

# Annual Report

2013-14



South  
Waikato  
District  
Council



Florence, age 6  
on Finance

"So we know how much money  
we have"



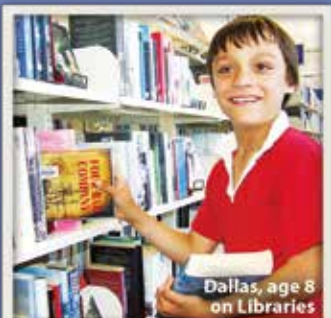
Michael, age 7  
on Building

"We have to check the walls to  
see if it's a good one"



Nathan, age 9  
on Refuse

"So the smelly rubbish  
goes away"



Dallas, age 8  
on Libraries

"Helping people find the  
books they want"

## THE 2013-14 YEAR IN NUMBERS

**\$402m**

Total asset value

**\$18.8m**

Net loss, after \$20.5 million of the SWIF is paid out to two community Trusts

**89%**

Achievement of our key performance indicators

**82%**

Achievement in our capital expenditure by project

**\$1,948**

The average rates bill on all rateable properties in our district

**538 KM**

Of roading managed and maintained by Council

**4**

Urban and two rural water supplies operated and maintained with a combined reticulation length of 227km

**\$25M**

The value of the 465 building consents processed during the year while achieving 99.3% compliance with the statutory timeframes

**7.3**

Book issues per resident for the year

**869**

Rates rebate applications approved at an average rebate of \$520 per applicant. This scheme continues to provide considerable relief to those least able to pay their rates

**79**

Pensioner housing units with 96% occupancy rate achieved

**2,763 TONNES**

Of solid waste recycled for the year, representing 19% of total waste excluding greenwaste



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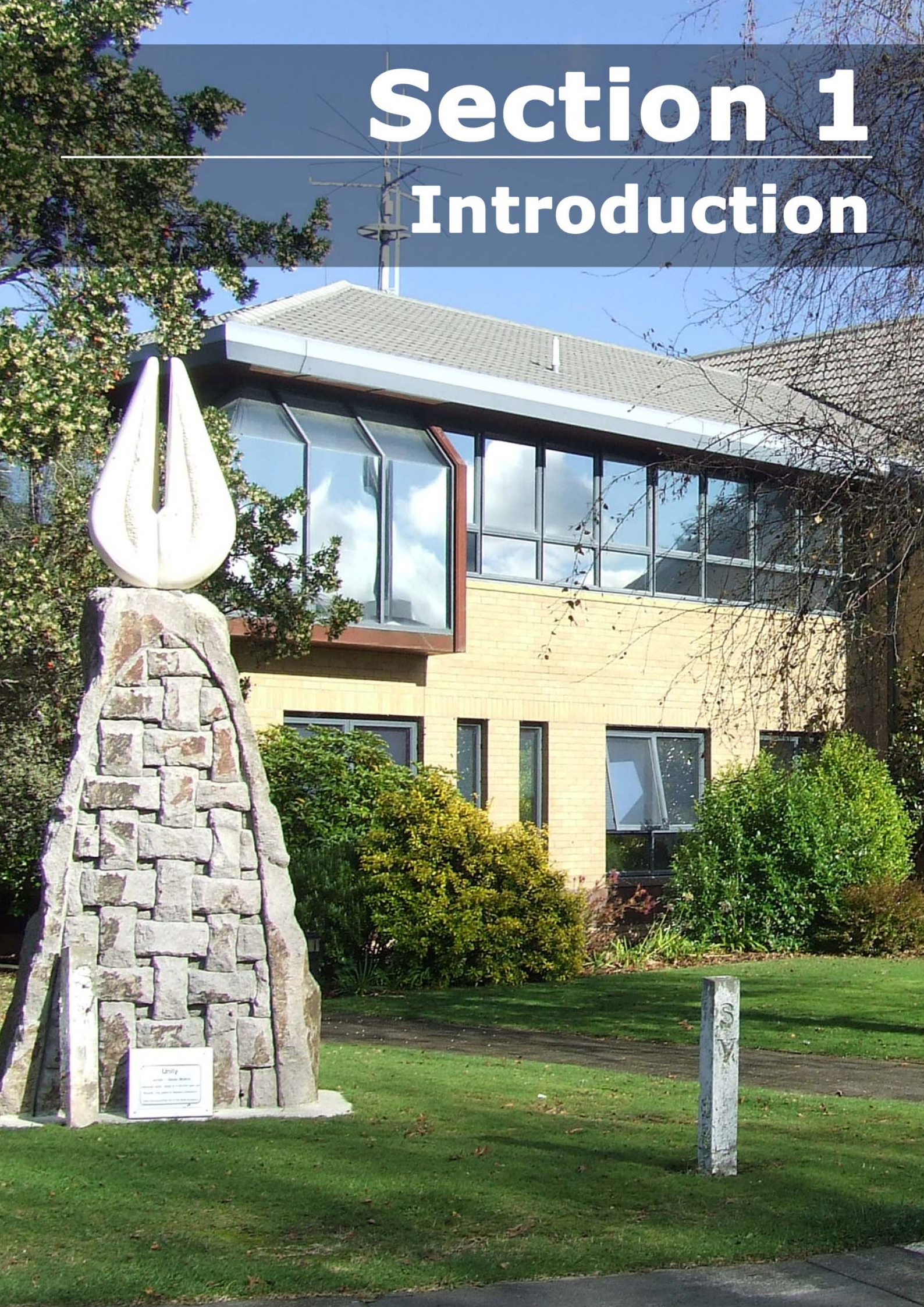
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# Section 1

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## Introduction



## 1.1. Message from the Mayor and Chief Executive

The past year has been a huge year for Council. A year dominated by significant change, big decisions and strong economic prospects. Local body elections in October last year resulted in six new Councillors. While Putāruru representation remained the same, Tīrau welcomed a new Councillor and five of the six Councillors elected in Tokoroa were new. This leadership has naturally brought different viewpoints, new thinking and fresh priorities.

Amalgamation was the buzzword of the year gone by. We say 'was' because the talk has died down a little in recent months. In a nutshell, no formal proposal that includes the South Waikato has been submitted. Our district is mentioned in one draft proposal from the Property Council of New Zealand Waikato Branch; whether that will ever be formally lodged we don't know.

Council made one of the biggest decisions in its 25 years this past year when it moved its investment funding to two external trusts. Council moved the bulk of its investment, \$20 million into the external South Waikato Investment Fund (SWIF) Trust and \$500,000 into a second South Waikato Development (DRIVE) Trust. This is the major contributor to Council's \$18.8 million reported loss for the financial year. The driver for this decision was to protect our investment fund for the benefit of the current South Waikato District, and to ensure the funding is used for economic and community development projects that will benefit the district into the future.

Council also took a further \$5 million from the investment fund and asked the community to apply for funding that would have an economic and community focussed spin-off for the South Waikato. We received 43 applications that showed fantastic community passion and a number of really good ideas. The applications totalled \$13 million so funding them all was never going to be possible. Council committed funding to 15 projects, including the road rail terminal, Leith Place refurbishment, pensioner housing, public transportation study, Cougar Mountain Bike Park development, Rangiora Village among others.

In order to place more emphasis on community engagement and improve levels of community liaison, Council undertook a restructure in January resulting in our new community group. The change means that the libraries, customer services, pools and South Waikato Sport and Events Centre have moved under the community umbrella joining the smaller previous community and economic development teams. This structure change was created within existing budgets and staff numbers.

The Lake Moananui dam repair and silt removal project gained a lot of attention over the past year. Due to the complexities of the investigation into detailed options for Council to consider, the project took a little longer to get off the ground than we had hoped. The project did however progress well, although Council had to approve additional funding. It was only when work started that the sheer volume of silt in the lake became fully apparent.

Council reviewed two bylaws this year; the Dog Control Bylaw and the Open Fires in Urban Areas Bylaw. We also held a successful Open Day at the dog pound. Another hot topic this past year has been about the availability of psychoactive substances in our district and our community has been exceptionally passionate about it. Our Council developed a policy which was taken to the community for input and we would like to thank you all for the support we received. The policy has been adopted giving Council the power to restrict where an outlet may operate from. Council also resolved to keep pressure on central government to ban these products outright.

Council hosted a successful visit from the Consul-General of China and three senior members of his staff (representing education, commerce, local government and overseas Chinese), along with other business leaders in shipping and travel/tourism. The high-powered group had a strong business oriented focus on investment opportunities in the district. Opening our doors to investment opportunities is important to the future economic growth of our district.

Council was pleased that the legal action taken against us over the landfill contract was overturned resulting in the recovery of close to half a million dollars.

The South Waikato Sport and Events Centre is gaining real momentum. The calendar is full and the feedback is fantastic. Indeed the facility was our highest performing activity in the Customer Satisfaction Survey with a 99% satisfaction rating.

Another feather in our cap came from the very positive financial results of the Ratepayer Union survey. The average amount we pay our staff and the operating expenditure is below the average of other Waikato Councils and our debt per ratepayer and our average rates bill is the lowest in the Waikato.

Perhaps most encouraging is the strong sign of economic growth that is on the horizon in our district. We continue to grow our dairy sector through innovative farming practices by environmentally-minded farmers. Business growth in Big Chill, Blue Pacific Minerals and our own proposed road rail terminal will ensure continued jobs and local gains.

Aligned to this is our new Business Case Management approach. This means that investors, entrepreneurs and business leaders are treated to a one stop shop approach; a person within Council who brings everyone together at the start of the project so that Council processes are smoother and more efficient.

The future of our district is full of economic, social, environmental and cultural opportunities and challenges. As a result of our increased focus on economic development and district promotion and of moving our investment fund to an

## Annual Report 2013-2014

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external Trust, we now have the ability to encourage growth in jobs in our manufacturing, farming and logistics sectors; this needs to be done in conjunction with stakeholders and the community to ensure the district remains sustainable and continues to align with our agreed strategic direction.

We will continue to build sound business and community relationships. Of particular importance is our relationship with Raukawa and the Te Arawa River Iwi Trust and the impacts of the Waikato River legislation and consequential increased regulation and standards, and impacts on our environment and our farming sustainability.

The predicted aging and declining population will also have a significant impact the affordability of Council services over time.

Perhaps the biggest venture our district faces is the proposed new dryer at Fonterra which was confirmed recently. This opportunity will mean upwards of 600 jobs during construction and an estimated 50 plus permanent jobs once complete. Our own Leith Place refurbishment project will ensure our residents have a vibrant place to go and we are positioned to capture passing traffic in need of a break and stopover on their long haul. We just need to invite them in...

What a year! We would like to thank all in our community who engage with us on our various plans, policies and funding rounds. Your input is invaluable and your commitment and passion for the South Waikato admirable.



Neil Sinclair MNZM JP BDS  
MAYOR  
23 October 2014



Craig Hobbs  
CHIEF EXECUTIVE  
23 October 2014

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*Vision - Healthy people thriving in a safe, vibrant and sustainable community*

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## 1.2. Report from the Audit Office



### INDEPENDENT AUDITOR'S REPORT TO THE READERS OF SOUTH WAIKATO DISTRICT COUNCIL AND GROUP'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

The Auditor-General is the auditor of South Waikato District Council (the District Council) and group. The Auditor-General has appointed me, Melissa Youngson, using the staff and resources of Deloitte to audit:

- the financial statements of the District Council and group that comprise:
  - the consolidated balance sheet as at 30 June 2014 on page 98;
  - the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ending 30 June 2014 on pages 96 to 99; and
  - the notes to the financial statements that include accounting policies and other explanatory information about the financial statements on pages 101 to 146;
- the statement of service provision (referred to as groups of activities) of the District Council on pages 42 to 88 and each group of activities carried out by the District Council on pages 42 to 88;
- the funding impact statements in relation to each group of activities of the District Council on pages 45, 51, 52, 58, 62, 66, 70, 74, 78, 80, 83 and 87;
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 45, 51, 52, 58, 62, 66, 70, 74, 78, 80, 83 and 87;
- the funding impact statement of the District Council on page 100; and
- the disclosures of the District Council that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 30 to 34.

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

- information about:
  - reserve funds on pages 131 to 132;
  - remuneration paid to the elected members and certain employees of the District Council on pages 135 to 136;
  - employee staffing levels and remuneration on page 136;
  - severance payments on page 118;
  - council-controlled organisations on pages 88 to 91;
  - rating base units on page 12; and
  - insurance of assets on page 142;
- a report on the activities undertaken by the District Council and group to establish and maintain processes to provide opportunities for Maori to contribute to the Council's decision-making processes on page 37; and
- a statement of compliance signed by the Mayor of the Council, and by the District Council and group's chief executive on page 95.



## Opinion

### ***Audited information***

In our opinion:

- the financial statements of the District Council and group on pages 96 to 146:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - the District Council and group's financial position as at 30 June 2014; and
    - the results of its operations and cash flows for the year ended on that date.
- the groups of activities of the District Council on pages 42 to 88:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects the District Council's levels of service for the year ended 30 June 2014, including:
    - the levels of service as measured against the intended levels of service adopted in the long-term plan; and
    - the reasons for any significant variances between the actual service and the expected service.
- the funding impact statements in relation to each group of activities of the District Council on pages 45, 51, 52, 58, 62, 66, 70, 74, 78, 80, 83 and 87, fairly reflects by each group of activities, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's long-term plan.
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 45, 51, 52, 58, 62, 66, 70, 74, 78, 80, 83 and 87, fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the District Council's long-term plan or annual plan.
- the funding impact statement of the District Council on page 100, fairly reflects the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's annual plan.
- the disclosures on pages 101 to 146 represent a complete list of required disclosures and accurately reflects the information drawn from District Council's audited information.

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

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

Our audit was completed on 23 October 2014. This is the date at which our opinion is expressed.

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

### **Basis of opinion**

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



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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the District Council and group's preparation of the information we audited that fairly reflect the matters to which they relate. We consider internal control in order to design procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the District Council and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of all disclosures in the information we audited;
- determining the appropriateness of the reported groups of activities within the Council's framework for reporting performance; and
- the overall presentation of the information we audited.

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

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

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

### **Responsibilities of the Council**

The Council is responsible for preparing:

- financial statements and groups of activities that:
  - comply with generally accepted accounting practice in New Zealand;
  - fairly reflect the District Council and group's financial position, financial performance and cash flows;
  - fairly reflect its service performance, including achievements compared to forecast;
- funding impact statements in relation to each group of activities that fairly reflects by each group of activities the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's long-term plan;
- statements about budgeted and actual capital expenditure in relation to each group of activities that fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the District Council's long-term plan or annual plan;



- a funding impact statement that fairly reflects the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's annual plan;
- disclosures in accordance with the requirements of the Local Government (Financial Reporting and Prudence) Regulations 2014; and
- the other information in accordance with the requirements of schedule 10 of the Local Government Act 2002.

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

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

#### **Responsibilities of the Auditor**

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

#### **Independence**

In addition to this audit, which includes our report on the Other Requirements, we have carried out assignments in the areas of the audit of the long term plan amendment, 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.

A handwritten signature in black ink, appearing to read "M. Youngson".

Melissa Youngson  
Deloitte  
On behalf of the Auditor-General  
Hamilton, New Zealand

## **1.3. District profile**

### **1.3.1. Population**

New Zealand: 4.5 million (Statistics NZ national estimates June 2014)

South Waikato District: 22,074 (Statistics NZ Census 2013)

### **1.3.2. Rating information**

(As at 30 June 2014)

|                      |                 |
|----------------------|-----------------|
| Number of Properties | 10,133          |
| Area                 | 180,011ha       |
| Gross Land Value     | \$2,608,500,550 |
| Gross Capital Value  | \$4,600,894,300 |

### **1.3.3. Main industries**

Forestry and pastoral farming, particularly dairying, are the predominant activities in the district. Around 30% of the workforce is employed in forestry and agriculture and around 15% are employed in manufacturing associated with these industries.

### **1.3.4. Natural resources**

Approximately half of the district is covered in forest. Its southern and western boundaries are bordered by the Waikato River. There are also lakes and many streams in the district.

### **1.3.5. Recreational opportunities**

Many recreational activities are centred on forests and waterways in the district, including bush walking, fishing and mountain biking. There is a strong network of clubs providing opportunities from sport to theatre.

### **1.3.6. Facilities**

Council is responsible for a range of leisure facilities including a district library service, indoor (heated) and outdoor swimming pools, 240 hectares of parks, reserves and sports grounds, South Waikato Arts Centre (the Plaza Theatre) in Putāruru, and the South Waikato Sport and Events Centre in Tokoroa.

## 1.4. Council directory

|                 |  |       |                   |
|-----------------|--|-------|-------------------|
| Postal Address  | Private Bag 7<br>TOKOROA 3444  |       |                   |
| Tokoroa Office  | Torphin Crescent<br>TOKOROA 3420   | Phone | +64 (07) 885 0340 |
|                 |  | Fax   | +64 (07) 885 0718 |
| Putāruru Office | Overdale Street<br>PUTĀRURU 3411   | Phone | +64 (07) 883 7189 |
|                 |  | Fax   | +64 (07) 883 7215 |
| Tīrau (Agency)  | Tīrau Information Centre<br>Main Road<br>TĪRAU 3410  | Phone | +64 (07) 883 1202 |
|                 |  | Fax   | +64 (07) 883 1203 |
| Email           | info@southwaikato.govt.nz  |       |                   |
| On the web at   | www.southwaikato.govt.nz   |       |                   |
| Facebook        | <a href="http://www.facebook.com/southwaikatodistrictcouncil">www.facebook.com/southwaikatodistrictcouncil</a> |       |                   |
| Twitter         | @SouthWaikatoDC  |       |                   |

## 1.5. Your elected representatives

### 1.5.1.



Neil Sinclair MNZM JP BDS  
Mayor (Elected at large)  
(07) 885 0716 Bus Phone  
(027) 446 8422 Mobile  
(07) 883 8122 Home Phone  
neil.sinclair@southwaikato.govt.nz



Jenny Shattock QSM JP  
Deputy Mayor  
(Tokoroa Ward)  
(07) 886 8120 Home Phone  
(027) 441 6230 Mobile  
jennyshattock@gmail.com



Herman Van Rooijen JP  
(Putāruru Ward)  
(07) 883 6764 Home Phone  
(07) 883 6765 Home Fax  
(027) 246 6601 Mobile  
vanrooijen@xtra.co.nz



Adrienne Bell  
(Putāruru Ward)  
(07) 883 8045 Bus Phone  
(027) 471 2404 Mobile  
adriennejb@yahoo.co.nz



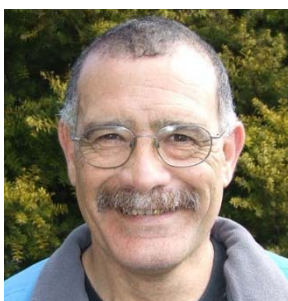
Anne Edmeades  
(Putāruru Ward)  
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(07) 883 7490 Home Phone  
(021) 249 3075 Mobile  
anneandroyce@xtra.co.nz



Jeff Gash  
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(07) 886 9959 Home Phone  
(027) 589 8472 Mobile  
jggash@actirx.co.nz



Marin Glucina  
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(021) 416 076 Mobile  
glu-@hotmail.com



Thomas Lee  
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(07) 886 9405 Home Phone  
(027) 332 1292 Mobile  
Lee.whanau@clear.net.nz



Bill Machen  
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(027) 471 5899 Mobile  
lillyandbill@xtra.co.nz



Terry Magill  
(Tirau Ward)  
(07) 888 7049 Bus Phone  
(07) 883 4888 Home Phone  
(021) 240 7844 Mobile  
terry@magilllearl.co.nz



Tua Numanga  
(Tokoroa Ward)  
(07) 885 5811 Bus Phone  
(07) 886 1977 Home Phone  
(021) 961 977 Mobile  
bangit\_12@hotmail.com

**1.5.2. Tirau Community Board**



Cassandra Robinson  
(Chairperson)  
(07) 883 1866 Home Phone  
(027) 243 4931 Mobile  
Cassandra.r@xtra.co.nz



Clive Collingwood  
(07) 883 1788 Home Phone  
(027) 245 8027 Mobile  
Noddy\_collingwood@clear.net.nz



Nora Martelletti JP  
(07) 883 4874 Home Phone



Terry Magill  
(07) 888 7049 Bus Phone  
(07) 883 4888 Home Phone  
(021) 240 7844  
terry@magilllearl.co.nz



Derek Keesing  
(027) 4893 8819 Mobile  
Derek@arcserv.co.nz



## 1.6. Corporate structure

### 1.6.1. Executive team



*Back Row: L to R Ben Smit (Deputy Chief Executive, Group Manager Corporate), Ted Anderson (Group Manager Assets), Amanda Hema (Group Manager Community), Murray McAlister (Human Resources Manager)*

*Front Row: L to R Sharon Robinson (Group Manager Regulatory) Craig Hobbs (Chief Executive), Kerry Fabrie (Communications Manager)*

### 1.6.2. Council group Structure

#### **Chief Executive**

Assets  
Corporate  
Community  
Regulatory  
Human Resources  
Communication and Marketing

#### **Corporate**

Governance Services  
Information Services/Technology  
Legal Services  
Risk Management  
Revenue and Finance  
Strategic Planning

#### **Regulatory**

Animal Control  
Building Control  
Emergency Management (Civil Defence and Rural Fire)  
Environmental Health  
Resource Management

#### **Assets**

Infrastructure (Roading, Water, Sewerage, Stormwater, Waste Management, Asset Strategy)  
Parks and Property  
Road Safety  
Southtech Business Unit

#### **Human Resources**

Industrial Relations  
Equal Employment Opportunities  
Occupational Health and Safety  
Recruitment and Induction  
Remuneration Policies  
Training Development

#### **Community**

Customer Services  
District Libraries  
Swimming Pools  
Economic development  
Grants Allocation  
Youth Development  
District Events  
Community Partnerships

#### **Communications**

Strategic Communication  
Media Spokesperson  
Media Liaison  
Internal Communication

## 1.7. Council's strategic planning context

### 1.7.1. Vision and values

#### Our vision

Healthy people thriving in a safe, vibrant and sustainable community.

#### Our values

- Accepting responsibility for our actions
- Acting with integrity and honesty and in the best interests of the organisation
- Being fair and equitable, demonstrating sensitivity to the needs of all
- Being innovative and creative
- Working together to achieve our common goals and valuing the contribution each team member makes
- Encouraging and enabling people to be involved in decisions that affect them.

#### Long term plan

The Long Term Plan 2012-22 (The 10 Year Plan) was developed under the provisions of Section 93 of the Local Government Act 2002 (LGA). It incorporated the Annual Plan 2012-13, additional detail for 2013-14 and 2014-15 and indicative budgets and work programmes for the subsequent seven year period.

Council reports on progress regarding the implementation of the 10 Year Plan each year in its Annual Report. This 2013-14 Annual Report is the second report on the 10 Year Plan 2012-22.

The 10 Year Plan was amended in the 2013-14 year. The purpose of the amendment was to consult with the community about whether they agreed with Council's proposal to divest the South Waikato Investment Fund (SWIF) to an external trust, in order to protect the investment fund for our community in the event of amalgamation.

Council adopted two key strategic objectives. Council believes that it should play a wider role in the community to contribute to the success of the district over the long term. Council has therefore proposed to work towards two key strategic objectives:

- More jobs - Council to support, where we can, the development of more work or jobs for our people
- Promotion of the district - Council to promote (both within the district and to others) and develop the essential qualities that make our community and district special.

The philosophy behind the proposal is this: if Council prudently focuses its energy and money to create more jobs and/or promote the image of the district, then the gains to the district will be greater than the cost of the increase in rates necessary to pay for the work.

Council recognises that it can only play a limited role in the achievement of the two strategic objectives, as it has a small staff base and a very limited budget. Council will therefore need to have the support of the community and other stakeholders.

This led to changes in Council's strategic direction with the development of nine new Council outcomes and 15 strategies.

At a broad level, the purpose of the 10 Year Plan is to describe how the activities and assets of Council, in collaboration with the efforts of other organisations, will contribute towards achieving South Waikato's nine Community Outcomes. The 10 Year Plan will focus on achieving the fifteen strategies to achieve these community outcomes and Council's vision.

## Financial strategy limits

The financial strategy also set limits around certain financial measures. These limits and the achievement of these as at 30 June 2014 are outlined below:

| Financial Area | Financial Limit  | Achievement  |
|----------------|--|--|
| Rates Revenue  | Not to exceed \$31m by 2021-22   | Rates set for 2014-15 are \$22.469m.<br>It is not planned that rates exceed \$31m by 2021-22 |
| Rates Increase | Not to exceed 8.5% in any year and should be in the range 2% - 8.5%  | Rates increase for 2014-15 was 5.13%   |
| External Debt  | External loans not to exceed \$20m. This was increased from \$15m during the LTP amendment consultation process in 2013-14 | External loans forecasted for 2014-15 were \$13.6m   |
| Internal Debt  | Limited to percentages detailed in the investment policy   | Limits not exceeded  |

## 1.8. Community outcomes

### 1.8.1. Identifying community outcomes

Nine community outcomes were developed through workshops and discussions with key partners in the community during the 2012-2022 Long Term Plan process:

- Engaged community: We encourage and support an engaged social community through the provision of our services and facilities.
  - Involvement in the shared services initiatives with other Councils to reduce costs and improve services for our ratepayers.
  - The organisation restructured to have a community group focused on engaging with the community.
- Safe and healthy community: We regulate, advocate for, and support where we can, improved safety and health for our people.
  - Continued funding and management of the Warm Homes Clean Air programme for low socio-economic householders and the implementation of the Heat Swap scheme to incentivise the removal of non-compliant wood burners and the Burnwise scheme to promote the sale of dry firewood.
  - Council consulted on a Psychoactive Substances Policy, Open Fires in the Urban Area Bylaw, Dog Control Policy and Dog Control Bylaw during the 2013-14 financial year. The aim of these policies and bylaws is to improve the safety of our people. The hearings and deliberations for these policies and bylaws will occur early in the 2014-15 financial year.
- Improving image: We focus on improving the image and perception of the South Waikato District.
  - Council has been promoting the South Waikato as a destination through interest publications such as hunting and walking magazines.
- Council's growing economy: We support and encourage existing businesses and endeavour to attract new businesses to the district.
  - Council consulted on the future of the South Waikato Investment Fund during September and October 2013-14. Two trusts were established, the South Waikato Investment Fund (SWIF) Trust and the South Waikato Development (DRIVE) Trust. The purpose of these trusts is to maintain and create additional employment opportunities and to promote the development and revitalisation of the South Waikato. When Council consulted on the future of the South Waikato Investment Fund, 83% of submitters said that they preferred Council to transfer the South Waikato Investment Fund to an external trust. Council decided to transfer \$20 million to the SWIF Trust. These trusts will actively work to promote the South Waikato as an attractive place to do business.
  - When Council decided to transfer \$20 million to an external trust, it also decided to keep \$5 million within Council to be distributed for community and economic development projects within our community. This money was allocated in June 2014 and Council agreed to allocate money towards a road/rail terminal in Tokoroa which is expected to create new jobs.
- Diverse economy: We encourage the economic base in the district to diversify, especially in relation to tourism.
  - Council has been a major contributor to the completion and opening of the Waikato River Trails; 100km of trails meander from Karapiro to Atiamuri. Council also contributes financially to the Taniwha, a multi-sport event which utilises these trails.
  - It is expected that the SWIF and the DRIVE Trusts will foster a more diverse economy.
- Sustainable environment: We want the South Waikato District Council to lead the community in sustainable development.
  - The District Plan hearings took place and the decisions on this were notified.
- Well managed environment: Council's infrastructure is sustainable and contributes positively to the district environment.

- Council is compliant with resource consents that have been issued by the Waikato Regional Council. Council is required to apply for resource consents for activities that it undertakes such as water supply, wastewater, stormwater and landfills. These resource consents apply environmental standards that Council must abide by and comply with.
- Celebration of culture: We celebrate the artistic and cultural achievements of our people, and the diversity of their cultures.
  - Council carries out a range of activities to support and celebrate cultural achievements; these include funding initiatives and sponsoring events to be held in the district. For example, Council has this year funded the establishment of a 'unique gateway' to the Waikato River Trails to be located at Little Waipa Reserve, which is planned to reflect the extensive Māori and hydroelectricity generation history of the Waikato River. Celebrations of culture included sponsoring the Forest View High Polinetia Fa'atasi group, Tokoroa Little Theatre, South Waikato Music Society, Putāruru Theatre Players, Scottish Country Dance Club, Cook Islands Community (Society) and the Talking Poles Trust.
  - South Waikato District Libraries celebrate the cultural diversity of our district through the promotion of Māori Language, Samoan Language and Cook Island Language weeks, and through displays, cultural performances, presentations, story-telling and 'how to' workshops. The team entered the 2013 Raukawa Māori Language Awards (Ngā Whiringā Whāiti) in the Local Government category (Ngā Rōpū Kāwanatanga). In 2013 they won the Local Government Category for their efforts towards Māori Language Week.
- Cultural leadership: We support and encourage cultural leadership and capacity building.
  - Council promotes input to decision-making from Māori and Pacific Island communities, including a partnership approach with Raukawa Settlement Trust. A joint management agreement was signed with iwi parties and Waikato Regional Council for the protection of the Waikato River.
  - The Ngāti Tūwharetoa, Raukawa and Te Arawa River Iwi Waikato River Act 2010 established a co-management regime for the upper Waikato River, which includes all of the Waikato catchment within the South Waikato District. This regime sees valuable partnerships established between iwi, the Crown and associated councils. The Waikato River co-management framework is separate to their comprehensive Treaty Claims.

## 1.8.2. Our progress toward achieving community outcomes

Council's outcomes in the Long Term Plan 2012-22 are Council based, rather than community based. This reflects recent amendments to the LGA.

There are two reports that are able to be used to monitor progress towards achieving the outcomes: the MARCO Waikato Community Outcomes 2013 report and the State of the Environment Report 2013. The results are shown in two tables. The first table shows the results of the MARCO Waikato Community Outcomes report and the second table shows the results of the State of the Environment Report. This work showed the following mixed bag of trends:

| Outcome  | MARCO Results*  |   |  |
|--|---|---|--|
|  | 2013  | Trend between 2010 and 2013   | Trend between 2007 and 2010  |
| Engaged community: We encourage and support an engaged social community through the provision of our services and facilities | 50.2% of people felt that overall, they understand how Council makes decisions.   | Decrease of 6.5%. In 2010 56.7% of people felt they understood how Council makes decisions.   | Decrease of 0.7%. In 2007 57.4% of people felt they understood how Council makes decisions.  |
|  | 42.7% of people felt that overall, they have confidence that Council makes decisions that are in the best interest of the district. | Decrease of 11.6%. In 2010 54.3% of people felt that they have confidence that Council makes decisions that are in the best interest of the district. | Decrease of 3.1%. In 2007 57.4% of people felt that they have confidence that Council makes decisions that are in the best interest of the district. |

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|  |  |   |   |
|--|--|---|---|
|  | 42% of people felt that they have enough say in what Council does.   | Decrease of 10.1%. In 2010 52.1% of people felt that they have enough say in what Council does.   | Increase of 1.1%. In 2007 51% of people felt that they have enough say in what Council does.  |
| Safe and healthy community: We regulate, advocate for, and support where we can, improved safety and health for our people   | 83.7% of people felt safe in their community during the day time.  | There was an increase of 1.8%. In 2010 81.9% of people felt safe during the day time.   | There was a decrease of 2.2%. In 2007 84.1% of people felt safe in their community during the day time.                                     |
|  | 57.3% of people felt safe in their community after dark.   | There was a decrease of 2.5%. In 2010, 59.8% of people felt safe in their community after dark.   | There was a decrease of 6.3%. In 2007 66.1% of people felt safe in their community after dark.  |
| Improving image: We focus on improving the image and perception of the South Waikato District  | 62.3% of people felt a sense of pride in the way our district looks and feels.   | There was a decrease of 2.1%. In 2010, 64.4% of people felt a sense of pride in the way our community looks and feels.                      | There was a decrease of 4.4%. In 2007, 68.8% of people felt a sense of pride in the way our community looks and feels.                      |
| Growing economy: We support and encourage existing businesses and endeavour to attract new businesses to the district<br>Diverse economy: We encourage the economic base in the district to diversify, especially in relation to tourism | 84.4% of people felt that their job makes good use of their skills, training and experience.   | There was an increase of 9.4%. In 2010 75% of people felt that their job made good use of their skills, training and experience.            | There was a decrease of 9%. In 2007 84% of people felt that their job made good use of their skills, training and experience.               |
| Celebration of culture: We celebrate the artistic and cultural achievements of our people, and the diversity of their cultures<br>Cultural leadership: We support and encourage cultural leadership and capacity building                | 79% of people felt that their family were knowledgeable and show respect for the diverse cultures who live in our district.          | There was a decrease of 1.6%. In 2010, 80.6% of people felt that their family were knowledgeable and showed respect for other cultures.     | There was an increase of 1.2%. In 2007, 79.4% of people felt that their family were knowledgeable and showed respect for other cultures.    |
|  | 70.7% of people felt that their neighbourhood were knowledgeable and show respect for the diverse cultures who live in our district. | There was a decrease of 1.4%. In 2010 72.1% of people felt that their neighbourhood were knowledgeable and show respect for other cultures. | There was a decrease of 1.8%. In 2007 73.9% of people felt that their neighbourhood were knowledgeable and show respect for other cultures. |
| Total (quality of life)  | 81.7% of people were satisfied with their quality of life.   | In 2010 78.2% of people were satisfied with their quality of life. There was an increase of 3.5% since 2010.                                | In 2007 84.2% of people were satisfied with their quality of life. There was a positive movement of 6% being 78.2%-84.2% since 2007.        |

| Outcome  | State of the Environment # Results  |
|--|---|
| Sustainable environment: We want the South Waikato District Council to lead the community in sustainable development     | Stream fencing: Council provides support to the South Waikato Environmental Initiatives (SWEI), to assist in funding fencing of streams. An additional 27,897 metres of streams have been fenced since July 2008 through assistance by SWEI.  |
| Well managed environment: Council's infrastructure is sustainable and contributes positively to the district environment | <p>Recycling: Recycling volumes received have increased from 1,634 tonnes per annum in 2001/2002 to 2,737 tonnes 2012/2013.</p> <p>Quantity of solid waste generated: The volume of waste to landfill has continued to decline from 472kg per capita in 2009/10 to 343kg per capita in 2013-14.</p> |

\*International Research Consultants, 2007-2008, August 2010 and August 2013: Waikato Community Outcomes 2007-2008, 2010 and 2013 - South Waikato Summary Reports.

#South Waikato District Council, 2013: State of the Environment Report 2013.

## 1.9. Council's strategies

This is the second year of reporting against the new community outcomes. The 15 strategies that have been developed to enable these community outcomes to be achieved are listed below:

- Stimulate economic development by assisting existing and attracting new businesses
- Utilise financing arrangements and investments to maximise benefit to our community
- Support tourism development
- Encourage and advocate for a safer community
- Encourage and advocate for improved health services for our community
- Enhance communication with our community and stakeholders
- Enhance access to and use of Council's services and facilities
- Manage the Council business - do things well
- Encourage education and training to improve employment in our district
- Encourage a sustainable environment
- Sustainability is embedded in all of Council's operations
- Provide sound asset management planning
- Maintain and support our community's art and culture, and support cultural displays and events
- Maintain a strong working relationship with Māori
- Develop partnerships that support the achievement of our vision.



## 1.10. Report on funding and financial policies

Council's Long Term Plan 2012-22 (LTP) contains financial and other policies required by the Local Government Act 2002. The following reports Council's performance against the funding and financial policies contained in the LTP and key financial targets in that plan.

### 1.10.1. Financial targets report

#### Background

In the LTP 2012-22, Council developed a financial strategy that led to its focus on job creation and district promotion. The financial strategy also set limits around certain financial measures. These are outlined in the 'Specific Policy Limits' part of this section.

#### Overall performance

A summary of Council's achievements in respect of key financial targets established in the LTP is shown below.

| Key Targets                 | Actual 2013-14<br>\$000's | Budget 2013-14<br>\$000's | Note |
|-----------------------------|---------------------------|---------------------------|------|
| Surplus/(deficit) after Tax | (18,769)                  | (25,676)                  | 1    |
| Total equity/net assets     | 380,824                   | 346,342                   | 2    |
| Borrowings                  | 14,757                    | 12,553                    | 3    |
| Capital expenditure         | 7,777                     | 6,845                     | 4    |

#### Notes

1. Council incurred a deficit of \$18.8m this year. A deficit of \$25.7m had been budgeted. A major factor in this variance was Council's decision to retain approximately \$5m of the residual South Waikato Investment Fund (SWIF) cash for identified strategic projects that have an enduring economic and social benefit to the South Waikato district. Another major variance is the gain on financial instruments, which represents accumulated unrealised gains on investments which became realised when Council paid the SWIF out to a separate community Trust.
2. This represents an accumulation of changes since the 2013-14 Annual Plan was adopted, including: a lower roading assets revaluation increase this year than budgeted (\$15.8m), higher waters revaluation increase in 2012-13 than budgeted \$9.1m; a lower net deficit than budgeted \$6.9m and a higher net surplus in 2012-13 than budgeted \$3.8m. There was also an increase in asset valuation as a result of a prior year adjustment of \$40.7m, due to an error in the methodology for valuation of the roading formation (earthworks) assets.
3. Council borrowings were above forecast due mostly as a result of the timing of Council's divestment from the SWIF. Council had to transition its internal borrowing that had been previously borrowed from the SWIF. Although Council has the ability to borrow internally off its other (depreciation) annuities, due to the timing of the pay-out of the SWIF (and externalisation of that portion of internal borrowing), no internal borrowing had been actioned before year-end.
4. A number of capital projects carried over from 2012-13 were completed in the 2013-14 year. These include toilets at the Tirau Information Centre (\$161,000), airfield land purchase (\$236,000) and Tirau Street stormwater pipe renewals (\$97,000). A number of 2013-14 projects also were unable to be completed or started by year-end. These include the district recycling facility, water supply rising main - Colson's Hill, Tokoroa wastewater treatment plant nitrogen removal enhancement, Arapuni water UV treatment, Putāruru to Duxfield walkway (cancelled), and runway resealing (cancelled). Overall, Council completed 69% of budgeted current year projects (or 82 out of 119 current year projects).

## 1.10.2. Investment policy report

### Background

The Investment policy was updated in conjunction with the Long Term Plan 2012-22 Amendment.

### Overall performance

The realised investment return was \$1.6m compared to a budgeted surplus of \$1.1m. The South Waikato Investment Fund (SWIF) also recorded a capital gain of \$1.1 million during the year (2013: capital gain of \$1.6m). This represents a total value increase, before subsidies and other deductions, of \$1.96 million for 2013-14. This gain has been recognised in 'gains on financial instruments' in the Statement of Comprehensive Income.

During the year, the SWIF investments were divested from Council and placed into two non-Council controlled community trusts. This decision was promulgated from consultation on the LTP 2012-22 Amendment during 2013. The performance objectives and results shown below for the SWIF may therefore be limited.

### Specific objectives and targets

| Performance Objective  |   |
|--|---|
| To comply with all relevant statutes and their amendments  | All relevant statutes and amendments complied with  |
| To develop and maintain professional relationships with representatives of approved financial institutions   | Professional relationships with representatives of approved financial institutions developed and maintained   |
| To manage Council's return on funds invested through effective control and management of its interest rate risk and to maintain Council's exposure to interest rate risk within acceptable levels            | Council's return of funds managed within acceptable levels  |
| To safeguard Council's cash investments by monitoring the credit ratings of approved financial institutions  | Credit ratings of approved financial institutions were monitored during the year  |
| To actively manage the internal controls to ensure that funds are invested in accordance with Council policy   | Satisfactory internal controls operated to ensure that funds were invested in accordance with the policy  |
| To avoid financial arrangements that could be described as speculative. At all times maintain a risk-averse stance   | No speculative financial arrangements were entered into during the year. Generally a risk-averse stance has been taken  |
| <b>South Waikato Investment Fund (SWIF) and Special and Restricted Reserve Funds</b>   |   |
| To achieve a real total return after investment expenses over the long-term, as set out in the Long Term Plan. 'Real' means over and above inflation as measured within the parameters set out in the policy | The SWIF was transferred to two new non-Council controlled trusts by the end of the year. At the time of payout, the SWIF had returned 6.51% for the year. The fund had increased in value (after allowing for \$400,000 rates subsidy) from \$26.6m to \$28.02m.<br>The real return to 30 June since the fund's inception was 5.23%.<br>The performance of the Restricted Reserve funds for the year was 9.44% gross of inflation (2013: 4.09%). |
| To ensure that the Investment and Reserve Funds are invested prudently   | Investment and Reserve Funds were invested in accordance with Investment Policy   |
| To ensure that money is available for distribution, as required, to meet the needs and financial policies of Council   | Monies were allocated for distribution in accordance with policy  |
| To maintain the value of the Investment Fund's capital base in real terms, and to grow such capital value. 'Real' in this context relates to changes in the Consumer Price Index (CPI)                       | The level of inflation this year has remained relatively low with CPI at 1.6%. The SWIF was transferred to a new non-Council controlled entity during the year  |
| To maximise the income available for distribution each year  | The SWIF subsidy of \$400,000 on the rates required, as proposed in the 2013-14 Annual Plan, was actioned.  |

### 1.10.3. Liability management policy report

#### Background

The main function of this policy is to ensure that Council's debt and associated risks are maintained at prudent levels.

#### Overall performance

There are no significant variations or material departures from Council's Liability Management policy.

#### Specific objectives and targets

| Performance Objective  | Achievement   |
|--|---|
| To comply with all relevant statutes and their amendments  | All relevant statutes and amendments have been complied with  |
| To develop and maintain professional relationships with representatives of approved financial institutions   | Achieved. Continued good relationship with Council's banker BNZ, who facilitated the transition of the SWIF from Council to the new SWIF Trust                        |
| To ensure Council is able to meet its future commitments as they fall due, in both the short term and the long term, through active liquidity management                               | Achieved. In 2013 Council increased its committed cash advance facility (CCAF) to \$15m.  |
| To reduce Council's risk of borrowing through the effective control and management of interest rate risk and to maintain Council's exposure to interest rate risk at acceptable levels | Achieved. Council operates committed averaged rate loan (CARL) facilities of \$6m and \$5m to mitigate interest rate risk.  |
| To endeavour to ensure the selection of the most effective methods for longer term financing requirements among the various financial alternatives                                     | Achieved. Council's main borrowing is by way of a combination of CARL facilities with the remainder being re-priced quarterly. This operates within the overall CCAF. |
| To actively manage adequate internal controls to ensure that funds are borrowed in accordance with Council policy  | Achieved. Funds were borrowed in accordance with Council policy   |
| To avoid financial arrangements that could be described as speculative. At all times maintain a risk-averse stance   | Achieved. No speculative financial arrangements were entered into during the year. Generally a risk averse stance has been taken                                      |

| Specific Policy Limits   |                                |                                   |
|--|--------------------------------|-----------------------------------|
| Measure  | Policy Limit                   | Actual                            |
| Interest Rate Exposure   |                                |                                   |
| Gross interest exposure of all external debt/total revenue                                   | <10%                           | 1.7%                              |
| Gross interest expense of all external debt/rates revenue                                    | <15%                           | 2.7%                              |
| Liquidity Policy   |                                |                                   |
| Maximum debt repayable in 1 year/total equity  | <3%                            | 0.2%                              |
| Credit exposure  |                                |                                   |
| Total term liabilities not greater than total annual rating revenue                          | <100%                          | 73%                               |
| Gross external debt will not exceed 5% of equity   | <5%                            | 3.9%                              |
| Net cash flows from operating activities greater than gross annual external interest expense | 2 times                        | 23 times                          |
| External debt not to exceed \$15m  | <\$15m                         | 14.7m                             |
| Internal debt limited to: 20% (SWIF), and 50% (non-SWIF)                                     | >20% (SWIF)<br>>50% (not-SWIF) | Limits adhered                    |
| Liquid Test  | 1:1                            | 2.45:1                            |
| Debt repayment policy  | Maximum term 30 years          | No loan exceeds that term         |
| Rates revenue to not exceed \$31m by 2021-22   | <\$31m                         | Rates income received was \$19.4m |

|  |           |   |
|--|-----------|---|
| Rates increases not to exceed 8.5% of the previous year, with a preferred range of 2% - 8.5% | 2% - 8.5% | Rates increase struck for 2013-14 was 3.75% |
|--|-----------|---|

#### 1.10.4. Rates remission and postponement policies report

##### Background

Council has adopted policies in relation to the remission and postponement of rates. There are a number of circumstances in which applications are considered. Remissions include:

- community, sporting and other organisations
- rates on land protected for natural, historical or cultural conservation purposes
- economic development (commercial and industrial development)
- uniform annual general charges on non-contiguous rating units owned by the same owner
- school sewerage rates
- penalties
- Māori freehold land
- Multiple residential properties

##### Remission granted

| Remission type  | 2014 |        | 2013 |        |
|---|------|--------|------|--------|
|   | No.  | \$     | No.  | \$     |
| Community, sporting and other organisations   | 49   | 79,869 | 46   | 72,585 |
| Rates on land protected for natural, historical or cultural conservation purposes     | 2    | 367    | 2    | 402    |
| Economic development (commercial and industrial development)                          | -    | -      | -    | -      |
| Uniform annual general charges on non-contiguous rating units owned by the same owner | 5    | 3,144  | 6    | 3,716  |
| School sewerage rates   | 33   | 68,263 | 33   | 64,153 |
| Penalties   | n/a  | 21,499 | n/a  | 12,217 |
| Māori freehold land   | 4    | 5,289  | Nil  | Nil    |
| Multiple residential properties   | 1    | 1,255  | Nil  | Nil    |

##### Postponement

Council's postponement policy is to assist ratepayers experiencing extreme financial circumstances that affect their ability to pay rates. Council hasn't received any applications for postponement of rates.

## 1.10.5. Revenue and financing policy report

### Background

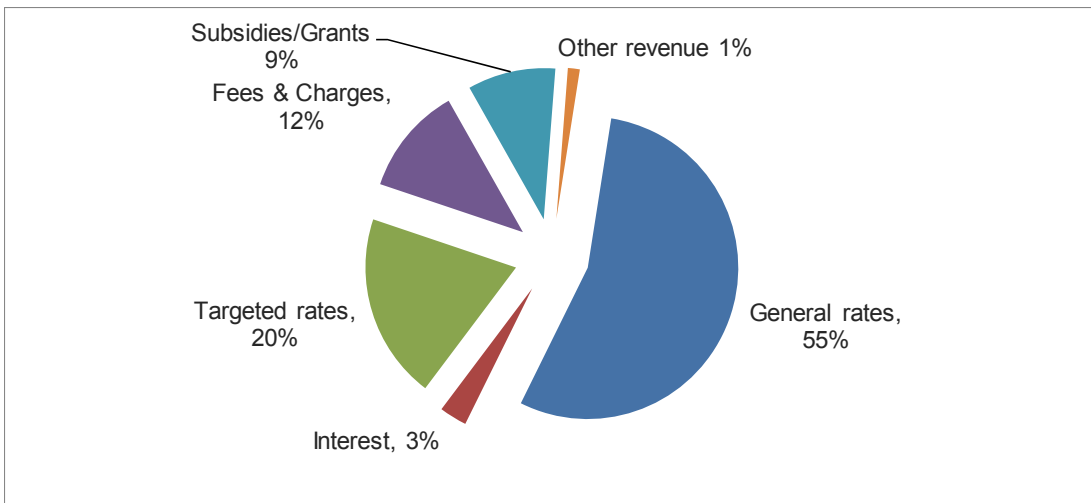
### Overall performance

## 1.10.6. Funding impact statement report

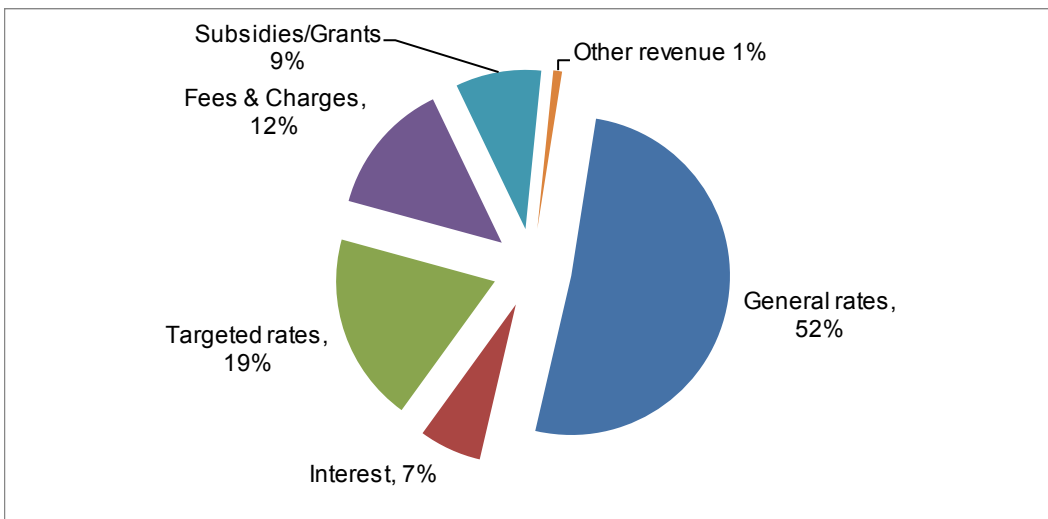
| Significant Activity   | General Rates Target | General Rates Actual | Targeted Rates Target | Targeted Rates Actual | User Charges Target | User Charges Actual | Subsidy & Grant Target | Subsidy & Grant Actual |
|--|----------------------|----------------------|-----------------------|-----------------------|---------------------|---------------------|------------------------|------------------------|
| Community advocacy and liaison                               | 100%                 | 100%                 |                       |                       |                     |                     |                        |                        |
| SW Sport & Events Centre                                     | 80%                  | 61%                  |                       |                       | 20%                 | 19%                 |                        | 20%                    |
| The Plaza  | 100%                 | 100%                 |                       |                       |                     |                     |                        |                        |
| Halls  |                      |                      | 95%                   | 76%                   | 5%                  | 24%                 |                        |                        |
| Economic Development   | 100%                 | 94%                  |                       |                       |                     | 6%                  |                        |                        |
| Business Promotion - Tokoroa Ward                            |                      |                      | 100%                  | 100%                  |                     |                     |                        |                        |
| Business Promotion - Putaruru Ward                           |                      |                      | 100%                  | 100%                  |                     |                     |                        |                        |
| District Promotion   | 100%                 | 99%                  |                       |                       |                     | 1%                  |                        |                        |
| Stormwater   |                      |                      | 100%                  | 100%                  |                     |                     |                        |                        |
| Sewerage   |                      |                      | 100%                  | 100%                  |                     |                     |                        |                        |
| Waste - Litter Collection                                    | 100%                 | 98%                  |                       |                       |                     | 2%                  |                        |                        |
| Refuse Collection  |                      |                      | 100%                  | 55%                   |                     | 45%                 |                        |                        |
| Waste - Landfill Operations and Refuse disposal              | 30%                  | 42%                  |                       |                       | 70%                 | 58%                 |                        |                        |
| Recycling  |                      |                      | 100%                  | 99%                   |                     | 1%                  |                        |                        |
| Property Management  | 90%                  | 83%                  |                       |                       | 10%                 | 17%                 |                        |                        |
| Roading Network  | 54%                  | 61%                  |                       |                       |                     | 2%                  | 46%                    | 36%                    |
| Cemeteries   | 40%                  | 46%                  |                       |                       | 60%                 | 54%                 |                        |                        |
| CBD Upgrades   | 100%                 | 100%                 |                       |                       |                     |                     |                        |                        |
| Public Toilets   | 95%                  | 100%                 |                       |                       | 5%                  |                     |                        |                        |
| Animal Control   | 40%                  | 40%                  |                       |                       | 60%                 | 60%                 |                        |                        |
| Regulatory Services (Other than Animal Control and Building) | 80%                  | 96%                  |                       |                       | 20%                 | 4%                  |                        |                        |
| Building consents and Inspection                             | 50%                  | 63%                  |                       |                       | 50%                 | 37%                 |                        |                        |
| Water Supply   |                      | 0%                   | 100%                  | 87%                   |                     | 13%                 |                        |                        |
| Emergency Management   | 100%                 | 97%                  |                       |                       |                     | 3%                  |                        |                        |
| Swimming Pools   | 80%                  | 84%                  |                       |                       | 20%                 | 16%                 |                        |                        |
| Sportsgrounds  | 95%                  | 98%                  |                       |                       | 5%                  | 2%                  |                        |                        |
| Parks and Reserves   | 95%                  | 96%                  |                       |                       | 5%                  | 4%                  |                        |                        |
| District Recreation  | 100%                 | 100%                 |                       |                       |                     |                     |                        |                        |
| Pensioner Housing  |                      |                      |                       |                       | 100%                | 100%                |                        |                        |
| Library Services   | 90%                  | 94%                  |                       |                       | 10%                 | 6%                  |                        |                        |
| Community Governance   |                      |                      | 100%                  | 100%                  |                     |                     |                        |                        |
| District Governance  | 100%                 | 97%                  |                       |                       |                     | 3%                  |                        |                        |

### 1.10.7. Summary of actual and target revenue sources

Funding impact revenue source - budgeted 2013-14



Funding impact revenue source - actual 2013-14



## 1.11. Annual report disclosure statement for year ending 30 June 2014

### What is the purpose of this statement?

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

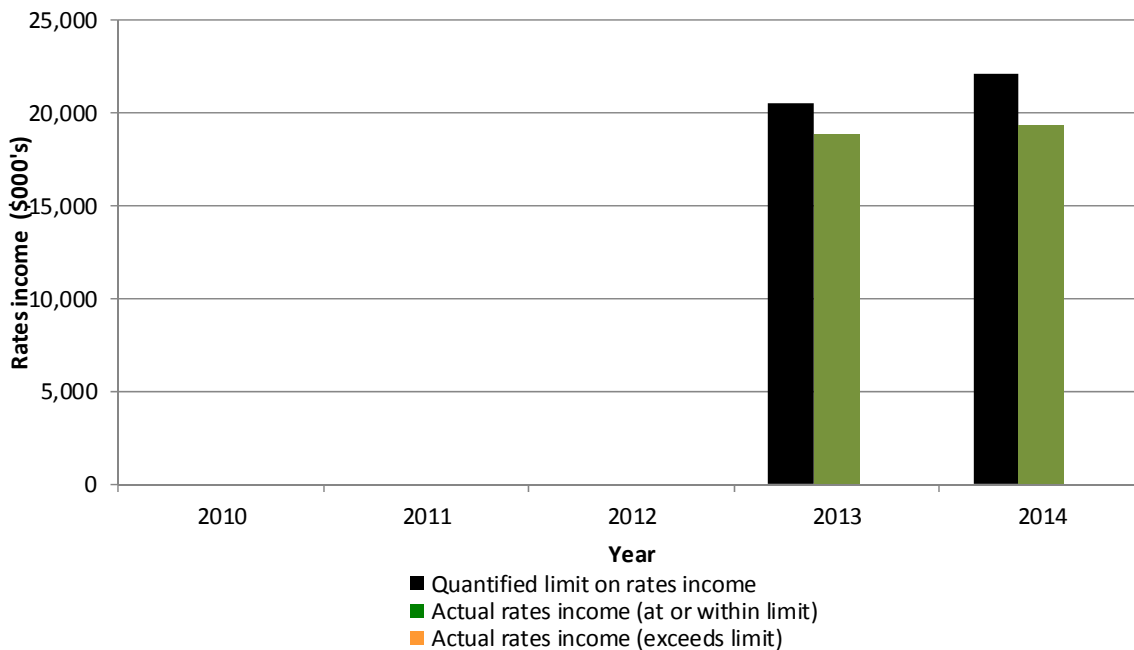
### 1.11.1. Rates affordability benchmark

The Council meets the rates affordability benchmark if:

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

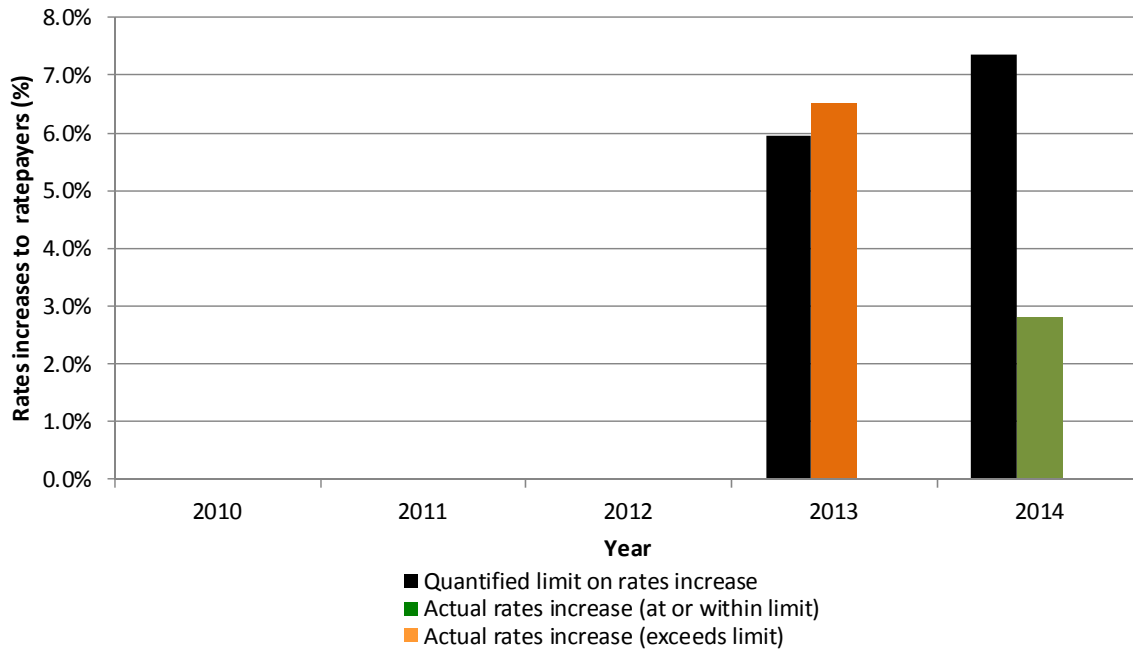
#### Rates (income) affordability

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



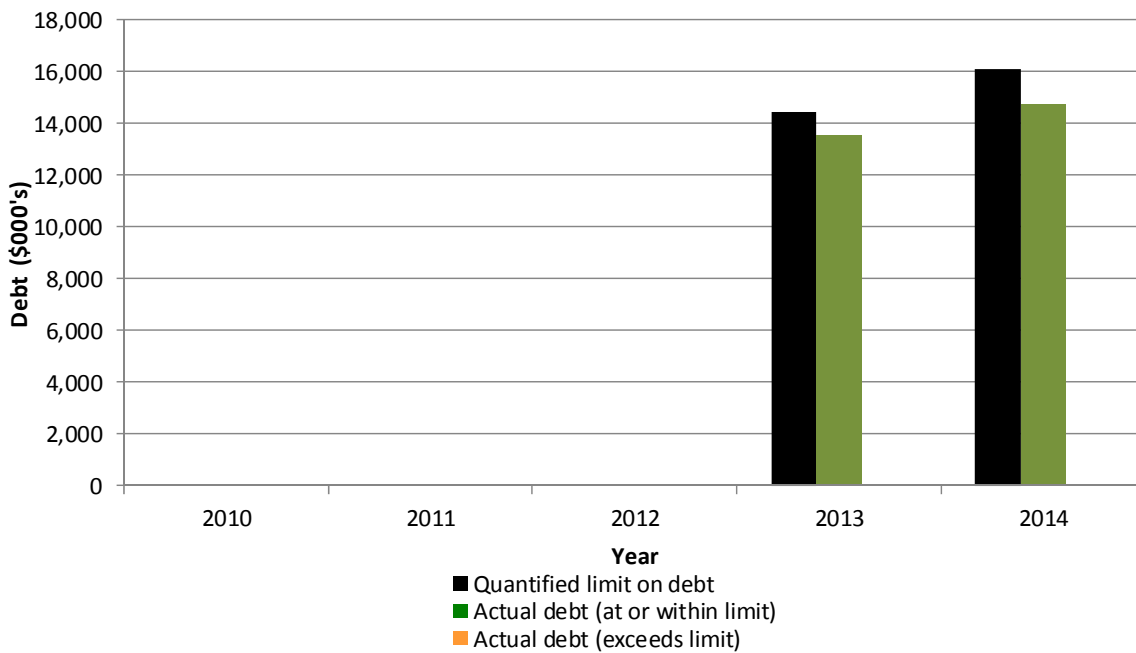
**Rates (increases) affordability**

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



**1.11.2. Debt affordability benchmark**

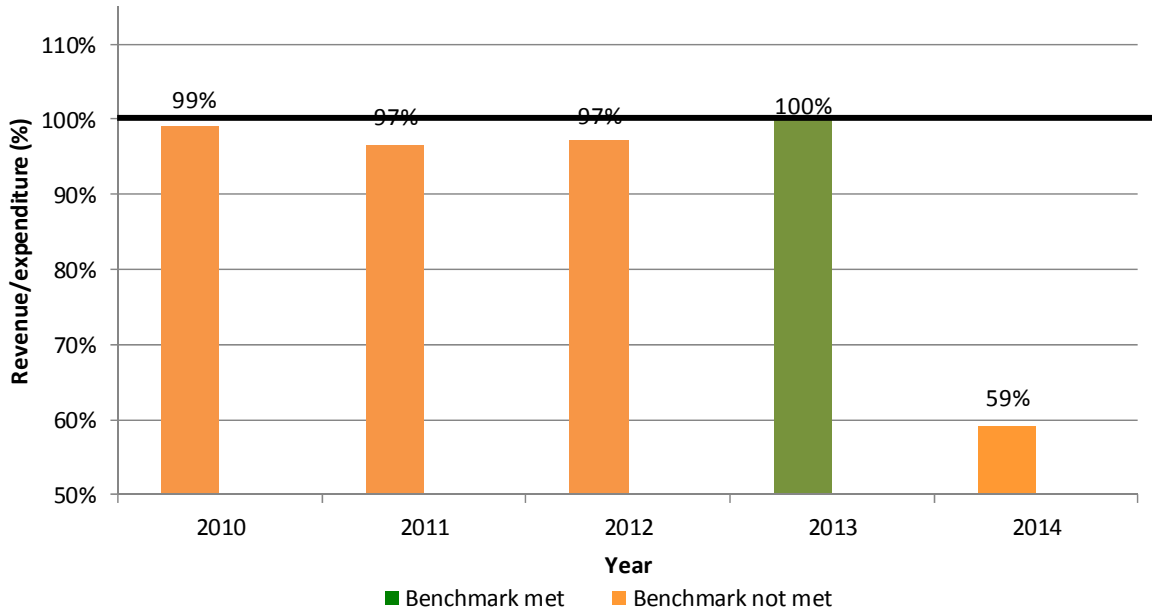
The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing. The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council's long term plan.





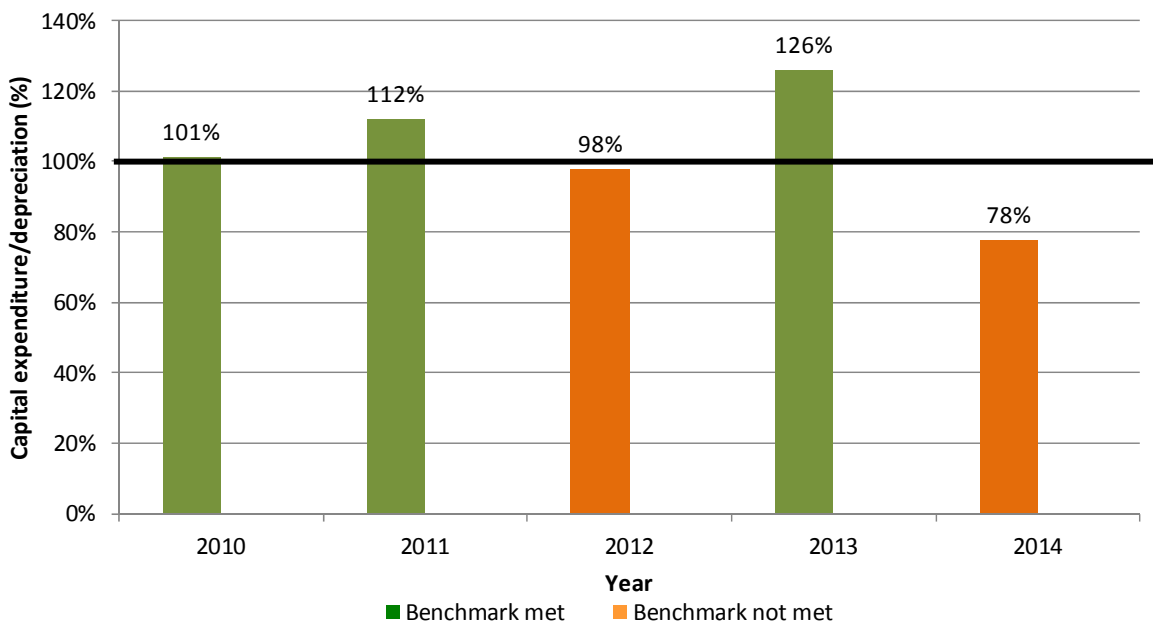
### 1.11.3. Balanced budget benchmark

The following graph displays the Council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property plant and equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant and equipment). The Council meets this benchmark if its revenue equals or is greater than its operating expenses.



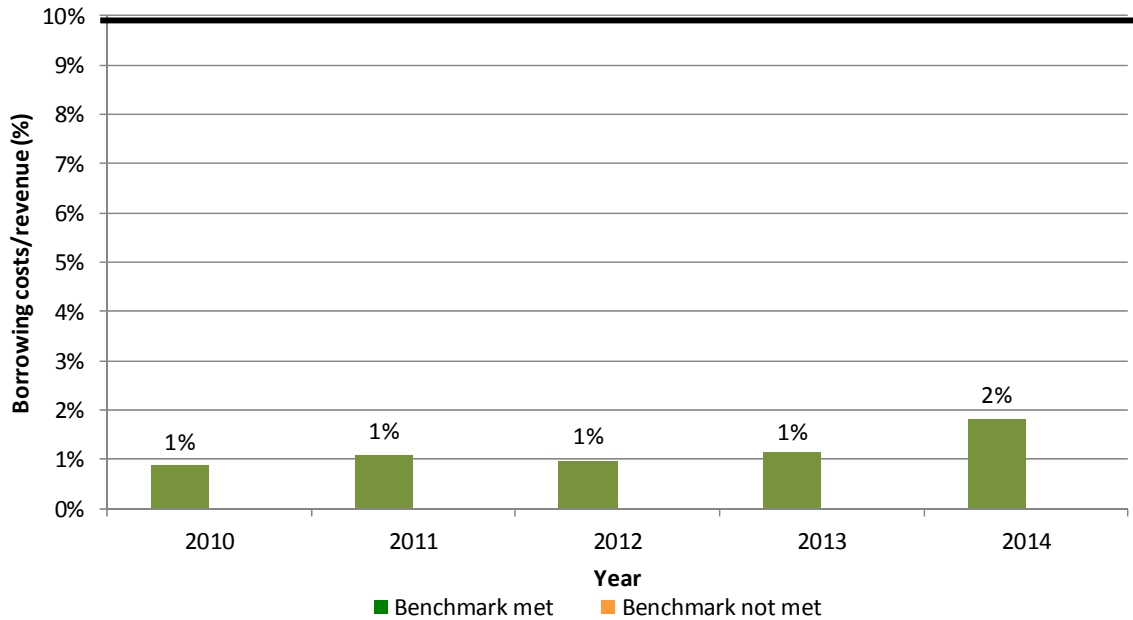
### 1.11.4. Essential services benchmark

The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services. The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



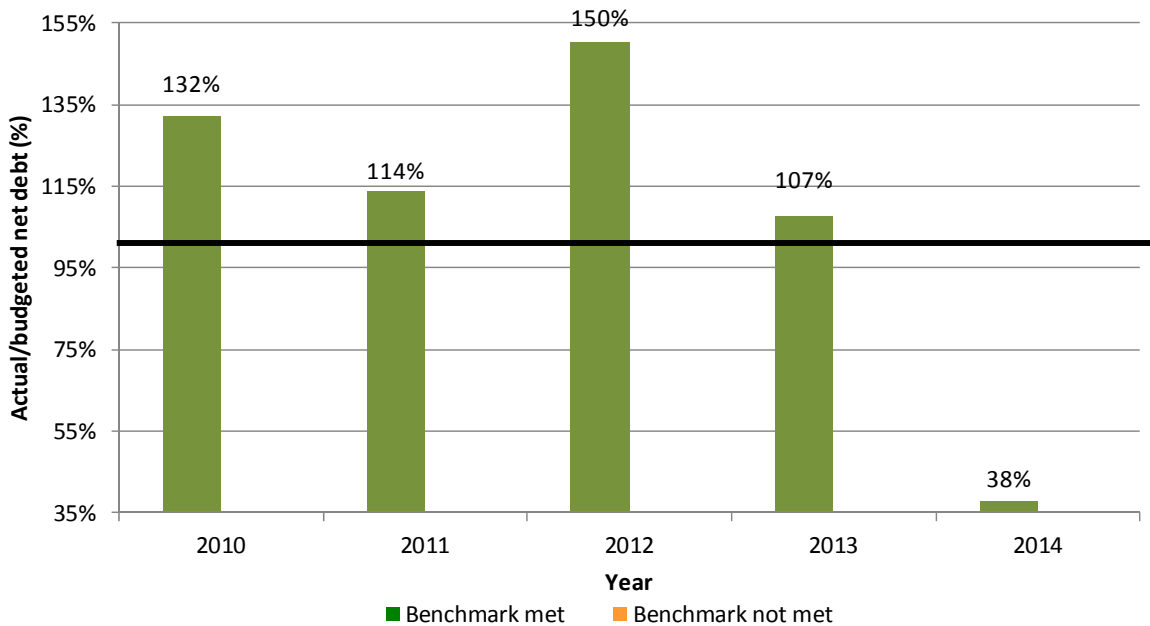
### 1.11.5. Debt servicing benchmark

The following graph displays the 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 and equipment). The Council meets this benchmark if its borrowing cost equal or are less than 10% of revenue.



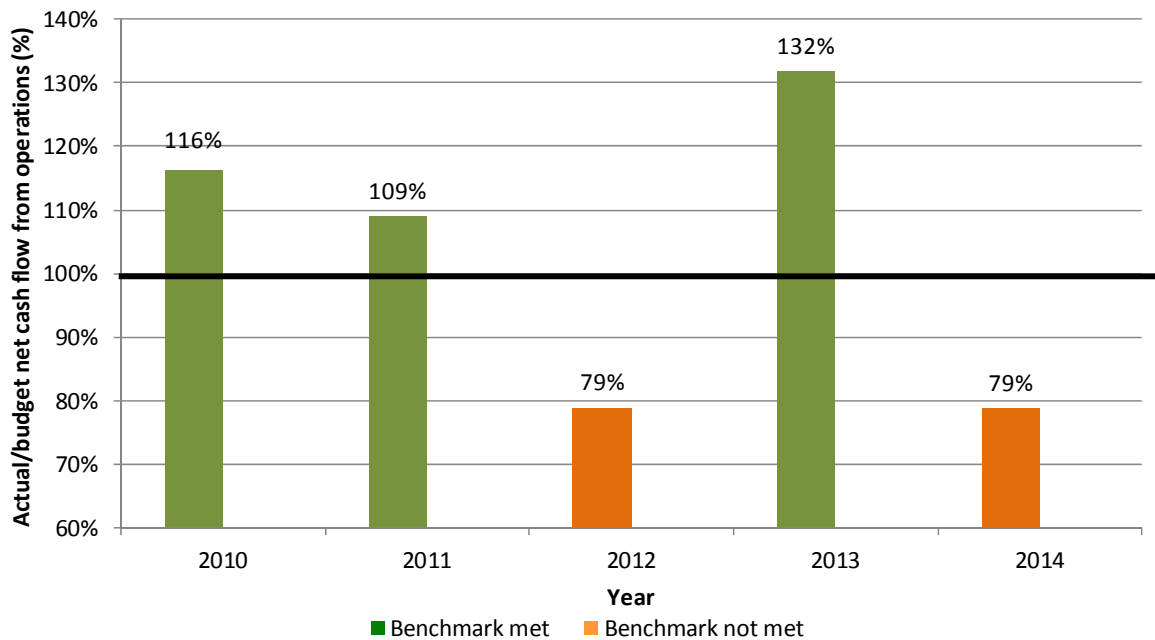
### 1.11.6. Debt control benchmark

The following graph displays the 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). The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



### 1.11.7. Operations control benchmark

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



#### Additional information or comment

##### Rates (increases) affordability benchmark

There was a higher level in the uptake of the heat-swap scheme in 2012-13 than envisaged.

##### Balanced budget benchmark

The SWIF investment was paid out to a non-Council-controlled community Trust.

##### Debt control benchmark

For years 2010 to 2013 actual net debt and planned net debt are in negative net values, with actual net debt in a higher negative value than planned net debt. Although this causes the graph to give the impression Council has exceeded the benchmark for those years, the benchmark was met.

##### Operations control benchmark

- External contributions received towards the cost of construction of the South Waikato Sport and Events Centre were less than forecast
- Council decided to retain approximately \$5 million of former SWIF investments, to be used towards funding significant community projects.

## 1.12. Report on governance

### 1.12.1. The elected council

The South Waikato District Council consists of the Mayor and ten Councillors. Together, they make the policy decisions for the Council. The current Council (in this reporting year) was elected on 12 October 2013 for a three year term. The next triennial elections are scheduled for 8 October 2016.

### 1.12.2. Local democracy is about

- conducting business in an open, transparent and democratically accountable manner
- giving effect to identified priorities and desired outcomes in an efficient and effective manner
- having regard to the views of all communities within a district
- prudent stewardship and the efficient and effective use of its resources in the interests of its district or region

Taking into account:

- the social, economic and cultural well-being of people and communities
- the need to maintain and enhance the quality of the environment
- the reasonably foreseeable needs of future generations
- fair and effective representation for individuals and communities
- public confidence in and understanding of the local electoral process.

### 1.12.3. Committee structure

Committees monitor and assist in the effective discharge of the Council's responsibilities. These are:

- Corporate and Environment Committee
- Community and Assets Committee
- Grants Committee
- Chief Executive Relationship Committee
- Hearings Committee
- Rural Access Sub-committee
- Treasury Management Oversight Sub-committee (ceased March 2014)
- Finance Audit and Risk Committee (from March 2014).

The Advisory Committee is the Waikato Region Civil Defence Emergency Management Group Committee.

### 1.12.4. Tīrau Community Board

The Council has one Community Board (for the Tīrau community). A new board was elected on 12 October 2013 for a three year term.

The Community Board provides a link between the community it represents (Tīrau Ward) and the Council. While the Council generally focuses on district issues, the Community Board deals with local matters which are referred to Council for adoption. The Community Board also oversees the activities of Council that affect its community. Council has provided no delegation to the Tīrau Community Board.

### 1.12.5. Councillor's code of conduct

Council has adopted a Code of Conduct for the Mayor and Councillors. This prescribes their roles and responsibilities and guides the Mayor's and Councillors' relationships and behaviour towards each other, Council staff and the public. It

also guides them in confidential matters, information they receive, dealing with conflicts of interest, complying with standing orders and ethical conduct.

### **1.12.6. Councillor's and community board members' remuneration**

The remuneration of elected members (Mayor, Councillors and Community Board Members) is approved by the Remuneration Authority in Wellington.

The Mayor receives an annual salary which includes the use of a Council vehicle, while Councillors receive an annual salary set according to the Council's recommendation to the Remuneration Authority.

### **1.12.7. Conflict of interest**

Councillors' and Community Board Members' responsibilities are outlined in the Local Authority (Members Interests') Act 1968. They must comply with this Act. A Tenders Board made up of Council's Executive Team provides an independent process to assess tenders, which removes some of the potential for conflict of interest.

### **1.12.8. Meetings**

The Council, its principal Standing Committees and Advisory Committee, and Community Board meetings are all publicly advertised and are open to the public, except for those parts of the meeting from which the public is excluded in accordance with the requirements of the Local Government Official Information and Meetings Act 1987. Agendas for meetings of the Council, its Committees, and Community Boards and Advisory Committee are available to members of the public before the meeting from the Council's offices, libraries and service centres.

### **1.12.9. Division of responsibility between Council and management**

A key to the efficient running of the Council is the clear division between the roles of Council (elected members) and the Chief Executive. Council's focus is setting the strategic vision and policies, while the Chief Executive and Executive team are concerned with implementing those strategies and policies.

### **1.12.10. Corporate governance**

The Council's Executive Team, in undertaking its responsibilities of implementing policies and strategies, provides both a strategic and operational focus. The organisation is arranged in four major operational groups with additional expertise in Human Resources and Communications provided to the Chief Executive.

All groups are responsible for setting their work plans and objectives in line with the Long Term Plan and the Council's Annual Plan. Group Managers meet regularly with their direct reports to review the performance of their group. Council employees are assessed annually to ascertain their performance against objectives, key result areas and the organisation's values.

South Waikato's corporate governance practices have been put in place to ensure all legal responsibilities, such as financial accountability, are carried out. These responsibilities are set out principally in the Local Government Act 2002, the Local Electoral Act 2001 and the Public Audit Act 2001. The Council utilises the services of both a staff lawyer and external legal expertise to ensure that it complies with applicable legislation.

### **1.12.11. Audit**

Section 15 of the Public Audit Act 2001 requires the Auditor-General to audit the financial and non-financial statements of Council's performance. The Auditor-General also, in terms of its wider mandate, maintains a watching brief for issues of performance and waste.

Deloitte is contracted to perform the audit on behalf of the Auditor-General. The Auditor-General reports the results of the audit to the Chief Executive, the Council, the Minister of Local Government and Parliament.

**1.12.12. Report on our commitment to the Treaty of Waitangi; Waikato River co-management; and opportunities for Māori to contribute to decision making.**

South Waikato recognises, and strongly supports, its responsibilities under the Treaty of Waitangi. The Council recognises and provides for the special relationship between Māori people and their culture, traditions, land and taonga. The Council acknowledges Raukawa as having Tangata Whenua status in the South Waikato District and Mana Whenua status of the Waikato River within its rohe. This relationship is important to Council and one it is committed to.

In addition to our existing Memorandum of Understanding (MOU), Council and Raukawa signed a Joint Management Agreement (JMA) in September 2013. The parties agreed to embrace new and holistic ways of working together and to continue to build a functional and effective long-term partnership.

Council also acknowledges Te Arawa River Iwi and Ngāti Koroki Kahukura in relation to their interests in our District.

Council staff continue to be involved in technical discussions regarding the Hauraki Collective Treaty Settlement process insofar as it affects Raukawa and the Waihou catchment.

The Proposed District Plan Appeals Version was issued, retaining Issue 2 - Recognising Tangata Whenua Values. The District Plan has sought to recognise and provide for the relationship that Raukawa have with the natural and physical resources of the district, and to better safeguard the significant Tangata Whenua values of the district. Specific implementation such as other non-regulatory methods identified will be progressed further once appeals have been resolved.



A close-up photograph of a basketball and a white net on a wooden court floor. The basketball is in the upper left, showing its orange pebbled texture and black lines. The white net is in the lower right, with a wooden floor visible through its mesh. The text 'Section 2' is overlaid in white on a dark grey horizontal bar at the top.

# Section 2

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## Groups of Activities



### 2.1. Customer satisfaction survey

#### 2.1.1. Overall satisfaction

Every three years Council engages an independent organisation to complete a Residents Satisfaction Survey. The most recent survey was undertaken in March 2014 and this survey measures the levels of satisfaction of South Waikato residents with Council supplied services. The next survey is due in early 2017.

Sample sizes are chosen at a level that gives a 95% level of confidence in survey results. In 2014, the geographical spread of respondents by ward was 254 (Tokoroa), 95 (Putāruru) and 51 (Tīrau). This spread is roughly consistent with the population distribution. Respondents were also screened to ensure a representative sample in terms of age, gender split, and balance according to ward populations. The result is that the total figures represent the adult population's viewpoint across the entire South Waikato district.

Satisfaction results are classified in four categories: 'very satisfied', 'fairly satisfied', 'dissatisfied' and 'don't know'. For the purpose of reporting results in this Annual Report, the 'very satisfied' and 'fairly satisfied' results have been combined and assessed as 'satisfied'.

#### Overall Satisfaction

In brief:

- Overall 89% of ratepayers are satisfied with the general performance of Council.
- The service provided by Council that residents are most satisfied with is the South Waikato Sport and Events Centre; 99% of residents stating that they were either fairly or very satisfied with this facility.
- Other services and facilities that had high levels of satisfaction included library services (97% very or fairly satisfied), sewerage services (96%), landfill or transfer station (93%) and stormwater services (92%).
- Council's lowest performing service was public toilets where only 45% of residents were very or fairly satisfied with the service. However it is worth noting that only 15% of residents were actually dissatisfied with the public toilets. 41% of residents did not know whether they were satisfied or dissatisfied with the service which indicates that many of our residents do not use the public toilet facilities in our district.

The most common methods of receiving information published by Council are Council advertisements in the newspapers. 73% of residents receive their information from the newspaper and 70% of residents receive information from Council through the In Touch community newsletter. Newspapers and the 'In Touch' community newsletter were also identified by residents as the preferred methods for Council to communicate with the community.

The table on the following page summarises the results achieved by Council in terms of community satisfaction with services between 2006 and 2014:

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## Section 2: Groups of Activities

| Activity                                   | Satisfaction in 2006 (%)                                  | Satisfaction in 2008 (%) | Satisfaction in 2011 (%) | Satisfaction in 2014 (%) | Trend                   |
|--|---|--------------------------|--------------------------|--------------------------|-------------------------|
| Parks and reserves                         | 86  | 87                       | 88                       | 82                       | Mixed                   |
| Roads (excluding State Highways)           | 92  | 83                       | 86                       | 85                       | Mixed                   |
| Household recycling service                | 79  | 80                       | 83                       | 72                       | Mixed                   |
| Public libraries                           | 85  | 79                       | 82                       | 97                       | Improving               |
| Animal control                             | 75  | 80                       | 80                       | 69                       | Mixed                   |
| Household rubbish collection*              | 92  | 94                       | 78                       | 68                       | Decreasing              |
| Litter control                             | 79  | 74                       | 78                       | #                        | Mixed                   |
| Footpaths                                  | 77  | 71                       | 77                       | 68                       | Mixed                   |
| Public swimming pools                      | 67  | 69                       | 75                       | 92                       | Improving               |
| Sportsfields and playgrounds               | 79  | 81                       | 75                       | #                        | Decreasing              |
| Cemeteries - including maintenance         | 73  | 69                       | 72                       | 61                       | Mixed                   |
| Taste and odour of Council water supplied* | 74  | 78                       | 78                       | #                        | Mixed                   |
| Tourism promotion                          | 71  | 69                       | 65                       | #                        | Decreasing              |
| Community assistance                       | 71  | 66                       | 60                       | 61                       | Decreasing              |
| Business promotion                         | 57  | 54                       | 60                       |                          | Improving               |
| Landfill and Transfer Station              | 55  | 56                       | 60                       | 93                       | Improving               |
| Resource management planning               | 51  | 44                       | 58                       |                          | Improving               |
| Public toilets                             | 64  | 54                       | 52                       | 45                       | Decreasing              |
| South Waikato Sport and Events Centre      | Facility did not exist when these surveys were undertaken |                          |                          | 99                       | Trend not yet available |
| Sewerage*                                  | Question asked for the first time in 2014                 |                          |                          | 96                       | Trend not yet available |
| Stormwater*                                | Question asked for the first time in 2014                 |                          |                          | 92                       | Trend not yet available |
| Water*                                     | Question asked for the first time in 2014                 |                          |                          | 91                       | Trend not yet available |
| Council maintained sportsgrounds           | Question asked for the first time in 2014                 |                          |                          | 90                       | Trend not yet available |
| Cleanliness of food premises               | Question asked for the first time in 2014                 |                          |                          | 81                       | Trend not yet available |

\* These three only include the responses of people who use these Council services

# These questions were not asked in 2014

## 2.2. Council's activities

### 2.2.1. Transport and roading

#### Community outcomes

The Transport and roading group of activities contribute to the following community outcomes theme:

- Engaged community: We encourage and support an engaged social community through the provision of our services and facilities
- Safe and healthy community: We regulate, advocate for, and support where we can, improved safety and health for our people
- Improving image: We focus on improving the image and perception of the South Waikato district
- Council's Growing economy: We support and encourage existing businesses and endeavour to attract new business to the district
- Sustainable environment: We want the South Waikato District Council to lead the community in sustainable development
- Well managed environment: Council's infrastructure is sustainable and contributes positively to the district environment.

#### Contribution to the Council strategy

In delivering the community and economic development activities and initiatives, Council focuses on the following top priorities to:

- Enhance access to and use of Council's services and facilities
- Encourage and advocate for a safer community
- Enhance communication with our community and stakeholders
- Manage the Council business - do things well
- Provide sound asset management planning
- Maintain a strong working relationship with Māori
- Develop partnerships that support the achievement of our vision.

In addition, the following Council strategies also contribute to:

- Stimulate economic development by assisting existing and attracting new businesses
- Support tourism development
- Sustainability is embedded in all Council's operations.

#### What we do - a description of the activity

The purpose of this function is to effectively and efficiently manage a safe and reliable district roading network. The network (excluding state highways) has a replacement value of \$241.2m, with the largest assets being road foundation (\$119m), road pavement and surfacing (\$34.1m), and footpaths (\$11m). The district is traversed by six state highways. New Zealand Transport Agency is the main provider of funds for road activities. The Council currently obtains 50% funding for maintenance and operations, 60% for demand management and community programmes (road safety) and 60% for renewals and improvements.

It is the Council's objective to maximise the use of these funds to provide roads that meet the expectations of the community and road users. Unlike most rural areas of New Zealand, nearly all rural roads in the district are sealed.

The Council liaises closely with forestry companies Carter Holt Harvey Limited and Hancock Forestry on its programmes for clear felling and logging truck operations that impact on local roads. The companies' preference for using their own internal road network benefits ratepayers and road users in the district. Commercial pressures may change that position at any time.

Most asset maintenance is carried out under a three year competitively tendered contract. Sign replacements, road marking and lighting maintenance are carried out by specialist contractors. Council has a Road Safety Programme that is largely funded through New Zealand Transport Agency. Under this programme, the Council employs a part-time Road

# Annual Report 2013-2014

## Section 2: Groups of Activities

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Safety Coordinator to encourage community groups to prepare and implement educational projects that target high risk areas in the South Waikato. During the 2012/13 year all the fatalities in the district occurred on state highways.

Projects are developed in partnership with New Zealand Transport Agency, Police, Waikato Regional Council, Accident Compensation Corporation and neighbouring local authorities. The Council's annual Land Transport Programme is compliant with relevant sections of the Land Transport Management Act 2003 and is approved by New Zealand Transport Agency.

### **Road widening and seal extensions**

Less than 10% of the district road network is of a substandard width (based on national guidelines for the management of the roading hierarchy for local roads and state highways). Most substandard width roads in the district are rural roads with low traffic volumes. When usage increases, such as following dairy conversions, or when safety issues arise, the Council incorporates widening into its programme of work. As far as is practicable, road widening is carried out in conjunction with resurfacing and/or pavement rehabilitation as an associated improvement to be as cost effective as possible.

Although there is a small percentage of unsealed roads maintained by Council, this is intended to be reduced. While there is not a specific service level requirement for all district roads to be sealed, the benefits of seal extension are significant to individual ratepayers. As a result of the Long Term Plan process and subsequent budget constraints, seal extensions have been suspended for the first three years of the LTP and will resume in 2015-16.

### **Pavement rehabilitation**

Road pavement renewal is generally triggered by roughness measurements that cannot be addressed with thin surface treatments or by detection of wheel tracks or other major pavement deterioration. Replacement takes one of two forms: reconstruction or pavement treatment. In either case, existing granular layers may be salvaged and re-laid, sometimes using lime or cement stabilisation of the existing pavement. New base course layers are added with a bitumen sealed surfacing to finish the work. Council's annual roading programme addresses between 5-6 km of pavement rehabilitation per year, subject to funding.

### **Road safety**

Council contributes to road safety in the following ways:

- Council partners in the employment of a Road Safety Coordinator, to develop and deliver the Road Safety Education Programme. This will continue into the foreseeable future to deliver national and local road safety programmes. The Road Safety Programme is currently budgeted around \$74,500 per year.
- Council will continue to widen under-width rural roads to improve safety for motorists, particularly with the increase of dairy tanker traffic, as funding becomes available.
- As a result of national policy changes Council, as the Road Controlling Authority, now has the ability to set speed limits on local roads (excluding state highways) to reflect community needs, and as the environment allows. Council will continue to address areas of concern around speed through this process.
- Council has an ongoing commitment to the installation of mobility crossings, and the improvement of existing crossings, in conjunction with the capital footpath upgrade undertaken annually.
- A small number of high risk road sections have been identified for improvement. Work performed to date through re-alignment of road sections has resulted in increased safety, (eg Arapuni Rd, near Pearson Rd 2012-13).

### **Footpath safety**

Council has continued to be committed to an anti-slip treatment on the slippery pavers in Tokoroa CBD during winter. This will be ongoing and will include a general wash of the cobbles when required. Repair of misaligned concrete footpaths will continue.

### **Land transport programme (Land TP)**

Council's contribution to the National Land Transport Strategy is described in its Land Transport Programme (Land TP), which is developed through consultation with various stakeholders and submitted annually to Land Transport New Zealand. In summary, the Land TP reflects links between Council's transport-related activities set out in the District Land Transport Strategy 2010 and the achievement of an integrated, safe, responsive and sustainable land transport system. This includes a description of linkages to regional and national transport strategies and outcomes, as well as local policies such as Council's Walking and Cycling Strategy 2004.

# Annual Report 2013-2014

## Section 2: Groups of Activities

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### Why we do it

Council is in the business of owning and operating district roads because:

- The provision of roads is vital to the needs and aspirations of all who live in the district
- Through Council, local communities have representation regarding their transportation needs and the regional road corridor. The existing road network is a community asset which should be controlled by Council for the reasons above. In consultation with the community, this activity has been shown to make an essential contribution to the social and economic wellbeing of the district. Operations are contestable and cost-effective.

### Council's roles

| Provider | Advocate | Regulator | Partner | Facilitator |
|----------|----------|-----------|---------|-------------|
| Y        | Y        | Y         | Y       | Y           |

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## Section 2: Groups of Activities

### Funding impact statement - road network and road safety

|  | LTP<br>2013<br>\$000's | LTP<br>2014<br>\$000's | Annual Plan<br>2014<br>\$000's | Actual<br>2014<br>\$000's |
|--|------------------------|------------------------|--------------------------------|---------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                      |                        |                        |                                |                           |
| General Rates, Uniform Annual General Charges, rates penalties           | 4,401                  | 4,509                  | 4,342                          | 4,368                     |
| Targeted rates (other than a targeted rate for water supply)             | -                      | -                      | -                              | -                         |
| Subsidies & grants for operating purposes                                | 2,495                  | 2,596                  | 2,618                          | 1,182                     |
| Fees, charges & targeted rates for water supply                          | -                      | -                      | -                              | -                         |
| Internal charges & overheads recovered                                   | 35                     | (50)                   | (196)                          | 25                        |
| Local authorities fuel tax, fines, infringement fees, and other receipts | 110                    | 113                    | 114                            | 3                         |
| <b>TOTAL OPERATING FUNDING (A)</b>                                       | <b>7,041</b>           | <b>7,168</b>           | <b>6,878</b>                   | <b>5,578</b>              |
| <b>APPLICATION OF OPERATING FUNDING</b>                                  |                        |                        |                                |                           |
| Payments of staff & suppliers  | 2,999                  | 3,027                  | 3,040                          | 3,049                     |
| Finance costs  | 241                    | 236                    | 197                            | 194                       |
| Internal charges & overheads applied                                     | 571                    | 563                    | 562                            | 849                       |
| Other operating funding applications                                     | 228                    | 246                    | 247                            | 2                         |
| <b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>                       | <b>4,039</b>           | <b>4,072</b>           | <b>4,046</b>                   | <b>4,094</b>              |
| <b>SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)</b>                      | <b>3,002</b>           | <b>3,096</b>           | <b>2,832</b>                   | <b>1,484</b>              |
| <b>SOURCES OF CAPITAL FUNDING</b>  |                        |                        |                                |                           |
| Subsidies & grants for capital expenditure                               | 1,454                  | 1,543                  | 1,557                          | 1,497                     |
| Development & financial contributions                                    | 10                     | 10                     | 10                             | 22                        |
| Increase (decrease) in debt  | 217                    | 155                    | 156                            | (258)                     |
| Gross proceeds from sale of assets                                       | -                      | -                      | -                              | -                         |
| Lump sum contributions   | -                      | -                      | -                              | -                         |
| Other dedicated capital funding  | -                      | -                      | -                              | -                         |
| <b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>                              | <b>1,681</b>           | <b>1,708</b>           | <b>1,723</b>                   | <b>1,261</b>              |
| <b>APPLICATION OF CAPITAL FUNDING</b>                                    |                        |                        |                                |                           |
| Capital expenditure:   |                        |                        |                                |                           |
| • to meet additional demand  | 435                    | 400                    | 400                            | 430                       |
| • to improve the level of services                                       | -                      | -                      | -                              | -                         |
| • to replace existing assets   | 2,750                  | 2,826                  | 2,823                          | 2,773                     |
| Increase (decrease) in reserves  | (1,513)                | (1,483)                | (1,475)                        | (100)                     |
| Increase (decrease) in investments                                       | 3,011                  | 3,061                  | 2,807                          | (358)                     |
| <b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>                         | <b>4,683</b>           | <b>4,804</b>           | <b>4,555</b>                   | <b>2,745</b>              |
| <b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)</b>                        | <b>(3,002)</b>         | <b>(3,096)</b>         | <b>(2,832)</b>                 | <b>(1,484)</b>            |
| <b>FUNDING BALANCE ((A-B)+(C-D))</b>                                     | <b>-</b>               | <b>-</b>               | <b>-</b>                       | <b>-</b>                  |

# Annual Report 2013-2014

## Section 2: Groups of Activities

### Significant asset acquisitions or replacements

#### Major capital projects for 2013-14

| <b>Transport and roading</b>            | <b>Actual Spend<br/>2014<br/>\$000</b> | <b>Budget Spend<br/>2014<br/>\$000</b> | <b>Actual Spend<br/>2013<br/>\$000</b> |
|---|--|--|--|
| Formation widening                      | 430                                    | 404                                    | 478                                    |
| Seal widening                           | 26                                     | 21                                     | 12                                     |
| Seal extension                          | -                                      | -                                      | -                                      |
| Pavement rehabilitation                 | 885                                    | 894                                    | 827                                    |
| Drainage renewals                       | 163                                    | 146                                    | 150                                    |
| Christmas/feature Lighting              | 20                                     | 21                                     | 78                                     |
| Maintenance chip seals & reseals        | 875                                    | 957                                    | 880                                    |
| Asphaltic surfaces                      | 187                                    | 146                                    | 166                                    |
| Kerb and channel renewals               | 82                                     | 83                                     | 91                                     |
| Traffic services renewals-signs         | 93                                     | 114                                    | 108                                    |
| Traffic services renewals-street lights | 111                                    | 104                                    | 111                                    |
| Minor improvements                      | 229                                    | 291                                    | 278                                    |
| Footpath renewals                       | 48                                     | 47                                     | 51                                     |
| Sundry other                            | 53                                     | 55                                     | 289                                    |
| <b>Total</b>                            | <b>3,202</b>                           | <b>3,283</b>                           | <b>3,519</b>                           |

#### Major projects completed included

- Formation widening
- Both urban and rural pavement rehabilitation
- Kerb and channel renewals
- Minor safety and associated improvements
- Footpath renewal
- Pavement rehabilitation to various local roads
- Both chip and asphalt reseals, and drainage renewal
- Street-lighting improvements and street sign replacement.

#### Performance results - road network and road safety

| <b>Key Result Areas</b> | <b>2013-14 Target</b>   | <b>2013-14 Level Achieved</b>                                   | <b>Comments</b>   |
|-------------------------|---|---|---|
| Road Quality            | At least 80% of Council roads (by length) will meet the New Zealand Transport Agency (NZTA) target for roughness and not more than 15% of road length shall exceed the NZTA maximum target roughness  | Achieved  | Council achieved this measure with a combined (urban/rural) measure of 95%                  |
| Road Safety             | The number of crashes in the South Waikato District per 100 million vehicle km travelled (VKT) is less than both the crash rate per 100 million VKT for all New Zealand, and Council's peer group, as defined by the NZTA's annual road safety report | No data available (NZTA does not produce annual report anymore) | In 2011-12, Council achieved this measure with an overall result of 64 (peer 71, all NZ 68) |

# Annual Report 2013-2014

## Section 2: Groups of Activities

|                        |  |              |  |
|------------------------|--|--------------|--|
| Service Responsiveness | 90% of potholes on Council's roads are repaired within one week of notice with the remaining 10% addressed within a month of notice  | Achieved     | 35 requests were received for the year. All (100%) were responded to within target   |
| Customer Satisfaction  | Council receives fewer than twenty five complaints about the road network per year (this includes footpaths, signage, street lighting and road markings)                         | Achieved     | 3 complaints were received for the year. These related to: a missing grate, damage to kerbs and poor drainage. All were resolved   |
| Customer Satisfaction  | 90% of all sub-standard footpaths within the district are responded to within one week of notice and repaired within two weeks, with the remaining 10% repaired within one month | Not achieved | 42 requests were received for the year. 90% were responded within 1 week, 90% repaired within 2 weeks, with three repaired within 1 month. However one response took 6 weeks to repair so as to coincide with work already scheduled |

### 2.2.2. Recreation and facilities

#### Community outcomes

The Recreation, Community Facilities and Community Support group of activities contribute to the following community outcomes themes:

- Engaged community: We encourage and support an engaged social community through the provision of our services and facilities
- Safe and healthy community: We regulate, advocate for, and support where we can, improved safety and health for our people
- Improving image: We focus on improving the image and perception of the South Waikato district
- Growing economy: We support and encourage existing businesses and endeavour to attract new businesses to the district
- Diverse economy: We encourage the economic base in the district to diversify, especially in relation to tourism
- Sustainable environment: We want the South Waikato District Council to lead the community in sustainable development
- Well managed environment: Council's infrastructure is sustainable and contributes positively to the district environment
- Celebration of culture: We celebrate the artistic and cultural achievements of our people, and the diversity of their cultures
- Cultural leadership: We support and encourage cultural leadership and capacity building.

#### Contribution to the Council strategy

In delivering the community facilities, properties and amenities activities and initiatives, Council focuses on the following top priorities to:

- Enhance access to and use of Council's services and facilities
- Maintain and support our community's art and culture, and support cultural displays and events
- Encourage and advocate for a safer community
- Encourage and advocate for improved health services for our community
- Maintain a strong working relationship with Māori.



In addition, the following Council strategies also contribute to:

- Enhance communication with our community and stakeholders
- Develop partnerships that support the achievement of our vision
- Provide sound asset management planning
- Stimulate economic development by assisting existing and attracting new businesses
- Sustainability is embedded in all Council's operations
- Manage the Council business - do things well.

### **What we do - a description of the activity**

#### **South Waikato Sport and Events Centre**

The South Waikato Sport and Events Centre officially opened on 1 December 2012 and has quickly become a major focus for sport delivery and participation in the district.

The Centre has also developed into a well-used base for community events, business and private gatherings and functions, with a total of 24,955 people having used the facility during the first eight months of operation.

Hireage rates for the Centre have been set extremely competitively to encourage use of the facility which has been decorated with community art work focussing on the multi-cultural makeup of the district.

#### **The South Waikato Arts Centre (The Plaza) Putāruru**

Built in the late 1950s, the Plaza is the premier district performing arts centre in the South Waikato with a 520 seating capacity, nine bar fly tower and spacious stage areas. The Plaza is managed and operated by the South Waikato Arts Trust and is an important community activity facility for the whole district.

#### **Community halls**

Halls provide a public gathering and meeting place at appropriate community focal points throughout the district. They are located at Arapuni, Lichfield, Puketuru, Tapapa, Tīrau, Waotu and Upper Atiamuri. These halls continue to be maintained and administered by Council, but day to day management, is the responsibility of hall committees. The Lichfield Hall is owned and operated in partnership with Lichfield School. The Council receives a grant from Rotorua District Council towards the operation of the Upper Atiamuri Hall and pays a contribution towards the operation of the Piarere Hall in the Matamata-Piako District. The Arapuni Hall is owned by the Crown and leased to Council at a peppercorn rent.

#### **Cemeteries**

Cemeteries are provided in Putāruru, Tīrau and Tokoroa. Council's service consists of burials, cemetery maintenance and records management.

#### **Public toilets**

The Council provides conventional public toilet facilities in Arapuni (adjacent to the Hydro Dam), Arapuni Village, Putāruru, Tīrau, and Tokoroa. In total, 38 toilet facilities are managed by the Council (19 in Council buildings, 15 in reserves and four in the CBD's).

#### **Talking poles**

This is a cultural art project, with 44 poles arranged around a trail in the Tokoroa CBD and Kinleith. Initiation and ongoing development of the project is managed by the Talking Poles Trust. Guardianship of the poles and their maintenance is vested in Council. Tokoroa's Talking Poles were first suggested as part of concept designs for the CBD upgrade in the early 2000's. The project historically has also included a Pole Art of the World (PAWS) Symposium in 2004, 2006 and 2008.

#### **Pensioner housing**

The Council is involved in the provision of affordable housing for older residents and recipients of certain benefits because the market is not meeting this demand. Alternative providers are not available to deliver this service at the same price, level of service and locations. The cost of this service is completely paid by residents. The Pensioner Housing activity has a legacy of Central and Local Government provision.

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## Section 2: Groups of Activities

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### **Other properties**

Other Council properties include the management of the Council's administration buildings, Council depots, vacant sections, leased land, minor reserves and numerous miscellaneous properties. This portfolio has been progressively reduced as the Council disposes of assets not seen as important to its present or future operation.

### **Tokoroa airfield**

Tokoroa airfield is a 1,100 metre grass runway with an 850 metre sealed carriageway at Amisfield, south of Tokoroa. It is used commercially for aerial topdressing and also for various community uses and events, including motorsport activities, grazing and private hangars.

### **Parks and reserves**

Council administers and manages approximately 279ha of parks, reserves, sportsgrounds, esplanades and gardens throughout the district, and enhances the appearance of urban areas with street trees, flower beds and other soft landscaping.

Parks and Reserves are classified into several types:

- 48 urban reserves varying in size from 500m<sup>2</sup> to 25ha
- six lakeside reserves
- six sportsgrounds located in Putāruru and Tokoroa
- 14 playgrounds located in Tokoroa, Putāruru, Tīrau, Arapuni and Jones' Landing
- three skateboard areas
- five scenic bush reserves
- two recreational reserves at Lichfield and Tīrau
- Te Waihou walkway
- A large number of plantation strips, roadside gardens and small beautification areas.

### **Swimming pools**

The Council owns and manages three Swimming Pool facilities, one located in Tokoroa (South Waikato Heated Indoor Pools – year round facility) and, during the summer months, outdoor pools in Putāruru and Tīrau.

### **District library service**

Council provides libraries in Putāruru, Tīrau and Tokoroa managing a wide range of professional library services, large-print collections, Māori, Pacific Islands and other ethnic collections, an audio visual collection, internet, inter-library loan services, e-books and a toy library. The service promotes literacy and lifelong learning through a range of programmes, many of which are aimed at children of all ages. The library service is increasingly becoming a community space where groups can meet, display and interact with the public, and the library facilitates these events in partnership with groups as a way of supporting and encouraging a growing community.

Through the district library service, wifi and free internet access is made available to all, in order to build accessibility to knowledge and information within each community.

### **Other recreation support**

Council provides coordination and facilitation of sporting and recreational opportunities within schools and the community at large through contracts and strategic planning support.

### **Why we do it**

Reasons why the Council provides community facilities and amenities include the following:

- South Waikato Sport and Events Centre  
The Council actively supports recreation and community fulfilment by creating and managing quality sport, leisure and health opportunities as central to the achievement of community wellbeing. The South Waikato Sport and Events Centre is the premier sports and events facility in the district.
- The South Waikato Arts Centre (The Plaza) Putāruru  
The Council actively supports the arts and culture sector as central to the achievement of community wellbeing. The Plaza is the premier performance facility in the district.
- Community halls

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Halls have traditionally played a significant role in community life. They are still used to varying degrees, but not to the extent of the past due to improved transport links and alternative meeting and entertainment venues. In recognition of this, Council is not rate-funding the depreciation (ie is not building a fund for the replacement) of halls and will consider major upgrades on a case-by-case basis.

- Cemeteries

The current absence of private sector providers within the district means Council cannot fulfill its obligations under the Burial and Cremation Act 1964 without owning cemetery land. Crematoria exist in Hamilton, Rotorua and Taupo.

- Public toilets

Absence of a private sector market requires Council to own toilets for public benefit. It is noted that ample toilets are provided by fast food outlets. However, these are for paying customers rather than the public at large and tend to be clustered in CBD areas.

Public toilet provision is a key service for visitors to the district, providing an opportunity to stop and rest from driving and buy from local shops. They facilitate use of parks, reserves and commercial centres and contribute to the protection of public health.

- Talking poles

The Council is the guardian of the Talking Poles which are located around the Tokoroa CBD, and therefore maintains the Talking Poles as part of its partnership contribution to the Talking Poles Trust. The Talking Poles promote and highlight the character of the Tokoroa community.

- Tokoroa airfield

Tokoroa airfield property is a legacy asset. It is considered by the Council to be a key asset for the district which is not otherwise provided by the marketplace. The primary reason for involvement is currently recreational recognising the economic development potential that this facility offers.

- Christmas lights

LED lights and displays were phased in from Christmas 2010 in an effort to maximise visual impact in a manner that is more cost effective than the previous South Waikato Christmas lighting displays.

- Parks and reserves

The Council has legal obligations for the management and administration of reserves under the Reserves Act 1977. Parks and reserves play a key role in community health, leisure and pride.

- Swimming pools

Council provides pools in the absence of any other private provider for this service to the entire community. The facilities provide safe, affordable and accessible swimming to a landlocked population and enable a range of public programmes such as 'Learn to Swim', various toddler programmes and a swim academy.

- District library service

Council contributes to community wellbeing through the provision of affordable story and knowledge resources and services and helps to bridge social inequalities in literacy, information and technology access. Library services are provided directly by Council because of the high level of public good involved. Public libraries have a fundamental role in supporting culture, education and economic and personal development. There are no other potential providers of a total South Waikato District public library service.

- Other recreation support

Council provides funding and planning support to specialised providers to ensure the district's population, particularly young people, are given adequate opportunities to engage in and build a culture of active recreation. This contributes to community wellbeing through a partnership approach with other providers.

### Council's roles

| Provider | Advocate | Regulator | Partner | Facilitator |
|----------|----------|-----------|---------|-------------|
| Y        | Y        | Y         | Y       | Y           |

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### Funding impact statement - community facilities, properties and amenities

|  | LTP<br>2013<br>\$000's | LTP<br>2014<br>\$000's | Annual Plan<br>2014<br>\$000's | Actual<br>2014<br>\$000's |
|--|------------------------|------------------------|--------------------------------|---------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                      |                        |                        |                                |                           |
| General Rates, Uniform Annual General Charges, rates penalties           | 1,114                  | 1,344                  | 1,342                          | 1,087                     |
| Targeted rates (other than a targeted rate for water supply)             | 32                     | 31                     | 28                             | 34                        |
| Subsidies & grants for operating purposes                                | 119                    | -                      | -                              | -                         |
| Fees, charges & targeted rates for water supply                          | 591                    | 676                    | 642                            | 566                       |
| Internal charges & overheads recovered                                   | 130                    | 225                    | 202                            | 16                        |
| Local authorities fuel tax, fines, infringement fees, and other receipts | -                      | -                      | -                              | -                         |
| <b>TOTAL OPERATING FUNDING (A)</b>                                       | <b>1,986</b>           | <b>2,276</b>           | <b>2,214</b>                   | <b>1,703</b>              |
| <b>APPLICATION OF OPERATING FUNDING</b>                                  |                        |                        |                                |                           |
| Payments of staff & suppliers  | 789                    | 933                    | 889                            | 978                       |
| Finance costs  | 153                    | 161                    | 135                            | 197                       |
| Internal charges & overheads applied                                     | 694                    | 740                    | 727                            | 269                       |
| Other operating funding applications                                     | 46                     | 64                     | 82                             | 1                         |
| <b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>                       | <b>1,682</b>           | <b>1,898</b>           | <b>1,833</b>                   | <b>1,445</b>              |
| <b>SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)</b>                      | <b>304</b>             | <b>378</b>             | <b>381</b>                     | <b>258</b>                |
| <b>SOURCES OF CAPITAL FUNDING</b>  |                        |                        |                                |                           |
| Subsidies & grants for capital expenditure                               | 367                    | -                      | -                              | 96                        |
| Development & financial contributions                                    | -                      | -                      | -                              | 17                        |
| Increase (decrease) in debt  | 1,209                  | 415                    | 4                              | 105                       |
| Gross proceeds from sale of assets                                       | -                      | -                      | -                              | -                         |
| Lump sum contributions   | -                      | -                      | -                              | -                         |
| Other dedicated capital funding  | -                      | -                      | -                              | -                         |
| <b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>                              | <b>1,576</b>           | <b>415</b>             | <b>4</b>                       | <b>218</b>                |
| <b>APPLICATION OF CAPITAL FUNDING</b>                                    |                        |                        |                                |                           |
| Capital expenditure:   |                        |                        |                                |                           |
| • to meet additional demand  | -                      | 6                      | 6                              | -                         |
| • to improve the level of services                                       | 1,895                  | 15                     | 15                             | 559                       |
| • to replace existing assets   | 252                    | 684                    | 227                            | 82                        |
| Increase (decrease) in reserves  | (572)                  | (279)                  | (234)                          | (51)                      |
| Increase (decrease) in investments                                       | 305                    | 367                    | 371                            | (114)                     |
| <b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>                         | <b>1,880</b>           | <b>793</b>             | <b>385</b>                     | <b>476</b>                |
| <b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)</b>                        | <b>(304)</b>           | <b>(378)</b>           | <b>(381)</b>                   | <b>(258)</b>              |
| <b>FUNDING BALANCE ((A-B)+(C-D))</b>                                     | <b>-</b>               | <b>-</b>               | <b>-</b>                       | <b>-</b>                  |

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### Funding impact statement - leisure services

|  | LTP<br>2013<br>\$000's | LTP<br>2014<br>\$000's | Annual Plan<br>2014<br>\$000's | Actual<br>2014<br>\$000's |
|--|------------------------|------------------------|--------------------------------|---------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                      |                        |                        |                                |                           |
| General Rates, Uniform Annual General Charges, rates penalties           | 4,135                  | 4,283                  | 4,177                          | 4,106                     |
| Targeted rates (other than a targeted rate for water supply)             | -                      | -                      | -                              | -                         |
| Subsidies & grants for operating purposes                                | 1                      | 1                      | 1                              | -                         |
| Fees, charges & targeted rates for water supply                          | 348                    | 364                    | 373                            | 320                       |
| Internal charges & overheads recovered                                   | (17)                   | (32)                   | (31)                           | 24                        |
| Local authorities fuel tax, fines, infringement fees, and other receipts | -                      | -                      | -                              | -                         |
| <b>TOTAL OPERATING FUNDING (A)</b>                                       | <b>4,467</b>           | <b>4,616</b>           | <b>4,520</b>                   | <b>4,450</b>              |
| <b>APPLICATION OF OPERATING FUNDING</b>                                  |                        |                        |                                |                           |
| Payments of staff & suppliers  | 2,535                  | 2,601                  | 2,568                          | 2,942                     |
| Finance costs  | 131                    | 145                    | 104                            | 104                       |
| Internal charges & overheads applied                                     | 1,020                  | 1,001                  | 1,025                          | 1,271                     |
| Other operating funding applications                                     | 94                     | 114                    | 112                            | 72                        |
| <b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>                       | <b>3,780</b>           | <b>3,861</b>           | <b>3,809</b>                   | <b>4,389</b>              |
| <b>SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)</b>                      | <b>687</b>             | <b>755</b>             | <b>711</b>                     | <b>61</b>                 |
| <b>SOURCES OF CAPITAL FUNDING</b>  |                        |                        |                                |                           |
| Subsidies & grants for capital expenditure                               | -                      | -                      | -                              | 2                         |
| Development & financial contributions                                    | 8                      | 8                      | 8                              | 4                         |
| Increase (decrease) in debt  | 75                     | 722                    | 92                             | 55                        |
| Gross proceeds from sale of assets                                       | -                      | -                      | -                              | -                         |
| Lump sum contributions   | -                      | -                      | -                              | -                         |
| Other dedicated capital funding  | -                      | -                      | -                              | -                         |
| <b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>                              | <b>83</b>              | <b>730</b>             | <b>100</b>                     | <b>61</b>                 |
| <b>APPLICATION OF CAPITAL FUNDING</b>                                    |                        |                        |                                |                           |
| Capital expenditure:   |                        |                        |                                |                           |
| • to meet additional demand  | -                      | -                      | -                              | -                         |
| • to improve the level of services                                       | 423                    | 693                    | 610                            | -                         |
| • to replace existing assets   | 507                    | 1,100                  | 383                            | 253                       |
| Increase (decrease) in reserves  | (852)                  | (1,070)                | (900)                          | (554)                     |
| Increase (decrease) in investments                                       | 692                    | 762                    | 718                            | 423                       |
| <b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>                         | <b>770</b>             | <b>1,485</b>           | <b>811</b>                     | <b>122</b>                |
| <b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)</b>                        | <b>(687)</b>           | <b>(755)</b>           | <b>(711)</b>                   | <b>(61)</b>               |
| <b>FUNDING BALANCE ((A-B)+(C-D))</b>                                     | <b>-</b>               | <b>-</b>               | <b>-</b>                       | <b>-</b>                  |

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## Section 2: Groups of Activities

### Significant asset acquisitions or replacements

#### Major capital projects for 2013-14

| <b>Community facilities, properties &amp; amenities</b> | <b>Actual Spend<br/>2014<br/>\$000</b> | <b>Budget Spend<br/>2014<br/>\$000</b> | <b>Actual Spend<br/>2013<br/>\$000</b> |
|---|--|--|--|
| Cemeteries  | 7                                      | 10                                     | 6                                      |
| Community Halls   | 12                                     | 13                                     | 46                                     |
| The Plaza   | -                                      | -                                      | 47                                     |
| Sports Events centre                                    | 37                                     | -                                      | 2,119                                  |
| Tirau Hall  | 4                                      | 14                                     | 9                                      |
| Public toilets  | 270                                    | -                                      | 229                                    |
| Tokoroa airfield  | 248                                    | 107                                    | -                                      |
| Pensioner housing                                       | 62                                     | 92                                     | 77                                     |
| <b>Total</b>  | <b>640</b>                             | <b>236</b>                             | <b>2,533</b>                           |

| <b>Leisure services</b>                               | <b>Actual Spend<br/>2014<br/>\$000</b> | <b>Budget Spend<br/>2014<br/>\$000</b> | <b>Actual Spend<br/>2013<br/>\$000</b> |
|---|--|--|--|
| Library Collection Annual Renewal                     | 133                                    | 138                                    | 134                                    |
| Library-other   | 21                                     | 51                                     | 43                                     |
| Sportsgrounds-Memorial Park                           | 15                                     | 32                                     | 209                                    |
| Logan Street Skatepark upgrade                        | 11                                     | 20                                     | -                                      |
| Sportsgrounds-Glenshea Park                           | 88                                     | 105                                    | 60                                     |
| Reserves - walkway development                        | 24                                     | 51                                     | 16                                     |
| Reserves - Revegetation Planting                      | 17                                     | 17                                     | -                                      |
| Reserves - Putaruru to Duxfield walkway               | 9                                      | 276                                    | 12                                     |
| Playground Equipment renewals                         | 128                                    | 107                                    | 16                                     |
| Lake Moananui - Dam repairs                           | 640                                    | -                                      | -                                      |
| Lake Moananui - silt removal and prevention work      | 148                                    | 85                                     | -                                      |
| Lake Moananui - silt detention forebay                | 57                                     | -                                      | -                                      |
| Baird Rd - bridge St Walkway-landscaping/planting     | 23                                     | 25                                     | -                                      |
| Arapuni Village Green carpark development & link road | -                                      | -                                      | 7                                      |
| Other parks and reserves projects                     | 17                                     | 30                                     | 33                                     |
| District indoor pool - plant replacement              | 92                                     | 52                                     | 147                                    |
| Tirau pool - plant replacement                        | 6                                      | 4                                      | -                                      |
| Putaruru pool - plant replacement                     | 25                                     | 29                                     | 25                                     |
| <b>Total</b>  | <b>1,454</b>                           | <b>1,022</b>                           | <b>702</b>                             |

#### Major variations from budget included:

- Public toilets includes Tirau information centre toilets and additional changing facilities at the Memorial Sportsgrounds, which were carry over projects from 2012-13. The remaining expenditure for Te Waihou composting toilet and Leith Place toilets/redevelopment were still in progress at year-end
- Land purchase at Tokoroa airfield was a carry-over project from 2012-13
- Putaruru to Duxfield walkway is now not proceeding
- Lake Moananui dam repairs and associated works was urgent remedial work that was not anticipated in the 2013-14 Annual Plan
- District pool exterior painting (\$19,000) was a carry-over project from the previous year, while urgent repair/replacement was required to the changing room floors and pool plant.

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### Significant projects completed included:

- Interior refurbishing of pensioner housing units
- Annual library book renewals
- Glenshea Park grandstand roof replacement
- Completion of various playground equipment renewals.

### Performance results - recreation and facilities

| Key Result Areas                    | 2013-14 Target   | 2013-14 Level Achieved | Comments  |
|-------------------------------------|--|------------------------|---|
| Safety: buildings                   | Council will ensure 100% compliance with the Building Act 2004 and hold current warrants of fitness where required (this includes Council owned buildings in public use, such as the Plaza)                                      | Achieved               | All Council buildings that are in public use are compliant with the Building Act 2004. All buildings requiring warrants of fitness have warrants valid to December 2014   |
| Safety: playgrounds                 | Council will respond to complaints, service requests and inspection reports relating to unsafe playground equipment within one hour of notification and the equipment will be made safe within 24 hours at least 95% of the time | Achieved               | No service requests or complaints received.<br>Playground safety target has been met through contractor safety inspections and internal playground audits   |
| Service quality: Parks and Reserves | Council receives fewer than ten complaints about parks and reserves per year   | Achieved               | Two complaints were received for the year. All were resolved  |
| Safety: Swimming pools              | At least 90% of pool water tests comply with the relevant New Zealand standards of water quality   | Achieved               | Pool water testing, which is performed at least 5 times/day, has achieved an overall rating of 91%  |
| Usage: Swimming pools               | An average of at least four visits per resident per year to the South Waikato Indoor Pools will be achieved.   | Achieved               | Four visits per resident were achieved. This is based on 91,897 visits and a population of 22,800   |
| Usage: Libraries                    | An average of at least 8.5 book issues per resident per year will be achieved  | Not achieved           | Council has achieved 7.3 book issues per resident. This is based on 160,260 issues and a population of 22,800. As a result of an increase in use of internet for information searching and e-books, this performance measure will be reviewed |
| Service quality: Public Toilets     | Council receives fewer than six complaints each year about public toilets  | Not achieved           | Seven request for service quality complaints were received for the year. An increased cleaning regime is now in place at Leith Place toilets  |
| Service responsiveness: Cemeteries  | 100% of all enquiries, requests or complaints are responded to within three working days of notice   | Achieved               | 19 service requests or complaints were received for the year. All were responded to within target   |

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|                              |   |          |   |
|------------------------------|---|----------|---|
| Occupancy: Pensioner Housing | The service delivers affordable and appropriate units for our residents to live in, which is reflected in 95% occupancy of Council's pensioner housing on an annual basis | Achieved | Council's pensioner housing has achieved an occupancy rate of 96% |
|------------------------------|---|----------|---|

### 2.2.3. Community and economic development

#### Community Outcomes

- Engaged community: We encourage and support an engaged social community through the provision of our services and facilities
- Safe and healthy community: We regulate, advocate for, and support where we can, improved safety and health for our people
- Improving image: We focus on improving the image and perception of the South Waikato district
- Council's Growing economy: We support and encourage existing businesses and endeavour to attract new businesses to the district
- Diverse economy: We encourage the economic base in the district to diversify, especially in relation to tourism
- Celebration of culture: We celebrate the artistic and cultural achievements of our people, and the diversity of their cultures
- Cultural leadership: We support and encourage cultural leadership and capacity building.

#### Contribution to the Council strategy

In delivering the Community and Economic Development activities and initiatives, Council focuses on the following top priorities to:

- Stimulate economic development by assisting existing and attracting new businesses
- Support tourism development
- Encourage and advocate for a safer community
- Encourage and advocate for improved health services for our community
- Encourage education and training to improve employment in our district
- Maintain and support our community's art and culture, and support cultural displays and events.

In addition, the following Council strategies also contribute to:

- Enhance communication with our community and stakeholders
- Enhance access to and use of Council's services and facilities
- Manage the Council business - do things well
- Maintain a strong working relationship with Māori
- Develop partnerships that support the achievement of our vision.

#### What we do - a description of the activity

Community advocacy, grants and support are services provided to partner with our communities and to encourage people to participate in a variety of social and cultural events and activities. Grants are given for a number of purposes including for youth activities, art programmes and training. The grants are administered through both a Mayoral Fund and a bi-annual grant programme. The Council will often also provide venues to enable groups to meet.

Council works with businesses in promoting the CBD's, usually through business/community associations such as Pride in Putāruru. This approach is to facilitate development by direct expenditure on the CBD and indirectly by striking a rate to support business promotions and encourage community events around the towns. The Council also facilitates by offering venues and equipment to groups working on community based projects.



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## Section 2: Groups of Activities

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The Council works with partners in joint ventures to achieve objectives which promote wider economic and social wellbeing. An example is Dairy Push where Council, along with Fonterra and Dairy NZ, funded and continue to contribute to a programme designed to promote best practice efficiencies that ultimately lead to improvements in profitability.

An example of an educational initiative is the Council's participation in the 'Gateway to Employment' programme, where employers work with secondary schools to offer work experience to senior school students. The Council is also involved with employers and the Industry Training Organisations (ITO's) in promoting the Modern Apprenticeship scheme, and with Waiariki Institute of Technology in promoting opportunities for vocational training within the district in order to retain young people within the community. The Council also established the award winning Tokoroa Trade Training Centre in 2008 and continues to provide services to local industry in an effort to facilitate growth of the centre's programmes.

The Council provides ongoing funding to a number of groups via contracts for the delivery of community services. These include:

- Information Centres
- Waikato River Trails
- Timber Museum
- The Plaza – South Waikato Performing Arts Centre
- Sport Waikato
- Main-Street Promotions – Putāruru (Pride in Putāruru)
- Tokoroa Council of Social Services.

### **Why we do it**

#### **Community advocacy, grants and support**

Council supports economic and community development projects in order to promote social, cultural and economic community outcomes. While some of what we do is not a core service specifically required by legislation, these activities are part of a 'soft infrastructure' web to support community functioning. Most of what we do, in this particular group of activities, is to support programmes and objectives by one-off grants, annual support funding and capital development grants. Council also uses its facilities and skills to work with others in joint venture programmes to achieve outcomes that generally promote community outcomes in a cost effective way. Joint venture programmes or funding of other groups and individuals in the community often provides a more efficient use of limited community resources.

#### **District and event promotions**

Council recognises the growing tourism potential of the South Waikato District and has made several decisions that underpin our drive to further support tourism initiatives. This included decisions to: increase funding for the Waikato River Trails, review our funding of the Timber Museum, fund the Waikato Regional Tourism body and fund new signage for improved promotion of our district.

#### **Economic development initiatives**

Council has prioritised job creation and promotion of the district as the two most important objectives to achieve. Council staff are currently reviewing past and current strategies to ensure alignment with these priorities.

As well as direct funding of economic development initiatives the Council is involved in a variety of projects that have an indirect effect on the economic growth of the district. Council continues to work behind the scenes towards projects and endeavours that have a positive impact on the district.

Council continues to foster partnerships with education, business, energy and welfare partners. This promotes a more business friendly, educated, successful and sustainable community, but is dependent on available funding. Council continues to grow such partnerships to promote community wellbeing during a period where fewer resources are expected to be available for these individuals, groups or organisations and cooperative approaches are expected to be a necessary adaptation to circumstances.

We have implemented previous commitments that encourage economic development. For instance, toilets and parking at Arapuni have been built to cater for visitors to the Waikato River Trails and the Arapuni Swing Bridge. This project is part of a wider commitment to Arapuni to implement priority actions from the Arapuni Concept Plan. The Council is also continuing to support the development of the Waikato River Trails by providing \$225,000 per year to the Trust for operational expenses. This is in addition to past commitments for capital development of the trails through the South Waikato Development Fund. Council maintains the airfield as an operational airfield, as well as supporting recreational initiatives on the periphery land that promote a range of economic and social benefits to the district.

In terms of communication on economic development issues, the southwaikato.com website continues to play a valuable role in connecting with businesses, and provides links and information for those wanting more data.

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## Section 2: Groups of Activities

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Staff were involved in the Waikato Mayoral Forum steering group work on the Regional Economic Development strategy throughout 2013.

Beyond the standard economic development efforts of Council, two entities have been established to further the aims of more jobs and greater district promotion. Council has transferred \$20,000,000 of its investment fund to the newly created South Waikato Investment Trust to manage the funds and assess applications for grants that will advance the district. The second entity known as the Economic DRIVE Trust is soon to appoint a board of directors to identify growth opportunities, build relationships with investors and proactively seek industry development while supporting Council to reduce barriers to economic development in the district.

### Warm homes - clean air

Council has loan funded the Warm Homes Clean Air programme by \$150,000 in 2012-13 and has committed \$150,000 for future years. This is to be reviewed to align with National air quality standards.

Council has been involved in this programme since 2005 and has partnered with the Waikato Regional Council to encourage the replacement of non-compliant heating sources and education related to the need for changes in heating behaviour.

The programme is intended to improve the health of residents and meet the goals of the National Environmental Standards (NES) for Air Quality. This project involves a large component of education but focusses on the replacement of non-compliant heating sources with clean heat solutions in Tokoroa. Tokoroa, as a town has the worst air quality levels regionally and is unlikely to meet NES requirements by set dates.

Not solving the poor air quality situation could affect the potential for business expansion and economic development in these towns.

Council established a clean heat rates incentive scheme ('Heat Swap') in 2011-12 to support other ratepayers across the district to replace non-compliant heating sources with compliant systems as well. This allows those who enter into the scheme to have a targeted rate on their property for ten years to alleviate pressures with the initial outlay to buy new appliances that provide clean heat. This programme continues to be well supported.

### Hospital and medical services

Council recognises the importance of ensuring that we retain an appropriate level of hospital and medical services in Tokoroa. This is critical to the wellbeing of our South Waikato community. In the last year, the final agreements for the establishment of a medical centre at the Tokoroa Hospital have been achieved, and this was formally opened in November 2013.

We also recognise that there can be transport issues when residents travel out of the district for specialist services.

These have been identified as important matters for our Council to consider and advocate on our community's behalf and we will do that on a continuing basis.

### Council's role

| Provider | Advocate | Regulator | Partner | Facilitator |
|----------|----------|-----------|---------|-------------|
| Y        | Y        | Y         | Y       | Y           |

# Annual Report 2013-2014

## Section 2: Groups of Activities

### Funding impact statement - community and economic development

|  | LTP<br>2013<br>\$000's | LTP<br>2014<br>\$000's | Annual Plan<br>2014<br>\$000's | Actual<br>2014<br>\$000's |
|--|------------------------|------------------------|--------------------------------|---------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                      |                        |                        |                                |                           |
| General Rates, Uniform Annual General Charges, rates penalties           | 1,922                  | 2,126                  | 2,079                          | 1,908                     |
| Targeted rates (other than a targeted rate for water supply)             | 114                    | 141                    | 138                            | 87                        |
| Subsidies & grants for operating purposes                                | -                      | -                      | -                              | -                         |
| Fees, charges & targeted rates for water supply                          | 13                     | 18                     | -                              | 11                        |
| Internal charges & overheads recovered                                   | (69)                   | (100)                  | 18                             | -                         |
| Local authorities fuel tax, fines, infringement fees, and other receipts | -                      | -                      | 877                            | 28                        |
| <b>TOTAL OPERATING FUNDING (A)</b>                                       | <b>1,980</b>           | <b>2,185</b>           | <b>3,112</b>                   | <b>2,034</b>              |
| <b>APPLICATION OF OPERATING FUNDING</b>                                  |                        |                        |                                |                           |
| Payments of staff & suppliers  | 2,204                  | 2,266                  | 28,167                         | 22,198                    |
| Finance costs  | 56                     | 72                     | 78                             | 78                        |
| Internal charges & overheads applied                                     | 130                    | 179                    | 177                            | 375                       |
| Other operating funding applications                                     | 5                      | 5                      | 1                              | 1                         |
| <b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>                       | <b>2,395</b>           | <b>2,522</b>           | <b>28,423</b>                  | <b>22,652</b>             |
| <b>SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)</b>                      | <b>(415)</b>           | <b>(337)</b>           | <b>(25,311)</b>                | <b>(20,618)</b>           |
| <b>SOURCES OF CAPITAL FUNDING</b>  |                        |                        |                                |                           |
| Subsidies & grants for capital expenditure                               | -                      | -                      | -                              | -                         |
| Development & financial contributions                                    | -                      | -                      | -                              | -                         |
| Increase (decrease) in debt  | 437                    | 364                    | 363                            | (97)                      |
| Gross proceeds from sale of assets                                       | -                      | -                      | -                              | -                         |
| Lump sum contributions   | -                      | -                      | -                              | -                         |
| Other dedicated capital funding  | -                      | -                      | -                              | -                         |
| <b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>                              | <b>437</b>             | <b>364</b>             | <b>363</b>                     | <b>(97)</b>               |
| <b>APPLICATION OF CAPITAL FUNDING</b>                                    |                        |                        |                                |                           |
| Capital expenditure:   |                        |                        |                                |                           |
| • to meet additional demand  | -                      | -                      | -                              | -                         |
| • to improve the level of services                                       | 30                     | 21                     | 21                             | 17                        |
| • to replace existing assets   | 15                     | 15                     | 15                             | 16                        |
| Increase (decrease) in reserves  | (45)                   | (36)                   | (25,007)                       | (20,569)                  |
| Increase (decrease) in investments                                       | 22                     | 27                     | 23                             | (179)                     |
| <b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>                         | <b>22</b>              | <b>27</b>              | <b>(24,948)</b>                | <b>(20,715)</b>           |
| <b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)</b>                        | <b>415</b>             | <b>337</b>             | <b>25,311</b>                  | <b>20,618</b>             |
| <b>FUNDING BALANCE ((A-B)+(C-D))</b>                                     | <b>-</b>               | <b>-</b>               | <b>-</b>                       | <b>-</b>                  |

# Annual Report 2013-2014

## Section 2: Groups of Activities

### Significant asset acquisitions or replacements

| <b>Community support and economic development</b> | <b>Actual Spend 2014 \$000</b> | <b>Budget Spend 2014 \$000</b> | <b>Actual Spend 2013 \$000</b> |
|---|--------------------------------|--------------------------------|--------------------------------|
| District Promotion - billboards/signs             | 16                             | 15                             | 24                             |
| LED lighting                                      | 17                             | 20                             | 29                             |
| Talking Poles                                     | -                              | 10                             | -                              |
| <b>Total</b>                                      | <b>33</b>                      | <b>45</b>                      | <b>53</b>                      |

#### Major variations from budget included:

- Talking poles project is now being undertaken in 2014-15.

### Performance results - community and economic development

| <b>Key Result Areas</b>                                       | <b>2013-14 Target</b>   | <b>2013-14 Level Achieved</b> | <b>Comments</b>  |
|---|---|-------------------------------|--|
| Social connectivity and building capacity of community groups | Membership of Council's community connect website is promoted and maintained with a minimum of 80 registered users updating details within the year | Achieved                      | 126 registered users details were updated during the year  |
| Youth Development   | Council will support the coordination of an annual youth event in partnership with a local youth advisory group                                     | Achieved                      | A Youth Advisory Board was established during the year. 22 youth are members of the board which has met monthly. Members of the advisory board organized and assisted in the School of Zen Inter school sports event |
| Events  | Council will ensure on average one event per quarter occurs to enhance community cohesiveness   | Achieved                      | Eleven events have been held. These were: six neighbourhood parties; apprenticeship graduation; Balloons over the South Waikato; School of Zen; Anzac youth week, and honouring volunteers                           |
| Local economic development plan                               | Ensure the development of a local economic development plan (to be implemented through the 2015-25 Long Term Plan)                                  | On track                      | The strategy was completed and was subject to the establishment of the DRIVE Trust   |

### 2.2.4. Water Supply

#### Community Outcomes

- Safe and healthy community: We regulate, advocate for, and support where we can, improved safety and health for our people
- Improving image: We focus on improving the image and perception of the South Waikato district.
- Council's Growing economy: We support and encourage existing businesses and endeavour to attract new businesses to the district
- Sustainable environment: We want the South Waikato District Council to lead the community in sustainable development
- Well managed environment: Council's infrastructure is sustainable and contributes positively to the district environment.

#### Contribution to the Council strategy

In delivering the services associated with water, Council focuses on the following top priorities to:

- Enhance access to and use of Council's services and facilities
- Encourage and advocate for a safer community
- Encourage and advocate for improved health services for our community
- Enhance communication with our community and stakeholders
- Manage the Council business - do things well
- Sustainability is embedded in all of Council's operations
- Provide sound asset management planning
- Maintain a strong working relationship with Māori.

In addition, the following Council strategies also contribute to:

- Stimulate economic development by assisting existing and attracting new businesses
- Develop partnerships that support the achievement of our vision.

#### What we do - a description of the activity

The Council operates four urban and two rural water supply networks, totalling over 200km of pipeline and six treatment plants. Most of the water is taken from underground sources, which are considered to be of high quality. Just over half of Putāruru water is sourced from the Blue Spring, which is believed to be the source of 70% of New Zealand's bottled water, and is sold internationally. Athol's supply is sourced from a Carter Holt Harvey network connected into the local Council supply network. The water supply systems are maintained and operated by Council's Watermark business unit. Capital works are carried out internally or contracted out based on the scale and nature of the work and the relative efficiencies obtained by tendering out. The network has an estimated replacement value of \$51.9m, almost half of which is pipe reticulation (\$29.7m) based on a June 2013 valuation. Regular asset management and level of service reviews are undertaken to ensure asset condition is managed and customer expectations are understood.

- Urban water supply networks (4) – Arapuni, Putāruru, Tīrau and Tokoroa
- Rural water supplies (2) – Athol and Lichfield.

The main purpose of supplying water is to safeguard and enhance public health by providing quality water at sufficient pressure to residents, small businesses and visitors. In addition Council supplies bulk water to certain industries in order to facilitate economic development. It also provides water for fire fighting purposes (community safety). Water supply and wastewater management are natural monopolies. Water is one of the most important basic human requirements and Council considers that, irrespective of statutory requirements, its continuing management ensures that service continuity is maintained at an affordable price. Council being a non-profit making provider can maintain the cost to the individual and community at an acceptable level.

Council measures its contribution to providing quality infrastructure and safe water supply by monitoring:

- service continuity
- potable water
- adequacy of asset condition

# Annual Report 2013-2014

## Section 2: Groups of Activities

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- adequacy of funding
- adequacy of capacity
- public satisfaction
- response times
- legislative compliance (quality and supply standards).

### Why we do it

Council is in the business of providing water supply because:

- through consultation with the community, this activity has been shown to make an essential contribution to the wellbeing of the district in the areas of health, environment and economy.
- Council believes that, because of the natural monopoly nature and community importance of water supply and the consequences of service failure, it should retain management and operation of the district's water supply assets.
- Council's role in providing a drinking water supply, stems from a legacy ownership that, except in particular circumstances, it is now prohibited from passing to the private sector by Section 130 of the Local Government Act 2002.

### Council's role

| Provider | Advocate | Regulator | Partner | Facilitator |
|----------|----------|-----------|---------|-------------|
| Y        |          | Y         |         |             |

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## Section 2: Groups of Activities

### Funding impact statement - water supply

|  | LTP<br>2013<br>\$000's | LTP<br>2014<br>\$000's | Annual Plan<br>2014<br>\$000's | Actual<br>2014<br>\$000's |
|--|------------------------|------------------------|--------------------------------|---------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                      |                        |                        |                                |                           |
| <b>Rates Revenue:</b>  |                        |                        |                                |                           |
| Targeted rates (other than a targeted rate for water supply)             | -                      | -                      | -                              | -                         |
| Targeted rates   | 1,844                  | 1,992                  | 1,913                          | 1,973                     |
| <b>Other Revenue</b>   |                        |                        |                                |                           |
| Subsidies & grants for operating purposes                                | -                      | -                      | -                              | -                         |
| Fees, charges & targeted rates for water supply                          | 231                    | 239                    | 253                            | 340                       |
| Internal charges & overheads recovered                                   | 68                     | 68                     | 76                             | 13                        |
| Local authorities fuel tax, fines, infringement fees, and other receipts | -                      | -                      | -                              | -                         |
| <b>TOTAL OPERATING FUNDING (A)</b>                                       | <b>2,143</b>           | <b>2,299</b>           | <b>2,242</b>                   | <b>2,326</b>              |
| <b>APPLICATION OF OPERATING FUNDING</b>                                  |                        |                        |                                |                           |
| Payments of staff & suppliers  | 670                    | 697                    | 673                            | 1,178                     |
| Finance costs  | -                      | -                      | -                              | -                         |
| Internal charges & overheads applied                                     | 887                    | 954                    | 938                            | 695                       |
| Other operating funding applications                                     | -                      | -                      | -                              | -                         |
| <b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>                       | <b>1,557</b>           | <b>1,651</b>           | <b>1,611</b>                   | <b>1,873</b>              |
| <b>SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)</b>                      | <b>586</b>             | <b>648</b>             | <b>631</b>                     | <b>453</b>                |
| <b>SOURCES OF CAPITAL FUNDING</b>  |                        |                        |                                |                           |
| Subsidies & grants for capital expenditure                               | -                      | -                      | -                              | 174                       |
| Development & financial contributions                                    | 1                      | 1                      | 1                              | -                         |
| Increase (decrease) in debt  | -                      | -                      | -                              | -                         |
| Gross proceeds from sale of assets                                       | -                      | -                      | -                              | -                         |
| Lump sum contributions   | -                      | -                      | -                              | -                         |
| Other dedicated capital funding  | -                      | -                      | -                              | -                         |
| <b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>                              | <b>1</b>               | <b>1</b>               | <b>1</b>                       | <b>174</b>                |
| <b>APPLICATION OF CAPITAL FUNDING</b>                                    |                        |                        |                                |                           |
| Capital expenditure:   |                        |                        |                                |                           |
| • to meet additional demand  | -                      | -                      | -                              | -                         |
| • to improve the level of services                                       | 300                    | 139                    | 139                            | 26                        |
| • to replace existing assets   | 491                    | 776                    | 769                            | 637                       |
| Increase (decrease) in reserves  | (791)                  | (913)                  | (908)                          | (25)                      |
| Increase (decrease) in investments                                       | 587                    | 647                    | 632                            | (11)                      |
| <b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>                         | <b>587</b>             | <b>649</b>             | <b>632</b>                     | <b>627</b>                |
| <b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)</b>                        | <b>(586)</b>           | <b>(648)</b>           | <b>(631)</b>                   | <b>(453)</b>              |
| <b>FUNDING BALANCE ((A-B)+(C-D))</b>                                     | <b>-</b>               | <b>-</b>               | <b>-</b>                       | <b>-</b>                  |

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## Section 2: Groups of Activities

### Significant asset acquisitions or replacements

| <b>Water supply</b>                                 | <b>Actual Spend 2014 \$000</b> | <b>Budget Spend 2014 \$000</b> | <b>Actual Spend 2013 \$000</b> |
|---|--------------------------------|--------------------------------|--------------------------------|
| Tokoroa - reticulation replacements                 | 224                            | 221                            | 249                            |
| Tokoroa - capital component of maintenance          | 10                             | 12                             | 14                             |
| Tokoroa - Billah St headworks (incl basement pumps) | 44                             | 49                             | 4                              |
| Tokoroa - rising main - Colson's Hill               | 148                            | 259                            | -                              |
| Tokoroa - Colsons Hill - repair leak                | -                              | -                              | 6                              |
| Tokoroa/Lichfield - resource consents               | 17                             | 62                             | -                              |
| Tokoroa - Glenshea reservoir-repair leak            | 5                              | -                              | -                              |
| Putaruru - reticulations replacements               | 19                             | 23                             | 46                             |
| Putaruru - capital component of maintenance         | 1                              | 12                             | 5                              |
| Putaruru -water treatment system                    | -                              | -                              | 318                            |
| Tirau - capital component of maintenance            | 14                             | 12                             | 3                              |
| Tirau - new works-water treatment                   | -                              | -                              | 55                             |
| Tirau - reticulation replacements                   | 29                             | 33                             | 26                             |
| Arapuni - reticulation renewal                      | 31                             | 33                             | 80                             |
| Arapuni - storage tank/reservoir refurbish          | 96                             | 95                             | -                              |
| Arapuni - UV treatment                              | -                              | 66                             | -                              |
| Other Capital Projects                              | 26                             | 30                             | -                              |
| <b>Total</b>  | <b>664</b>                     | <b>907</b>                     | <b>806</b>                     |

#### Major variations from budget included:

- Tokoroa rising main - Colson's Hill was still in progress and will be completed in 2014-15
- Lichfield resource consent renewal will now be undertaken in 2014-15
- Arapuni UV treatment will now be undertaken in 2014-15.

#### Major projects completed included:

- Smart water meters were installed in Putaruru and Tirau
- Arapuni storage tank and reservoir refurbishment
- reticulation replacements.

### Performance results - water supply

| <b>Key Result Areas</b> | <b>2013-14 Target</b>  | <b>2013-14 Level Achieved</b> | <b>Comments</b>  |
|-------------------------|--|-------------------------------|--|
| Service Responsiveness  | At least 95% of disruption to Council's urban water supply network will be responded to within one hour of notice on 24/7 basis  | Achieved                      | Council received 57 service requests. All (100%) were responded to within target |
| Network Reliability     | 90% of disruptions to Council's urban water supply network will be remedied within twelve hours of notice  | Achieved                      | Council received 57 service requests. All (100%) remedied within target          |
| Safety                  | At least 97% of tests for E.coli carried out on treated reticulated water will indicate a level of E. coli in the reticulated Council systems of less than one per 100ml | Achieved                      | 569 samples were analysed. 568 (99.82%) achieved the target                      |



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## Section 2: Groups of Activities

|  |   |          |   |
|--|---|----------|---|
| Water Quality grading - Ministry of Health (at source) requirement | All public water supplies will comply with the NZ Drinking Water Standards (water quality standards) by the date specified in the Health (Drinking Water) Amendment Act 2007. Tokoroa 1 Jul-2012; Putāruru 1 Jul-2014; Tīrau 1 Jul-2014; Arapuni 1 Jul-2015; Lichfield 1 Jul-2015       | Achieved | This target requires the public water supplies at source comply with the NZ Drinking Water Standards. As stated in the Health Act 1956, section 69V, Council has a duty to take all practicable steps to comply with Drinking Water Standards. Council has a current Public Health Risk Management Plan dated April 2010 (Water Safety Plan). Council has been notified by the Midland Drinking Water Assessment Service that those sites required to comply with the Act by 30 June 2014 do comply. Tīrau water supply has had UV reactors and filters installed to meet the Standards. Arapuni and Lichfield will have the required treatment installed 2014-15 |
| Water Distribution system grading – Ministry of Health requirement | All public water supplies will comply with the NZ Drinking Water Standards (distribution system standards) by the date specified in the Health (Drinking Water) Amendment Act 2007. Tokoroa 1 Jul-2012; Putāruru 1 Jul-2014; Tīrau 1 Jul-2014; Arapuni 1 Jul-2015; Lichfield 1 Jul-2015 | Achieved | This target requires the public water supplies at source comply with the NZ Drinking Water Standards. As stated in the Health Act 1956, section 69V, Council has a duty to take all practicable steps to comply with Drinking Water Standards. Council has a current Public Health Risk Management Plan dated April 2010 (Water Safety Plan). Council has been notified by the Midland Drinking Water Assessment Service that those sites required to comply with the Act by 30 June 2014 do comply. Tīrau water supply has had UV reactors and filters installed to meet the Standards. Arapuni and Lichfield will have the required treatment installed 2014-15 |

### 2.2.5. Stormwater

#### Community Outcomes

- Safe and healthy community: We regulate, advocate for, and support where we can, improved safety and health for our people
- Improving image: We focus on improving the image and perception of the South Waikato district
- Council's Growing economy: We support and encourage existing businesses and endeavour to attract new businesses to the district
- Sustainable environment: We want the South Waikato District Council to lead the community in sustainable development
- Well managed environment: Council's infrastructure is sustainable and contributes positively to the district environment.

#### Contribution to the Council strategy

In delivering the stormwater activities and initiatives, Council focuses on the following top priorities to:

- Enhance access to and use of Council's services and facilities
- Encourage and advocate for a safer community
- Encourage and advocate for improved health services for our community
- Maintain a strong working relationship with Māori

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## Section 2: Groups of Activities

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- Manage the Council business - do things well
- Provide sound asset management planning.

In addition, the following Council strategies also contribute to:

- Stimulate economic development by assisting existing and attracting new businesses
- Enhance communication with our community and stakeholders
- Encourage a sustainable environment
- Develop partnerships that support the achievement of our vision.

### What we do - a description of the activity

Management of stormwater is an associated part of managing subdivision and land use and the roading network. Council currently has stormwater systems in Arapuni, Putāruru, Tīrau and Tokoroa. The system is relatively long lasting as it is mainly pipe based and most stormwater pipes are constructed of reinforced concrete and have a lifespan of around 100 years. Other components of the system are channelling, grating and culverts. Council maintains the pipe network to minimise blockages and responds to requests from the public for urgent maintenance needs. Discharges from these systems are monitored to meet conditions of consents imposed by Waikato Regional Council. Entry points for stormwater into the system have sumps to trap contaminating debris from washing through to natural waterways.

### Why we do it

Council is in the business of managing and reticulating stormwater in urban communities because:

- Council's current ownership stems from a legacy ownership role that, except in particular circumstances, is now prohibited from passing to the private sector by the Local Government Act 2002 (Section 130)
- Through consultation with the community, this activity has been shown to make an essential contribution to the wellbeing of the district in areas of environment and the economy
- No competitive alternative for service delivery has been identified or offered. Council ownership and operation is currently the most cost effective method for delivery for this service.

### Council's role

| Provider | Advocate | Regulator | Partner | Facilitator |
|----------|----------|-----------|---------|-------------|
| Y        |          | Y         |         |             |

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## Section 2: Groups of Activities

### Funding impact statement - stormwater

|  | LTP<br>2013<br>\$000's | LTP<br>2014<br>\$000's | Annual Plan<br>2014<br>\$000's | Actual<br>2014<br>\$000's |
|--|------------------------|------------------------|--------------------------------|---------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                      |                        |                        |                                |                           |
| <b>Rates Revenue:</b>  |                        |                        |                                |                           |
| General Rates, Uniform Annual General Charges, rates penalties           | -                      | -                      | -                              | -                         |
| Targeted rates (other than a targeted rate for water supply)             | 422                    | 438                    | 436                            | 408                       |
| <b>Other Revenue</b>   |                        |                        |                                |                           |
| Subsidies & grants for operating purposes                                | -                      | -                      | -                              | -                         |
| Fees, charges & targeted rates for water supply                          | -                      | -                      | -                              | -                         |
| Internal charges & overheads recovered                                   | 127                    | 127                    | 127                            | 105                       |
| Local authorities fuel tax, fines, infringement fees, and other receipts | -                      | -                      | -                              | -                         |
| <b>TOTAL OPERATING FUNDING (A)</b>                                       | <b>549</b>             | <b>565</b>             | <b>563</b>                     | <b>513</b>                |
| <b>APPLICATION OF OPERATING FUNDING</b>                                  |                        |                        |                                |                           |
| Payments of staff & suppliers  | 163                    | 184                    | 181                            | 154                       |
| Finance costs  | -                      | -                      | -                              | -                         |
| Internal charges & overheads applied                                     | 57                     | 35                     | 36                             | 60                        |
| Other operating funding applications                                     | -                      | -                      | -                              | -                         |
| <b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>                       | <b>220</b>             | <b>219</b>             | <b>217</b>                     | <b>214</b>                |
| <b>SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)</b>                      | <b>329</b>             | <b>346</b>             | <b>346</b>                     | <b>299</b>                |
| <b>SOURCES OF CAPITAL FUNDING</b>  |                        |                        |                                |                           |
| Subsidies & grants for capital expenditure                               | -                      | -                      | -                              | -                         |
| Development & financial contributions                                    | -                      | -                      | -                              | -                         |
| Increase (decrease) in debt  | -                      | -                      | -                              | -                         |
| Gross proceeds from sale of assets                                       | -                      | -                      | -                              | -                         |
| Lump sum contributions   | -                      | -                      | -                              | -                         |
| Other dedicated capital funding  | -                      | -                      | -                              | -                         |
| <b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>                              | <b>-</b>               | <b>-</b>               | <b>-</b>                       | <b>-</b>                  |
| <b>APPLICATION OF CAPITAL FUNDING</b>                                    |                        |                        |                                |                           |
| Capital expenditure:   |                        |                        |                                |                           |
| • to meet additional demand  | -                      | -                      | -                              | -                         |
| • to improve the level of services                                       | -                      | -                      | -                              | -                         |
| • to replace existing assets   | 189                    | 41                     | 41                             | 125                       |
| Increase (decrease) in reserves  | (189)                  | (41)                   | (41)                           | 124                       |
| Increase (decrease) in investments                                       | 329                    | 346                    | 346                            | 50                        |
| <b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>                         | <b>329</b>             | <b>346</b>             | <b>346</b>                     | <b>299</b>                |
| <b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)</b>                        | <b>(329)</b>           | <b>(346)</b>           | <b>(346)</b>                   | <b>(299)</b>              |
| <b>FUNDING BALANCE ((A-B)+(C-D))</b>                                     | <b>-</b>               | <b>-</b>               | <b>-</b>                       | <b>-</b>                  |

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## Section 2: Groups of Activities

### Significant asset acquisitions or replacements

| <b>Stormwater</b>                    | <b>Actual Spend 2014 \$000</b> | <b>Budget Spend 2014 \$000</b> | <b>Actual Spend 2013 \$000</b> |
|--------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Tokoroa - minor new works projects   | 12                             | 12                             | 4                              |
| Puraruru - minor new works projects  | 9                              | 17                             | 15                             |
| Putaruru - Tirau Street pipe renewal | 97                             | -                              | 17                             |
| Tirau - minor new works projects     | 4                              | 6                              | 5                              |
| Arapuni Rd Outlets Replacement       | 3                              | 6                              | -                              |
| Arapuni - resource consent renewal   | -                              | -                              | 17                             |
|                                      | <b>125</b>                     | <b>41</b>                      | <b>58</b>                      |

#### Major variations from budget included:

- Tirau Street pipe renewal was a carry-over project from 2012-13.

#### Performance results - stormwater

| <b>Key Result Areas</b> | <b>2012-13 Target</b>  | <b>2012-13 Level Achieved</b> | <b>Comments</b>  |
|-------------------------|--|-------------------------------|--|
| Reliability             | Buildings that comply with the Building Code will not be flooded due to failures of system maintenance   | Achieved                      | No flooding of buildings that comply with the Building Code were reported  |
| Service Responsiveness  | At least 90% of non-urgent service requests are responded to within one week of notice. The remaining 10% will be responded to within two weeks              | Achieved                      | Council received 44 requests. 43 requests (98%) were responded to within one week, and one request was responded to within two weeks |
| Consent Compliance      | There will be no more than two 'Formal Enforcement Actions' from the consenting authority in regard to Council's compliance with resource consent conditions | Achieved                      | Council did not receive any formal enforcement actions from the Regional Council   |

### **2.2.6. Wastewater**

#### **Community Outcomes**

- Safe and healthy community: We regulate, advocate for, and support where we can, improved safety and health for our people
- Improving image: We focus on improving the image and perception of the South Waikato district
- Council's Growing economy: We support and encourage existing businesses and endeavour to attract new businesses to the district
- Sustainable environment: We want the South Waikato District Council to lead the community in sustainable development
- Well managed environment: Council's infrastructure is sustainable and contributes positively to the district environment.

#### **Contribution to the Council strategy**

In delivering the wastewater activities and initiatives, Council focuses on the following top priorities to:

- Enhance access to and use of Council's services and facilities
- Encourage and advocate for a safer community
- Encourage and advocate for improved health services for our community
- Enhance communication with our community and stakeholders
- Manage the Council business - do things well
- Encourage a sustainable environment
- Sustainability is embedded in all of Council's operations
- Provide sound asset management planning
- Maintain a strong working relationship with Māori.

Develop partnerships that support the achievement of our vision. In addition, the following Council strategies also contribute to:

- Stimulate economic development by assisting existing and attracting new businesses
- Enhance communication.

#### **What we do - a description of the activity**

Council operates four sewage reticulation and treatment systems in the urban areas; Arapuni, Putāruru, Tīrau and Tokoroa, covering over 80% of the district's residential population. Provision is also made for trade waste disposal in the Tokoroa, Putāruru and Tīrau townships. The remaining population is largely in rural areas and they mainly use private land disposal systems due to the impracticality and expense of linking up to the public networks. The purpose is to ensure that waste concentrations are appropriately managed and that health risks do not appear.

Council measures its contribution to providing quality infrastructure, safe communities and environmental protection by monitoring:

- Service continuity
- Adequacy of asset condition
- Adequacy of funding
- Adequacy of capacity
- Public satisfaction
- Response times
- Legislative compliance
- Environmental impact

# Annual Report 2013-2014

## Section 2: Groups of Activities

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### Why we do it

Council is in the business of managing and reticulating wastewater in urban communities because:

- If wastewater collection and treatment systems fail to meet health, safety and environmental standards then domestic wastewater, commercial wastewater and certain classes of industrial wastes could be discharged into street gutters or the ground. Public health risks would almost certainly arise from this. Waste could also find its way into streams and rivers in an untreated state, which would degrade the quality of the district's natural waterways. Wastewater collection and treatment is, therefore, core infrastructure for the district.
- Council's current ownership stems from a legacy ownership role that, except in particular circumstances, is now prohibited from passing to the private sector by the Local Government Act 2002 Section 130.
- Through consultation with the community, this activity has been shown to make an essential contribution to the wellbeing of the community in areas of health, environment and the economy.
- Council believes that, because of the natural monopoly and public good nature of the service and the consequences of failure of the service, it should retain management and operation of the wastewater assets.

### Council's roles

| Provider | Advocate | Regulator | Partner | Facilitator |
|----------|----------|-----------|---------|-------------|
| Y        |          | Y         |         |             |

# Annual Report 2013-2014

## Section 2: Groups of Activities

### Funding impact statement - wastewater

|   | LTP<br>2013<br>\$000's | LTP<br>2014<br>\$000's | Annual Plan<br>2014<br>\$000's | Actual<br>2014<br>\$000's |
|---|------------------------|------------------------|--------------------------------|---------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>   |                        |                        |                                |                           |
| <b>Rates Revenue:</b>   |                        |                        |                                |                           |
| General Rates, Uniform Annual General Charges,<br>rates penalties           | -                      | -                      | -                              | -                         |
| Targeted rates (other than a targeted rate for water<br>supply)             | 2,489                  | 2,665                  | 2,548                          | 2,740                     |
| <b>Other Revenue</b>  |                        |                        |                                |                           |
| Subsidies & grants for operating purposes                                   | -                      | -                      | -                              | -                         |
| Fees, charges & targeted rates for water supply                             | 6                      | 6                      | 6                              | 7                         |
| Internal charges & overheads recovered                                      | 316                    | 316                    | 324                            | 142                       |
| Local authorities fuel tax, fines, infringement fees,<br>and other receipts | -                      | -                      | -                              | -                         |
| <b>TOTAL OPERATING FUNDING (A)</b>  | <b>2,811</b>           | <b>2,987</b>           | <b>2,878</b>                   | <b>2,889</b>              |
| <b>APPLICATION OF OPERATING FUNDING</b>                                     |                        |                        |                                |                           |
| Payments of staff & suppliers   | 1,537                  | 1,612                  | 1,549                          | 1,529                     |
| Finance costs   | 65                     | 61                     | 41                             | 42                        |
| Internal charges & overheads applied  | 255                    | 302                    | 300                            | 376                       |
| Other operating funding applications  | 66                     | 70                     | 66                             | -                         |
| <b>TOTAL APPLICATIONS OF OPERATING<br/>FUNDING (B)</b>                      | <b>1,923</b>           | <b>2,045</b>           | <b>1,956</b>                   | <b>1,947</b>              |
| <b>SURPLUS (DEFICIT) OF OPERATING FUNDING<br/>(A-B)</b>                     | <b>888</b>             | <b>942</b>             | <b>922</b>                     | <b>942</b>                |
| <b>SOURCES OF CAPITAL FUNDING</b>   |                        |                        |                                |                           |
| Subsidies & grants for capital expenditure                                  | -                      | -                      | -                              | -                         |
| Development & financial contributions                                       | 3                      | 3                      | 3                              | -                         |
| Increase (decrease) in debt   | -                      | -                      | -                              | (80)                      |
| Gross proceeds from sale of assets  | -                      | -                      | -                              | -                         |
| Lump sum contributions  | -                      | -                      | -                              | -                         |
| Other dedicated capital funding   | -                      | -                      | -                              | -                         |
| <b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>                                 | <b>3</b>               | <b>3</b>               | <b>3</b>                       | <b>(80)</b>               |
| <b>APPLICATION OF CAPITAL FUNDING</b>                                       |                        |                        |                                |                           |
| Capital expenditure:  |                        |                        |                                |                           |
| - to meet additional demand   | -                      | -                      | -                              | -                         |
| - to improve the level of services  | -                      | -                      | -                              | 255                       |
| - to replace existing assets  | 239                    | 545                    | 542                            | 16                        |
| Increase (decrease) in reserves   | (239)                  | (545)                  | (542)                          | 408                       |
| Increase (decrease) in investments  | 891                    | 945                    | 925                            | 183                       |
| <b>TOTAL APPLICATIONS OF CAPITAL FUNDING<br/>(D)</b>                        | <b>891</b>             | <b>945</b>             | <b>925</b>                     | <b>862</b>                |
| <b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-<br/>D)</b>                      | <b>(888)</b>           | <b>(942)</b>           | <b>(922)</b>                   | <b>(942)</b>              |
| <b>FUNDING BALANCE ((A-B)+(C-D))</b>  | <b>-</b>               | <b>-</b>               | <b>-</b>                       | <b>-</b>                  |

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## Section 2: Groups of Activities

### Significant asset acquisitions or replacements

| Wastewater   | Actual Spend 2014 \$000 | Budget Spend 2014 \$000 | Actual Spend 2013 \$000 |
|--|-------------------------|-------------------------|-------------------------|
| Tokoroa - wastewater treatment plant (WWTP) upgrade    | 41                      | 36                      | 1,254                   |
| Tokoroa - UV plant upgrade                             | 13                      | 13                      | 10                      |
| Tokoroa WWTP - nitrogen removal enhancement            | 17                      | 280                     | 24                      |
| Tirau WWTP upgrade                                     | 51                      | 51                      | 15                      |
| Arapuni WWTP upgrade                                   | 10                      | 11                      | 14                      |
| District-wide above ground/under ground plant renewals | 54                      | 56                      | 43                      |
| Putāruru resource consent renewal                      | 59                      | 62                      | -                       |
| Putāruru filter pumps & UV                             | 26                      | 36                      | -                       |
| Other  | -                       | -                       | 33                      |
| <b>Total</b>   | <b>271</b>              | <b>545</b>              | <b>1,393</b>            |

#### Major variations from budget included:

- Tokoroa wastewater treatment plant nitrogen removal enhancement will now be completed during 2014-15.

#### Major projects completed included:

- Miscellaneous above ground/under ground plant renewals
- Putāruru UV installation and resource consent renewal
- Tirau Rising Main from Depot pump station.

### Performance results - wastewater

| Key Result Areas       | 2013-14 Target  | 2013-14 Level Achieved | Comments  |
|------------------------|---|------------------------|---|
| Network Reliability    | No more than one break or blockage per year causing overflow, per 10km of Council's sewerage pipe network. The network comprises 163.9km of reticulation pipelines, so the KPI is for 16 or fewer breaks or blockages per annum | Not achieved           | Council has had 18 blockages for the year. The pipes concerned were inspected by CCTV camera and any faults rectified |
| Quality of discharge   | There will be no "Formal Enforcement Actions" from the consenting authority (Waikato Regional Council) in regard to Council's compliance with resource consent conditions relating to wastewater                                | Achieved               | There were no formal enforcement actions from the Regional Council  |
| Service Responsiveness | At least 95% of urgent service requests are responded to within one hour of the request with the remaining 5% responded to within 24 hours  | Achieved               | Council received 18 service requests. All (100%) were responded to within 1 hour                                      |



### 2.2.7. Solid waste and recycling

#### Community Outcomes

- Engaged community: We encourage and support an engaged social community through the provision of our services and facilities
- Safe and healthy community: We regulate, advocate for, and support where we can, improved safety and health for our people
- Improving image: We focus on improving the image and perception of the South Waikato district
- Council's Growing economy: We support and encourage existing businesses and endeavour to attract new businesses to the district
- Sustainable environment: We want the South Waikato District Council to lead the community in sustainable development
- Well managed environment: Council's infrastructure is sustainable and contributes positively to the district environment.

#### Contribution to the Council Strategy

In delivering the solid waste and recycling management activities and initiatives, Council focuses on the following top priorities to:

- Enhance access to and use of Council's services and facilities
- Encourage and advocate for a safer community
- Enhance communication with our community and stakeholders
- Manage the Council business - do things well
- Encourage a sustainable environment
- Sustainability is embedded in all of Council's operations
- Provide sound asset management planning
- Maintain a strong working relationship with Māori.

In addition, the following Council strategies also contribute to:

- Encourage and advocate for improved health services for our community
- Enhance communication
- Develop partnerships that support the achievement of our vision.

#### What we do - a description of the activity

Council has adopted a series of measures which are intended to indicate how well the solid waste infrastructure contributes to community wellbeing. Both customer service levels and technical standards are used. Key measures relate to accessibility and cost.

Accessibility includes the location of sites as they relate to residents and businesses throughout the district, the hours that sites are open to the public and any restrictions placed on users of landfills and transfer stations. Restrictions that affect customer service levels include limitations on maximum loads that can be dumped at the Transfer Station and the composition and recycling/reuse potential of the waste being dumped. The acceptance of potentially hazardous material is also an issue that affects the service provided at sites where refuse is received.

Cost of solid waste disposal is regarded as a major factor, common throughout New Zealand.

Council measures its contribution to providing quality infrastructure, safe communities and environmental protection by monitoring:

- Service continuity
- Adequacy of funding
- Adequacy of capacity
- Public satisfaction
- Legislative compliance.

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## Section 2: Groups of Activities

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Council's solid waste and recycling functions include:

### Landfill operations

Council currently has the following landfill sites:

- A closed landfill site near Tīrau, comprising 2.3ha of land bounded by the Kinleith branch railway and Oraka Stream. At the time of closure in November 1997 this site had been operating for 35 years. Resource consents addressing leachate, landfill gas and stormwater runoff are in place until 2032.
- A closed landfill and transfer station just south of Putāruru, comprising 9.2ha of land adjacent to State Highway 1. Resource consents for disposal to land, which had operated for over 50 years, expired in March 2007. The closing and capping of the site proceeded through 2008-09 and the transfer station was established in 2009 from which waste is taken to Tokoroa. Resource consents addressing leachate, landfill gas and stormwater runoff are in place until 2035.
- An open landfill at Newell Road, Tokoroa, comprising 47ha of land. Resource consents for disposal to land expire in 2020, and resource consents addressing leachate, landfill gas and stormwater runoff are in place until 2035.

### Litter collection

The service ensures that there are adequate litter collection arrangements in public places and that litter bins are properly maintained and emptied. This includes general litter collection from kerb and channels, some road berms and water tables. There has been increasing expenditure to deal with illegal dumping and cars illegally abandoned on roadsides with the appointment of a 'Biff it in the Bin' litter officer.

### Refuse collection

Council provides weekly refuse collection from Arapuni, Putāruru, Tīrau and Tokoroa paying for the collection of the bags through rate. The cost of the bags and disposal is covered by the user in the payment of the bags.

### Hazardous waste disposal

Council does not operate hazardous waste disposal systems except for the receipt of surplus agrichemicals.

### Greenwaste

As part of its commitment to community waste minimisation, Council has a contract for a fortnightly kerbside recycling collection in Arapuni, Tīrau, Putāruru and Tokoroa. There are recycling drop off centres for the public at Waotu, Depot Street Tīrau, Putāruru Transfer Station, Tokoroa Landfill and Dreghorn Place car park.

### Kerbside recycling

As part of its commitment to community waste minimisation Council has a contract for a fortnightly kerbside recycling collection.

### Why we do it

Council is in the business of managing and operating landfills and undertaking other solid waste activities including demand management because:

- In consultation with the community, this activity has been shown to make an essential contribution to the wellbeing of the community in areas of environment and economy.
- No competitive alternative for service delivery has been identified or offered. Council ownership and operation is considered the most cost effective method for delivery for this service.
- Council has considered and determined its approach to Waste Management, including disposal, through development of Council Policy and the Waste Management and Minimisation Plan. Through these processes, Council agreed to manage its own waste within the district boundaries.

### Council's roles

| Provider | Advocate | Regulator | Partner | Facilitator |
|----------|----------|-----------|---------|-------------|
| Y        | Y        | Y         | Y       | Y           |

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## Section 2: Groups of Activities

### Funding impact statement - solid waste and recycling

|  | LTP<br>2013<br>\$000's | LTP<br>2014<br>\$000's | Annual Plan<br>2014<br>\$000's | Actual<br>2014<br>\$000's |
|--|------------------------|------------------------|--------------------------------|---------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                      |                        |                        |                                |                           |
| <b>Rates Revenue:</b>  |                        |                        |                                |                           |
| General Rates, Uniform Annual General Charges, rates penalties           | 734                    | 743                    | 740                            | 733                       |
| Targeted rates (other than a targeted rate for water supply)             | 586                    | 651                    | 553                            | 555                       |
| <b>Other Revenue</b>   |                        |                        |                                |                           |
| Subsidies & grants for operating purposes                                | -                      | -                      | -                              | -                         |
| Fees, charges & targeted rates for water supply                          | 1,089                  | 1,192                  | 1,043                          | 1,348                     |
| Internal charges & overheads recovered                                   | 15                     | (20)                   | (19)                           | (19)                      |
| Local authorities fuel tax, fines, infringement fees, and other receipts | -                      | -                      | -                              | 95                        |
| <b>TOTAL OPERATING FUNDING (A)</b>                                       | <b>2,424</b>           | <b>2,566</b>           | <b>2,317</b>                   | <b>2,712</b>              |
| <b>APPLICATION OF OPERATING FUNDING</b>                                  |                        |                        |                                |                           |
| Payments of staff & suppliers  | 1,827                  | 1,947                  | 1,760                          | 1,695                     |
| Finance costs  | 109                    | 107                    | 93                             | 72                        |
| Internal charges & overheads applied                                     | 186                    | 175                    | 196                            | 282                       |
| Other operating funding applications                                     | 85                     | 99                     | 75                             | -                         |
| <b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>                       | <b>2,207</b>           | <b>2,328</b>           | <b>2,124</b>                   | <b>2,049</b>              |
| <b>SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)</b>                      | <b>217</b>             | <b>238</b>             | <b>193</b>                     | <b>663</b>                |
| <b>SOURCES OF CAPITAL FUNDING</b>  |                        |                        |                                |                           |
| Subsidies & grants for capital expenditure                               | -                      | -                      | -                              | 45                        |
| Development & financial contributions                                    | -                      | -                      | -                              | -                         |
| Increase (decrease) in debt  | 120                    | -                      | -                              | 593                       |
| Gross proceeds from sale of assets                                       | -                      | -                      | -                              | -                         |
| Lump sum contributions   | -                      | -                      | -                              | -                         |
| Other dedicated capital funding  | -                      | -                      | -                              | -                         |
| <b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>                              | <b>120</b>             | <b>-</b>               | <b>-</b>                       | <b>638</b>                |
| <b>APPLICATION OF CAPITAL FUNDING</b>                                    |                        |                        |                                |                           |
| Capital expenditure:   |                        |                        |                                |                           |
| • to meet additional demand  | -                      | -                      | -                              | -                         |
| • to improve the level of services                                       | 240                    | -                      | -                              | -                         |
| • to replace existing assets   | 118                    | 33                     | 32                             | 666                       |
| Increase (decrease) in reserves  | (238)                  | (33)                   | (32)                           | 841                       |
| Increase (decrease) in investments                                       | 217                    | 238                    | 193                            | (206)                     |
| <b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>                         | <b>337</b>             | <b>238</b>             | <b>193</b>                     | <b>1,301</b>              |
| <b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)</b>                        | <b>(217)</b>           | <b>(238)</b>           | <b>(193)</b>                   | <b>(663)</b>              |
| <b>FUNDING BALANCE ((A-B)+(C-D))</b>                                     | <b>-</b>               | <b>-</b>               | <b>-</b>                       | <b>-</b>                  |

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## Section 2: Groups of Activities

### Significant asset acquisitions or replacements

| <b>Solid waste and recycling</b>                     | <b>Actual Spend 2014 \$000</b> | <b>Budget Spend 2014 \$000</b> | <b>Actual Spend 2013 \$000</b> |
|--|--------------------------------|--------------------------------|--------------------------------|
| Tokoroa landfill leachate pump                       | 5                              | 5                              | -                              |
| Tokoroa - recycling facility                         | 649                            | -                              | 6                              |
| Tokoroa - capital component of maintenance           | 3                              | 22                             | 21                             |
| Tokoroa - security fencing                           | -                              | -                              | 18                             |
| Tokoroa - other minor projects                       | 3                              | -                              | 7                              |
| Putaruru - other minor projects                      | 6                              | 5                              | 10                             |
| Tirau - Depot Street - refurbish recycling container | -                              | -                              | 4                              |
| <b>Total</b>   | <b>666</b>                     | <b>32</b>                      | <b>66</b>                      |

#### Major variations from budget included:

- The recycling centre facility is a carry-over project from the previous year. Due to contractual and planning issues it will now be completed in 2014-15.

### Performance results - solid waste and recycling

| Key Result Areas           | 2013-14 Target   | 2013-14 Level Achieved | Comments  |
|----------------------------|--|------------------------|---|
| Waste Minimisation         | The amount of waste that is recycled must not be less than 10% of the residual waste sent to landfill.<br><br>('Residual waste' is the gross tonnages over the weighbridge less cover material, sewage sludge, greenwaste, and metal/timber fractions) | Achieved               | 19% of residual waste was recycled  |
| Consent Compliance         | There will be no 'Formal Enforcement Actions' from the consenting authority in regard to Council's compliance with resource consent conditions   | Achieved               | There were no formal enforcement actions received from the Regional Council |
| Kerbside refuse collection | There are no more than 50 complaints about the kerbside refuse collection service per annum  | Achieved               | No complaints were received   |

### **2.2.8. Regulatory**

Unlike the other activities, the majority of the activities in this group are responsible for regulating some aspect of the community outside of Council assets and services. Council is required under legislation to regulate, permit and enforce a range of activities including animal control, food and liquor legislation and to act as a Building Consenting Authority and a Resource Management Consent Authority in terms of planning. This involves ensuring that any activity in the community, controlled under legislation and administered by Council, such as building, meets the appropriate requirements in legislation and is issued with an appropriate authority and, if necessary, the correct certification on completion.

Council also acts as a Civil Defence partner and a Rural Fire Authority. Its roles in these areas are to encourage readiness in the community and to help coordinate responses to emergencies and rural fires.

#### **Community outcomes**

The regulatory and environmental group of activities contributes to the following community outcomes themes:

- Safe and healthy community: We regulate, advocate for, and support where we can, improved safety and health for our people
- Improving image: We focus on improving the image and perception of the South Waikato district
- Growing economy: We support and encourage existing businesses and endeavour to attract new businesses to the district
- Diverse economy: We encourage the economic base in the district to diversify, especially in relation to tourism
- Sustainable environment: We want the South Waikato District Council to lead the community in sustainable development
- Well managed environment: Council's infrastructure is sustainable and contributes positively to the district environment
- Cultural leadership: We support and encourage cultural leadership and capacity building.

#### **Contribution to the Council strategy**

In delivering the regulatory activities and initiatives, Council focuses on the following top priorities to:

- Stimulate economic development by assisting existing and attracting new businesses
- Encourage and advocate for a safer community
- Encourage and advocate for improved health services for our community
- Enhance communication with our community and stakeholders
- Enhance access to and use of Council's services and facilities
- Manage the Council business - do things well
- Encourage a sustainable environment
- Sustainability is embedded in all of Council's operations
- Maintain a strong working relationship with Māori.

In addition, the following Council strategies also contribute to:

- Develop partnerships that support the achievement of our vision.

#### **What we do - a description of the activity**

Council has a regulatory role in the following main areas:

- Animal Control, which includes registration of dogs and impounding of roaming and dangerous animals
- Council acts as a Building Consenting Authority under the Building Act, issues Building Consents and regulates the safety of buildings and other structures
- Council enforces its bylaws
- Ensuring the appropriate health standards are met in premises serving food and that the appropriate licences are obtained (eg offensive trades, funeral directors and hawkers)

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## Section 2: Groups of Activities

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- Investigation of infectious diseases
- Ensuring that premises selling liquor comply with legislative requirements
- Noise control
- Parking enforcement in the CBDs
- Enforcement of legislation governing swimming pool fences
- Provide public health advice to enhance community or individual well-being.

### Why we do it

Council is legally required to perform its regulatory functions under a variety of legislation. In performing these statutory functions Council is encouraging a healthier, safer and more functional community. There is a strong element of public good in what Council does, as it generally reduces harm and supports generally acceptable standards for the community. It also imposes regimes that are consistent and designed to reduce nuisance.

### 2013-14 projects

- Animal Control operations continue to be managed effectively with public safety paramount. The rehoming service continues to be successful.
- Council has successfully focused on promotion of our animal control services provided and improved community engagement with giveaways, continued education and a pound open day.
- The District Liquor Accord working partnership forum which was established between licensees, Police, the Public Health Unit and Council, continues to be successful in reducing alcohol related harm.
- The Building Control Authority within the Council remains accredited to provide consenting and inspection services in accordance with the requirements of the Building Act 2004.
- Continued discussions with and on behalf of stakeholders and our community regarding ongoing and future sustainability for farming in the South Waikato District, with particular reference to Waikato River legislation and consequential increased regulation and standards.
- The transition to the Sale and Supply of Alcohol Act responsibilities, involving a District Licensing Committee to be trained and appointed, has been implemented.
- Significant efforts have contributed to a draft Local Approved Products Policy (LAPP) which considers the location of retail outlets for psychoactive substances. This has been consulted on with the public.

### Council's roles

| Provider | Advocate | Regulator | Partner | Facilitator |
|----------|----------|-----------|---------|-------------|
| Y        | Y        | Y         | Y       | Y           |

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### Funding impact statement - regulatory

|  | LTP<br>2013<br>\$000's | LTP<br>2014<br>\$000's | Annual Plan<br>2014<br>\$000's | Actual<br>2014<br>\$000's |
|--|------------------------|------------------------|--------------------------------|---------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                      |                        |                        |                                |                           |
| <b>Rates Revenue:</b>  |                        |                        |                                |                           |
| General Rates, Uniform Annual General Charges, rates penalties           | 965                    | 1,077                  | 1,077                          | 1,239                     |
| Targeted rates (other than a targeted rate for water supply)             | -                      | -                      | -                              | -                         |
| Subsidies & grants for operating purposes                                | 2                      | 2                      | 2                              | -                         |
| Fees, charges & targeted rates for water supply                          | 720                    | 748                    | 733                            | 719                       |
| Internal charges & overheads recovered                                   | -                      | -                      | -                              | -                         |
| Local authorities fuel tax, fines, infringement fees, and other receipts | -                      | -                      | -                              | 67                        |
| <b>TOTAL OPERATING FUNDING (A)</b>                                       | <b>1,687</b>           | <b>1,827</b>           | <b>1,812</b>                   | <b>2,025</b>              |
| <b>APPLICATION OF OPERATING FUNDING</b>                                  |                        |                        |                                |                           |
| Payments of staff & suppliers  | 1,021                  | 1,120                  | 1,127                          | 1,178                     |
| Finance costs  | -                      | -                      | -                              | 4                         |
| Internal charges & overheads applied                                     | 666                    | 706                    | 684                            | 736                       |
| Other operating funding applications                                     | -                      | -                      | -                              | -                         |
| <b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>                       | <b>1,687</b>           | <b>1,826</b>           | <b>1,811</b>                   | <b>1,918</b>              |
| <b>SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)</b>                      | <b>-</b>               | <b>1</b>               | <b>1</b>                       | <b>107</b>                |
| <b>SOURCES OF CAPITAL FUNDING</b>  |                        |                        |                                |                           |
| Subsidies & grants for capital expenditure                               | -                      | -                      | -                              | -                         |
| Development & financial contributions                                    | -                      | -                      | -                              | -                         |
| Increase (decrease) in debt  | -                      | -                      | -                              | -                         |
| Gross proceeds from sale of assets                                       | -                      | -                      | -                              | -                         |
| Lump sum contributions   | -                      | -                      | -                              | -                         |
| Other dedicated capital funding  | -                      | -                      | -                              | -                         |
| <b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>                              | <b>-</b>               | <b>-</b>               | <b>-</b>                       | <b>-</b>                  |
| <b>APPLICATION OF CAPITAL FUNDING</b>                                    |                        |                        |                                |                           |
| Capital expenditure:   |                        |                        |                                |                           |
| - to meet additional demand  | -                      | -                      | -                              | -                         |
| - to improve the level of services                                       | -                      | -                      | -                              | -                         |
| - to replace existing assets   | -                      | 2                      | -                              | 3                         |
| Increase (decrease) in reserves  | -                      | (2)                    | (2)                            | 1                         |
| Increase (decrease) in investments                                       | -                      | 1                      | 3                              | 103                       |
| <b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>                         | <b>-</b>               | <b>1</b>               | <b>1</b>                       | <b>107</b>                |
| <b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)</b>                        | <b>-</b>               | <b>(1)</b>             | <b>(1)</b>                     | <b>(107)</b>              |
| <b>FUNDING BALANCE ((A-B)+(C-D))</b>                                     | <b>-</b>               | <b>-</b>               | <b>-</b>                       | <b>-</b>                  |

**Significant asset acquisitions or replacements**

| <b>Regulatory</b>        | <b>Actual Spend 2014 \$000</b> | <b>Budget Spend 2014 \$000</b> | <b>Actual Spend 2013 \$000</b> |
|--------------------------|--------------------------------|--------------------------------|--------------------------------|
| Replacement of gas cells | 1                              | 2                              | -                              |
| <b>Total</b>             | <b>1</b>                       | <b>2</b>                       | <b>-</b>                       |

**2.2.8.1 Resource management and planning**

**What we do - a description of the activity**

Council has a role in the following areas:

- To prepare, review, maintain and implement the District Plan
- To make decisions on applications for land use/subdivision consents and other resource management approvals
- To monitor and enforce resource consent conditions.

The basis for Council responsibilities in this area is a requirement to maintain and administer a District Plan. This essentially sets controls on the extent, type and location of land use and subdivision activity within the district. On the basis of the restrictions set into the plan, Council acts as a consent authority, which is a separate statutory function. Under this function Council receives applications for resource consent, decides on them and issues decisions. Part of its wider responsibility under the Resource Management Act is monitoring conditions and planning issues in the district by ensuring the district plan balances the aspirations of the community and environmental sustainability. Council also monitors compliance with conditions of resource consent that it has set.

**Why we do it**

Council is legally required to act as a consenting authority under the Resource Management Act 1991 and to maintain a current district plan. It can delegate certain functions, but not the power of reviewing or changing the plan, and it remains responsible for all statutory delegations. As a planning authority Council must ensure that relevant national and regional regulations, standards, and rules are followed. These duties, responsibilities and functions contribute to the public good in that they regulate to prevent incompatible land use activities and set controls on new development and subdivision, so that the community can be assured that use and development meet certain standards. The public has considerable input into plan reviews and plan changes through the submission, hearing and appeal processes, and to a significant degree the plan does reflect a broad consensus as to what is acceptable and appropriate development.

**2013-14 projects**

- District Plan hearings and deliberations were completed which culminated in the decisions on submissions being issued. Fourteen appeals were received.
- Council continues to monitor and enforce resource consent conditions and other activities through appropriate legislative framework.
- Council has kept a watching brief on our non-compliance with the National Environmental Standard for Air Quality and continues to discuss the appropriateness of a bylaw.
- Council signed a Joint Management Agreement with Raukawa in September 2013.
- Landowners continue to be supported through education, guidance and funding to enhance biodiversity.

**Council's roles**

| <b>Provider</b> | <b>Advocate</b> | <b>Regulator</b> | <b>Partner</b> | <b>Facilitator</b> |
|-----------------|-----------------|------------------|----------------|--------------------|
| Y               | Y               | Y                | Y              | Y                  |



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### Funding impact statement - resource management and planning

|  | LTP<br>2013<br>\$000's | LTP<br>2014<br>\$000's | Annual Plan<br>2014<br>\$000's | Actual<br>2014<br>\$000's |
|--|------------------------|------------------------|--------------------------------|---------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                      |                        |                        |                                |                           |
| <b>Rates Revenue:</b>  |                        |                        |                                |                           |
| General Rates, Uniform Annual General Charges, rates penalties           | 804                    | 977                    | 931                            | 599                       |
| Targeted rates (other than a targeted rate for water supply)             | -                      | -                      | -                              | -                         |
| Subsidies & grants for operating purposes                                | 19                     | 19                     | 19                             | -                         |
| Fees, charges & targeted rates for water supply                          | 92                     | 97                     | 78                             | 114                       |
| Internal charges & overheads recovered                                   | (58)                   | (72)                   | (85)                           | -                         |
| Local authorities fuel tax, fines, infringement fees, and other receipts | -                      | -                      | -                              | -                         |
| <b>TOTAL OPERATING FUNDING (A)</b>                                       | <b>857</b>             | <b>1,021</b>           | <b>943</b>                     | <b>713</b>                |
| <b>APPLICATION OF OPERATING FUNDING</b>                                  |                        |                        |                                |                           |
| Payments of staff & suppliers  | 491                    | 636                    | 562                            | 628                       |
| Finance costs  | 33                     | 37                     | 41                             | 40                        |
| Internal charges & overheads applied                                     | 552                    | 275                    | 255                            | 318                       |
| Other operating funding applications                                     | 58                     | 73                     | 85                             | -                         |
| <b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>                       | <b>1,134</b>           | <b>1,021</b>           | <b>943</b>                     | <b>986</b>                |
| <b>SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)</b>                      | <b>(277)</b>           | <b>-</b>               | <b>-</b>                       | <b>(273)</b>              |
| <b>SOURCES OF CAPITAL FUNDING</b>  |                        |                        |                                |                           |
| Subsidies & grants for capital expenditure                               | -                      | -                      | -                              | -                         |
| Development & financial contributions                                    | -                      | -                      | -                              | -                         |
| Increase (decrease) in debt  | 277                    | -                      | -                              | 99                        |
| Gross proceeds from sale of assets                                       | -                      | -                      | -                              | -                         |
| Lump sum contributions   | -                      | -                      | -                              | -                         |
| Other dedicated capital funding  | -                      | -                      | -                              | -                         |
| <b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>                              | <b>277</b>             | <b>-</b>               | <b>-</b>                       | <b>99</b>                 |
| <b>APPLICATION OF CAPITAL FUNDING</b>                                    |                        |                        |                                |                           |
| Capital expenditure:   |                        |                        |                                |                           |
| • to meet additional demand  | -                      | -                      | -                              | -                         |
| • to improve the level of services                                       | -                      | -                      | -                              | -                         |
| • to replace existing assets   | -                      | -                      | -                              | -                         |
| Increase (decrease) in reserves  | -                      | -                      | -                              | -                         |
| Increase (decrease) in investments                                       | -                      | -                      | -                              | (174)                     |
| <b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>                         | <b>-</b>               | <b>-</b>               | <b>-</b>                       | <b>(174)</b>              |
| <b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)</b>                        | <b>277</b>             | <b>-</b>               | <b>-</b>                       | <b>273</b>                |
| <b>FUNDING BALANCE ((A-B)+(C-D))</b>                                     | <b>-</b>               | <b>-</b>               | <b>-</b>                       | <b>-</b>                  |

### Significant asset acquisitions or replacements

There were no asset acquisitions or replacements.

### 2.2.8.2 Emergency management

#### What we do - a description of the activity

Council has a regulatory and promotional role in the following areas:

- Preparing for and responding to hazards and emergencies
- Work toward a reduction of impact from possible hazards in the community
- Acting as a Rural Fire Authority.

The principal aim of this activity is to understand, educate and be prepared for hazards and emergencies, including earthquake, flooding, rural fires and other similar events. The activity includes Civil Defence and Rural Fire services. Council acts as a coordinating agency within the district, linking other emergency management providers such as the Department of Conservation, Waikato Regional Council, the New Zealand Fire Service, the New Zealand Police, ambulance and hospital services and the Ministry of Civil Defence and Emergency Management.

Council also works with private organisations, such as Hancock Forest Management Limited and Forest Protech Services, in protecting properties from rural fires. It provides communication linkages and has a dedicated staff member in this role, the Civil Defence Emergency Manager. Part of the service is also educating and raising awareness within the community to raise the profile of civil defence and rural fire issues.

Council carries out regular reviews of its Emergency Management Plan and Rural Fire Plan and ensures that sufficient Council staff have emergency preparedness training.

#### Why we do it

Council is required to act as a planning Emergency Management Rural Fire Coordinator under several pieces of legislation. These give it the responsibility to provide 24 hour coverage in terms of rural fire and communications and to facilitate community preparedness. Apart from the statutory requirements, if Council did not participate in these activities, or did so without adequate preparation, there is a high risk of economic damage and even loss of life. These roles are therefore essentially about providing insurance for the community against a variety of potential losses that could arise from disaster events.

#### 2013-14 projects

- Council staff continues to participate in discussions regarding an enlarged rural fire district in the Central North Island
- Council staff have continued to take an active part in all Waikato Regional Civil Defence Group discussions and decision making
- Relationships continue to be strengthened with emergency services and welfare committee representatives
- Foundational emergency operations centre training has been undertaken by Council civil defence staff
- Council received an excellent score from the National Rural Fire Authority performance evaluation
- The Ministry of Civil Defence and Emergency Management conducted a capability assessment on Council with a satisfactory outcome
- A bylaw for open fires in the urban area was drafted and consulted on.

#### Council's roles

| Provider | Advocate | Regulator | Partner | Facilitator |
|----------|----------|-----------|---------|-------------|
| Y        | Y        | Y         | Y       | Y           |

South Waikato District Council has processes in place to ensure it will maintain rural fire management arrangements to meet the requirements of the Forest and Rural Fires Act 1977. Specific requirements of the Act are that Council must:

- Keep and maintain a current fire plan for the district (Section 12(4))
- Give warnings of the imminence of fire hazard conditions [to the public] (Section 18(b))
- Give any information available in relation to fire hazard conditions [to the public] (Section 18(c)).

Upon being advised of the existence of a fire, proceed, or, if a Principal Fire Officer, arrange for a deputy to proceed, with all possible speed to the place where the fire is and, if in his/her opinion the fire constitutes a hazard to life or property,

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### Section 2: Groups of Activities

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endeavour by all practical means to extinguish the fire and prevent the spread thereof and to save lives and property in danger (Section 36(1)(a)). All these requirements were met for the year.

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*'...the principal aim of this activity is to be prepared for all the hazards and emergencies including flooding, rural fires and other events...'*

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## Section 2: Groups of Activities

### Funding impact statement - emergency management

|  | LTP<br>2013<br>\$000's | LTP<br>2014<br>\$000's | Annual Plan<br>2014<br>\$000's | Actual<br>2014<br>\$000's |
|--|------------------------|------------------------|--------------------------------|---------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                      |                        |                        |                                |                           |
| <b>Rates Revenue:</b>  |                        |                        |                                |                           |
| General Rates, Uniform Annual General Charges, rates penalties           | 328                    | 342                    | 343                            | 245                       |
| Targeted rates (other than a targeted rate for water supply)             | -                      | -                      | -                              | -                         |
| Subsidies & grants for operating purposes                                | 12                     | 12                     | 12                             | -                         |
| Fees, charges & targeted rates for water supply                          | -                      | -                      | -                              | 10                        |
| Internal charges & overheads recovered                                   | -                      | -                      | -                              | -                         |
| Local authorities fuel tax, fines, infringement fees, and other receipts | -                      | -                      | -                              | -                         |
| <b>TOTAL OPERATING FUNDING (A)</b>                                       | <b>340</b>             | <b>354</b>             | <b>355</b>                     | <b>255</b>                |
| <b>APPLICATION OF OPERATING FUNDING</b>                                  |                        |                        |                                |                           |
| Payments of staff & suppliers  | 192                    | 197                    | 206                            | 160                       |
| Finance costs  | -                      | -                      | -                              | -                         |
| Internal charges & overheads applied                                     | 140                    | 149                    | 136                            | 120                       |
| Other operating funding applications                                     | -                      | -                      | -                              | -                         |
| <b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>                       | <b>332</b>             | <b>346</b>             | <b>342</b>                     | <b>280</b>                |
| <b>SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)</b>                      | <b>8</b>               | <b>8</b>               | <b>13</b>                      | <b>(25)</b>               |
| <b>SOURCES OF CAPITAL FUNDING</b>  |                        |                        |                                |                           |
| Subsidies & grants for capital expenditure                               | -                      | -                      | -                              | -                         |
| Development & financial contributions                                    | -                      | -                      | -                              | -                         |
| Increase (decrease) in debt  | -                      | -                      | -                              | -                         |
| Gross proceeds from sale of assets                                       | -                      | -                      | -                              | -                         |
| Lump sum contributions   | -                      | -                      | -                              | -                         |
| Other dedicated capital funding  | -                      | -                      | -                              | -                         |
| <b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>                              | <b>-</b>               | <b>-</b>               | <b>-</b>                       | <b>-</b>                  |
| <b>APPLICATION OF CAPITAL FUNDING</b>                                    |                        |                        |                                |                           |
| Capital expenditure:   |                        |                        |                                |                           |
| - to meet additional demand  | 14                     | -                      | -                              | -                         |
| - to improve the level of services                                       | -                      | -                      | -                              | -                         |
| - to replace existing assets   | 13                     | 3                      | 3                              | 10                        |
| Increase (decrease) in reserves  | (27)                   | (3)                    | (3)                            | -                         |
| Increase (decrease) in investments                                       | 8                      | 8                      | 13                             | (35)                      |
| <b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>                         | <b>8</b>               | <b>8</b>               | <b>13</b>                      | <b>(25)</b>               |
| <b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)</b>                        | <b>(8)</b>             | <b>(8)</b>             | <b>(13)</b>                    | <b>25</b>                 |
| <b>FUNDING BALANCE ((A-B)+(C-D))</b>                                     | <b>-</b>               | <b>-</b>               | <b>-</b>                       | <b>-</b>                  |

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### Significant asset acquisitions or replacements

| Emergency management                            | Actual Spend 2014 \$000 | Budget Spend 2014 \$000 | Actual Spend 2013 \$000 |
|---|-------------------------|-------------------------|-------------------------|
| Mobile satellite station and welfare            | -                       | -                       | 11                      |
| Civil defence/rural fire communication hardware | -                       | -                       | 6                       |
| Honda EG5500 5.5kVA generator                   | 2                       | 3                       | -                       |
| <b>Total</b>                                    | <b>2</b>                | <b>3</b>                | <b>17</b>               |

### Performance Results - Regulatory

| Key Result Areas                      | 2013-14 Target  | 2013-14 Level Achieved | Comments  |
|---------------------------------------|---|------------------------|---|
| Building Control timeliness           | At least 90% of building consents are processed within statutory timelines (20 working days)  | Achieved               | Council received 465 building consents for the year. 99.3% of applications were processed within the target                                       |
| Accreditation                         | Council will retain accreditation as a Building Consent Authority   | Achieved               | Council has retained accreditation as a Building Consent Authority for the year   |
| Liquor and Food safety                | 100% of premises registered under the Food Hygiene Regulations are inspected annually   | Achieved               | Council has 219 registered premises. 100% have been inspected annually  |
| Animal Control service responsiveness | Greater than 90% of urgent* requests are responded to within one hour on a 24/7 basis.<br>(*dog attacks, dog aggression, stock wandering on road)     | Achieved               | Council received 95 urgent service requests for the year. 100% were responded to within target  |
| Resource consent timeliness           | At least 90% of non- notified consents are processed within statutory timelines (20 or 40 working days)   | Achieved               | 86 non-notified resource consents were processed. 100% were processed within target   |
| Resource consent conditions           | Not less than 80 hours per annum is spent on monitoring resource consent conditions   | Achieved               | 85 hours have been spend on monitoring resource consent conditions  |
| District plan integrity               | Reviews and plan changes to the district plan are carried out in accordance with the statutory requirements in the Resource Management Act 1991 (RMA) | Achieved               | 14 appeals were received to the Proposed District Plan. Decisions were made in accordance with the RMA  |
| Emergency management preparedness     | More than six training sessions are held or attended per year, including one South Waikato Emergency Operations Centre exercise                       | Achieved               | 11 training sessions were held or attended during the year. A local South Waikato civil defence exercise on welfare registration was held 25 June |
| Emergency management awareness        | More than 20 visits to local organisations per year   | Achieved               | 27 visits were undertaken   |

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|                       |   |          |  |
|-----------------------|---|----------|--|
| Rural fire compliance | Maintain rural fire management arrangements to meet the requirements of the Forest and Rural Fires Act 1977 | Achieved | This service passed the rural fire audit |
|-----------------------|---|----------|--|

### 2.2.9. Governance and corporate

#### Community Outcomes

- Engaged community: We encourage and support an engaged social community through the provision of our services and facilities.
- Safe and healthy community: We regulate, advocate for, and support where we can, improved safety and health for our people.
- Improving image: We focus on improving the image and perception of the South Waikato district.
- Council's Growing economy: We support and encourage existing businesses and endeavour to attract new business to the district.
- Diverse economy: We encourage the economic base in the district to diversify, especially in relation to tourism.
- Sustainable environment: We want the South Waikato District Council to lead the community in sustainable development.
- Well managed environment: Council's infrastructure is sustainable and contributes positively to the district environment.
- Celebration of culture: We celebrate the artistic and cultural achievements of our people, and the diversity of their cultures.
- Cultural leadership: We support and encourage cultural leadership and capacity building.

#### Strategic directions - governance

In keeping with the governance and decision-making principles of the Local Government Act 2002 (LGA), Council will foster greater community involvement in its activities and decision-making processes and champion ethical and transparent local governance. Council endeavours to consult on key concerns on an issue-by-issue basis to ensure better quality public debate.

#### Contribution to the Council strategy

In delivering the governance activities and initiatives, Council focuses on the following top priorities to:

- Stimulate economic development by assisting existing and attracting new businesses
- Utilise financing arrangements and investments to maximise benefit to our community
- Support tourism development
- Encourage and advocate for a safer community
- Encourage and advocate for improved health services for our community
- Enhance communication with our community and stakeholders
- Enhance access to and use of Council's services and facilities
- Manage the Council business - do things well
- Encourage education and training to improve employment in our district
- Encourage a sustainable environment
- Sustainability is embedded in all of Council's operations
- Provide sound asset management planning
- Maintain and support our community's art and culture, and support cultural displays and events
- Maintain a strong working relationship with Māori

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## Section 2: Groups of Activities

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- Develop partnerships that support the achievement of our vision
- Encouraging and enabling people to be involved in decisions that affect them.

### **What we do - a description of the activity**

Through the Local Government Act 2002, Council's underlying purpose is to enable democratic local decision-making and action by and on behalf of South Waikato communities, taking a sustainable development approach. Governance is delivered by the Mayor (elected at large) and Councillors (elected by Ward) with support from Council staff. The democratic process ensures ultimate oversight of the affairs of Council. The governance structure has three elements:

- Representing the community
- Setting policy
- Monitoring and reviewing.

Council also ensures that the organisation is appropriately resourced to effectively carry out its responsibilities, including thorough administration of financial policies.

Procedures must meet all statutory requirements and provide opportunities for participation by residents, stakeholders and community groups within the district and, in particular, to provide opportunities for Māori to contribute to Council decision-making processes. A key responsibility is to ensure that information on Council's policies, plans and strategies is made available and that meaningful consultation occurs. Council also has an important role to advocate on issues on behalf of South Waikato communities. This role is spread throughout Council but coordinated through the governance activity in relation to strategic submissions and advocacy.

In parallel with the traditional role of Council as a representative body, the Local Government Act 2002 obliges Council to work in a more participatory way with South Waikato communities. This includes an increased emphasis on long-term planning for and on behalf of local communities, including a role in promoting communication, collaboration and partnerships with other agencies. Community Boards and Advisory Committees also play a key role by providing a grass roots advisory service on many issues. Representative community governance at the Tirau Ward level is undertaken by the Tirau Community Board.

The role of the Community Board is to:

- Represent and act as an advocate for the interests of the Tirau Ward
- Consider and report on any matter referred to it by Council and any issues of interest to the Community Board
- Make an annual submission to Council
- Maintain an overview of services provided by Council to the Tirau Ward
- Communicate with community organisations in the Tirau Ward
- Undertake responsibilities delegated to it by Council.

A series of workshops in July 2011 were used to inform Council of the respective views of each community (Tirau, Arapuni, Putāruru and Tokoroa). This information was used to update the Long Term Plan (LTP) 2012-22.

### **Why we do it**

- Public consultation has identified that South Waikato communities want Council to provide strong leadership
- District governance has elements of a public good
- Council administration is required for adequate resourcing of activities in an efficient and effective manner
- Tirau Community Board has been established in accordance with the Local Government Act 2002; its roles include representation and action as an advocate for the interests of the Tirau Ward.

Council, Community Boards and Advisory Committees are formed under the:

- Local Government Act 2002
- Local Government Official Information and Meetings Act 1987
- Local Government (Rating) Act 2002
- Local Electoral Act 2001.

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### 2013-14 projects

Council continues to work with stakeholders and our community to ensure that the district remains sustainable, particularly in pastoral farming.

### Council's roles

| Provider | Advocate | Regulator | Partner | Facilitator |
|----------|----------|-----------|---------|-------------|
| Y        | Y        | Y         | Y       | Y           |

### Funding impact statement - governance and corporate

|  | LTP<br>2013<br>\$000's | LTP<br>2014<br>\$000's | Annual Plan<br>2014<br>\$000's | Actual<br>2014<br>\$000's |
|--|------------------------|------------------------|--------------------------------|---------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                      |                        |                        |                                |                           |
| General Rates, Uniform Annual General Charges, rates penalties           | 1,485                  | 1,576                  | 1,556                          | 1,796                     |
| Targeted rates (other than a targeted rate for water supply)             | 14                     | 15                     | 15                             | 15                        |
| Subsidies & grants for operating purposes                                | -                      | -                      | -                              | -                         |
| Fees, charges & targeted rates for water supply                          | -                      | -                      | -                              | 86                        |
| Internal charges & overheads recovered                                   | 3                      | 3                      | 2                              | 9,933                     |
| Local authorities fuel tax, fines, infringement fees, and other receipts | -                      | 40                     | 39                             | 1,276                     |
| <b>TOTAL OPERATING FUNDING (A)</b>                                       | <b>1,502</b>           | <b>1,634</b>           | <b>1,612</b>                   | <b>13,106</b>             |
| <b>APPLICATION OF OPERATING FUNDING</b>                                  |                        |                        |                                |                           |
| Payments of staff & suppliers  | 429                    | 518                    | 511                            | 7,183                     |
| Finance costs  | -                      | -                      | -                              | 146                       |
| Internal charges & overheads applied                                     | 1,073                  | 1,050                  | 1,084                          | 4,226                     |
| Other operating funding applications                                     | -                      | 66                     | 17                             | 44                        |
| <b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>                       | <b>1,502</b>           | <b>1,634</b>           | <b>1,612</b>                   | <b>11,599</b>             |
| <b>SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)</b>                      | <b>-</b>               | <b>-</b>               | <b>-</b>                       | <b>1,507</b>              |
| <b>SOURCES OF CAPITAL FUNDING</b>  |                        |                        |                                |                           |
| Subsidies & grants for capital expenditure                               | -                      | -                      | -                              | -                         |
| Development & financial contributions                                    | -                      | -                      | -                              | -                         |
| Increase (decrease) in debt  | -                      | 928                    | 101                            | 35                        |
| Gross proceeds from sale of assets                                       | -                      | -                      | -                              | -                         |
| Lump sum contributions   | -                      | -                      | -                              | -                         |
| Other dedicated capital funding  | -                      | -                      | -                              | -                         |
| <b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>                              | <b>-</b>               | <b>928</b>             | <b>101</b>                     | <b>35</b>                 |
| <b>APPLICATION OF CAPITAL FUNDING</b>                                    |                        |                        |                                |                           |
| Capital expenditure:   |                        |                        |                                |                           |
| • to meet additional demand  | -                      | -                      | -                              | -                         |
| • to improve the level of services                                       | -                      | -                      | -                              | -                         |
| • to replace existing assets   | 1,012                  | 1,753                  | 806                            | 742                       |
| Increase (decrease) in reserves  | (1,012)                | (825)                  | (705)                          | (295)                     |
| Increase (decrease) in investments                                       | -                      | -                      | -                              | 1,095                     |
| <b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>                         | <b>-</b>               | <b>928</b>             | <b>101</b>                     | <b>1,542</b>              |
| <b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)</b>                        | <b>-</b>               | <b>-</b>               | <b>-</b>                       | <b>(1,507)</b>            |
| <b>FUNDING BALANCE ((A-B)+(C-D))</b>                                     | <b>-</b>               | <b>-</b>               | <b>-</b>                       | <b>-</b>                  |



**Significant asset acquisitions or replacements**

| <b>Governance and corporate</b>  | <b>Actual Spend<br/>2014<br/>\$000</b> | <b>Budget Spend<br/>2013<br/>\$000</b> | <b>Actual Spend<br/>2013<br/>\$000</b> |
|----------------------------------|--|--|--|
| Council admin buildings & depots | 26                                     | 42                                     | 2                                      |
| IT expenditure                   | 333                                    | 404                                    | 480                                    |
| Vehicle replacements             | 377                                    | 297                                    | 379                                    |
| Furniture renewals               | 6                                      | 15                                     | 6                                      |
| <b>Total</b>                     | <b>742</b>                             | <b>758</b>                             | <b>867</b>                             |

**Major variations from budget included:**

- Vehicle replacements included a portion of carry forward budget from 2012-13.

**Performance results - governance and corporate services**

| <b>Key Result Areas</b> | <b>2013-14 Target</b>   | <b>2013-14 Level Achieved</b> | <b>Comments</b>   |
|-------------------------|---|-------------------------------|---|
| Compliance              | Compliance with all sections of the Local Government Act 2002 governing elections and functions of elected officials and the preparation and consultation on all key Council policies required by the Act | Achieved                      | Consultation, the electoral processes and the functions of elected officials comply with legislation  |
| Sustainability          | Council will implement three actions per year that encourage sustainable behavioural change   | Not achieved                  | Only one action was implemented during the year; retro-fitting LED lighting in one of the committee rooms. This is to be used as a pilot project (including sensor-activated lighting), going forward |
| Elections               | Council will conduct error free local government elections (the election process is defined in the Local Electoral Act 2001)  | Not achieved                  | Typographical errors were made in the election candidate profile booklet. Process has been reviewed to ensure measure is met in future  |

**2.2.10. Council Controlled Organisations (CCOs)**

CCOs are essentially any company with a majority Council shareholding, or a trust or similar organisation with a majority of Council-controlled votes or Council-appointed trustees. Council is involved in a single regional CCO called Local Authority Shared Services (LASS) Limited.

**Local Authority Shared Services (LASS) Limited**

Local authorities of the Waikato Region have worked closely together over a number of years on mutually beneficial joint projects. These projects have demonstrated the benefits that can be gained, in terms of outcomes achieved and reduction of costs to the community.

Local authorities of the region have developed shared service initiatives, including a valuation database to provide on-line, up to date information for all councils. The initiative was formalised by the establishment of LASS in 2005-06. The company is used as an umbrella for future development of shared services throughout the region.

**Shareholders**

LASS is jointly owned by the 12 local authorities of the region, being Waikato Regional Council (Environment Waikato), Hamilton City Council, Hauraki, Matamata-Piako, Otorohanga, Rotorua, South Waikato, Taupo, Thames-Coromandel, Waikato, Waipa and Waitomo District Councils.

# Annual Report 2013-2014

## Section 2: Groups of Activities

---

### Company Objectives

The objective of LASS is to provide local authorities of the Waikato Region with a vehicle to procure shared services. It provides a mechanism for the development of new services which are available to be joined by any shareholder that so chooses. It also provides those Councils that wish to develop new services with a corporate structure under which they can develop and promote services to other local authorities.

The constitution of LASS sets out the principles of which the company will be operated and governed. This includes shareholders' rights and the appointment of directors. The company's Annual Statement of Intent identifies its activities, intentions for the year and the objectives to which those activities will contribute.

### Nature and Scope of Activities

The principal nature and scope of the activity for the company is to:

- Provide shared services to all local authorities within the Waikato region. The company also intends to sell processes and systems as set up under individual agreements to local authorities outside the region.
- Pursue all opportunities to develop shared services that may benefit the community, either through enhanced services or reduced costs.
- Give consideration to developing shared service products which a majority of local authorities of the region believe are of value. The objective is to provide the most effective access to regional information that may be of value to the community using modern technology and processes.
- Explore all possible avenues to provide these services itself, or contract them from outside parties, each depending on a rigorous business case.

The initial product developed was the shared valuation database. It was envisaged that the company would continue to develop new products to be made available to the local authorities within the Waikato Regional Council boundaries. At the same time, other opportunities were to be explored in partnership with local authorities outside the region to develop new products such as aerial photograph provision, Geographic Information System (GIS) and emergency management systems.

The ability of LASS to contribute to a greater extent in terms of shared services and also at a strategic collaboration level has been the subject of discussion and agreement through the Waikato Mayoral Forum. The Directors have been tasked with identifying ways to progress these initiatives. This will involve resourcing and funding a range of initiatives that will potentially extend the services currently offered by LASS. The LASS Directors will continue to seek any new opportunities, either from internal investigations, or shareholder initiatives that are presented to it with a sound business case. New services that are intended to be initiated under the LASS umbrella will only be adopted where a business case shows that they provide some form of benefit to the shareholders. The benefits that may be gained include development of intellectual property through new business services, protection of Council data, improved levels of service and/or reduced cost. All such proposals will be presented to the Shareholders for approval prior to implementation.

### Council policies and objectives relating to CCOs

South Waikato District Council's policy on appointment of directors to CCOs states that, where Council is but one of a group of councils jointly controlling a CCO, then Council shall provide representatives (as appropriate) to consider the appointment and remuneration.

LASS is governed by a board of directors of six chief executives of the local authority shareholders. One of those six Directors was appointed by agreement between South Waikato, Taupo and Rotorua District Councils.

In terms of the Local Government Act 2002, Council's involvement in LASS is consistent with its Appointment of Directors to CCO's Policy. Council's involvement in LASS was confirmed, following public consultation through its Annual Plan 2005-06.

Council at present has no formal objectives other than to maintain its current shareholding.

# Annual Report 2013-2014

## Section 2: Groups of Activities

### Performance results

The following performance measures were incorporated into the Local Authority Shared Services Limited (LASS) 2013-14 financial year.

| Performance Measure   | Actual Outcome   |
|---|--|
| The company will carry out an annual survey of shareholders to assist directors in developing improvements on behalf of the shareholders, and to receive a majority of shareholder approval on the service provided | Annual survey of shareholders was completed in January 2014 with nine of the twelve shareholder Councils responding. Nine councils responded that the concept of LASS was still delivering benefits to their Council. Two Councils responded that they were very satisfied with the efforts being made by LASS to advance shared services opportunities and seven were fairly satisfied. The comments were made that achievements are constrained by fundamental challenges, and that more benefits could be seen with a more dedicated resource |
| Administration expenditure shall not exceed that budgeted by more than 5% unless prior approval is obtained from the directors  | Achieved, actual expenditure was \$10,306 unfavourable to budget (-4.8%)   |
| The company maintains an overall positive cash flow position  | Not achieved this year as cash flow was intentionally operated at a negative level in order to use up prior year surpluses. The Company still maintains a safe cash position with the cash, cash equivalents and bank accounts balances at the end of June 2014, being \$442,598   |
| The board will provide a written report on the business operations and financial position of the LASS as a minimum on a 6 monthly basis   | Six monthly reports have been sent to shareholders   |
| There will be an annual report to directors that all statutory requirements of the LASS are being adhered to  | All parties have confirmed that there were no legislative breaches during the year and this will be reported to the LASS Board at the September meeting when the Annual Report is presented  |
| That SVDS is available to users at least 99% of normal working hours  | SVDS was available 100% of working hours   |
| That at least 98% of agreed timelines are met for sale of property files that have been delivered to the File Transfer Protocol (FTP) server for access to customers  | 100% of Sales and Property files were supplied to Property IQ on time  |
| All Capital SVDS enhancement work is supported by a business case approved by the Advisory Group  | Not applicable this year as only minor work items of \$5,000 or less have been undertaken as per the road map approved by the advisory group   |
| That all required WRTM modelling reports are actioned within the required timeframe   | All WRTM modelling reports were completed within specified timeframe's   |
| That the base model adheres to "Screenline Validation Standards" as set out in the NZTA Economic Evaluation Manual as indicated by an external independent peer review  | No peer review has been undertaken in the current year (the last report from the peer reviewer was in October 2013 which stated that the model continues to meet all the set out criteria). As a result of the census, an update to the model is being undertaken and an independent reviewer is   |

# Annual Report 2013-2014

## Section 2: Groups of Activities

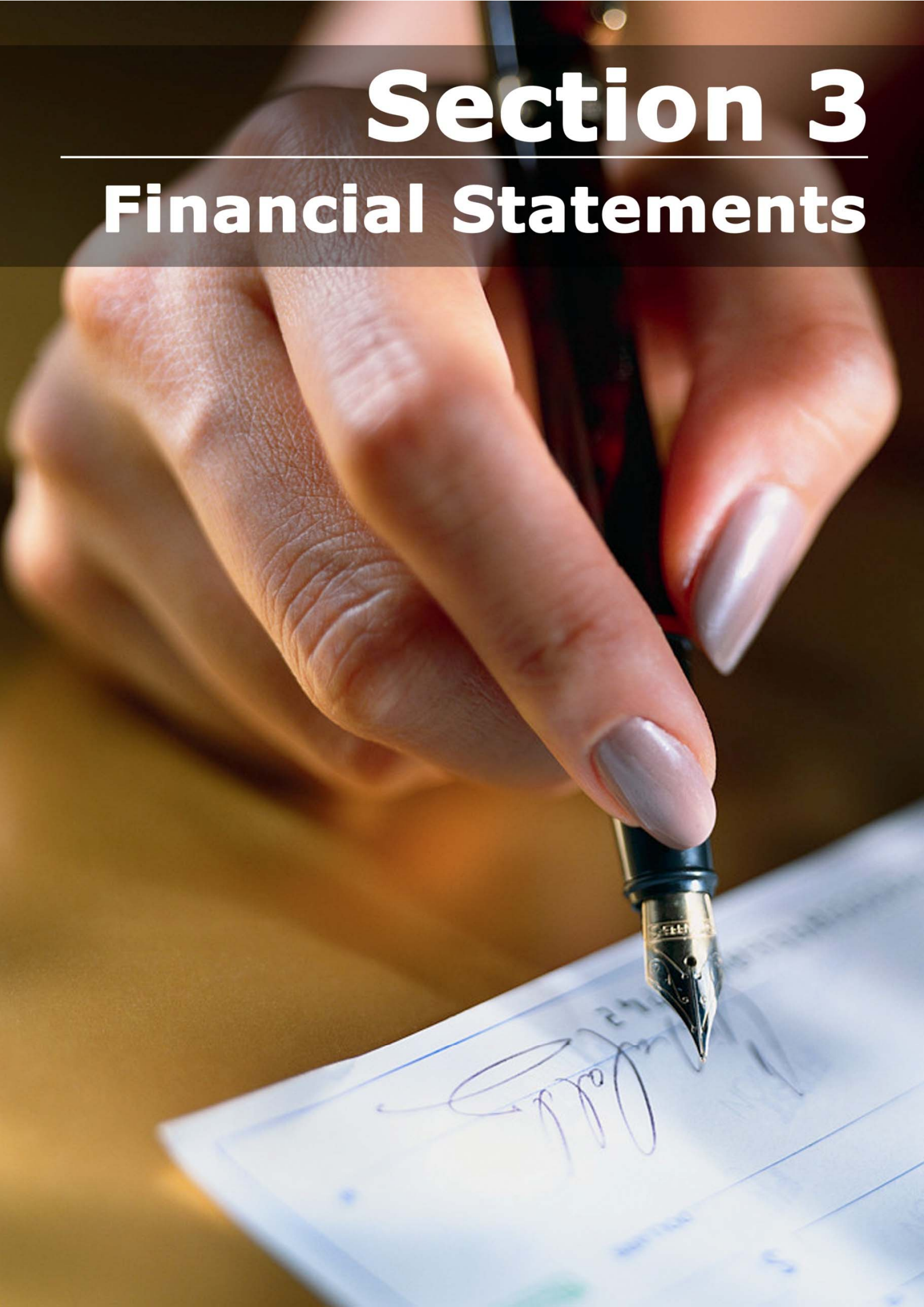
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|  |  |
|--|--|
|  | involved in this process. An independent review will be completed in October 2014  |
| That a full report on progress of the WRTM model be provided to the LASS Board twice each year   | Reports were provided at the LASS Board meetings in January and May 2014   |
| The key performance indicators from appendix 4 of the insurance brokerage contract are met   | This target has been achieved  |
| That any joint procurement projects deliver as per project approved objectives   | LASS joint procurement satisfactorily completed for computer generated print, mail and E-Services for rates, accessing online economic profile data, and postal and courier services |
| In response to requests from shareholders, the Company will provide regular reports and up dates to the Waikato Mayoral Forum group regarding progress with shared service initiatives | Updates are provided at all Mayoral Forums, the most recent being June 2014  |



# Section 3

## Financial Statements



## Index to the notes

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### 3.1. Statement of compliance

The Council of the South Waikato District hereby confirms that all statutory requirements in relation to the annual report, as outlined in the Local Government Act 2002, have been complied with.

Neil Sinclair MNZM JP BDS  
MAYOR  
23 October 2014

Craig Hobbs  
CHIEF EXECUTIVE  
23 October 2014





## 3.2. Consolidated statements

### 3.2.1. Consolidated statement of comprehensive income

| For the year ended 30 June 2014                    |          |                   |                     |                   |
|--|----------|-------------------|---------------------|-------------------|
|  | Note No. | Actual 2014 \$000 | Forecast 2014 \$000 | Actual 2013 \$000 |
| <b>Income</b>                                      |          |                   |                     |                   |
| Rates, excluding targeted water supply rates       | 3        | 19,375            | 19,255              | 18,842            |
| Fees, charges, and targeted rates for water supply |          | 5,204             | 5,194               | 5,109             |
| Development and financial contributions            |          | 42                | 40                  | 30                |
| Subsidies and grants                               | 4        | 2,650             | 2,653               | 2,981             |
| Finance income                                     | 5        | 707               | 839                 | 1,184             |
| Other revenue                                      | 6        | 1,326             | 359                 | 762               |
| Gains on financial instruments                     | 7        | 1,273             | -                   | 4,049             |
| <b>Total income</b>                                |          | <b>30,577</b>     | <b>28,340</b>       | <b>32,957</b>     |
| <b>Expenditure</b>                                 |          |                   |                     |                   |
| Employee benefits expense                          | 8        | 8,208             | 8,247               | 8,107             |
| Depreciation and amortisation expense              | 16,17    | 7,171             | 6,716               | 6,148             |
| Finance costs                                      | 5        | 541               | 542                 | 337               |
| Other expenses                                     | 9        | 33,426            | 38,511              | 13,784            |
| <b>Total expenditure</b>                           |          | <b>49,346</b>     | <b>54,016</b>       | <b>28,376</b>     |
| <b>Profit/(Loss) before tax</b>                    |          | <b>(18,769)</b>   | <b>(25,676)</b>     | <b>4,581</b>      |
| Income tax expense                                 |          | -                 | -                   | -                 |
| <b>Profit/(Loss) after tax</b>                     |          | <b>(18,769)</b>   | <b>(25,676)</b>     | <b>4,581</b>      |
| <b>Other comprehensive income</b>                  |          |                   |                     |                   |
| Change in Asset Revaluation Reserve                | 22       | 3,836             | 20,149              | 13,832            |
| Change in Investment Revaluation Reserve           | 22       | (244)             | -                   | (2,534)           |
| <b>Total other comprehensive income</b>            |          | <b>3,592</b>      | <b>20,149</b>       | <b>11,298</b>     |
| <b>Total comprehensive income</b>                  |          | <b>(15,177)</b>   | <b>(5,527)</b>      | <b>15,879</b>     |

### 3.2.2. Consolidated statement of changes in equity

| For the year ended 30 June 2014                         |          |                     |   |                               |                                 |                   |                 |                |
|---|----------|---------------------|---|-------------------------------|---------------------------------|-------------------|-----------------|----------------|
|   | Note No. | Restricted Reserves | Parent and Group Council Created Reserves | Property Revaluation Reserves | Investment Revaluation Reserves | Retained Earnings | Total           | Forecast       |
| <b>Balance at 1 July 2012 as reported</b>               |          | <b>12,330</b>       | <b>25,757</b>                             | <b>157,780</b>                | <b>3,068</b>                    | <b>140,449</b>    | <b>339,384</b>  | <b>361,321</b> |
| Correction of prior period error                        |          | -                   | -   | 40,738                        | -                               | -                 | 40,738          |                |
| <b>Restated equity as at 1 July 2012</b>                |          | <b>12,330</b>       | <b>25,757</b>                             | <b>198,518</b>                | <b>3,068</b>                    | <b>140,449</b>    | <b>380,122</b>  | <b>361,321</b> |
| Net profit for the year                                 |          |                     |   |                               |                                 | 4,581             | 4,581           | 715            |
| Transfers to retained earnings on disposal              |          | -                   | -   | (518)                         | -                               | 518               | -               | -              |
| Transfers to General Equity                             |          | (8,417)             | (469)                                     | -                             | -                               | 8,886             | -               | -              |
| Transfers from General Equity                           |          | 5,423               | 2,112                                     | -                             | -                               | (7,535)           | -               | -              |
| <b>Other comprehensive income</b>                       |          |                     |   |                               |                                 |                   |                 |                |
| Change in Asset Revaluation Reserve                     | 22       | -                   | -   | 13,832                        | -                               | -                 | 13,832          | 4,699          |
| Change in Investment Revaluation Reserve                | 22       | -                   | -   | -                             | (2,534)                         | -                 | (2,534)         | -              |
| <b>Total comprehensive income for the year</b>          |          | <b>(2,994)</b>      | <b>1,643</b>                              | <b>13,314</b>                 | <b>(2,534)</b>                  | <b>6,450</b>      | <b>15,879</b>   | <b>5,414</b>   |
| <b>Balance at 30 June 2013</b>                          |          | <b>9,336</b>        | <b>27,400</b>                             | <b>211,832</b>                | <b>534</b>                      | <b>146,899</b>    | <b>396,001</b>  | <b>366,735</b> |
| <b>Forecast balance at 1 July 2013</b>                  |          |                     |   |                               |                                 |                   |                 | 346,696        |
| Net profit for the year                                 | 22       |                     |   |                               |                                 | (18,769)          | (18,769)        | (25,676)       |
| Reclassification of internal portion of SWIF investment |          | -                   | -   | -                             | -                               | -                 | -               | 5,173          |
| Transfers to retained earnings on disposal              |          | -                   | -   | 62                            | -                               | (62)              | -               | -              |
| Transfers to General Equity                             |          | (10,766)            | (28,433)                                  | -                             | -                               | 39,199            | -               | -              |
| Transfers from General Equity                           |          | 12,137              | 9,074                                     | -                             | -                               | (21,211)          | -               | -              |
| <b>Other comprehensive income</b>                       |          |                     |   |                               |                                 |                   |                 |                |
| Change in Asset Revaluation Reserve previously          | 22       | -                   | -   | 3,836                         | -                               | -                 | 3,836           | 20,149         |
| Change in Investment Revaluation Reserve                | 22       | -                   | -   | -                             | (244)                           | -                 | (244)           | -              |
| <b>Total comprehensive income for the year</b>          |          | <b>1,371</b>        | <b>(19,359)</b>                           | <b>3,898</b>                  | <b>(244)</b>                    | <b>(843)</b>      | <b>(15,177)</b> | <b>(354)</b>   |
| <b>Balance at 30 June 2014</b>                          |          | <b>10,707</b>       | <b>8,041</b>                              | <b>215,730</b>                | <b>290</b>                      | <b>146,056</b>    | <b>380,824</b>  | <b>346,342</b> |

### 3.2.3. Consolidated balance sheet

| For the year ended 30 June 2014      |      |                  |                |                |                |
|--------------------------------------|------|------------------|----------------|----------------|----------------|
|                                      |      | Parent and Group |                |                |                |
|                                      | Note | Actual           | Forecast       | Actual         | Actual         |
|                                      | No.  | 2014             | 2014           | 2013           | 2012           |
|                                      |      | \$000            | \$000          | \$000          | \$000          |
| <b>Equity</b>                        |      |                  |                |                |                |
| Retained earnings                    | 22   | 146,056          | 145,037        | 146,899        | 140,449        |
| Other reserves                       | 22   | 234,768          | 201,305        | 249,102        | 239,673        |
| <b>Total equity</b>                  |      | <b>380,824</b>   | <b>346,342</b> | <b>396,001</b> | <b>380,122</b> |
| <b>Assets</b>                        |      |                  |                |                |                |
| <b>Current assets</b>                |      |                  |                |                |                |
| Cash and cash equivalents            | 10   | 11,415           | 1,990          | 17,581         | 5,200          |
| Trade and other receivables          | 11   | 2,900            | 2,395          | 2,847          | 2,395          |
| Inventories                          | 12   | 204              | 182            | 170            | 173            |
| Other financial assets               | 13   | 282              | 7,744          | 2,258          | 6,654          |
| Derivative financial instruments     | 14   | -                | 0              | -              | 124            |
| Non-current assets held for sale     | 15   | 392              | 0              | 101            | -              |
| <b>Total current assets</b>          |      | <b>15,193</b>    | <b>12,311</b>  | <b>22,957</b>  | <b>14,546</b>  |
| <b>Non-current assets</b>            |      |                  |                |                |                |
| Property, plant and equipment        | 16   | 379,155          | 348,630        | 375,664        | 358,897        |
| Other financial assets               | 13   | 7,552            | 4,210          | 11,567         | 19,675         |
| Intangible assets                    | 17   | 5                | 2              | -              | 2              |
| <b>Total non-current assets</b>      |      | <b>386,712</b>   | <b>352,842</b> | <b>387,231</b> | <b>378,574</b> |
| <b>Total assets</b>                  |      | <b>401,905</b>   | <b>365,153</b> | <b>410,188</b> | <b>393,120</b> |
| <b>Liabilities</b>                   |      |                  |                |                |                |
| <b>Current liabilities</b>           |      |                  |                |                |                |
| Trade and other payables             | 18   | 3,847            | 3,851          | 3,362          | 3,852          |
| Employee benefit obligations         | 20   | 1,373            | 1,220          | 1,317          | 1,162          |
| Borrowings                           | 21   | 577              | 905            | 287            | 6,873          |
| Provision for landfill closure       | 19   | 28               | 28             | 28             | 28             |
| Trust accounts                       | 18   | 146              | 158            | 155            | 158            |
| <b>Total current liabilities</b>     |      | <b>5,971</b>     | <b>6,162</b>   | <b>5,149</b>   | <b>12,073</b>  |
| <b>Non-current liabilities</b>       |      |                  |                |                |                |
| Provision for landfill closure       | 19   | 770              | 738            | 822            | 662            |
| Borrowings                           | 21   | 14,180           | 11,648         | 8,053          | -              |
| Employee benefit obligations         | 20   | 160              | 263            | 163            | 263            |
| <b>Total non-current liabilities</b> |      | <b>15,110</b>    | <b>12,649</b>  | <b>9,038</b>   | <b>925</b>     |
| <b>Total liabilities</b>             |      | <b>21,081</b>    | <b>18,811</b>  | <b>14,187</b>  | <b>12,998</b>  |
| <b>Net assets</b>                    |      | <b>380,824</b>   | <b>346,342</b> | <b>396,001</b> | <b>380,122</b> |

**3.2.4. Consolidated cash flow statement**

| <b>For the year ended 30 June 2014</b>                        |                     |                                  |                                    |                                  |
|---|---------------------|----------------------------------|------------------------------------|----------------------------------|
|   | <b>Note<br/>No.</b> | <b>Actual<br/>2014<br/>\$000</b> | <b>Forecast<br/>2014<br/>\$000</b> | <b>Actual<br/>2013<br/>\$000</b> |
| <b>Cash flow from operating activities</b>                    |                     |                                  |                                    |                                  |
| <i>Cash was provided from:</i>                                |                     |                                  |                                    |                                  |
| Rates   |                     | 21,292                           | 21,672                             | 20,475                           |
| Subsidies and grants  |                     | 2,886                            | 2,811                              | 2,891                            |
| Fees and charges  |                     | 3,015                            | 3,323                              | 3,064                            |
| Other income  |                     | 698                              | -                                  | 202                              |
| Interest received   |                     | 707                              | 665                                | 1,184                            |
| Dividend received   |                     | 498                              | -                                  | -                                |
|   |                     | <u>29,096</u>                    | <u>28,471</u>                      | <u>27,816</u>                    |
| <i>Cash was applied to:</i>                                   |                     |                                  |                                    |                                  |
| Interest paid   |                     | 541                              | 1,042                              | 337                              |
| Net GST paid  |                     | 1,259                            | -                                  | 497                              |
| Payment to suppliers and employees                            |                     | 39,328                           | 42,682                             | 20,354                           |
|   |                     | <u>41,128</u>                    | <u>43,724</u>                      | <u>21,188</u>                    |
| <b>Net cash inflows/(outflows) from operating activities</b>  | <b>23</b>           | <b><u>(12,032)</u></b>           | <b><u>(15,253)</u></b>             | <b><u>6,628</u></b>              |
| <b>Cash flow from investing activities</b>                    |                     |                                  |                                    |                                  |
| <i>Cash provided from:</i>                                    |                     |                                  |                                    |                                  |
| Proceeds from investments                                     |                     | 7,021                            | 24,585                             | 13,880                           |
| Property, plant and equipment sales                           |                     | 151                              | -                                  | 66                               |
|   |                     | <u>7,172</u>                     | <u>24,585</u>                      | <u>13,946</u>                    |
| <i>Cash was applied to:</i>                                   |                     |                                  |                                    |                                  |
| Purchase of investments                                       |                     | -                                | 5,338                              | -                                |
| Purchase of property, plant and equipment                     |                     | 7,723                            | 6,178                              | 9,662                            |
|   |                     | <u>7,723</u>                     | <u>11,516</u>                      | <u>9,662</u>                     |
| <b>Net cash inflows/(outflows) from investing activities</b>  |                     | <b><u>(551)</u></b>              | <b><u>13,069</u></b>               | <b><u>4,284</u></b>              |
| <b>Cash flow from financing activities</b>                    |                     |                                  |                                    |                                  |
| <i>Cash was provided from:</i>                                |                     |                                  |                                    |                                  |
| Loans raised  |                     | 7,105                            | 3,884                              | 1,915                            |
|   |                     | <u>7,105</u>                     | <u>3,884</u>                       | <u>1,915</u>                     |
| <i>Cash was applied to:</i>                                   |                     |                                  |                                    |                                  |
| Loans repaid  |                     | 688                              | 654                                | 446                              |
|   |                     | <u>688</u>                       | <u>654</u>                         | <u>446</u>                       |
| <b>Net cash inflows/(outflows) from financing activities</b>  |                     | <b><u>6,417</u></b>              | <b><u>3,230</u></b>                | <b><u>1,469</u></b>              |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   |                     | <b><u>(6,166)</u></b>            | <b><u>1,046</u></b>                | <b><u>12,381</u></b>             |
| <b>Cash and cash equivalents at the beginning of the year</b> |                     | <b><u>17,581</u></b>             | <b><u>944</u></b>                  | <b><u>5,200</u></b>              |
| <b>Cash and cash equivalents at the end of the year</b>       | <b>10</b>           | <b><u>11,415</u></b>             | <b><u>1,990</u></b>                | <b><u>17,581</u></b>             |

**3.2.5. Funding impact statement - whole of Council**

|  | Annual Plan<br>2013<br>\$000's | Actual<br>2013<br>\$000's | Annual Plan<br>2014<br>\$000's | Actual<br>2014<br>\$000's |
|--|--------------------------------|---------------------------|--------------------------------|---------------------------|
| <b>SOURCES OF OPERATING FUNDING</b>                                      |                                |                           |                                |                           |
| General Rates, Uniform Annual General Charges, rates penalties           | 15,888                         | 15,721                    | 16,538                         | 16,082                    |
| Targeted rates (other than a targeted rate for water supply)             | 5,015                          | 5,555                     | 5,125                          | 5,812                     |
| Subsidies & grants for operating purposes                                | 2,648                          | 1,117                     | 2,653                          | 1,225                     |
| Fees, charges & targeted rates for water supply                          | 3,089                          | 2,905                     | 3,144                          | 3,563                     |
| Interest & dividends from investments                                    | 1,502                          | 750                       | 805                            | 577                       |
| Local authorities fuel tax, fines, infringement fees, and other receipts | 107                            | 11,938                    | 153                            | 1,157                     |
| <b>TOTAL OPERATING FUNDING (A)</b>                                       | <b>28,249</b>                  | <b>37,986</b>             | <b>28,418</b>                  | <b>28,416</b>             |
| <b>APPLICATION OF OPERATING FUNDING</b>                                  |                                |                           |                                |                           |
| Payments of staff & suppliers  | 20,198                         | 23,194                    | 46,329                         | 46,961                    |
| Finance costs  | 408                            | 678                       | 474                            | 872                       |
| Other operating funding applications                                     | 290                            | 9,895                     | 401                            | 119                       |
| <b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>                       | <b>20,896</b>                  | <b>33,767</b>             | <b>47,204</b>                  | <b>47,952</b>             |
| <b>SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)</b>                      | <b>7,353</b>                   | <b>4,219</b>              | <b>(18,786)</b>                | <b>(19,536)</b>           |
| <b>SOURCES OF CAPITAL FUNDING</b>  |                                |                           |                                |                           |
| Subsidies & grants for capital expenditure                               | 1,820                          | 2,180                     | 1,557                          | 1,595                     |
| Development & financial contributions                                    | 23                             | 30                        | 23                             | 42                        |
| Increase (decrease) in debt  | 2,335                          | 1,655                     | 716                            | 255                       |
| Gross proceeds from sale of assets                                       | -                              | 66                        | -                              | -                         |
| Lump sum contributions   | -                              | -                         | -                              | -                         |
| Other dedicated capital funding  | -                              | -                         | -                              | -                         |
| <b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>                              | <b>4,178</b>                   | <b>3,931</b>              | <b>2,296</b>                   | <b>1,892</b>              |
| <b>APPLICATION OF CAPITAL FUNDING</b>                                    |                                |                           |                                |                           |
| Capital expenditure:   |                                |                           |                                |                           |
| • to meet additional demand  | 449                            | 487                       | 406                            | 430                       |
| • to improve the level of services                                       | 2,888                          | 3,728                     | 785                            | 857                       |
| • to replace existing assets   | 5,586                          | 5,745                     | 5,641                          | 5,323                     |
| Increase (decrease) in reserves  | (5,476)                        | (1,120)                   | (4,879)                        | (20,220)                  |
| Increase (decrease) in investments                                       | 8,084                          | (690)                     | (18,443)                       | (4,034)                   |
| <b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>                         | <b>11,531</b>                  | <b>8,150</b>              | <b>(16,490)</b>                | <b>(17,644)</b>           |
| <b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)</b>                        | <b>(7,353)</b>                 | <b>(4,219)</b>            | <b>18,786</b>                  | <b>19,536</b>             |
| <b>FUNDING BALANCE ((A-B)+(C-D))</b>                                     | <b>-</b>                       | <b>-</b>                  | <b>-</b>                       | <b>-</b>                  |

### 3.3. Notes to the financial statements

#### 1 Statement of accounting policies

##### Reporting entity

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

The primary objective of Council is to provide services and social benefits to the community rather than making a financial return. Accordingly, Council has designated itself as a public benefit entity for the purposes of the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The financial statements of the Council are for the year ended 30 June 2014. The financial statements were authorised for issue by the Councillors on 23 October 2014.

##### Basis of preparation

###### Statement of compliance

The financial statements of the Council have been prepared in accordance with the requirements of the Local Government Act 2002, which include the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The financial statements have been prepared in accordance with NZ GAAP and they comply with NZ IFRS as appropriate for public benefit entities.

###### Measurement base

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

###### Functional and presentation currency

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

The accounting policies set out below have been applied consistently for all periods presented in these financial statements.

###### Group financial statements

The following entity is a subsidiary of the Council: the South Waikato Economic Development Trust (SWEDT). The Mayor, the Deputy Mayor and one other person are the only trustees. Council has no financial investment in SWEDT but funds some of SWEDT's activities, and exercises control in its financial and operating activities.

Council is required under the Local Government Act 2002 to prepare consolidated financial statements in relation to the group for each financial year.

Consolidated financial statements of the group have not been prepared using the purchase method due to the small size of the subsidiary, which means that the parent and group amounts are not materially different. Information relating to the subsidiary of the Council is separately disclosed in Note 32.

###### Changes in accounting policies

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

###### Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

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

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

### **Significant accounting policies**

#### **Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Council and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods or services in the normal course of business, net of discounts and sales related taxes. The following specific recognition criteria must also be met before revenue is recognised.

Rates are set annually by a resolution from Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when payable. Rates charged to Council properties are excluded from rates income in the profit or loss.

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

#### **Government grants**

Government grants are recognised when:

- claimed, for work completed on previously approved programmes
- eligibility has been established by the grantor.

Council receives government grants from the New Zealand Transport Agency, which subsidises part of the costs of maintaining the local roading infrastructure. These subsidies are recognised upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

#### **Provision of services**

Revenue from the provision of services (fees and charges) are recognised as income when the obligation to pay, by reference to the stage of completion of the transaction at balance date, arises.

#### **Interest and dividends**

Interest income is recognised as it accrues using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument.

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

#### **Vested assets**

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as income. Assets vested in the Council are recognised as income when control over the asset is obtained.

#### **Financial contributions borrowing costs**

Financial contributions are recognised as revenue when the Council provides, or is able to provide, the services for which the contribution was charged. Otherwise, the financial contributions are recognised as liabilities until such time as the Council provides, or is able to provide, the service.

The Council and group has elected to defer the adoption of NZIAS 23 Borrowing Costs (revised 2008) in accordance with its transitional provisions that are applicable to public entities.

Consequently, 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 and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant.

#### **Cost allocation policy**

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on cost drivers and related activity/usage information. Direct costs are those costs directly attributable to a specific activity. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific significant activity.

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### **Cost drivers for allocation of indirect costs**

The cost of internal services not directly charged to activities are allocated as support costs using appropriate cost drivers such as actual usage, staff numbers and floor area.

### **Non-current assets held for sale**

Non-current assets are classified as held for sale if the carrying amount will be recovered through a sale rather than continuing use. This condition is met only when the sale is highly probable and the asset is available for sale in its present condition. Council must be committed to the sale, and a completed sale is expected within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of the asset's carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in profit or loss.

Any increase in fair value, less costs to sell, are recognised in profit or loss up to the level of any impairment losses that have been previously recognised.

Non-current assets held for sale are not depreciated or amortised while they are classified as held for sale.

### **Property, plant and equipment**

These are classified as:

#### **Operational assets**

These are tangible assets and include land, buildings and improvements, motor vehicles, the South Waikato Indoor Pools and associated equipment, and the library collection.

#### **Infrastructural assets**

These are fixed utility systems that provide a continuing service to the community and are not generally regarded as tradeable. They include:

- all property, plant and equipment associated with water supply, sewerage, stormwater and waste disposal, including the land that they are located upon
- all roads, service lanes, footpaths, street lights, carparks and associated street furniture
- all public toilets and restrooms, public halls and the land they are situated on.

#### **Restricted assets**

These assets cannot be disposed of because of legal or other restrictions and provide a benefit or service to the community. They include:

- all property (excluding South Waikato Indoor Pools) associated with recreation, scenic, historic purposes, esplanade and local purpose reserves, including the reserve land
- all cemeteries
- all land contained within road reserves.

### **Measurement at recognition**

All items of property, plant and equipment that qualify for recognition as assets are initially measured at cost. An item of property, plant and equipment is recognised as an asset only if it is probable that any future economic benefits or service potential associated with them will flow to Council and the cost of the item can be measured reliably. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

### **Measurement after recognition**

Property, plant and equipment are shown at cost or revalued amount, less accumulated depreciation and impairment losses. Those asset classes that are revalued are generally valued on a three year rotational basis to ensure revalued assets are carried at a value that is not materially different from fair value. All revaluations are either performed by independent and qualified valuers or in-house and peer-reviewed by independent and qualified valuers. All other asset classes are carried at depreciated historical cost.

### **Operational assets**

#### **Heritage assets**

Valuation is at fair value as determined from market-based evidence. The most recent valuation performed by Webb Galleries was as at 30 June 2009.



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### **Library collection**

Valuation is at cost less accumulated depreciation and any accumulated impairment losses.

### **Land and buildings**

Valuation is at fair value as determined from market-based evidence. The most recent valuation exercise for buildings was performed by Telfer Young, Registered Valuers and Property Consultants, Rotorua, effective as at 30 June 2012.

### **Motor vehicles, plant and equipment, furniture and fittings**

Valuation is at cost less accumulated depreciation and any accumulated impairment losses.

### **Infrastructural assets**

Land and buildings including land underneath roads were revalued effective 30 June 2012 by Telfer Young, Registered Valuers and Property Consultants, Rotorua, at current market value. The valuation methodology used for land underneath roads is the assessment of the value based upon an indicated value of the land adjoining the roads. Rural and urban roads have been separated and the average land value for adjoining land for each separate division applies. In some cases, a discount has been applied to the land value.

Landfill cell development, pipes and pumps are valued at cost less accumulated depreciation and any impairment costs.

Street furniture is valued at cost less accumulated depreciation and any impairment costs.

Roads, footpaths, streetlights, large culverts and bridges were revalued effective 30 June 2014 by professionally qualified in-house staff, and peer reviewed by Opus International Consultants Limited, Auckland at optimised depreciated replacement value. Each asset component was valued taking into account its remaining useful life.

Sewage, stormwater disposal and water supply property, plant and equipment were revalued on 30 June 2013 by professionally qualified in-house staff, and peer reviewed by Opus International Consultants Limited, Auckland at optimised depreciated replacement value.

The underground reticulation pipework was also revalued on 30 June 2013 by professionally qualified in-house staff, and peer reviewed by Opus International Consultants Limited, Auckland, at optimised depreciated replacement value.

Paper roads with a total length of 151.378km are recorded at land value.

Costs incurred in obtaining any resource consents are capitalised as part of the asset to which they relate. If a resource consent application is declined then all capitalised costs are written off.

### **Restricted assets**

Restricted land and buildings are carried at fair value less accumulated depreciation. The most recent market-based valuation was performed by Telfer Young, Registered Valuers and Property Consultants, Rotorua, effective as at 30 June 2012.

Parks and reserves assets were revalued effective 30 June 2012 at depreciated replacement value. The revaluation was undertaken using a combination of in-house staff and an external consultant, Willy Coenradi, principal consultant of Wilcon Sylvan Parks and Landscape Management Ltd, Helensville. Both in-house staff and the external consultant have an extensive knowledge base and background in parks and reserves asset management.

The external consultant reviewed the useful lives and replacement cost unit values on Council's fixed assets register. The replacement cost unit values were updated to current market values by using, either:

- available current contract-supplier unit rates for equivalent asset types (giving the highest level of confidence) or
- standard asset unit values for similar related assets (giving a medium level of confidence) or
- the 2008 asset values/purchase cost adjusted for industry-specific inflation indices as provided by Business and Economic Research Ltd (BERL) (giving the lowest level of confidence).

As part of the revaluation process, where assets that continue to be in commission are found to have a remaining life of nil (on Council's fixed assets register), an adjusted remaining useful life of 2.5% of the original base life has been made.

### **Accounting for revaluations**

Council accounts for revaluations on property, plant and equipment on a class of asset basis.

The results of revaluing are recognised in other comprehensive income and accumulated as a separate component of equity in the asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed through profit or loss. Any subsequent increase on revaluation that off-sets

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a previous decrease in value recognised in profit or loss will be recognised first in profit or loss up to the amount previously expensed and then credited to other comprehensive income.

### Depreciation

Property, plant and equipment are depreciated on a straight-line basis at rates that reflect their estimated useful lives.

Depreciation is charged to write off the cost or valuation of assets, other than land and properties under construction and road formation cost, over their estimated useful lives. The depreciation rates are applied at a component level and are dependent on the remaining useful life of each component. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

### Operational and restricted assets

|                                  |                 |
|----------------------------------|-----------------|
| Heritage assets                  | Not depreciated |
| Land                             | Not depreciated |
| Buildings                        | 40 - 100 years  |
| Plant and equipment              | 5 - 30 years    |
| Swimming pools                   | 40 - 100 years  |
| Motor vehicles                   | 5 years         |
| Computer equipment and furniture | 3 - 10 years    |
| Library equipment                | 5 - 10 years    |

### Infrastructural assets

#### Roading Network

|                                   |                 |
|-----------------------------------|-----------------|
| Top surface - rural               | 1 - 18 years    |
| Top surface – urban               | 1 – 22 years    |
| Pavement – rural                  | 40 - 70 years   |
| Pavement - urban                  | 40 - 99 years   |
| Culverts                          | 25 - 80 years   |
| Footpaths                         | 10 - 80 years   |
| Kerbs                             | 80 years        |
| Signs                             | 6- 9 years      |
| Streetlights and poles            | 25 - 70 years   |
| Bridges                           | 78 - 118 years  |
| Land (including land under roads) | Not depreciated |

#### Waste

|                            |               |
|----------------------------|---------------|
| Landfills, pipes and pumps | 7 - 100 years |
|----------------------------|---------------|

#### Sewerage Systems

|                      |               |
|----------------------|---------------|
| Reticulated pipework | 70 - 90 years |
| Manholes             | 80 years      |
| Treatment plant      | 5 - 80 years  |

#### Stormwater Systems

|                       |               |
|-----------------------|---------------|
| Reticulated pipework  | 50 - 90 years |
| Manholes and cesspits | 90 years      |
| Detention dams        | 60 years      |

#### Water Supply

|                      |               |
|----------------------|---------------|
| Reticulated pipework | 55 - 95 years |
|----------------------|---------------|

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|                           |  |
|---------------------------|--|
| Valves and hydrants       | 80 years                                   |
| Pump stations             | Up to 100 years (dependent on componentry) |
| Storage tanks             | 25 - 80 years                              |
| Infrastructural buildings | 40 - 100 years                             |
| Street furniture          | 3 - 10 years                               |

### Impairment

All assets, current and non-current, are tested annually for indicators of impairment or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised in other comprehensive income. Where that results in a debit balance in other comprehensive income, the balance is recognised in profit or loss.

For assets not carried at a revalued amount, the total impairment loss is recognised in profit or loss.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for the class of asset was previously recognised in profit or loss, a reversal of the impairment loss is also recognised in profit or loss.

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

### Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in profit or loss. When revalued assets are sold, the amounts included in the asset revaluation reserves in respect of those assets are transferred to general equity.

### Subsequent cost

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Council and the cost can be measured reliably.

### Assets under construction

Capital works under construction are valued at cost. The total cost of the project is transferred to the relevant asset class on its completion and then depreciated.

### Vested assets

Certain infrastructure assets have been vested in Council and are recognised in profit or loss at fair value. These assets have been valued based on the actual quantities of infrastructure components vested and the current 'in the ground' cost of providing identical services. Vested assets include roads, the Talking Poles, pavement art, the Tokoroa town clock, the airport tower, Tokoroa Skateboard Park, and various culverts and water pipes. On initial recognition the fair value of vested assets is recognised in profit or loss. Subsequent to this vested assets are revalued together with other property, plant and equipment, and surpluses or deficits arising on revaluation are treated in the same way as other property, plant and equipment.

### Rental property

Rental property is included in property, plant and equipment in accordance with NZ IFRS, as the rental property is held to provide a social service rather than for rental income, capital appreciation or both.

### Intangible assets

#### Computer software

Acquired computer software is capitalised on the basis of the cost incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as expense when incurred.

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### Easements

No value is attached to easements due to the difficulty in establishing their original cost or fair value.

### Amortisation of intangible assets

The carrying amount of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in profit or loss. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

|                   |             |
|-------------------|-------------|
| Computer software | 3 – 7 years |
|-------------------|-------------|

### Financial instruments

#### Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. Investments are initially measured at fair value plus transaction costs except for those financial assets classified as fair value through profit or loss which are initially measured at fair value. Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### Financial assets at fair value

Financial assets in this category are either financial assets held for trading or financial assets designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future or
- it is a part of an identified portfolio of financial instruments that the Council manages together and has a recent actual pattern of short-term profit-taking or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss includes any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 13.

These consist of forward foreign exchange contracts that are assets. Council uses these derivative financial instruments to hedge exposure to foreign exchange fluctuations. However, as permitted by NZ IAS 39, Council does not employ hedge accounting techniques in its accounting for derivative financial instruments. After initial measurement these assets are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss. Council does not currently hold any of these investments.

#### Financial assets at fair value through profit or loss

These consist of forward foreign exchange contracts that are assets. Council uses these derivative financial instruments to hedge exposure to foreign exchange fluctuations. However, as permitted by NZ IAS 39, Council does not employ hedge accounting techniques in its accounting for derivative financial instruments. After initial measurement these assets are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss.

#### Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that Council's management has the positive intention and ability to hold to maturity. These investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective interest basis. Currently Council does not hold any assets in this category.

#### Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Loans and receivables are classified as trade and other receivables in the balance sheet and include rates receivable, accrued income and New Zealand Transport Agency subsidies receivable.

### Available for sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Certain shares held by Council are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 13. Gains and losses arising from changes in fair value are recognised directly in the investment revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the Investment revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised separately in profit or loss in the statement of comprehensive income when Council's right to receive payment is established.

These include bonds and shares, the investment in Local Authority Shared Services Limited and Local Government Civic Assurance. If these assets are traded in an active market they are measured at their fair value using quoted market prices at the balance sheet date. The quoted market price used is the current bid price. If the financial assets are not traded in an active market, their fair value is determined using valuation techniques. Council uses a variety of valuation methods and makes assumptions based on market conditions existing at each balance date. Of the remaining financial assets, if quoted market prices of similar financial assets in the market are not available, other techniques such as discounted expected cash flows are utilized to determine their fair value, or otherwise cost is used.

### Impairment of financial assets

At each balance sheet date Council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the profit or loss.

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as available for sale and financial lease receivables, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty or
- Default or delinquency in interest or principal payments.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### Financial liabilities

Financial liabilities including debt instruments issued by Council are classified according to the substance of the contractual arrangements entered into.

The accounting policies adopted for specific financial liabilities are as follows:

- Bank borrowings  
Interest bearing bank loans are initially measured at fair value net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.
- Debt instruments  
Council issues bonds from time to time to raise funds. These are initially measured at fair value net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

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- Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost.

### **Derivative financial instruments**

These are mainly forward foreign exchange contracts. These are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. Any gain or loss is recognised in profit or loss immediately.

Council activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. Council uses derivative financial instruments (primarily foreign currency forward contracts) to mitigate its risks associated with foreign currency fluctuations which relate to certain firm commitments and forecasted transactions. The significant interest rate risk arises from bank loans.

The use of financial derivatives is governed by Council's policies as approved by Council resolution, and which provide written principles on the use of financial derivatives consistent with Council's risk management strategy. Council does not use derivative financial instruments for speculative purposes.

### **Investments in Council controlled organisations**

Council has an interest (2.7%) in a Council Controlled Organisation (CCO), Local Authority Shared Services Limited. Council has no significant influence on operational or financial policies.

As this investment is not traded on an active market and quoted market prices of similar financial assets are not available, the fair value cannot be measured reliably. The investment is therefore measured at cost.

### **Inventories**

Inventories held for distribution or consumption in the provision of services are measured at the lower of cost or current replacement cost. The cost to these inventories is assigned by using the weighted average cost formula. The write down from cost to current replacement cost is recognised in profit or loss.

### **Foreign currencies**

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of transaction.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are included in profit or loss for the period. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, demand deposits, and other short-term highly liquid investments with original maturities of three month or less from the date of acquisition.

### **Goods and services tax (GST)**

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to the Inland Revenue (IRD) is included as part of receivables or payables in the Balance Sheet. The net amount of GST paid 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 flow. Commitments and contingencies are disclosed exclusive of GST.

### **Employee benefits**

#### **Short-term employee entitlements**

Employee benefits expected to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

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

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

### **Long-term entitlements**

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave have been calculated on actuarial basis using the service of professional actuaries. The actuarial calculations are based on an assumed salary increase of 3.5% (2013: 3.5%) per annum and a discount rates between 3.7% and 5.50% (2013: 2.71% - 6%) per annum. The discount rate is derived from the forward rates on NZ Government Bonds over recent periods. It's also assumed that all employees will retire at the age of 65 and will resign in accordance with the withdrawal rate assumption taken from the Treasury Circular 1998/15. Any actuarial gain or loss resulting from re-measurement of these liabilities is recognised in profit or loss.

Employees appointed to the staff prior to 31 December 1989 who retire from Council with not less than ten years continuous service are eligible for retirement leave. Employees appointed to the staff prior to 1 April 1992 are eligible for long service leave.

### **Presentation of employee entitlements**

Sick leave, annual leave, vested long service leave and non-vested long service leave, and retirement gratuities expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

### **Superannuation schemes**

#### **Defined contribution scheme**

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in profit or loss.

### **Public equity**

Public equity is the community's interest in the Council, as measured by the value of total assets less total liabilities. Public equity is disaggregated and classified into a number of reserves to enable clearer identification of the specific uses Council makes of its accumulated surpluses. The components of equity are:

- general equity (retained earnings)
- restricted reserves
- Council-created reserves
- property revaluation reserves
- investment revaluation reserves.

Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned.

#### **General equity (retained earnings)**

General equity refers to reserves that do not fall into any of the four categories below.

#### **Restricted reserves**

Restricted reserves are those reserves subject to specific conditions accepted as binding by the 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 specific purposes or if certain specified conditions are met. The reserves represent balances held from the collection of targeted rates and charges on activities that are funded from targeted rating or those same activities funding depreciation.

#### **Council created reserves**

Council-created reserves are a part of the accumulated balance and are established at the will of Council. 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.

#### **Property revaluation reserves**

Revaluation reserves arise from certain asset classes being revalued.

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### **Investment revaluation reserve**

The investment revaluation reserve contains cumulative unrealised gains and losses in investments classified as 'available for sale' in accordance with NZ IAS 39.

### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### **Finance leases**

#### **Council as lessee**

At the commencement of the lease term, Council recognises finance leases as assets and liabilities in the balance sheet at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether Council will retain ownership at the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

#### **Council as lessor**

Amounts due from lessees under finance leases are recorded as receivables and are initially recognised at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease income is allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

### **Operating leases**

#### **Council as lessee**

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

#### **Council as lessor**

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

### **Provisions**

Council recognises a provision for future expenditure of uncertain amount when there is a present obligation (legal or constructive) as a result of a past event, it is probable that expenditures 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 expenditures 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.

### **Landfill post-closure provision**

Council, as operator of the Tokoroa and Putāruru landfills, has a legal obligation under its resource consent, to provide on-going maintenance and monitoring services at the landfill site after closure. A provision for closure and post-closure costs is recognised as a liability when the obligation for closure and post-closure expenses arises.

A calculation of these future costs has been discounted and is measured based on the present value of future cash flows expected to be incurred, taking into account future events, including new legal requirements and known improvements in technology. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to Council. Amounts provided for landfill closure and post-closure are capitalised in the landfill asset where they give rise to future economic benefit to be obtained. Components of the capitalised landfill asset are depreciated over their useful lives.

### **Financial guarantee contracts**

A financial guarantee contract is a contract that requires Council to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are disclosed as contingent liabilities. The amount of these contingent liabilities is equal to the loan balances guaranteed.



### Critical judgements and estimations

The preparation of financial statements in conformance with NZ IFRS requires judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditures.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revisions affect both current and future periods.

Management has made the following judgments and estimations that have the most significant effect on the amounts recognised in the financial statements:

#### Property, plant and equipment

As the Council is a Public Benefit Entity, property plant and equipment are valued at depreciated replacement cost that is based on an estimate of either fair value or current gross replacement costs of improvement less allowances for physical deterioration and optimisation for obsolescence and relevant surplus capacity. There are certain assets such as wastewater or stormwater related assets which may be affected by changes in the measurement of qualitative standards which could affect the results of future periods.

The depreciation method used reflects the service potential of assets and is reviewed each year to ensure that there is no under maintenance of assets which could affect the results of future periods.

#### Classification of investments

Council has designated all its bond investments as 'available for sale', rather than 'held to maturity', although they all have specific maturity dates. This was due to significant disposals within this class of financial asset before maturity in previous financial years. Therefore, unrealised gains and losses on these investments are recognised as a movement in other comprehensive income. The carrying amount of the available for sale financial assets is disclosed in the notes to the financial report.

#### Long service leave provisions

Key assumptions concerning the future have been made in the actuarial calculation of long service leave and retiring leave. These are disclosed in the notes to the financial report.

#### Landfill closure and post-closure provision

Assumptions about the future have been made in the calculation of the landfill closure and post closure cost provisions. These are disclosed in the notes to the financial report.

#### Prior period adjustment

The results and position of the Council for the prior year have been restated as a result of an error in the methodology for valuation of the roading formation (earthworks) assets. The error was detected during the current financial year. In accordance with the requirements of *NZ IAS 8 Accounting policies, Changes in Accounting Estimates and Errors*, the comparative figures affected by the error have to be restated. The impact of the error was to understate the Council's comprehensive income for the previous years. There was no impact in 2013. The table below sets out the effect of the restatement:

|   | Parent and Group        |                         |
|---|-------------------------|-------------------------|
|   | Actual<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
| <b>As at 30 June 2012</b>                           |                         |                         |
| <b>Impact on opening balance sheet</b>              |                         |                         |
| Increase in property, plant and equipment           | 40,738                  | 40,738                  |
| <b>Net increase in property revaluation reserve</b> | <b>40,738</b>           | <b>40,738</b>           |

## 2 Summary cost of services

|   | Actual<br>2014<br>\$000 | Forecast<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
|---|-------------------------|---------------------------|-------------------------|
| <b>General Revenue (Net of Internal Revenue)</b>  | 17,959                  | 16,736                    | 21,096                  |
| <b>Revenue From Significant Activities</b>        |                         |                           |                         |
| Transport and roading                             | 2,708                   | 2,745                     | 2,729                   |
| Recreation and facilities - facilities & property | 743                     | 719                       | 958                     |
| Economic and community development                | 126                     | 156                       | 134                     |
| Recreation and facilities - leisure services      | 349                     | 381                       | 362                     |
| Water supply                                      | 2,313                   | 2,167                     | 2,313                   |
| Stormwater  | 509                     | 436                       | 428                     |
| Wastewater  | 2,836                   | 2,557                     | 2,576                   |
| Solid waste and recycling                         | 2,063                   | 1,545                     | 1,501                   |
| Environment - regulatory services                 | 781                     | 735                       | 759                     |
| Environment- resource management and planning     | 125                     | 96                        | 81                      |
| Environment - emergency management                | 10                      | 12                        | 3                       |
| Governance and corporate                          | 55                      | 55                        | 16                      |
| <b>Total Service Statement Revenue</b>            | <b>12,618</b>           | <b>11,604</b>             | <b>11,860</b>           |
| <b>TOTAL REVENUE</b>                              | <b>30,577</b>           | <b>28,340</b>             | <b>32,956</b>           |
| <b>EXPENDITURE</b>                                |                         |                           |                         |
| <b>Expenditure From Significant Activities</b>    |                         |                           |                         |
| Transport and roading                             | 7,234                   | 6,890                     | 6,800                   |
| Recreation and facilities - facilities & property | 2,048                   | 2,215                     | 1,764                   |
| Economic and community development                | 22,665                  | 28,413                    | 2,081                   |
| Recreation and facilities - leisure services      | 4,510                   | 4,528                     | 4,557                   |
| Water supply                                      | 2,393                   | 2,242                     | 2,178                   |
| Stormwater  | 616                     | 563                       | 565                     |
| Wastewater  | 2,986                   | 2,881                     | 2,627                   |
| Solid waste and recycling                         | 2,194                   | 2,317                     | 2,293                   |
| Environment - regulatory services                 | 1,802                   | 1,812                     | 1,778                   |
| Environment- resource management and planning     | 1,092                   | 943                       | 1,146                   |
| Environment - emergency management                | 324                     | 355                       | 333                     |
| Governance and corporate                          | 1,733                   | 1,612                     | 1,612                   |
| <b>Total Service Statement Expenditure</b>        | <b>49,597</b>           | <b>54,771</b>             | <b>27,734</b>           |
| <b>Less: Elimination of Internal Expenditure</b>  | <b>(739)</b>            | <b>(755)</b>              | <b>(769)</b>            |
|   | <b>48,858</b>           | <b>54,016</b>             | <b>26,965</b>           |
| <b>Other Expenditure</b>                          | 488                     | -                         | 1,410                   |
| <b>TOTAL EXPENDITURE</b>                          | <b>49,346</b>           | <b>54,016</b>             | <b>28,375</b>           |
| <b>NET SURPLUS BEFORE TAX</b>                     | <b>(18,769)</b>         | <b>(25,676)</b>           | <b>4,581</b>            |

### 3 Rates revenue

|   | Parent and Group        |                         |
|---|-------------------------|-------------------------|
|   | Actual<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
| <b>General Rates</b>                                      | 15,190                  | 14,749                  |
| <b>Targeted rates attributable to activities</b>          |                         |                         |
| Waste water   | 2,741                   | 2,566                   |
| Stormwater  | 408                     | 427                     |
| Solid waste   | 563                     | 592                     |
| Business Promotion  | 87                      | 97                      |
| Economic Development                                      | -                       | 12                      |
| Public Halls  | 49                      | 31                      |
| District Governance                                       | 15                      | 15                      |
| Rates penalties   | 322                     | 353                     |
| <b>Total rates, excluding targeted water supply rates</b> | <b>19,375</b>           | <b>18,842</b>           |

#### Rates remissions

Council's rates policy allows Council to remit rates on churches, marae, play centres, schools and other community or sporting organisations. There are also remissions on protected land or in certain cases where land is being commercially developed. The value of these remissions is set out in section 1.10 (Rates Remission and Postponement Policies Report) of the Annual Report.

In accordance with the Local Government (Rating) Act 2002, certain properties cannot be rated for general rates. This includes schools, places of religious worship, public gardens and reserves. These non-rateable properties, where applicable, may be subject to targeted rates in respect of sewerage, water and refuse. Non-rateable land does not constitute a remission under Council rates remission policy. Rates revenue excludes rates paid on Council's own property of \$546,000 (2013: \$519,000).

### 4 Subsidies and grants

|   | Parent and Group        |                         |
|---|-------------------------|-------------------------|
|   | Actual<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
| New Zealand Transport Agency roading subsidies          | 2,554                   | 2,605                   |
| Grants and donations for the SW Sport and Events Centre | 96                      | 367                     |
| Sundry other  | -                       | 9                       |
|   | <b>2,650</b>            | <b>2,981</b>            |

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

**5 Finance income and finance costs**

|  | Parent and Group        |                         |
|--|-------------------------|-------------------------|
|  | Actual<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
| Finance Income                             |                         |                         |
| Interest Income                            |                         |                         |
| - Term deposits                            | 150                     | 372                     |
| - Available for Sale bonds                 | 557                     | 812                     |
| <b>Total Finance Income</b>                | <b>707</b>              | <b>1,184</b>            |
| Finance Cost                               |                         |                         |
| Interest cost                              |                         |                         |
| - Interest on bank borrowings              | 525                     | 325                     |
| - Provisions: Discount unwinding (Note 19) | 16                      | 12                      |
| <b>Total Finance Costs</b>                 | <b>541</b>              | <b>337</b>              |

**6 Other revenue**

|                                 | Parent and Group        |                         |
|---------------------------------|-------------------------|-------------------------|
|                                 | Actual<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
| Dividends                       | 498                     | -                       |
| Petrol tax                      | 146                     | 157                     |
| Vested assets                   | 129                     | 559                     |
| Judgement cost refund (RAL)     | 553                     | -                       |
| Income from sale of paper roads | -                       | 46                      |
|                                 | <b>1,326</b>            | <b>762</b>              |

**7 Gains/ (losses) on financial instruments**

|  | Parent and Group        |                         |
|--|-------------------------|-------------------------|
|  | Actual<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
| <b>Financial Instruments</b>   |                         |                         |
| Fair value through other comprehensive income-gains on disposal ( Note 22) | 1,273                   | 4,215                   |
| Fair value through other comprehensive income-losses on disposal           | -                       | (41)                    |
| Gains/(losses) on changes in fair value of Forward Exchange Contracts      | -                       | (125)                   |
| <b>Total financial Instruments gains/(losses)</b>                          | <b>1,273</b>            | <b>4,049</b>            |

## 8 Employee benefit expenses

### Defined benefit retirement leave provision.

At the time of retirement from the Council, including early retirement on medical grounds, every employee who has completed not less than ten years current continuous service will be entitled to retirement leave. The amount of the leave entitlement payable will be calculated at the rate of one week's leave for each year of current continuous service, with a maximum of 26 weeks. Any employee who was appointed to the staff of Council after December 31, 1989 will not be entitled to any retirement leave. If any eligible employee dies whilst in the service of the Council, the Council will pay in lieu to his or her estate. No retirement leave entitlement will accrue to an employee who resigns, is dismissed or made redundant.

|  | Parent and Group        |                         |
|--|-------------------------|-------------------------|
|  | Actual<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
| The principal assumptions used for the purpose of the actuarial valuations were as follows:                  |                         |                         |
| Discount rate  | 3.70%-5.5%              | 2.71%-5.5%              |
| Expected rate of salary increase   | 3.5%                    | 3.5%                    |
| Retirement age for all employees   | 65                      | 65                      |
| Amounts recognised in the balance sheet in respect of the defined benefit retirement plan are as follows:    |                         |                         |
| Present value of unfunded obligation   | 241                     | 277                     |
| Less-unrecognised past service cost  | -                       | -                       |
| <b>Net liability recognised in the balance sheet</b>   | <b>241</b>              | <b>277</b>              |
| Comprising:  |                         |                         |
| Current  | 122                     | 163                     |
| Non-current  | 119                     | 114                     |
| <b>Total employee benefit obligations</b>  | <b>241</b>              | <b>277</b>              |
| Amounts recognised in the income statement in respect of the defined benefit retirement plan are as follows: |                         |                         |
| Current service cost   | 22                      | 23                      |
| Interest cost  | 3                       | 2                       |
| Actuarial gains/(losses)   | (17)                    | 6                       |
| <b>Total</b>   | <b>8</b>                | <b>31</b>               |
| The charge for the year is included in the employee benefits expense in the income statement.                |                         |                         |
| Changes in the present value of the defined benefit obligation are as follows:                               |                         |                         |
| Opening defined benefit obligation   | 277                     | 246                     |
| Current service cost   | 22                      | 23                      |
| Interest cost  | 3                       | 2                       |
| Actuarial gains/(losses )  | (17)                    | 6                       |
| Less: benefits paid  | (44)                    | -                       |
| <b>Closing defined benefit obligation</b>  | <b>241</b>              | <b>277</b>              |

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### Defined Benefit Long Service Leave Provision

|  | Parent and Group |              |
|--|------------------|--------------|
|  | Actual           | Actual       |
|  | 2014             | 2013         |
|  | \$000            | \$000        |
| The amount recognised in the balance sheet in respect of Council's long service compensated leave liability is as follows:   |                  |              |
| The present value of long service compensated leave  | <u>79</u>        | <u>78</u>    |
| Comprising:  |                  |              |
| Current  | 38               | 29           |
| Non-current  | <u>41</u>        | <u>49</u>    |
| Total employee benefit obligations   | <u>79</u>        | <u>78</u>    |
| Amounts recognised in the profit or loss in respect of Council's long service compensated leave and salaries are as follows: |                  |              |
| Salaries   | 8,195            | 8,072        |
| Current service cost   | 6                | 6            |
| Interest cost  | 1                | 1            |
| Actuarial (gains)/ losses  | (3)              | (3)          |
| Past service cost  | -                | -            |
| <b>Total</b>   | <u>8,199</u>     | <u>8,076</u> |
| The charge for the year is included in the employee benefits expense in the profit or loss.                                  |                  |              |
| Changes in the present value of long service compensated leave are as follows:   |                  |              |
| <b>Opening long service compensated leave obligation</b>   | <b>78</b>        | <b>74</b>    |
| Current service cost   | 6                | 6            |
| Interest cost  | 1                | 1            |
| Past service cost  | -                | -            |
| Less: benefits paid  | (6)              | -            |
| Actuarial (gains)/losses   | <u>1</u>         | <u>(3)</u>   |
| <b>Closing long service compensated leave obligation</b>   | <b>80</b>        | <b>78</b>    |
| <b>Total employee benefits expense recognised in the profit or loss</b>  | 8,208            | 8,107        |
| <b>Current portion of employee benefit obligations recognised in the balance sheet.</b>                                      | 160              | 193          |
| <b>Non-current portion of employee benefit obligations recognised in the balance sheet.</b>                                  | 160              | 163          |

Also refer Notes 20 and 26

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### 9 Other expenses

|   | Parent and Group        |                         |
|---|-------------------------|-------------------------|
|   | Actual<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
| Audit Fees - annual report                                  | 120                     | 118                     |
| Impairment of receivables                                   | 127                     | 60                      |
| Rates Remissions  | 170                     | 122                     |
| Councilors Remuneration (including meeting allowances)      | 316                     | 290                     |
| Insurance   | 102                     | 190                     |
| Subscriptions, fees and contribution to other organisations | 90                      | 69                      |
| legal and settlement fees                                   | 13                      | 78                      |
| Donations and grants  | 209                     | 653                     |
| Inventories consumed  | 55                      | 55                      |
| Losses on disposal of property, plant and equipment         | 504                     | 1,375                   |
| Library books asset write down                              | 21                      | 20                      |
| Repairs and maintenance                                     | 3,955                   | 3,986                   |
| Energy  | 658                     | 716                     |
| Operational costs   | 3,067                   | 2,954                   |
| SWIF investment paid out to SWIF Trust                      | 20,512                  | -                       |
| Other operating expenses                                    | 3,507                   | 3,098                   |
| <b>Total</b>  | <b>33,426</b>           | <b>13,784</b>           |

### Severance Payments

During the year to 30 June 2014, no severance payments were made to employees of the South Waikato District Council (2013: One severance payment of \$122,000 made to the former Chief Executive of the South Waikato District Council).

### 10 Cash and cash equivalents

|   | Parent and Group        |                         |
|---|-------------------------|-------------------------|
|   | Actual<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
| Cash at bank and in hand                              | 967                     | 230                     |
| Cash investments within South Waikato Investment Fund | -                       | 8,214                   |
| Term deposits: ex-South Waikato Investment Funds      | 5,000                   | -                       |
| Cash investments in Restricted reserves               | 2,784                   | 6,382                   |
| Call accounts   | 2,664                   | 2,755                   |
| <b>Total cash and cash equivalents</b>                | <b>11,415</b>           | <b>17,581</b>           |

The carrying amount of short-term deposits with maturity dates of three months or less approximates their fair value. The weighted average effective interest rate for cash and cash equivalents is 3.9% (2013: 3%).

**11 Trade and other receivables**

|   | Parent and Group |              |
|---|------------------|--------------|
|   | Actual           | Actual       |
|   | 2014             | 2013         |
|   | \$000            | \$000        |
| Rates receivable                              | 1,784            | 1,720        |
| Metered water                                 | 41               | 40           |
| Sundry debtors                                | 948              | 679          |
| Prepayments                                   | 262              | 234          |
| Accrued revenue                               | 263              | 498          |
| Related party receivables (note 25)           | 20               | 30           |
|   | <b>3,318</b>     | <b>3,201</b> |
| Less: Provision for Impairment of receivables | 418              | 354          |
| <b>Total trade and other receivables</b>      | <b>2,900</b>     | <b>2,847</b> |

The carrying amount of trade and other receivables approximates their fair value. A provision for receivables is established when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest rate method. This provision has been determined by reference to past default experience. Council holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

The age of rates receivable overdue but not impaired are as follows:

|  | Council only |              |
|--|--------------|--------------|
|  | Actual       | Actual       |
|  | 2014         | 2013         |
|  | \$000        | \$000        |
| Arrears (> 1 year)   | 573          | 459          |
| Current (< 1 year)   | 992          | 1,040        |
| Penalties  | 219          | 220          |
| <b>Carrying amount</b>   | <b>1,784</b> | <b>1,719</b> |
| Movements in the provision for impairment of receivables are as follows: |              |              |
| At 1 July  | 354          | 329          |
| Additional provisions made during the year                               | 190          | 85           |
| Receivables written off during the year                                  | (126)        | (60)         |
| <b>At 30 June</b>  | <b>418</b>   | <b>354</b>   |

**12 Inventories**

|                            | Council only |            |
|----------------------------|--------------|------------|
|                            | Actual       | Actual     |
|                            | 2014         | 2013       |
|                            | \$000        | \$000      |
| Reticulation repairs stock | 149          | 152        |
| Water treatment stock      | 4            | 4          |
| Other stock                | 51           | 14         |
| <b>Total</b>               | <b>204</b>   | <b>170</b> |

The carrying amount of inventories held for distribution that are measured at current replacement cost as at 30 June 2014 amounted to \$204,000 (2013: \$170,000).



**13 Other financial assets**

|   | Parent and Group        |                         |
|---|-------------------------|-------------------------|
|   | Actual<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
| <b>Current portion</b>                              |                         |                         |
| <b>Available for Sale Financial Assets:</b>         |                         |                         |
| Corporate bonds, deposits and other fixed interests | 258                     | 2,251                   |
| <b>Loans and receivables</b>                        |                         |                         |
| Tirau Golf Club                                     | 5                       | 4                       |
| Tokoroa Kart Club                                   | 4                       | 3                       |
| Withholding tax on income                           | 15                      |                         |
| <b>Total current portion</b>                        | <b>282</b>              | <b>2,258</b>            |
| <b>Non-Current portion</b>                          |                         |                         |
| <b>Available for Sale Financial Assets:</b>         |                         |                         |
| Corporate bonds, deposits and other fixed interests | 4,126                   | 10,969                  |
| Share portfolio-local and overseas                  | 2,731                   | -                       |
| Shared Valuation Database Systems                   | 43                      | 43                      |
| NZ Local Government Insurance Corporation Limited   | 44                      | 44                      |
| <b>Loans and receivables</b>                        |                         |                         |
| Tirau Golf Club                                     | 2                       | 4                       |
| Tokoroa Kart Club                                   | -                       | 8                       |
| Putaruru Squash Racquets Club                       | 3                       | 5                       |
| Heat Swap paying providers                          | 603                     | 494                     |
| <b>Total non-current portion</b>                    | <b>7,552</b>            | <b>11,567</b>           |

The maturity analysis and weighted average effective interest rate for other financial assets with the exception of equity investments are as follows:

**Fair value**

The fair value of loans and receivables has been determined using cash flows discounted at a rate based on the South Waikato District Council's borrowing rate of 5.39% (2013: 5.05%). The fair value approximates the carrying amount stated above.

The fair value of the unlisted shares has not been disclosed for these instruments because their fair value cannot be measured reliably. It cannot be reliably measured due to a lack of an active market and a lack of appropriate cashflow projection information for NZ Local Government Insurance Corporation Limited. Local Authority Shared Services shares cannot be reliably measured due to the lack of an active market and reliable revenue stream information. Council does not intend to dispose of the unlisted shares.

**Impairment**

No impairment provisions were made for other financial assets.

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### Maturity and weighted average effective interest rates

The maturity analysis and the weighted average effective interest rate for the corporate bonds, deposits and other fixed interest investments are as follows:

|   | Weighted average interest | Carrying amount \$000 | Contractual cash flows \$000 | Less than 1 year \$000 | 1-5 years \$000 | More than 5 years \$000 |
|---|---------------------------|-----------------------|------------------------------|------------------------|-----------------|-------------------------|
| <b>Parent and Group 2014</b>                  |                           |                       |                              |                        |                 |                         |
| General funds                                 |                           |                       |                              |                        |                 |                         |
| Cash and cash equivalents *                   | 0%                        | 11,415                | 11,415                       | 11,415                 | -               | -                       |
| Bank securities                               | 4.98%                     | 1,099                 | 1,276                        | 68                     | 1,208           | -                       |
| Corporate securities                          | 5.63%                     | 948                   | 1,165                        | 54                     | 394             | 717                     |
| Local authority securities                    | 4.42%                     | 831                   | 883                          | 299                    | 584             | -                       |
| Government securities                         | 3.98%                     | 213                   | 247                          | 18                     | 229             | -                       |
| Trade and other receivables *                 | -                         | 2,900                 | 2,900                        | 2,900                  | -               | -                       |
| Other financial assets: loans and receivables | 6.70%                     | 13                    | 51                           | 9                      | 35              | 7                       |
| South Waikato Investment Fund (SWIF):         |                           |                       |                              |                        |                 |                         |
| Cash and cash equivalents *                   | -                         | -                     | -                            | -                      | -               | -                       |
| Bank deposits                                 | -                         | -                     | -                            | -                      | -               | -                       |
| Bank securities                               | -                         | -                     | -                            | -                      | -               | -                       |
| Corporate securities                          | -                         | -                     | -                            | -                      | -               | -                       |
| Local authority securities                    | -                         | -                     | -                            | -                      | -               | -                       |
| Government securities                         | -                         | -                     | -                            | -                      | -               | -                       |
| <b>Total</b>                                  |                           | <b>17,419</b>         | <b>17,937</b>                | <b>14,763</b>          | <b>2,450</b>    | <b>724</b>              |
| <b>Parent and Group 2013</b>                  |                           |                       |                              |                        |                 |                         |
| General funds                                 |                           |                       |                              |                        |                 |                         |
| Cash and cash equivalents *                   | 0%                        | 9,367                 | 9,367                        | 9,367                  | -               | -                       |
| Bank securities                               | -                         | -                     | -                            | -                      | -               | -                       |
| Corporate securities                          | -                         | -                     | -                            | -                      | -               | -                       |
| Local authority securities                    | -                         | -                     | -                            | -                      | -               | -                       |
| Government securities                         | -                         | -                     | -                            | -                      | -               | -                       |
| Non-cash equivalent bank deposits             | -                         | -                     | -                            | -                      | -               | -                       |
| Trade and other receivables *                 | -                         | 2,847                 | 2,847                        | 2,847                  | -               | -                       |
| Other financial assets: loans and receivables | 6.70%                     | 20                    | 51                           | 9                      | 35              | 7                       |
| South Waikato Investment Fund (SWIF):         |                           |                       |                              |                        |                 |                         |
| Cash and cash equivalents *                   | 0%                        | 8,214                 | 8,214                        | 8,214                  | -               | -                       |
| Bank deposits                                 | 4.60%                     | 1,383                 | 1,396                        | 1,396                  | -               | -                       |
| Bank securities                               | 5.05%                     | 5,542                 | 6,714                        | 313                    | 4,398           | 2,003                   |
| Corporate securities                          | 4.89%                     | 4,333                 | 5,865                        | 1,105                  | 1,923           | 2,837                   |
| Local authority securities                    | 4.25%                     | 1,345                 | 1,563                        | 71                     | 970             | 522                     |
| Government securities                         | 3.40%                     | 617                   | 778                          | 32                     | 329             | 417                     |
| <b>Total</b>                                  |                           | <b>33,668</b>         | <b>36,795</b>                | <b>23,354</b>          | <b>7,655</b>    | <b>5,786</b>            |

\* There is no weighted average interest rate for cash and cash equivalents, and trade and other receivables, as the carrying value for these instruments approximates their contractual cash flows.

### South Waikato Investment Fund

The South Waikato Investment Fund (SWIF) was established in July 1999 and during the year was made up of managed fund investments in overseas shares, New Zealand bonds and fixed interest cash. This investment portfolio was managed by a team of experts who carry out the investment risk assessment and provided advice to Council.

During the year, the SWIF was divested from Council and placed into a non-Council controlled community trust. This decision was promulgated from consultation on the LTP 2012-22 Amendment during 2013.

**14 Derivative financial instruments**

|                                    | Parent and Group        |             |                         |             |
|------------------------------------|-------------------------|-------------|-------------------------|-------------|
|                                    | Actual<br>2014<br>\$000 |             | Actual<br>2013<br>\$000 |             |
|                                    | Assets                  | Liabilities | Assets                  | Liabilities |
| Forward foreign exchange contracts |                         |             |                         |             |
| Analysed as:                       |                         |             |                         |             |
| Current                            | -                       | -           | -                       | -           |
| Non-current                        | -                       | -           | -                       | -           |
| <b>Total</b>                       | <b>-</b>                | <b>-</b>    | <b>-</b>                | <b>-</b>    |

Council has classified all derivative financial instruments (ie forward foreign exchange contracts) as financial assets and liabilities at fair value through profit or loss. These contracts are used to protect future cash flows against adverse foreign exchange rate fluctuations and are measured at fair value using quoted market prices for equivalent instruments at the balance sheet date.

**15 Non-current assets held for sale**

|   | Parent and Group        |                         |
|---|-------------------------|-------------------------|
|   | Actual<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
| <b>Land</b>                                   |                         |                         |
| Parts of James Higgins Park, Tokoroa          | 96                      | 96                      |
| Lot 14 DPS 28461 ( Hillcrest Street, Tirau)   | -                       | 2                       |
| Lot 15 DPS 322 ( Clothier street, Putaruru)   | 3                       | 3                       |
| Section 3 SO 459585                           | 10                      | -                       |
| Section 4 SO 459585                           | 3                       | -                       |
| Sections 1 & 2 SO 459585                      | 10                      | -                       |
| Unformed Road off Lichfield Road              | 24                      | -                       |
| Local Purpose Reserve etc; James Higgins Park | 217                     | -                       |
| Sections 1 & 4 (Lake Road, Tirau)             | 28                      | -                       |
| <b>Total</b>                                  | <b>392</b>              | <b>101</b>              |

Council has approved the sale of these properties. The completion date of these sales is expected to be by June 2015.

The accumulated property revaluation reserve recognised in equity for the nine properties at 30 June 2014 is \$246,000 (2013: \$73,310).

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### 16 Property, plant and equipment

| Asset Class                         | Parent and Group 2012/2013               |  |   |                                   |   |                                   |                              |  |  |  |   |   |   |  |
|-------------------------------------|--|--|---|-----------------------------------|---|-----------------------------------|------------------------------|--|--|--|---|---|---|--|
|                                     | Cost/revaluation<br>1 July 2012<br>\$000 | Accumulated<br>depreciation &<br>impairment charges<br>1 July 2012 \$000 | Carrying amount<br>1 July 2012<br>\$000 | Current year<br>addition<br>\$000 | Assets transferred<br>to Council<br>\$000 | Current year<br>disposal<br>\$000 | Revaluation surplus<br>\$000 | Current year<br>depreciation<br>charges<br>\$000 | Depreciation write-<br>off on disposals<br>\$000 | Depreciation<br>elimination on<br>revaluation<br>\$000 | Cost/revaluation<br>30 June 2013<br>\$000 | Accumulated<br>depreciation &<br>impairment charges<br>30 June 2013 \$000 | Transfer to non-<br>current assets held<br>for sale<br>30 June 2013 \$000 | Carrying amount<br>30 June 2013<br>\$000 |
| <b>Operational assets</b>           |  |  |   |                                   |   |                                   |                              |  |  |  |   |   |   |  |
| <i>Heritage assets</i>              | 144                                      | -  | 144                                     | -                                 | -   | -                                 | -                            | -  | -  | 144  | -   | -   | 144   |  |
| Library collection                  | 1,283                                    | (858)  | 425                                     | 134                               | -   | (105)                             | -                            | (105)  | 86   | 1,312  | (877)                                     | -   | 435   |  |
| Buildings                           | 10,148                                   | -  | 10,148                                  | 5,839                             | 85  | -                                 | -                            | (175)  | -  | 16,072   | (175)                                     | -   | 15,897  |  |
| Furniture & fittings                | 1,118                                    | (790)  | 328                                     | 188                               | -   | (1)                               | -                            | (80)   | 1  | 1,305  | (869)                                     | -   | 436   |  |
| Equipment                           | 4,623                                    | (3,711)  | 912                                     | 647                               | -   | (305)                             | -                            | (440)  | 294  | 4,965  | (3,857)                                   | -   | 1,108   |  |
| Land                                | 3,398                                    | (1)  | 3,397                                   | -                                 | -   | -                                 | -                            | -  | -  | 3,398  | (1)                                       | -   | 3,397   |  |
| Motor vehicles                      | 1,211                                    | (574)  | 637                                     | 379                               | -   | (243)                             | -                            | (168)  | 193  | 1,347  | (549)                                     | -   | 798   |  |
| Other major plant                   | 399                                      | (179)  | 220                                     | 109                               | -   | -                                 | -                            | (27)   | -  | 508  | (206)                                     | -   | 302   |  |
| <b>Total operational assets</b>     | <b>22,324</b>                            | <b>(6,113)</b>   | <b>16,211</b>                           | <b>7,296</b>                      | <b>85</b>                                 | <b>(654)</b>                      | <b>-</b>                     | <b>(995)</b>                                     | <b>574</b>                                       | <b>-</b>   | <b>29,051</b>                             | <b>(6,534)</b>  | <b>22,517</b>   |  |
| <b>Infrastructural assets</b>       |  |  |   |                                   |   |                                   |                              |  |  |  |   |   |   |  |
| Bridges                             | 8,442                                    | (150)  | 8,292                                   | -                                 | -   | -                                 | -                            | (150)  | -  | 8,442  | (300)                                     | -   | 8,142   |  |
| Culverts                            | 4,887                                    | (119)  | 4,768                                   | 217                               | -   | (46)                              | -                            | (109)  | 27   | 5,058  | (201)                                     | -   | 4,857   |  |
| Buildings                           | 2,371                                    | -  | 2,371                                   | 1,277                             | -   | -                                 | -                            | (57)   | -  | 3,648  | (57)                                      | -   | 3,591   |  |
| Land                                | 3,756                                    | -  | 3,756                                   | -                                 | -   | -                                 | -                            | -  | -  | 3,756  | -   | -   | 3,756   |  |
| Landfill                            | 4,688                                    | (1,930)  | 2,758                                   | 203                               | -   | -                                 | -                            | (195)  | -  | 4,891  | (2,125)                                   | -   | 2,766   |  |
| Pipes                               | 13                                       | (2)  | 11                                      | -                                 | -   | -                                 | -                            | -  | -  | 13   | (2)                                       | -   | 11  |  |
| Pumps                               | 269                                      | (269)  | -                                       | -                                 | -   | -                                 | -                            | -  | -  | 269  | (269)                                     | -   | -   |  |
| Roads and Footpaths                 | 217,828                                  | (1,625)  | 216,203                                 | 3,421                             | 16  | (875)                             | -                            | (2,505)  | 354  | 220,390  | (3,776)                                   | -   | 216,614   |  |
| Sewerage:                           |  |  |   |                                   |   |                                   |                              |  |  |  |   |   |   |  |
| Treatment plant and facilities      | 13,355                                   | (814)  | 12,541                                  | 1,496                             | -   | (808)                             | (40)                         | (352)  | 129  | 14,003   | (2)                                       | -   | 14,001  |  |
| Other (includes reticulation)       | 13,173                                   | (713)  | 12,460                                  | 6                                 | -   | (8)                               | 4,173                        | (364)  | 4  | 17,345   | (1)                                       | -   | 17,344  |  |
| Street furniture                    | 500                                      | (345)  | 155                                     | 24                                | -   | -                                 | -                            | (36)   | -  | 524  | (381)                                     | -   | 143   |  |
| Streetlights                        | 2,316                                    | (49)   | 2,267                                   | 232                               | -   | -                                 | -                            | (57)   | -  | 2,548  | (106)                                     | -   | 2,442   |  |
| Stormwater system                   | 16,642                                   | (724)  | 15,918                                  | 123                               | 17  | (20)                              | 3,218                        | (371)  | 8  | 19,980   | (54)                                      | -   | 19,926  |  |
| Water systems                       |  |  |   |                                   |   |                                   |                              |  |  |  |   |   |   |  |
| Treatment plant and facilities      | 5,498                                    | (281)  | 5,217                                   | 621                               | -   | (43)                              | 984                          | (169)  | 9  | 7,060  | -   | -   | 7,060   |  |
| Other (includes reticulation)       | 16,593                                   | (695)  | 15,898                                  | 320                               | 5   | (189)                             | 776                          | (459)  | 93   | 17,505   | -   | -   | 17,505  |  |
| <b>Total infrastructural assets</b> | <b>310,331</b>                           | <b>(7,716)</b>   | <b>302,615</b>                          | <b>7,940</b>                      | <b>38</b>                                 | <b>(1,989)</b>                    | <b>9,111</b>                 | <b>(4,824)</b>                                   | <b>624</b>                                       | <b>4,642</b>   | <b>325,432</b>                            | <b>(7,274)</b>  | <b>318,158</b>  |  |
| <b>Restricted assets</b>            |  |  |   |                                   |   |                                   |                              |  |  |  |   |   |   |  |
| Parks & reserves                    | 4,022                                    | -  | 4,022                                   | 421                               | -   | (18)                              | -                            | (295)  | 1  | 4,425  | (294)                                     | -   | 4,131   |  |
| Restricted buildings                | 1,413                                    | -  | 1,413                                   | 492                               | 506                                       | -                                 | -                            | (32)   | -  | 2,411  | (32)                                      | -   | 2,379   |  |
| Restricted land                     | 27,537                                   | -  | 27,537                                  | 142                               | -   | -                                 | -                            | -  | -  | 27,679   | -   | (101)   | 27,578  |  |
| <b>Total restricted assets</b>      | <b>32,972</b>                            | <b>-</b>   | <b>32,972</b>                           | <b>1,055</b>                      | <b>506</b>                                | <b>(18)</b>                       | <b>-</b>                     | <b>(327)</b>                                     | <b>1</b>   | <b>34,515</b>  | <b>(326)</b>                              | <b>(101)</b>  | <b>34,088</b>   |  |
| Capital work in progress            | 7,099                                    | -  | 7,099                                   | 560                               | -   | (6,758)                           | -                            | -  | -  | 901  | -   | -   | 901   |  |
| <b>Grand total</b>                  | <b>372,726</b>                           | <b>(13,829)</b>  | <b>358,897</b>                          | <b>16,851</b>                     | <b>629</b>                                | <b>(9,419)</b>                    | <b>9,111</b>                 | <b>(6,146)</b>                                   | <b>1,199</b>                                     | <b>4,642</b>   | <b>389,899</b>                            | <b>(14,134)</b>   | <b>(101)</b>  | <b>375,664</b>                           |

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| Asset Class                         | Parent and Group 2013/2014               |  |   |                                   |   |                                   |                              |  |  |  |   |   |   |  |
|-------------------------------------|--|--|---|-----------------------------------|---|-----------------------------------|------------------------------|--|--|--|---|---|---|--|
|                                     | Cost/revaluation<br>1 July 2013<br>\$000 | Accumulated<br>depreciation &<br>impairment charges<br>1 July 2013 \$000 | Carrying amount<br>1 July 2013<br>\$000 | Current year<br>addition<br>\$000 | Assets transferred<br>to Council<br>\$000 | Current year<br>disposal<br>\$000 | Revaluation surplus<br>\$000 | Current year<br>depreciation<br>charges<br>\$000 | Depreciation write-<br>off on disposals<br>\$000 | Depreciation<br>elimination on<br>revaluation<br>\$000 | Cost/revaluation<br>30 June 2014<br>\$000 | Accumulated<br>depreciation &<br>impairment charges<br>30 June 2014 \$000 | Transfer to non-<br>current assets held<br>for sale<br>30 June 2014 \$000 | Carrying amount<br>30 June 2014<br>\$000 |
| <b>Operational assets</b>           |  |  |   |                                   |   |                                   |                              |  |  |  |   |   |   |  |
| <i>Heritage assets</i>              | 144                                      | -  | 144                                     | -                                 | -   | -                                 | -                            | -  | -  | 144  | -   | -   | 144   |  |
| Library collection                  | 1,312                                    | (877)  | 435                                     | 133                               | -   | (130)                             | -                            | (108)  | 109  | 1,315  | (876)                                     | -   | 439   |  |
| Buildings                           | 16,072                                   | (175)  | 15,897                                  | 212                               | -   | -                                 | -                            | (283)  | -  | 16,284   | (458)                                     | -   | 15,826  |  |
| Furniture & fittings                | 1,305                                    | (869)  | 436                                     | 42                                | -   | (1)                               | -                            | (66)   | -  | 1,346  | (935)                                     | -   | 411   |  |
| Equipment                           | 4,965                                    | (3,857)  | 1,108                                   | 427                               | -   | (32)                              | -                            | (440)  | 30   | 5,360  | (4,267)                                   | -   | 1,093   |  |
| Land                                | 3,398                                    | (1)  | 3,397                                   | 17                                | -   | (25)                              | -                            | -  | -  | 3,390  | (1)                                       | -   | 3,389   |  |
| Motor vehicles                      | 1,347                                    | (549)  | 798                                     | 377                               | -   | (331)                             | -                            | (207)  | 218  | 1,393  | (538)                                     | -   | 855   |  |
| Other major plant                   | 508                                      | (206)  | 302                                     | 2                                 | -   | -                                 | -                            | (29)   | -  | 510  | (235)                                     | -   | 275   |  |
| <b>Total operational assets</b>     | <b>29,051</b>                            | <b>(6,534)</b>   | <b>22,517</b>                           | <b>1,210</b>                      | <b>-</b>                                  | <b>(519)</b>                      | <b>-</b>                     | <b>(1,133)</b>                                   | <b>357</b>                                       | <b>29,742</b>  | <b>(7,310)</b>                            | <b>-</b>  | <b>22,432</b>   |  |
| <b>Infrastructural assets</b>       |  |  |   |                                   |   |                                   |                              |  |  |  |   |   |   |  |
| Bridges                             | 8,442                                    | (300)  | 8,142                                   | -                                 | -   | -                                 | (872)                        | (150)  | -  | 450  | 7,570                                     | -   | 7,570   |  |
| Culverts                            | 5,058                                    | (201)  | 4,857                                   | 86                                | -   | (32)                              | 824                          | (108)  | 4  | 280  | 5,936                                     | (25)  | 5,911   |  |
| Buildings                           | 3,648                                    | (57)   | 3,591                                   | 925                               | -   | -                                 | -                            | (75)   | -  | 4,573  | (132)                                     | -   | 4,441   |  |
| Land                                | 3,756                                    | -  | 3,756                                   | 236                               | -   | -                                 | -                            | -  | -  | 3,992  | -   | -   | 3,992   |  |
| Landfill                            | 4,891                                    | (2,125)  | 2,766                                   | 8                                 | -   | (72)                              | -                            | (168)  | -  | 4,827  | (2,293)                                   | -   | 2,534   |  |
| Pipes                               | 13                                       | (2)  | 11                                      | -                                 | -   | -                                 | -                            | (1)  | -  | 13   | (3)                                       | -   | 10  |  |
| Pumps                               | 269                                      | (269)  | -                                       | -                                 | -   | -                                 | -                            | -  | -  | 269  | (269)                                     | -   | -   |  |
| Roads and footpaths                 | 220,390                                  | (3,776)  | 216,614                                 | 2,907                             | -   | (530)                             | (3,105)                      | (2,826)  | 249  | 6,353  | 219,662                                   | -   | 219,662   |  |
| Sewerage:                           |  |  |   |                                   |   |                                   |                              |  |  |  |   |   |   |  |
| Treatment plant and facilities      | 14,003                                   | (2)  | 14,001                                  | 170                               | -   | (57)                              | -                            | (525)  | -  | 14,116   | (527)                                     | -   | 13,589  |  |
| Other (includes reticulation)       | 17,345                                   | (1)  | 17,344                                  | 35                                | 30  | (2)                               | -                            | (505)  | -  | 17,408   | (506)                                     | -   | 16,902  |  |
| Street furniture                    | 524                                      | (381)  | 143                                     | 16                                | -   | -                                 | -                            | (39)   | -  | 540  | (420)                                     | -   | 120   |  |
| Streetlights                        | 2,548                                    | (106)  | 2,442                                   | 148                               | -   | -                                 | (372)                        | (67)   | 145  | 2,324  | (28)                                      | -   | 2,296   |  |
| Stormwater system                   | 19,980                                   | (54)   | 19,926                                  | 133                               | 52  | (54)                              | -                            | (389)  | -  | 20,111   | (443)                                     | -   | 19,668  |  |
| Water systems                       | -  | -  | -                                       | -                                 | -   | -                                 | -                            | -  | -  | -  | -   | -   | -   |  |
| Treatment plant and facilities      | 7,060                                    | -  | 7,060                                   | 151                               | -   | (18)                              | -                            | (283)  | 2  | 7,193  | (281)                                     | -   | 6,912   |  |
| Other (includes reticulation)       | 17,505                                   | -  | 17,505                                  | 290                               | 46  | (137)                             | -                            | (566)  | 3  | 17,704   | (563)                                     | -   | 17,141  |  |
| <b>Total infrastructural assets</b> | <b>325,432</b>                           | <b>(7,274)</b>   | <b>318,158</b>                          | <b>5,105</b>                      | <b>128</b>                                | <b>(902)</b>                      | <b>(3,525)</b>               | <b>(5,702)</b>                                   | <b>258</b>                                       | <b>7,228</b>   | <b>326,238</b>                            | <b>(5,490)</b>  | <b>-</b>  | <b>320,748</b>                           |
| <b>Restricted assets</b>            |  |  |   |                                   |   |                                   |                              |  |  |  |   |   |   |  |
| Parks & reserves                    | 4,425                                    | (294)  | 4,131                                   | 334                               | -   | (7)                               | -                            | (287)  | 2  | 4,752  | (579)                                     | -   | 4,173   |  |
| Restricted buildings                | 2,411                                    | (32)   | 2,379                                   | 93                                | -   | -                                 | -                            | (49)   | -  | 2,504  | (81)                                      | -   | 2,423   |  |
| Restricted land                     | 27,578                                   | -  | 27,578                                  | 32                                | -   | -                                 | -                            | -  | -  | 27,610   | -   | (291)   | 27,319  |  |
| <b>Total restricted assets</b>      | <b>34,414</b>                            | <b>(326)</b>   | <b>34,088</b>                           | <b>459</b>                        | <b>-</b>                                  | <b>(7)</b>                        | <b>-</b>                     | <b>(336)</b>                                     | <b>2</b>   | <b>34,866</b>  | <b>(660)</b>                              | <b>(291)</b>  | <b>33,915</b>   |  |
| Capital work in progress            | 901                                      | -  | 901                                     | 1,654                             | -   | (495)                             | -                            | -  | -  | 2,060  | -   | -   | 2,060   |  |
| <b>Grand total</b>                  | <b>389,798</b>                           | <b>(14,134)</b>  | <b>375,664</b>                          | <b>8,428</b>                      | <b>128</b>                                | <b>(1,923)</b>                    | <b>(3,525)</b>               | <b>(7,171)</b>                                   | <b>617</b>                                       | <b>7,228</b>   | <b>392,906</b>                            | <b>(13,460)</b>   | <b>(291)</b>  | <b>379,155</b>                           |

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The net carrying amount of property, plant and equipment held under a finance lease is \$Nil; (2013: \$Nil). No impairment losses have been recognised in infrastructural assets due to damage or rapid wear and tear. No compensation has been received from insurance claims for damage to motor vehicles and equipment (2013: \$Nil). The closing balance of the revaluation reserve is \$215,730,000 (2013: \$211,832,000).

In the 2013-14 financial year, there has been a change in the presentation of some detail in the table above. This is a requirement of new or modified financial reporting regulations for the 2013-14 annual report, prescribed in regulation 6 of the Local Government (Financial Reporting and Prudence) Regulations 2014. To this effect there is now a requirement to separately disclose for each of the five network infrastructures (water supply; sewerage; stormwater drainage; flood protection and control works; and roads and footpaths). Water supply and sewerage are to be separated between treatment plants and facilities and other assets. In addition to this:

- (a) the value of acquisitions is to be split between assets constructed by the council and assets transferred to the council (vested assets), and
- (b) if the asset is revalued, the council's most recent estimate of the replacement cost.

| Network infrastructure         | Most recent estimate of replacement cost<br>\$000 | Date of estimate |
|--------------------------------|---|------------------|
| Roads and Footpaths            | 225,382   | 30/06/2014       |
| Sewerage                       |   |                  |
| Treatment plant and facilities | 22,490  | 30/06/2013       |
| Other                          | 39,732  | 30/06/2013       |
| Water systems                  |   |                  |
| Treatment plant and facilities | 12,078  | 30/06/2013       |
| Other                          | 39,856  | 30/06/2013       |
| Stormwater system              | 35,451  | 30/06/2013       |

### Revaluation

In assessing the Optimised Replacement Cost, allowance has been made for costs of bringing the asset into working condition for its intended use and these costs include architectural and engineering fees. With regard to reserve lands, designations or properties zoned reserve, market value was assessed in comparison to adjoining lands and then a deduction was made or in some cases premium was added for the designation or reserve status, based on the restriction of use and the likelihood of this status being removed or changed.

### Depreciation and amortisation expense by group of activity

|   | Parent and Group        |                         |
|---|-------------------------|-------------------------|
|   | Actual<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
| Transport and roading                             | 3,188                   | 2,820                   |
| Recreation and facilities - facilities & property | 299                     | 177                     |
| Economic and community development                | 12                      | 12                      |
| Recreation and facilities - leisure services      | 566                     | 553                     |
| Water supply                                      | 851                     | 628                     |
| Stormwater  | 406                     | 371                     |
| Wastewater  | 1,037                   | 716                     |
| Solid waste and recycling                         | 175                     | 195                     |
| Environment - emergency management                | 15                      | 14                      |
| Governance and corporate                          | 622                     | 662                     |
| <b>Total</b>                                      | <b>7,171</b>            | <b>6,148</b>            |

**17 Intangible assets**

| <b>Computer Software</b>                        | <b>Parent and Group</b>          |                                  |
|---|----------------------------------|----------------------------------|
|   | <b>Actual<br/>2014<br/>\$000</b> | <b>Actual<br/>2013<br/>\$000</b> |
| Cost  | 1,428                            | 1,428                            |
| Accumulated amortisation and impairment         | <u>(1,428)</u>                   | <u>(1,426)</u>                   |
| Opening carrying amount                         | -                                | 2                                |
| Additions                                       | 4                                | -                                |
| Amortisation charge                             | <u>          </u>                | <u>(2)</u>                       |
| <b>Closing carrying amount</b>                  | <b><u>4</u></b>                  | <b><u>-</u></b>                  |
| <br>  |                                  |                                  |
| Closing Cost                                    | 4                                | 1                                |
| Closing accumulated amortisation and impairment | <u>-</u>                         | <u>(1)</u>                       |
| <b>Closing carrying amount</b>                  | <b><u>4</u></b>                  | <b><u>-</u></b>                  |

| <b>Carbon credits</b>                   | <b>Parent and Group</b>          |                                  |
|---|----------------------------------|----------------------------------|
|   | <b>Actual<br/>2014<br/>\$000</b> | <b>Actual<br/>2013<br/>\$000</b> |
| Cost                                    | 3                                | 3                                |
| Accumulated amortisation and impairment | <u>-</u>                         | <u>-</u>                         |
| Opening carrying amount                 | 3                                | 3                                |
| Additions/(disposals)                   | -                                | -                                |
| Amortisation charge                     | <u>(2)</u>                       | <u>(2)</u>                       |
| <b>Closing carrying amount</b>          | <b><u>1</u></b>                  | <b><u>1</u></b>                  |
| <br>                                    |                                  |                                  |
| <b>Total closing carrying amounts</b>   | <b><u>5</u></b>                  | <b><u>1</u></b>                  |

The intangible assets included above have finite useful lives of between 3-4 years, over which the assets are amortised. These assets are amortised on a straight line basis. The amortisation charge for the year is included in the depreciation and amortisation expense line of the Statement of Comprehensive Income.

**Carbon credits**

During the year there has been no change in the fair value of carbon credits held by Council. Although carbon credits were acquired in 2012-13 for the purpose of meeting its obligations under the Emissions Trading Scheme for carbon emissions from its landfill operations, due to their value being less than \$1,000 they have not been previously displayed in this Note. The Council is required to forfeit carbon credits for emissions following the end of each calendar year.

**18 Trade and other payables**

|                                   | Parent and Group        |                         |
|-----------------------------------|-------------------------|-------------------------|
|                                   | Actual<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
| Sundry Creditors                  | 2,157                   | 1,766                   |
| Accrued expenses                  | 697                     | 666                     |
| Income received in advance        | 980                     | 863                     |
| Related Party Payables ( Note 25) | 13                      | 67                      |
| <b>Total</b>                      | <b>3,847</b>            | <b>3,362</b>            |
| <b>Trust Accounts</b>             | <b>146</b>              | <b>155</b>              |

Trade and other payables are non-interest bearing and are normally settled on the 20th of the following month basis. Therefore, the carrying amount of trade and other payables approximates their fair value. Furthermore, the carrying amount of trust accounts approximates their fair value.

**19 Landfill provisions**

|   | Parent and Group        |                         |
|---|-------------------------|-------------------------|
|   | Actual<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
| Opening balance                           | 850                     | 690                     |
| Additional provision made during the year | -                       | 148                     |
| Amounts used during the year              | (68)                    | -                       |
| Unused amount reversed during the year    | -                       | -                       |
| Discount unwinding (Note 5)               | 16                      | 12                      |
| <b>Total landfill provision</b>           | <b>798</b>              | <b>850</b>              |
| Presented by:                             |                         |                         |
| Current provision                         | 28                      | 28                      |
| Non-current provision                     | 770                     | 822                     |
| <b>Total landfill provision</b>           | <b>798</b>              | <b>850</b>              |

Council operates its Tokoroa landfill under various resource consent conditions. Council has responsibility, under the resource consent, to provide ongoing maintenance and monitoring of the landfill after the site is closed. The Tirau landfill site has been permanently closed and the surface of the site capped to resource consent standards. There are closure and post-closure responsibilities such as the following:

**Closure responsibilities**

Include final cover application and vegetation, incremental drainage control features, completing facilities for leachate collection and monitoring, water quality monitoring and gas recovery and monitoring.

**Post closure responsibilities**

Include treatment and monitoring of leachate, ground water and surface monitoring, gas monitoring and recovery, implementation of remedial measures such as needed for cover and control systems and ongoing site maintenance for drainage systems, final cover and vegetation.

**Capacity of the site**

Final capping at Tokoroa is programmed for 2022. The remaining capacity of the site (refuse, clean fill and cover) is approximately 74,700 cubic metres (2013: 83,500 cubic metres).

Estimates of life have been made by Council's Engineers, based on historical volume information. The cash out flows for landfill post closure are expected to occur between 2004 and 2040. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated, taking into account technology, and is discounted using forward rates of 3.70%-5.50% (2013: forward rates of 2.71%-5.50%) as provided by the New Zealand Treasury.



**20 Employment benefit liabilities**

|   | Parent and Group        |                         |
|---|-------------------------|-------------------------|
|   | Actual<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
| Accrued pay                               | 398                     | 320                     |
| Annual Leave                              | 791                     | 780                     |
| Long service leave                        | 79                      | 78                      |
| Retirement gratuities                     | 241                     | 277                     |
| Sick leave                                | 24                      | 25                      |
| <b>Total employee benefit liabilities</b> | <b>1,533</b>            | <b>1,480</b>            |
| Comprising                                |                         |                         |
| Current                                   | 1,373                   | 1,317                   |
| Non-current                               | 160                     | 163                     |
| <b>Total employee benefit liabilities</b> | <b>1,533</b>            | <b>1,480</b>            |

**21 Borrowing**

|                                | Parent and Group        |                         |
|--------------------------------|-------------------------|-------------------------|
|                                | Actual<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
| Current portion                | 577                     | 287                     |
| Non-current portion            | 14,180                  | 8,053                   |
| <b>Total borrowings</b>        | <b>14,757</b>           | <b>8,340</b>            |
| <i>Made up of:</i>             |                         |                         |
| Pensioner housing              | 293                     | 165                     |
| CBD Infrastructure loan        | 885                     | 313                     |
| Landfill site development loan | 245                     | 257                     |
| Putaruru service centre        | 495                     | 519                     |
| Tokoroa landfill site access   | 223                     | 235                     |
| Putaruru landfill closure      | 248                     | 263                     |
| Putaruru transfer station      | 215                     | 226                     |
| Roading                        | 2,713                   | 2,306                   |
| Sport and events centre        | 1,838                   | 1,965                   |
| Timber museum                  | 368                     | 383                     |
| Fibre optic cable connection   | 202                     | 212                     |
| Toilets                        | 1,552                   | 1,273                   |
| Swimming pools                 | 895                     | -                       |
| Sportsgrounds                  | 340                     | 144                     |
| Warm homes                     | 717                     | -                       |
| District plan                  | 817                     | -                       |
| Heat swap                      | 708                     | -                       |
| Airport                        | 90                      | -                       |
| Recycling centre facility      | 635                     | -                       |
| Waste water                    | 759                     | -                       |
| Property                       | 307                     | -                       |
| Public halls                   | 54                      | -                       |
| Cemeteries                     | 18                      | 15                      |
| Parks and reserves             | 21                      | -                       |
| Christmas/LED lights           | 89                      | -                       |
| Other loans                    | 30                      | 64                      |
| <b>Total borrowings</b>        | <b>14,757</b>           | <b>8,340</b>            |

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Council's source of external borrowing at 30 June 2014 is a committed cash advance facility (CCAF) with a limit of \$15m. Within the facility operates secured bank funding issued under \$6m and \$5m customised average rate loan facilities (CARL), with the remainder of external borrowing being re-priced quarterly at the current 90 day BNZ borrowing rate.

### **Security**

Council loans are secured over targeted and general rates revenue of the district by Deed of Charge in favour of the Bank of New Zealand. Council manages its borrowings in accordance with its funding and financial policies, which includes a Liability Management Policy. These policies have been adopted as part of council's Long Term Plan. There were no changes to the Liability Management Policy during the period.

**22 Equity**

|  | Parent and Group        |                         |
|--|-------------------------|-------------------------|
|  | Actual<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
| <b>Retained earnings</b>                         |                         |                         |
| Opening Balance                                  | 146,899                 | 140,449                 |
| Net surplus/(deficit) for the year               | (18,769)                | 4,581                   |
| <i>Transfers (to)/from:</i>                      |                         |                         |
| Property Revaluation Reserves                    | (62)                    | 518                     |
| Restricted Reserves                              | (1,371)                 | 2,994                   |
| Council Created Reserves                         | 19,359                  | (1,643)                 |
| <b>Closing balance</b>                           | <b>146,056</b>          | <b>146,899</b>          |
| <b>Other Reserves</b>                            |                         |                         |
| <b>Restricted Reserves</b>                       |                         |                         |
| Opening Balance                                  | 9,336                   | 12,330                  |
| Transfers to General Equity                      | (10,766)                | (8,417)                 |
| Transfers from General Equity                    | 12,137                  | 5,423                   |
| <b>Closing balance</b>                           | <b>10,707</b>           | <b>9,336</b>            |
| <b>Council Created Reserves</b>                  |                         |                         |
| Opening Balance                                  | 27,400                  | 25,757                  |
| Transfers to General Equity                      | (28,433)                | (469)                   |
| Transfers from General Equity                    | 9,074                   | 2,112                   |
| <b>Closing balance</b>                           | <b>8,041</b>            | <b>27,400</b>           |
| <b>Property Revaluation Reserves</b>             |                         |                         |
| Opening Balance as previously reported           | 211,832                 | 198,518                 |
| Increase/(decrease) in revaluation               | 3,836                   | 13,832                  |
| Prior-period adjustment due to roading formation | -                       | -                       |
| Transfers to retained earnings on disposal       | 62                      | (518)                   |
| <b>Closing balance</b>                           | <b>215,730</b>          | <b>211,832</b>          |
| <i>Presented by:</i>                             |                         |                         |
| Land ( Restricted)                               | 16,530                  | 16,530                  |
| Land ( Operational)                              | 2,290                   | 2,307                   |
| Buildings (Infrastructural)                      | 1,011                   | 860                     |
| Buildings (Operational)                          | 2,866                   | 2,551                   |
| Building (Restricted)                            | 277                     | 171                     |
| Parks and Reserves                               | 2,814                   | 2,821                   |
| Roading  | 158,611                 | 155,052                 |
| Sewerage   | 10,522                  | 10,549                  |
| Stormwater                                       | 7,138                   | 7,192                   |
| Water  | 13,671                  | 13,799                  |
|  | <b>215,730</b>          | <b>211,832</b>          |
| <b>Investment Revaluation Reserve</b>            |                         |                         |
| Opening Balance                                  | 534                     | 3,068                   |
| Valuation gains/(losses) taken to equity         | 1,029                   | 1,551                   |
| Transfer to profit or loss on disposal           | (1,273)                 | (4,215)                 |
| <b>Closing balance</b>                           | <b>290</b>              | <b>534</b>              |
| <b>Total other reserves</b>                      | <b>234,768</b>          | <b>249,102</b>          |

Foreign exchange losses recognised in equity (Investment Revaluation Reserve) amounted to \$202,840 (2013: \$168,333).

**Movement of Council created and restricted reserves**

|                                       |   | Actual<br>1 July<br>2013<br>\$000 | Parent and Group |               | Actual<br>30 June<br>2014<br>\$000 |
|---------------------------------------|---|-----------------------------------|------------------|---------------|------------------------------------|
|                                       |   |                                   | in<br>\$000      | out<br>\$000  |                                    |
| <b>Council Created Reserves</b>       |   |                                   |                  |               |                                    |
| National waste levy                   | A | 64                                | 95               | 110           | 49                                 |
| SWDC asset purchase                   | B | 72                                | 6                | -             | 78                                 |
| South Waikato Economic Development Fu | C | 170                               | 7,286            | -             | 7,456                              |
| South Waikato Investment Fund         | D | 26,609                            | 1,646            | 28,255        | -                                  |
| Pensioner Housing                     | E | (2)                               | 2                | -             | -                                  |
| State Highway 1                       | F | 88                                | -                | 58            | 30                                 |
| Riverside access                      | G | 373                               | 12               | 10            | 375                                |
| Financial contributions - stormwater  | H | 3                                 | -                | -             | 3                                  |
| Financial contributions - wastewater  | H | 4                                 | 1                | -             | 5                                  |
| Financial contributions - water       | H | 4                                 | 1                | -             | 5                                  |
| Financial contributions - roading     | H | 8                                 | 21               | -             | 29                                 |
| Financial contributions - reserves    | H | 7                                 | 4                | -             | 11                                 |
| <b>Total Council Created Reserves</b> |   | <b>27,400</b>                     | <b>9,074</b>     | <b>28,433</b> | <b>8,041</b>                       |
| <b>Restricted Reserves</b>            |   |                                   |                  |               |                                    |
| Upper Atiamuri Hall                   | I | 4                                 | 1                | -             | 5                                  |
| Puketurua Hall                        | I | 16                                | 3                | 6             | 13                                 |
| Waotu Hall                            | I | 15                                | 1                | -             | 16                                 |
| Lichfield Hall                        | I | 6                                 | 7                | 13            | -                                  |
| Arapuni Hall                          | I | 22                                | 3                | -             | 25                                 |
| Tapapa-Okoroire Hall                  | I | 40                                | 8                | 6             | 42                                 |
| Refuse collection                     | I | (101)                             | 521              | 544           | (124)                              |
| District sewerage                     | I | (219)                             | 2,836            | 2,717         | (100)                              |
| District stormwater                   | I | (79)                              | 509              | 563           | (133)                              |
| District water supply                 | I | 206                               | 2,314            | 2,223         | 297                                |
| Tirau Community Board                 | I | 8                                 | 16               | 16            | 8                                  |
| Tokoroa promotions                    | I | 15                                | 19               | 27            | 7                                  |
| Pride in Putaruru                     | I | 10                                | 40               | 32            | 18                                 |
| District Recycling                    | I | (29)                              | 367              | 483           | (145)                              |
| <b>Total Restricted Reserves</b>      |   | <b>(86)</b>                       | <b>6,645</b>     | <b>6,630</b>  | <b>(71)</b>                        |
| <b>Depreciation Reserves</b>          |   |                                   |                  |               |                                    |
| Arapuni Hall                          | J | 2                                 | -                | -             | 2                                  |
| Waste disposal                        | J | 693                               | 22               | 17            | 698                                |
| Sewerage                              | J | 2,804                             | 776              | 272           | 3,308                              |
| Stormwater                            | J | 3,203                             | 352              | 125           | 3,430                              |
| Water                                 | J | 1,360                             | 678              | 662           | 1,376                              |
| Pensioner housing                     | J | 136                               | 78               | 62            | 152                                |
| General rating activities             | K | 1,224                             | 3,586            | 2,998         | 1,812                              |
| <b>Total Depreciation Reserves</b>    |   | <b>9,422</b>                      | <b>5,492</b>     | <b>4,136</b>  | <b>10,778</b>                      |

### Purpose of reserve

- A. National waste levy: Manage the funds received from government relating to the national waste levy levied.
- B. SWDC asset purchase: Hold the proceeds from the sale of assets until they are applied to purchase other assets.
- C. South Waikato Economic Development Fund: Council expressed in its Long Term Plan 2006-2016 that Council would take a leadership decision to establish a South Waikato Development Fund of \$4.5 million. The fund would support developments that the community considered are needed across the district. It was specifically established to develop facilities and amenities of strategic value to the district that would otherwise require financing through rate funding; enhance local employment opportunities and economic growth; and attract and retain residents by making the district a more desirable place to live.
- D. South Waikato Investment Fund: In 1998, following the sale of its interest in Power New Zealand, the Council received \$20,433,523 (in 1999 dollars). This amount was invested to create the South Waikato Investment Fund to provide an on-going stream to assist funding community services and other specific projects.
- E. Pensioner housing: Manage the surpluses and deficits from the pensioner housing activity, when more or less rental is collected than is required to fund the annual expenditure of the pensioner houses.
- F. State Highway 1: A fund established to upgrade the road entries into Tokoroa off State Highway 1.
- G. Riverside access: Manage sale of proceeds from certain stopped roads. This is to be used for opening up areas to public access in the South Waikato district.
- H. Financial contributions: To manage financial contributions levied from the development of subdivisions until this funding is used for the development of related activities.
- I. Restricted (targeted rate) reserves: Targeted rate reserves are used to manage the surpluses and deficits of specific targeted activities such as water, storm water, sewerage and halls, that arise when more or less rates revenue is collected to fund the annual expenditure of that activity. This ensures that rates collected from a certain group of targeted rate payers can only be used for the benefit of that group.
- J. Depreciation restricted reserves: These accumulate funds from rates and are used for the future capital funding for the replacement of assets. Each major activity group e.g. water, roading, waste water, storm water, solid waste, has their own depreciation reserve so that the funds from each can be applied to the appropriate activity's capital expenditure.
- K. Depreciation reserves – general rating activities: This reserve accumulates funded depreciation and is used to fund replacement capital expenditure for general rated activities.

## 23 Reconciliation of net cash flow to operating surplus

|  | Parent and Group        |                         |
|--|-------------------------|-------------------------|
|  | Actual<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
| <b>Net surplus before tax</b>                                  | <b>(18,769)</b>         | <b>4,581</b>            |
| <i>Add/(deduct) non-cash items</i>                             |                         |                         |
| Depreciation and amortisation of plant, property and equipment | 7,171                   | 6,148                   |
| Assets vested in Council                                       | (129)                   | (559)                   |
| Loss on sale of property, plant and equipment                  | 504                     | 1,375                   |
| Library book write down  | 21                      | 20                      |
| Gain in disposal of fair value through equity investments      | (1,273)                 | (4,049)                 |
| Capital work in progress written off                           | -                       | -                       |
| <i>Add/(deduct) movements in working capital items</i>         |                         |                         |
| Trade and other receivables                                    | (53)                    | (451)                   |
| Trade and other payables                                       | 484                     | (490)                   |
| Inventories  | (34)                    | 3                       |
| Trust accounts   | (9)                     | 5                       |
| Employee benefits  | 55                      | 55                      |
| <b>Net cash inflow from operating activities</b>               | <b>(12,032)</b>         | <b>6,628</b>            |

## 24 Capital commitments and contingencies

Capital commitments represent capital expenditure contracted for at balance date but not yet earned:

|   | Parent and Group        |                         |
|---|-------------------------|-------------------------|
|   | Actual<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
| Lake Moananui dam remediation                 | 267                     | -                       |
| Lake Moananui silt removal and island/forebay | 13                      | -                       |
| Tokoroa Water - rising main - Colson's Hill   | 17                      | -                       |
| Tirau information centre toilet refurbishment | -                       | 63                      |
| Glenshea Park grandstand roof replacement     | -                       | 22                      |
| Putaruru stormwater pipe renewals             | -                       | 88                      |
| Glenshea resevoir leak repair                 | -                       | 5                       |
| Croad Place recycling facility                | 186                     | 620                     |
| <b>Total</b>                                  | <b>483</b>              | <b>798</b>              |

### Contingent Liabilities

#### Guarantees

As at 30 June 2014 the South Waikato District Council was acting as a guarantor for a loan of \$25,201 advanced by ANZ National Bank Limited to the Tokoroa Kart Club Incorporated (2013: \$29,282).

Responsibility for shortfall for mutual liability

Up until 30 June 2012, the South Waikato District Council was a member of the New Zealand Mutual Liability RiskPool. The New Zealand Mutual Liability RiskPool had been the key mechanism for the sector to protect itself against public liability and professional indemnity claims over the past fourteen years.

In 2012 Council received advice from RiskPool that payments of weather tightness claims on behalf of members were at a level that had resulted in deficits for the fund. These deficits would require calls on members under the mutual fund rules to meet the funding shortfalls. The mutual fund's rules also require the South Waikato District Council to share in the funding of shortfalls, for those years the Council has been a member of Riskpool (even after it has exited the mutual fund).

There remains the potential for further currently unquantified obligations/calls on Council. There is considerable uncertainty about any future claims and Council is uncertain if there will be additional obligations.

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### 25 Related party transactions

Elected representatives and key management personnel are Council's related parties who govern the financial and operating policies of Council. During the year Council had the following transactions with related parties:

|   | <b>Actual<br/>2014<br/>\$000</b> | <b>Actual<br/>2013<br/>\$000</b> |
|---|----------------------------------|----------------------------------|
| His Worship The Mayor Neil Sinclair and Deputy Mayor Jenny Shattock - Council appointments on the South Waikato Economic Development Trust: |                                  |                                  |
| Donations received for SWSEC on behalf of the Trust   | 3                                | -                                |
| Deputy Mayor Jenny Shattock- Manager of The Radio Network (TRN) Tokoroa (to January 2014)   |                                  |                                  |
| Services provided by TRN Tokoroa (to January 2014)  | 8                                | 32                               |
| Account payable to TRN Tokoroa (to January 2014)  | -                                | 3                                |
| His Worship The Mayor Neil Sinclair - Council appointments:   |                                  |                                  |
| Waikato Regional Council-Land Transport Committee   |                                  |                                  |
| Service provided by Waikato Regional Council  | 253                              | 101                              |
| Service provided to Waikato Regional Council  | 20                               | 30                               |
| Account payable to Waikato Regional Council   | 3                                | 31                               |
| Councillors Bill Machen & Alan Blair - Councillor appointments(part) on Timber Museum Trust   |                                  |                                  |
| Grants paid to the Timber Museum Trust  | 91                               | 119                              |
| Account payable to Timber Museum Trust  | -                                | 9                                |
| Councillor Herman Van Rooijen - Councillor appointment on Waikato River Trails  |                                  |                                  |
| Grants paid to Waikato River Trails   | 246                              | 389                              |
| Councillor Adrienne Bell - Councillor appointment on South Waikato Arts Trust   |                                  |                                  |
| Grants paid to South Waikato Arts Trust   | 92                               | 92                               |
| Deputy Mayor Jenny Shattock - Trustee on South Waikato Achievement Trust  |                                  |                                  |
| Services provided by SW Achievement Trust   | 115                              | 180                              |
| Account payable to the Achievement Trust  | 10                               | 10                               |
| Councillors Adrienne Bell & Anne Edmeades - Trustees of Pride in Putaruru   |                                  |                                  |
| Goods and services provided by Pride in Putaruru  | 56                               | 68                               |
| Account payable to Pride in Putaruru  | -                                | 14                               |
| His Worship The Mayor Neil Sinclair - Council appointments on the Rangiura Home Trust:  |                                  |                                  |
| Goods and services provided by Rangiura Trust   | 1                                | -                                |
| Councillor Jeff Gash - manager at Goldpine Industries   |                                  |                                  |
| Goods and services provided by Goldpine Industries  | 1                                | -                                |
| Chief Executive Craig Hobbs - trustee on Balloons over Waikato Trust  |                                  |                                  |
| Goods and services provided by Balloons over Waikato Trust  | 5                                | -                                |
| Chief Executive Craig Hobbs - wife is owner of Triowins Sponsorship   |                                  |                                  |
| Goods and services provided by Triowins Sponsorship   | 2                                | -                                |
| <b>Total related party payables (Note 18)</b>   | <b>13</b>                        | <b>67</b>                        |
| <b>Total related party receivables (Note 11)</b>  | <b>20</b>                        | <b>30</b>                        |

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised for the period for bad or doubtful debts in respect of the amounts owed by related parties.

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with the South Waikato District Council, such as payment of rates and dog registration fees. No other Councillor or member of senior management has entered into related parties transactions.

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### Key Management Personnel:

|   | <b>Actual<br/>2014<br/>\$000</b> | <b>Actual<br/>2013<br/>\$000</b> |
|---|----------------------------------|----------------------------------|
| Salaries and other short term employee benefits | 1,456                            | 1,579                            |
| Post employment benefits                        | 34                               | 34                               |
| Other long term benefits                        | -                                | -                                |
| Termination benefits                            | -                                | -                                |
|   | <b>1,490</b>                     | <b>1,613</b>                     |

Key management personnel include: the Mayor, Councillors, the Chief Executive and other senior management of Council.

## 26 Remuneration

### Chief Executive

During the year ended 30 June 2014 the Council's Chief Executive was remunerated as follows:

|   | <b>Actual<br/>2014<br/>\$000</b> | <b>Actual<br/>2013<br/>\$000</b> |
|---|----------------------------------|----------------------------------|
| <b>David Hall (1 July 2012 - 9 May 2013)</b>    |                                  |                                  |
| Base Salary                                     | -                                | 247                              |
| Termination benefits                            | -                                | 122                              |
| Vehicle (market value plus FBT)                 | -                                | 17                               |
| Kiwisaver Employer's Contribution               | -                                | 10                               |
| <b>Total</b>                                    | <b>-</b>                         | <b>396</b>                       |
| <b>Craig Hobbs (20 May 2013 - 30 June 2013)</b> |                                  |                                  |
| Base Salary                                     | 203                              | 23                               |
| Vehicle (market value plus FBT)                 | 19                               | 2                                |
| Kiwisaver Employer's Contribution               | 6                                | 1                                |
| <b>Total</b>                                    | <b>228</b>                       | <b>26</b>                        |

For the year ended 30 June 2014 the total annual cost, including fringe benefit tax, to the South Waikato District Council of the remuneration package received by the Chief Executive is calculated at \$228,000 (2013: David Hall - \$396,000; Craig Hobbs - \$26,000).

### Elected representatives

The following monetary and non-monetary remuneration was paid to Councillors and Community Board representatives during the year. Monetary remuneration excludes payment of non-taxable allowances which are considered reimbursement of actual expenses incurred.



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|                              | Parent and Group        |                         |
|------------------------------|-------------------------|-------------------------|
|                              | Actual<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
| <b>Mayor and Councillors</b> |                         |                         |
| Lyn Corban                   | 7                       | 20                      |
| Neil Sinclair (Mayor)        | 78                      | 75                      |
| Jenny Shattock               | 30                      | 29                      |
| Herman Van Rooijen           | 27                      | 28                      |
| Anne Edmeades                | 22                      | 20                      |
| Michael Gubb                 | 7                       | 20                      |
| Adrienne Bell                | 24                      | 20                      |
| Barrie Herlihy               | -                       | 6                       |
| Alan Blair                   | 7                       | 21                      |
| Brenda Watkins               | 8                       | 23                      |
| Warren Lee                   | -                       | 18                      |
| Jeff Gash                    | 17                      | -                       |
| Bill Machen                  | 15                      | -                       |
| Marin Glucina                | 15                      | -                       |
| Tua Numanga                  | 15                      | -                       |
| Terry Magill                 | 17                      | -                       |
| Thomas Lee                   | 15                      | -                       |
| <b>Total Councillors</b>     | <b>304</b>              | <b>280</b>              |

|                                      | Parent and Group        |                         |
|--------------------------------------|-------------------------|-------------------------|
|                                      | Actual<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
| <b>Community Board Members</b>       |                         |                         |
| Nora Martelletti                     | 3                       | 4                       |
| Heather Spinley                      | 1                       | 2                       |
| Geoff Poole                          | 1                       | 2                       |
| Clive Collingwood                    | 2                       | 2                       |
| Cassandra Robinson                   | 3                       | -                       |
| Derek Keesing                        | 2                       | -                       |
| <b>Total Community Board members</b> | <b>12</b>               | <b>10</b>               |

### Council employees

The total annual remuneration by band for employees as at 30 June are:

|                        | Actual<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
|------------------------|-------------------------|-------------------------|
| < \$60,000             | 95                      | 99                      |
| \$60,000 - \$79,000    | 30                      | 28                      |
| \$80,000 - \$99,000    | 12                      | 11                      |
| \$100,000 - \$119,000  | 10                      | 7                       |
| \$120,000 - \$259,000  | 5                       | 4                       |
| <b>Total employees</b> | <b>152</b>              | <b>149</b>              |

Total remuneration includes non-financial benefits provided to employees.

At balance date, the Council employed 88 full-time employees (2013: 99), with the balance of staff representing 26.28 (2013: 17.85) full-time equivalent employees. A full-time employee is determined on the basis of a 37.5-hour working week.

**27 Financial instruments****27A Financial Instrument Categories**

|  | Note | Actual<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
|--|------|-------------------------|-------------------------|
| <b>Financial assets</b>                          |      |                         |                         |
| <b>Fair value through profit or loss</b>         |      |                         |                         |
| Derivative financial instrument assets           | 14   | -                       | -                       |
| <b>Loans and receivables</b>                     |      |                         |                         |
| Cash and cash equivalents                        | 10   | 11,415                  | 17,581                  |
| Trade and other receivables                      | 11   | 2,638                   | 2,613                   |
| Other financial assets:                          |      |                         |                         |
| Sundry loans                                     | 13   | 632                     | 513                     |
| <b>Total loans and receivables</b>               |      | <b>14,685</b>           | <b>20,707</b>           |
| <b>Available for sale financial assets</b>       |      |                         |                         |
| Other financial assets:                          |      |                         |                         |
| Bonds, deposits and other fixed interests        | 13   | 4,384                   | 13,220                  |
| Unlisted shares                                  | 13   | 87                      | 87                      |
| Listed shares                                    | 13   | 2,731                   | -                       |
| <b>Total available for sale financial assets</b> |      | <b>7,202</b>            | <b>13,307</b>           |
| <b>Financial liabilities</b>                     |      |                         |                         |
| <b>Fair value through profit or loss</b>         |      |                         |                         |
| Derivative financial instrument liabilities      | 14   | -                       | -                       |
| <b>Financial liabilities at amortised cost</b>   |      |                         |                         |
| Trade and other payables                         | 18   | 2,867                   | 2,499                   |
| Trust Accounts                                   | 18   | 146                     | 155                     |
| Secured loans                                    | 21   | 14,757                  | 8,340                   |

**27B Fair value hierarchy disclosures**

For those instruments recognised at fair value in the balance sheet, 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 active markets and financial instruments valued using models where all significant inputs are observable
- Valuation techniques with significant non-observable inputs (level 3) – financial instruments valued using models where one or more significant inputs are not observables.

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

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|  | <b>Total<br/>\$000</b> | <b>Quoted<br/>Market<br/>Price<br/>\$000<br/>Level 1</b> | <b>Observable<br/>inputs<br/>\$000<br/>Level 2</b> | <b>Significant<br/>non-observable<br/>inputs<br/>\$000<br/>Level 3</b> |
|--|------------------------|--|--|--|
| <b>30 June 2014 - Parent and Group</b>     |                        |  |  |  |
| <i>Financial assets</i>                    |                        |  |  |  |
| <b>General Funds</b>                       |                        |  |  |  |
| Bank security bonds (AA-)                  | 1,099                  | 1,099  | -  | -  |
| Corporate bonds (BBB+ to AA-)              | 948                    | 948  | -  | -  |
| Local Government bonds (A to AA)           | 831                    | 831  | -  | -  |
| NZ Government Bonds (AA+)                  | 213                    | 213  | -  | -  |
| International bonds (not rated)            | 516                    | 516  | -  | -  |
| Government bonds                           | -                      | -  | -  | -  |
| Others                                     | -                      | -  | -  | -  |
| Shares                                     | -                      | -  | -  | -  |
| Derivatives                                | -                      | -  | -  | -  |
| <b>Financial liabilities</b>               |                        |  |  |  |
| Derivatives                                | -                      | -  | -  | -  |
| <b>30 June 2013 - Parent and Group</b>     |                        |  |  |  |
| <i>Financial assets</i>                    |                        |  |  |  |
| <b>General Funds</b>                       |                        |  |  |  |
| Sundry corporate and government securities | -                      | -  | -  | -  |
| Bank securities                            | -                      | -  | -  | -  |
| <b>South Waikato Investment Fund</b>       |                        |  |  |  |
| Directly held bonds                        | -                      | -  | -  | -  |
| Bank bonds                                 | 5,542                  | 5,542  | -  | -  |
| Corporate bonds                            | 4,333                  | 4,333  | -  | -  |
| Government bonds                           | 617                    | 617  | -  | -  |
| Others                                     | 1,345                  | 1,345  | -  | -  |
| Shares                                     | -                      | -  | -  | -  |
| Derivatives                                | -                      | -  | -  | -  |

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

### Financial instrument risks

Council has a series of policies to manage the risks associated with financial instruments. The South Waikato District Council is risk averse and seeks to minimise exposure from its treasury activities. Council has established approved Liability Management and Investment policies which have been adopted as part of Council's Long Term Plan 2012-22. 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 value of a financial instrument will fluctuate as a result of changes in market prices. Council is exposed to price risk on its equity and bond investments, which are classified as available for-sale-financial assets. The price risk is managed by diversification of Council investment portfolio in accordance with the limits set out in Council Investment policy.

#### Currency Risk

Currency risk is the risk that cash flows relating to certain forecast transactions or firm commitments will fluctuate. Council is managing this risk through forward foreign exchange contracts.

#### Interest Rate Risk

The interest rates on investments and borrowings are disclosed in Notes 13 and 21 respectively.

#### Fair value interest rate risk

Fair value interest rate risk is the risk that the value of financial instruments will fluctuate because of changes in market interest rates. Borrowing and investment at fixed interest rates expose Council to fair value interest rate risk. Council manages its interest rate exposure by restricting the gross interest of all external borrowing to 10% of total revenues and

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to 15% of Council's operating revenue. Council can also use interest rate derivatives such as interest rate swaps and options to manage interest rate risks when the need arises. Interest rates on borrowings are subject to quarterly re-pricing.

### Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of changes in floating interest rates and borrowings. Council is exposed to cash flow interest rate risk on cash and cash equivalents.

### Sensitivity analysis

The table below illustrates the potential profit or loss and equity (excluding retained earnings) impact for reasonably possible market movement, with all other variables held constant, based on Council's financial instruments exposures at the balance date. The particular sensitivities chosen for the analysis reflect the actual movements that occurred in the relevant immediately preceding financial year.

|   | Note     | 2014<br>\$000 |              | 2013<br>\$000 |              |
|---|----------|---------------|--------------|---------------|--------------|
|   |          | Profit        | Other Equity | Profit        | Other Equity |
| <b>Interest Rate Risk</b>                   |          |               |              |               |              |
| <b>Financial assets</b>                     |          |               |              |               |              |
| South Waikato Investment Fund (SWIF): Bonds | <i>a</i> | -             | 0.5%         | -             | 0.5%         |
| NZ fixed interest bonds                     | <i>b</i> | -             | (15)         | 15            | -            |
| <b>Financial liabilities</b>                |          |               |              |               |              |
| Borrowings                                  | <i>c</i> | 0.25%         | -            | -0.25%        | 0.25%        |
|   |          | (37)          | 37           | (19)          | 19           |
| <b>Foreign Exchange Risk</b>                |          |               |              |               |              |
| <b>Financial assets</b>                     |          |               |              |               |              |
| International fixed interest bonds          | <i>d</i> | 0.5%          | -            | -0.5%         | 5.0%         |
| International equity                        | <i>e</i> | 3             | (3)          | -             | -            |
|   |          | 6             | (6)          | -             | -            |
| <b>International Cash</b>                   |          |               |              |               |              |
| US dollar denominated cash                  | <i>f</i> | 10%           | -            | -10%          | 10%          |
|   |          | 0             | 0            | 806           | (806)        |
| <b>Equity Price Risk</b>                    |          |               |              |               |              |
| <b>Financial assets</b>                     |          |               |              |               |              |
| NZ Equity investments                       | <i>g</i> | -             | 5%           | (71)          | 5.0%         |
| NZ Property investments                     | <i>h</i> | -             | 38           | (38)          | -            |
| International Equity investments            | <i>i</i> | -             | 57           | (57)          | -            |

### Explanation of sensitivity analysis

#### Financial assets

##### a - South Waikato Investment Fund (SWIF): Bonds

A total of \$Nil (2013: \$11,837,000) invested in local bonds is classified as available for sale financial assets. A movement in interest rates of plus or minus 0.5% in 2013-14 would have had an impact of +/- \$Nil on the fair value of the asset and the investment revaluation reserve. A movement in interest rates of plus or minus 0.5% in 2012-13 would have had an impact of +/- \$652,000.

##### b - General funds fixed interest bonds

A total of \$3,091,000 (2013: \$nil) invested in local bonds is classified as available for sale financial assets. A movement in interest rates of plus or minus 0.5% in 2013-14 would have had an impact of +/- \$15,000 on the fair value of the asset and the investment revaluation reserve.

##### c - Borrowings

A total of \$14,757,000 (2013: \$8,340,000) is classified as long term borrowings. A movement of plus or minus 0.25% in interest rates in 2013-14 would have had an impact of +/- \$37,000 on the profit or loss. A movement of plus or minus 0.25% in 2012-13 would have had an impact of +/- \$19,000 on the profit or loss.

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### **d - International fixed interest bonds**

A total of \$516,000 (2013: \$nil) is classified as available for sale financial assets. A movement of plus or minus 0.5% in the US exchange in 2013-14 would have had an impact of \$3,000 (2013: \$nil) on the fair value of the asset and the investment revaluation reserve.

### **e - International equity**

A total of \$1,136,364 (2013: \$nil) is classified as available for sale financial assets. A movement of plus or minus 0.5% in the US exchange rate in 2013-14 would have had an impact of \$6,000 (2013: \$nil) on the fair value of the asset and the investment revaluation reserve

### **f - South Waikato Investment Fund (SWIF) - international cash**

A total of \$nil (2013: \$8,061,880) was cash held in US dollars, and classified as available for sale financial assets. A movement of plus or minus 10% in the US exchange rate in 2013-14 would have had an impact of \$nil on the fair value of the asset and the investment revaluation reserve. . A movement of plus or minus 10% in the US exchange rate in 2012-13 would have had an impact of \$806,000 on the fair value of the asset and the investment revaluation reserve.

### **g - NZ equity investments**

A total of \$1,415,548 (2013: \$nil) invested in listed local shares classified as available for sale financial assets. A movement of plus or minus 5% in share prices in 2013-14 would have had an impact of \$71,000 (2013: \$nil) on the fair value of the asset and the investment revaluation reserve.

### **h - NZ property investments**

A total of \$769,000 (2013: \$nil) invested in the New Zealand property equity market is classified as available for sale financial assets. A movement of plus or minus 5% in the New Zealand property share prices in 2013-14 would have had an impact of \$38,000 (2013: \$nil) on the fair value of the asset and the investment revaluation reserve.

### **i - International equity investments**

A total of \$1,136,365 (2013: \$nil) invested in overseas shares is classified as available for sale financial assets. A movement of plus or minus 5% in share prices in 2013-14 would have had an impact of \$57,000 (2013: \$nil) on the fair value of the asset and the investment revaluation reserve.

### **Credit risk**

Credit risk is the risk that a third party will default on its obligations to Council, causing Council to incur a loss. Council has no significant concentration of credit risk, 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. Investments are also well diversified across a wide range of companies and industries. Accordingly, Council does not require any collateral or security to support these financial instruments. The maximum exposure to credit risk is equal to the carrying amount of all financial assets.

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### Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired are assessed by reference to Standard and Poor's or other recognised credit ratings, or historical information about counterparty default rates:

|  | Parent and Group        |                         |
|--|-------------------------|-------------------------|
|  | Actual<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
| <b>Cash and cash equivalents:</b>                        |                         |                         |
| Cash and short term deposits (AA to BBB)                 | 11,415                  | 17,581                  |
| Total cash and cash equivalents                          | <u>11,415</u>           | <u>17,581</u>           |
| <b>General Funds:</b>                                    |                         |                         |
| Sundry corporate and government securities (AA- to AA)   | 1,099                   | -                       |
| Bank security bonds (AA+ to AAA)                         | 948                     | -                       |
| Local Government Bonds (A to AA)                         | 831                     | -                       |
| NZ Government Bonds (AA+)                                | 213                     | -                       |
| International Bonds (Not rated)                          | 516                     | -                       |
| Total general fund bonds                                 | <u>3,607</u>            | <u>-</u>                |
| <b>South Waikato Investment Fund (SWIF):</b>             |                         |                         |
| Bank security bonds (AA+ to A)                           | -                       | 5,542                   |
| Corporate bonds (AA+ to A-)                              | -                       | 4,333                   |
| NZ government bonds (AAA+)                               | -                       | 617                     |
| Others (A to BBB)  | -                       | 1,345                   |
| Total SWIF bonds exceeding maturities less than 3 months | <u>-</u>                | <u>11,837</u>           |
| <b>Directly held deposits</b>                            |                         |                         |
| Term deposits (AA)                                       | <u>-</u>                | <u>1,383</u>            |
| <b>Derivative financial instruments:</b>                 |                         |                         |
| Forward foreign exchange contracts                       | -                       | -                       |
| Total derivative financial instruments                   | <u>-</u>                | <u>-</u>                |

Trade 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 trade and other receivables with reference to internal or external credit ratings. Council has no significant concentration of credit risk in relation to trade 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 funds to meet commitments as they fall due. Prudent liquidity management implies maintaining sufficient cash in the form of bank current accounts and demand deposits. In meeting its liquidity requirements, Council avoids concentration of debt maturity dates with the maximum level of debt repayable in any one year to no more than 3% of total public equity. The maturity analysis of the Council's interest bearing investments is disclosed in Note 13.

#### Liquidity and market risk

Interest rates ranged from 4.30% to 5.79% (3.5% to 5.05% for 2013). Council policy restricts loan principal outstanding to the value of the District's annual rate revenue and the interest cost to 15% of the annual rates revenue. Loan principal outstanding was 76% of the annual rates revenue (2013: 39%). Total interest costs represented 2% of the annual rates revenue (2013: 1.6%).

#### Fair Value

\$6 million of Council's borrowings are at varying fixed terms, with the balance re-priced quarterly.

Contractual maturity analysis of financial liabilities:

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|                              | Weighted<br>average<br>interest rate | Carrying<br>amount<br>\$000 | Contractual<br>cash flows<br>\$000 | Less than<br>1 year<br>\$000 | 2-5<br>years<br>\$000 | >5<br>years<br>\$000 |
|------------------------------|--------------------------------------|-----------------------------|------------------------------------|------------------------------|-----------------------|----------------------|
| <b>Parent and Group 2014</b> |                                      |                             |                                    |                              |                       |                      |
| Trade and other payables     |                                      | 3,150                       | 3,150                              | 3,150                        | -                     | -                    |
| Borrowings                   | 5.39%                                | 14,757                      | 21,977                             | 1,361                        | 5,449                 | 15,167               |
| Trust Accounts               |                                      | 146                         | 146                                | 146                          | -                     | -                    |
| Financial guarantees         | 3.50%                                | 33                          | 33                                 | 33                           | -                     | -                    |
| <b>Total</b>                 |                                      | <b>18,086</b>               | <b>25,306</b>                      | <b>4,690</b>                 | <b>5,449</b>          | <b>15,167</b>        |
| <b>Parent and Group 2013</b> |                                      |                             |                                    |                              |                       |                      |
| Trade and other payables     |                                      | 2,499                       | 2,499                              | 2,499                        | -                     | -                    |
| Borrowings                   | 5.05%                                | 8,340                       | 10,296                             | 704                          | 704                   | 8,888                |
| Trust Accounts               |                                      | 155                         | 155                                | 155                          | -                     | -                    |
| Financial guarantees         | 3.50%                                | 33                          | 33                                 | 33                           | -                     | -                    |
| <b>Total</b>                 |                                      | <b>11,027</b>               | <b>12,983</b>                      | <b>3,391</b>                 | <b>704</b>            | <b>8,888</b>         |

Trade and other payables do not have a weighted average interest rate due to them being settled on the 20th of each month

## 28 Operating lease as lessor

Council leases its operational properties under operating leases. The majority of these leases have a non-cancellable term that ranges between one and thirty years. The future aggregate minimum lease payments to be collected under non-cancellable leases are as follows:

|   | Parent and Group        |                         |
|---|-------------------------|-------------------------|
|   | Actual<br>2014<br>\$000 | Actual<br>2013<br>\$000 |
| Not later than one year                           | 100                     | 104                     |
| Later than one year and not later than five years | 166                     | 215                     |
| Later than five years                             | 344                     | 369                     |
| <b>Total non-cancellable operating leases</b>     | <b>610</b>              | <b>688</b>              |

No contingent rents have been recognised in the profit and loss during the period.

## 29 Insurance contracts

South Waikato District Council is part of a Regional collective of local authorities for insurance purposes. Through the collective economies of scale Council has access to the best process and cover.

As at the end of the financial year, Council had the following insurance cover in place:

### Material damage \$92,191,000

Council's Material Damage cover is based on a Maximum Probable Loss model (MPL) which means that its assets are insured for the value of the largest probable loss that could result from a disaster in the South Waikato. Council is insured within a \$150 million primary layer which is shared between the Regional collective. A separate policy is in place which is shared by the Regional collective which provides cover of up to \$125 million for damage that is caused by fire, or fire following a natural disaster.

### Commercial motor vehicles \$1,020,000

Motor insurance up to the market value of each individual vehicle.

### Infrastructure \$95,940,000

Based on risk engineering and loss modelling for the Waikato hazardscape a \$100 million shared loss limit is in place with the Regional collective. Insurance is to the level of 40% in anticipation of 60% contribution from central government in the event of a disaster.

### Business interruption

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A shared \$10 million Additional Increased Cost of Working limit with the Regional collective and provides cover for consequential loss through the physical damage to any property used by Council. There is also an additional \$2.5 million claim preparation costs cover associated with this contract.

### **Forest and rural fire cover \$100,000**

Council is designated as a Rural Fire Authority. This covers for costs associated with fire-fighting.

### **Professional indemnity \$50,000,000**

### **Public liability \$50,000,000**



**30 Major forecast variations**

|  | Actual<br>2014<br>\$000 | Forecast<br>2014<br>\$000 | Variance<br>\$000 |
|--|-------------------------|---------------------------|-------------------|
| <b>Total income</b>  | <b>30,577</b>           | <b>28,340</b>             | <b>2,237</b>      |
| <b>Other Revenue</b>   | <b>1,326</b>            | <b>359</b>                | <b>967</b>        |
| Other revenue exceeded budget mainly due to higher dividends received compared to budget. Dividends of \$490,000 were received due to more investment in equity during the year. This was partially offset by a reduction in vested income from assets gifted to Council.  |                         |                           |                   |
| <b>Gain on financial instruments</b>   | <b>1,273</b>            | <b>-</b>                  | <b>1,273</b>      |
| This represents accumulated unrealised gains on investments which became realised when Council transferred out the South Waikato Investment Funds (SWIF) to a new entity.  |                         |                           |                   |
| <b>Total operating expenditure</b>   | <b>49,346</b>           | <b>54,016</b>             | <b>(4,670)</b>    |
| <b>Net loss on sale</b>  | <b>504</b>              | <b>-</b>                  | <b>504</b>        |
| The net loss arose mainly from the renewal of infrastructural assets, particularly roading, water, wastewater and stormwater.  |                         |                           |                   |
| <b>Transport and Roading</b>   | <b>7,234</b>            | <b>6,890</b>              | <b>(344)</b>      |
| The transport and roading expenditure was above budget mainly due to higher depreciation on roading assets compared to budget. This is mainly because of a reduction in the life of the first coat seals especially on Mossop road after a larger chip two coat seal was undertaken in November.   |                         |                           |                   |
| <b>Recreation and facilities-facilities and property</b>   | <b>2,048</b>            | <b>2,215</b>              | <b>(167)</b>      |
| Facilities and property expenditure was below budget mainly due to: lower talking pole maintenance and promotional expenditure; lower operational costs at the South Waikato Sport and Events Centre, and lower toilets operational cost mainly due to lower interest and depreciation costs.  |                         |                           |                   |
| <b>Economic and Community Development</b>  | <b>22,665</b>           | <b>28,413</b>             | <b>(5,748)</b>    |
| Economic and community development expenditure was below budget mainly due to a lower amount of SWIF funds paid out than, as Council had decided to retain approximately \$5m for strategic community projects. This is also due to the timing of \$1m pay-out of funds for the establishment of an economic development trust led by experienced business |                         |                           |                   |
| <b>Wastewater</b>  | <b>2,985</b>            | <b>2,881</b>              | <b>104</b>        |
| Water supply expenditure was above budget mainly due to higher depreciation charges than envisaged in budget. The increase in depreciation charges is associated with higher revaluation surpluses on water assets that were recorded at the end of the 2013 financial year.   |                         |                           |                   |

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|  | Actual<br>2014<br>\$000 | Forecast<br>2014<br>\$000 | Variance<br>\$000 |
|--|-------------------------|---------------------------|-------------------|
| <p><b>Solid waste and recycling</b><br/>Solid waste and recycling expenditure was below budget mainly due to lower landfill operating costs under new contractor; lower waste levy collected compared to budget, lower litter collection costs due to lower volume and lower interest and depreciation costs due to timing of purchase of the recycling centre facility.</p>   | 2,194                   | 2,317                     | (123)             |
| <p><b>Environment - Resource Management &amp; Planning</b><br/>Resource management and planning expenditure was above budget mainly due to district planning expenditure being overspent because of additional use of consultants to assist hearings panel, more ecological ground truthing and reporting required to deal with submissions and complexity of topics such as land use intensification and effect on the Waikato River.</p> | 1,092                   | 943                       | 149               |
| <b>BALANCE SHEET</b>   |                         |                           |                   |
| <p><b>Property, plant &amp; equipment</b><br/>Property, plant and equipment was above budget mainly due to higher revaluation surpluses recorded on roading assets than envisaged in budget. The revaluation surplus recorded on roading formation was particularly higher due to a change in the valuation methodology.</p>   | 379,155                 | 348,630                   | 30,525            |
| <p><b>Other financial assets (non-current)</b><br/>Long term financial assets were above forecast due to having more investments in long term instruments such as equity and bonds.</p>  | 7,552                   | 4,210                     | 3,342             |
| <p><b>Cash and cash equivalents</b><br/>Cash and cash equivalents were above forecast due to having more cash in call accounts for significant community projects expected to take place early in the next financial year.</p>   | 11,415                  | 1,990                     | 9,425             |
| <p><b>Borrowings</b><br/>Borrowings were above forecast mainly due to conversion of internal loans into external loans before year end, as part of Council's divestment from the SWIF. Council had yet to borrow internally off it's other (depreciation) annuities by year-end.</p>   | 14,757                  | 12,553                    | 2,204             |
| <b>STATEMENT OF CASHFLOWS</b>  |                         |                           |                   |
| <p><b>Net Cash Inflow from Operating Activities</b><br/>Net cash outflows from Operating Activities were lower than forecast mainly due to lower expenditure especially the SWIF investment payout which was lower than forecast.</p>  | (12,032)                | (15,253)                  | 3,221             |
| <p><b>Net Cash inflow /( Outflow) from Investing Activities</b><br/>Net cash inflows from investing activities were lower than forecast because SWIF investments were transitioned to new entity rather than realised.</p>   | (551)                   | 13,069                    | (13,620)          |
| <p><b>Net Cash Inflow/(Outflow) from Financing Activities</b><br/>Net cash inflows from financing activities were higher than forecast mainly due to the refinancing of internal loans at the end of the financial year, as part of the pay-out of the SWIF.</p>   | 6,417                   | 3,230                     | 3,187             |

### 31 Capital management

The Council's capital is its equity (or ratepayers' funds), which comprise retained earnings and reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently, and in a manner that promotes the current and future interests of the community. Ratepayer's 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 the Council. Intergenerational equity requires today's rate payers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets 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 the 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 sets out the factors that the 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 financial policies in the Council's LTP.

The South Waikato District Council has the following reserves:

- reserves for different areas of benefit
- self-insurance reserves
- trust reserves
- other reserves.

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

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

Other reserves are created to set aside funding from general rates for future expenditure on specific projects or activities as approved by Council.

Council categorises self-insurance reserves and other reserves as "Council Created Reserves", while the others are categorised as "Restricted Reserves" (refer Note 22).

### 32 Non-consolidation of subsidiary

Council has a subsidiary which is not consolidated using the purchase method of accounting:

#### The South Waikato Economic Development Trust

The South Waikato Economic and Development Trust (SWEDT) is a charitable trust established under a Deed of Trust on 6 December 2002. It was incorporated under the Charitable Trusts Act of 1957 on 23 December 2002 for economic development and the promotion of the good and well-being of the people of South Waikato. The Trust's objectives include:

- serving as a 'one stop shop' to offer professional services in facilitating, planning and marketing assistance for new and existing business
- accessing funds not available to local authorities
- involvement in the Dairy Push initiative aimed at facilitating the achievement of the 4% annual productivity growth target for the New Zealand Dairy Industry, and Fonterra's 3% growth in sustainable milk supply targets.

For the year ended 30 June 2014, the Trust earned total revenue of \$29,318 (2013: \$141,903) and a net loss of \$14,084 (2013: net loss of \$49,248). The Trust had assets of \$112,289 (2013: \$247,927) and liabilities of \$2,933 (2013: \$147,190) at that date.

### 33 Events after balance date

No other significant events have occurred between balance date and the signing of the financial statements.