
Te Awa – Great New Zealand River Ride	600,000	–**
Matangi information sign	–	1,059*
Onewhero Old School Building	10,000	–
Te Whakaruruhau Inc.	5,000	5,000
North Waikato Transport Trust	2,000	2,000
Waikato district lakes	20,000	20,000
Huntly Volunteer Fire Brigade	15,000	15,000
Para Kore	5,000	5,000
Karioitahi Hall	–	5,812*
Te Kauwhata & Districts Information and Support Centre	10,000	10,000
Waikato Coalfields Museum	50,000	50,000
Waikato Biodiversity Forum	3,000	3,000
Tamahere Reserve	50,000	55,991
Franklin Tourism	2,500	2,500
Matariki Festival	5,000	1,500
Sub-total of Annual Plan 2015/16 commitments	964,346	361,160
A total of 136 other groups benefited from:		
Cultural heritage assistance	18,565	14,810
Conservation fund grants	30,000	3,184
Heritage project fund	40,000	7,887
Discretionary grants	167,795	222,103*
Total Council funds committed 2015-2016	1,220,706	609,144

\* Includes funds committed in 2014/15.  
\*\* Transferred to the Council's roading team and \$367,000 spent on the project in 2015/16.

## How we did

Performance measures	2014/15 result	2015/16 target	2015/16 result	Rating	Explanation
Number of discretionary grant funding rounds undertaken per year.	New measure	4	4		The discretionary funding rounds were undertaken as scheduled in July 2015, October 2015, February 2016 and April 2016.
The percentage of community funding/grant recipients meeting grant obligations, as evidenced through accountability reports.	New measure	100%	90%		We seek accountability reporting for all community funding grants, but not all recipients have provided these on time. The initial deadline for June has been extended until August 2016 to allow staff to chase up all outstanding project accountability forms.

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



# Parks and facilities

## What we did

### District wide

We made two strategic appointments to manage our assets over the next five years for the benefit of our communities. We appointed Belgravia Leisure NZ to operate our aquatic facilities in Huntly, Tuakau and Ngaruawahia and to improve access and use through extended opening hours and broader services. We also appointed Christchurch-based City Care to maintain our parks and open spaces including our sportsgrounds, playgrounds and cemeteries.

### Central Waikato

We secured nearly \$400,000 from the Waikato River Authority to support a four-year planting and capital works restoration programme for Lake Rotokauri. Plans include constructing a pest fish barrier and creating a floating wetland to soak up nutrients.

We also secured \$14,000 from Waikato Regional Council for a planting and restoration programme at Lake Puketirini in Huntly.

Following a period of community consultation, the decision to demolish the Huntly War Memorial Hall was deferred to allow for a community working party to be established in the new financial year to consider viable options for community facilities that will meet Huntly's needs. Meanwhile a start was made on planning for a refurbishment of the Huntly library. Other work in the central Waikato included

the construction of new public toilets in Te Kauwhata designed to match the architectural style of the town's library, new toilets and upgraded car parking at the bottom of the popular Hakarimata Track in Ngaruawahia, and an upgrade of the boat ramp at Taupiri. We also built a new accessway to allow for an extension of the Whatawhata cemetery.

In Tamahere, south of Hamilton City, earthworks have begun for the development of sports fields on the Tamahere Recreation Reserve.

### North Waikato

We released a report on erosion at Port Waikato's Sunset Beach and consulted with the community on options for dealing with the retreat of public assets if erosion continues to impact the car park and hall.

We improved the Tuakau Hall by upgrading the toilets and installing a sound system, and we extended the 'destination' playground at Tuakau's Dr John Lightbody Reserve. We also purchased 8ha of land between Tuakau and Pokeno for the development of a new cemetery for the area.

### Raglan area

Coastal work included the redesign and renewal of the Manu Bay seawall and the upgrade of the Te Akau boat ramp. We also extended Raglan's 'destination' playground at Kopua Domain.

## How we did

Performance measures	2014/15 result	2015/16 target	2015/16 result	Rating	Explanation
Percentage of customers who are satisfied with Parks and Reserves, including sports fields and playgrounds overall.	New measure	80%	90%		This result reflects staff commitment to ensuring our contractors are meeting their contractual agreements through regular joint auditing and frequent site visits. There is more work to do to ensure a consistent delivery of service across the entire open space network and the contract with City Care for district maintenance will help achieve this.
Percentage of interments completed within the requested timeframe.	New measure	95%	100%		All burials were completed within appropriate timeframes. No issues arose regarding outcomes. Communication with customers and contractors ensured work was completed efficiently and on time.

Performance measures	2014/15 result	2015/16 target	2015/16 result	Rating	Explanation
Percentage progress of the Playground Strategy implementation plan.	New measure	90%	100%		All 16 actions in the Playground Strategy were completed in 2015/16.
Percentage of customers who are satisfied with public toilets in the annual satisfaction survey.	67%	75%	73%		The resident's satisfaction survey shows a significant improvement in customer satisfaction with public toilets, rising from 39-48% of customers in previous years to 67% in 2014/15 and 73% in 2015/16. This result reflects ongoing improvements by our toilet contractor, partly as a result of joint audits/ inspections.
Percentage of natural areas (categorised in parks strategy) which have had restoration efforts undertaken.	New measure	4%	4%		Ecological enhancement activities were within budget and on target. Highlights to date include a successful biological control programme being implemented with partners from the Regional Council, a number of rare habitat types being restored and a \$400,000 grant application to the Waikato River Authority being approved.
Percentage of buildings that require a warrant of fitness and that comply with it.	New measure	100%	100%		All buildings have a current building warrant of fitness and are compliant.
Percentage of time that pool water meets the NZS5826 Part 1 Water Standards: 2000 Code of Practice for the operation of swimming pools.	New measure	95%	95%		Tests are undertaken by a contractor on a daily basis. Pool water met the standards 95% of times tested.
Percentage of customers who are satisfied with the pool facility.	New measure	80%	86%		Overall a combined score of 86% of satisfied and very satisfied customers was achieved across the three pool complexes. Satisfaction levels with individual facilities were: Tuakau 82.09%, Huntly 90.94%, and Ngaruawahia 82.5%.
Percentage of satisfied customers as per the Council 'Housing for the Elderly' survey.	New measure	70%	75%		The Housing for the Elderly survey was sent to all tenants. 75% of respondents are satisfied.
Total annual energy consumption.	New measure	1.5% reduction on previous year	8% increase on previous year		Total annual energy consumption has increased 8%. Most of this relates to the Huntly Aquatic Centre and could be due to the increase in opening hours or pool temperature. WDC now has an agreement with Local Authority Shared Services Ltd to develop a plan to reduce electricity consumption across all Council facilities. Staff will work with pool contractor Belgravia to reduce gas usage.

Potential significant negative effects

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

SUSTAINABLE ENVIRONMENT

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

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

Animal control

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

Building quality

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

Environmental health

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

Strategic and district planning

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

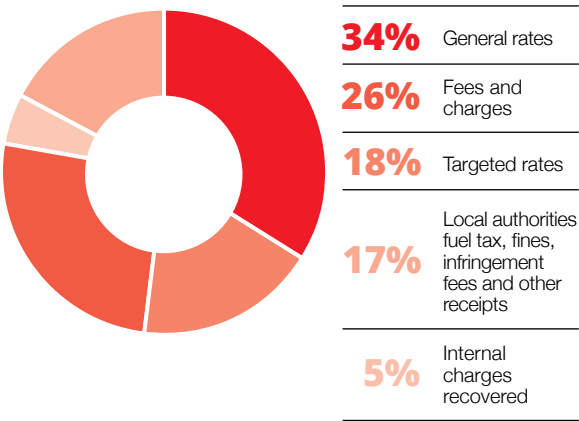
Solid waste

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

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

How we paid for it

Operational funding





# Animal control

## What we did

### Public education

This year we continued to put more focus on educating owners about responsible dog ownership and compliance with registration and fencing requirements, and this is helping lead to fewer call-outs and higher dog registration numbers.

As part of this effort we increased the number of school visits we made (to 36 schools) as part of our ‘Dogsmart Education Programme’ to introduce children to dogs, to teach them about responsible ownership and how to stay safe around them. We intend to extend this effort by launching a ‘Dogs in Libraries’ project that is also expected to benefit our children’s reading levels, and we have begun temperament testing dogs for this project.

Complementing our public education programme we have a goal to increase the number of dog owners on our ‘selected dog owner’ list which grants reduced registration fees for responsible owners with properties that meet fencing requirements. We promoted this option by offering free property inspections in December and January and we now have nearly 3,000 owners on the list who are meeting the same stringent criteria as farm dog owners.

### Dog registrations

The number of registrations is 13,901, up from 13,654 last year, and this represents about 98 per cent of all known dogs in the district.




### Animals impounded, returned and rehomed

The number of dogs impounded was 1,190, down from 1,241 last year. The number of wandering stock impounded was 56, including cows, bulls, sheep, goats and pigs. We are pleased that the number of animals returned home and rehomed has increased so that fewer animals have had to be destroyed. We rehomed or passed to other rescue organisations 253 dogs, up from 175 the year previous.

### Response times to call-outs

We have set new goals to be on-site within an hour for 95 per cent of emergency animal control call-outs. (There are some parts of the district that cannot be reached within an hour’s travel time.) We have purchased radio telephones (RTs) for all animal control staff to improve our communications systems to support these goals and help us to meet them successfully. We have also upgraded two vehicles in our animal control fleet.

## How we did

Performance measures	2014/15 result	2015/16 target	2015/16 result	Rating	Explanation
The percentage of aggressive dog behaviour complaints, where immediate risk to public safety is present, that has council personnel on site within 1 hour.	New Measure	95%	98%		Animal Control Officers responded quickly to these types of complaints, reflecting their commitment to keeping our communities safe.
The percentage of complaints regarding stray stock that have council personnel on site within 1 hour.	New Measure	95%	97%		Animal Control Officers responded quickly to these types of complaints, in order to avoid traffic accidents and harm to stock.
The number of dog owners on the selected owner policy list (i.e. good dog owners) for known dogs increases by 5% each year.	New Measure	30%	32%		The number of dog owners in the ‘good dog owner’ category has increased by 32%, bringing the total to 8,778. This includes selected owners and farm dog owners who have to meet the same criteria.

## Potential significant negative effects

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

# Building quality

## What we did

### Assessment of earthquake-prone buildings

In anticipation of new legislation requiring building owners to undertake initial seismic assessments (ISAs) of potentially earthquake-prone buildings, we started ISAs of Council-owned buildings in this category. We set aside \$100,000 for the work and so far it has cost us \$42,000. This work will continue in the new financial year.

So far we have identified about 416 potential earthquake-prone buildings in our district that require owners to undertake ISAs, but we still have to complete this work in the north Waikato area, including Pokeno, Tuakau and Port Waikato.

### Building consents systems

We reviewed our building consenting systems and began investigating and trialling online systems for handling consent applications. This work will continue in the new year with a view to improving efficiencies to meet a huge growth in demand as a result of significant subdivision work across the district, especially in north Waikato towns, fuelled by rising Auckland house prices.

## Issues

### Consents processing

Partly as a result of the Auckland housing crisis, building consents for new dwellings rose by 54 per cent to 791 across the district (a rise of 117 per cent over the number of new dwellings being consented three years ago). Applications for building consents overall rose 22 per cent to 2,004 in the past year (representing a rise of 40 per cent over the number of building consent applications received three years ago). This has had a significant impact on our consent processing and building inspection workloads. We slipped behind on our statutory timeframes for consents, but have now employed two extra processing officers and this is bringing us back up to target. We will review our staffing levels again to maintain compliance in the new financial year. We are also reviewing our processes to look for opportunities to do things in a smarter way.

How we did

Performance measures	2014/15 result	2015/16 target	2015/16 result	Rating	Explanation
The percentage of existing buildings with building WOFs that are monitored and audited for compliance annually.	New Measure	33%	55%		Due to the increase in the number of building consents meeting the target has been challenging. The result reflects our priority to ensure all inspections are completed in a timely manner.
The percentage of buildings that provide sleeping care or paid accommodation that are audited for compliance annually.	100%	100%	100%		Auditing these types of buildings will remain a high priority due to the nature of the sleeping care facilities.
The percentage of swimming pools that are inspected for compliance annually.	New Measure	20%	0.5%		Under a new Council policy, informed by legal opinion, we require customer permission to inspect. We've inspected all pools (13) where permission has been granted. Anticipated legislative change will amend this situation.
The percentage of building consent applications that are processed within 20 working days.	100%	100%	96%		The increase in consent numbers meant we were unable to meet the target. We processed 2,004 consents in 2015/16, up 22.1% from 1,642 consents processed in 2014/15. Consents numbers for new dwellings, which take longer to process, were up 54.8% from 2014/15. As a result we've employed two additional full time staff.

What this tells us

We met our target for auditing existing buildings for compliance, including buildings with sleeping care or paid accommodation.

Our ability to meet our targets for swimming pool inspections now depends on pool owners granting permission to carry out these inspections.

Heavy workloads ensuing from the rising number of new dwellings in our district impacted on the timeliness with which we were able to process building consent applications.

Potential significant negative effects

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

Environmental health

What we did

Implementing new food legislation

The Food Act 2014 came into force in March this year requiring us to start making a three-year transition from an inspection to an auditing system for food manufacturers and suppliers, with different requirements for different types of food operations dependant on perceived risk. Most food premises are still currently inspected under the old regulatory system, but any new business must be registered and run under the new system.

A new business in a 'higher risk' category must register and operate a 'food control plan' that is then regularly audited by the Council. A 'lower risk' category business must register under a national

programme that may be audited by an independent auditor. All premises with an on-licence must move to the new regime by June 2017 and we have been working with the industry to support this transition. Other food premises have longer to make the change.

Applications, inspections and audits

During the year we registered and inspected or audited 260 food premises, handled 341 alcohol licensing applications and 291 contaminated land property information requests, provided technical comment on a range of resource consent applications and responded to 241 general nuisance complaints. We also received 1,246 excessive noise complaints.

How we did

Performance measures	2014/15 result	2015/16 target	2015/16 result	Rating	Explanation
The percentage of registered food premises that are inspected/audited annually.	100%	100%	100%		All 260 premises requiring inspection have been inspected or audited.
The percentage of medium risk or higher fee category licensed premises that are inspected annually.	New measure	100%	100%		All medium or higher risk category premises operating within the district that sell alcohol have been inspected during the year as required. No significant issues or non compliances with the conditions of their licences were observed during these inspections.
Percentage of excessive noise complaints responded to within agreed timeframes.	79%	90%	86%		We investigated 1,246 noise complaints during the year. We significantly improved our response times but did not meet the target because technical issues with our system during the first quarter affected overall performance for the year. These issues have now largely been resolved.
Percentage of environmental health complaints responded to within agreed timeframes.	New measure	95%	95%		A total of 241 complaints were received during the year of which 229 were responded to within agreed timeframes.

What this tells us

We've improved our response rates to noise and nuisance complaints and have developed better systems with our contractors for resolving the issues we handle. We will be continuing to work with our contractors to further improve the response to noise complaints. All food premises and licensed premises requiring inspection were visited during the year. The transition to the new food legislation creates challenges in future where some lower risk food businesses will not be subject to Council audit.

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



# Strategic and district planning

## What we did

### District wide

We made good progress with the review of the District Plan which will integrate the Waikato and Franklin sections into a single plan for the first time since the district's boundary changes in 2010. We are on track for a new proposed District Plan to be publicly notified in 2017.

We developed structure plans for Tuakau and Ngaruawahia (still in progress) to help guide development in these towns over the next 30 years. We also progressed a number of plan changes during the course of the year to help meet long term projected growth throughout our district.

We developed a 'placemaking' strategy and implementation plan and began engaging with communities in Pokeno, Tuakau, Huntly, Ngaruawahia and Raglan to help identify placemaking projects to revitalise the public spaces in our towns.

Youth engagement is a key initiative of Council. We adopted a Youth Engagement Plan which forms the basis of ensuring that youth in our district have a voice in community decision-making through community boards and community committees.

We established a Heritage Project Fund as part of our Heritage Strategy to support groups interested in playing a role in preserving heritage within our district.

### Sub-regional and regional

As a key player in the Future Proof Growth Strategy partnership with Hamilton City, Waipa District and Waikato Regional Councils, we have begun reviewing the Strategy to ensure it accommodates the growth expected in our district over the next 30 years. This review is expected to be completed by the end of this year for consultation in early 2017.

We have also played a key role in the development of the Waikato Plan with the nine other councils that make up the Waikato region. A major milestone has been the adoption of the updated Strategic Direction Summary Document as the basis for drafting the Waikato Plan. The Plan is expected to be notified for public consultation in early 2017.

We have also engaged in various fora with Auckland Council on cross-boundary issues pertinent to both councils. Many of these discussions (e.g. on water quality/ quantity and transport infrastructure) will continue to be progressed to ensure mutually beneficial solutions to common issues can be found.

### Consents workload

Demand for housing and land for development has grown rapidly in our district as a result of spillover of demand for housing in Auckland. We have employed five more staff in order to meet statutory timeframes to handle a significant increase in resource consents, building consents and Land Information Memoranda (LIMs).

Our Consent Planners and Land Development Engineers received 1,000 resource consents, up 34 per cent from last year, and representing a 53 per cent increase over the past two financial years. Of a record 2,004 applications for building consents, our Project Information Officers undertook planning and engineering assessments of 1,486, up 34 per cent from last year, and up 37 per cent over the past two years. LIM staff processed 1,666 requests, up 8.4 per cent since last year, but a jump of 51 per cent overall since the 2013-14 financial year.

Other related enquiries also rose dramatically. Our Duty Planner service handled 4,778 enquiries, up 19 per cent on last year and 31 per cent over the past two years, and our Property Enquiry service received 1,935 enquiries, a rise of 29 per cent from last year, and a record 61 per cent increase over the past two years.

## Highlights

- The District Plan Review project team carried out 18 public open days across the district in late 2015 to enable the public to contribute to issues that they considered important. In all, more than 600 individual resource management issues were raised during consultation.
- As part of the Review we also engaged with 4,500 property owners to seek feedback on sites we propose identifying as Significant Natural Areas (SNAs) to protect the biodiversity of our district, and we received more than 1,000 responses.
- We successfully launched e-Plan which allows the public to examine and search the District Plan online.
- We hosted a successful inaugural Youth Awards 2016 in May. Through this project we were able to empower youth volunteers from across our district by giving them an opportunity to work on the project.

## How we did

Performance measures	2014/15 result	2015/16 target	2015/16 result	Rating	Explanation
The percentage of resource consent applications which are processed within statutory timeframes.	99.5%	100%	100%		This year we received 1000 resource consents, which is up 34% from last year. All consents for the year were processed within statutory timeframes.
Percentage of residents who feel they have the opportunity to be involved and participate in publicly-notified Council projects and processes, to help Council make informed decisions.	64%	68%	67%		We are finding and creating new, more efficient ways to involve our communities in decision making processes in ways that suit them. For example, we run stalls at market days across our district at various times through the year so community members can talk to staff about current consultations and Council related projects.
The percentage of projects in identified areas of growth and as contained in the Long Term Plan, which are on track or completed.	New measure	100%	97%		Areas of residential growth include Tamahere, Te Kauwhata, Tuakau and Pokeno. Areas of industrial growth include Horotiu, Tuakau and Pokeno. We've identified 66 projects planned or underway in our growth areas, of which 49 are on track (32 being developer led) and 15 completed. Staff will continue to monitor these projects.
The percentage of all land use consents that have been issued and are current that have been monitored for compliance in the past two years.	New measure	75%	79%		Of 1,232 land use consents that are current as at 30 June 2016, 975 have been checked for compliance. This level of monitoring ensures that consented works are being carried out appropriately and not having any significant adverse effects on the environment.

## What this tells us

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

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

## Potential significant negative effects

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

# Solid waste

## What we did

To support our vision of ‘Working towards zero waste for the Waikato district’ as set out in our Waste Minimisation and Management Plan (WMMP), we developed plans to:

- introduce a district-wide user-pays system for all households that have a kerbside waste collection, and
- standardise kerbside recycling services and an annual inorganic refuse service for all areas with kerbside waste collection services (except Raglan which has an alternative service).

We developed and distributed ‘Less Waste Saves More’ educational materials to inform residents about why it’s important to reduce the more than 35,000 tonnes of

refuse we send to landfill each year when 64 per cent could be recycled. We also informed residents about the new services which will be introduced in the new financial year (starting in July 2016).

In preparation for the changes we awarded new refuse and recycling contracts to Smart Environmental for North Waikato, and renewed our refuse and recycling contracts with Xtreme Waste for Raglan.

We listened to residents in Pukekawa where there was not enough support to introduce a kerbside refuse and recycling service.

We deferred developing a resource recovery centre at the Huntly transfer station until other upgrade work at the transfer station is also scheduled in the new financial year.

## How we did

Performance measures	2014/15 result	2015/16 target	2015/16 result	Rating	Explanation
The percentage of schools in the district that receive solid waste education.	New measure	55%	72%		42 out of the possible 58 schools were visited this financial year which is well above the 55% target.
The number of times that bags or bins are missed in Council’s kerbside collection.	159	Less than 200 per annum	141		141 bags/bins/crates missed this year. (We collect refuse from 25,000 properties every week.)
The percentage of kerbside collection complaints that are resolved within agreed timeframes.	New measure	100%	97%		375 out of 386 complaints resolved within agreed timeframes (five working days). System processes were revised following issues in the first quarter.

## Potential significant negative effects

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

# ROADING

## What we did

The start of the financial year heralded the start of a new five-year roading ‘Alliance’ contract signed with Downer, through which the Council and contractor work together to identify and deliver the work. The new contract model is designed to achieve greater efficiencies and improved levels of service. It covers the majority of the roading programme except for strategic network management and major capital works.

### Rotowaro culvert replacement

Through the new Waikato District Alliance we replaced a badly corroded steel culvert under Rotowaro Rd which was in danger of collapse. The \$500,000 project involved closing the road for 10 days to install a new concrete culvert to carry a stream that runs under the road. It has since been named as joint winner of the small site award for erosion and sediment control by Waikato Regional Council.

### Tuakau Bridge

We started on structural repairs and repainting of Tuakau Bridge and will complete this in the new financial year.

### Taupiri-Mangawara Stream Bridge

We also started investigation and design work for a new Taupiri-Mangawara Stream Bridge that will allow safe access to the Taupiri Mountain urupa (Māori burial ground). Waikato District Council, Kiwi Rail, Waikato-Tainui and the New Zealand Transport Agency will each contribute to the cost of the project. Once completed, this will allow us to close the current, dangerous road accessway off SH1 just north of Mangawara Stream. We expect the new bridge to be constructed and open for use by June 2017.

### Te Awa cycleway

Where possible we support cycling as part of our district road strategy. In 2015-16 a new Ngaruawahia section of Te Awa – The Great New Zealand River Ride was completed and contracts let for the final Horotiu section of the cycleway, including a new bridge across the Waikato River. These works will complete a continuous Waikato riverside cycleway from The Point in Ngaruawahia to Hamilton Gardens. This \$4.5m project has been funded by the Te Awa River Ride Charitable Trust, the government’s Urban Cycling Fund, Waikato District Council and the New Zealand Transport Agency.

### Road surfacing and strengthening

During the past year, through the Waikato District Alliance, we have re-surfaced 142 kilometres of sealed roads in the district, and completed 16 kilometres of road strengthening work.

In conjunction with this work we have also undertaken work to improve road safety by increasing road widths and improving visibility.

### Road safety

New guard rails, new and upgraded signs and lane markings are helping make our high-risk rural roads safer, at a cost of \$200,000.

In line with the Government’s ‘Safer Journeys’ strategy, and in joint initiatives with the New Zealand Police, New Zealand Transport Agency and other agencies, we helped run road safety traffic stops in Huntly in December 2015 and March 2016 to urge drivers to ‘Drive Fresh’ to avoid fatigue and to provide truck drivers with a general road safety refresher and health check.

### Footpath upgrades

As a result of residents’ requests we completed, or nearly completed, a number of new footpaths district-wide at a cost of \$200,000.

These included:

- Mangatangi – a stretch along Miranda Road to the school
- Matangi – Taplin Road
- Raglan – Nihinihi Ave, Uenuku Ave and Wainui Road (to be completed in the new year following wet weather delays)
- Tamahere – a portion of Newell Road, and more to be completed in the new year
- Te Kowhai – Horotiu Rd and Bedford Road



How we did

Performance measures	2014/15 result	2015/16 target	2015/16 result	Rating	Explanation
The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network.	37	Target for reducing the number of serious injuries or fatalities -1	0 change		In the year ending 30 June 2016, 37 fatal and serious injury crashes were recorded in the NZTA crash database, compared with 37 in the previous year. Further analysis is required to understand the causes, but road conditions do not appear to have been a significant factor.
The average quality of ride on a sealed local road network, measured by smooth travel exposure.	96%	91% (minimum)	95%		The result comfortably exceeds the target but is a decrease on the 96% achieved the previous year. More analysis is required to understand the reasons, but a preliminary indication is that the high-use urban roads are not achieving the required standard.
The percentage of footpaths that fall within the level of service or service standard for the condition of footpaths that is set out in relevant documents (such as its annual plan, activity management plan, asset management plan, annual works program or long term plan).	New measure	90% or greater at Category 3 or better	99.7%		All the district footpaths were surveyed in January/February 2016 and graded from 1 (excellent) to 5 (very poor). 99.7% of the total length of footpath was rated as 3 (fair or better). This is reflective of the proactive approach taken by the Alliance and responsiveness to customer requests.
Percentage of development areas that have co-ordination plans for forward works programming and development requirements complete.	New measure	30%	33%		The development programme for Pokeno is completed. Coordination plans still need to be developed for Te Kauwhata and Tuakau.
The percentage of the sealed local road network that is resurfaced.	11.4%	8% (minimum)	8.7%		142km, or 7.8% of the sealed road network, was resealed during 2015/16, and a further 16km, or 0.9% of sealed roading, was rehabilitated and resurfaced. This gives a total of 8.7% of the network that received a new surface. An average resealing rate of 8% is recommended in the Asset Management Plan as optimal.
The percentage of customer service requests relating to roads to which we respond within the timeframes specified.	New measure	80%	94%		In 2015/16 1,950 of 2,068 requests received were responded to on time under a new service request system. This excellent performance is the result of the Alliance contractor's focus. Of 118 'fails' 86 occurred in the first 5 months' 'set-up' period of the contract. In the following seven months only 32 requests did not meet the target times.
The percentage of customer service requests relating to footpaths responded to within the timeframes specified.	New measure	80%	94%		In 2015/16 only nine requests out of a total of 152 were not responded to within the target times under a new service request system.

What this tells us

The results of these measures demonstrate that the Council's decision to enter into a different contract model with a new provider has resulted in major improvements in the way we deliver our roading and footpath maintenance services.

Despite a focus on road safety we were unable to reduce the local road toll, but we surpassed a series of new targets for the quality of the roading and footpath network, and for our responsiveness to customers' maintenance requests.

We met strict timeframes for responding to customer enquiries about footpaths and road maintenance for 94 per cent of all enquiries, well in excess of our targets.

To ascertain our customers' smooth travelling experience we surveyed the quality of our roading network. By comparing this with traffic counts we calculated what percentage of travel throughout the district was on smooth roads. We exceeded our target on this new reporting measure.

All the district footpaths were surveyed in January-February 2016 and 99.7 per cent of the total length of all footpaths was rated as 3 (fair) or better on a scale of 1 – 5. This exceeds our target and is reflective of the proactive approach taken by the Alliance and their responsiveness to customer requests.

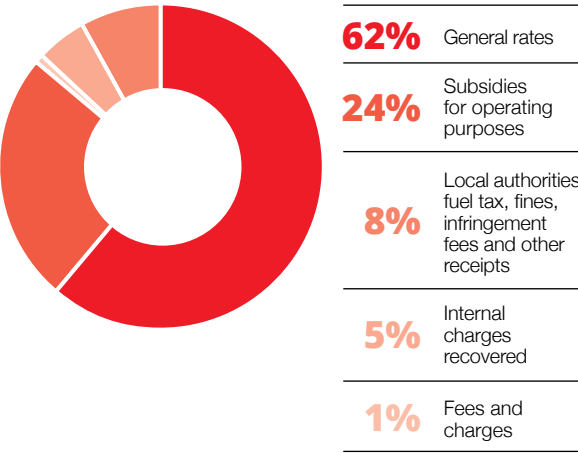
Potential significant negative effects

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

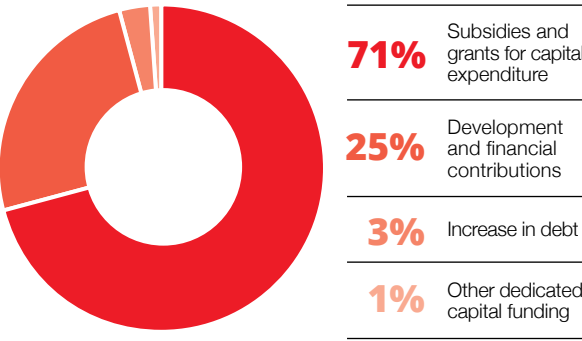
Potential negative effect	How we are addressing this
Potential for air pollution from traffic fumes to affect health.	Continuing to advocate for bypasses around urban centres.
Heavy traffic volumes can lead to loss of amenity in urban areas.	Continuing to advocate for bypasses around urban centres.
Provides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

### How we paid for it

Operational funding



Capital funding



## STORMWATER

### What we did

We undertook a schedule of minor upgrades across the district, installing new pipes to increase stormwater capacity where required.

#### Pokeno

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

#### Raglan

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

#### Tuakau

We undertook scoping and design for proposed stormwater network extensions in Tuakau.

### How we did

Performance measures	2014/15 result	2015/16 target	2015/16 result	Rating	Explanation
The number of flooding events that occur in the district.	New Measure	<5 events per annum	0		No flooding events.
For each flooding event, the number of habitable floors affected (expressed per 1000 properties connected to the stormwater system.)	New Measure	0.3 affected per thousand properties per event	0		No flooding events affecting habitable floors this year.
The median response time to attend a flooding event, measured from the time that Council receives notification to the time that service personnel reach the site.	New Measure	< 8 hours	137 minutes		We had only one complaint; it affected a habitable room. It was a private drainage problem and did not arise from the Council's stormwater system.
The number of complaints received by Council about the performance of its stormwater system, expressed per 1000 properties connected to the stormwater system.	New Measure	<1 per 1000 properties per quarter	5.28 per 1000 properties for the year		Of 71 stormwater complaints, 32 were in relation to roading (catch pits & flow off the road) and most complaints came from the Raglan and Huntly areas. 2.9 complaints per 1000 connections were received in relation to the 'waters' part of the stormwater network (open drains and stormwater pipes).
Council's level of compliance with resource consents for discharge from its stormwater system, measured by the number of: <ul style="list-style-type: none"> <li>- Abatement notices</li> <li>- Infringement notices</li> <li>- Enforcement orders</li> <li>- Convictions</li> </ul>	New Measure	0	0		Council has received no abatement notices, infringement notices, enforcement orders or conviction notices resulting from stormwater discharge consents.

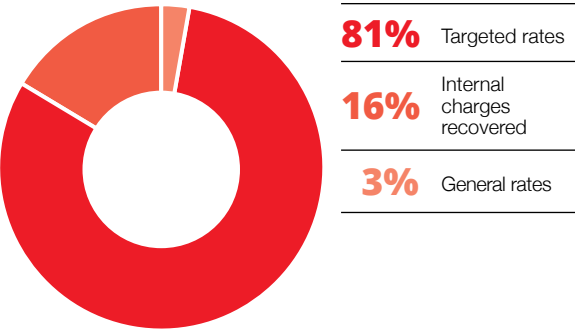


Potential significant negative effects

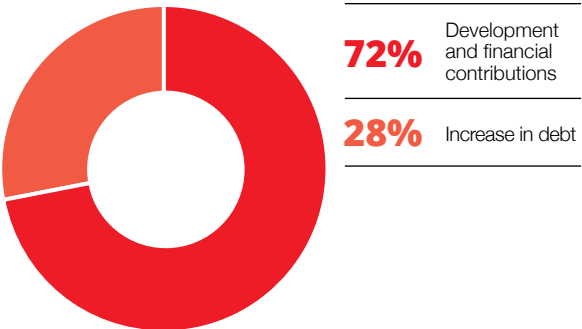
Potential negative effect	How we are addressing this
Discharges to land and waterways not complying with resource consents.	Improve processes (may be capital related) and continue to monitor discharges.
Discharge of contaminants to waterways and streams impacting upon public health and the environment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

How we paid for it

Operational funding



Capital funding



WASTEWATER

What we did

We have undertaken a number of key projects to develop and maintain our wastewater infrastructure across the district.

Huntly

We progressed the design for an upgrade of the Huntly wastewater treatment plant to meet levels of service and comply with resource consent conditions.

Tuakau, Te Kauwhata and Pokeno

In our high-growth northern areas we oversaw development-led extensions of the wastewater networks in Tuakau and Te Kauwhata. We consulted with residential property owners in Pokeno over phase two of the proposed new Pokeno wastewater system to service the existing Pokeno village and future development, and offered a 50 per cent subsidy and a 10-year repayment scheme to help residents to make the decision to connect to the new system. Construction of phase two is expected to begin in the new financial year.

Ngaruawahia and Raglan

Contracts were let to upgrade wastewater pump stations in Ngaruawahia and Raglan and new storage tanks were installed in both systems to hold six hours of average flow in dry weather.

Works at the wastewater treatment plants included:

- Sludge removal and pond outlet pipework repairs at the Huntly plant
- Automation and instrument improvements at all plants
- Equipment renewals, and health and safety initiatives such as installation of new hand rails
- Capacity and treatment improvements at the Te Kauwhata and Raglan plants.

Issues

In March 2016, while construction of the new Raglan storage tanks was underway, a major sewage pipe broke spilling about 10 cubic metres of raw wastewater into the harbour. In May about two cubic metres overflowed from a manhole next to the Whitley Ave pump station during a period of high rainfall. The Council has approved funding for some short term actions to improve the situation whilst we develop a longer term plan to minimise future incidences.

How we did

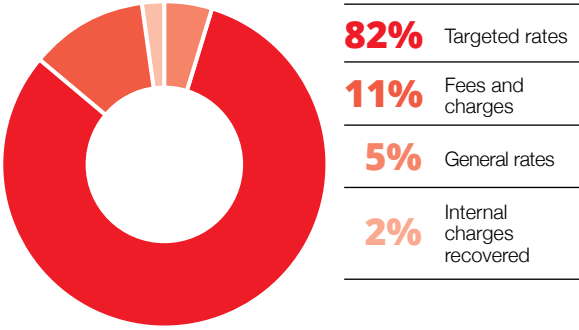
Performance measures	2014/15 result	2015/16 target	2015/16 result	Rating	Explanation
The number of dry weather sewage overflows from Council's system expressed per 1000 sewage connections to that sewage system.	New Measure	Equal or less than 5	2.9 per 1000 connections		Target met.
Where Council attends to sewage overflows resulting from a blockage or other fault in its sewage system, the following median response times measured:  - Attendance time: from the time that Council receives notification to the time that service personnel reach the site.  - Resolution time: from the time that Council receives notification to the time that service personnel confirm resolution of the blockage or other fault.	New Measure  New Measure	Less than or equal to 1 hour (60 minutes)  Less than or equal to 4 hours (240 minutes)	26 minutes  110 minutes	  	Target met for the year with a median of 26 minutes.  Met the target for the year with a median of 110 minutes.
The total number of complaints received by Council about any of the following (expressed per 1000 connections to the sewage system):  - Sewage odour  - Sewage system faults  - Sewage system blockages  - Council's response to issues with its sewage system	New Measure  New Measure  New Measure  New Measure	Less than or equal to 25 per 1000 connections	7.8 per 1000 connections		Met the target for the year.
Council's level of compliance with resource consents for discharge from its stormwater system, measured by the number of:  - Abatement notices  - Infringement notices  - Enforcement orders  - Convictions	New Measure  New Measure  New Measure  New Measure	Equal or less than 2  0	0  0	  	The Council has received no abatement notices, infringement notices or enforcement orders resulting from wastewater discharges consents  The Council has received no convictions.

Potential significant negative effects

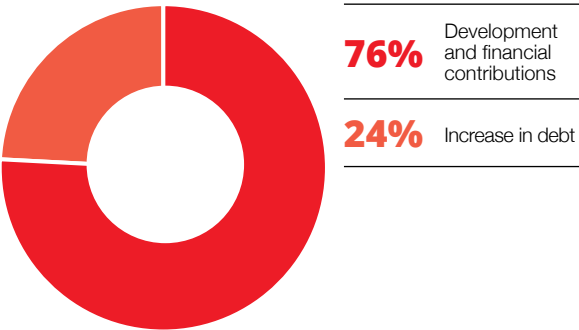
Potential negative effect	How we are addressing this
Discharges to land and waterways not complying with resource consents.	Improve processes (may be capital related) and continue to monitor discharge.
Odour from manholes, pump stations and at treatment plants.	Improve process and implement improvements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

How we paid for it

Operational funding



Capital funding



# WATER SUPPLY

## What we did

We have a growing district and have addressed the need for an adequate water supply in the central and northern areas of our district this year.

### Hopuhopu/Taupiri

We have connected the Hopuhopu/Taupiri water system to the Ngaruawahia water supply network, allowing us to decommission the existing water treatment plant for Hopuhopu/Taupiri. We will complete this project by adding extra security with a connection to the Huntly water supply network next year.

### Tuakau

Until this year, an ongoing issue in Tuakau has been the capacity of the existing Tuakau water treatment plant to supply the growing population. We've fixed this by completing a significant project to establish connections with water supplied from Watercare. This allows us to cater for rapid growth in the area as more people move into the northern Waikato region.

### Central districts and Pokeno

We have identified land on which to develop new reservoirs in Pokeno and in central districts (in Ngaruawahia, Huntly and Hopuhopu), and have issued a tender for the construction of these four projects in the next year.

Extensions to the water supply network in Pokeno were constructed as required to meet the needs of new subdivisions in the area.







Works at the treatment plants included:

- Filter renovations at Huntly, Ngaruawahia and Port Waikato.
- Additional chemical storage at Huntly and Port Waikato.
- Automation and instrument improvements at all plants.
- Equipment renewals of items including pumps.
- Health and safety initiatives such as hand rail renewals, and survey work for Emergency Response Plans.

### Water metering and management

To complete the district's water metering programme, meters were fitted to existing water manifolds and meter boxes previously installed in Raglan, Huntly and Ngaruawahia. This will allow residents to monitor their household water usage for at least a year prior to a switch to charging by meter from July 2017. Draft invoices will be sent out in late 2016 and mid-2017 to provide residents with water usage information.

We began working with other Councils to investigate joint options for future water management.

Performance measures	2014/15 result	2015/16 target	2015/16 result	Rating	Explanation
The extent to which Council's drinking water supply complies with:  - Part 4 of the drinking water standards (bacteria compliance criteria).  - Part 5 of the drinking water standards (protozoal compliance criteria).	New Measure  New Measure	18 (no. of zones that comply out of 18)  13 (no. of zones that comply out of 18)	16  4	  	All zones were compliant with Drinking Water Standards (DWS) Part 4 except for the Pokeno and Tuakau North zones in which one sample measurement each was not taken as scheduled in the year, causing a technical non-compliance. Water was treated to a safe standard.  All zones supplied throughout the year by Hamilton City Council and Watercare were compliant with DWS Part 5. These were North Western Districts, Western Districts and Pokeno. Zones supplied by Waikato District Council could not meet the minute-by-minute reporting requirements for compliance. We've installed a new supervisory control and data acquisition (SCADA) system to meet compliance for 2016/17. Water was treated to a safe standard.
Where Council attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured:  - Attendance for urgent call-outs: from the time that Council receives notification to the time that service personnel reach the site.  - Resolution of urgent call-outs: from the time that Council receives notification to the time that service personnel confirm resolution of the fault or interruption.	New Measure  New Measure	Equal or less than 1hr (60 minutes)  Equal or less than 4hrs (240 minutes)	26 minutes  76 minutes	  	Met the target for the year with a median of 26 minutes.  Met the target for the year with a median of 76 minutes. We attended 185 callouts and handled these efficiently.
Where Council attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured:  - Attendance for non-urgent call-outs: from the time that Council receives notification to the time that service personnel reach the site.  - Resolution of non-urgent call-outs: from the time that Council receives notification to the time that service personnel confirm resolution of the fault or interruption	New Measure  New Measure	Equal or less than five days  Equal or less than five days	1 day  1 day	  	Met the target for the year with a median of one day.  Met the target for the year with a median of one day.



Performance measures	2014/15 result	2015/16 target	2015/16 result	Rating	Explanation
<p>The total number of complaints received by Council about any of the following (expressed per 1000 connections to the networked reticulation system):</p> <ul style="list-style-type: none"> <li>- Drinking water clarity</li> <li>- Drinking water taste</li> <li>- Drinking water odour</li> <li>- Drinking water pressure or flow</li> <li>- Continuity of supply</li> <li>- The local authority's response to any of these issues</li> </ul>	New Measure	Maximum 17 per 1000 connections	16.6 per 1000 connections		Target was met for this measure.
<p>The average consumption of drinking water per day per resident within the Waikato District.</p>	New Measure	280L per annum	240L per annum		Not all residences are metered. Industry standards for calculating water use indicate that unmetered residences in our networks used 600L/property/day for 2015/16. An occupancy rate of 2.5 people per property was used to calculate the result.
<p>The percentage of real water loss from Council's networked reticulation system.</p> <ul style="list-style-type: none"> <li>- Tuakau</li> <li>- Pokeno</li> <li>- Mid Waikato</li> <li>- Central District</li> </ul>	New Measure	<20%	15.3%		Industry standards for calculating water consumption were used to establish benchmarks for real water losses from our systems. The % measurement can provide a misleading result in water supply schemes with very low demand, as a small leak can be a significant % of the water used.
	New Measure	<20%	18.3%		New benchmark target met.
	New Measure	<35%	22.7%		New benchmark target met.
	New Measure	<25%	32.5%		Benchmark target for water loss was set using industry standards for calculating water consumption that may not reflect actual consumption. Information from new metering will help refine future targets.

Performance measures	2014/15 result	2015/16 target	2015/16 result	Rating	Explanation
- Raglan	New Measure	<35%	25.4%		New benchmark target met.
- Huntly	New Measure	<20%	23.6%		Benchmark target for water loss was set using industry standards for calculating water consumption that may not reflect actual consumption. Information from new metering will help refine future targets.
- Southern & Western Districts	New Measure	<20%	26.6%		Benchmark target for water loss was set using industry standards for calculating water consumption that may not reflect actual consumption.
- Onewhero	New Measure	<25%	6.5%		New benchmark target met.
- Port Waikato	New Measure	<25%	71.2%		The % measurement can provide a misleading result in water supply schemes with very low demand, as a small leak can be a significant % of the water used. The leak that has caused this significant loss in Port Waikato has now been repaired.
- Te Akau	New Measure	<25%	56%		The % measurement can provide a misleading result in water supply schemes with very low demand, as a small leak can be a significant % of the water used.
- Taupiri / Hopuhopu	New Measure	<10%	Not measured		Please note: in early 2016 this scheme was amalgamated with the mid Waikato scheme which has a target of <35%.

## What this tells us

The results of these measures demonstrate how we're providing and delivering water services.

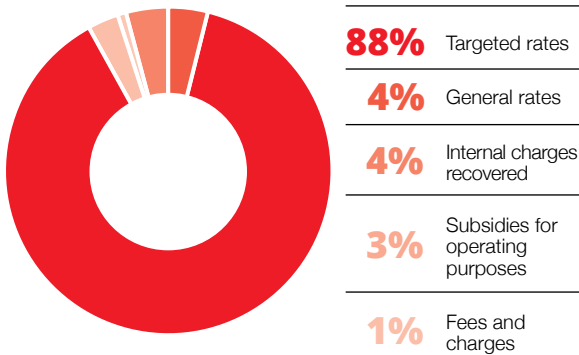
Of 10 reticulation systems, five met the water loss performance measurement and five didn't. The percentage measurement can provide a misleading result in water supply schemes with very low demand, as a small leak can be a significant percentage of the water used.

Potential significant negative effects

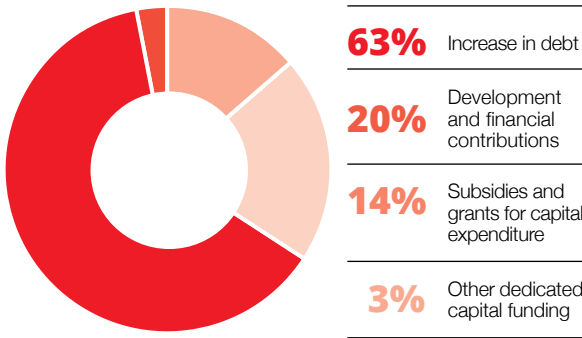
Potential Negative Effect	How We Are Addressing This
Potential contamination of the raw water supply.	Emergency response plans, operational procedures and monitoring of the raw water supply as per the Water Safety Plan (WSP) are all in place.
Discharges of backwash water from treatment plants and chlorinated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

How we paid for it

Operational funding



Capital funding



ORGANISATIONAL SUPPORT

What we did

Business process improvements

We introduced a wide-ranging programme to review and upgrade Council's business processes and our use of technology with a focus on improving community engagement and customer service efficiencies.

We upgraded the Council's website and started expanding our online services for ratepayers, prospective property owners and online researchers. Ratepayers can now apply online to pay property and water rates by direct debit and prospective property owners can apply online for Land Information Memoranda (LIMs).

Our District Plan, our rating information database and our cemetery database are now all searchable online, allowing Council customers to browse for planning and basic property information, and to support heritage research.

We continue to seek efficiencies through shared services with other councils. The Waikato Building Consents Group now includes eight councils. It has developed a shared quality assurance system to cover building consent functions for IANZ accreditation purposes, and to cover territorial authority building control functions, in order to provide consistent, excellent customer service across the Waikato region. We are also investigating the potential for developing more shared services in areas such as procurement, GIS and HR systems.

Among a range of other business process efficiencies we introduced iPads to reduce on-the-job paperwork for our building inspection services, a new telephone system to help our customer delivery team keep better track of incoming calls, and an electronic purchase order system to reduce procurement paperwork.

Health and safety programme

To maintain our leadership as a good employer we adopted a zero harm approach to health and safety in a programme that includes the Waikato District Alliance, the roading group we operate in partnership with Downer NZ and which was established in July 2015. As part of our journey to zero harm, we have gained tertiary accreditation in the ACC Workplace Safety Management Practices programme.

Procurement and contract management

We saved \$524,000 as a result of introducing a systematic cost-saving approach to our procurement of products and services, ranging from electricity and telecommunications to banking and office supplies. Internal training on our new policy and procedures is developing our ability to continue to find cost efficiencies.

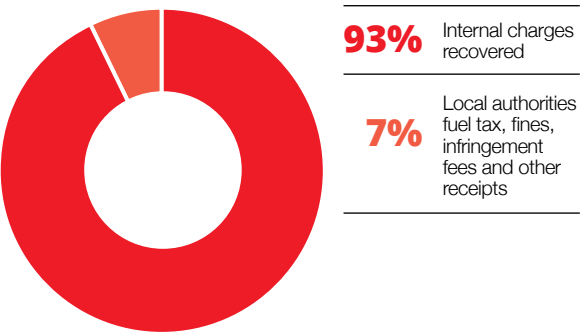
Internal audits

We engaged Deloitte to audit the Council's project management methodology and identify ways we can improve the value of the work we do on behalf of our communities.

We also commissioned an IT security audit which included a risk assessment and a gap analysis measured against NZ Information Security Manual standards. Several opportunities for improvement were identified to reduce the Council's risk and have been included into work programmes for implementation.

How we paid for it

Operational funding



# PROGRESS TOWARDS COMMUNITY OUTCOMES

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

## Governance

Community Outcomes		Progress
People	To ensure that our diverse community is represented in a democratically accountable and respectful manner.	There was no election process in 2015/16 however the contact details of our elected members are available on our website and via the call centre.
Economy	To ensure that decisions are underpinned by sound financial governance.	All minutes of open meetings were made available to the public via our website.
Energy	To ensure that decisions and processes take into account both short and long term impacts on our customers and partners.	Where a decision significantly impacts our customers, we have sought the opinions of our communities. We have engaged with our communities on over 30 plans, bylaws, projects and initiatives.

## Sustainable Communities

Community Outcomes		Progress
People	To provide our customers and partners with opportunities for engagement thereby providing input to the decision making process.	We have engaged with our communities on over 30 plans, bylaws, projects and initiatives in a range of ways from formal submission procedures to open days, public meetings, and market days, and through social media.
People	To ensure Council and our communities are resilient and have the capability to respond, manage and recover from emergencies.	We have 103 staff trained in civil defence emergency management. Twelve community response plans have either been finalised or are in the development stage.
People	To build community capacity by encouraging voluntary and community-based organisations to provide activities and services.	We have committed \$1.2 million worth of funding to organisations that provide services to our communities relating to emergency response, education and community projects.
People	To ensure that our open spaces are safe and well maintained and offer opportunities for a wide range of recreational, cultural and community activities.	Results from our annual customer survey showed that our customers are happy with the parks and reserves that we provide. Earthworks have begun on the development of sportsfields on the Tamahere Recreation Reserve.
People	To ensure the Council provides safe, accessible and well-maintained community and leisure facilities and general properties which contribute to the community's recreational, economic and cultural needs.	By way of example, of those surveyed through our customer satisfaction survey, 86% of respondents are satisfied with their local pool facility, and 75% of customers in Council housing for the elderly are satisfied with their housing service. All our buildings have a current building warrant of fitness.
Economy	To ensure that a seamless consistent quality service is provided to our customers via a range of channels.	Our customer satisfaction survey shows we met targets for making it easier for customers to deal with us and for responding to CRM calls within agreed timeframes. Our library services also received high satisfaction scores. While we didn't meet all our customer satisfaction targets in areas relating to community engagement, a high level of neutral responses on some survey questions meant that some 'low satisfaction' results may be misleading.

Community Outcomes		Progress
Economy	Tourism in the district is enhanced and Council's processes and infrastructure support and facilitate new and existing business.	Tourism expenditure in our district during 2015/16 was estimated at \$85m compared with \$77.8m in 2014/15. We support Hamilton & Waikato Tourism, an organisation that supports tourism growth throughout the region. A number of new business developments have taken place in 2015/16 including the opening of Yashilli New Zealand's \$220m plant at Pokeno and the purchase of 33ha of land by Ports of Auckland for a freight hub at Horotiu.
Energy	To ensure that we are accountable to our customers for our outcomes.	All minutes from open meetings were made publicly available via our website. We also made publicly available the quarterly reports outlining progress against our organisational goals.
Energy	Restoration, protection and enhancement of natural areas in the district to increase natural habitat and biodiversity.	We secured funding for planting and restoration programmes for Lakes Rotokauri and Puketirini.

## Sustainable Environment

Community Outcomes		Progress
People	To ensure that animals are kept in a way that protects their well-being and minimises danger and public nuisance, and provide animal owners with education regarding their responsibilities.	We achieved all our performance measures relating to animal control showing our dedication to ensuring the danger and nuisance caused by animals is kept to a minimum.
People	To ensure that building regulations and standards are met so that people living and working in buildings are safe.	We met all of our performance measures relating to safe buildings in our district.
People	To ensure that development enhances the wellbeing and safety of the community, and that people have the opportunity to participate in the strategic and district planning process.	As a part of the District Plan review, we held 18 open days to provide an opportunity for the public to be involved in the review process. We also engaged with 4,500 property owners to identify Significant Natural Areas that need to be protected. 67% of respondents in our customer satisfaction survey felt they had the opportunity to be involved in publicly notified Council projects. This was 1% below our target of 68%.
People	To ensure communities are well informed about the effects of waste and opportunities they have to reduce waste.	We undertook a large campaign to highlight the amount of waste that goes to landfill and to encourage our residents to recycle more, including visits to 42 schools to deliver our waste education programme. As a part of this we planned for the introduction of new refuse and recycling services throughout the district, starting in the new financial year.
People	To ensure that activities are managed so that our communities are healthy and safe, legislative requirements are met and nuisance is managed.	We registered and inspected or audited 260 food premises, handled 341 alcohol licensing applications, 291 contaminated land property information requests, and investigated 1,246 noise complaints.
Economy	To ensure that timely and accurate information and efficient processes and provides to people planning to build on or purchase a property.	We processed 96% of the 2,004 building consents received within 20 working days. A review of this process was undertaken towards the end of 2015/16 to better streamline the way we process consents.
Economy	To ensure sustainable growth is encouraged in appropriate locations supported by well-planned essential services.	Areas of growth include Tamahere, Te Kauwhata, Horotiu, Tuakau and Pokeno. We've identified 66 projects that are planned or underway in our growth areas.
Energy	To ensure that planning controls assist in protecting cultural heritage and the natural and physical environment.	During 2015/16 79% of our 1,232 land use consents that are current were checked for compliance.
Energy	To ensure that our waste and recycling services are efficient and effective and protect our natural environment.	A total of 141 bags or bins were missed during the year from approximately 1.3 million pickups. We resolved 97% of the 386 complaints within agreed timeframes relating to refuse.



Roading

Community Outcomes		Progress
People	To ensure that the district is easy and safe to get around and alternative transport options are available.	We installed \$200,000 worth of guard rails, signs and lane marking to help make our high-risk rural roads safer. We spent another \$200,000 on footpath upgrades and provided support to the construction of the Ngaruawahia section of the Te Awa cycleway.
Economy	To ensure that transport infrastructure is planned at a rate to consider growth and demand in a cost effective manner.	A development programme has been completed for Pokeno. Plans for Te Kauwhata and Tuakau are yet to be developed.
Energy	To ensure that the network is well maintained and negative environmental effects are mitigated.	During 2015/16 we re-surfaced 142km of sealed roads and completed 16km of road strengthening work.

Stormwater

Community Outcomes		Progress
People	To ensure that the Council's water infrastructure supports safe and healthy conditions and conforms to established public health standards.	Our stormwater infrastructure has been maintained and as a result we have not experienced any flooding events.
Economy	To ensure that the waters infrastructure networks are managed and maintained to ensure it is both cost effective and reliable, and meets water industry best practice.	We oversaw developer-led extensions to our stormwater network in Pokeno. Riparian planting was also a part of this project. Design and scoping works to extend our stormwater networks in Tuakau and Raglan has also taken place.
Energy	To ensure that the water infrastructure network is managed effectively to minimise wastage and ensures that water is sustainably and appropriately collected, treated and disposed of to protect the environment.	All stormwater was disposed of in a way to protect the environment. As a result we did not receive any abatement, infringement or enforcement notices or convictions.

Wastewater

Community Outcomes		Progress
People	To ensure that the Council's water infrastructure supports safe and healthy conditions and conforms to established public health standards.	During 2015/16 there were 0.54 overflows per 1000 connections from our wastewater system during dry weather.
Economy	To ensure that the waters infrastructure networks are managed and maintained to ensure it is both cost effective and reliable, and meets water industry best practice.	We progressed the design for an upgrade to the Huntly wastewater treatment plant. We also oversaw developer-led extensions of the wastewater networks in Tuakau and Te Kauwhata, and consulted Pokeno residents over the proposed new Pokeno wastewater system phase two.
Energy	To ensure that the water infrastructure network is managed effectively to minimise wastage and ensures that water is sustainably and appropriately collected, treated and disposed of to protect the environment.	During 2015/16 we did not receive any abatement, infringement or enforcement notices or convictions. We did however have two sewage spills in Raglan. Short term actions have been undertaken to improve the situation whilst we develop a longer term plan to minimise future incidences.

Water supply

Community Outcomes		Progress
People	To ensure that the Council's water infrastructure supports safe and healthy conditions and conforms to established public health standards.	Water was treated to a safe standard, but we were unable to meet technical reporting requirements in some zones. We've installed a new monitoring and reporting system which means we should be compliant in 2016/17.
Economy	To ensure that the waters infrastructure networks are managed and maintained to ensure it is both cost effective and reliable, and meets water industry best practice.	A project has been undertaken to supply Tuakau with water from Watercare. This has resolved capacity issues. We have also identified land where we will develop new reservoirs in Pokeno, Ngaruawahia, Huntly and Hopuhopu.
Energy	To ensure that the water infrastructure network is managed effectively to minimise wastage and ensures that water is sustainably and appropriately collected, treated and disposed of to protect the environment.	Water meters were installed in Raglan, Huntly and Ngaruawahia to allow residents to monitor their household water usage.

# FINANCIAL PATHWAY

## TE ARA PUUTEA

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

Council has had another excellent year of financial performance. The Council's budgeted income for this financial year was \$111.8 million, against which actual income earned was \$141 million, a positive variance of \$29.2 million. Vested assets, which are not a budgeted item, account for the majority of the variance, along with higher development and financial contribution income and additional subsidies and grants which were carried over from prior years.

The Council's operational expenditure budget was \$96.2 million of which actual operational expenditure was \$112.2 million. This includes asset write-offs of \$7.5 million which are not a budgeted item. Taking this into account the Council incurred \$8.5 million more than what was budgeted for 2015/2016. This variance against budget relates mainly to interest costs relating to development timing in Pokeno, additional roading maintenance works and provision for weather tight building claims.

Capital programmes were budgeted at \$48.5 million for 2015/2016. In addition to this, budget for projects that had not been fully completed during 2014/15 totalled \$22.8 million (including \$5.7 million of developer led projects). Therefore, although when compared to the Annual Plan budget the completed works sits at 103 per cent of budget (spend of \$49.9 million) the budget usage including progression of prior years'

work was approximately 70 per cent. Variance in capital work programmes can arise for various reasons; savings in construction prices, progression and related timing of subdivision activity within the district, adverse weather resulting in delays, public consultation timeframes and negotiations over land purchase. This year \$26.2 million of capital works budget will be carried forward to the 2016/17 financial year. While this is higher than the carry forward amount in the prior year, the majority of these projects are in progress but were not completed before the end of the financial year.

Debt at the end of June 2016 was \$60 million, lower than the forecast of \$68.6 million, mainly due to better than budgeted cash flow from operations.

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 was successful in achieving both the rates affordability and debt affordability measures set for 2015/16.

**Cr Clint Baddeley**

Chairman Strategy & Finance

**Tony Whittaker**

GM Strategy & 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.

Strada Corporation Limited

Strada Corporation Limited (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.

At the company's formation, Strada generally traded profitably and provided significant dividends that supplemented the Council's income. The road contracting market became more competitive over time and the Council was able to obtain fair prices from the market. The reasons for ownership of the company were reviewed during the 2012-2022 Long Term Plan and it was determined that the Council should own Strada for the purpose of a financial return. During 2015/16 an opportunity arose to sell the Joint Venture, retaining only the contracting side of the business. Strada's difficulty in securing maintenance contract work

during 2014/15 continued into the 2015/16 year and as a result the decision was made to wind up operations. The board has resolved to sell the remainder of the company's operational assets and extinguish all liabilities during the 2016/17 financial year.

During 2015/16 Strada provided 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 the work was fully contestable through the tender process.

Strada's operations during the year included:

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

It should be noted that the Statement of Intent measures that follow are for the parent company only.

Agreed measures	Statement of Intent	Actual 2015/16
Proprietorship ratio.	80%	104%
Net profit after tax as a percentage of average shareholders' funds.	6%	-24.5%
Debt/equity ratio.	20:80	0:100
Interest coverage.	5:1	-9.9:1
Loss time injury rate.	0%	1.5%
Maintain the company's tertiary accreditation with the Accident Compensation Corporation.	By 30 June 2016	Achieved
Maintain optimum ISO9001/2008 objectives outlined in the company's Telarc registration.	By 30 June 2016	Achieved July 2015
Maintain an average staff satisfaction rating of 3 (1 = least satisfied, 5= most).	Staff satisfaction rating of 3	No staff survey was conducted due to board managed closure

Waikato Regional Airport Limited

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

The core purpose and key objectives for the 2015/2016 year have been to operate the airport in an efficient and compliant way whilst maintaining a viable aeronautical business. Revenue was up on prior year by \$0.2 million as a result of increased car park revenue and commercial landing charges whereas operating expenditure increased by \$0.1million mainly due to staff restructuring costs. All Statement of Intent financial measures were met during the year.

Agreed measures	Statement of Intent	Actual 2015/16
Earnings before interest, taxation and depreciation (EBITDA)	\$2,061,000	\$2,585,000
Net surplus/(deficit) after tax	(\$421,000)	(\$282,000)
Net profit after tax to shareholder's funds	-1.0%	0.54%
Net cash flow (operating and investing)	(\$632,000)	\$2,789,000
Net profit after tax to total assets	-1.0%	0.41%
Percentage of non-landing charges revenue to total revenue	64%	81%
Total liabilities/shareholder's funds: (debt/equity/ratio).	25:75	21:79
Applicable to parent company (airport) operations only		
Interest rate cover.	2.86	5.81
Facilitate Health & Safety meetings every 2 months with representatives from each company department.	Achieved. Health and Safety meetings are undertaken on monthly basis.	
Zero Work Safe notifiable accidents/injuries.	Not achieved. There was one notifiable incident.	
Commission independent review of the company's Health & Safety framework. Implement recommendations from the independent review to ensure best-practice compliance.	Achieved. An independent review was undertaken and recommendations implemented.	
To achieve the Airport Certification Standards as required by the Civil Aviation Authority.	Achieved. The airport continues to meet the Airport Certification Standards.	
Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events).	Achieved. There were no incidences of scheduled flights being impacted by controllable events.	
Facilitate noise management meetings each 4 months in accordance with the Noise Management Plan.	Achieved.	
Collect, document and act (where viable) on customer feedback forms to continuously monitor and improve the customer experience. Maintain a database to ensure recurring negative feedback is promptly acted upon.	Achieved. 19 customer feedback cards were collected, documented and considered or responded to.	

Local Authority Shared Services Limited

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

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

These local authorities have worked closely together over the years on mutually beneficial joint projects. The councils believe the company will generate savings through economies of scale and through additional purchasing power and the ability to recover costs. Local Authority Shared Services Limited provides information collection and management at a lower aggregate cost, these include: Shared valuation data services (SVDS), Waikato regional transport model (WRTM) and Waikato regional aerial photography.

The Waikato Mayoral Forum has established 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 Chief Executive in conjunction with a group of Mayors/Chairs from the Mayoral Forum. LASS is available as a support entity to assist these working parties.

Procurement opportunities are identified and progressed hence the Statement of Intent also contains performance targets for joint procurement and insurance brokerage.

A summary of the LASS performance for the 2015/16 year is provided in the table on the next page:



Target	Agreed measures	Results
<b>Procurement</b> Joint procurement initiatives for goods and services for LASS councils will be investigated and implemented.	A minimum of three new procurement initiatives investigated per annum and business cases developed if considered appropriate.  Initiatives which are implemented shall provide financial savings and/or improved service levels to the participating councils.  New suppliers are awarded contracts according to the LASS Financial Delegations Policy.	Achieved: Laboratory Services, IT Professional Services Panel, Internal Audit Services  Laboratory Services expect savings of \$170,000 p.a. IT Professional Services 0 – 50% off market rates, The Internal Audit Services 25 –30% off market rates  Achieved.
<b>Collaborative Projects</b> Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented.	A minimum of three priority projects for collaboration are identified per annum.  If considered of value, business cases are developed for approval by the Board, and the projects are implemented.	EECA collaboration agreement, Regional GIS portal, transfer of Waikato Building Consent Group, RATA and Futureproof into LASS  Achieved.
<b>Existing LASS Contracts</b> Existing contracts are managed and re-negotiated as required.	The LASS Contracts Register is maintained and managed.  Contracts which are due for renewal are tested for competitiveness and either re-negotiated or tendered through a competitive process.	Achieved.  Achieved: The NZ Post contract has been extended for two years on the existing terms and conditions.
<b>Cashflow</b> The company shall maintain a positive cashflow position.	Monthly financial statements show a positive cashflow position.	Not achieved: Decrease in total cash held of \$10,944. 30 June balance of \$682,673.
<b>Cost Control</b> Administration expenditure shall be managed and monitored.	Administration expenditure shall not exceed budget by more than 5%, unless prior approval is obtained from the Board.	Achieved: Actual expenditure was 19% favourable compared to budget.
<b>Reporting</b> Six monthly reports provided to shareholders.	The Board shall provide a written report on the business operations and financial position of the LASS to the shareholders every six months.  Note that every second report shall be the Annual Report, which includes a report that all of the statutory requirements of the LASS are being adhered to.	Achieved.  Achieved.
<b>Waikato Mayoral Forum</b> The company shall provide administrative support and updates on Mayoral Forum workstreams to the Mayoral Forum.	The Mayoral Forum is regularly updated on the progress of each approved workstream.  Approved invoices for Mayoral Forum projects are paid by the 20th of the month following their receipt.	Achieved: Progress reports were provided to the Mayoral Forum on 7 September and 16 November 2015, and 22 February and 18 April 2016.  Achieved.
<b>Shared Valuation Data Services (SVDS)</b> The SVDS is reliable, well-maintained and available to all users.	The SVDS is available to users at least 99% of normal working hours.  All capital enhancement work is supported by a business case and approved by the SVDS Advisory Group.  The SVDS Advisory Group meets at least six-monthly.	Achieved.  Not Applicable: No capital enhancement work was undertaken during 2015/16.  Achieved.
<b>Waikato Regional Transport Model (WRTM)</b> The WRTM is reliable, well-maintained and available to all users.	All modelling reports requested from the model supplier are actioned within the agreed timeframe, scope and budget.  A report by the Contract Manager on any new developments and on the status of the model is provided to the LASS Board at least every six months.  The quality of the base model complies with NZTA guidelines (as set out in the NZTA's Economic Evaluation Manual), and is independently peer reviewed each time the model is updated.	Achieved: Two projects were under the budget estimate and one was slightly over.  Not Achieved: Only one report was provided to the Board.  Achieved: Base model has been signed off by the peer reviewer. Peer reviewer is scheduled to sign off the Future Models in late 2016.
<b>Shareholder Survey</b> Shareholders are satisfied with the performance of LASS.	A survey of shareholders is undertaken each year, and the results are reported to all shareholders.	Achieved.
<b>Review of Benefits</b> Shareholders are informed of the benefits being provided to shareholding councils by LASS.	Information on the financial and non-financial benefits being achieved by LASS are included in the six-monthly and Annual Report to shareholders.	Achieved. This information is contained within the LASS annual report.

## 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 Hamilton City Council, Waikato District Council and Waipa District Council. The Waikato District Community Wellbeing Trust was established to receive funds from the Waikato Foundation Trust which wound up in 2010. \$2.56 million was transferred to the Waikato District Community Wellbeing Trust in 2011/12.

The Trust distributes funds that:

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

The Trust approved the following grants during 2015/16:

● Bush Tramway Club	\$31,096
● Ngaruawahia United Football Club Inc.	\$30,500
● Te Kauwhata Committee Events Inc.	\$40,000
● Onewhero Old School Building Group	\$35,000

A summary of the trust performance for the 2015/16 year is provided in the table below:

Agreed Measures	2015/16 Result
<b>Governance:</b> Undertake an annual legal review of compliance with the Trust Deed no later than two months after the end of each financial year.	Achieved.
<b>Investment:</b> A quarterly Trustee meeting be held to review compliance with the Trusts Management of Investment Portfolio and Distribution Policy for that quarter.	Achieved.
<b>Grant disbursement:</b> The distribution process is undertaken that distributes the annual fund to eligible recipients who meet the fund criteria in accordance with funding targets set by trustees in accordance with the Management of Investment Portfolio and Distribution Policy for the 2015/2016 year.	Achieved. Grants approved during the year represent 28% of the available fund. Actual grants paid were all approved in the previous year.
Six-monthly reports are received from all successful applicants within the required timeframe.	Achieved. All required reports were received.

Returns on investment	Planned 2015/16	Actual 2015/16
Financial	4%	4%
Property	10%	9%
<b>Equity</b>		
Strada Corporation Limited	14%	0%
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%

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# STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 June 2016

		Council			Group	
	Note	2015/16 Actual \$'000	2015/16 Budget \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
Revenue						
Rates	2	68,749	70,989	67,106	68,749	67,106
Development and financial contributions		9,454	8,015	14,403	9,454	14,403
Subsidies and grants		19,881	17,989	18,996	19,881	18,956
Finance revenue	3	604	100	198	668	297
Other revenue	4	42,369	14,742	42,178	46,912	48,044
Total revenue		141,057	111,835	142,881	145,664	148,806
Expenses						
Employee costs	6	26,010	26,834	24,430	27,589	27,494
Depreciation and amortisation expense	7	22,683	22,304	20,870	23,120	21,499
Finance costs	3	4,259	3,008	2,705	4,416	2,915
Other expenses and losses	8	59,209	44,088	52,429	62,897	54,620
Total operating expenses		112,161	96,234	100,434	118,022	106,528
Operating surplus(deficit) before tax and share of equity accounted investments		28,896	15,601	42,447	27,642	42,278
Share of joint venture's surplus(deficit)	19	-	-	-	(2,438)	228
Surplus(deficit) before tax		28,896	15,601	42,447	25,204	42,506
Income tax expense	9	-	-	-	(26)	168
Surplus(deficit) after tax wholly attributable to Waikato District Council		28,896	15,601	42,447	25,230	42,674
Other comprehensive revenue and expense						
Gain(loss) on property revaluations	16	12,072	25,391	16,280	12,000	16,691
Revaluation reserve – landfill	23	(104)	-	(592)	(104)	(592)
Financial assets at fair value through other comprehensive income	9	9	-	-	9	-
Other comprehensive revenue and expense (net of tax)		11,977	25,391	15,688	11,905	16,099
Total comprehensive revenue and expense for the year		40,873	40,992	58,135	37,135	58,773

The accompanying notes form part of these financial statements.  
Explanations of major variances against budget are provided in Note 36.

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		Council			Group	
	Note	2015/16 Actual \$'000	2015/16 Budget \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
Assets						
Current assets						
Cash and cash equivalents	10	4,010	495	10,339	6,522	11,286
Receivables from exchange transactions	11	6,554	15,234	13,779	7,003	14,409
Recoverables from non-exchange transactions	11	6,465	1,752	7,692	6,465	7,692
Prepayments		598	459	455	619	462
Other financial assets	14	78	71	89	3,320	3,567
Inventory	12	-	-	-	14	19
Cattle	13	102	83	90	102	90
Non-current assets held for sale	15	386	400	-	2,864	-
Total current assets		18,193	18,494	32,444	26,909	37,525
Non-current assets						
Investment in CCO's and other similar entities	14	7,359	7,359	7,359	2,859	5,129
Investments in other entities	14	1,253	1,260	1,108	1,878	1,108
Property, plant and equipment	16	1,626,407	1,622,212	1,570,582	1,626,407	1,576,905
Intangible assets	17	5,399	5,780	5,424	5,399	5,526
Investment property	18	475	450	445	475	845
Investment in joint venture	19	-	-	-	-	2,672
Total non-current assets		1,640,893	1,637,061	1,584,918	1,637,018	1,592,185
Total assets		1,659,086	1,655,555	1,617,362	1,663,927	1,629,710
Liabilities						
Current liabilities						
Payables under exchange transactions	20	23,602	23,931	34,122	23,865	34,164
Taxes and transfers payable	20	1,090	1,305	1,063	1,133	1,138
Derivative financial instruments	24	105	-	16	105	16
Borrowing	22	-	4,502	2,950	-	6,671
Employee entitlements	21	3,184	3,256	2,762	3,251	2,994
Provisions	23	669	311	157	679	173
Total current liabilities		28,650	33,305	41,070	29,033	45,156
Non-current liabilities						
Derivative financial instruments	24	5,456	(234)	2,036	5,456	2,036
Borrowing	22	60,000	64,124	50,000	60,000	50,000
Employee entitlements	21	169	219	195	169	207
Provisions	23	1,772	1,655	1,895	1,772	1,895
Deferred tax liabilities	9	-	-	-	-	54
Total non-current liabilities		67,397	65,764	54,126	67,397	54,192
Total liabilities		96,047	99,069	95,196	96,430	99,348
Net assets		1,563,039	1,556,486	1,522,166	1,567,497	1,530,362
Net assets/equity						
Accumulated comprehensive revenue and expense		1,004,834	998,502	964,246	1,006,334	968,085
Other reserves		558,205	557,984	557,920	561,163	562,277
Total net assets/equity		1,563,039	1,556,486	1,522,166	1,567,497	1,530,362

The accompanying notes form part of these financial statements.  
Explanations of major variances against budget are provided in Note 36.

# STATEMENT OF CHANGES IN NET ASSETS / EQUITY

For the year ended 30 June 2016

	Council			Group	
	2015/16 Actual \$'000	2015/16 Budget \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
<b>Balance at the beginning of the year</b>					
<b>Accumulated comprehensive revenue and expense</b>	<b>964,246</b>	<b>976,906</b>	909,588	<b>967,413</b>	912,864
Share of joint venture's earnings	-	-	-	672	444
<b>Other reserves</b>					
Revaluation	554,745	562,440	542,109	556,328	543,281
Restricted	30	29	29	2,804	2,695
Council-created	19,919	11,215	19,324	19,919	19,324
Special rates and user pays	(1,305)	(2,908)	(104)	(1,305)	(104)
Capital replacement fund	14,897	5,510	16,112	14,897	16,112
Development contributions	(30,400)	(37,732)	(23,061)	(30,400)	(23,061)
Fair value through other comprehensive revenue and expense	34	34	34	34	34
<b>Balance at 1 July as previously reported</b>	<b>1,522,166</b>	<b>1,515,494</b>	1,464,031	<b>1,530,362</b>	1,471,589
<b>Comprehensive revenue and expense for the year</b>					
<b>Accumulated comprehensive revenue and expense</b>					
Surplus(deficit) after tax	28,896	15,601	42,447	27,668	42,446
Share of joint venture's retained earnings	-	-	-	(2,438)	228
<b>Other reserves</b>					
Revaluation	12,072	25,391	16,280	12,000	16,691
Revaluation – landfill	(104)	-	(592)	(104)	(592)
Fair value through other comprehensive revenue and expense	9	-	-	9	-
<b>Total comprehensive income for the year wholly attributable to Waikato District Council</b>	<b>40,873</b>	<b>40,992</b>	58,135	<b>37,135</b>	58,773
<b>Transfers to (from) accumulated comprehensive revenue and expense</b>					
<b>Accumulated comprehensive revenue and expense</b>	<b>11,692</b>	<b>5,995</b>	12,211	<b>13,019</b>	12,103
<b>Other reserves</b>					
Revaluation	(4,582)	-	(3,052)	(5,981)	(3,052)
Restricted	144	1	1	216	109
Council-created	2,563	(1,287)	595	2,563	595
Special rates and user pays	(2,026)	(640)	(1,201)	(2,026)	(1,201)
Capital replacement fund	(1,566)	(98)	(1,215)	(1,566)	(1,215)
Development contributions	(6,225)	(3,971)	(7,339)	(6,225)	(7,339)
<b>Total transfers to(from) accumulated comprehensive revenue and expense</b>	<b>-</b>	<b>-</b>	-	<b>-</b>	-
<b>Balance at 30 June wholly attributable to Waikato District Council</b>	<b>1,563,039</b>	<b>1,556,486</b>	1,522,166	<b>1,567,497</b>	1,530,362

The accompanying notes form part of these financial statements.  
Explanations of major variances against budget are provided in Note 36.



# STATEMENT OF CHANGES IN NET ASSETS / EQUITY

For the year ended 30 June 2016 – Continued

	Council			Group	
	2015/16 Actual \$'000	2015/16 Budget \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
<b>Represented by net assets/equity at the end of the year</b>					
<b>Accumulated comprehensive revenue and expense</b>	<b>1,004,834</b>	<b>998,502</b>	964,246	<b>1,006,334</b>	967,413
Share of joint venture's earnings	-	-	-	-	672
<b>Other reserves</b>					
Revaluation	562,131	587,831	554,745	562,243	556,328
Restricted	174	30	30	3,020	2,804
Council-created	22,482	9,928	19,919	22,482	19,919
Special rates and user pays	(3,331)	(3,548)	(1,305)	(3,331)	(1,305)
Capital replacement fund	13,331	5,412	14,897	13,331	14,897
Development contributions	(36,625)	(41,703)	(30,400)	(36,625)	(30,400)
Fair value through other comprehensive revenue and expense	43	34	34	43	34
<b>Balance at 30 June wholly attributable to Waikato District Council</b>	<b>1,563,039</b>	<b>1,556,486</b>	1,522,166	<b>1,567,497</b>	1,530,362

The accompanying notes form part of these financial statements.  
Explanations of major variances against budget are provided in Note 36.

# STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Council			Group	
	2015/16 Actual \$'000	2015/16 Budget \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Receipts from rates revenue	69,848	65,418	67,213	69,848	67,198
Subsidies received	20,628	18,658	17,471	20,628	17,471
Contributions received	18,023	8,356	9,167	18,023	9,167
Receipts from other revenue	16,485	19,345	13,103	20,156	17,828
Interest received	556	100	160	620	254
Dividends received	-	200	-	40	31
Income tax refund	-	-	-	72	-
Goods and service tax (net)	(895)	-	1,039	(927)	937
<b>Payments</b>					
Payments to employees	(25,614)	(26,655)	(24,551)	(27,378)	(27,759)
Payments to suppliers	(49,893)	(44,686)	(42,111)	(52,676)	(43,767)
Interest paid	(4,087)	(3,008)	(2,433)	(4,261)	(2,643)
Income tax paid	-	-	-	-	(180)
<b>Net cash flows from (used in) operating activities</b>	<b>45,051</b>	<b>37,728</b>	39,058	<b>44,145</b>	38,537
<b>Cash flows from investing activities</b>					
Proceeds from the sale of property, plant and equipment	1,008	218	409	3,886	449
Proceeds from the sale of investments	-	-	-	5,783	4,289
Proceeds from the sale of non-current assets held for sale	-	-	16	-	16
Community loan repayments received	69	-	77	69	77
Receipts from repayment of advance	104	-	-	1,692	-
Purchase of intangible assets	(538)	(572)	(489)	(538)	(573)
Purchase of property, plant and equipment	(58,913)	(55,219)	(44,813)	(57,705)	(45,190)
Acquisition of investments	(160)	(229)	(387)	(5,425)	(4,693)
<b>Net cash flow from (used in) investing activities</b>	<b>(58,430)</b>	<b>(55,802)</b>	(45,187)	<b>(52,238)</b>	(45,625)
<b>Cash flows from financing activities</b>					
Proceeds from borrowing	7,050	18,129	15,750	7,050	15,750
Repayment of borrowing	-	-	(258)	(3,250)	(258)
<b>Net cash flow from financing activities</b>	<b>7,050</b>	<b>18,129</b>	15,492	<b>3,800</b>	15,492
Net increase(decrease) in cash, cash equivalents and bank overdrafts	(6,329)	55	9,363	(4,293)	8,404
Cash, cash equivalents and bank overdrafts at the beginning of the year	10,339	440	976	10,815	2,411
<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	<b>4,010</b>	<b>495</b>	10,339	<b>6,522</b>	10,815

The accompanying notes form part of these financial statements.  
Explanations of major variances against budget are provided in Note 36.

# STATEMENT OF RESERVE FUNDS

For the year ended 30 June 2016

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

Reserve	Purpose	Related activities	Opening Balance 1 July 2015 \$'000	Transfers into fund \$'000	Transfers out of fund \$'000	Closing Balance 30 June 2016 \$'000
Conservation fund	To fund expenditure items for conservation purposes.	Sustainable environment	590	54	(19)	625
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	213	381	(459)	135
Housing for the elderly	Income from housing for the elderly is put aside for use on the properties involved.	Sustainable communities	(4)	187	(151)	32
Plant reserve	Reserve used for control of expenditure and sale proceeds for vehicle and other plant running and maintenance costs.	Organisational support	224	1,360	(1,343)	241
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	59	166	(139)	86
Raglan Kopua Holiday Park reserve	Income and expenditure for Kopua Camp at Raglan is kept separate. The camp operation is self-funding.	Sustainable communities	565	1,471	(1,297)	739
Wainui Reserve farm	Income and expenditure for Wainui Reserve farm operations is kept separate. The farm operation is self-funding and surpluses are used towards projects at Wainui Reserve.	Sustainable communities	206	178	(153)	231
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	26	11	-	37
Disaster recovery fund	Fund set aside for use in the event of a disaster.	Organisational support	1,320	47	(60)	1,307
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	51	2	-	53

The accompanying notes form part of these financial statements.  
Explanations of major variances against budget are provided in Note 36.

Reserve	Purpose	Related activities	Opening Balance 1 July 2015 \$'000	Transfers into fund \$'000	Transfers out of fund \$'000	Closing Balance 30 June 2016 \$'000
North Waikato development reserve	Remaining funds with interest credits from the Department of Corrections for use to assist the local community.	Sustainable communities	307	15	-	322
Hamilton East property proceeds	Proceeds from the sale of the Hamilton East property held separate for property related purposes.	Organisational support	2,308	-	-	2,308
Hakarimata Restoration Trust	A restricted reserve for Hakarimata Hills Reserve Trust to record all trust operations.	Sustainable environment	14	1	-	15
Development fund (from shares sold)	Reserve representing the share of the Auckland Airport Shares received by the former Franklin District Council and transferred to Waikato District Council on part amalgamation in 2010.	Organisational support	1,609	-	(26)	1,583
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	4,135	-	(1,356)	2,779
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	367	17	(52)	332
Structure plan non growth reserve	Reserve to provide funding for the non-growth element of Structure Plan development.	Organisational support	511	116	-	627
Waste minimisation reserve	To manage waste minimisation grants and qualifying expenditure.	Sustainable environment	362	17	(48)	331
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
Huntly social services	A restricted reserve created by the transfer of funds from the former Huntly Social Services Co-Ordinating Committee Inc when it was wound up in 2015.	Sustainable communities	-	144	-	144
Sundry reserves	Sundry reserves for township development and other operational purposes.	Sustainable communities	6,317	1,950	(1,367)	6,900

The accompanying notes form part of these financial statements.  
Explanations of major variances against budget are provided in Note 36.

# STATEMENT OF RESERVE FUNDS

For the year ended 30 June 2016 – Continued

Reserve	Purpose	Related activities	Opening Balance 1 July 2015 \$'000	Transfers into fund \$'000	Transfers out of fund \$'000	Closing Balance 30 June 2016 \$'000
Targeted rate reserves – operational	Reserves to monitor operational costs in relation to special rates and user pays.	Stormwater, Sustainable communities, Sustainable environment, Wastewater, Water supply	(1,305)	3,595	(5,621)	(3,331)
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	14,897	18,274	(19,840)	13,331
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	554,745	19,259	(11,873)	562,131
Capital rates and contributions	Reserves for structure plans, development contributions, financial contributions and capital targeted rates.	Roading, Stormwater, Sustainable communities, Sustainable environment, Wastewater, Water supply	(29,634)	11,719	(14,875)	(32,790)
Total reserves			557,920	58,965	(58,680)	558,205

The accompanying notes form part of these financial statements.  
Explanations of major variances against budget are provided in Note 36.

# NOTES TO THE FINANCIAL STATEMENTS

## Note 1 – STATEMENT OF ACCOUNTING POLICIES

### Reporting Entity

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

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

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

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

These financial statements of Council and the Group are for the year ended 30 June 2016. The financial statements were authorised for issue by Council on 3 October 2016.

### Basis of preparation

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

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

### Statement of compliance

The financial statements of Council and the Group have been prepared in accordance with the

requirements of the LGA which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

These financial statements comply with PBE standards.

### Presentation currency and rounding

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

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

In 2015 the External Reporting Board issued *Disclosure Initiative (Amendments to PBE IPSAS 1)*, *2015 Omnibus Amendments to PBE Standards* and *Amendments to PBE Standards and Authoritative Notice as a Consequence of XRB A1 and Other Amendments*. These amendments apply to PBE's with reporting periods beginning on or after 1 January 2016. Council will apply these amendments in preparing its 30 June 2017 financial statements and expects there will be no effect in applying these amendments.

### Significant accounting policies

#### Basis of consolidation

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

#### Subsidiaries

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



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

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

#### **Joint venture**

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

### **Revenue**

#### **Non-exchange revenue**

Non-exchange revenue is measured at the amount of the increase in net assets recognised by the Group.

The following policies have been applied to non-exchange revenue:

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

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

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

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

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

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

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

Where a physical asset is acquired for no or nominal consideration, the asset is recognised at its fair value at the time Council obtains control of the asset. The fair value of the asset is recognised as revenue unless there is a use or return condition attached to the asset.

#### **Exchange revenue**

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

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

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

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

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

Interest income is recognised using the effective interest method.

Dividends are recognised when the right to receive 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 NZ dollars using the exchange rate at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

### **Income tax**

Income tax expense includes current tax and deferred tax.

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

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

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

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

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

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

### **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.

### **Receivables**

Receivables are recorded at their face value, less any provision for impairment.

### **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. Inventory acquired through a non-exchange transaction is measured at fair value at the date of acquisition.

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

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

### **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 revenue and expense

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

#### **Loans and receivables**

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

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

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

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

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

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

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

#### **Impairment of financial assets**

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

#### **Loans and other receivables**

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

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

For receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollected, it is written off against the allowance account.

Overdue receivables that have been renegotiated are reclassified as current (ie not past due).

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

#### **Financial assets at fair value through other comprehensive revenue and expense**

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

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

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

#### **Derivative financial instruments and hedge accounting**

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 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.
- Infrastructural assets: These are the fixed utility systems owned by Council. Each asset class includes all items that are required for the network to function. For example, wastewater reticulation includes reticulation piping and wastewater pump stations.

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

#### **Additions**

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

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

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

#### **Disposals**

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

#### **Depreciation**

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land; except that some of Strada's operational assets are depreciated on the diminishing value basis. The depreciation rates used will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.



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

Description	Useful life (years)	Depreciation rate
Audio visual materials and electronic games – Libraries	5	20%
Buildings	20 – 100	1 – 5%
Vehicles / moveable plant	4 – 20	5 – 25%
Library books	8	12.5%
Computers	4 – 7	14 – 25%
Office equipment	3 – 15	6.67 – 33.3%
Furniture and fixtures	10	10%
Water supply	2 – 100	1 –50%
Wastewater	4 – 100	1 – 25%
Urban stormwater	3 – 100	1 – 33.3%
Roading pavement – sealed	2 – 100	1 – 50%
Pavement (basecourse)		
- sealed	65 – 105	0.95 – 1.5%
- unsealed metal	20	5%
Surface water channel	20 – 80	1.25 – 5%
Culverts	50 – 80	1.25 – 2%
Guardrails / barriers	40 – 80	1.25 – 2.5%
Drainage	50 – 80	1.25 – 2%
Retained walls	50 – 100	1 – 2%
Footpaths	15 – 80	1.25 – 6.67%
Street lighting	20	5%
Bridges	20 – 100	1 – 5%
Parks & reserves	1.5 – 125	0.8 – 66.7%
Solid waste	5 – 90	1.11 – 20%
Signs	20	5%

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

Revaluation

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

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

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

The net revaluation results are credited or debited to other comprehensive 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 per cent and 33 per cent. Strada’s software assets are amortised on a straight-line or diminishing-value basis over their finite useful lives. The useful lives are between one and four years and the amortisation rates are between 25 per cent and 100 per cent.

Consents

Consent costs for capital works are recognised at cost, and amortised on a straight-line basis over the finite life of the consents (between 10-35 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, are not subject to amortisation and are tested annually for impairment. Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

Value in use for non-cash-generating assets

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

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

Value in use for cash-generating assets

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

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

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 at each reporting date. Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

Payables

Short term 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 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**

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.

**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 contributions
  - 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**

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

**Budget figures**

The budget figures are those approved by Council in its 2015/25 Long-Term Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

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

**Landfill aftercare provision**

Note 23 provides information about the estimates and assumptions surrounding the landfill aftercare provision.

Note 2 – RATES

	Council and Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000
General rates	38,698	37,175
Uniform annual general charge	10,159	9,740
<b>Total general rates revenue</b>	<b>48,857</b>	46,915
<b>Targeted rates</b>		
Community boards	185	186
Community centres and facilities	603	583
Refuse & waste management	3,526	3,143
Stormwater	1,455	1,470
Wastewater	6,264	6,285
Metered water supply	2,706	3,894
Other water rates	4,150	3,629
<b>Total targeted rates</b>	<b>18,889</b>	19,190
Plus: Penalties revenue	1,443	1,398
<b>Total rates revenue</b>	<b>69,189</b>	67,503
Less: Rate remissions	(440)	(397)
<b>Total net rates</b>	<b>68,749</b>	67,106

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.

Rates remissions

Rates revenue is shown net of rates remissions. Council's rates remission policy allows Council to remit rates on condition of a ratepayer's extreme hardship, land used for community and sporting purposes, land protected for historic or cultural purposes and rating units with a capital valuation (CV) of \$1,000 or less and Maaori freehold land.

	Council and Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000
Land used for community and sporting purposes	180	149
Land protected for historical or cultural purposes	48	46
CV's under \$1,000	73	63
Rating exclusions	85	94
Maaori freehold land	54	45
<b>Total rates remissions</b>	<b>440</b>	397

Non-rateable land

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

Rating base information

Council's rating base is as follows:

	Council and Group	
	2015/16 Actual	2014/15 Actual
Total number of rating units	29,820	29,766
Total land value	\$11,854m	\$10,821m
Total capital value	\$19,620m	\$18,068m

Note 3 – FINANCE REVENUE AND COSTS

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
<b>Finance revenue</b>				
Interest – bank deposits	532	135	534	234
Interest – financial assets	5	11	64	11
Interest – community loans	20	22	20	22
Interest – other	20	3	23	3
Interest – LGFA borrower notes	27	27	27	27
<b>Total finance revenue</b>	<b>604</b>	198	<b>668</b>	297
<b>Less: Finance costs</b>				
Interest – bank borrowing	167	432	317	641
Interest – LGFA borrowing	1,908	1,859	1,908	1,859
Interest – swaps differences	903	301	903	301
Provision: discount unwinding	110	112	110	112
Other finance costs	1,171	1	1,178	2
<b>Total finance costs</b>	<b>4,259</b>	2,705	<b>4,416</b>	2,915
<b>Net finance costs</b>	<b>(3,655)</b>	(2,507)	<b>(3,748)</b>	(2,618)

## Note 4 – OTHER REVENUE

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
Found assets	5,488	288	5,488	288
Vested assets	19,804	28,233	19,804	28,233
Dividends	-	-	40	31
Other revenue	8,058	5,459	11,543	10,698
Regulatory revenue	6,953	6,340	6,953	6,340
Fees and charges – Council	1,996	1,858	1,996	1,858
Fair value through surplus (deficit) – realised gain	-	-	188	235
Property, plant and equipment gains on disposal	40	-	718	26
Investment property gain on disposal	-	-	47	-
Investment property revaluation gain	30	-	30	87
Gain on cessation of joint venture agreement	-	-	105	-
Fair value through surplus (deficit) – unrealised gains	-	-	-	248
<b>Total other revenue</b>	<b>42,369</b>	<b>42,178</b>	<b>46,912</b>	<b>48,044</b>

## Note 5 – EXCHANGE AND NON-EXCHANGE REVENUE

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
<b>Revenue from exchange transactions</b>				
Revenue from metered water supply	2,706	3,894	2,706	3,894
Development and financial contributions	9,454	14,403	9,454	14,403
Other fees and charges – Council	9,126	8,033	9,126	8,033
Finance revenue	604	198	668	297
Dividends received	-	-	40	31
Other exchange revenue	3,768	1,972	8,278	7,807
<b>Total revenue from exchange transactions</b>	<b>25,658</b>	<b>28,500</b>	<b>30,272</b>	<b>34,465</b>
<b>Revenue from non-exchange transactions</b>				
Revenue from rates	66,043	63,212	66,043	63,212
Vested and found assets	25,292	28,521	25,292	28,521
Regulatory revenue	1,730	1,593	1,730	1,593
Infringements and fines	214	204	214	204
NZTA government subsidies	18,375	17,996	18,375	17,996
Petrol tax	459	442	459	442
Other subsidies and grants	1,506	1,000	1,506	960
Other fees and charges – Council	593	653	593	653
Other non-exchange revenue	1,187	760	1,180	760
<b>Total revenue from non-exchange transactions</b>	<b>115,399</b>	<b>114,381</b>	<b>115,392</b>	<b>114,341</b>
Revenue from exchange transactions	25,658	28,500	30,272	34,465
Revenue from non-exchange transactions	115,399	114,381	115,392	114,341
<b>Total revenue per statement of comprehensive revenue and expense</b>	<b>141,057</b>	<b>142,881</b>	<b>145,664</b>	<b>148,806</b>

There are no unfulfilled conditions or other contingencies attached to subsidies and grants recognised. (2015: \$nil)

## Note 6 – EMPLOYEE COSTS

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
Salaries and wages	25,036	24,012	26,747	27,149
Defined contribution plan employer contributions	578	539	623	610
Increase (decrease) in employee liabilities	396	(121)	219	(265)
<b>Total employee costs</b>	<b>26,010</b>	<b>24,430</b>	<b>27,589</b>	<b>27,494</b>

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

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

	Council	
	2015/16 Actual \$'000	2014/15 Actual \$'000
Water supply	1,662	1,662
Wastewater	2,473	2,437
Stormwater	452	386
Roading	12,724	12,032
Sustainable environment	56	49
Sustainable communities	3,663	2,667
Governance	-	-
Organisational support	1,653	1,637
<b>Total directly attributable depreciation and amortisation</b>	<b>22,683</b>	<b>20,870</b>



## Note 8 – OTHER EXPENSES AND LOSSES

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
Audit fees – Annual report	150	148	204	202
Audit fees – Long term plan	-	114	-	114
Other payments to Audit New Zealand	35	26	35	26
	<b>185</b>	<b>288</b>	<b>239</b>	<b>342</b>
Asset write-off	7,469	6,201	7,469	6,201
Bad debt written off	166	199	173	199
Rates penalty write-offs	578	431	578	431
Other expenditure	39,904	34,021	41,985	35,047
Other personnel expenses	799	855	1,009	1,077
Inventories consumed	-	-	391	865
Minimum lease payments under operating leases	153	154	161	156
Legal expenses	854	886	906	886
Other professional fees	1,150	891	1,156	913
Consultant expenses	3,222	4,297	3,434	4,297
Grants and sponsorship	1,214	1,634	1,265	1,634
Fair value loss on cattle	6	6	6	6
Fair value through surplus (deficit) – unrealised loss	-	-	353	-
Investment property revaluation loss	-	5	-	5
Property, plant and equipment – losses on disposal	-	274	-	274
Impairment loss – computer software	-	-	29	-
Impairment of equity accounted joint venture	-	-	234	-
Interest rate swaps revaluation loss	3,509	2,287	3,509	2,287
<b>Total other expenses and losses</b>	<b>59,209</b>	<b>52,429</b>	<b>62,897</b>	<b>54,620</b>

During the current year other payments were made to Audit New Zealand for assurance services relating to the selection of a contractor for the maintenance of open spaces. In 2015 other payments were made for assurance services relating to the selection of a partner for the Waikato Roads Alliance Agreement.

## Note 9 – INCOME TAX

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
Operating surplus before tax expense	29,196	42,446	25,504	42,506
Prima facie tax at 28%	8,175	11,885	7,141	11,901
Non-assessable income (net)	(8,175)	(11,885)	(7,627)	(11,732)
Non-deductible expenditure	-	-	460	(1)
<b>Total income tax expense</b>	<b>-</b>	<b>-</b>	<b>(26)</b>	<b>168</b>
<b>Made up of:</b>				
Deferred tax	-	-	(96)	(185)
Prior period adjustment	-	-	70	17
<b>Income tax expense</b>	<b>-</b>	<b>-</b>	<b>(26)</b>	<b>(168)</b>

### Deferred tax (assets) liabilities

	Plant and Equipment \$'000	Employee entitlements \$'000	Other provisions \$'000	Total tax loss \$'000	Total \$'000
Balance at 1 July 2014	(265)	65	(17)	-	(217)
Charged to surplus (deficit)	(8)	(32)	9	194	163
Charged to other comprehensive income	-	-	-	-	-
<b>Balance at 30 June 2015</b>	<b>(273)</b>	<b>33</b>	<b>(8)</b>	<b>194</b>	<b>(54)</b>
Balance at 1 July 2015	(273)	33	(8)	194	(54)
Charged to surplus (deficit)	238	(20)	(75)	(117)	26
Charged to other comprehensive income	28	-	-	-	28
<b>Balance at 30 June 2016</b>	<b>(7)</b>	<b>13</b>	<b>(83)</b>	<b>77</b>	<b>-</b>

Note 10 – CASH AND CASH EQUIVALENTS

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
Cash at bank and on hand	1,810	1,419	4,322	2,366
Short term deposits maturing within three months or less from date of acquisition	2,200	8,920	2,200	8,920
<b>Total cash and cash equivalents per statement of financial position</b>	<b>4,010</b>	<b>10,339</b>	<b>6,522</b>	<b>11,286</b>
Bank overdrafts	-	-	-	(471)
<b>Cash and cash equivalents per statement of cash flows</b>	<b>4,010</b>	<b>10,339</b>	<b>6,522</b>	<b>10,815</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 \$173,536 (2015: \$29,072).

An additional restricted reserve was established during the current year. It arose from the winding up of Huntly Social Services Coordinating Committee Incorporated and the transfer of its funds (\$137,404) to Council.

Note 11 – RECOVERABLES AND RECEIVABLES

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
<b>Receivables from exchange transactions</b>				
Receivables from related parties	58	164	-	27
Water rates receivable	548	778	548	778
Other receivables from exchange transactions	6,098	13,244	6,605	14,011
<b>Gross receivables</b>	<b>6,704</b>	<b>14,186</b>	<b>7,153</b>	<b>14,816</b>
Provision for impairment	(150)	(407)	(150)	(407)
<b>Net receivables from exchange transactions</b>	<b>6,554</b>	<b>13,779</b>	<b>7,003</b>	<b>14,409</b>
<b>Recoverables from non-exchange transactions</b>				
Rates receivable	4,010	4,942	4,010	4,942
Recoverables from user charges, taxes and other non-exchange revenue	2,579	3,477	2,579	3,377
GST refund	986	91	986	91
Income tax refund	-	-	-	100
<b>Gross recoverables</b>	<b>7,575</b>	<b>8,510</b>	<b>7,575</b>	<b>8,510</b>
Provision for impairment	(1,110)	(818)	(1,110)	(818)
<b>Net recoverables from non-exchange transactions</b>	<b>6,465</b>	<b>7,692</b>	<b>6,465</b>	<b>7,692</b>
Total gross receivables and recoverables	14,279	22,696	14,728	23,326
Total provision for impairment	(1,260)	(1,225)	(1,260)	(1,225)
<b>Total net recoverables and receivables</b>	<b>13,019</b>	<b>21,471</b>	<b>13,468</b>	<b>22,101</b>

Fair value

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 provides for impairment of rates receivable in certain circumstances; when the property is multiple-owned Maaori land or when there is no guarantor available. In all other circumstances, Council does not provide for any impairment 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 recoverables and receivables is:

	Gross \$'000	Impairment \$'000	Total \$'000
<b>Council 2016</b>			
Not past due	11,164	-	11,164
Past due 1 – 60 days	96	-	96
Past due 61 – 120 days	-	-	-
Past due > 120 days	3,019	(1,260)	1,759
<b>Total gross recoverables and receivables</b>	<b>14,279</b>	<b>(1,260)</b>	<b>13,019</b>
<b>Council 2015</b>			
Not past due	19,798	(23)	19,775
Past due 1 – 60 days	392	(9)	383
Past due 61 – 120 days	108	(3)	105
Past due > 120 days	2,398	(1,190)	1,208
<b>Total gross recoverables and receivables</b>	<b>22,696</b>	<b>(1,225)</b>	<b>21,471</b>
<b>Group 2016</b>			
Not past due	11,498	-	11,498
Past due 1 – 60 days	211	-	211
Past due 61 – 120 days	-	-	-
Past due > 120 days	3,019	(1,260)	1,759
<b>Total gross recoverables and receivables</b>	<b>14,728</b>	<b>(1,260)</b>	<b>13,468</b>
<b>Group 2015</b>			
Not past due	20,348	(23)	20,325
Past due 1 – 60 days	470	(9)	461
Past due 61 – 120 days	110	(3)	107
Past due > 120 days	2,398	(1,190)	1,208
<b>Total gross recoverables and receivables</b>	<b>23,326</b>	<b>(1,225)</b>	<b>22,101</b>

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

Provision for impairment

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 and Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000
Individual impairment	143	219
Collective impairment	1,117	1,006
Total provision for impairment	1,260	1,225

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

	Council and Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000
Past due 1 – 60 days	-	10
Past due 61 – 120 days	-	3
Past due > 120 days	143	206
Total individual impairment	143	219

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

	Council and Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000
Balance at 1 July	1,225	1,065
Additional provision made during the year	155	200
Provisions reversed during the year	(30)	(26)
Debts written off during the period	(90)	(14)
Balance at 30 June	1,260	1,225

Note 12 – INVENTORY

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
Fuel	-	-	2	12
Bitumen	-	-	8	3
Cement	-	-	4	4
Total inventory (at cost)	-	-	14	19

No inventory items are pledged as security for liabilities. (2015: \$nil).

Note 13 – CATTLE

	Council and Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000
Balance at 1 July	90	83
Increase through purchases	108	96
Gains (losses) from fair value adjustments	(6)	(6)
Decrease through sales	(90)	(83)
Balance at 30 June	102	90

Council keeps cattle to graze on one of its reserves as part of reserve maintenance. Although a financial gain was achieved it was not Council's primary purpose. The cattle are normally sold within the next twelve months after balance date. The number of cattle at balance date was 100 (2015: 100).

Council has no cattle with restricted title.



Note 14 – OTHER FINANCIAL ASSETS

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
<b>Current portion</b>				
Equity instruments	-	-	1,664	1,822
Fixed interest instruments	-	-	1,578	1,656
Community loans	78	89	78	89
<b>Total current portion</b>	<b>78</b>	<b>89</b>	<b>3,320</b>	<b>3,567</b>
<b>Non-current portion</b>				
<i>Investments in CCO's and other similar entities</i>				
Local Authority Shared Services Limited (a)	220	220	220	220
Waikato Regional Airport Limited	2,639	2,639	2,639	2,639
Advance to Waikato Quarries Limited	-	-	-	2,270
Strada – shares	4,500	4,500	-	-
<b>Total investment in CCOs and similar entities</b>	<b>7,359</b>	<b>7,359</b>	<b>2,859</b>	<b>5,129</b>
<i>Investment in other entities</i>				
Community loans	235	259	235	259
LGFA borrower notes	960	800	960	800
NZ Local Government Insurance Corp Limited	58	49	58	49
Deferred settlement receivable	-	-	625	-
<b>Total investment in other entities</b>	<b>1,253</b>	<b>1,108</b>	<b>1,878</b>	<b>1,108</b>
<b>Total non-current portion</b>	<b>8,612</b>	<b>8,467</b>	<b>4,737</b>	<b>6,237</b>
<b>Total other financial assets</b>	<b>8,690</b>	<b>8,556</b>	<b>8,057</b>	<b>9,804</b>

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

	No. of shares	Value per Share \$	Total Capital \$	Uncalled Capital \$	Paid up Capital \$
Ordinary shares	1	1,000.00	1,000	-	1,000
Shared Valuation Database Service	106,674	1.00	106,674	-	106,674
Waikato Regional Photography Service	9,376	1.00	9,376	9,376	-
Waikato Regional Transport Model	11,250	10.00	112,500	-	112,500
			<b>229,550</b>	<b>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 \$282,753 (2015: \$349,033). Fair value has been determined using cash flows discounted at the interest rate (current at 1 July 2016) charged by Council on community loans. The rate used is 6.34 per cent (2015: 6.25 per cent).

The face value of total community loans is \$319,997 (2015 \$359,070).

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 \$58,532 (2015: \$49,339). This is based on Council's share, currently 0.37 per cent (2015: 0.37 per cent), of the assets less liabilities of the company. The change in value has been taken to fair value through other comprehensive income.

Note 15 – NON-CURRENT ASSETS HELD FOR SALE

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
Land	210	-	535	-
Buildings	176	-	351	-
Plant and equipment	-	-	1,978	-
<b>Total non-current assets held for sale</b>	<b>386</b>	<b>-</b>	<b>2,864</b>	<b>-</b>

At balance date, two properties were held for sale: land at Holmes Road Horotiu and land and buildings at Harlock Place Huntly.

Following the completion of the Ngaruawahia bypass section of the Waikato Expressway the land at Holmes Road became surplus to requirements. The sale was completed on 22 July 2016.

The property at Harlock Place was declared surplus to Council requirements in September 2015. The sale is expected to be completed during the 2017 financial year.

The Directors of Strada have resolved to sell all of its operational assets during the year ending 30 June 2017. For this reason, all items of property, plant and equipment have been reclassified as non-current assets held for sale and are measured at the lower of their carrying amount and fair value less costs to sell.

Note 16 – PROPERTY, PLANT AND EQUIPMENT

Council 2016	Cost / revaluation 1 Jul 2015 \$'000	Accumulated depreciation and impairment charges 1 Jul 2015 \$'000	Carrying amount 1 Jul 2015 \$'000	Current year additions and transfers from WIP \$'000	Current year disposals \$'000	Current year reclassification cost \$'000							
							Current year reclassification accumulated depreciation \$'000	Current year depreciation \$'000	Accumulated depreciation disposed \$'000	Revaluation surplus (deficit) \$'000	Cost / revaluation 30 Jun 2016 \$'000	Accumulated depreciation and impairment charges 30 Jun 2016 \$'000	Carrying amount 30 Jun 2016 \$'000
Operational assets													
Land	17,576	-	17,576	2,715	(330)	(165)	-	-	-	-	19,796	-	19,796
Buildings	26,461	-	26,461	1,415	(204)	(188)	12	(988)	10	-	27,484	(966)	26,518
Library books	4,801	(3,394)	1,407	324	-	-	-	(296)	-	-	5,125	(3,690)	1,435
Vehicles / moveable plant	5,883	(3,064)	2,819	665	(641)	-	-	(700)	473	-	5,907	(3,291)	2,616
Office equipment	1,273	(1,003)	270	21	-	-	-	(34)	-	-	1,294	(1,037)	257
Computer equipment	4,772	(4,091)	681	230	-	-	-	(266)	-	-	5,002	(4,357)	645
Furniture	1,247	(668)	579	86	(1)	-	-	(82)	1	-	1,332	(749)	583
Total operational assets	62,013	(12,220)	49,793	5,456	(1,176)	(353)	12	(2,366)	484	-	65,940	(14,090)	51,850
Infrastructural assets													
Wastewater	78,535	-	78,535	20,128	(900)	-	-	(2,284)	29	4,987	100,495	-	100,495
Stormwater	37,060	-	37,060	5,882	(113)	-	-	(449)	1	4,530	46,911	-	46,911
Water	77,349	-	77,349	16,378	(646)	-	-	(1,647)	42	4,555	96,031	-	96,031
Drainage	2,044	-	2,044	813	(118)	-	-	-	-	4	2,743	-	2,743
Solid waste	1,750	-	1,750	79	(48)	-	-	(56)	-	(137)	1,588	-	1,588
Roading	911,037	-	911,037	38,061	(201)	-	-	(10,379)	20	(7,050)	931,488	-	931,488
Bridges / culverts / pipes	127,818	-	127,818	556	(2,684)	-	-	(2,347)	48	3,146	126,537	-	126,537
Land under roads	106,753	-	106,753	514	(58)	-	-	-	-	-	107,209	-	107,209
Work in progress	56,404	-	56,404	(25,767)	-	-	-	-	-	-	30,637	-	30,637
Total infrastructural assets	1,398,750	-	1,398,750	56,644	(4,768)	-	-	(17,162)	140	10,035	1,443,639	-	1,443,639
Restricted assets													
Land	67,944	-	67,944	2,327	(466)	(45)	-	-	-	-	69,760	-	69,760
Buildings	27,120	-	27,120	1,568	(1,444)	-	-	(989)	-	-	27,244	(989)	26,255
Parks and reserves	26,975	-	26,975	8,701	(1,274)	-	-	(1,603)	67	2,037	34,903	-	34,903
Total restricted assets	122,039	-	122,039	12,596	(3,184)	(45)	-	(2,592)	67	2,037	131,907	(989)	130,918
Total Council	1,582,802	(12,220)	1,570,582	74,696	(9,128)	(398)	12	(22,120)	691	12,072	1,641,486	(15,079)	1,626,407

Council 2015

	Cost / revaluation 1 Jul 2014 \$'000	Accumulated depreciation and impairment charges 1 Jul 2014 \$'000	Carrying amount 1 Jul 2014 \$'000	Current year additions and transfers from WIP \$'000	Current year disposals \$'000		Current year reclassification \$'000	Current year depreciation \$'000	Accumulated depreciation disposed \$'000	Revaluation surplus (deficit) \$'000	Cost / revaluation 30 Jun 2015 \$'000	Accumulated depreciation and impairment charges 30 Jun 2015 \$'000	Carrying amount 30 Jun 2015 \$'000
<b>Operational assets</b>													
Land	15,190	-	15,190	736	(35)		(43)	-	-	1,728	17,576	-	17,576
Buildings	25,076	(1,444)	23,632	710	(345)		-	(755)	9	3,210	26,461	-	26,461
Library books	4,495	(3,105)	1,390	306	-		-	(289)	-	-	4,801	(3,394)	1,407
Vehicles / moveable plant	5,527	(2,678)	2,849	766	(410)		-	(690)	304	-	5,883	(3,064)	2,819
Office equipment	1,262	(968)	294	11	-		-	(35)	-	-	1,273	(1,003)	270
Computer equipment	4,544	(3,815)	729	228	-		-	(276)	-	-	4,772	(4,091)	681
Furniture	1,229	(606)	623	40	(22)		-	(83)	21	-	1,247	(668)	579
<b>Total operational assets</b>	<b>57,323</b>	<b>(12,616)</b>	<b>44,707</b>	<b>2,797</b>	<b>(812)</b>		<b>(43)</b>	<b>(2,128)</b>	<b>334</b>	<b>4,938</b>	<b>62,013</b>	<b>(12,220)</b>	<b>49,793</b>
<b>Infrastructural assets</b>													
Wastewater	75,446	-	75,446	5,035	(627)		-	(2,248)	21	908	78,535	-	78,535
Stormwater	30,031	-	30,031	2,775	(85)		-	(384)	1	4,722	37,060	-	37,060
Water	75,061	-	75,061	2,336	(290)		-	(1,641)	10	1,873	77,349	-	77,349
Drainage	1,926	-	1,926	-	-		-	-	-	118	2,044	-	2,044
Solid waste	1,321	-	1,321	-	-		-	(48)	-	477	1,750	-	1,750
Roading	885,310	-	885,310	45,392	(4,597)		-	(9,615)	42	(5,495)	911,037	-	911,037
Bridges / culverts / pipes	129,073	-	129,073	1,965	(217)		-	(2,416)	3	(590)	127,818	-	127,818
Land under roads	104,871	-	104,871	1,096	-		786	-	-	-	106,753	-	106,753
Work in progress	39,949	-	39,949	16,455	-		-	-	-	-	56,404	-	56,404
<b>Total infrastructural assets</b>	<b>1,342,988</b>	<b>-</b>	<b>1,342,988</b>	<b>75,054</b>	<b>(5,816)</b>		<b>786</b>	<b>(16,352)</b>	<b>77</b>	<b>2,013</b>	<b>1,398,750</b>	<b>-</b>	<b>1,398,750</b>
<b>Restricted assets</b>													
Land	65,437	-	65,437	1,345	(9)		(743)	-	-	1,914	67,944	-	67,944
Buildings	23,365	(1,007)	22,358	548	(16)		-	(515)	2	4,743	27,120	-	27,120
Parks and reserves	22,371	-	22,371	3,537	(274)		-	(1,344)	13	2,672	26,975	-	26,975
<b>Total restricted assets</b>	<b>111,173</b>	<b>-</b>	<b>110,166</b>	<b>5,430</b>	<b>(299)</b>		<b>(743)</b>	<b>(1,859)</b>	<b>15</b>	<b>9,329</b>	<b>122,039</b>	<b>-</b>	<b>122,039</b>
<b>Total Council</b>	<b>1,511,484</b>	<b>(13,623)</b>	<b>1,497,861</b>	<b>83,281</b>	<b>(6,927)</b>		<b>-</b>	<b>(20,339)</b>	<b>426</b>	<b>16,280</b>	<b>1,582,802</b>	<b>(12,220)</b>	<b>1,570,582</b>



Group 2016

	Cost / revaluation 1 Jul 2015 \$'000	Accumulated depreciation and impairment charges 1 Jul 2015 \$'000	Carrying amount 1 Jul 2015 \$'000	Current year additions and transfers from WIP \$'000	Current year disposals \$'000	Current year reclassification cost \$'000		Current year reclassification accumulated depreciation \$'000	Current year depreciation \$'000	Accumulated depreciation disposed \$'000	Revaluation surplus (deficit) \$'000	Cost / revaluation 30 Jun 2016 \$'000	Accumulated depreciation and impairment charges 30 Jun 2016 \$'000	Carrying amount 30 Jun 2016 \$'000
<b>Operational assets</b>														
Land	20,151	-	20,151	2,369	(2,234)	(490)		-	-	-	-	19,796	-	19,796
Buildings	27,600	-	27,600	551	(204)	(363)		12	(1,019)	41	(100)	27,484	(966)	26,518
Library books	4,801	(3,394)	1,407	324	-	-		-	(296)	-	-	5,125	(3,690)	1,435
Vehicles / moveable plant	15,854	(10,508)	5,346	667	(3,101)	(7,513)		5,563	(1,006)	2,660	-	5,907	(3,291)	2,616
Office equipment	1,432	(1,080)	352	21	(53)	(106)		78	(62)	27	-	1,294	(1,037)	257
Computer equipment	4,772	(4,091)	681	230	-	-		-	(266)	-	-	5,002	(4,357)	645
Furniture	1,247	(668)	579	86	(1)	-		-	(82)	1	-	1,332	(749)	583
<b>Total operational assets</b>	<b>75,857</b>	<b>(19,741)</b>	<b>56,116</b>	<b>4,248</b>	<b>(5,593)</b>	<b>(8,472)</b>		<b>5,653</b>	<b>(2,731)</b>	<b>2,729</b>	<b>(100)</b>	<b>65,940</b>	<b>(14,090)</b>	<b>51,850</b>
<b>Infrastructural assets</b>														
Wastewater	78,535	-	78,535	20,128	(900)	-		-	(2,284)	29	4,987	100,495	-	100,495
Stormwater	37,060	-	37,060	5,882	(113)	-		-	(449)	1	4,530	46,911	-	46,911
Water	77,349	-	77,349	16,378	(646)	-		-	(1,647)	42	4,555	96,031	-	96,031
Drainage	2,044	-	2,044	813	(118)	-		-	-	-	4	2,743	-	2,743
Solid waste	1,750	-	1,750	79	(48)	-		-	(56)	-	(137)	1,588	-	1,588
Roading	911,037	-	911,037	38,061	(201)	-		-	(10,378)	19	(7,050)	931,488	-	931,488
Bridges / culverts / pipes	127,818	-	127,818	556	(2,684)	-		-	(2,347)	48	3,146	126,537	-	126,537
Land under roads	106,753	-	106,753	513	(57)	-		-	-	-	-	107,209	-	107,209
Work in progress	56,404	-	56,404	(25,767)	-	-		-	-	-	-	30,637	-	30,637
<b>Total infrastructural assets</b>	<b>1,398,750</b>	<b>-</b>	<b>1,398,750</b>	<b>56,643</b>	<b>(4,767)</b>	<b>-</b>		<b>-</b>	<b>(17,161)</b>	<b>139</b>	<b>10,035</b>	<b>1,443,639</b>	<b>-</b>	<b>1,443,639</b>
<b>Restricted assets</b>														
Land	67,944	-	67,944	2,327	(466)	(45)		-	-	-	-	69,760	-	69,760
Buildings	27,120	-	27,120	1,568	(1,444)	-		-	(989)	-	-	27,244	(989)	26,255
Parks and reserves	26,975	-	26,975	8,701	(1,274)	-		-	(1,603)	67	2,037	34,903	-	34,903
<b>Total restricted assets</b>	<b>122,039</b>	<b>-</b>	<b>122,039</b>	<b>12,596</b>	<b>(3,184)</b>	<b>(45)</b>		<b>-</b>	<b>(2,592)</b>	<b>67</b>	<b>2,037</b>	<b>131,907</b>	<b>(989)</b>	<b>130,918</b>
<b>Total Group</b>	<b>1,596,646</b>	<b>(19,741)</b>	<b>1,576,905</b>	<b>73,487</b>	<b>(13,544)</b>	<b>(8,517)</b>		<b>5,653</b>	<b>(22,484)</b>	<b>2,935</b>	<b>11,972</b>	<b>1,641,486</b>	<b>(15,079)</b>	<b>1,626,407</b>

Group 2015

	Cost / revaluation 1 Jul 2014 \$'000	Accumulated depreciation and impairment charges 1 Jul 2014 \$'000	Carrying amount 1 Jul 2014 \$'000	Current year additions and transfers from WIP \$'000	Current year disposals \$'000		Current year reclassification \$'000	Current year depreciation \$'000	Accumulated depreciation disposed \$'000	Revaluation surplus (deficit) \$'000	Cost / revaluation 30 Jun 2015 \$'000	Accumulated depreciation and impairment charges 30 Jun 2015 \$'000	Carrying amount 30 Jun 2015 \$'000
<b>Operational assets</b>													
Land	17,298	-	17,298	736	(35)		(43)	-	-	2,195	20,151	-	20,151
Buildings	26,328	(1,537)	24,791	719	(345)		-	(795)	9	3,221	27,600	-	27,600
Library books	4,496	(3,105)	1,391	306	-		(1)	(289)	-	-	4,801	(3,394)	1,407
Vehicles / moveable plant	15,431	(9,880)	5,551	1,110	(688)		1	(1,196)	568	-	15,854	(10,508)	5,346
Office equipment	1,430	(1,043)	387	34	(32)		-	(68)	31	-	1,432	(1,080)	352
Computer equipment	4,544	(3,815)	729	228	-		-	(276)	-	-	4,772	(4,091)	681
Furniture	1,229	(606)	623	40	(22)		-	(83)	21	-	1,247	(668)	579
<b>Total operational assets</b>	<b>70,756</b>	<b>(19,986)</b>	<b>50,770</b>	<b>3,173</b>	<b>(1,122)</b>		<b>(43)</b>	<b>(2,707)</b>	<b>629</b>	<b>5,416</b>	<b>75,857</b>	<b>(19,741)</b>	<b>56,116</b>
<b>Infrastructural assets</b>													
Wastewater	75,446	-	75,446	5,035	(627)		-	(2,248)	21	908	78,535	-	78,535
Stormwater	30,031	-	30,031	2,775	(85)		-	(384)	1	4,722	37,060	-	37,060
Water	75,061	-	75,061	2,336	(290)		-	(1,641)	10	1,873	77,349	-	77,349
Drainage	1,926	-	1,926	-	-		-	-	-	118	2,044	-	2,044
Solid waste	1,321	-	1,321	-	-		-	(48)	-	477	1,750	-	1,750
Roading	885,312	-	885,312	45,392	(4,597)		(2)	(9,615)	42	(5,495)	911,037	-	911,037
Bridges / culverts / pipes	129,073	-	129,073	1,965	(217)		-	(2,416)	3	(590)	127,818	-	127,818
Land under roads	104,871	-	104,871	1,096	-		786	-	-	-	106,753	-	106,753
Work in progress	39,949	-	39,949	16,455	-		-	-	-	-	56,404	-	56,404
<b>Total infrastructural assets</b>	<b>1,342,990</b>	<b>-</b>	<b>1,342,990</b>	<b>75,054</b>	<b>(5,816)</b>		<b>784</b>	<b>(16,352)</b>	<b>77</b>	<b>2,013</b>	<b>1,398,750</b>	<b>-</b>	<b>1,398,750</b>
<b>Restricted assets</b>													
Land	65,438	-	65,438	1,345	(9)		(744)	-	-	1,914	67,944	-	67,944
Buildings	23,364	(1,007)	22,357	548	(16)		1	(515)	2	4,743	27,120	-	27,120
Parks and reserves	22,369	-	22,369	3,537	(274)		2	(1,344)	13	2,672	26,975	-	26,975
<b>Total restricted assets</b>	<b>111,171</b>	<b>(1,007)</b>	<b>110,164</b>	<b>5,430</b>	<b>(299)</b>		<b>(741)</b>	<b>(1,859)</b>	<b>15</b>	<b>9,329</b>	<b>122,039</b>	<b>-</b>	<b>122,039</b>
<b>Total Group</b>	<b>1,524,917</b>	<b>(20,993)</b>	<b>1,503,924</b>	<b>83,657</b>	<b>(7,237)</b>		<b>-</b>	<b>(20,918)</b>	<b>721</b>	<b>16,758</b>	<b>1,596,646</b>	<b>(19,741)</b>	<b>1,576,905</b>

**Infrastructural assets – further disclosures**

		Additions		
	Closing book value \$'000	Constructed by Council \$'000	Assets transferred to Council \$'000	Estimated replacement cost \$'000
<b>Council 2016</b>				
Water treatment plants and facilities	4,898	2,288	-	9,122
Other water assets	91,133	12,175	1,915	129,399
Wastewater treatment plants and facilities	12,219	4,450	-	17,715
Other wastewater assets	88,276	11,870	3,808	145,019
Stormwater and drainage	49,654	2,327	4,368	60,479
Roads and footpaths	1,058,025	28,281	10,336	1,300,935
<b>Total infrastructural assets</b>	<b>1,304,205</b>	<b>61,391</b>	<b>20,427</b>	<b>1,662,669</b>
<b>Council 2015</b>				
Water treatment plants and facilities	4,192	113	-	8,787
Other water assets	73,157	1,130	1,094	112,181
Wastewater treatment plants and facilities	8,303	239	-	13,534
Other wastewater assets	70,232	2,805	1,991	127,755
Stormwater and drainage	39,104	455	2,320	47,910
Roads and footpaths	1,038,855	25,653	21,706	1,259,936
<b>Total infrastructural assets</b>	<b>1,233,843</b>	<b>30,395</b>	<b>27,111</b>	<b>1,570,103</b>

**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 2015.

**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 Robert Berghuis of Beca Limited and is dated 30 June 2016.

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

- All assets are valued and depreciated on a straight-line basis.
- Only existing parks and reserves 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 per cent of the base life years.

**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 Colin Gerrard and Ian Martin of AECOM New Zealand Limited and is dated 30 June 2016.

Estimates and assumptions for the revaluation of these assets included:

- Straight-line depreciation was used.
- Existing waters and solid waste assets were used in the valuation (land was not included).
- Assets were assumed to have zero residual value.
- A minimum remaining useful life of two years was used.

**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 Evan Ou Yung of Opus International Consultants Limited. The valuation is effective at 30 June 2016.

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 2015 valuation.
- The surfacing layer was depreciated on a 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 under roads is stated at deemed cost and is not revalued.

**Work in progress**

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

	Council and Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000
Buildings – operational	731	1,636
Buildings – restricted	270	99
Parks and reserves	7,165	4,724
Wastewater	4,927	18,407
Stormwater	1,628	4,736
Water	6,627	12,179
Solid waste	285	79
Roading	9,004	14,544
<b>Total work in progress</b>	<b>30,637</b>	<b>56,404</b>

**Strada Reclassification**

The Directors of Strada have resolved to sell all of its operational assets during the year ending 30 June 2017.

For this reason, all items of property, plant and equipment have been reclassified as non-current assets held for sale and are measured at the lower of their carrying amount and fair value less costs to sell.

**Other**

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

No impairment losses have been recognised for property, plant and equipment in the current period (2015: \$nil).

There are no items of property, plant and equipment held under finance leases in the current period (2015: nil).

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



Note 17 – INTANGIBLE ASSETS

	Council			Group		
	Computer software \$'000	Consents \$'000	Total \$'000	Computer software \$'000	Consents \$'000	Total \$'000
Balance at 1 July 2015						
Cost	4,359	5,060	9,419	4,553	5,060	9,613
Accumulated amortisation and impairment	(3,352)	(643)	(3,995)	(3,444)	(643)	(4,087)
Opening carrying amount	1,007	4,417	5,424	1,109	4,417	5,526
Year ended 30 June 2016						
Additions	538	-	538	538	-	538
Disposal – cost	-	-	-	-	-	-
Disposal – accumulated amortisation	-	-	-	-	-	-
Impairment losses	-	-	-	(29)	-	(29)
Amortisation charge	(357)	(206)	(563)	(430)	(206)	(636)
Closing carrying amount	1,188	4,211	5,399	1,188	4,211	5,399
Balance at 30 June 2016						
Cost	4,897	5,060	9,957	5,062	5,060	10,122
Accumulated amortisation and impairment	(3,709)	(849)	(4,558)	(3,874)	(849)	(4,723)
Closing carrying amount	1,188	4,211	5,399	1,188	4,211	5,399
Balance at 1 July 2014						
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)
Opening carrying amount	955	4,510	5,465	1,024	4,510	5,534
Year ended 30 June 2015						
Additions	370	120	490	453	120	573
Disposal – cost	-	-	-	-	-	-
Disposal – accumulated amortisation	-	-	-	-	-	-
Amortisation charge	(318)	(213)	(531)	(368)	(213)	(581)
Closing carrying amount	1,007	4,417	5,424	1,109	4,417	5,526
Balance at 30 June 2015						
Cost	4,359	5,060	9,419	4,553	5,060	9,613
Accumulated amortisation and impairment	(3,352)	(643)	(3,995)	(3,444)	(643)	(4,087)
Closing carrying amount	1,007	4,417	5,424	1,109	4,417	5,526

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

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

There are no intangible assets which have been internally generated.

Note 18 – INVESTMENT PROPERTY

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
Balance at 1 July	445	450	845	830
Fair value gains (losses) on valuation	30	(5)	30	15
Reclassification	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	(400)	-
Balance at 30 June (at valuation)	475	445	475	845

Council's investment properties are valued at fair value effective at 30 June each year. The 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 PBE IPSAS 16 Investment Property.

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

- All land is valued on a fair market basis determined from market based evidence and conditions that prevailed at 30 June 2016.

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

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
Rental income	43	43	65	68
Expenses from investment property generating income	-	-	-	-

Note 19 – INVESTMENT IN JOINT VENTURE

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 (2015: nil).

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

	Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000
Original investment	2,000	2,000
Balance at 1 July	2,672	2,444
Share of total comprehensive income	(2,438)	228
Impairment of equity accounted investment	(234)	-
Balance at 30 June	-	2,672
Strada's interest is as follows:		
Current assets	802	1,309
Non-current assets	-	5,588
Current liabilities	569	3,938
Non-current liabilities	-	287
Income	3,765	4,522
Expenses	6,203	4,294

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

Note 20 – PAYABLES, TAXES AND TRANSFERS

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
Payables under exchange transactions				
Trade payables	5,365	3,710	5,508	4,252
Water rates in advance	209	171	209	171
Accrued expenses	17,068	29,185	17,180	29,300
Amounts due to related parties	17	694	25	63
Income in advance	943	362	943	378
Total payables under exchange transactions	23,602	34,122	23,865	34,164
Taxes and transfers payable under non-exchange transactions				
Rates in advance	734	702	734	702
Deposits and bonds	234	246	234	246
GST and FBT payable	23	25	66	100
Taxation payable	-	-	-	-
Other non-exchange payables	99	90	99	90
Total taxes and transfers payable	1,090	1,063	1,133	1,138
Total payables, taxes and transfers	24,692	35,185	24,998	35,302

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

Note 21 – EMPLOYEE ENTITLEMENTS

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
Current portion				
Annual leave	1,925	1,702	1,969	1,824
Long service leave	14	49	14	49
Sick leave provision	115	98	117	98
Accrued payroll	387	13	407	97
Other employee liabilities	743	900	744	926
Total current portion	3,184	2,762	3,251	2,994
Non-current portion				
Long service leave	54	21	54	26
Retirement gratuities	115	174	115	174
Sick leave	-	-	-	7
Total non-current portion	169	195	169	207
Total employee entitlements	3,353	2,957	3,420	3,201

The present values of Council's non-current retirement gratuities and long service leave obligations depend on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any change in these assumptions will affect the carrying amount of the liability. Expected future payments are discounted using forward rates derived from 10 year New Zealand government bonds. The salary inflation factor has been determined in accordance with the inflation factors used in the Long Term Plan. A discount rate of 2.66 per cent (2015: 3.86 per cent) and an inflation factor of 1.81 per cent (2015: 2.19 per cent) have been used.

Note 22 – BORROWING

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
Current portion				
Bank overdrafts	-	-	-	471
Bank loans	-	2,950	-	6,200
Total current portion	-	2,950	-	6,671
Non-current portion				
Bank loans	-	-	-	-
LGFA borrowing	60,000	50,000	60,000	50,000
Total non-current portion	60,000	50,000	60,000	50,000
Total borrowing (all secured)	60,000	52,950	60,000	56,671

Loans and facilities

Council secured debt of \$60,000,000 (2015: \$52,950,000) is either issued at a fixed rate of interest or has been swapped for fixed interest instruments. Seven new swaps (2015: 16) have been undertaken during the current year. Five of the new swaps have start dates after 30 June 2016.

Council's committed cash advance facility of \$15,000,000 (2015: \$15,000,000) expires on 31 July 2018.

At 30 June 2016 total borrowings from Local Government Funding Agency Limited (LGFA) were \$60,000,000 (2015: \$50,000,000). The average rate of interest was 3.16 per cent (2015: 4.28 per cent).

Fair value of borrowing

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

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

	Carrying amount		Fair value	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
<b>Council</b>				
Secured loans	60,000	52,950	58,877	48,894
<b>Total non-current borrowing</b>	<b>60,000</b>	52,950	<b>58,877</b>	48,894
<b>Group</b>				
Secured loans	60,000	52,950	58,877	48,550
<b>Total non-current borrowing</b>	<b>60,000</b>	52,950	<b>58,877</b>	48,550

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

	2015/16	2014/15
From	3.00%	4.08%
To	3.28%	6.39%

Internal loans

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

	Balance at 1 July \$'000	Borrowing \$'000	Repayments \$'000	Balance at 30 June \$'000	Interest paid \$'000
<b>2016</b>					
Water supply	5,893	4,755	(568)	10,080	297
Wastewater	10,017	569	(659)	9,927	512
Stormwater	2,491	413	(86)	2,818	129
Roading	26,184	359	(1,645)	24,898	1,341
Sustainable environment	481	-	(26)	455	25
Sustainable communities	12,938	2,470	(609)	14,799	667
Governance	2,171	-	(686)	1,485	98
Organisational support	311	74	(17)	368	16
<b>Total internal loans (gross)</b>	<b>60,486</b>	<b>8,640</b>	<b>(4,296)</b>	<b>64,830</b>	<b>3,085</b>
<b>2015</b>					
Water supply	4,971	1,433	(511)	5,893	251
Wastewater	9,205	1,410	(598)	10,017	473
Stormwater	2,457	113	(79)	2,491	128
Roading	25,543	2,158	(1,517)	26,184	1,315
Sustainable environment	506	-	(25)	481	26
Sustainable communities	11,783	1,700	(545)	12,938	610
Governance	2,822	-	(651)	2,171	134
Organisational support	327	-	(16)	311	17
<b>Total internal loans (gross)</b>	<b>57,614</b>	<b>6,814</b>	<b>(3,942)</b>	<b>60,486</b>	<b>2,954</b>

Note 23 – PROVISIONS

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
<b>Current portion</b>				
Weathertightness	444	51	444	51
Landfill aftercare	225	106	225	106
Contract completion	-	-	10	16
<b>Total current portion</b>	<b>669</b>	157	<b>679</b>	173
<b>Non-current portion</b>				
Weathertightness	-	-	-	-
Landfill aftercare	1,772	1,895	1,772	1,895
<b>Total non-current portion</b>	<b>1,772</b>	1,895	<b>1,772</b>	1,895
<b>Total provisions</b>	<b>2,441</b>	2,052	<b>2,451</b>	2,068



Movements for each class of provision are as follows:

Council	Landfill aftercare \$'000	Weather- tightness \$'000		Total \$'000
2016				
Balance at 1 July 2015	2,001	51		2,052
Change in provision made during the year	104	562		666
Amounts used	(218)	(169)		(387)
Unused amounts reversed	-	-		-
Discount unwind	110	-		110
Balance at 30 June 2016	1,997	444		2,441
2015				
Balance at 1 July 2014	1,531	435		1,966
Change in provision made during the year	592	(66)		526
Amounts used	(234)	(318)		(552)
Unused amounts reversed	-	-		-
Discount unwind	112	-		112
Balance at 30 June 2015	2,001	51		2,052

Group	Landfill aftercare \$'000	Weather- tightness \$'000	Contract Completion \$,000	Total \$'000
2016				
Balance at 1 July 2015	2,001	51	16	2,068
Change in provision made during the year	104	562	-	666
Amounts used	(218)	(169)	(6)	(393)
Discount unwind	110	-	-	110
Balance at 30 June 2016	1,997	444	10	2,451
2015				
Balance at 1 July 2014	1,531	435	29	1,995
Change in provision made during the year	592	(66)	78	604
Amounts used	(234)	(318)	(91)	(643)
Discount unwind	112	-	-	112
Balance at 30 June 2015	2,001	51	16	2,068

Weathertightness claims

Two claims remain with the Weathertight Homes Resolution Service (WHRS) as at 30 June 2016 (2015: two). 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.

At 30 June 2016, one further claim had been received directly by Council.

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 \$4,225,245 (2015: \$4,337,126). A discount rate of 5.50 per cent (2015: 5.49 per cent) and an inflation factor of 2.5 per cent (2015: 2.5 per cent) 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 24 – DERIVATIVE FINANCIAL INSTRUMENTS

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
Current liability portion				
Interest rate swaps – interest rate hedge	105	16	105	16
Non-current liability portion				
Interest rate swaps – interest rate hedge	5,456	2,036	5,456	2,036
Total derivative financial instruments liabilities	5,561	2,052	5,561	2,052

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 and the Group is \$61,500,000 (2015: \$47,000,000). At 30 June 2016 the fixed interest rates of the swaps range from 3.49 per cent to 6.45 per cent (2015: 3.08 per cent to 6.45 per cent).

Note 25 – REVALUATION RESERVE – PROPERTY, PLANT AND EQUIPMENT

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
Land	44,029	44,537	44,102	45,721
Buildings	29,624	31,080	29,663	31,479
Parks and reserves	14,225	12,668	14,225	12,668
Wastewater	35,567	30,913	35,567	30,913
Water	35,863	31,566	35,863	31,566
Bridges	73,792	72,162	73,792	72,162
Roading	315,992	323,107	315,992	323,107
Urban stormwater	11,481	6,970	11,481	6,970
Rural drainage	629	663	629	663
Solid waste	929	1,079	929	1,079
Balance at 30 June	562,131	554,745	562,243	556,328

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

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
<b>Net surplus (deficit) after tax</b>	<b>28,896</b>	42,447	<b>25,230</b>	42,674
<b>Plus (minus) non-cash items</b>				
Depreciation, amortisation and asset write-off	30,152	27,071	30,589	27,700
Decrease (increase) in future tax benefits	-	-	(54)	(163)
Impairment loss – computer software	-	-	29	-
Vested and found assets	(25,292)	(28,521)	(25,292)	(28,521)
(Gains) losses on fair value of investment property	(30)	5	(30)	(15)
(Gains) losses on derivative financial instruments	3,509	2,287	3,509	2,287
(Gains) losses on financial assets	-	-	165	-
(Gains) losses on cattle	6	6	6	6
Interest income on financial assets not at fair value through surplus (deficit)	(5)	(11)	(5)	(11)
Capitalised internal charges	(712)	(2,551)	(712)	(2,551)
Gains on revaluation of land	-	-	-	(64)
Share of joint venture's operating (profit) loss after tax	-	-	2,438	(228)
Gain on cessation of joint venture	-	-	(105)	-
Impairment of equity accounted investment	-	-	234	-
Gains on fair value through surplus (deficit)	-	-	-	(485)
<b>Plus (minus) items classified as investing or financing activities</b>				
(Gains) losses on disposal of investment property	-	-	(47)	-
(Gains) losses on disposal of property, plant and equipment	(40)	274	(718)	249
Decrease (increase) in creditors for capital expenditure	10,222	(7,397)	10,222	(7,397)
<b>Plus (minus) movements in working capital items</b>				
Receivables and recoverables	8,350	(6,018)	8,633	(6,450)
Prepayments	(145)	(31)	(157)	(37)
Inventories	-	-	5	4
Cattle	(18)	(13)	(18)	(13)
Payables, taxes and transfers	(10,523)	12,136	(10,275)	12,418
Changes in provision	285	(505)	279	(519)
Income tax payable	-	-	-	(82)
Employee entitlements	396	(121)	219	(265)
<b>Net cash inflow (outflow) from operating activities</b>	<b>45,051</b>	39,058	<b>44,145</b>	38,537

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

	Council	
	2015/16 Actual \$'000	2014/15 Actual \$'000
Total comprehensive income wholly attributable to Waikato District Council	40,873	58,135
Surplus (deficit) of operating funding per Whole of Council funding impact statement	15,670	16,014
	<b>25,203</b>	42,121
<b>The difference comprises:</b>		
Capital income	21,811	27,037
Revaluation of assets	12,072	16,280
Revaluation reserve – landfill	(104)	(592)
Financial assets at fair value	(3,500)	(2,287)
Depreciation and amortisation	(22,683)	(20,870)
Profit (loss) on sale	40	(274)
Write off of assets	(7,469)	(6,201)
Vested and found assets	25,292	28,522
Change in provisions	(285)	506
Interest income from financial assets	5	11
Unrealised gains	30	-
Unrealised losses	(6)	(11)
<b>Total difference</b>	<b>25,203</b>	42,121

## Note 28 – CAPITAL COMMITMENTS AND OPERATING LEASES

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
Strada Corporation Limited	-	41	-	-
Other commitments	80,590	86,435	80,590	86,435
<b>Total capital commitments</b>	<b>80,590</b>	86,476	<b>80,590</b>	86,435
<b>Capital commitments are for expenditure on:</b>				
Water	10,218	1,756	10,218	1,756
Wastewater	1,736	1,244	1,736	1,244
Stormwater	-	814	-	814
Parks and reserves	645	389	645	389
Buildings – operational	215	88	215	88
Roading	65,629	81,964	65,629	81,923
Bridges	2,110	27	2,110	27
Vehicles / moveable plant	-	-	-	-
Intangible assets	37	194	37	194
<b>Total capital commitments</b>	<b>80,590</b>	86,476	<b>80,590</b>	86,435

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

Strada has no significant capital commitments at balance date (2015: \$nil).

Operating leases as lessee

Council and the Group lease property, plant and equipment in the normal course of business. The leases have non-cancellable terms of between 12 months and three years three months (2015: 12 months and three years three months).

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

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
Not later than one year	361	461	502	411
Later than one year and not later than five years	202	237	305	406
Later than five years	-	-	-	-
Total minimum operating lease payments payable	563	698	807	817

Council

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

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

Council's Tuakau office is leased from Young Investors Limited. The agreement has an original term of seven years commencing in 2010 with two right of renewal each for a three year term. The lease provisions require Council to make a lump sum payment if the first renewal is not uplifted; for the purposes of this note it is assumed that renewal will be effected.

Other leases may be renewed at Council's option, with rents set by reference to current market rates for

items of equivalent age and condition. Council and the Group do not have the option to purchase any assets at the end of the lease term.

Strada

Strada leases a property at 15 Tasman Road, Hamilton from an independent third party. The lease expires on 7 December 2016. No property was leased in the previous year.

Operating leases as lessor

Council leases community and investment properties and grazing rights under operating leases. The leases have non-cancellable terms ranging from less than one year up to 35 years.

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

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
Not later than one year	477	463	477	488
Later than one year and not later than five years	779	1,168	779	1,245
Later than five years	735	710	735	710
Total non – cancellable operating leases	1,991	2,341	1,991	2,443

Council has recognised no contingent rents during the period (2015: \$nil).

Note 29 – CONTINGENCIES

Contingent liabilities

Quantifiable contingent liabilities are as follows:

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
Guarantee	-	-	343	579
Strada's share of joint venture contingency	-	-	2,500	-
Uncalled share capital (WRAL)	-	1,500	-	1,500

Guarantees

Strada has \$343,262 (2015: \$578,807) bonds guaranteed by the ANZ National Bank Limited. The bonds will be payable if Strada is unable to fulfil its contractual obligations.

Capital contributions

In 2015 Council had a contingent liability for uncalled share capital as a shareholder of Waikato Regional Airport Limited (WRAL). A sale and purchase agreement has been entered into which extinguished that liability.

Outstanding insurance claims

There are seven outstanding claims (2015: eight) in varying stages of progress. Council is unable to quantify its contingent liability for all (2015: all) of these claims. The maximum Council liability for six of the claims is \$10,000 including GST (2015: \$1,000 – \$10,000) for each claim which is the excess on the insurance policies. The liability for the remaining claim cannot be reliably quantified.

Joint venture

A contingent liability has arisen as a result of Strada's interest in its joint venture. The amount disclosed represents the maximum amount of the contingent liability (excluding any legal or professional costs) for which Strada may be liable. The extent to which an outflow of funds will be required is dependent on any claims being made by Fulton Hogan Limited in relation to the sale of the business operations and assets of Waikato Limited. Strada is not contingently liable for the liabilities of other venturers in its joint venture.

Unquantified claims

As disclosed in Note 23, a provision of \$444,000 (2015: \$51,000) 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.

Other claims

A water reticulation serviceman made a claim to the Employment Relations Authority against Council claiming unjustified dismissal. The applicant sought remedies from Council in terms of compensation for both lost wages and for costs. Council will go to mediation on 19 September 2016. Based on a previous mediation, the estimated compensation will be no more than \$12,000.

At balance date no (2015: nil) other claims expose Council to contingent liabilities. Council's maximum financial exposure is \$12,000 (2015: \$nil).

NZ Local Government Funding Agency Limited (LGFA)

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

Council is one of 41 local authority guarantors and 31 local authority 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 2016 LGFA had borrowings totalling \$6.501billion (2015: \$4.955billion).

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 per cent 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 per cent share.

Note 30 – RELATED PARTY TRANSACTIONS

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

All related party transactions and related payments are on normal commercial terms. There was no impairment of any of these transactions (2015: nil).

The following transactions were carried out between related parties:

	Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000
Between Council and Strada		
Road construction and urban services provided by Strada	1,087	6,572
Rates paid to and refuse disposal by Council	7	15
Council's accounts payable to Strada	19	694
Council's accounts receivable from Strada	-	2
Property purchase – 2 & 8A Brownlee Avenue, Ngaruawahia	1,210	-
Between Council and Waikato District Community Wellbeing Trust (WBT)		
WBT grant to Council (Allan Turner Walkway))	-	40
Council's accounts receivable from WBT	58	162
Between Council and Local Authority Shared Services (LASS)		
Services provided to LASS	5	4
Charges from LASS	181	279
Council's accounts payable to LASS	45	99
Council's accounts receivable from LASS	1	1
Between Council and Waikato Regional Airport Limited (WRAL)		
Regional Tourism funding payment to WRAL	150	100
Between Strada and Waikato Quarries Limited (WQL)		
Lease revenue	247	273
Strada's trade and other receivables from WQL	-	27
Loan receivable from WQL	625	2,270
Between Strada and Perry Aggregates Limited		
Metal purchases by Strada	29	369
Accounts payable by Strada	-	-

Key management personnel compensation

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

	Council	
	2015/16 Actual \$'000	2014/15 Actual \$'000
Remuneration		
Councillors	710	662
Senior management team (including CE)	1,043	1,005
Total key management personnel remuneration	1,753	1,667
	2015/16 Actual	2014/15 Actual
Full-time equivalent members		
Councillors	14	14
Senior management team (including CE)	4	4
Total full-time equivalent personnel	18	18

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

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

Related party transactions requiring disclosure

During the year Strada Corporation Limited purchased \$77,717 (2015: \$25,620) of legal and employment advice from Tompkins Wake in which a Strada director is a partner. There was \$7,583 payable at 30 June 2016 (2015: \$4,501).

Note 31 – REMUNERATION

Remuneration of elected members

	Council	
	2015/16 Actual \$'000	2014/15 Actual \$'000
Councillors		
Cash benefits		
A Sanson, Mayor	125	121
C Baddeley	48	45
J Church	39	36
R Costar	39	36
D Fulton	57	60
J Gibb	40	39
W Hayes	48	45
S Lynch	47	43
R McGuire	39	36
L Petersen	39	36
J Sedgwick	39	38
N Smith	54	58
M Solomon	39	36
G Tait	40	38
Total cash benefits paid to Councillors	693	667
Non-cash benefits		
A Sanson, Mayoral car	17	17
Total non-cash benefits paid to Councillors	17	17
Total remuneration of Councillors	710	684
Community board and committee members		
Cash benefits		
A Anderson	5	4
J Ayers	5	4
S Boyde	5	4
K Bredenbeck	5	4
B Cameron	5	1
K Clarkson	4	-
K Clelow	3	2
W Diamond	5	4
B Dixon	4	4
R Farrar	5	4
P Forsyth	10	8
R Gee	5	4
D Gilmour	-	2
E Gouk	1	1
F Gower	5	4
W Hansen	1	1

	Council	
	2015/16 Actual \$'000	2014/15 Actual \$'000
P Haworth	1	-
M Holl	2	4
K Kohu	1	1
D Lamb	5	4
H Lovell	1	1
R MacLeod	4	4
N Miller	10	7
B Mounsey	5	4
J Ross	1	1
B Sherson	5	4
S Stewart	10	8
E Thomson	4	1
T Tukere	3	4
A Vink	8	5
B Watson	5	4
J Whetu	5	4
Total cash benefits paid to community board and committee members	138	107
Total remuneration of Councillors and other elected representatives	848	791

Remuneration of Chief Executive

The Chief Executive of Waikato District Council is appointed under section 42 of the Local Government Act 2002. He received a salary of \$291,298 (2015: \$279,315) in terms of his contract. The Chief Executive's total remuneration included other benefits as follows:

	Council	
	2015/16 Actual \$'000	2014/15 Actual \$'000
Salary and other short-term employee benefits	291	280
Vehicle	17	17
Defined contribution plan employer contributions (KiwiSaver)	9	8
Expenses allowance	3	2
Other fringe benefits (value of benefit plus FBT)	12	12
Total Chief Executive's remuneration	332	319

Employee numbers

Number of employees (at 30 June)	Council	
	2015/16 Actual	2014/15 Actual
Full-time employees	296	278
Part-time employees (including casual employees)	61	76
Total employees	357	354

A full-time employee works 40 hours per week

Full-time equivalent employees

Full-time employees	296.10	278.05
Part-time employees (in full-time equivalents)	26.52	30.75
Total full-time equivalent employees	322.62	308.80

Total annual employee remuneration by band

	Council	
	2015/16 Actual	2014/15 Actual
\$0 – \$60,000	164	168
\$60,001 – \$80,000	77	90
\$80,001 – \$100,000	59	57
\$100,001 – \$120,000	35	25
\$120,001 – \$140,000	15	7
\$140,001 – \$340,000	7	7
Total employees	357	354

Total remuneration includes non financial benefits provided to employees. There are fewer than five employees on each of the bands above \$140,001 therefore the numbers for those bands have been combined in a single band of \$140,001 – \$340,000.

Note 32 – SEVERANCE PAYMENTS

For the year ended 30 June 2016, Council made one (2015: one) severance payment to employees amounting to \$25,080 (2015: \$6,238).

Strada made 13 (2015: one) severance payments to employees during the year. The payments were \$5,000 per employee. (2015: \$2,000).

Note 33 – EVENTS AFTER BALANCE DATE

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

In 2015 Council disclosed the following post balance date event:

On 13 August 2015 Council was served with a leaky home claim and proceedings have been filed in the High Court where Council is one of five defendants. The amount of the claim against Council has not yet been quantified.

For Strada, the following material events are expected to occur subsequent to 30 June 2016:

- The Company has entered into an unconditional agreement for the sale of the property located at 27 Glasgow Street Huntly with settlement in August 2016.
- In addition to the specific property mentioned above, Strada's Board has resolved to sell the remainder of the Company's operational assets and extinguish all of the Company's liabilities during the year ended 30 June 2017.

Note 34 – FINANCIAL INSTRUMENTS

A: Financial instruments categories

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

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
Financial assets				
Loans and receivables				
Cash and cash equivalents	4,010	10,339	6,522	11,286
Recoverables and receivables	13,019	21,471	13,468	22,101
Community loans	313	348	313	348
Deferred settlement receivable	-	-	625	-
Loans to related parties	-	-	-	2,270
LGFA borrower notes	960	800	960	800
Total loans and receivables	18,302	32,958	21,888	36,805
Fair value through surplus (deficit)				
Fixed interest investments	-	-	1,578	1,656
Equity investments	-	-	1,664	1,822
Total fair value through surplus (deficit)	-	-	3,242	3,478
Fair value through other comprehensive income				
Unlisted shares in NZ Government Insurance Corporation Limited	58	49	58	49
Financial assets at cost				
Local Authority Shared Services Limited	220	220	220	220
Shares in Strada Corporation Limited (subsidiary)	4,500	4,500	-	-
Waikato Regional Airport Limited	2,639	2,639	2,639	2,639
Total financial assets at cost	7,359	7,359	2,859	2,859
Financial liabilities				
Fair value through surplus (deficit)				
Derivative financial instruments liabilities	5,561	2,052	5,561	2,052
Financial liabilities at amortised cost				
Payables, taxes and transfers	24,692	35,185	24,998	35,302
Borrowing -secured loans	60,000	52,950	60,000	56,671
Total financial liabilities at amortised cost	84,692	88,135	84,998	91,973

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	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
Valued at quoted market price (level 1)				
Fixed interest investments	-	-	1,578	1,656
Equity investments	-	-	1,664	1,822
Total financial instruments valued at quoted market price	-	-	3,242	3,478
Valued using observable inputs (level 2)				
Financial liabilities – derivatives	5,561	2,052	5,561	2,052
Valued using significant non-observable inputs (level 3)				
Unlisted shares	58	49	58	49

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

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

	Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000
Balance at 1 July	49	49
Gains and losses recognised in other comprehensive income	9	-
Other movements	-	-
Balance at 30 June	58	49

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

C: FINANCIAL INSTRUMENTS RISKS

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

Market risk

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of change in market prices. Council has no exposure to price risk because it does not hold any listed securities. Equity securities price risk arises on listed equity investments which are held by the Waikato District Community Wellbeing Trust (WBT)

and are classified as financial assets held at fair value through surplus or deficit. The price risk arises due to market movements in listed share prices. Gareth Morgan Investments Limited (GMI) which manages the investment portfolio on behalf of the trustees, manages price risk via diversification and liquidity of investments.

Currency risk

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

Fair value interest rate risk

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

Borrowings and investments issued at fixed rates of interest expose Council to interest rate risk. Council's Treasury Risk Management Policy sets a range of control limits for the fixed rate proportion of borrowings with different maturities. The range is from a maximum of 100 per cent for debt maturing in the current period through to 55 per cent for debt maturing in 10 years.

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

Cash flow interest rate risk

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

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

of converting borrowings at floating rates into fixed rates that are generally lower than those available if Council borrowed at fixed rates directly. Under the interest rate swaps, Council agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

Credit risk

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

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

Council is exposed to credit risk as a guarantor of all of LGFA's borrowings. Information about this exposure is explained in Note 29.

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

Maximum exposure to credit risk

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

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
Cash and cash equivalents	4,010	10,339	6,522	11,286
Recoverables and receivables	13,019	21,471	13,468	22,101
Community loans	313	348	313	348
Loans to related parties	-	-	-	2,270
Deferred settlement receivable	-	-	625	-
Fixed interest investments	-	-	1,578	1,656
Equity investments	-	-	1,664	1,822
LGFA borrower notes	960	800	960	800
Total credit risk	18,302	32,958	25,130	40,283

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	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
<b>Counterparties with credit ratings</b>				
<i>Cash and cash equivalents</i>				
AA-	4,010	10,339	6,522	11,286
<i>Fixed interest investments</i>				
AAA	-	-	-	380
AA+	-	-	-	42
AA	-	-	1,558	54
AA-	-	-	-	419
A+	-	-	-	168
A	-	-	-	120
A-	-	-	5	111
BBB+	-	-	8	136
BBB	-	-	6	44
BBB-	-	-	-	49
<i>Borrower notes</i>				
AA+	960	800	960	800
<b>Counterparties without credit ratings</b>				
<i>Community and related party loans</i>				
Community loans with no defaults in the past	313	348	313	348
Loans to related parties with no default in the past	-	-	-	2,270
Unrated equity investments	7,359	7,359	9,024	4,681
Fixed interest investments with no default in the past	-	-	-	133

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 (2015: \$500,000) and a committed cash advance facility of \$15,000,000 (2015: \$15,000,000), of which \$15,000,000 (2015 \$12,050,000) is available to be drawn. Council's committed cash advance facility expires July 2018.

Council utilises funding through the Local Government Funding Agency Limited (LGFA). As at 30 June 2016 Council had borrowed \$60,000,000 (2015: \$50,000,000) and held borrower notes with a face value of \$960,000 (2015: \$800,000).

Council is also exposed to liquidity risk as a guarantor of all of LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. Information about this exposure is contained in Note 29.

Contractual maturity analysis of financial liabilities, excluding derivatives

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

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
<b>Carrying amount</b>				
Payables, taxes and transfers	24,692	35,185	24,998	35,302
Secured loans	60,000	52,950	60,000	56,671
<b>Total carrying amount</b>	<b>84,692</b>	<b>88,135</b>	<b>84,998</b>	<b>91,973</b>
<b>Contractual cash flows</b>				
Payables, taxes and transfers	24,692	35,185	24,998	35,302
Secured loans	69,589	64,818	69,589	68,648
<b>Total contractual cash flows</b>	<b>94,281</b>	<b>100,003</b>	<b>94,587</b>	<b>103,950</b>

The following table summarises the pattern of contractual cash flows:

	Less than 1 yr \$'000	1-2 yrs \$'000	2-5 yrs \$'000	More than 5 yrs \$'000
<b>Council 2016</b>				
Payables, taxes and transfers	24,692	-	-	-
Secured loans	1,897	1,897	38,392	27,403
<b>Total</b>	<b>26,589</b>	<b>1,897</b>	<b>38,392</b>	<b>27,403</b>
<b>Council 2015</b>				
Payables, taxes and transfers	35,185	-	-	-
Secured loans	5,083	2,124	33,721	23,890
<b>Total</b>	<b>40,268</b>	<b>2,124</b>	<b>33,721</b>	<b>23,890</b>
<b>Group 2016</b>				
Payables, taxes and transfers	24,998	-	-	-
Secured loans	1,897	1,897	38,392	27,403
<b>Total</b>	<b>26,895</b>	<b>1,897</b>	<b>38,392</b>	<b>27,403</b>
<b>Group 2015</b>				
Payables, taxes and transfers	35,302	-	-	-
Secured loans	8,913	2,124	33,721	23,890
<b>Total</b>	<b>44,215</b>	<b>2,124</b>	<b>33,721</b>	<b>23,890</b>

Contractual maturity analysis of derivative financial instruments

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

	Council		Group	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
Net settled derivative liabilities				
Carrying amount	5,561	2,052	5,561	2,052
Contractual cash flows	10,624	8,354	10,624	8,354
	Less than 1 yr \$'000	1-2 yrs \$'000	2-5 yrs \$'000	More than 5 yrs \$'000
Net settled derivative liabilities				
2015/16	1,365	1,446	4,038	3,775
2014/15	774	1,233	2,977	3,370

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	
	2015/16 Actual \$'000	2014/15 Actual \$'000	2015/16 Actual \$'000	2014/15 Actual \$'000
Carrying amount				
Cash and cash equivalents	4,010	10,339	6,522	11,286
Recoverables and receivables	13,019	21,471	14,170	22,101
Other financial assets				
- community loans	313	348	313	348
- loans to related parties	-	-	-	2,270
- LGFA borrower notes	960	800	960	800
Total carrying amount	18,302	32,958	21,965	36,805
Contractual cash flows				
Cash and cash equivalents	4,010	10,339	6,522	11,286
Recoverables and receivables	13,019	21,471	14,170	22,101
Other financial assets				
- community loans	377	429	377	429
- loans to related parties	-	-	-	2,270
- LGFA borrower notes	1,067	970	1,067	970
Total contractual cash flows	18,473	33,209	22,136	37,056

The following table summarises the pattern of contractual cash flows:

	Less than 1 yr \$'000	1-2 yrs \$'000	2-5 yrs \$'000	More than 5 yrs \$'000
Council 2016				
Cash and cash equivalents	4,010	-	-	-
Recoverables and receivables	13,019	-	-	-
Other financial assets				
- community loans	78	146	153	-
- loans to related parties	-	-	-	-
- LGFA borrower notes	27	342	433	265
Total	17,134	488	586	265
Council 2015				
Cash and cash equivalents	10,339	-	-	-
Recoverables and receivables	21,471	-	-	-
Other financial assets				
- community loans	89	71	183	86
- loans to related parties	-	-	-	-
- LGFA borrower notes	-	-	532	438
Total	31,899	71	715	524

	Less than 1 yr \$'000	1-2 yrs \$'000	2-5 yrs \$'000	More than 5 yrs \$'000
Group 2016				
Cash and cash equivalents	6,522	-	-	-
Recoverables and receivables	13,545	125	500	-
Other financial assets				
- community loans	78	146	153	-
- loans to related parties	-	-	-	-
- LGFA borrower notes	27	342	433	265
Total	20,172	613	1,086	265
Group 2015				
Cash and cash equivalents	11,286	-	-	-
Recoverables and receivables	22,101	-	-	-
Other financial assets				
- community loans	89	71	183	86
- loans to related parties	-	-	-	2,270
- LGFA borrower notes	-	-	532	438
Total	33,476	71	715	2,794



Sensitivity analysis

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

Interest rate risk

	2015/16		2014/15	
	Actual -100bps \$'000	Actual +100pbs \$'000	Actual -100bps \$'000	Actual +100bps \$'000
<b>Council</b>				
<i>Financial assets</i>				
Cash and cash equivalents	(40)	40	(103)	103
<i>Financial liabilities</i>				
Derivatives	(2,628)	2,456	(6,029)	15
<b>Group</b>				
<i>Financial assets</i>				
Cash and cash equivalents	(40)	40	(113)	113
<i>Financial liabilities</i>				
Derivatives	(2,628)	2,456	(6,029)	15

Foreign exchange risk

	2015/16		2014/15	
	Actual -100bps \$'000	Actual +100pbs \$'000	Actual -100bps \$'000	Actual +100bps \$'000
<b>Group</b>				
<i>Financial assets</i>				
Cash and cash equivalents	16	(16)	27	(27)

Equity price risk

	2015/16		2014/15	
	Actual -100bps \$'000	Actual +100pbs \$'000	Actual -100bps \$'000	Actual +100bps \$'000
<b>Group</b>				
<i>Financial assets</i>				
Cash and cash equivalents	12	(12)	18	(18)

Explanations of sensitivity analysis

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

The sensitivity for derivatives (interest rate swaps) has been calculated using a derivative valuation model based on parallel shift in interest rates of 100bps/+100bps (2015 100bps/+100bps).

Note 35 – CAPITAL MANAGEMENT

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

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

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

The Act requires Council to make adequate and effective provision in its Long Term Plan (LTP) and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. The Act

also sets out the factors that Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financing policies in Council's LTP.

Council has the following Council created reserves:

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

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

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

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

Note 36 – EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

The major variance explanations are set out below and explain the significant differences between actual results for 2015/16 compared to the budget for 2015/16.

Rates revenue was lower than budgeted, specifically in relation to water-by-meter charging. This variance relates to a difference in the level of assumed water-by-meter consumption and actual consumption. Total actual revenue exceeded budgeted revenue mainly due to the vestment of assets, contributions and subsidy revenue.

Other revenue encompasses Council's fees and charges including infringements, consent applications, dog registrations, service connections and other regulatory function revenue. This category also covers cost sharing arrangements for capital work programmes and vested assets. Vested asset revenue relates to infrastructure that is transferred to council to maintain upon completion of development works.

Vested asset revenue is not budgeted and accounts for the majority of this variance (\$19.8 million). The other major variance relates to the work that has been ongoing in terms of condition assessment of our assets under the ground. This process has enabled council to capture assets that had not previously been identified, and are known as found assets. These are also unbudgeted and explain another \$5.4 million of the variance.

Contribution revenue was significantly higher than budgeted due to staging of development and related timing of uplift of consents. During the 2015/16 year residential and industrial development in the district contributed \$1.4 million more in contribution income than budgeted levels. A large proportion of this income relates to consent applications lodged prior to July 2015 (approximately 92 per cent of consents uplifted).

Subsidies and grant income is sourced mainly from the New Zealand Transport Agency in relation to the

roading work programmes. Subsidy is approved on a three yearly programme basis where timing variances between years are redistributed or adjusted by the agency for subsequent years. This year's subsidy was \$389,000 above budget. During 2015/16 council received Ministry of Health subsidy that had been budgeted for in 2014/15, this transaction alone provided additional revenue of \$1.3 million.

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. Asset write-offs account for the majority of the variance against budget for operating expenses (\$7.5 million). Development timing in Pokeno also led to an increase in both interest income and interest cost during the year (\$4.8 million of additional cost). Roothing maintenance works exceeded expected spend by \$1.4 million and an unbudgeted provision

for weathertight building claims accounted for another \$562,000 of the overall variance.

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. In the case of roading and bridges the index was negative reducing the asset value by 1 per cent compared to the previous year whereas it was budgeted to be an increase.

At balance date, cash and cash equivalents on hand were higher than budgeted due to the timing of the final rates and water-by-meter instalments and normal working capital fluctuations. Debtors (accounts receivable) balances were lower than expected reflected in the high cash on hand balances compared to budget. Borrowings saw actual loans \$4 million lower than anticipated because funds on hand from the prior year were used to reduce the amount borrowed.

Note 37 – INSURANCE OF ASSETS

The total value of all assets of Council that are covered by insurance contracts as at 30 June 2016 is \$529,566,063 (2015: \$485,083,365)

and the maximum amount to which they are insured is \$189,263,759 (2015: \$190,405,792).

Insurance class	Total declared value	Policy limit
Infrastructure	\$312,606,887	\$6,000,000 per loss (primary layer contracts provide for recovery of 100% of the costs of loss or damage to declared assets)
		\$35,000,000 per loss (for anything that falls outside the primary layer cover, these insurance contracts provide for the recovery of 40% of the cost of loss or damage to declared assets)
Material Damage	\$212,695,417	\$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	\$3,848,829	\$3,848,829
Other	\$414,930	\$414,930
Total	\$529,566,063	\$189,263,759

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 2016 the balance of this reserve was \$1,306,928 (2015: \$1,391,548).

Note 38 – ADJUSTMENTS TO THE COMPARATIVE YEAR FINANCIAL STATEMENTS

Council and the Group have adjusted their comparative year financial statements for the year ended 30 June 2015 due to reclassification adjustments and a change in reporting regulations. The adjustments are shown in the table opposite.

2014/15					
Council	Note	Before adjustments \$'000	Reclassification adjustments \$'000	LG Regulation adjustments \$'000	After adjustments \$'000
Statement of comprehensive revenue and expense					
Revenue					
Rates	a	63,212	3,894	-	67,106
Subsidies and grants	b	19,438	-	(442)	18,996
Other revenue	a,b	45,630	(3,894)	(41,736)	-
Other revenue and gains	c	-	-	42,178	42,178
Total revenue		142,881			142,881
Expenses					
Other expenses	c	49,857	-	(49,857)	-
Other expenses and losses		-	-	52,429	52,429
Total operating expenses		97,862			100,434
Operating surplus before tax and share of equity accounted investments		45,019	-	-	42,447
Net other gains and losses		2,572	-	(2,572)	-

2014/15					
Group	Note	Before adjustments \$'000	Reclassification adjustments \$'000	LG Regulation adjustments \$'000	After adjustments \$'000
Statement of comprehensive revenue and expense					
Revenue					
Rates	a	63,212	3,894	-	67,106
Subsidies and grants	b	19,398	-	(442)	18,956
Other revenue	a,b	50,900	(3,894)	(47,006)	-
Other revenue and gains	c	-	-	48,044	48,044
Total revenue		148,210			148,806
Expenses					
Other expenses	c	52,048	-	(52,048)	-
Other expenses and losses		-	-	54,260	54,260
Total operating expenses		103,956			100,434
Operating surplus before tax and share of equity accounted investments		44,254	-	-	42,278
Net other gains and losses		(1,976)	-	1,976	-

Adjustments on change in Local Government (Financial Reporting and Prudence) Regulations 2014

- a. The regulations now require revenue from the provision of metered water supply to be classified as revenue from a targeted rate. This revenue was previously included in the Fees and charges – Council section of *Other revenue*.

Reclassification adjustments

- b. Petrol tax income was incorrectly classified as a subsidy; it is now included in *Other revenue*.
- c. The categories of *Other gains* and Other losses have now been included in Revenue and Expense.

# OTHER LEGISLATIVE DISCLOSURES

## Funding impact statement

### Whole of Council

	2014/15 Annual plan \$'000	2014/15 Annual report \$'000	2015/16 Annual plan \$'000	2015/16 Actual \$'000
<b>Sources of operating funding</b>				
General rates, uniform annual general charge, rates penalties	48,031	48,312	49,798	50,300
Targeted rates	14,188	14,292	21,191	18,889
Subsidies and grants for operating purposes	6,971	7,543	8,412	7,886
Fees and charges	12,665	12,018	7,254	7,595
Interest and dividends from investments	356	187	400	599
Local authorities fuel tax, fines, infringement fees, and other receipts	3,424	4,804	5,599	8,663
<b>Total operating funding</b>	<b>85,635</b>	<b>87,156</b>	<b>92,654</b>	<b>93,932</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	63,863	66,321	68,846	71,372
Finance costs	3,411	2,592	3,008	4,149
Other operating funding applications	2,211	2,229	2,162	2,741
<b>Total applications of operating funding</b>	<b>69,485</b>	<b>71,142</b>	<b>74,016</b>	<b>78,262</b>
<b>Surplus (deficit) of operating funding</b>	<b>16,150</b>	<b>16,014</b>	<b>18,638</b>	<b>15,670</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	10,595	11,454	9,577	11,995
Development and financial contributions	7,749	14,403	8,015	9,454
Increase (decrease) in debt	38,500	15,491	18,129	7,050
Gross proceeds from the sale of assets	107	425	218	1,008
Lump sum contributions	742	1,005	-	-
Other dedicated capital funding	147	176	1,588	362
<b>Total sources of capital funding</b>	<b>57,840</b>	<b>42,954</b>	<b>37,527</b>	<b>29,869</b>
<b>Applications of capital funding</b>				
Capital expenditure				
- to meet additional demand	4,108	12,686	11,200	13,073
- to improve the level of service	5,846	13,631	11,649	11,230
- to replace existing assets	27,035	28,931	25,623	25,639
Increase (decrease) in reserves	37,001	(5,806)	7,464	1,805
Increase (decrease) in investments	-	9,526	229	(6,208)
<b>Total applications of capital funding</b>	<b>73,990</b>	<b>58,968</b>	<b>56,165</b>	<b>45,539</b>
<b>Surplus (deficit) of capital funding</b>	<b>(16,150)</b>	<b>(16,014)</b>	<b>(18,638)</b>	<b>(15,670)</b>
<b>Funding balance for Whole of Council</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Funding impact statement

### Water supply

	2014/15 Long term plan \$'000	2015/16 Long term plan \$'000	2015/16 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge, rates penalties	141	171	306
Targeted rates	3,084	9,450	6,856
Subsidies and grants for operating purposes	-	-	269
Fees and charges	5,298	39	66
Internal charges and overheads recovered	302	177	290
Local authorities fuel tax, fines, infringement fees, and other receipts	48	-	34
<b>Total operating funding</b>	<b>8,873</b>	<b>9,837</b>	<b>7,821</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	3,492	3,502	3,435
Finance costs	-	-	-
Internal charges and overheads applied	3,387	3,057	559
Other operating funding applications	43	38	230
<b>Total applications of operating funding</b>	<b>6,922</b>	<b>6,597</b>	<b>4,224</b>
<b>Surplus (deficit) of operating funding</b>	<b>1,951</b>	<b>3,240</b>	<b>3,597</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	1,007
Development and financial contributions	1,800	1,795	1,483
Increase (decrease) in debt	2,949	5,512	4,755
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	88	197
<b>Total sources of capital funding</b>	<b>4,749</b>	<b>7,395</b>	<b>7,442</b>
<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	3,183	4,053	3,189
- to improve the level of service	2,815	4,481	4,280
- to replace existing assets	4,192	1,814	1,749
Increase (decrease) in reserves	(3,490)	287	1,821
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding</b>	<b>6,700</b>	<b>10,635</b>	<b>11,039</b>
<b>Surplus (deficit) of capital funding</b>	<b>(1,951)</b>	<b>(3,240)</b>	<b>(3,597)</b>
<b>Funding balance for Water supply</b>	<b>-</b>	<b>-</b>	<b>-</b>



Funding impact statement

Wastewater

	2014/15 Long term plan \$'000	2015/16 Long term plan \$'000	2015/16 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	131	200	375
Targeted rates	5,429	5,866	6,099
Subsidies and grants for operating purposes	-	-	-
Fees and charges	855	1,524	831
Internal charges and overheads recovered	115	52	169
Local authorities fuel tax, fines, infringement fees, and other receipts	29	261	-
Total operating funding	6,559	7,903	7,474
Applications of operating funding			
Payments to staff and suppliers	2,413	2,585	3,177
Finance costs	-	-	-
Internal charges and overheads applied	3,501	3,608	1,431
Other operating funding applications	58	102	300
Total applications of operating funding	5,972	6,295	4,908
Surplus (deficit) of operating funding	587	1,608	2,566
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	1,699	1,796	1,778
Increase (decrease) in debt	205	184	569
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	693	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	2,597	1,980	2,347
Applications of capital funding			
Capital expenditure			
- to meet additional demand	870	196	383
- to improve the level of service	320	184	1,465
- to replace existing assets	1,353	2,415	1,051
Increase (decrease) in reserves	641	793	2,014
Increase (decrease) in investments	-	-	-
Total applications of capital funding	3,184	3,588	4,913
Surplus (deficit) of capital funding	( 587)	(1,608)	(2,566)
Funding balance for Wastewater	-	-	-

Funding impact statement

Stormwater

	2014/15 Long term plan \$'000	2015/16 Long term plan \$'000	2015/16 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	70	61	61
Targeted rates	1,570	1,610	1,620
Subsidies and grants for operating purposes	-	-	-
Fees and charges	165	-	-
Internal charges and overheads recovered	-	223	311
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
Total operating funding	1,805	1,894	1,992
Applications of operating funding			
Payments to staff and suppliers	674	489	656
Finance costs	-	-	-
Internal charges and overheads applied	1,057	537	144
Other operating funding applications	-	4	15
Total applications of operating funding	1,731	1,030	815
Surplus (deficit) of operating funding	74	864	1,177
Sources of capital funding			
Subsidies and grants for capital expenditure	902	-	-
Development and financial contributions	-	932	1,059
Increase (decrease) in debt	1,019	236	413
Gross proceeds from the sale of assets	159	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	2,080	1,168	1,472
Applications of capital funding			
Capital expenditure			
- to meet additional demand	512	768	719
- to improve the level of service	1,227	236	532
- to replace existing assets	157	70	251
Increase (decrease) in reserves	258	958	1,147
Increase (decrease) in investments	-	-	-
Total applications of capital funding	2,154	2,032	2,649
Surplus (deficit) of capital funding	(74)	(864)	(1,177)
Funding balance for Stormwater	-	-	-

Funding impact statement

Roading

	2014/15 Long term plan \$'000	2015/16 Long term plan \$'000	2015/16 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge, rates penalties	19,955	18,927	19,000
Targeted rates	-	-	-
Subsidies and grants for operating purposes	7,533	8,412	7,532
Fees and charges	-	145	175
Internal charges and overheads recovered	4,631	4,384	1,476
Local authorities fuel tax, fines, infringement fees, and other receipts	-	425	2,336
<b>Total operating funding</b>	<b>32,119</b>	<b>32,293</b>	<b>30,519</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	10,244	17,945	17,437
Finance costs	-	-	-
Internal charges and overheads applied	5,460	5,939	4,189
Other operating funding applications	7,379	-	2
<b>Total applications of operating funding</b>	<b>23,083</b>	<b>23,884</b>	<b>21,628</b>
<b>Surplus (deficit) of operating funding</b>	<b>9,036</b>	<b>8,409</b>	<b>8,891</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	9,371	9,577	9,805
Development and financial contributions	1,560	1,673	3,438
Increase (decrease) in debt	482	2,270	359
Gross proceeds from the sale of assets	-	-	56
Lump sum contributions	-	-	-
Other dedicated capital funding	-	1,500	110
<b>Total sources of capital funding</b>	<b>11,413</b>	<b>15,020</b>	<b>13,768</b>
<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	3,360	4,290	4,578
- to improve the level of service	477	4,186	510
- to replace existing assets	18,065	17,070	17,559
Increase (decrease) in reserves	(1,453)	(2,117)	12
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding</b>	<b>20,449</b>	<b>23,429</b>	<b>22,659</b>
<b>Surplus (deficit) of capital funding</b>	<b>(9,036)</b>	<b>(8,409)</b>	<b>(8,891)</b>
<b>Funding balance for Roothing</b>	<b>-</b>	<b>-</b>	<b>-</b>

Funding impact statement

Sustainable environment

	2014/15 Long term plan \$'000	2015/16 Long term plan \$'000	2015/16 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge, rates penalties	6,275	6,688	6,715
Targeted rates	3,072	3,482	3,526
Subsidies and grants for operating purposes	-	-	10
Fees and charges	5,551	3,989	5,143
Internal charges and overheads recovered	1,706	658	939
Local authorities fuel tax, fines, infringement fees, and other receipts	648	2,857	3,457
<b>Total operating funding</b>	<b>17,252</b>	<b>17,674</b>	<b>19,790</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	13,333	12,443	13,910
Finance costs	-	-	-
Internal charges and overheads applied	4,844	5,316	4,740
Other operating funding applications	-	9	70
<b>Total applications of operating funding</b>	<b>18,177</b>	<b>17,768</b>	<b>18,720</b>
<b>Surplus (deficit) of operating funding</b>	<b>(925)</b>	<b>(94)</b>	<b>1,070</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	18	50	-
- to replace existing assets	18	20	134
Increase (decrease) in reserves	(961)	(164)	936
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding</b>	<b>(925)</b>	<b>(94)</b>	<b>1,070</b>
<b>Surplus (deficit) of capital funding</b>	<b>925</b>	<b>94</b>	<b>(1,070)</b>
<b>Funding balance for Sustainable environment</b>	<b>-</b>	<b>-</b>	<b>-</b>

Funding impact statement

Sustainable communities

	2014/15 Long term plan \$'000	2015/16 Long term plan \$'000	2015/16 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	15,928	17,487	17,554
Targeted rates	536	595	603
Subsidies and grants for operating purposes	22	-	75
Fees and charges	1,502	1,546	1,379
Internal charges and overheads recovered	588	321	265
Local authorities fuel tax, fines, infringement fees, and other receipts	1,340	1,396	1,803
Total operating funding	19,916	21,345	21,679
Applications of operating funding			
Payments to staff and suppliers	11,764	13,231	12,913
Finance costs	-	-	-
Internal charges and overheads applied	4,693	5,301	5,279
Other operating funding applications	539	514	503
Total applications of operating funding	16,996	19,046	18,695
Surplus (deficit) of operating funding	2,920	2,299	2,984
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	1,183
Development and financial contributions	1,735	1,819	1,696
Increase (decrease) in debt	175	1,798	2,470
Gross proceeds from the sale of assets	-	-	738
Lump sum contributions	147	-	-
Other dedicated capital funding	-	-	55
Total sources of capital funding	2,057	3,617	6,142
Applications of capital funding			
Capital expenditure			
- to meet additional demand	510	1,893	4,204
- to improve the level of service	684	1,480	3,991
- to replace existing assets	1,290	2,108	3,147
Increase (decrease) in reserves	2,493	435	(2,216)
Increase (decrease) in investments	-	-	-
Total applications of capital funding	4,977	5,916	9,126
Surplus (deficit) of capital funding	(2,920)	(2,299)	(2,984)
Funding balance for Sustainable communities	-	-	-

Funding impact statement

Governance

	2014/15 Long term plan \$'000	2015/16 Long term plan \$'000	2015/16 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	5,942	6,229	6,254
Targeted rates	193	188	185
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	1
Internal charges and overheads recovered	1,326	1,046	1,053
Local authorities fuel tax, fines, infringement fees, and other receipts	42	15	47
Total operating funding	7,503	7,478	7,540
Applications of operating funding			
Payments to staff and suppliers	2,161	2,427	2,422
Finance costs	-	-	-
Internal charges and overheads applied	4,799	4,375	4,356
Other operating funding applications	-	-	-
Total applications of operating funding	6,960	6,802	6,778
Surplus (deficit) of operating funding	543	676	762
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	-	-	-
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	88
- to replace existing assets	-	-	-
Increase (decrease) in reserves	543	676	674
Increase (decrease) in investments	-	-	-
Total applications of capital funding	543	676	762
Surplus (deficit) of capital funding	(543)	(676)	(762)
Funding balance for Governance	-	-	-



Funding impact statement

Organisational support

	2014/15 Long term plan \$'000	2015/16 Long term plan \$'000	2015/16 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	(1,049)	35	35
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	10	11	-
Internal charges and overheads recovered	27,798	30,871	24,242
Local authorities fuel tax, fines, infringement fees, and other receipts	1,409	1,045	1,585
Total operating funding	28,168	31,962	25,862
Applications of operating funding			
Payments to staff and suppliers	14,094	18,767	18,135
Finance costs	5,234	3,008	4,149
Internal charges and overheads applied	5,726	7,056	7,334
Other operating funding applications	1,287	1,495	1,621
Total applications of operating funding	26,341	30,326	31,239
Surplus (deficit) of operating funding	1,827	1,636	(5,377)
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	18,252	8,129	(1,516)
Gross proceeds from the sale of assets	77	218	214
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	18,329	8,347	(1,302)
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	513	1,032	364
- to replace existing assets	1,166	2,126	1,748
Increase (decrease) in reserves	18,477	6,596	(2,583)
Increase (decrease) in investments	-	229	(6,208)
Total applications of capital funding	20,156	9,983	(6,679)
Surplus (deficit) of capital funding	(1,827)	(1,636)	5,377
Funding balance for Organisational support	-	-	-

Explanation of major variances against budget for funding impact statements

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

This year the overall operating funding surplus was \$15.7m. Operating sources of funding was above budget by \$1.2m but expenses increased by \$4.3m. The net result was below budget by \$2.9m and came about because water consumption was below budgeted estimates while a lesser portion of internal costs were capital project related compared to budget. There was also greater than budgeted finance costs due to timing differences with the Pokeno development plan.

Capital expenditure was above budget in the growth category for the sustainable communities activity. This was due to parks and reserves works at Pokeno. Projects for increased level of service were close to budget overall however the wastewater activity had extra works completed due to carry forward budgets used for pump station upgrades. Sustainable communities was also above budget due to the use of carry forward budgets from prior years. Roading was less than budget for this category mainly because of delay for the Mangawara Stream crossing at Taupiri. This work is still planned to happen and the budget has been carried forward.

Capital income saw additional unbudgeted subsidy received in relation to the Te Awa cycleway. There was also an unbudgeted Ministry of Health subsidy received towards the Te Ohaaki water supply project and an unbudgeted grant from the Waikato

River Authority towards works undertaken at Lake Rotokauri. Contribution income received was more than budget due to financial contribution income received (that was not budgeted) while development contribution income was above that budgeted. These increases reflect more general development activity within the district. However dedicated capital funding was less than budget due to the delay in the Mangawara stream crossing project at Taupiri.

Whilst external borrowings increased by \$7m during the year, this was \$11m less than budgeted and came about because funds invested at the start of the year were utilised instead of borrowing and less was added to reserves compared to budget.

In the organisational support activity, operating funding from overheads recovered was reduced by \$6.6m due to changes in process compared to budget. The water business unit was simplified by using funding rules direct to reserves rather than using a recharge process like was budgeted. There was also a difference from the road change using the alliance structure which meant some amounts were no longer recharged using internal recoveries. The impact on organisation support is reflected in the variance between actual and budget for water supply, wastewater and storm water in the internal charges and overheads applied.

The organisation support activity includes the treasury function for Council. Therefore this activity includes external finance costs for all of council together with a decrease in budgeted debt and decrease in investments. There are increases in debt from the other activities and together all activities reflect the whole of council movement for the year.

Annual report disclosure statement  
For the year ended 30 June 2016

What is the purpose of this statement?

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

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

Rates affordability benchmark

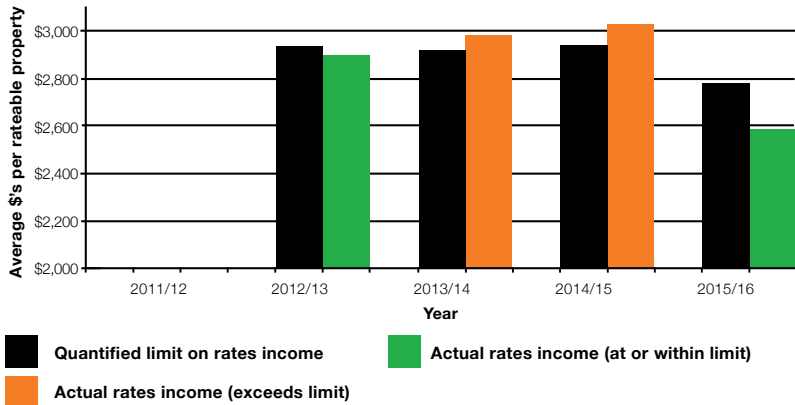
Council meets the rates affordability benchmarks if:

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

Rates (income) affordability

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

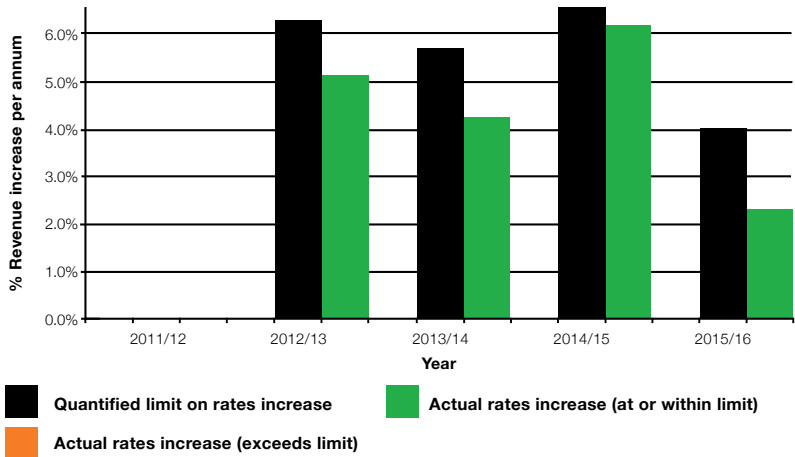
The quantified limit for the current year is an average total rate per rateable property of \$2,777.



Rates (increases) affordability

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

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



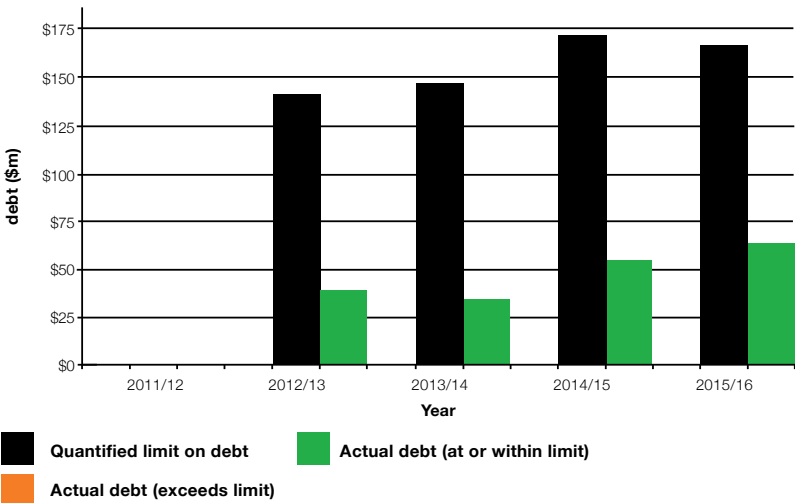
Debt affordability benchmarks

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

Debt limit 1

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

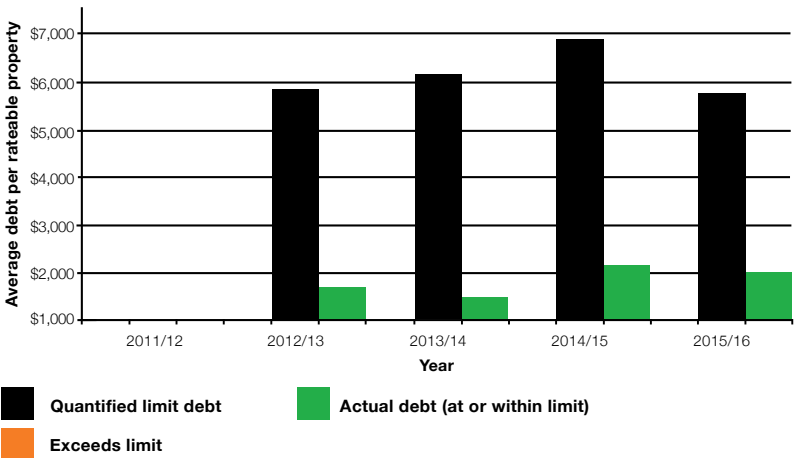
The quantified limit on net debt is \$168 million.



Debt limit 2

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

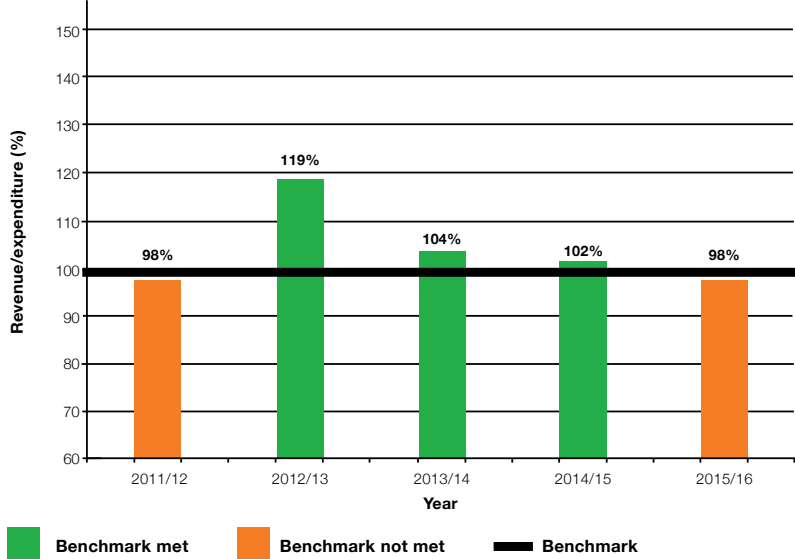
The quantified limit on net debt per rateable property is \$5,788.



Balanced budget benchmark

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

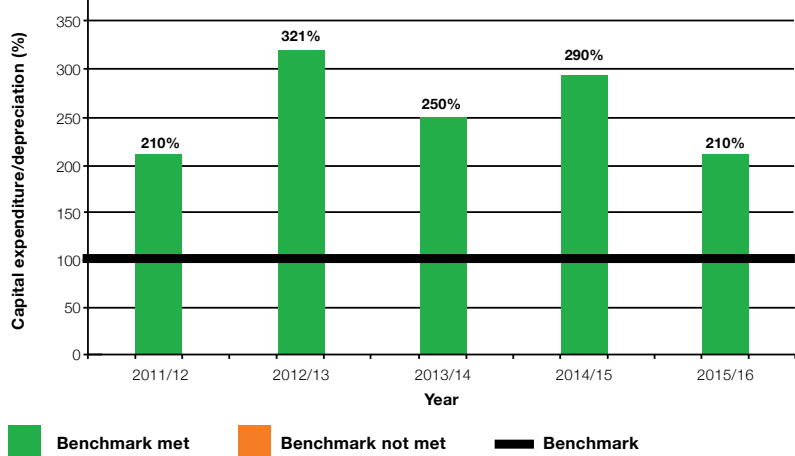
Council meets this benchmark if its revenue is equal to or greater than its operating expenses.



Essential services benchmark

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

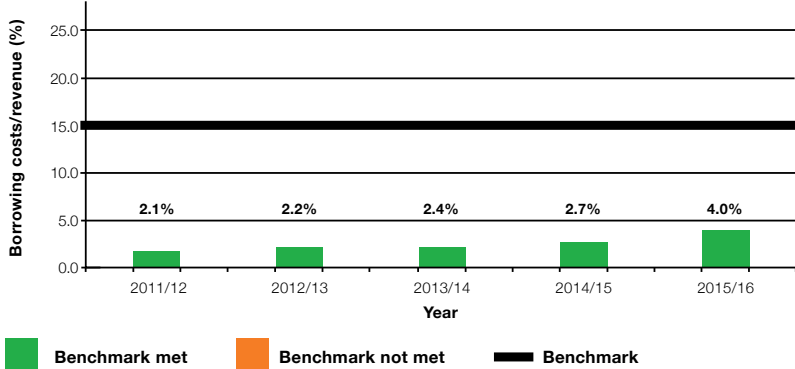
Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



Debt servicing benchmark

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

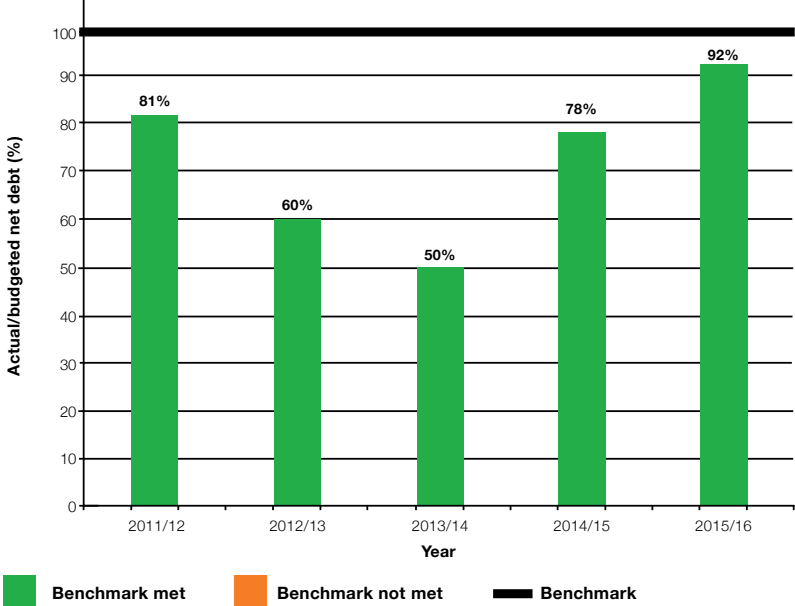
Because Statistics New Zealand projects that Council's population will grow faster than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 15 per cent of its planned revenue.



Debt control benchmark

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

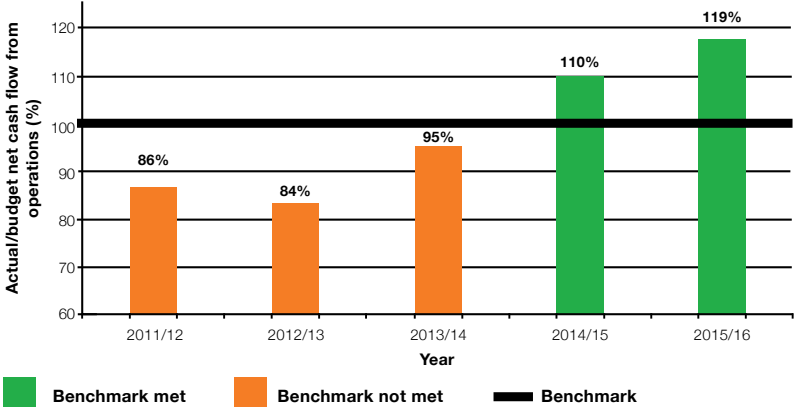
Council meets the debt control benchmark if its actual net debt equals or is less than planned net debt.



Operations control benchmark

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

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



## Independent Auditor's Report

### To the readers of Waikato District Council and group's annual report for the year ended 30 June 2016

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, on her behalf, to:

- audit the information included in the District Council and group's annual report that we are required to audit under the Local Government Act 2002 (the audited information); and
- report on whether the District Council and group has complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report and the Local Government (Financial Reporting and Prudence) Regulations 2014.

### Opinion on the audited information

In our opinion:

- the financial statements on pages 59 to 125:
  - present fairly, in all material respects:
    - the District Council and group's financial position as at 30 June 2016; and
    - the results of its operations and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with the Public Benefit Entity Reporting Standards;
- the funding impact statement on page 126, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council and group's Long-term plan;
- the statement of service provision on pages 9 to 47:
  - presents fairly, in all material respects, the District Council's levels of service for each group of activities for the year ended 30 June 2016, including:
    - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved; and
    - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
  - complies with generally accepted accounting practice in New Zealand;
- the statement about capital expenditure for each group of activities on pages 127 to 134, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council and group's Long-term plan; and

- the funding impact statement for each group of activities on pages 127 to 134, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council and group's Long-term plan.

### Compliance with requirements

The District Council and group has:

- complied with the requirements of schedule 10 of the Local Government Act 2002 that apply to the annual report; and
- made the disclosures on pages 59 to 139 which are required by the Local Government (Financial Reporting and Prudence Regulations 2014) which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council and group's audited information.

Our audit was completed on 3 October 2016. 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 audited information. 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 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 the disclosures in the information we audited;
- determining the appropriateness of the reported statement of service provision within the District 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 District Council and group complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report, we limited our procedures to making sure the annual report included the required information and identifying material inconsistencies, if any, with the information we audited. We carried out this work in accordance with International Standard on Auditing (New Zealand) 720: The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements.

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

### Responsibilities of the Council

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

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

The Council is responsible for such internal control as it determines is necessary to 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.

### Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the annual report in accordance with the reporting requirements of the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014. Our responsibility arises from the Public Audit Act 2001.

### Independence

When carrying out our audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to this audit, which includes our report on the Other Requirements, we have carried out assignments in the areas of audit of the debenture trust deed, summary annual report and other assurance services, which are compatible with those independence requirements. Other than these assignments 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

# STATEMENT OF COMPLIANCE AND RESPONSIBILITY

## Statement of Compliance

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

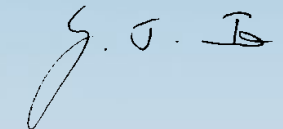
## Statement of Responsibility

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

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



Allan Sanson  
Mayor



Gavin Ion  
Chief Executive





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