

Annual Report

2018-19



South
Waikato
District
Council

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1. INTRODUCTION

He hupu whakataki

1.1. Message from the Mayor

Due to the scale and complexity of activities that Council delivers to residents of the South Waikato, the 2018-19 year was another big, but positive year for Council and our community.

Council remains in a strong financial position with only a slight increase in debt from \$15.2m to \$15.6m. We do have investments of \$20.7m set aside for replacement of our assets.

Our operating surplus was \$2.1m against a budget of \$1.0m. This was mainly due to the \$1.0m received for the sale of the trees at Whakamaru reserve, and assets vested from subdivisions of \$1.1m.

Council made progress on some significant projects and outcomes over the course of the year.

Our work on the district's four wastewater treatment plant upgrades and consent renewals continued following significant consultation over 18 months with Raukawa, other iwi, major stakeholders and our community at large. We have now decided on the best options to reduce nutrient levels in our wastewater, help return mana and mauri to the river and meet legislative requirements at each of the plants. The wastewater upgrade programme will be spread over many years to ensure the upgrades remain affordable for our community.

Council consulted our community regarding the possibility of closing the Tokoroa landfill and transporting waste out of the district versus building a new landfill cell. Ultimately Council decided that closing its landfill was the best option. The cost and risks of managing a landfill continues to escalate due to the stringent environmental controls and monitoring and increasing cost of carbon credits; over which we have no control. Council will begin the construction of a transfer station later this calendar year in preparation for the landfill closure in October 2020.

Responding to economic growth - both population and business - has been a focus of Council over the past two years. Staff have made progress on a District Plan review in Putāruru to rezone land for residential and business development. This work continues with broad infrastructure assessments now complete. Final planning to confirm the areas to be rezoned and the changes to the District Plan document are nearly complete. Growth planning is not isolated to Putāruru; with investigation work beginning for other towns in the district.

Physical work begun on the Tokoroa CBD upgrade project during the year. Council is pleased to report on the good progress being made and looking forward to completion of the upgrade. After deciding to not construct a new i-SITE building due to changing needs and costs, Council has redesigned the Leith Place area to address car parking, improved lighting, new toilets and a versatile Plaza area. Swanston Street and SH1 stormwater improvements are also underway. The stormwater improvements will address the on-going flooding issues along SH1 and local roads

There has been significant business investment interest in the South Waikato and Council has worked hard to bring in new jobs to the district and attract Central Government funding. Council continues to collaborate with the SWIF Trust on a range of initiatives from attracting new business to business training to positioning the South Waikato to attract business investment.

Council successfully adopted its Annual Plan 2019-20 following a period of community engagement. The Annual Plan had not changed substantially from Year 2 of the LTP 2018-28, so was adopted without formal consultation. The Plan continues to identify strategies and projects that will stand the district in very good stead over the next 10 years based on Council's Growth, Resilience and Relationship outcomes. Work on the next LTP 2021-31 has already started.

A number of other significant projects for the 2018-19 financial year are highlighted below:

Due to changing world markets, Council can no longer process plastics 3 – 7 and has been running an intensive campaign in this regard for the past nine months. This education will continue.

SH1 through Tokoroa was changed to a single lane traffic in both directions as a trial to improve accessibility onto state highway off local roads. Despite the mixed feedback from our community regarding the change, Council together with NZTA have agreed to permanently implement the changes once the pavement upgrade is complete.

There was a change of Chief Executive during the past year, following the resignation of Craig Hobbs who had been at the helm for the past five years. After a robust recruitment process, Deputy CE Ben Smit was appointed to the role of Chief Executive and has been in the role for nine months now.

Following the resignation of a Tirau Community Board member, Council held a by-election and were thrilled to have Holly Blair join the team, elected unopposed.

District revaluations were conducted late in 2018 and revaluation notices sent to ratepayers. Overall, the South Waikato Region has increased in value from \$6 billion to \$6.8 billion, an increase of \$800 million. Increased property values are exciting news for owners. Residential and lifestyle properties increased the most, by an average of 71% and 44% respectively. Commercial properties increased by 19% and forestry by 8%. Decreasing in value are dairy farms by -5% and other farms by -9% (pastoral). Increased property values do and has affected the amount of rates for ratepayers.

Council has added weekly and fortnightly debits to the existing monthly, quarterly and annual debit order service, making it easier for our community to plan their rate instalment payments.

Council has decided to close the Tokoroa i-SITE service and recognise the outstanding service our community and visitors have enjoyed over the years from the contractor Switched on Tourism. The i-SITE in Tokoroa handles about 20% of visitor enquires and 80% of local enquiries. These local enquiries can be delivered from Council offices and the Tokoroa Library, including the purchase of bus tickets and other services. We are confident that our community won't lose the services, they will just be delivered from a different site.

Council also migrated its website to a new platform to give it a fresh new look. The new website reflects changing user requirements, and national and international trends. It features a search function more prominently, has improved functionality, embedded online services forms and formats seamlessly for all device types, among other features.

The second nation-wide Civil Defence emergency alert went to almost twice as many people in New Zealand as the first alert a year prior. Six out of ten Kiwis received the test alert, a significant increase from 34%.

Staff became aware that several trees in the Whakamaru Reserve were becoming unstable and when the adjoining forestry block was felled and the reserve effectively lost its windbreak, Council realised that its only option was to close the reserve until the trees were felled. The reserve remained closed throughout the summer period for health and safety reasons. The trees have been felled and the reserve will be opened for use this Christmas.

Council successfully installed and opened brand new facilities in three of our reserves – Little Waipa, Jones Landing and Dunham's Point. The new shower blocks, bbqs, rubbish and recycling stations and shelters are a great addition to our local reserves. We have had tremendous feedback from locals and visitors alike.

Staff worked closely with the Putāruru Community Garden Trust to relocate the gardens to the Grey Street Reserve.

Council supported a number of community events this year including but not limited to ANZAC Day services, the Putāruru Waterfest, Festival of Cultures and Shining Light on the Dark. Our Council continues to take these opportunities to interact with others in our community as part of our focus on building sustainable partnerships.

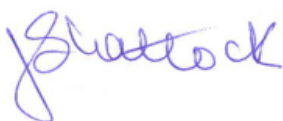
Council held its first ever dog pool parties this year and they were hugely popular with our doggie owners and their doggies. Following the closure of our summer pools in Tīrau and Putāruru to our human community, the pools were opened up for what proved to be two excellent dog pool parties. Owners and pooches alike had a brilliant time. This is definitely something the Council will undertake again.

Following a public consultation process that attracted 154 submissions we amended our Class 4 and Racing Board Venue Policy (Gambling Policy). Council retained its Sinking Lid Clause and tightened the Policy controls around site location and club mergers; and included reference to the impact of gambling on vulnerable people.

A message in this Annual Report would sadly not be complete without mentioning the tragic events of 15 March 2019. The terrible act of terrorism on this day affected every New Zealander and people in our beautifully multi-cultural community were no different. Hundreds of people participated in two local community vigils.

Council's focus on improving relationships are on-going and continues to grow from strength to strength. Staff have held successful workshop and seminar sessions with individuals, groups and organisations from business sectors including forestry, estate agents and agricultural; and with our Pacific Island communities. Relationships with Raukawa and other iwi continues to improve. Partnerships and relationships play an important role in our collaborative delivery of programmes, events and initiatives for our community. This in turn enhances our resilience as a community, as a district and as a Council.

The 2018-19 year has certainly been a massive one. Council has taken the bull by the horns in terms of supporting, facilitating, attracting and seeking economic opportunities to grow and improve our district and respond to our growing population and towns. This has put pressures on the organisation, but we are rising to the challenge and already 2019-20 looks set to be another positive year.



Jenny Shattock QSM JP

MAYOR

1.2. Report from the Audit Office



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF SOUTH WAIKATO DISTRICT COUNCIL'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

The Auditor-General is the auditor of South Waikato District Council (the District Council). The Auditor-General has appointed me, Bruno Dente, using the staff and resources of Deloitte Limited, to report on the information in the District Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

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

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

We completed our work on 3 October 2019. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 79 to 126:
 - present fairly, in all material respects:
 - the District Council's financial position as at 30 June 2019;
 - the results of its operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards;
- the funding impact statement on page 83, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long-term plan;
- the statement of service provision (referred to as groups of activities) on pages 25 to 64:
 - presents fairly, in all material respects, the District Council's levels of service for each group of activities for the year ended 30 June 2019, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - complies with generally accepted accounting practice in New Zealand; and



- the statement about capital expenditure for each group of activities on pages 25 to 64, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's Long-term plan; and
- the funding impact statement for each group of activities on pages 25 to 64, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long-term plan.

Report on the disclosure requirements

We report that the District Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 20 to 24, which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council's audited information and, where applicable, the District Council's long-term plan and annual plans.

Basis for our opinion on the audited information

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

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

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

Responsibilities of the Council for the audited information

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

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

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

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

Responsibilities of the auditor for the audited information

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



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

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

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

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

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

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



Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 1 to 5 and 10 to 19 and 65 to 78, but does not include the audited information and the disclosure requirements, and our auditor's report thereon.

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

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

Independence

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

Other than the audit and our report on the disclosure requirements, we have no relationship with or interests in the District Council.

A handwritten signature in blue ink that reads "Bruno Dente".

Bruno Dente
for Deloitte Limited
On behalf of the Auditor-General
Hamilton, New Zealand

1.3. Councillors and their contact details



Councillors from left to right back row: Jeff Gash (Deputy Mayor), Bill Machen, Marin Glucina, Peter Schulte, Gray Baldwin and Herman Van Rooijen

Left to right front row: Wendy Cook, Adrienne Bell, Jenny Shattock (Mayor) and Arama Ngapo-Lipscombe

Councillor Name	Phone number	Email Address	Ward
Jenny Shattock	885 0716 027 441 6230	jenny.shattock@southwaikato.govt.nz	Mayor
Jeff Gash	021 974 327	jeff.gash@outlook.com	Tokoroa
Gray Baldwin	027 239 0497	gray.baldwin@icloud.com	Putāruru
Adrienne Bell	027 471 2404	adriennejb@yahoo.co.nz	Putāruru
Herman Van Rooijen	027 246 6601	vanrooijen@xtra.co.nz	Putāruru
Wendy Cook	021 719 093	wendy.berylin.cook@gmail.com	Tokoroa
Marin Glucina	021 416 076	glu-@hotmail.com	Tokoroa
Thomas Lee	027 332 1292	lee.whanautk@gmail.com	Tokoroa
Bill Machen	027 471 5899	lilyandbill@xtra.co.nz	Tokoroa
Arama Ngapo-Lipscombe	027 533 9988	arama@nll.co.nz	Tokoroa
Peter Schulte	021 434 933	peter@otobahncoffee.com	Tirau

1.4. Tirau Community Board members

Name	Phone Number	Email Address
Cassandra Robinson (Chair)	027 243 4931	cassandra.r@xtra.co.nz
Clive Collingwood	027 245 8027	noddy.collingwood@gmail.com
Sharon Burling-Claridge	07 883 1776	cadillacafe@xtra.co.nz
Holly Blair	021 259 1914	ewanandholly@hotmail.com

2. THE COUNCIL STRATEGY

Te rautaki kaunihera

The Council Strategy is set in the Long Term Plan 2018-28 and presents what Council is going to do for the next ten years to make our district a better place to live, work and play.

At the core of our strategy is Council's vision (how Council envisages its community in 30 years' time), outcomes (what Council would like achieve to make the vision a reality) and strategies (what Council will actually do to achieve the outcomes). To put it simply, everything that Council does should align with its strategies, outcomes and vision.

The 2018-28 Long Term Plan was adopted in the previous year, and will be reported against in the 2018-19 Annual Report.

2.1. Council's vision

The Council vision describes how Council would like to see our community in 30 years. Our vision is 'Healthy people thriving in a safe, vibrant and sustainable community'.

2.2. Council's outcomes

Council's community engagement has helped shape our new outcomes, mentioned earlier in this document - Growth, Resilience and Relationships.

These are the driving forces behind our decision making for the future.

- In terms of GROWTH Council aims to increase population and jobs, reduce unemployment, increase average earnings and improve the deprivation index.
- In terms of RESILIENCE, both Council and the community, need to anticipate, resist, respond to and recover from significant change or events.
This includes community, cultural, economic and environmental resilience as well as Council's infrastructure. This will help us to be prepared, lessen the effects of change and recover quickly.

Resilience covers a wide range of topics such as civil defence and storm events, how Council manages its financial position, the affordability of rates and asset replacement, and environmental sustainability and its ability to recover from difficult situations.

- In terms of RELATIONSHIPS, Council will build stronger relationships with Iwi and Māori, along with community and business groups to ensure that by working together Council can achieve growth and a resilient community.

Relationships with Iwi and Māori will be developed through strong governance models, building management/operational relationships, the development of cultural understanding among staff and elected members and undertaking joint projects.

Council recognises the important contribution our Pacific Peoples make towards the economic, environmental, social and cultural strength of our district. They make up 12% of our population and add significant cultural diversity to our community. Council will continue to work collaboratively with our Pacific Peoples to achieve mutual benefits and enhance relationships.

Council will also be talking to businesses and other community groups through improved engagement models so that we can better understand each other and share knowledge. Council wants to do more joint community projects and even provide on-going operations of facilities and services together. However, Council also needs to work towards helping community groups that rely heavily on Council funding to be more self-sufficient and encourage independence. Partnership models with business will focus on economic development and, more directly, job creation and training.

2.3. Financial strategy limits

Council recognises the financial constraints on our community, and in order to protect financial integrity, Council has set limits on the amount of rates that it can collect and the amount of debt that it can accumulate. Whether we have achieved compliance with these limits is discussed below.

Financial Measure	Limit	Achieved?	Comment
Rates Increase	Rates revenue increases will not be larger than 9% for any year	Yes	Rates increase was 7.7%
External debt	External loans not to exceed 100% of total revenue	Yes	External loans as at 30 June 2019 were \$15.6m. Total revenue for 2018-19 was \$38.9m

2.4. What did we do?

2.4.1. Growth in residential housing demand

After a long period of population decline, particularly in urban Tokoroa, the district is being rediscovered as a place offering both great lifestyle and business opportunities. There has been an increase in demand for residential properties to rent and purchase. This is reflected in the population growth reflected between 2013 (22,071) and 2018 (estimated 24,420). House prices in 2017 increased by 28% with residential property values having increased by 67% since June 2015. Increased demand means that it is now much harder to rent or buy a home here.

Council initiatives have contributed to this growth but the major change came from rising house prices in Auckland, which encourage people to move to towns like Tokoroa, Putāruru, Tīrau and Arapuni.

Growth Planning for the District is likely to result in changes to the District Plan (see Section 2.4.1.2 District Plan Changes) to allow for more residential and commercial land development. Modelling and data collection for District assets has now been started for Tokoroa and Tīrau.

2.4.1.1. Putāruru Growth Plan

Following the adoption of the Putāruru Growth Plan in July 2017 and in response to continued growth pressure, work commenced on a District Plan change to rezone portions of the new residential and business areas identified in the growth plan. Significant work was undertaken this year on modelling the water infrastructure investments required to support the rezoning set out within the plan. The modelling has shown that significant investment is required for Putāruru's infrastructure assets to support the proposed Plan change. This will support notification of the plan change in line with Resource Management Act requirements.

To read more about the District Plan Change visit our website www.southwaikato.govt.nz and type Putāruru Growth Planning.

2.4.1.2. Council Involvement in Land Development

Council has initiated a planning phase to map out the Council-owned properties and the condition of the property to determine the best utilisation for the community and Council operations. The Council will continue to purchase and/or develop commercial and residential land where appropriate. To date, Council has had some initial involvement purchasing industrial land on Maraetai Road and some residential land to foster development.

Council plan to take the lead in activities when there is a need to create a development opportunity which would not have occurred without Council involvement. Situations such as when pieces of industrial land are identified where future opportunities tie in with other developments Council is doing. An example was the purchase of 5.5ha on Maraetai Road because of its close proximity to the road/rail terminal. This offered opportunities for development in the future so it was important for Council to control this development. Similar opportunities exist for residential land purchase.

2.4.2. Our Environment and Healthy Rivers Wai Ora

Healthy Rivers Wai Ora is a Waikato Regional Council plan and is the first step in an 80-year journey to achieve rivers that are swimmable and safe for food gathering and achieve the requirements of Te Ture Whaimana o Te Awa o Waikato (Vision and Strategy for the Waikato River).

Waikato Regional Council continue to work with stakeholders to develop a regional plan to help restore and protect the health of the Waikato and Waipa rivers. The intention is to reduce sediment, bacteria and nutrients (nitrogen and phosphorus) from entering the water bodies (including groundwater) in the Waikato and Waipa catchments. The Healthy Rivers Wai Ora nutrient removal targets are 10% after 10 years, 25% after 20 years, 50% after 60 years and 100% after 80 years.

While it is accepted that there is an absolute need to improve the water quality of the Waikato River, our Council is conscious of the impact Healthy Rivers will have on our communities and infrastructure.

Council made a submission and further submission and presented successfully to the hearing panel. Council was also part of a group consisting of all territorial local authorities in the Waikato Region (WARTA) which also submitted and presented to the hearing panel. This alignment has ensured that the municipal view on the proposed plan change is consistent and clear.

Council supports the vision for the Waikato River but has serious concerns about the impacts. Council will continue to work through the concerns with stakeholders, including:

- The potential adverse social and economic effects on the community
- The lack of certainty and clarity of interpretation with the administration of its provisions and rules
- The affordability of implementation to our community/landowners
- The rules proposed in order to achieve the vision are not strictly effects based and are not fair and equitable

Council plans to get the best outcomes for its ratepayers and the district, ensuring our environmental, economic, social and cultural wellbeing is taken into account.

To read more about Council's view on Healthy Rivers Wai Ora visit our website www.southwaikato.govt.nz - Our Council - Major Projects - Healthy Rivers. Or you could go to www.waikatoregion.govt.nz for more information.

Council sees two significant impacts on our district from the Healthy Rivers Wai Ora which are outlined in the sections below.

2.4.2.1. Wastewater Plant Upgrades / Resource Consent

Council also has a legal obligation to upgrade wastewater treatment including a very strong desire to improve the environment.

Council requires resource consents from the Waikato Regional Council to allow us to discharge wastewater to water and/or land. Engagement and planning with iwi resulted in several options that was taken to the public for consultation, which resulted in developing wetland in Tokoroa and Putāruru and upgrade of the sludge and plant. In 2018, Council went out for consultation and decided to upgrade the plants and to plant wetlands with the wetlands in Tirau and the sludge upgrades in Tokoroa and Putāruru being worked on over the 2018-19 year.

While the Tokoroa consent expired in 2011 and the Putāruru consent expired in 2014, both continue to operate legally by agreement with Waikato Regional Council. This is approved under section 124 of the RMA. The Arapuni consent expires in 2020 and Tirau in 2023. Council is looking at the four consents together to achieve a better total solution. The plant upgrades will occur over a number of years.

Council believes that this level of capital and operating expenditure will provide for upgrades that will allow a reduction in nutrient levels in the wastewater discharge and reduce bacteria levels to amounts required by legislation and cater for other Healthy Rivers requirements. This does not however, allow enough funding for the discharge of wastewater to land via irrigation.

Improved Service: The range of new plant options in this category have an average percentage nutrient removal of 47% for Total Nitrogen and 38% for Total Phosphorus.

Other options allow for the potential for land disposal of wastewater for some or all four plants.

Considerations for future iwi and community engagement

Council is extremely conscious that there is a strong Māori cultural preference to have wastewater discharged to land rather than directly to water. It is very important to Council to continue to work towards achieving Māori cultural values and restoring the mauri, mana, and wairua of water bodies affected by wastewater.

Council has had an organisation review and as part of this is developing an Engagement Strategy, to improve the way the Council communicates and engages with iwi and our community. Council has also focused on

improving staff's understanding of engaging with Raukawa, iwi groups, Māori and other cultural and interest groups within our community.

2.4.3. District Image and Job Creation

The need to attract businesses and create jobs has never been stronger. Outcomes from Council's community consultation indicate that more jobs, especially for younger people, are required. More jobs may well tackle some social issues raised during this community engagement such as affordable housing, misuse of drugs, a marketing and economic development plan, and more opportunities for youth and integration of health and social services information and networking.

The need to improve the external perception of our towns and district remains unchanged. An improved image will also allow the district to capitalise on the growth that is occurring while improving community vibrancy and pride.

Business Attraction Website

Following extensive market research with enterprises outside of the district staff, in partnership with SWIFT, the Council have commissioned and launched a new business attraction brand and website, www.swnz.co 'SW Space to Grow'. This platform is aimed at three target audiences; attracting new enterprises (INVEST); attracting new residents (LIVE) and marketing the district to visitors (VISIT). The content and branding is designed to sit separate to the Council website and presents a 'shop front' to the district, providing a one stop source of key information, compelling value propositions and engaging content. Significant marketing and promotional activities are planned for 2019/20 year.

Southern Waikato Economic Development Action Plan

A sub-regional development plan - (the Southern Waikato Economic Development Action Plan) for the South Waikato, Waitomo and Otorohanga Districts was produced. This joint project covered three Councils, The Regional Economic Development Agency, Te Waka, Iwi and other stakeholders. Extensive workshops and consultation took place throughout the year with business, investors and key stakeholders. The final report culminated in a funding submission to the Governments Provincial Development Unit (PDU) to request co-funding for 25 projects from the Provincial Growth Fund (PGF). Discussions continue between staff, Te Waka and PDU officials regarding the submission and are expected to be concluded during the 2019/20 year.

South Waikato Forestry Symposium

The Mayor established this programme of events to support the growth and development of this sector of the district economy. The first symposium took place in March 2019 and was attended by over 80 representatives from the sector in the Central North Island including representatives from Te Uru Rakau and the Ministry of Forestry. Future events will focus on the key sector workforce engagement issues that were identified during the inaugural event.

2.4.3.1. Town Concept Planning

Work had begun towards planning but due to the review and changes in staff, the concept plans for all of the towns have been delayed until 2019-20.

2.4.3.2. Tokoroa Concept Plan (includes the Leith Place / CBD Upgrade)

Concept Planning for Tokoroa/ CBD Upgrade

As a result of community consultation over the last few years Council approved the upgrade of Leith Place and appointment of a Town Centre Coordinator who will be employed during 2019. While this is being progressed the Community Development Team will work with business owners and landlords to improve the shopfronts of the CBD.

DCA Architects were engaged to provide full designs for a new toilet complex, and associated landscape design. Following receipt of preliminary designs and revised estimates, the total budget for the project is \$3,972,000.

Construction started in 2018, with completion planned for late 2019.

There are a number of related projects which will enhance the success of this project:

- Change State Highway 1 to allow a safer flow to and from Leith Place which is temporarily in place
- Bridge Street and Swanston Street entrances and roundabouts redesign
- Dreghorn Place car park improvements to provide more safe parking options (complete)

- Engagement of a Town Centre Manager. This is explained in the section below.

Improved Service: Leith Place - New toilets, upgrade to car park, improved lighting, vibrant town centre and community space, better traffic flow from SH1 into Leith Place, better display and promotion of Talking Poles and improved parking at Dreghorn Place.

Tokoroa Town Centre Coordinator

An investigation into the responsibilities of the Tokoroa Town Centre Coordinator was carried out to be able to develop a Job Description and to understand how this role would fit in with the current roles within the Council. Some of the responsibilities identified were:

- Relationship with Council and businesses - acting as a conduit between the business community and council, marketing and positive communications about Tokoroa and ensuring maintenance and services match expectations
- Coordinating land owners and education - business mentoring, coordinating tidy-up of shop frontages throughout the CBD
- Activation - organising events, markets, physical installations, activities around the talking poles

Putāruru Concept Plan

The basis for the Putāruru Concept Plan has been completed in partnership with Pride in Putāruru and Putāruru Moving Forward. The plan was to be finalised in 2018.

A significant amount of work was completed in the 2017 year to develop a residential growth plan for the Putāruru community. The implementation of this plan, including incorporating its inclusion in a District Plan change, is a key component of the LTP actions for Putāruru.

Investigations in to concept for the Putāruru Waterpark design and refurbishment has been carried out and a decision on the design is anticipated during 2019.

2.4.3.3. Tīrau and Arapuni Concept Plans

Due to the organisation review and staff changes only a minimum amount of engagement was carried out on the concept plans for Tīrau and Arapuni. Council plans for these to be redeveloped over 2018-19 working closely with the communities.

The Tīrau Community Board has considered the current Tīrau Concept Plan (Tīrau 2020) and decided that the plan is largely sound and provides a solid basis for an update to reflect current priorities. Detailed actions will be developed with the community over the next year.

Good progress is being made to develop a walkway from the town centre to the Tīrau Domain. A rail crossing has been built including construction of an access ramp. Construction of a bridge across the Oraka Stream to link to the Tīrau Domain has been included in the LTP, as well as a substantial upgrade to the Tīrau Domain itself. The Tīrau community will continue to be engaged with concerning development options for the Domain.

Arapuni is developing a Residents' Association which will have clear views on important issues that require discussion as this community continues to develop into an attractive lifestyle destination. Council is working with the community to update previous plans and help define future actions for Arapuni while protecting its special character.

2.4.4. Solid Waste Management and Waste Minimisation

Every six years Council has to update its Waste Minimisation Plan which considers the most effective way to manage the collection, processing and disposal of solid waste and recycling in our district.

The resource consent for the Tokoroa landfill expires in October 2020. Our current landfill in Tokoroa is expected to be full about the same time.

Council consulted on its solid waste options over December 2018 and January 2019. The two options were to construct a new landfill or close the landfill and transport waste out of the district. Both options required the construction of a transfer station so that cost was included in both options.

Plans for the construction of the transfer station are underway and it is planned that this will be constructed by early 2020. The capital cost of the Transfer Station is planned to be \$2.0m.

Following the submission process, Council resolved to close its landfill in Tokoroa and transport waste out of the district. While cost was an important consideration for the decision, there were other important considerations. These included:

- the changing environment for waste minimisation and management;
- the scale of any future landfill operation and the risks around the future of waste disposal being unsustainable for a medium sized council;
- landfill management becoming more stringent due to changing legislation, particularly in the area of Resource Consent compliance and Health and Safety which means that the risks around this are very high for our Council to absorb

Building a transfer station and transporting waste to a commercial landfill was considered to be the better option in regards to ongoing risk management and best value for ratepayers.

Overall Council was very pleased with the general theme from all of the submissions regarding improving our recycling efforts, improving education around recycling and re-use, waste minimisation efforts and the high level of environmental concern. Resource recovery is an area that we need to put more focus on, and that is already in the pipeline as we work closely with several partners

2.5. Report on achievement of objectives in funding and financial policies

2.5.1. 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
- Uniform annual general charges and targeted rates on non-contiguous rural rating units in common ownership
- School sewerage rates
- Penalties
- Māori freehold land
- Uncollectable rates
- Multiple dwellings with a common use on one rating unit
- Water rates due to leaks

Remission granted	2017-18		2018-19	
	Number	Amount (\$) Including GST	Number	Amount (\$) Including GST
Community, sporting and other organisations	55	108,386	56	117,062
Rates on land protected for natural, historical or cultural conservation purposes	2	45	2	45
Uniform annual general charges and targeted rates on non-contiguous rural rating units in common ownership	22	14,912	25	19,870
School sewerage rates	33	80,497	0	*0
Penalties	447	52,654	609	58,670
Māori freehold land	6	5,986	6	6,468

Uncollectable rates	2	2,264	0	0
Multiple dwellings with a common use on one rating unit	3	4,293	3	4,808
Water rates due to leaks	6	12,877	6	4,479

** A change in wastewater disposal charge was adopted in the Long Term Plan 2018-28. Please see section 3.3.5 in the Long Term Plan 2018-28*

2.5.2. Rating information

As at 30 June 2019, the number and value of the rating units in the South Waikato District were:

Number of rating units	10,096
The total capital value of the rating units	6,795,828,500
The total land value of the rating units	3,859,269,300

2.6. Revenue and financing policy report

Background

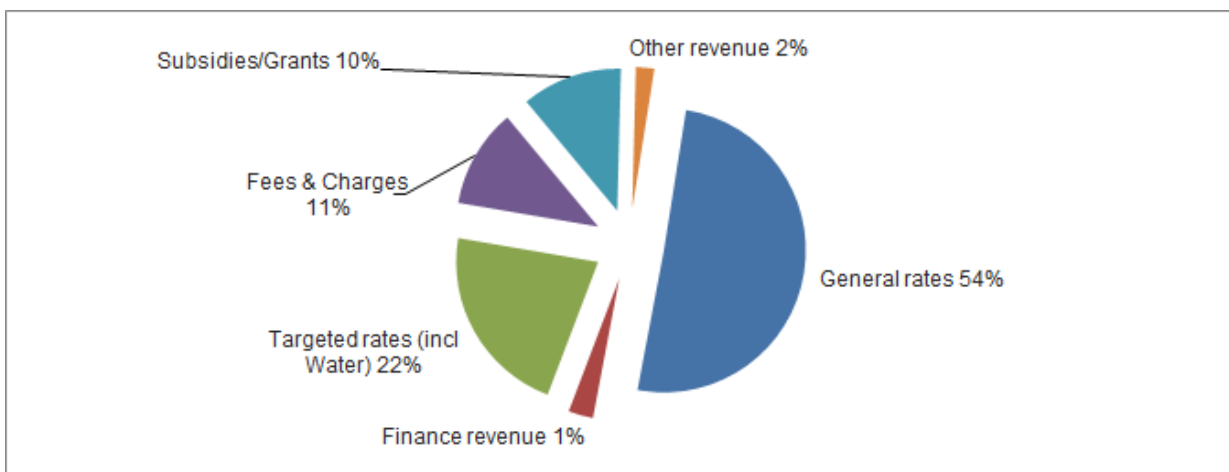
The Revenue and Finance Policy describes where Council will receive its funding from, including what sort of rating model it will use.

Overall performance

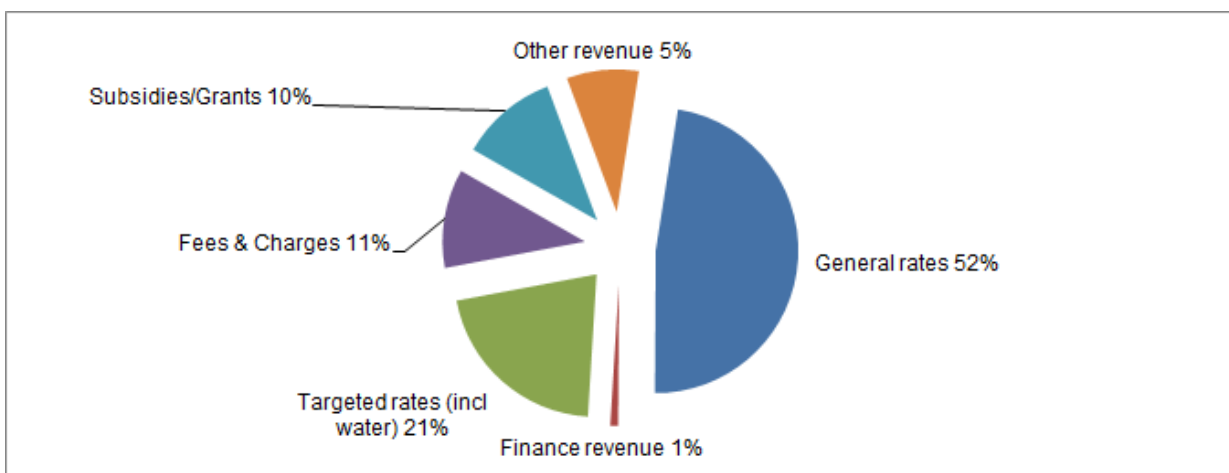
Significant Activity	General Rates Target	General Rates Actual	Targeted Rates Target	Targeted Rates Actual	User Fees Target	User Fees Actual
Animal Control	45%	48%			55%	52%
Building Consents and Inspections	50%	44%			50%	56%
Business and CBD Promotion - Tokoroa and Putāruru			100%	100%		
Cemeteries	40%	37%			60%	63%
Community Advocacy, Grants and Support (including Visitor Centres)	100%	100%				
Community Governance (Tīrau Community Board)			100%	100%		
Community Halls			95%	96%	5%	4%
Compliance						
District Governance	100%	100%				
District Promotion	100%	100%				
Economic Development	100%	100%				
Emergency management (Civil Defence and Rural Fires)	100%	100%				
Health	80%	80%			20%	20%
Libraries	92%	97%			8%	3%
Parks and Reserves (including Sportsgrounds)	95%	79%			5%	21%
Pensioner Housing					100%	100%
Property Management	90%	85%			10%	15%
Public toilets	100%	100%				
Resource Management (consent processing)	65%	68%			35%	32%
Resource Management (policy and monitoring, including	100%	100%				
Roading (general roading activities)	100% (after subsidies)	97%				3%
Roading (CBD upgrade loan)	100%	100%				
South Waikato Performing Arts Centre (The Plaza and Tīrau Hall)	100% (after hireage income)	96%				4%
South Waikato Sports and Events Centre	80%	77%			20%	23%
Stormwater			100%	80%		
Swimming Pools - Indoor (Tokoroa)	80%	83%			20%	17%
Swimming Pools - Seasonal (Putāruru and Tīrau)	90%	90%			10%	10%
Talking Poles	100%	100%				
Te Waihou Walkway	100%	100%				
Tokoroa Airfield	50%	77%			50%	23%
Tokoroa Council of Social Services	85%	91%			15%	9%
Waste - Landfills and Refuse Disposal	20%	6%			80%	94%
Waste - Litter Collection	100%	100%				
Waste - Refuse Collection			50%	38%	50%	62%
Waste - Recycling			100%	93%		7%
Wastewater			100%	100%		
Water Supply			100%	100%		

2.7. Summary of actual and target revenue sources

Funding revenue source - budgeted 2018-19



Funding revenue source - actual 2018-19



2.8. Annual report disclosure statement for the year ending 30 June 2019

2.8.1. What is the purpose of this statement?

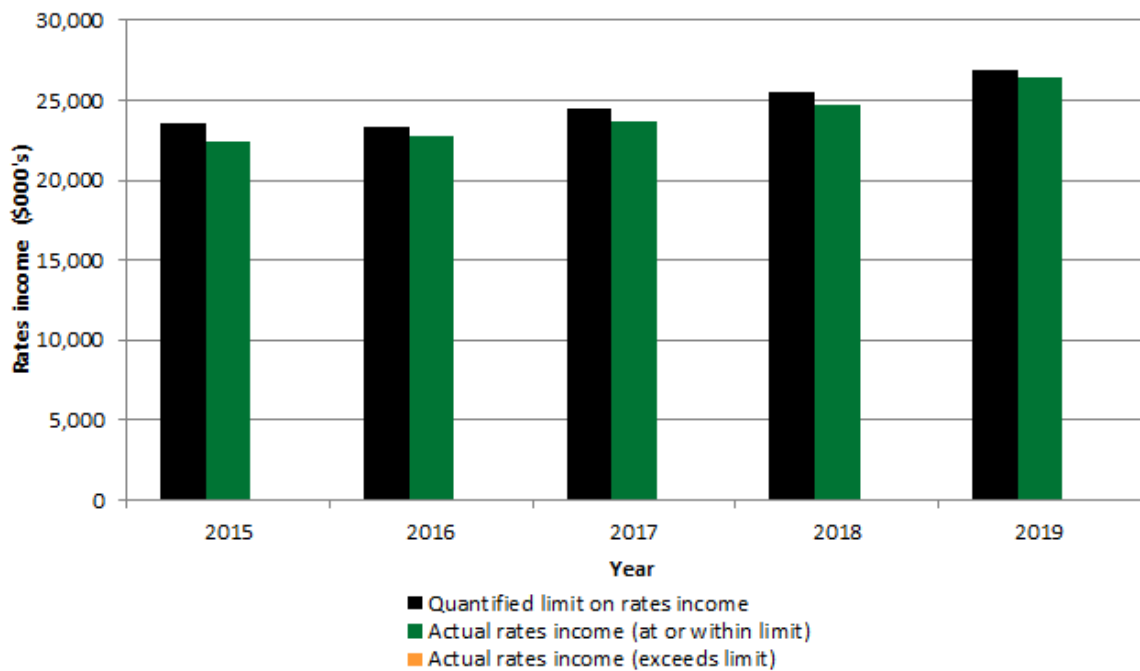
The purpose of this statement is to disclose the Council's planned financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings. The Council is required to include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

2.8.2. Rates affordability benchmark

The Council meets the rates affordability benchmark if:

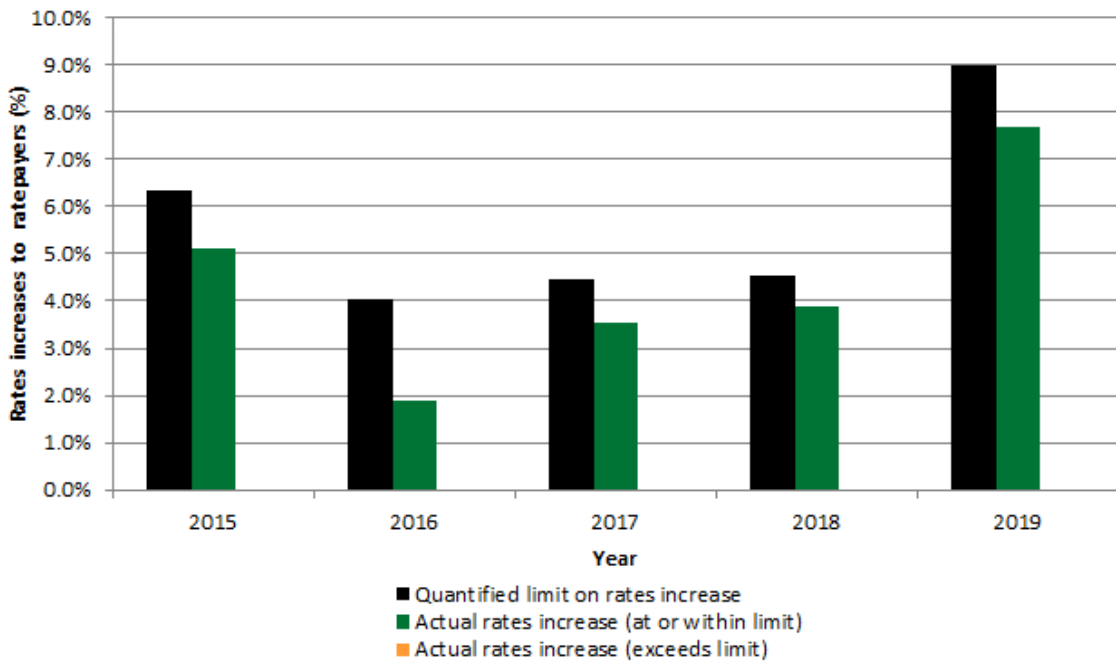
- its actual rates income equals or is less than each quantified limit on rates, and
- its actual rates increase equal or are less than each quantified limit on rates increases.

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.



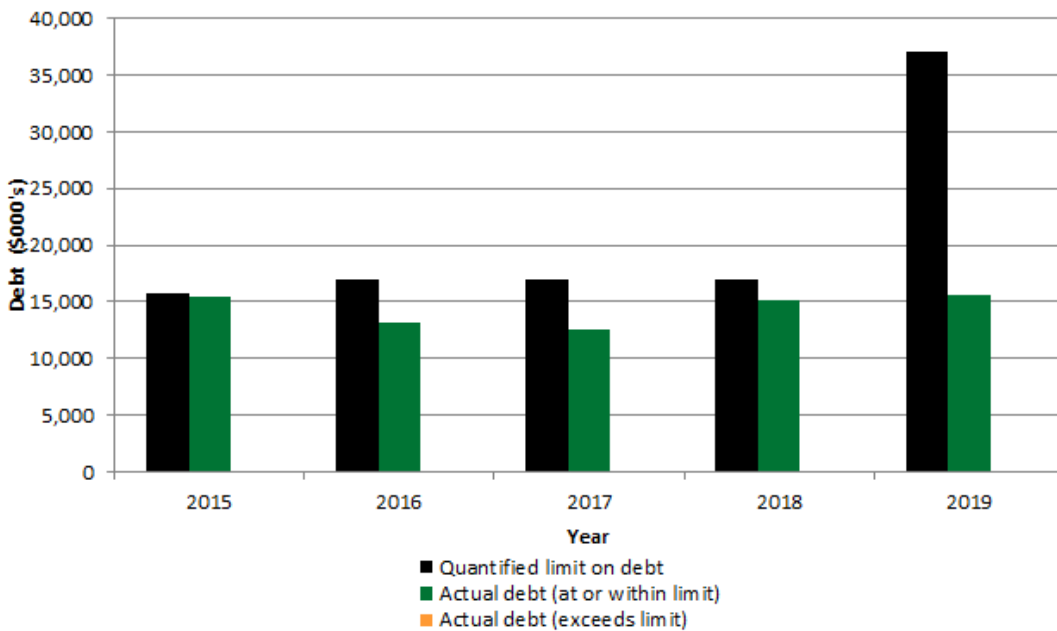
2.8.3. Rates (increases) affordability

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. The quantified limit is rates increases will be no more that 9%



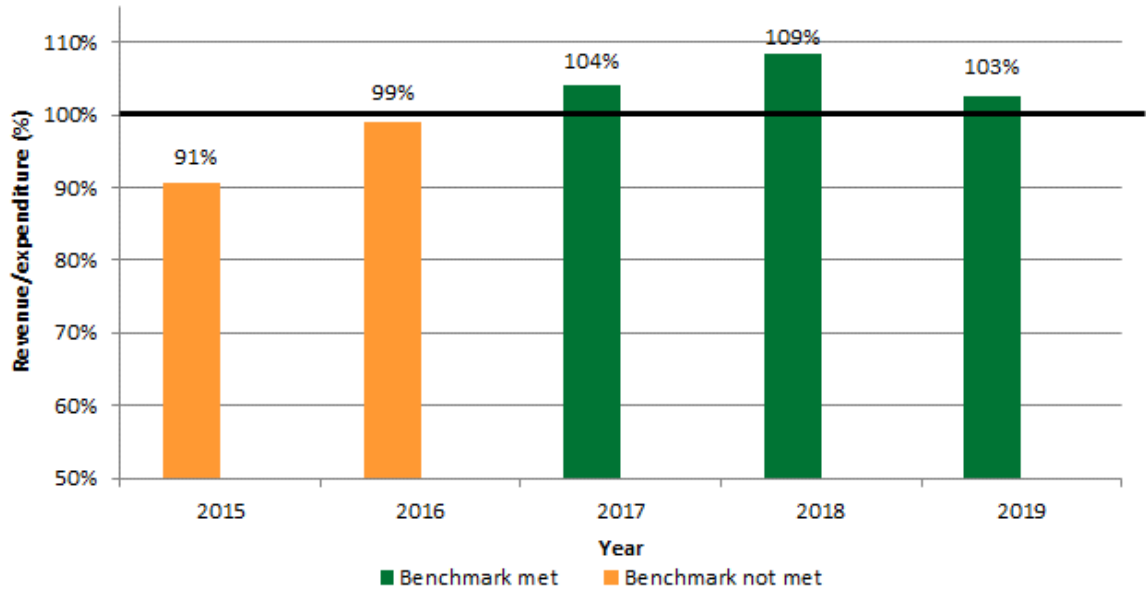
2.8.4. Debt affordability benchmark

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 Council's Long Term Plan.



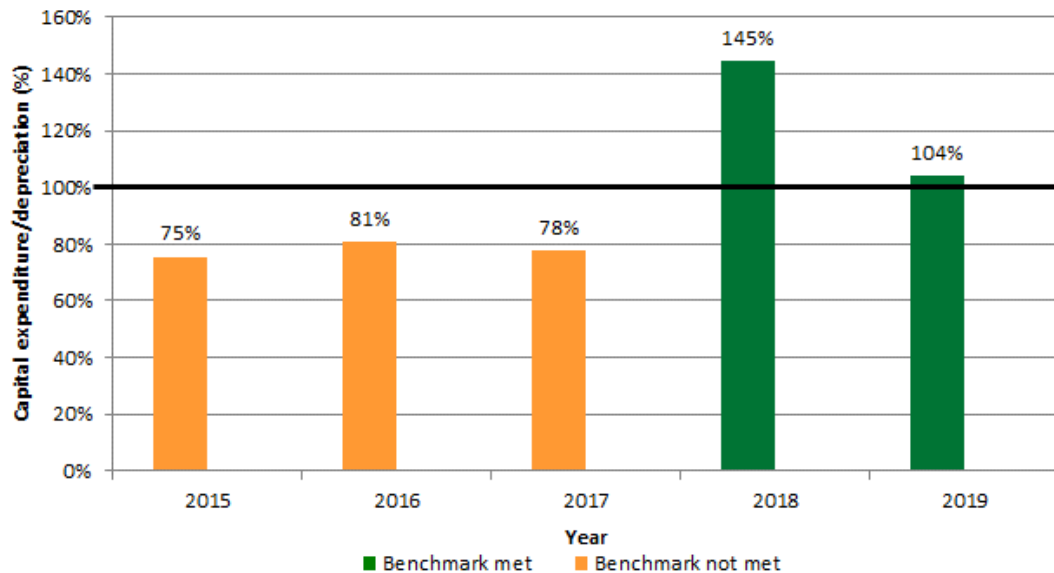
2.8.5. Balanced budget benchmark

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.



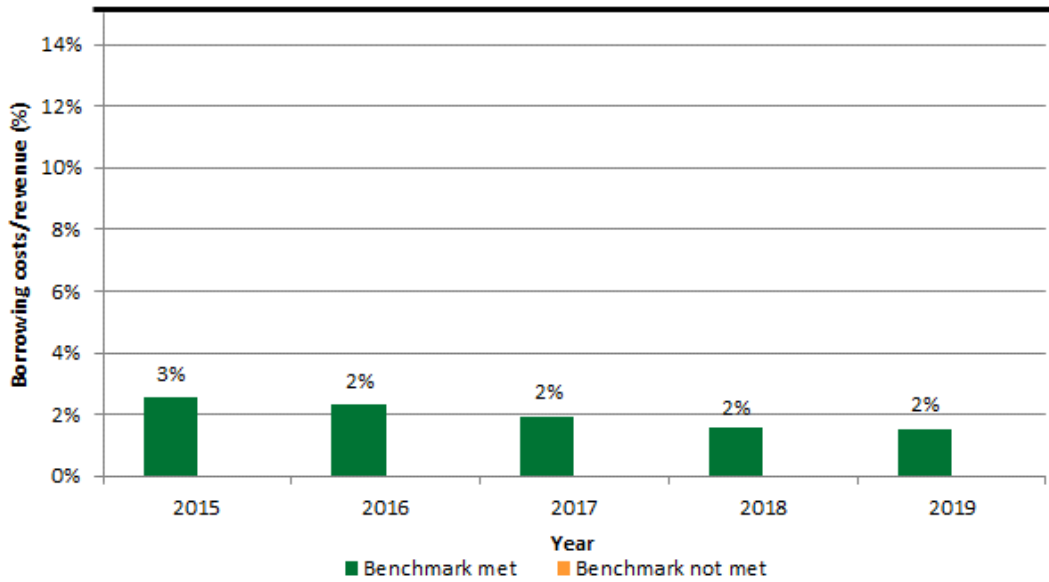
2.8.6. Essential services benchmark

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.



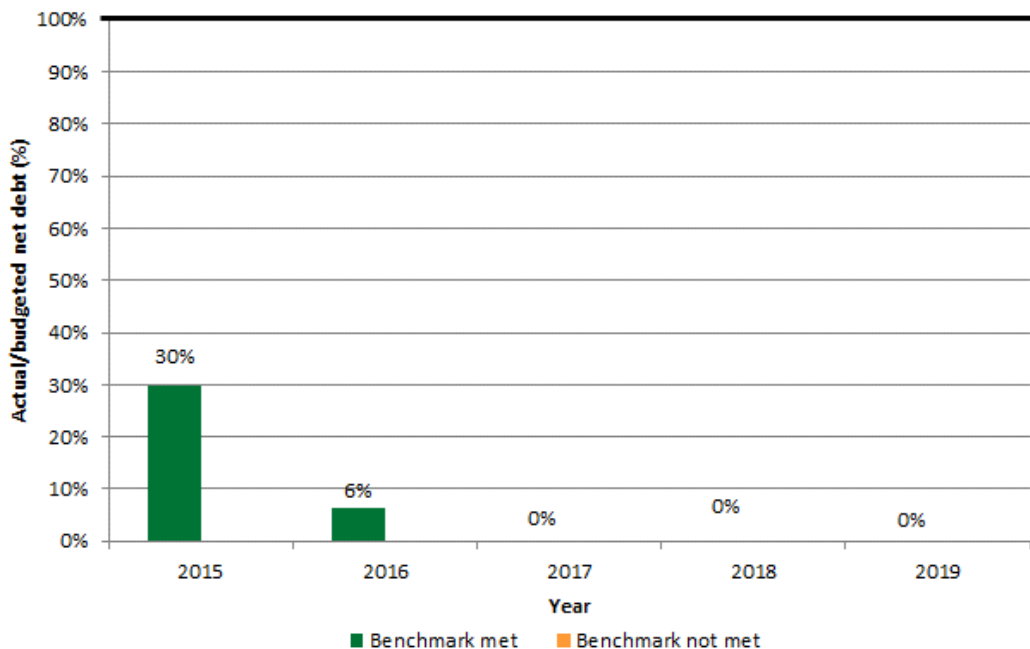
2.8.7. Debt servicing benchmark

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 15% of revenue.



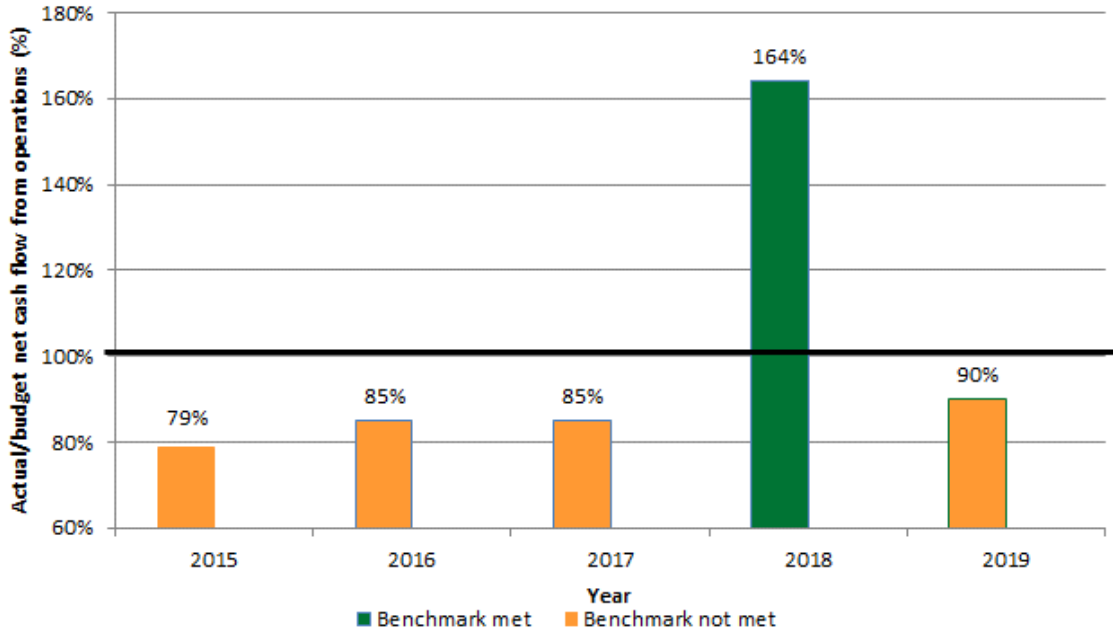
2.8.8. Debt control benchmark

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.



2.8.9. 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 it planned net cash flow from operations.



3. ACTIVITIES SECTION

3.1. Transport and Roothing

Waka me ngā huarahi

3.1.1. What we do

- Maintain local roads (state highways are managed by the New Zealand Transport Agency)
- Road safety education
- Footpaths and mobility crossings
- Road and cycleway resurfacing
- Pavement rehabilitation (renewing the base of a road)
- Public Transport
- Road signs and street lights
- Drainage culverts and bridge maintenance
- Safety improvements to the network (such as road realignments and improvements to intersections to improve visibility)

3.1.2. Why we do it

Council provides a roading network and associated roading services to support these assets to ensure easy, safe and secure access to the district and around the district so that:

- business development can take place to increase our economic growth through a secure network
- our community and visitors can move safely around the district
- access to our facilities and services is easy
- we manage our largest asset soundly now and for future generations at the appropriate level of service

3.1.3. Contribution to the Council Strategy

The transport and roading activity primarily contribute to the following Council outcomes and strategies:

Council Outcome	Council Strategy
Growth	<p>Economic growth: Roothing and transport needs to support economic growth and productivity through provision of better access to markets, employment and business areas.</p> <p>Population growth: Through provision of better access to social, health and educational opportunities, particularly for people with limited access to a private vehicle.</p>
Resilience	<p>Network resilience: Improved resilience at critical points.</p> <p>Network resilience: The availability and restoration of each road when there is a weather or emergency event, whether there is an alternative route available and road user information provided.</p> <p>Network sustainability: Our infrastructure is financially and operationally sustainable and contributes to our district, it is effective for household and business users.</p>
Relationships	<p>Customer centricity: Provide ease of access to reach key destinations and the transport networks available to them, including land use access and network connectivity.</p> <p>Provide a safe and reliable transport system.</p>

3.1.4. Key highlights

Highlights of the roading and transport group of activities include:

- The realignment of a 540m section of Old Taupo Road located approximately 4 km from Arapuni Road. The alignment was improved in response to reports of a number of accidents at this location. The project also was necessary as the existing road had reached the end of its life and needed renewal.
- The completion of the Tīrau rail crossing safety improvements will now provide safe crossing passage to the Tīrau Domain over the rail. This project was 100% NZTA and Kiwi Rail funded.
- The completion of approximately 27km of resurfacing on existing sealed roads to improve skid resistance and increase the remaining life of the road.
- The strengthening and rehabilitation of 3 sections of pavement on Horahora, Totman and Bayly Roads.
- Installation of new parking advisory signs and completion of the design for the pedestrian crossing on SH1 in Tīrau. The physical works on the crossing will be undertaken during 2019-20.
- Carpark renewal and improvements in Leith Place as part of the wider urban upgrade project.

3.1.5. Effects on the community

Transport and roading is an important part in the daily lives of our community. It allows people to travel to work, school or play by car, bicycle, foot or mobility scooter and it also allows for the efficient, reliable and safe transportation of goods, which is important for our businesses.

The transport and roading activity can also have negative effects on the environment. Road works can create dust, noise and disruption and traffic travelling on roads can cause noise. The effects are mitigated by placing controls on road works to ensure that negative effects are reduced and ensuring that the surface of the road is appropriate for the level of traffic volumes.

3.1.6. How well did we do?

The table below shows our key performance measures and whether or not we have achieved them.

TRANSPORT AND ROADING KPIs	2018-19 Level Achieved	Comments
<p>Reseal: No more than 15% of the district's sealed transport network will exceed its useful life.</p>	<p>Not achieved</p>	<p>The percentage of sealed surface by area that has exceeded its useful life is 23%. Council completed \$1,025,000 of resurfacing work during 2018/19. The main factors influencing this KPI are useful life set for the various surfacing treatments on the network and the quantity of resurfacing undertaken. This result might suggest that Council is not resealing enough if the useful lives are accurate. It should be noted that the KPI does not consider the condition of the surface which is also a driver for undertaking a reseal. Councils Asset Managers that are developing the LTP forward works programme are comfortable with the size of the programme which is inconsistent with the KPI results. This is based on the actual performance of seals across the district and knowledge of the network. There is therefore a need to align actual performance with our asset management assumptions and KPIs. Further investigation is needed to ensure our data reflects performance and in particular useful life. The investigation will also enable appropriate KPIs to be set that consider all aspects of treatment selection for resurfacing. Staff have already commissioned the development of a 4</p>

TRANSPORT AND ROADING KPIs	2018-19 Level Achieved	Comments
		year forward renewal works programme, and an investigation to validate surface age data and consider whether this KPI is an appropriate measure and set at the correct level. This will then inform the next LTP in terms of budget allocation for resurfacing and KPIs.
Rehab: The smooth travel exposure shall be at least 70% of NZTA target for roughness.	Achieved	The smooth travel exposure was measured at 94%.
Road Safety: There are no fatalities or serious injury crashes on the local transport network that are directly contributable to road conditions.	Achieved	None
Capital Footpath Renewals: An annual audit of 10% of the footpath network will be undertaken. 90% of the footpath network should have a displacement of less than 15mm.	Achieved	The annual audit undertaken in June showed below 1% of the footpath network had a displacement of 15mm or more. While 1% reflects 10% of the total network be inspected for the above condition, Council also undertook an inspection of the entire network in the second and third quarter.
Maintenance: That Council will respond to 90% of all urgent service requests within 2 working days of notice. <i>*respond is defined as the initial response to the customer, with progress on the request</i>	Achieved	Council received 8 urgent service requests and 100% were responded to on time.
Maintenance: That Council will respond to 90% of all non-urgent service requests within 10 working days of notice. <i>*respond is defined as the initial response to the customer, with progress on the request</i>	Achieved	Council received 450 non-urgent service requests and 429 were responded to on time. End result: 95%

3.1.7. Significant asset acquisitions or replacements

Transport and roading	Actual Spend 2019 \$000	Budget Spend 2019 \$000	Actual Spend 2018 \$000
Formation widening	466	350	366
Seal widening	58	50	51
Pavement rehabilitation	718	850	926
Drainage kerb and channel	168	160	349
Kerb and channel renewals	43	50	43
Christmas/feature Lighting	46	50	4
Maintenance chip seals and reseals	1,025	1,070	1,114
Traffic services renewals-signs	75	105	96
Traffic services renewals-street lights	133	105	2,382
Minor improvements	462	650	537
Footpath renewals	46	50	46
Leith Place	606	1,572	402
Sundry other	-	-	8
Total	3,846	5,062	6,324

3.1.8. Funding Impact Statement - Transport and Roading

	LTP 2018 \$000's	LTP 2019 \$000's	Actual 2019 \$000's
SOURCES OF OPERATING FUNDING			
General Rates, Uniform Annual General Charges, rates penalties	4,917	4,380	4,404
Targeted rates	-	-	-
Subsidies and grants for operating purposes	1,250	1,768	2,377
Fees and charges	53	83	83
Interest and dividends from investments	-	-	31
Internal charges and overheads recovered	1,567	1,040	613
Local authorities fuel tax, fines, infringement fees, and other receipts	155	155	192
TOTAL OPERATING FUNDING (A)	7,942	7,426	7,700
APPLICATION OF OPERATING FUNDING			
Payments to staff and suppliers	4,426	3,468	3,978
Finance costs	269	180	108
Internal charges and overheads applied	1,047	2,217	1,651
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	5,742	5,865	5,737
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	2,200	1,561	1,963
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	1,912	2,257	1,655
Development and financial contributions	-	-	88
Increase (decrease) in debt	-	1,230	(341)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING (C)	1,912	3,487	1,402
APPLICATION OF CAPITAL FUNDING			
Capital expenditure:			
• to meet additional demand	-	-	-
• to improve the level of services	884	159	560
• to replace existing assets	2,918	4,903	3,286
Increase (decrease) in reserves	(3,806)	(85)	(667)
Increase (decrease) in investments	4,116	71	186
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	4,112	5,048	3,365
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(2,200)	(1,561)	(1,963)
FUNDING BALANCE ((A-B)+(C-D))	-	-	-

3.2. Water supply

Ngā wai whakawhiwhi

3.2.1. What we do

- Supply potable (drinkable) water to the urban areas of Tokoroa, Putāruru, Tirau, Arapuni
- Supply potable water to the rural communities of Athol and Lichfield

3.2.2. Contribution to the Council Strategy

The water supply group of activities primarily contribute to the following Council outcomes and strategies:

Council Outcome	Council Strategy
Growth	Service provision: Water supply is an essential contribution to economic growth and increased quality of life.
Resilience	Growth: An inevitable consequence of urban growth is an increased demand for water supply. Council will continue to assess the need for service extensions to areas of growth. Financial sustainability: Council will ensure adequate revenue is available to provide the required capacity or service level improvements in advance of development demand. Significant purchases will maintain a level that is viable for the current economic and population climate.
Relationships	Engagement: Council will maintain relationships with Iwi regarding water supply activities, such as Te Waihou.

3.2.3. Key highlights

Highlights for the water supply activity include:

- Glenshea water supply in Putāruru had an ultra violet and micro-filtration treatment process installed as part of Council's obligation to meet the Drinking Water Standards.
- Chlorine treatment was installed at the Te Waihou water treatment works.

3.2.4. Effects on the community

A reliable supply of clean drinking water is essential for the health of our residents. In our urban areas, Council provides a water treatment and reticulation service because economies of scale make it more efficient than each household or business providing their own water supply. In most cases it is more cost efficient for rural residents to provide their own water supply. A stable supply of water is essential in supporting our existing businesses and encouraging new businesses to our district.

3.2.5. How well did we do?

WATER SUPPLY KPIs Drinking water treatment and distribution	2018-19 Level Achieved	Comments
Water supply: the average amount of water consumed per resident per day is 500 litres	Achieved	The average amount of water consumed per resident per day was 450 litres. This is less than the 500 litres and therefore below the target.
All unsecure water sources, will have their water treated as prescribed in part 5 of the drinking-water standards to treat protozoa.	Achieved	Council treats all unsecure water sources as prescribed, following upgrade of the Glenshea Water Treatment Plant in June 2018
At least 97% of tests for E-coli (bacteria compliance) 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	There were 1008 tests taken over the year. 100% were compliant.

The median response times for call-outs in response to a fault or interruption to the water reticulation system does not exceed one hour of notice.	Achieved	The median response time was 42 minutes.
The total number of complaints received by Council about water supply issues (including clarity, taste, odour, water pressure/flow and continuity of supply) does not exceed one complaint per 1000 connections to Council's water supply system.	Achieved	There were no complaints.
The water loss from Council's reticulation network will be no more than 20%.	Achieved	The water loss from Council's water network was 3.7%

3.2.6. Significant asset acquisition

Water supply	Actual Spend 2019 \$000	Budget Spend 2019 \$000	Actual Spend 2018 \$000
Health & Safety	29	30	-
Tokoroa - reticulation replacements	253	392	156
Tokoroa - capital component of maintenance	5	15	17
Putāruru - reticulation replacements	130	174	40
Putāruru - capital component of maintenance	8	15	13
Putāruru - Glenshea UV treatment	-	-	286
Waihou Chlorine Disinfection	-	20	-
Pinedale Reservoir	-	100	-
Putāruru Drinking Disinfection	14	700	-
Putāruru Water - Te Waihou Screen	7	105	-
Tirau - capital component of maintenance	-	13	24
Tirau - reticulation replacements	21	79	29
Arapuni - reticulation renewal	23	43	-
Total	490	1,686	565

3.2.7. Funding Impact Statement - water supply

	LTP 2018 \$000's	LTP 2019 \$000's	Actual 2019 \$000's
SOURCES OF OPERATING FUNDING			
General Rates, Uniform Annual General Charges, rates penalties	-	-	-
Targeted rates	2,089	2,820	2,829
Subsidies and grants for operating purposes	-	-	-
Fees and charges	298	307	345
Interest and dividends from investments	-	-	202
Internal charges and overheads recovered	4,666	2,753	2,438
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
TOTAL OPERATING FUNDING (A)	7,053	5,880	5,814
APPLICATION OF OPERATING FUNDING			
Payments to staff and suppliers	5,518	1,439	1,537
Finance costs	-	18	-
Internal charges and overheads applied	721	3,528	3,119
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	6,239	4,985	4,656
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	814	895	1,158
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	843	13
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING (C)	-	843	13
APPLICATION OF CAPITAL FUNDING			
Capital expenditure:			
• to meet additional demand	-	-	-
• to improve the level of services	-	40	-
• to replace existing assets	483	1,646	490
Increase (decrease) in reserves	(483)	(961)	(147)
Increase (decrease) in investments	814	1,013	828
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	814	1,738	1,171
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(814)	(895)	(1,158)
FUNDING BALANCE ((A-B)+(C-D))	-	-	-

3.3. Wastewater

Waipara

3.3.1. What we do

- Operate wastewater networks in Tokoroa, Putāruru, Tīrau and Arapuni
- Collect wastewater from homes and businesses via sewerage pipes and send it to the treatment plants, either by gravity or pumping
- Treat wastewater to a high quality, then discharge it to water or landfill
- Provide facilities for businesses who generate a high amount of waste (known as trade waste).

3.3.2. Contribution to the Council Strategy

The wastewater group of activities primarily contribute to the following Council outcomes and strategies:

Council Outcomes	Council Strategy
Growth	Infrastructure: It is imperative that our wastewater plant is fit for purpose in terms of a growing population and the associated demand
Resilience	Environmental resilience: In alignment with the proposed Healthy Rivers Plan changes, Council is obliged to undertake wastewater management that has reduced impact on waterways such as the Waikato River
Relationships	Engagement: Council and Raukawa have undergone a significant engagement process regarding options for the new wastewater plant.

3.3.3. Key highlights

Highlights for the wastewater group of activities include:

- A decision to use wetlands as a system to mitigate wastewater, so not to directly contaminate waterways.
- A three waters strategy is being developed to renew the Asset Management Plans and to contribute to the next Long Term plan.

3.3.4. Effects on the community

Due to the high volume of wastewater that is generated in urban areas it can be unsafe to human health and the environment if effluent is disposed of via septic tank systems. Council operates a wastewater network, which means that households, businesses and community facilities such as schools can dispose of their wastewater in a manner that is safe for both human health and the environment.

3.3.5. How well did we do?

WASTE WATER KPIs	2018-19 Level Achieved	Comments
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 per financial year.	Achieved	There were no 'Formal Enforcement Actions' undertaken.
The total number of complaints received by Council about wastewater issues (including sewage odour, sewerage system faults, sewerage system blockages and response times to issues with its sewerage system) does not	Achieved	There are 7,265 connections to the wastewater network. Seven (7) complaints are allowed. Council received zero (0) complaints.

WASTE WATER KPIs	2018-19 Level Achieved	Comments
exceed one complaint per 1,000 connections.		
The median time to clear blockages or faults to Council's wastewater reticulation network will not exceed 24 hours from notification.	Achieved	The annual median time to resolve was 1 hour and 5 minutes.
The median response times for call-outs in response to a fault or interruption to Council's wastewater reticulation system does not exceed one hour of notice.	Achieved	The annual median response time was 22 minutes.
The total number of dry weather overflows from the sewerage system shall not exceed three per 1,000 sewerage connections from the sewerage system. A dry weather overflow is when a blockage causes wastewater in the reticulated system to spill to the environment.	Not Achieved	There are 7,265 connections to the wastewater system. 21 overflows are allowed. There were 22 dry weather overflows for the year.

3.3.6. Significant asset acquisition

Wastewater	Actual Spend 2019 \$000	Budget Spend 2019 \$000	Actual Spend 2018 \$000
Health & Safety	38	30	-
Tokoroa - Plant & Equipment Upgrade	224	180	26
Tokoroa - UV plant upgrade/lamps	39	40	29
Tokoroa WWTP - nitrogen removal enhancement	-	-	1
Tokoroa WWTP - Plant digester	130	-	20
Tokoroa WWTP - Resource consent	288	-	226
Putāruru WWTP - plant & equipment upgrade	78	48	19
Putāruru filter pumps & UV	5	7	6
Tīrau - plant & equipment upgrade	36	60	63
Tīrau WWTP Membranes	32	30	16
Kittow St Sewer	42	50	-
Wetlands Tīrau	25	-	-
Total	937	445	406

3.3.7. Funding Impact Statement - wastewater

	LTP 2018 \$000's	LTP 2019 \$000's	Actual 2019 \$000's
SOURCES OF OPERATING FUNDING			
General Rates, Uniform Annual General Charges, rates penalties	-	-	-
Targeted rates	3,074	3,531	3,575
Subsidies and grants for operating purposes	-	-	-
Fees and charges	6	17	16
Interest and dividends from investments	-	-	353
Internal charges and overheads recovered	533	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
TOTAL OPERATING FUNDING (A)	3,613	3,548	3,944
APPLICATION OF OPERATING FUNDING			
Payments to staff and suppliers	2,062	1,983	1,986
Finance costs	91	27	21
Internal charges and overheads applied	514	651	682
Other operating funding applications	4	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	2,671	2,661	2,689
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	942	887	1,255
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	37	247
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING (C)	-	37	247
APPLICATION OF CAPITAL FUNDING			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of services	2,169	-	-
- to replace existing assets	336	445	937
Increase (decrease) in reserves	(2,505)	(445)	(304)
Increase (decrease) in investments	942	924	869
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	942	924	1,502
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(942)	(887)	(1,255)
FUNDING BALANCE ((A-B)+(C-D))	-	-	-

3.4. Stormwater

Waiwātea

3.4.1. What we do

- Manage stormwater from the roading network.
- Manage stormwater from land (ie ensure that we have appropriate systems to deal with stormwater generated from existing activities happening on the land).
- Ensure that there are appropriate systems in place to deal with stormwater generated from future developments.

3.4.2. Contribution to the Council strategy

The stormwater group of activities primarily contribute to the following Council outcomes and strategies:

Council Outcome	Council Strategy
Growth	Stormwater infrastructure will be established for the growing developments in the district.
Resilience	The effects of climate change are progressive and apparent through increased rain fall leading to greater maintenance and service requests. Council recognise the need for improved stormwater ways and plan to undertake a number of stormwater way enhancements this LTP period.
Relationships	Engagement: Council will maintain relationships with Iwi regarding Stormwater activities, such as Wai Ora.

3.4.3. Key highlights

Council is developing a three waters strategy to be included in the next Long Term Plan, this will also contribute to the revision of the Asset Management Plans as the council focuses on the impacts on climate change in our district.

3.4.4. Effects on the community

When appropriate systems to deal with stormwater do not exist it can cause hazards such as flooding of homes, businesses and damage to the roading network. As mentioned previously, 100-year flood water event has been modelled for the district and found that Putāruru would be affected more than anticipated. The council have engaged with the community members most effected to provide further details to them on how it this event could impact on their property.

3.4.5. How well did we do?

STORMWATER KPIs	2018-19 Level Achieved	Comments
Council will have no more than one per 1,000 habitable dwellings flooded during a storm event. A storm event causes flooding to compliant rateable habitable dwellings due to exceeding the design capacity of the stormwater system.	Achieved	No flood events occurred during the 2018-19 financial year.
The total number of complaints received does not exceed one complaint per 1,000 connections to Council's stormwater system. The total number of rateable properties within the stormwater area is 7686 which allows for a maximum of	Achieved	There are 7,511 connections to the storm water network, Council allowed seven (7) complaints. Council received one (1) complaint.

STORMWATER KPIs	2018-19 Level Achieved	Comments
seven properties to be flooded before the KPI is exceeded. (KPI stormwater connections will be amended per year to account for changes in property numbers in the district)		
The median response times for call-outs in response to a fault or interruption to Council's stormwater reticulation system does not exceed four hours of notice during a flood event. A flood event is defined as an occasion where buildings that are compliant with the Building Code and are serviced by Council's reticulated stormwater system experience flooding.	Achieved	There were no call-outs for the year in relation to a flooding event.
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 stormwater.	Achieved	There were no 'Formal Enforcement Actions' undertaken.

3.4.6. Significant asset acquisition

Stormwater	Actual Spend 2019 \$000	Budget Spend 2019 \$000	Actual Spend 2018 \$000
Tokoroa - Minor New Works Projects	2	11	14
State Highway 1 Stormwater	280	180	-
Putāruru - Minor New Works Projects	-	10	-
Putāruru - Discharge Quality Improvements	-	-	85
Putāruru - Grey St Open Drain Pipe	-	-	15
Tīrau - Minor New Works Projects	99	50	-
Arapuni - Minor New Works Projects	-	5	-
Total	381	256	109

3.4.7. Funding Impact Statement - stormwater

	LTP 2018 \$000's	LTP 2019 \$000's	Actual 2019 \$000's
SOURCES OF OPERATING FUNDING			
General Rates, Uniform Annual General Charges, rates penalties	-	-	-
Targeted rates	629	703	709
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Interest and dividends from investments	-	-	318
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
TOTAL OPERATING FUNDING (A)	629	703	1,027
APPLICATION OF OPERATING FUNDING			
Payments to staff and suppliers	166	230	264
Finance costs	-	-	-
Internal charges and overheads applied	83	139	138
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	249	369	402
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	381	334	625
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	174
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	64	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING (C)	-	64	174
APPLICATION OF CAPITAL FUNDING			
Capital expenditure:			
• to meet additional demand	-	-	-
• to improve the level of services	10	-	-
• to replace existing assets	29	256	381
Increase (decrease) in reserves	(39)	(256)	(13)
Increase (decrease) in investments	381	398	431
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	381	398	799
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(381)	(334)	(625)
FUNDING BALANCE ((A-B)+(C-D))	-	-	-

3.5. Solid Waste and Recycling

Hangarua me ngā mārō para

3.5.1. What we do

- Operate a landfill near Tokoroa
- Operate a transfer station near Putāruru
- Provide recycling 'drop off' centres in Tīrau, Putāruru, Tokoroa, Waotu and Okoroire
- Collect household rubbish and recycling from the kerb in our urban areas
- Provides rubbish bins in our town centres and in public places
- Pick up litter that has been dropped in our town centres
- Issue infringement notices to those who dump rubbish in inappropriate places.

3.5.2. Contribution to the Council Strategy

The solid waste and recycling group of activities primarily contribute to the following Council outcomes and strategies:

Council Outcome	Council Strategy
Growth	Council will plan for increasing levels of solid waste and impacts from growth in the district.
Resilience	Engagement: Council will maintain relationships with Iwi regarding Stormwater activities.
Relationships	Engagement: Council will maintain relationships with various cultural regarding solid waste activities.

3.5.3. Key highlights

- The Tokoroa landfill will reach capacity by 2020. A special consultation was conducted over December 2018 and January 2019 on option for the future of landfills and waste disposal. Following the consultation Council resolved to develop a Transfer Station at the Tokoroa landfill, close the current landfill in 2020 and then cap the landfill and start transporting waste out of the district to a larger commercial site.
- Council has started investigating disposal options for organic waste and how to improve the collection of kerbside rubbish and recycling.
- Council continue to investigate options alongside the South Waikato Achievement Trust (SWAT) in the re-use and recovery of materials, in order to reduce waste to landfill and create jobs.

3.5.4. Effects on the community

Council provides the kerbside rubbish and recycling collections to our urban areas so that our residents are able to dispose of their waste safely. The landfill and transfer station provide facilities where residents and business operators are able to dispose of larger pieces of waste such as demolition materials and green waste. Both nationally and regionally, Council has been given clear direction that waste minimisation is a priority which is why recycling facilities are provided.

3.5.5. How well did we do?

SOLID WASTE AND RECYCLING KPIs	2018-19 Level Achieved	Comments
90% of enquiries and service requests relating to <u>recycling</u> collection are responded to within 2 working days of notice. <i>*respond is defined as the initial response to the customer, with progress on the request</i>	Achieved	Council received 140 service requests and 130 service requests were responded to on time. End result: 93%
90% of enquiries and service requests relating to <u>refuse</u> collection are responded to within 2 working days of notice. <i>*respond is defined as the initial response to the customer, with progress on the request</i>	Achieved	Council received 98 service requests and 90 were responded to on time. End result: 92%
The amount of waste that is recycled must not be less than 10% of the residual waste* sent to landfill.	Achieved	The recycled material that was removed from total waster equalled 19% of the residual waste that was sent to the landfill
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' undertaken.
<i>*residual waste is the waste that goes to the landfill after recycling has been removed.</i>		

3.5.6. Significant asset acquisition

Solid waste and recycling	Actual Spend 2019 \$000	Budget Spend 2019 \$000	Actual Spend 2018 \$000
Tokoroa - Recycling Facility	13	82	151
Tokoroa - Capital Component of Maintenance	-	-	16
Tokoroa - Landfill Projects	200	256	-
Putāruru - Capital Component of Maintenance	-	5	3
Putāruru - Weighbridge	-	-	5
Tirau - Recycling Station Relocation	-	25	-
Total	213	368	175

3.5.7. Funding impact statement - solid waste and recycling

	LTP 2018 \$000's	LTP 2019 \$000's	Actual 2019 \$000's
SOURCES OF OPERATING FUNDING			
General Rates, Uniform Annual General Charges, rates penalties	511	367	372
Targeted rates	937	784	787
Subsidies and grants for operating purposes	55	130	96
Fees and charges	1,038	1,610	1,635
Interest and dividends from investments	-	-	55
Internal charges and overheads recovered	4	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	67	90	91
TOTAL OPERATING FUNDING (A)	2,612	2,981	3,036
APPLICATION OF OPERATING FUNDING			
Payments to staff and suppliers	1,873	2,236	3,429
Finance costs	133	87	286
Internal charges and overheads applied	409	529	492
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	2,415	2,852	4,207
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	197	129	(1,171)
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(11)	77	37
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING (C)	(11)	77	37
APPLICATION OF CAPITAL FUNDING			
Capital expenditure:			
• to meet additional demand	-	-	-
• to improve the level of services	-	-	-
• to replace existing assets	196	368	213
Increase (decrease) in reserves	(207)	(178)	(1,318)
Increase (decrease) in investments	197	16	(29)
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	186	206	(1,134)
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(197)	(129)	1,171
FUNDING BALANCE ((A-B)+(C-D))	-	-	-

3.6. Parks and Reserves

Ngā papa me ngā rahui

3.6.1. What we do

- Manage over 240ha of parks, reserves, playgrounds and sportsgrounds
- Maintain cycleways and walkways
- Management of Cemeteries
- Management of Public Toilets

3.6.2. Contribution to the Council Strategy

Council Outcome	Council Strategy
Growth	<p>Sustainable growth: Council will assess the nature of the growth we undertake and evaluate the quality and risks of our decisions.</p> <p>Growth and preservation: Council will ensure that ongoing district landscaping is mindful of the historical characteristics of our district.</p>
Resilience	<p>Town development: It is critical that Council are able to influence the projected growth and development of our district, in order to ensure that it aligns with the needs of the communities we serve.</p> <p>Progressive development: Developments will allow for a level of flexibility that encourages the community to evolve and adapt during the districts peaks and declines.</p>
Relationships	<p>Community culture: Council understands the unique culture of our district and the importance of maintaining the strong community relationships and culture that exists.</p> <p>Relationship with environment: Council will enable mindful growth of the community fabric that considers the significant cultural diversity and character of our towns.</p>

3.6.3. Key highlights

- Completion of the Tokoroa Skate Park
- Upgrade of the Junior play area at Lake Moananui
- Commencement of the Water Park upgrade project with public consultations and concept design
- Shower blocks, recycling bin stations, barbeques/shelters installed in three freedom camping rural reserves.
- Commencement of the Tokoroa Memorial Sportsground SH1 Entrance area upgrade, including plantings and junior playground.
- Skate items installed in Okoroire-Prospect reserve

3.6.4. Effects on the community

It is important that these assets are maintained appropriately to prevent disrepair costs so that our residents have access to parks, reserves and sportsgrounds for recreational and sporting activities.

3.6.5. How well did we do?

Parks and Reserves Key Performance Indicators	2018-19 Level Achieved	Comments
<p>Parks: 90% of non-urgent enquiries and service requests relating to parks and reserves are responded to within ten working days of notice.</p> <p><i>*respond is defined as the initial response to the customer</i></p>	Not Achieved	<p>Council received 588 non-urgent enquiries and service requests, of these 526 were responded to on time.</p> <p>End result: 89%</p>
<p>Parks: 90% of urgent enquiries and service requests relating to parks and reserves are responded to within two working days of notice.</p> <p><i>*respond is defined as the initial response to the customer</i></p>	Achieved	<p>Council received 26 urgent enquiries and service requests. All requests were responded to within the required time frame.</p> <p>End result: 100%</p>

3.6.6. Significant asset acquisition

Parks and Reserves	Actual Spend 2019 \$000	Budget Spend 2019 \$000	Actual Spend 2018 \$000
Cemeteries	10	14	4
Sportsgrounds - Memorial Park	-	-	38
Sportsground - Replacement Sports Equipment	19	22	-
Skatepark Upgrade	41	100	607
Reserves - Walkway Development	289	147	186
Playground Equipment renewals	2	-	72
Other Parks and Reserves Projects	553	599	123
Amisfield Tree Planting	-	-	6
Total	914	882	1,036

3.6.7. Funding impact statement – Parks and Reserves

	LTP 2018 \$000's	LTP 2019 \$000's	Actual 2019 \$000's
SOURCES OF OPERATING FUNDING			
General Rates, Uniform Annual General Charges, rates penalties	2,120	3,479	3,498
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	324
Fees and charges	156	178	176
Interest and dividends from investments	-	-	16
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	1,023
TOTAL OPERATING FUNDING (A)	2,276	3,657	5,037
APPLICATION OF OPERATING FUNDING			
Payments to staff and suppliers	1,179	2,310	2,626
Finance costs	90	92	67
Internal charges and overheads applied	530	835	832
Other operating funding applications	35	18	5
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	1,834	3,255	3,530
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	442	402	1,507
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	19	23	37
Increase (decrease) in debt	(61)	533	(23)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING (C)	(42)	556	14
APPLICATION OF CAPITAL FUNDING			
Capital expenditure:			
• to meet additional demand	-	-	-
• to improve the level of services	-	-	363
• to replace existing assets	427	882	551
Increase (decrease) in reserves	(457)	(327)	(128)
Increase (decrease) in investments	430	403	735
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	400	958	1,521
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(442)	(402)	(1,507)
FUNDING BALANCE ((A-B)+(C-D))	-	-	-

3.7. Property

Hautonga

3.7.1. What we do

- Airport
- Pensioner Housing
- Property management
- Management Tokoroa Council Office and District Libraries

3.7.2. Contribution to the Council Strategy

Council Outcome	Council Strategy
Growth	<p>Sustainable growth: Council will assess the nature of the growth we undertake and evaluate the quality and risks of our decisions.</p> <p>Growth and preservation: Council will ensure that ongoing district landscaping is mindful of the historical characteristics of our district.</p>
Resilience	<p>Town development: It is critical that Council is able to influence the projected growth and development of our district, in order to ensure that it aligns with the needs of the communities we serve.</p> <p>Progressive development: Developments will allow for a level of flexibility that encourages the community to evolve and adapt during the district's peaks and declines.</p>
Relationships	<p>Community culture: Council understands the unique culture of our district and the importance of maintaining the strong community relationships and culture that exists.</p> <p>Relationship with environment: Council will enable mindful growth of the community fabric that considers the significant cultural diversity and character of our towns.</p>

3.7.3. Key highlights

- Council built five new pensioner houses and renovations were made to existing pensioner housing.
- Works have been undertaken in the Tokoroa Council Office on the ventilation and HVAC systems to achieve compliance and to increase the efficiency of air conditioning in the building.
- Progress is being made to significantly reduce water ingress until a final decision on the library has been made.

3.7.4. Effects on the community

So that our properties are maintained appropriately to prevent unreasonable repair costs. We provide pensioner housing so that there are affordable housing options for our older people. Ownership of strategic land is important especially now we are in a time of growth, it helps Council enable growth and development in key locations when and where required.

3.7.5. How well did we do?

Property Key Performance Indicators	2018-19 Level Achieved	Comments
<p>Public Toilets: 90% of enquiries and service requests relating to public toilets are responded to within two working days of notice. <i>* respond is defined as the initial response to the customer</i></p>	Achieved	Council received 66 requests. All requests were responded to within the required time frame. End result: 100%
<p>Pensioner Housing: The occupancy of Council's pensioner housing units is at least 95% on an annual basis.</p>	Achieved	The occupancy of Council's pensioner housing units was 96.24%

3.7.6. Significant asset acquisition

Property	Actual Spend 2019 \$000	Budget Spend 2019 \$000	Actual Spend 2018 \$000
Community Halls	59	96	37
Property renewals	388	833	-
Pensioner Housing	161	86	430
Asbestos Management	-	-	16
Total	608	1,015	483

3.7.7. Funding impact statement - Property

	LTP 2018 \$000's	LTP 2019 \$000's	Actual 2019 \$000's
SOURCES OF OPERATING FUNDING			
General Rates, Uniform Annual General Charges, rates penalties	708	822	827
Targeted rates	42	45	44
Subsidies and grants for operating purposes	-	-	-
Fees and charges	420	475	483
Interest and dividends from investments	-	-	4
Internal charges and overheads recovered	16	-	43
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
TOTAL OPERATING FUNDING (A)	1,186	1,342	1,401
APPLICATION OF OPERATING FUNDING			
Payments to staff and suppliers	535	548	684
Finance costs	152	94	128
Internal charges and overheads applied	293	410	378
Other operating funding applications	-	1	-
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	980	1,053	1,190
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	206	289	211
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(112)	(106)	(171)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING (C)	(112)	(106)	(171)
APPLICATION OF CAPITAL FUNDING			
Capital expenditure:			
• to meet additional demand	-	-	-
• to improve the level of services	-	-	-
• to replace existing assets	186	1,015	608
Increase (decrease) in reserves	(217)	(108)	(325)
Increase (decrease) in investments	125	(724)	(243)
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	94	183	40
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(206)	(289)	(211)
FUNDING BALANCE ((A-B)+(C-D))	-	-	-

3.8. Community facilities

Ngā wāhi hapori

3.8.1. What we do

- Libraries
- Public art such as the Talking Poles in Tokoroa and the Mosaic Murals in Putāruru
- The South Waikato Sport and Events Centre
- The South Waikato Indoor Pools in Tokoroa and outdoor pools in Putāruru and Tirau
- The South Waikato Performing Arts Centre (The Plaza)

3.8.2. Contribution to the Council Strategy

The recreation and facilities group of activities primarily contribute to the following Council outcomes and strategies:

Council Outcome	Council Strategy
Growth	Council understands that it is important for our district facilities to evolve to stay relevant to our community. In recognition that growth must align with community aspirations and values, Council will engage and involve residents at appropriate steps along the growth journey. A growing population may necessitate a review of facility space, where potential expansions or redesigning may be required.
Resilience	With increased district growth, it is important to manage the ongoing maintenance of our facilities as they depreciate in order to keep them up to standard and withstand the test of time. Council plans to upgrade a number of facility features this LTP period (see projects below).
Relationships	In the centre of the public eye, our facilities staff are at the face of Council services. With the changing demands of customer service, our facilities staff enable our service users to access the resource they need and desire in the most efficient and user-friendly way.

3.8.3. Key highlights

The key highlights for the recreation and facilities are:

- The Tokoroa Indoor Pools facility and the seasonal pools in Putāruru and Tirau offer a fun and inviting leisure option for our community.
- Initial investigations were completed into future upgrade opportunities for all pool facilities, with funding allocated in the LTP for work to begin in Tirau and planning for staged development in Tokoroa, during 2018/19.
- Patronage at the district pools was down from the 2018/19 season, with a total of 96,103 visits compared to 96,874 in the 2017/18 year. Tirau Pools was resurfaced at the beginning of the season, therefore not opening until mid-January instead of the usual mid-November which would have impacted on user numbers. Pool user fees once again remained the same to ensure the facilities remain affordable for our community.
- The South Waikato Sport and Events Centre continues to be one of the district's flagship facilities, offering a high quality, reasonably priced venue for sport, business and celebrations for our community. Patronage at the Centre was up in the 2018/19 year to 58,758 visits compared to the 48,728 visits in the 2017/18 year. User fees for the Centre remained the same to ensure the facility remains affordable for our community.

3.8.4. Effects on the community

The recreation and facilities group of activities provides a variety of venues and facilities to meet our community's recreational, sporting, housing and arts and cultural needs. These venues often form spaces for informal and formal gatherings. It is important to our community that these venues are maintained appropriately as these facilities are a source of community pride.

3.8.5. How well did we do?

The table below shows our key performance measures and whether or not we have achieved them.

COMMUNITY FACILITIES KPIS	2018-19 Level Achieved	Comments
Libraries: Annual visits to the South Waikato library facilities will equate to an average of at least 6.5 times the district's population	Not Achieved	There were 143,461 visits to the library. This equates to an average of 6.1 visits per resident per year.
Libraries: Customer engagement with online library services and library promotional activities on Council's social media site(s), receive a minimum of 1,000 visits/hits per month or 12,000 visits/hits annually.	Achieved	There were 20,992 online visits/hits for the year.
Libraries: Customers who used the South Waikato library services (Tokoroa, Putāruru and Tīrau) rate their satisfaction level with the library services at 95% or above.	Achieved	Overall satisfaction for the year was 96%.
Libraries: Ten or more community groups engage with the district libraries each month.	Achieved	300 groups made contact with the libraries over the year.
Libraries: South Waikato Library services customers (Tokoroa, Putāruru and Tīrau) rate their overall satisfaction level at an average of 95% or above <u>annually</u> .	Achieved	Overall satisfaction for 2018-19 was 96%.
South Waikato Sport and Events Centre: South Waikato Sport and Events Centre users rate their overall satisfaction level at an average of 90% or above <u>annually</u> .	Achieved	Overall satisfaction for 2018-19 was 98%.
South Waikato Sport and Events Centre: Annual usage of the South Waikato Sport and Events Centre will equate to an average of at least twice the district's population.	Achieved	There were 57,773 visits to the SW Events Centre. This equates to an average of 2.5 visits.
Swimming Pools: South Waikato pool facility users (Tokoroa, Putāruru, Tīrau) rate their overall satisfaction level at an average of at least 90% or above annually.	Achieved	Overall satisfaction for 2018-19 was 91%
Swimming Pools: Annual usage of the South Waikato pool facilities will equate to an average of at least four times the district's population.	Achieved	There were 93,623 visits to the Swimming Pools, an average of 4.3
Swimming Pools: At least 90% of South Waikato pool water tests (Tokoroa, Putāruru and Tīrau) comply with the New Zealand Standard Pool Water Quality annually.	Achieved	11,795 tests were undertaken at the pools in 2018-19. 98% (11,520) of these tests were compliant.

3.8.6. Significant asset acquisitions or replacements

Community Facilities	Actual Spend 2019 \$000	Budget Spend 2019 \$000	Actual Spend 2018 \$000
Events Centre - Plant Replacement	3	10	-
Libraries	180	594	135
Pole Installation	11	10	-
Pools Plant Replacement	343	231	87
Total	537	845	222

3.8.7. Funding Impact Statement – community facilities

	LTP 2018 \$000's	LTP 2019 \$000's	Actual 2019 \$000's
SOURCES OF OPERATING FUNDING			
General Rates, Uniform Annual General Charges, rates penalties	2,883	3,176	3,200
Targeted rates	-	-	-
Subsidies and grants for operating purposes	35	12	12
Fees and charges	366	378	431
Interest and dividends from investments	-	-	30
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
TOTAL OPERATING FUNDING (A)	3,284	3,566	3,673
APPLICATION OF OPERATING FUNDING			
Payments to staff and suppliers	1,906	1,970	1,885
Finance costs	166	139	99
Internal charges and overheads applied	833	1,043	884
Other operating funding applications	10	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	2,915	3,152	2,868
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	369	414	805
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	1
Development and financial contributions	-	-	-
Increase (decrease) in debt	(106)	518	2
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING (C)	(106)	518	3
APPLICATION OF CAPITAL FUNDING			
Capital expenditure:			
• to meet additional demand	-	-	-
• to improve the level of services	-	-	8
• to replace existing assets	285	845	529
Increase (decrease) in reserves	(344)	(126)	(314)
Increase (decrease) in investments	322	213	585
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	263	932	808
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(369)	(414)	(805)
FUNDING BALANCE ((A-B)+(C-D))	-	-	-

3.9. Economic and community development

Te hapori whakatupu me te pakihi

3.9.1. What we do

- Facilitate economic development
- Provide community grants
- Support youth initiatives
- Promote our central business districts
- Organise community events to help foster community pride
- Promote the district to those who live and work outside the South Waikato
- Undertake joint ventures with government agencies
- Support skills training and business development
- Advocate for (and with) South Waikato communities
- Support community groups and help with capacity building

3.9.2. Contribution to the Council Strategy

The economic and community development group of activities primarily contribute to the following Council outcomes and strategies:

Council Outcome	Council Strategy
Growth	<p>Population growth: Council planning for future growth in our settlements with appropriately zoned land that support new housing and business developments to occur when demand is present. This activity provides a method of addressing the previously identified risk to the district of long term population decline. It also responds to the recent increase in demand for the district as a place to live and work.</p> <p>Business and Job growth: The economic development programme will promote the district as a location to carry out business activities. The Trade Training programme will continue to develop skills relevant to the needs of the district.</p> <p>Sustainable growth: Council will consider the infrastructural requirements to support growth and the affordability implications. Concept Planning in collaboration with communities provides for a joint vision to be developed for our various communities.</p>
Resilience	<p>Skill development: Continued collaboration between Council, industry and training providers to develop people with relevant industry skills will increase community resilience through decreasing unemployment.</p> <p>Funding Community Organisations: The Community Grants and Community Contract programmes provide funding for community organisations that carry out positive community and economic development activities. In some cases these activities would not occur without Council support.</p> <p>Clean Air: Our continued involvement in the Warm Homes Clean Air programme contributes to improved air quality and living conditions for our residents.</p>
Relationships	<p>Community relationships: Collaborating with and facilitating connections between community organisations helps develop stronger community relationships and support the rich culture(s) within the communities.</p> <p>Relationship with environment: Growth and concept planning will consider the importance of environmental sustainability in the future development of communities.</p>

3.9.3. Key highlights

Highlights for the economic and community groups of activities in 2018-19 include:

- The Economic Development Manager met with 32 potential investors to evaluate business requirements, evaluate needs and to promote the district. Where these enquiries progressed beyond evaluation and feasibility to detailed exploration, a handover took place to either the Business Case Manager; the South Waikato Investment Fund Trust (SWIFT) or The NZTE / Callaghan Innovation Business Growth Team.
- Council has a dedicated Business Case Manager (BCM), who helps guide businesses through the regulatory processes. This approach has helped to secure new businesses and business expansion in our district. During the year the BCM handled 54 enquiries.
- The Business Growth Team (BGT) are jointly funded by New Zealand Trade and Enterprise (NZTE) and Callaghan Innovation and at the start of the year transitioned into the Regional Economic Development Agency, Te Waka. They operate a hub and spoke model of support based out of the Innovation Park in Hamilton and provide a clinic service to potential clients within the South Waikato. During the year they handled 52 enquiries.
- Staff worked very closely throughout the year with the economic development managers appointed by the SWIFT Board. A number of significant investments are currently subject to joint planning, engagement and management with SWIFT and are included within the Southern Waikato Economic Action Plan submission to the Provincial Growth Fund (PGF).
- Staff have worked closely with representatives of Raukawa Iwi Development Limited, which manages the economic aspirations of The Raukawa Settlement Trust (RST).
- Staff have undertaken significant consultation and joint working with key stakeholders during the year. These include the Regional Economic Development Agency, Te Waka, which was established in June 2018 as a replacement for Waikato Means Business, Hamilton & Waikato Tourism, now rebranded as The Mighty Waikato, New Zealand Trade and Enterprise, investment managers handling inbound investment enquiries from overseas investors, KiwiRail strategic property unit economic development managers at all Waikato District Councils.
- As mentioned previously, the Council has also developed a separate website to provide information to attract enterprise, new residents and market visitor attractions; developing a joint Economic Development Plan with other councils in the southern Waikato region and the mayor has established a South Waikato Forestry programme of events.

3.9.4. Effects on the community

The community development work that Council undertakes is important because it helps build community cohesion by encouraging community pride and supporting our community groups. As identified in the Council Strategy, encouraging economic development is seen to be a very important role for Council so that we can create new jobs for our residents and help to slow the rate of population decline.

3.9.5. How well did we do?

The table below shows our key performance measures and whether or not we have achieved them.

COMMUNITY DEVELOPMENT Key Performance Indicators	2018-19 Level Achieved	Comments
Facilitate ten or more events per year, with no less than two key stakeholders supporting or partnering with Council to hold each event.	Achieved	Council held 10 events where there were no less than 2 key stakeholders supporting the event. Events included A Matariki Celebration, Community Workshop (Energy efficiency), Totara Legacy Planting Day, Māori Language Week with SWIPIC, Take a kid fishing, SWPIC Sport Waikato Passport Challenge, Armistice Day, Xmas Parade, Putāruru Water Festival, Festival of Cultures, Children's Day and three ANZAC ceremonies.
Engage with, support or facilitate 10 interagency collaboration meetings in the social, education, health, youth and aged care areas annually.	Achieved	21 meetings were either engaged, supported or facilitated.

90% of the key performance indicators within community contracts are satisfactorily met by individual contract holders annually.	Achieved	94% of the community contracts' KPIs were satisfactorily met by individual contract holders.
At least 80% of the customers, who engaged with our frontline customer services team, indicated that they received courteous and respectful service.	Achieved	Overall satisfaction was 99%

3.9.6. Significant asset acquisitions or replacements

Economic and community development	Actual Spend 2019 \$000	Budget Spend 2019 \$000	Actual Spend 2018 \$000
CBD Security Cameras	-	-	17
Logistics equipment replacement	-	-	8
District Branding - signs	7	15	14
Strategic Property Projects	-	300	-
Total	7	315	39

3.9.7. Funding Impact Statement - economic and community development

	LTP 2018 \$000's	LTP 2019 \$000's	Actual 2019 \$000's
SOURCES OF OPERATING FUNDING			
General Rates, Uniform Annual General Charges, rates penalties	2,124	2,561	2,574
Targeted rates	324	223	224
Subsidies and grants for operating purposes	-	-	-
Fees and charges	10	7	17
Interest and dividends from investments	-	-	62
Internal charges and overheads recovered	662	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
TOTAL OPERATING FUNDING (A)	3,120	2,791	2,877
APPLICATION OF OPERATING FUNDING			
Payments to staff and suppliers	722	617	816
Finance costs	355	57	75
Internal charges and overheads applied	456	509	398
Other operating funding applications	1,080	1,416	1,046
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	2,613	2,599	2,335
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	507	192	542
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	100	150	259
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING (C)	100	150	259
APPLICATION OF CAPITAL FUNDING			
Capital expenditure:			
• to meet additional demand	-	-	-
• to improve the level of services	-	-	-
• to replace existing assets	15	315	7
Increase (decrease) in reserves	85	(40)	54
Increase (decrease) in investments	507	67	740
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	607	342	801
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(507)	(192)	(542)
FUNDING BALANCE ((A-B)+(C-D))	-	-	-

3.10. Regulatory

Te taiao

3.10.1. What we do

The regulatory group involves: planning guidance and compliance, building guidance and compliance, civil defence and emergency management, animal control and compliance, sale and supply of alcohol licensing, auditing food premises, noise control, parking and bylaw enforcement and business case management (a programme for businesses wishing to locate in or expand in our district to help navigate them through regulatory processes).

The peak in district and population growth has prompted an increased demand for building consent and subdivision requests that will require greater service delivery from Council. Council is aware of the growing demands and has plans to ensure high levels of customer service.

- Planning guidance and compliance
- Building guidance and compliance
- Civil defence
- Animal control and compliance
- Sale and Supply of Alcohol licensing
- Audit food premises to ensure that they meet the Food legislation
- Noise control
- Parking enforcement
- Business case management (a programme for businesses wishing to locate in or expand in our district to help navigate them through regulatory processes)
- Bylaws

3.10.2. Contribution to the Council Strategy

The focus of our regulatory group is to make sure that our residents and the environment are safe.

The regulatory activity primarily contributes to the following Council outcomes and strategies:

Outcomes	Strategies
Growth	Customer centricity: Council will continue to implement tools to streamline and simplify our regulatory processes.
Resilience	Environmental stewardship: It is the Council's role to assure the community that we have lessened environmental impacts as much as possible. This is essential for the preservation of our natural environment and living standards of future generations.
Relationships	Customer centricity: Understanding the complex circumstances experienced by our customers is an essential element of managing our relationships. Relationships with Māori: Our Regulatory Group work alongside our Iwi partners in respect of their significant status as tangata whenua (people of the land). These relationships enable us to fulfil our regulatory obligations under the Treaty of Waitangi and also co-produce projects that are applicable to Māori.

3.10.3. Key highlights

Highlights for Regulatory include:

- Robust and comprehensive review of the Gambling Class 4 and Racing Board Venue Policy was carried out. The review engaged considerable interest from the community which was reflected by the number of submitters. Council was able to complete this internally at minimal cost.
- The relationship between the Liquor Accord Group and Council representatives continues to be a positive relationship and there are direct benefits to the community regarding safety and well-being. South Waikato enjoys very good statistics in this regard.
- Over 20,000 native plants have been planted on farms to improve water quality in the South Waikato District through South Waikato Environmental Initiatives (SWEI) funding and joint funded projects with the Waikato River Authority (WRA).
- Ten schools in the South Waikato are members of the Enviroschools Programme.
- Business Case Management success in streamlining the business aspirations of the community, by acting as a liaison between customers and the various Council departments for over 60 new proposals
- Established and issued two quarterly Planning Update newsletters seeking to improve customer relations and good practice in the district
- Stakeholder consultation and infrastructure audit as part of the Putāruru Plan Change 1
- Ongoing consultation with Iwi with direction being provided from Raukawa for the Cultural Landscapes Plan Change (Nga Wahi Tuturu).
- We have two staff working towards National Diploma in Building Control Surveying which satisfies Regulation 18 which helps maintain accreditation.

3.10.4. Effects on the community

Regulatory activities have the potential to impact negatively on our community and environment. These potential effects, and how Council mitigates them are described below.

3.10.5. How did we do?

REGULATORY KPIs	2018-19 Level Achieved	Comments
<p>Animal Control: That the *door to door programme be completed by the end of November every calendar year.</p> <p>*The door-to-door programme is defined as follows: dog registration fees are due annually by the 31st July; dog owners are given further one month to pay the registration fee without incurring a penalty fee. Animal Compliance Officers are then required under the Dog Control Act to sight the dog to confirm it is with the owner at the same property before enforcing compliance either by seizing the dog for being unregistered or issuing a fine for failing to register.</p> <p>* Respond is defined as attending to the site of the offence</p>	Achieved	The door to door programme was completed in November before the months end.
<p>Animal Control: 100% of urgent requests are attended to within one hour on 24/7 basis.</p>	Achieved	There were 141 urgent requests received and 100% of these were responded to within one hour.
<p>Planning: Planning input into Building Consent applications is completed within five working days of online registration.</p>	Achieved	Planning input within five working days was 100% completion. 422 of 422 Building Consent applications.

Building Control: Council will retain accreditation as a Building Consent Authority.	Achieved	Accreditation retained
Building Control: The building team will meet with builders and designers at least twice per annum.	Achieved	The building team attended two (2) meetings in April.
Building Control: At least 95% of building consents are processed within statutory timelines (20 working days).	Not achieved	Council processed 533 building consents, however only 501 were processed on time. End result: 94%
Civil Defence: At least one South Waikato District Emergency Operations Centre or Managers exercise is held on an annual basis.	Achieved	One manager's exercise was held in April.
Civil Defence: More than three training sessions/exercises are attended within the Waikato Civil Defence Emergency Management Group.	Achieved	Six (6) training sessions were attended.
Civil Defence: Council staff will conduct 20 or more visits to local organisations to raise awareness of civil defence issues.	Achieved	Council conducted 24 visits.
Environmental Health: 95% of premises registered pursuant to the Health Act 1956 will be inspected annually.	Achieved	There are 42 premises registered under the Health Act 1956. 41 inspections were completed. End result: 98%
Environmental Health: 90% of premises registered under the Food Act 2014 will be verified in accordance with legislative requirement. <i>Please note the Food Act will be revoked in 2019 and a new measure will be determined at this time.</i>	Not achieved	13 of 90 verifications were completed within the required timeframes. This was due to staff capacity and workloads.
Liquor Licencing: 100% of premises that hold either on, off or club licences will be inspected annually.	Not achieved	47 of 48 inspections were completed. End result: 98%
Liquor Licencing: Three or more meetings per calendar year will be held with the South Waikato Liquor Accord group.	Achieved	Three meetings were held with the South Waikato Liquor Accord Group.
Resource management policy and monitoring, including environmental protection and monitoring: At least 95% of non-notified consents are processed within statutory timelines (10, 20 or 40 working days).	Not Achieved	Council processed 70 resource consents, 66 (94.3%) were processed on time.
Resource Management Policy and monitoring, including environmental protection and monitoring: Not less than 80 hours per year is spent on monitoring land uses e.g. resource consents, certificates of compliance and existing situations.	Achieved	Council staff spent 102 hours on monitoring land use.
Business Case Management: 90% of all potential business development projects that require an integrated regulatory approach (i.e. Business Case Management) are contacted within two working days.	Achieved	There were 54 cases that required an integrated regulatory approach and 100% of these were contacted within 2 working days.

3.10.6. Significant asset acquisition

Regulatory	Actual Spend 2019 \$000	Budget Spend 2019 \$000	Actual Spend 2018 \$000
Replace 13 portable radios	7	-	-
Dog Bag Dispensers	-	-	5
Explorer 700 BGAN	9	-	-
Honda Generator	3	3	-
Generator at Events Centre	-	120	-
Civil Defence Trailer Generator	3	-	-
Total	22	123	5

3.10.7. Funding Impact Statement – regulatory

	LTP 2018 \$000's	LTP 2019 \$000's	Actual 2019 \$000's
SOURCES OF OPERATING FUNDING			
General Rates, Uniform Annual General Charges	2,120	2,614	2,630
Targeted rates	-	-	-
Subsidies and grants for operating purposes	(2)	2	-
Fees and charges	862	1,305	1,265
Internal charges and overheads recovered	112	-	-
Local authorities fuel tax, fines, infringement fees	45	69	55
TOTAL OPERATING FUNDING (A)	3,137	3,990	3,950
APPLICATION OF OPERATING FUNDING			
Payments to staff and suppliers	1,997	2,516	2,421
Finance costs	33	24	17
Internal charges and overheads applied	988	1,265	1,171
Other operating funding applications	5	6	9
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	3,023	3,811	3,618
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	114	179	332
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(103)	(1)	(114)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING (C)	(103)	(1)	(114)
APPLICATION OF CAPITAL FUNDING			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of services	-	-	-
- to replace existing assets	45	123	22
Increase (decrease) in reserves	(43)	(17)	(63)
Increase (decrease) in investments	9	72	259
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	11	178	218
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(114)	(179)	(332)
FUNDING BALANCE ((A-B)+(C-D))	-	-	-

3.11. Governance and corporate

Ratonga rangapū me tewana

3.11.1. What we do

- Manage the corporate component of Council's business (which includes information services, legal services, human resources, health and safety, revenue, finance, communications, executive support and strategic planning and projects, risk management and business improvement).
- Organise local government elections
- Support the elected members
- Support Council and Tīrau Community Board meetings
- Engage effectively with our communities
- Develop Long Term Plans, Annual Plans and Annual Reports

3.11.2. Contribution to the Council Strategy

The governance and corporate group of activities primarily contribute to the following Council outcomes and strategies:

Council Outcome	Council Strategy
Growth	<p>Council staff and elected members strategically plan for sustainable growth. Council's plans will enable growth in the district that enhances the district's economic and social fabric, while ensuring that the special character is maintained.</p> <p>Concept planning is an essential factor for town growth and design. Community participation is key to efficient growth and alignment with community values, spirit and character. Council will endeavour to engage community in the journey of concept planning.</p>
Resilience	Overall Council resilience will be enhanced through upgraded information systems and network security, having strong finance, human resource, health and safety, operating and communication systems.
Relationships	Co-management and co-governance initiatives will be sourced when appropriate in collaboration with other community stakeholders and groups.

3.11.3. Key highlights

Highlights for Corporate and Executive groups include:

Communications

Increasing levels of community engagement over the year has been encouraging. This has resulted in the need to grow resource into the area of information sharing, engagement, response and media liaison. Digital engagement and information platforms continue to grow.

Information Support

Council has undertaken a significant investment in upgrading a number of software packages. These have all been implemented successfully and they continue to improve productivity and improve customer service

Work has begun upgrading the IT infrastructure including servers, storage devices and networking equipment. This will significantly enhance our security and desktop performance

Strategic Projects

The following highlights were completed in the last financial year by the Strategic Projects Group:

- Driving better project management through the Project Information Form process associated with the Long Term Plan

- Improving procurement process
- Review and update of the Project Framework and associated documents
- Risk Framework
- Assisting with the One Network Road Classification project
- Updated and reviewing KPIs for handover to the Policy Team
- Support to the Waste Minimisation Plan
- Support and advice for various council projects
- Community Engagement
- Health and Safety Improvements

Strategic Policy

Council adopted the 2018-2028 Long Term Plan. The issues faced in this LTP development were very complex. The Universal Policy Review, has begun. This project aims to update and revitalise Council's policy regime.

3.11.4. Effects on the community

The executive and corporate group of activities support all the other activities carried out by Council to ensure that they run smoothly by providing the necessary information systems and financial and other internal managerial support. Governance and corporate plays an important role in ensuring that democracy is upheld in our district as it ensures that elections and decision-making processes are lawful. It plays an important role in informing our community about Council's activities and plans and allowing opportunities for our residents to have their say. Systems are put in place to help make sure the organisation and community are as resilient, vibrant and engaged as Council can make them.

3.11.5. How did we do?

GOVERNANCE AND CORPORATE Key Performance Indicators	2018-19 Level Achieved	Comments
Communications: That 90% of media queries are <u>responded</u> to within 2 working days <i>*respond is defined as the initial response to the customer, with progress on the request</i>	Achieved	Council received 68 media queries and all requests were responded to within the required time frame. End result: 100%
Communications: That 90% of media queries are <u>resolved</u> within 5 working days	Achieved	Council received 68 media queries and all requests were responded to within the required time frame. End result: 100%
Communications: That at least 60% of media statements submitted, feature in local media within 28 days of release	Achieved	Council submitted 41 media statements, 33 featured in local media within 28 days of release. End result:80%
Communications: The level of community satisfaction with overall communication from Council is at least 75% satisfied	Not achieved	Overall satisfaction for 2018-19 was 74% It is difficult to explain the driver for this, as Council has had significant communication campaigns and plans rolling out over the period, including stormwater in Putāruru, Tokoroa CBD upgrade and elections. There has been some dissatisfaction with the Tokoroa CBD Upgrade project that may be driving a general dissatisfaction regarding communications, not necessarily about not being informed, but not liking the information that is being provided.
Communications: All official information requests are responded to within the statutory timeframe (20 or 40 working days)	Not achieved	73 of 74 Official Information Requests (OIR) were responded to within the statutory time frame. OIRs are handled by individuals who can be based in any

<i>*responded is defined as: a decision to provide information has been made and the customer has been informed of the decision.</i>		Group. Achieving the 20 day processing timeframe is the responsibility of individual staff. End result: 98.7%
Governance: The level of community satisfaction with participation in decision-making is at least 70%.	Not achieved	Overall satisfaction for 2018-19 was 69%
Revenue/Rates: The total amount of rate arrears is less than 7.5% of the current year's rates charged by Council.	Achieved	The amount of rate arrears was less than 7.5% of the current year's total rates paid to Council. End result: 4%
Strategic Planning and Projects: Annual Plans and Long Term Plans will be adopted in compliance with the requirements and deadlines of the Local Government Act 2002.	Achieved	The Annual Plan 2019-20 was adopted 20 June 2019. The Long Term Plan 2018-28 was adopted 28 June 2018.
Finance: To ensure Council only collects enough rates to meet funding requirements, the total amount of general and targeted rates revenue budgeted will not be more than \$500,000 more or \$500,000 less than the rateable expenditure on those general and targeted activities for that year.	Achieved	The total amount of general and targeted rates revenue budgeted was \$216,000 less than the rateable expenditure.
Elections: Council will conduct error-free local government elections (the election process is defined in the Local Electoral Act 2001).	Achieved	No issues experienced to date with the 2019 local government elections.
Democracy: Council complies with all sections of the Local Government Act 2002 governing the functions of elected officials and consultation with our community on documents (including strategies, policies and bylaws).	Achieved	Processes to follow legislation have been followed with no known breaches.
Information Services: Council's information systems are available at least 99% of the time. System availability is defined as reliable access during business hours to supported applications. Availability is measured from offices over 24 hours 365 days of the year, excluding planned and agreed maintenance downtime.	Achieved	Council achieved 99%. Throughout the year there were minor interruptions to the servers, email, internet access, Archives Manager, printing and financial quality and performance software (MagiQ).

3.11.6. Significant asset acquisition

Governance and Corporate	Actual Spend 2019 \$000	Budget Spend 2019 \$000	Actual Spend 2018 \$000
Council Admin Buildings and Depots	198	-	300
Property Purchases	-	-	1,341
IT Expenditure & GIS Upgrades	665	173	284
Vehicle Replacements	33	160	108
Furniture Renewals	-	15	8
Total	896	348	2,041

3.11.7. Funding Impact Statement - Governance and corporate

	LTP 2018 \$000's	LTP 2019 \$000's	Actual 2019 \$000's
SOURCES OF OPERATING FUNDING			
General Rates, Uniform Annual General Charges, rates penalties	2,071	1,336	1,305
Targeted rates	18	20	20
Subsidies and grants for operating purposes	-	-	-
Fees and charges	28	113	185
Interest and dividends from investments	-	1,044	-
Internal charges and overheads recovered	4,505	9,723	8,740
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
TOTAL OPERATING FUNDING (A)	6,622	12,236	10,250
APPLICATION OF OPERATING FUNDING			
Payments to staff and suppliers	4,653	8,537	8,210
Finance costs	73	137	100
Internal charges and overheads applied	1,577	2,390	2,077
Other operating funding applications	38	45	761
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	6,341	11,109	11,148
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	281	1,127	(898)
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(9)	501	515
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING (C)	(9)	501	515
APPLICATION OF CAPITAL FUNDING			
Capital expenditure:			
• to meet additional demand	-	-	-
• to improve the level of services	-	-	-
• to replace existing assets	542	348	896
Increase (decrease) in reserves	(542)	559	370
Increase (decrease) in investments	272	721	(1,649)
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	272	1,628	(383)
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(281)	(1,127)	898
FUNDING BALANCE ((A-B)+(C-D))	-	-	-

3.12. Customer Satisfaction survey

3.12.1. Introduction

Council employ Key Research Limited to undertake satisfaction reporting four times a year. These community satisfaction reports, provide Council with more timely understanding on the satisfaction levels of our residents with the services and facilities that Council delivers. The 2019 report is the fourth annual report survey under this regime.

3.12.2. Sample sizes

A sample size of 407 respondents was attained, with the survey designed to be demographically representative: 244 representatives were from the Tokoroa Ward, 130 were from the Putāruru Ward and 33 respondents were from the Tīrau Ward. Gender and ethnic diversity was accounted for, with respondents identifying as 44% male and 56% female, 78% European, 19% Māori, 4% Pacific, 1% Asian and 8% other ethnicities (this does not add up to 100% as respondents are able to choose more than one ethnicity). 88% of respondents were rate payers and 88% of all respondents had resided within the district for over 10 years. 21% of respondents were 18-39 years of age, 51% were aged 40-64 and 28% were 65 years and over. It is important to capture true satisfaction levels of actual users of specific services. Council has worked with researchers to ensure sample numbers for 'activity specific' questions; such as those associated with building consent processes, liquor licensing and the utility of facilities. The overall satisfaction figures include the categories: somewhat satisfied, satisfied and very satisfied and the overall dissatisfaction figures include: very dissatisfied and somewhat dissatisfied.

3.12.3. Overall Satisfaction

The overall results are presented below. In previous Annual Reports, Council has compared the results from surveys taken over the years. For some of our results, a significant amount of people answered 'don't know', for example the Croad Place Recycling Centre, because the facility isn't used by Putāruru and Tīrau residents. For this reason 'don't knows' are excluded from the data. A number of activities have a (UoS) associated, this indicates where Users of Services have been targeted.

The table below shows: Council activities, satisfaction rates for financial year June 2016-17, financial year June 2017-18, sample numbers or number of people who were surveyed for the associated activities, and June 2018-19 year satisfaction and dissatisfaction results.

Council Activity	2017 Satisfaction Level	2018 Satisfaction Level	2019 Satisfaction Level	2019 Sample size
Overall satisfaction with Council's Water Management	85%	85%	84%	407
How well the stormwater network is maintained	75%	75%	73%	382
Ability of stormwater network to keep roads and footpaths free from flooding	75%	71%	71%	382
Ability of stormwater network to protect your property from flooding	83%	82%	83%	382
Wastewater system reliability	96%	95%	97%	263
How Council treats and disposes of wastewater	92%	94%	96%	263
Odour of the water	N/A	N/A	88%	325
Reliability of the water supply	N/A	N/A	95%	325
Taste of the water	N/A	N/A	84%	325
Clarity of the water	N/A	N/A	89%	325
Pressure of the water	N/A	N/A	90%	325
Overall satisfaction with Councils Waste Management	90%	82%	85%	407
Putāruru, Tirau, Waotu and Okoroire recycling points	89%	82%	82%	368
The Croad Place Recycling Centre	93%	93%	87%	368
Management of loose litter and bins in and around the town	85%	76%	78%	368
The services for managing general waste	86%	85%	82%	368
Kerbside recycling services	86%	84%	85%	368
The services for managing green waste	80%	84%	74%	368
Kerbside rubbish collection	92%	94%	93%	368
Overall satisfaction with Councils Road and footpaths	84%	75%	77%	407
Provision of dedicated walkways/other cycleways around the South Waikato	81%	82%	79%	396
How well the urban roads are maintained	81%	73%	76%	396
Availability of footpaths/crossing points for mobility scooters/wheel chairs	81%	79%	76%	396
Adequacy of cycleways on our roads	53%	43%	54%	396
How well footpaths are maintained	84%	76%	75%	396
The safety of roads	82%	76%	72%	396
How well rural roads are maintained	76%	66%	66%	396
Overall satisfaction with Councils Parks, Reserves and Open Spaces	95%	91%	93%	407
Satisfaction with other parks and reserves	94%	92%	92%	347
Satisfaction with playgrounds	92%	93%	93%	347
Satisfaction with cemeteries	96%	93%	96%	347
Satisfaction with sports grounds	96%	93%	95%	347
Overall Satisfaction with Councils Public Facilities	92%	91%	94%	407
Satisfaction with swimming pools (UoS)	95%	94%	91%	276
Satisfaction with public toilets (UoS)	64%	62%	66%	276
Satisfaction with South Waikato Sport and Events Centre (UoS)	97%	96%	95%	276
Satisfaction with community halls (UoS)	90%	91%	86%	276
Satisfaction with libraries (UoS)	99%	97%	96%	276
Library opening hours (UoS)	99%	96%	96%	218

Council Activity	2017 Satisfaction Level	2018 Satisfaction Level	2019 Satisfaction Level	2019 Sample size
Range of books and materials available at the libraries (UoS)	96%	94%	97%	218
The library charges (UoS)	98%	94%	90%	218
The overall service delivered by the library (UoS)	98%	99%	98%	218
The way that the libraries connect with local groups (UoS)	96%	93%	95%	218
Overall Satisfaction with Councils Rates and Values (Value for money)	N/A	N/A	75%	369
Rates being fair and reasonable	N/A	N/A	64%	369
Fees for other services (like pool entry fees, dog registration fee, taking out a library book) being fair and reasonable	N/A	N/A	82%	369
The ease of making payments	N/A	N/A	93%	369
Overall Satisfaction with Councils Regulatory Services	83%	86%	83%	407
Satisfaction with animal control (UoS)	83%	78%	83%	101
Satisfaction with managing and issuing building consents (UoS)	69%	80%	68%	52
Satisfaction with managing and issuing resource consents (UoS)	64%	71%	67%	27
Satisfaction with managing liquor licensing (UoS)	70%	66%	75%	13
Satisfaction with licensing premises such as cafes, restaurants and hairdressers (UoS)	80%	63%	80%	7
Overall Satisfaction with Councils Communication	N/A	N/A	74%	399
Participation in decision making	N/A	N/A	69%	399
Overall Satisfaction with Councils Reputation	N/A	N/A	78%	398
Quality of services and facilities	N/A	N/A	78%	398
Leadership	N/A	N/A	75%	398
Trust	N/A	N/A	67%	398
Financial Management	N/A	N/A	59%	398
Satisfaction with making a complaint or a request for service				
How easy it was to make your enquiry or requests (UoS)	75%	79%	83%	81
How long it took to resolve the matter (UoS)	47%	51%	50%	81
The information provided being accurate (UoS)	66%	71%	71%	81
How well Council staff understood your request and how well they communicated with you (UoS)	64%	67%	76%	81
The resolution or outcome achieved (UoS)	54%	56%	55%	81
How would you rate Council overall for how well they handled your enquiry (UoS)	61%	56%	60%	70

3.13. Involvement with Council Controlled Organisations (CCOs)

A CCO is a 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 one regional CCO called Local Authority Shared Services (LASS) Limited.

The company was established in 2005-06 and is a legal entity to help foster and develop shared service initiatives throughout the region.

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

3.13.1. Company Objective

The objective of LASS is to provide local authorities of the Waikato Region with a vehicle to procure shared services. The LASS also provides 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.

3.13.2. 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.

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 made up of the chief executives of the local authority shareholders. 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.






Performance results







The following performance measures were incorporated into the Local Authority Shared Services Limited (LASS) 2018-19 financial year:

Achieved		The performance measure has been met in its entirety
Partially achieved		Good progress is being made toward meeting the performance measure, but it has not yet been met (e.g. delivering the targeted result may span multiple years or there is some room for improvement)
Not achieved		The performance measure has not been met



TARGET	MEASURE	OUTCOME	
<p>Procurement Joint procurement initiatives for goods and services for WLASS councils will be investigated and implemented.</p> <p><i>Method</i> Procurement is from sources offering best value, service, continuity of supply, and/or opportunities for integration.</p>	<p>The Procurement Specialist has developed standard regional procurement policies, templates and procedures and provided training in each council by the end of the financial year.</p>	<p>Achieved: The regional procurement framework and toolkit were completed, with training provided to participating councils across three workshops held in March 2019. <i>[New measure]</i></p>	
	<p>New suppliers are awarded contracts through a competitive tender process.</p>	<p>Achieved: The professional services panel was re-tendered during the year (contracts take effect from 1 August 2019). Any new suppliers are procured in line with the company's procurement policy. <i>[2018: Achieved]</i></p> <p>In consultation with workstream managers, contracts with existing suppliers that are due for renewal are assessed as to whether they continue to offer best value, service or continuity of supply. 24 supplier contracts were entered into (five relating to joint procurement).</p>	


<p>Collaborative Projects Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented.</p> <p><i>Method</i> <i>The focus is on shared services which will benefit all councils.</i></p>	<p>A minimum of three priority projects for collaboration are identified per annum.</p> <p>If considered of value, business cases are developed for approval by the Board, and the projects are implemented.</p>	<p>Achieved: Projects identified and progressed through the year were:</p> <ul style="list-style-type: none"> - LiDAR: A project to establish regional LiDAR supported by PGF funding. Business case approved in principle - Professional Services Panel: A project to re-market and establish a panel of consultants across eight disciplines under an agreed framework to streamline procurement of their services - Energy & Carbon Management: A programme to support councils in energy and carbon management. Business case approved - A regional Health and Safety Management Framework and best practice documents were implemented - Regional reporting indicators for safety performance were approved <p>Business cases were prepared where Board approval and council funding was required.</p> <p>The customer interface group was established to provide council staff engaging with customers with a forum to collaborate and consider opportunities to use digital technology to improve the customer experience.</p> <p>In addition, nine collaborative opportunities are at various stages of development. <i>[2018: Achieved]</i></p>	
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<p>Existing WLASS Contracts Existing contracts are managed and renegotiated as required.</p> <p><i>Method</i> <i>Appointed vendors deliver on the terms of their contracts and deliver value to the shareholders.</i></p>	<p>The WLASS Contracts Register is maintained and managed.</p> <p>Contracts which are due for renewal are tested for competitiveness and either renegotiated or re-tendered through a competitive process.</p>	<p>Achieved: <i>[2018: Achieved]</i></p> <p>Achieved: Any new suppliers are procured in line with the company's procurement policy.</p> <p>In consultation with workstream managers, contracts with existing suppliers that are due for renewal are assessed as to whether they continue to offer best value, service or continuity of supply and if so, renegotiated. 24 supplier contracts were entered into. <i>[2018: Achieved]</i></p>	 
<p>Cashflow The company shall maintain a positive cashflow position.</p> <p><i>Method</i> <i>The Financial Accountant reviews cashflow monthly, and the WLASS Board reviews the financial statements quarterly.</i></p>	<p>The WLASS Board reviews the financial statements at least quarterly.</p>	<p>Achieved: Management accounts were presented to each of the six board meetings held during the year. The company remains in a strong cash position (funds on hand at 30 June 2019 are \$1.46m <i>[2018: \$1.57m]</i>). It is currently actively seeking to manage down cash reserves that have arisen from revenue received in advance. <i>[2018: Achieved]</i></p>	
<p>Cost Control Administration expenditure shall be managed and monitored.</p> <p><i>Method</i> <i>The Financial Accountant and Chief Executive review expenditure monthly.</i></p>	<p>Administration expenditure shall not exceed budget by more than 5%, unless prior approval is obtained from the Board.</p>	<p>Achieved: Actual spend (\$440k) exceeded budget (\$300k) but was less than the reforecasted spend of \$446k approved by the Board (and shareholding councils). The additional spend was to support the transformation of the company and was met by prior year cash reserves and additional shareholder contributions. <i>[2018: Achieved]</i></p>	
<p>Reporting Six monthly reports provided to Shareholders.</p> <p><i>Method</i> <i>The Chief Executive prepares a written report for the WLASS Board every meeting.</i></p>	<p>The Board shall provide a written report on the business operations and financial position of WLASS to the shareholders every six months.</p> <p>Every second report shall be the Annual Report, which</p>	<p>Achieved: Half-yearly report and annual report delivered to shareholders within required timelines. <i>[2018: Achieved]</i></p>	

<p><i>One 6-monthly and one Annual Report are prepared for shareholders.</i></p>	<p>includes a report that all of the statutory requirements of the WLASS are being adhered to.</p>	<p>Achieved [2018: Achieved]</p>	
<p>Waikato Mayoral Forum The company shall provide administrative support to the Mayoral Forum work streams and to the Mayoral Forum.</p> <p><i>Method</i> Mayoral Forum projects shall be managed financially through the WLASS.</p>	<p>Approved invoices for Mayoral Forum projects are paid by the 20th of the month following their receipt.</p>	<p>Achieved [2018: Achieved]</p>	
<p>Shared Valuation Data Services (SVDS) The SVDS is reliable, well maintained and available to all users.</p> <p><i>Method</i> A Contract Manager is appointed for SVDS.</p> <p><i>The Contract Manager monitors performance of the contractors and reports quarterly to the SVDS Advisory Group.</i></p> <p><i>Risks associated with the SVDS are well managed.</i></p> <p><i>The long-term provision of SVDS services is achieved.</i></p>	<p>The SVDS is available to users at least 99% of normal working hours.</p> <p>The SVDS Advisory Group meets at least 6-monthly.</p> <p>The Annual Business Plan is accepted by the Advisory Group by 31 March 2019, and includes consideration of strategic and operational risks, a disaster recovery plan, and a business continuity plan.</p> <p>The timetable and milestones for implementing the long-term provision of SVDS Services (as agreed by the Board), are being achieved.</p>	<p>Achieved: the SVDS has been available 100% for users during normal business hours. [2018: Achieved]</p> <p>Achieved: Four meetings held in August, November, March and May. [2018: Achieved]</p> <p>Achieved [New measure]</p> <p>Not achieved: The project has begun. However, data load issues and complexities has caused project delays of approx. six months. There is no increase in total project cost, but the delay has meant that the existing SVDS support is needed longer than anticipated, with associated cost increases. The revised end date is now March 2020. [New measure]</p>	   

<p>Insurance Achieve the relevant KPIs in Appendix 4 of the Insurance Brokerage contract with Aon.</p> <p><i>Method</i> The Insurance Broker delivers on the terms of their contract and provides value to the participating councils.</p>	<p>Strategic advice provided by Aon on the insurance programme structure is assessed as satisfactory in the annual WLASS Shareholders' survey by the participating councils.</p> <p>The day-to-day service provided by Aon is assessed as satisfactory in the annual WLASS Shareholders' survey by the participating councils.</p>	<p>Achieved: Of the 11 council who responded, 3 were partially satisfied, 7 satisfied and 1 very satisfied. [2018: Achieved]</p> <p>Achieved: Of the 11 council who responded, 1 was dissatisfied, 3 were partially satisfied, 6 satisfied and 1 very satisfied. [2018: Achieved]</p>	<p>●</p> <p>●</p>
<p>Road Asset Technical Accord (RATA) Deliver better data for decision making across the Waikato Region, enabling more consistent best practice</p> <p><i>Method</i> Quarterly update reports are provided to all stakeholders participating in the Data Collection contracts.</p> <p>Data supplied by contractors is of good quality and meets all of the participating councils' requirements.</p> <p><i>Method</i> Innovation: Identify opportunities to modify standard approaches and/or develop new approaches that will lead to optimal asset management.</p> <p>Leadership: Lead engagement and increase capability within the sector.</p>	<p>Reports are presented to stakeholders in October/January/April and July each year.</p> <p>Reports on progress presented to WLASS Board as at 30 December and 30 June.</p> <p>All data is reviewed for compliance and all good practice requirements are met.</p> <p>Procurement of services complies with WLASS and NZTA's procurement requirements.</p> <p>Present to a national conference on RATA innovations at least once per year.</p> <p>At least two RATA guidance documents detailing good practice are produced each year.</p> <p>RATA Forums are held 2-monthly to share learnings and experience.</p>	<p>Achieved: All four reports provided on time. [New measure]</p> <p>Achieved: Both reports provided with the required timeframe. [2018: Achieved]</p> <p>Achieved: All data supplied met compliance requirements [New measure]</p> <p>Achieved: All procurement was completed in accordance with policy requirements [New measure]</p> <p>Achieved: Papers presented at IPWEA conference and Sydney Road Maintenance Conference [New measure]</p> <p>Achieved: RATA benchmarking report and Regional MIS report delivered [New measure]</p> <p>Achieved: All RATA Forum presented and well attended by RCA's [New measure]</p>	<p>●</p> <p>●</p> <p>●</p> <p>●</p> <p>●</p> <p>●</p> <p>●</p>

<p>Waikato Regional Transport Model (WRTM) The WRTM is reliable, well maintained and available to all users.</p> <p><i>Method</i> RATA manages the WRTM on behalf of the participating councils and monitors the performance of the model supplier (currently Stantec).</p> <p>RATA reports quarterly to the WRTM Project Advisory Group.</p>	<p>All modelling reports requested from the model supplier are actioned within the agreed timeframe, scope and budget.</p> <p>A report from RATA on any new developments and on the status of the model is provided to the WCLASS Board at least every six months.</p> <p>The quality of the base model complies with NZTA guidelines (as set out in the NZTA's Economic Evaluation Manual), and is independently peer reviewed each time the model is updated.</p>	<p>Achieved: All reports received and shared with WRTM User Group <i>[2018: Achieved]</i></p> <p>Achieved: Bi-annual reports provided to WCLASS Board <i>[2018: Achieved]</i></p> <p>Achieved: Model endorsed by NZTA. Peer review recommendations being progressed (scenario testing of medium land use) <i>[2018: Achieved]</i></p>	
<p>Waikato Building Consent Group Provide strategic direction and actively pursue improvements in Building Control across the Waikato region.</p> <p><i>Method</i> Implement the strategic priorities detailed in the "Build Waikato" May 2017 strategic review document.</p>	<p>Milestones for the five strategic review work streams are achieved for:</p> <ul style="list-style-type: none"> • Digital experience and technology: a common online customer experience. Success is defined as user friendly, convenient, quick, end-to-end management and communication, measured by customer surveys and systems comparisons. <p>• People capability. Success is defined as a successful recruitment and training programme, measured by compliance with BCA Reg. 8-11.</p>	<p>Achieved: On track with both TCDC and Waipa having successfully implemented the preferred online Alpha One System. Waitomo DC is committed to implementing in the 2019/20 year and MPDC and HDC are finalising their procurement process with Alpha One in the mix. ODC is also committed to implementing Alpha One and this will probably be in 2020/21 financial year. Well on track with achieving a common processing system. Works is programmed for 2019/20 to revitalise our web site to enhance the digital experience. <i>[New measure]</i></p> <p>Partially achieved: we have scoped a programme of work to approach secondary schools and tertiary students before the end of the</p>	

<p><i>Fulfil the roles and responsibilities set out in clause 9 of the WBCG's Memorandum of Understanding, 2016.</i></p>	<ul style="list-style-type: none"> • Quality assurance. Success is defined as continued accreditation and increased service consistency, measured by accreditation outcomes, BCA annual audits, and customer surveys. • Lift industry competency and compliance. Success is measured by increased industry compliance, with reduced RFIs, and reducing percentages of application or building consent rejection. • Central government: engagement and legislative influence. Success is measured by legislative submissions and outcomes. <p>There is a common understanding and buy-in by all BCAs for the WBCG vision and actions that are taken to achieve this vision, measured by:</p> <ul style="list-style-type: none"> i. Full participation in WBCG projects and programmes ii. Audits demonstrating implementation and compliance with the agreed QA systems iii. Consistency in service delivery, measured by customer surveys. <p>Risk management is visible through regular reviews of the Risk Register.</p> 	<p>2019/20 year looking at a cadet type scheme <i>[New measure]</i></p> <p>Achieved: On track with successful IANZ audits for both WDC and MPDC with good feedback on the cluster QA overall. A review of our QA offering will be undertaken in 19/20. <i>[New measure]</i></p> <p>Partially achieved: Work has been scoped for a programme to engage industry in the 2019/20 year. The Tech Committee will be continuing to work on consistency across councils on RFI's to enhance a consistent customer experience. <i>[New measure]</i></p> <p>Achieved: Cluster submission to Building Reform Act was delivered – was very similar to that put together by LGNZ. <i>[New measure]</i></p> <p>Partially achieved: Good participation in the projects when required but could improve. <i>[New measure]</i></p> <p>Achieved <i>[New measure]</i></p> <p>Not achieved: No customer survey this year – customer experience will be a key focus for 2019/20. <i>[New measure]</i></p> <p>Not achieved: Lack of awareness of risk register – will be in the programme of work for the new Strategic Manager. <i>[New measure]</i></p> <p>Achieved: Requested funding received in a timely manner by participating councils <i>[New measure]</i></p>	
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	<p>All funding requirements are met by each of the participating councils.</p> <p>Minimum of two reports presented to the WLASS Board on the Group's activities.</p>	<p>Achieved: Activity reported to the Board in September and December 2018 and February 2019. [2018: Achieved]</p>	
<p>Future Proof Planning for growth in the sub-region is co-ordinated and collaborative.</p> <p><i>Method</i> Joint preparation and input into Phase 2 of the Strategy update.</p>	<p>Phase 2 of the Future Proof Strategy is adopted by the Future Proof Implementation Committee no later than December 2018.</p>	<p>Not achieved: The draft Future Proof Strategy (phase 2) was reported to the Future Proof Implementation Committee and submitted to MfE in December 2018. However, work has been deferred due to other processes currently underway, namely the Hamilton to Auckland Corridor Plan, review of NPS on Urban Development Capacity, Waikato Proposed District Plan, and sub-regional industrial land study. The phase 2 Strategy is expected to be completed in 2020. [New measure]</p>	
<p>The Future Proof budget is well managed and monitored.</p> <p><i>Method</i> Bi-monthly reports presented to Waikato Plan and Future Proof Chief Executive Group, and six monthly and annual reports to WLASS Board.</p>	<p>The overall Future Proof work programme is delivered within the approved budget.</p>	<p>Not achieved: The Future Proof work programme to the end of 2018/19 ran slightly over budget. However, this was as a result of an approved increase in scope associated with the Hamilton to Auckland Corridor Plan. The deficit is covered by the cash reserves from the previous year. [New measure]</p>	
<p>Future Proof influences and inputs into District Plan, Regional Plan, growth strategy and any other planning processes which manage growth within the sub-region and neighbouring regions.</p> <p><i>Method</i> Future Proof works collaboratively and provides</p>	<p>Future Proof makes submissions (using RMA and Local Government processes), on District Plans, LTPs, growth management planning documents, and any central government initiatives which have the potential to impact growth management planning in the sub-region.</p>	<p>Achieved: Future Proof made a submission on the Proposed Waikato District Plan in 2018 and has been working closely with Waikato District on their District Plan and supporting strategic planning documents. Future Proof has also been working with the Waikato Regional Council on upcoming</p>	

4. FINANCIAL STATEMENTS

4.1. 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.



Jenny Shattock QSM JP
MAYOR
3 October 2019



Ben Smit
CHIEF EXECUTIVE
3 October 2019

4.2. Financial statements

Statement of comprehensive revenue and expenses

	Note	Actual	Budget	Actual
	No.	2019	2019	2018
		\$000	\$000	\$000
Revenue				
Rates, excluding targeted water supply rates	4	26,078	26,520	24,335
Fees, charges, and targeted rates for water supply		4,356	4,176	4,147
Development and financial contributions		126	23	96
Subsidies and grants	5	4,311	4,259	6,045
Finance income	6	293	582	475
Other revenue	7	3,713	1,555	2,510
Total revenue	3	38,877	37,115	37,608
Expenditure				
Employee benefits expense	8	9,620	10,351	9,101
Depreciation and amortisation expense	15/16	7,376	7,939	7,036
Finance costs	6	673	854	602
Other expenses	9	19,074	17,004	17,308
Total expenditure		36,743	36,148	34,047
Surplus/(Deficit)		2,134	967	3,561
Other comprehensive revenue and expense				
Gain/loss in Asset Revaluation Reserve	21	10,044	21,135	5,680
Gain/loss in Investment Revaluation Reserve	21	868	-	468
Total other comprehensive revenue and expense		10,912	21,135	6,148
Total comprehensive revenue and expense		13,046	22,102	9,709

These Financial Statements should be read in conjunction with the accounting policies and notes on pages 84 to 126

Statement of changes in equity

	Restricted Reserves	Council Created Reserves	Property Revaluation Reserves	Investment Revaluation Reserves	Retained Earnings	Total
Balance as at 30 June 2017	17,426	2,531	244,826	1,167	146,974	412,924
Net profit for the year	-	-	-	-	3,561	3,561
Transfers to retained earnings on disposal	-	-	(943)	-	943	-
Transfers to General Equity	4,208	1,226	-	-	(5,434)	-
Transfers from General Equity	(4,096)	(1,313)	-	-	5,409	-
Other comprehensive revenue and expense						
Gain/loss in Asset Revaluation Reserve	-	-	5,680	-	-	5,680
Gain/loss in Investment Revaluation Reserve	-	-	-	468	-	468
Total comprehensive revenue and expense	112	(87)	4,737	468	4,479	9,709
Balance at 30 June 2018	17,538	2,444	249,563	1,635	151,453	422,633
Net profit for the year	-	-	-	-	2,134	2,134
Transfers to retained earnings on disposal	-	-	(665)	-	665	-
Transfers to General Equity	5,212	1,117	-	-	(6,329)	-
Transfers from General Equity	(3,550)	(2,427)	-	-	5,977	-
Other comprehensive revenue and expense						
Gain/loss in Asset Revaluation Reserve	-	-	10,044	-	-	10,044
Gain/loss in Investment Revaluation Reserve	-	-	-	868	-	868
Total comprehensive revenue and expense	1,662	(1,310)	9,379	868	2,447	13,046
Balance at 30 June 2019	19,200	1,134	258,942	2,503	153,900	435,679

These Financial Statements should be read in conjunction with the accounting policies and notes on pages 84 to 126

Statement of financial position

	Note No.	Actual 2019 \$000	Budget 2019 \$000	Actual 2018 \$000
Equity				
Retained earnings	21	153,900	157,536	151,453
Other reserves	21	281,779	268,589	271,180
Total equity		435,679	426,125	422,633
Assets				
Current assets				
Cash and cash equivalents	10	5,234	5,578	5,142
Receivables from non-exchange transactions	11	2,457	3,100	2,037
Receivables from exchange transactions	11	1,894	-	1,518
Inventories	12	132	203	189
Other financial assets	13	185	-	-
Current assets held for sale	14	938	-	1,205
Total current assets		10,840	8,881	10,091
Non-current assets				
Property, plant and equipment	15	426,545	423,821	414,622
Other financial assets	13	20,512	15,197	19,924
Intangible assets	16	600	136	298
Total non-current assets		447,657	439,154	434,844
Total assets		458,497	448,035	444,935
Liabilities				
Current liabilities				
Payables and deferred revenue from non-exchange transactions	17	1,267	3,001	1,303
Payables and deferred revenue from exchange transactions	17	3,681	-	3,618
Employee benefit obligations	19	844	993	1,058
Borrowings	20	1,381	948	1,188
Provision for landfill closure	18	703	140	15
Trust accounts	17	-	-	2
Total current liabilities		7,876	5,082	7,184
Non-current liabilities				
Provision for landfill closure	18	454	618	913
Borrowings	20	14,228	16,088	14,033
Employee benefit obligations	19	260	122	172
Total non-current liabilities		14,942	16,828	15,118
Total liabilities		22,818	21,910	22,302
Net assets		435,679	426,125	422,633

These Financial Statements should be read in conjunction with the accounting policies and notes on pages 84 to 126

Statement of cashflows

	Note No.	Actual 2019 \$000	Budget 2019 \$000	Actual 2018 \$000
Cash flow from operating activities				
<i>Cash was provided from:</i>				
Rates		25,842	26,520	24,446
Subsidies and grants		4,442	4,259	5,522
Fees and charges		3,851	4,176	4,241
Other income		2,438	1,116	1,352
Dividends received		147	462	263
Interest received		293	582	475
		<u>37,013</u>	<u>37,115</u>	<u>36,299</u>
<i>Cash was applied to:</i>				
Interest paid		673	854	601
Net GST paid		1,589	-	1,541
Payment to suppliers and employees		26,719	27,355	22,549
		<u>28,981</u>	<u>28,209</u>	<u>24,691</u>
Net cash inflows/(outflows) from operating activities	22	8,032	8,906	11,608
Cash flow from investing activities				
<i>Cash provided from:</i>				
Proceeds from investments		96	-	-
Property, plant and equipment sales		30	-	30
		<u>126</u>	<u>-</u>	<u>30</u>
<i>Cash was applied to:</i>				
Purchase of investments		-	620	5,378
Purchase of property, plant and equipment		8,455	11,344	11,049
		<u>8,455</u>	<u>11,964</u>	<u>16,427</u>
Net cash inflows/(outflows) from investing activities		(8,329)	(11,964)	(16,397)
Cash flow from financing activities				
<i>Cash was provided from:</i>				
Loans raised		1,874	5,024	3,791
		<u>1,874</u>	<u>5,024</u>	<u>3,791</u>
<i>Cash was applied to:</i>				
Loans repaid		1,485	1,179	1,137
		<u>1,485</u>	<u>1,179</u>	<u>1,137</u>
Net cash inflows/(outflows) from financing activities		389	3,845	2,654
Net increase/(decrease) in cash and cash equivalents		92	787	(2,135)
Cash and cash equivalents at the beginning of the year	10	5,142	4,791	7,277
Cash and cash equivalents at the end of the year	10	5,234	5,578	5,142

These Financial Statements should be read in conjunction with the accounting policies and notes on pages 84 to 126

Funding Impact Statement - whole of Council

	Annual Plan 2018 \$000's	Actual 2018 \$000's	Annual Plan 2019 \$000's	Actual 2019 \$000's
SOURCES OF OPERATING FUNDING				
General Rates, Uniform Annual General Charges, rates penalties	17,859	18,047	18,735	18,810
Targeted rates	6,535	7,190	7,594	8,190
Subsidies and grants for operating purposes	1,448	3,901	1,912	2,809
Fees and charges	3,902	4,599	4,472	4,637
Interest and dividends from investments	770	754	1,044	487
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	296	404	312	1,361
TOTAL OPERATING FUNDING (A)	30,810	34,895	34,069	36,294
APPLICATION OF OPERATING FUNDING				
Payments to staff and suppliers	26,503	25,019	25,853	27,836
Finance costs	1,028	827	854	902
Internal charges and overheads applied	-	-	-	-
Other operating funding applications	1,406	1,278	1,486	1,234
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	28,937	27,124	28,193	29,972
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	1,873	7,771	5,876	6,322
SOURCES OF CAPITAL FUNDING				
Subsidies and grants for capital expenditure	1,729	2,203	2,257	1,831
Development and financial contributions	21	96	22	125
Increase (decrease) in debt	(406)	353	3,845	424
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING (C)	1,344	2,652	6,124	2,380
APPLICATION OF CAPITAL FUNDING				
Capital expenditure:				
• to meet additional demand	-	-	-	-
• to improve the level of services	3,460	6,931	199	-
• to replace existing assets	4,781	5,044	11,145	8,852
Increase (decrease) in reserves	(4,094)	(2,450)	(1,985)	(2,855)
Increase (decrease) in investments	(930)	898	2,641	2,705
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	3,217	10,423	12,000	8,702
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(1,873)	(7,771)	(5,876)	(6,322)
FUNDING BALANCE ((A-B)+(C-D))	-	-	-	-

4.3. 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 financial reporting. The financial statements of the Council are for the year ended 30 June 2019. The financial statements were authorised for issue by the Councillors on 3 October 2019.

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 Tier 1 Public Benefit Entity (PBE) Standards.

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.

Changes in accounting policies

There has been no changes in accounting policies.

Standard, amendments and interpretations issued but not yet effective

The following table shows the major new accounting standards, interpretations and amendments that are relevant to Council that have not yet been adopted.

Major new standard, interpretation or amendment	Effective Date (periods beginning on or after)
PBE IPSAS 34 Separate Financial Statements	1 January 2019
PBE IPSAS 35 Consolidated Financial Statements	1 January 2019
PBE IPSAS 36 Investments in Associates and Joint Ventures	1 January 2019
PBE IPSAS 37 Joint Arrangements	1 January 2019
PBE IPSAS 38 Disclosure of Interests in Other Entities	1 January 2019
PBE IPSAS 39 Employee Benefits	1 January 2019
PBE IFRS 9 Financial Instruments	1 January 2021
PBE FRS 48 Service Performance Reporting	1 January 2021

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

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.

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.

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.

Current assets held for sale

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. 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.

Current assets held for sale are not depreciated or amortised while they are classified as held for sale.

Property, plant and equipment

Critical accounting estimates and assumptions

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 tradable. They include:

- all property, plant and equipment associated with water supply, wastewater, storm water and waste disposal, including the land that they are located upon
- all roads, service lanes, footpaths, street lights, car parks 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.

Library collection

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

Motor vehicles, plant and equipment, furniture and fittings

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

Land and buildings

Land and buildings including land underneath roads were revalued effective 30 June 2018 by Telfer Young, Registered Valuers and Property Consultants, Rotorua, at current market value.

Land

Land has been valued based on its current zoning, making allowance for any recent changes and designations effective from the new Operative Plan which took over in 2015. Comparable sales have been analysed from a wide range of land sales and applied dependent on the location, use and zoning of the property. Adjustments have been made for contour, size and other factors.

Where a property is designated, adjustment for the lifting of the designation has been made.

Where a property is zoned Reserve, these assets have been valued on an underlying zoning basis. From this has been deducted the base valued as Rural, and to the difference applied, a change of change which is added back to the base value to arrive at the Reserve value. This is the normally accepted method for the valuation of Reserve land.

Specialised Buildings

Where there is no reliable market data available for such specialised buildings, the valuations have been prepared on a Depreciated Replacement Cost Approach. The replacement cost of the assets is adjusted, where required, for optimisation due to over-design or surplus capacity. The replacement cost is derived from analysis of costing information held on the valuer's files, costing information derived from the market place, and costing information provided by Quantity Surveyors and other building experts. Construction costs vary dramatically dependent on the building.

Non Specialised Buildings

Non-specialised buildings are those where there are known and active markets e.g. residential houses, office buildings, industrial workshops, warehouses and residential flats. These have been valued at fair value using market based sales evidence.

Parks and Reserves

Parks and reserves assets were revalued effective 30 June 2018 at depreciated replacement value. The revaluation was undertaken using an external consultant, Robert Berghuis, Senior Valuer from Beca Projects NZ Limited. The external consultant has 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
- the 2015 asset values/purchase cost adjusted for industry-specific inflation indices to represent estimated replacement costs for modern equivalent asset (MEA) components as at 30 June 2018 (giving a high 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.

Land under roads

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

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

Street furniture

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

Roads, footpaths, streetlights, large culverts and bridges

Roads, footpaths, streetlights, large culverts and bridges were revalued effective 30 June 2017 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.

The valuation was performed in accordance with the International Accountancy Standard (IAS 16) modified to New Zealand requirements (IPSAS 17), and with New Zealand Local Authority Asset Management Practice, New Zealand Infrastructure Asset Management Manual (NZIAMM) and Valuations/Depreciation Guidelines. The RAMM valuation module has been used to complete the valuation.

The SWDC transport assets as at 2017 have been valued on a replacement cost basis in accordance with accepted New Zealand accounting practices.

Replacement cost is the cost of building the existing infrastructure using present day technology, but maintaining the originally designed level of service, assuming current technology ensures that no value results from the additional cost of outdated and expensive methods of construction. Maintaining the original level of service ensures that the existing asset with all its faults is valued, not the currently desirable alternative.

Replacement cost was calculated by multiplying asset quantities by unit cost rates factored to allow for other direct costs such as professional fees.

Unit rates are obtained from a variety of sources, including the following:

- Recent maintenance contracts for SWDC;
- Recent capital works undertaken for SWDC

Costs have been used which reflect the increase difficulties and constraints of undertaking construction, maintenance and renewal work simultaneously with continued operation of the infrastructure networks. Operational constraints include access, delivery, safety, security, material handling and storage, traffic control and hours available for construction work.

The unit cost rates used for valuing the SWDC assets reflect an average cost rate for local construction.

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

Wastewater, stormwater and water

Wastewater, stormwater disposal and water supply property, plant and equipment were revalued on 30 June 2019 by professionally qualified in-house staff, and peer reviewed by Beca Projects NZ Limited at optimised depreciated replacement value.

The underground reticulation pipework was also revalued on 30 June 2019 by professionally qualified in-house staff, and peer reviewed by Beca Projects NZ Limited, at optimised depreciated replacement value.

These assets have been valued by the Optimised Depreciated Replacement Cost approach reflecting factors such as technical obsolescence, over engineering and surplus capacity where these have been specifically identified by the asset manager. Assets that have reached the end of their base life (design life) have been inspected, a condition based assessment carried out and a decision to replace an asset or defer replacement made based on the condition assessment. Allowance has been made for the costs of bringing the asset into working condition for its intended use and these costs include engineering fees and resource consent costs.

These assets were revalued in the Assetfinda database using replacement unit costs based on actual costs from recent contracts and where required applied an inflation adjustment.

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.

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 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
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Wastewater Systems

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
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 assets 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. 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 PBE IPSAS, 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.

Carbon credits

Purchased carbon credits are recognised at cost on acquisition. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

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
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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 PBE IPSAS 29, 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 PBE IPSAS 29, 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 Waikato 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.
- **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), Waikato 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.

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% (2018: 3.5%) per annum and a discount rate between 1.26% and 4.21% (2018: 1.78% - 4.75%) 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 unless excluded under individual employment contracts.

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.

Investment revaluation reserve

The investment revaluation reserve contains cumulative unrealised gains and losses in investments classified as 'available for sale' in accordance with PBE IPSAS 29.

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.

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 landfill, 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 PBE IPSAS 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.

2. Cost of services

	Actual 2019 \$000	Budget 2019 \$000	Actual 2018 \$000
REVENUE			
Revenue From Significant Activities			
Economic and community development	242	229	150
Facilities, property and amenities	865	853	899
Governance and Corporate	269	555	1,172
Leisure Services	1,709	325	569
Solid Waste and Recycling	2,609	2,614	2,498
Stormwater	884	703	687
Transport and Rooding	4,316	4,108	6,075
Wastewater	3,619	3,753	3,378
Water Supply	3,174	3,127	2,784
Regulatory services	1,320	1,376	1,324
Total Service Statement Revenue	19,007	17,643	19,536
General Revenue	19,828	19,472	18,072
TOTAL REVENUE	38,835	37,115	37,608
EXPENDITURE			
Expenditure From Significant Activities			
Economic and community development	2,380	2,664	2,099
Facilities, property and amenities	2,337	2,460	1,806
Governance and Corporate	2,195	1,777	3,479
Leisure Services	5,867	6,094	4,918
Solid Waste and Recycling	4,428	3,047	3,397
Stormwater	838	835	767
Transport and Rooding	8,359	8,191	7,582
Wastewater	3,648	3,953	3,671
Water Supply	2,993	3,244	3,107
Regulatory services	3,656	3,883	3,221
Total Service Statement Expenditure	36,701	36,148	34,047
NET DEFICIT BEFORE TAX	2,134	967	3,561

3. Exchange/non-exchange revenue

	Actual 2019 \$000	Budget 2019 \$000	Actual 2018 \$000
Revenue from exchange transactions			
Fees and user charges including targeted rates for water supply	4,356	4,176	4,147
Total revenue from exchange transactions	4,356	4,176	4,147
Revenue from non-exchange transactions			
Development contributions	126	23	96
Subsidies and grants	4,311	4,259	6,045
Interest revenue	293	582	475
Other revenue	2,584	1,555	1,939
Rates	26,078	26,520	24,335
Vested assets	1,129	-	571
Total revenue from non-exchange transactions	34,521	32,939	33,461
Total revenue	38,877	37,115	37,608

4. Rates revenue

	Actual 2019 \$000	Actual 2018 \$000
General Rates	18,507	17,724
Targeted rates attributable to activities		
Water	2,829	2,169
Wastewater	3,575	3,337
Stormwater	709	686
Solid waste	787	814
Business Promotion	224	135
Public Halls	45	28
District Governance	20	20
Less rates charged to Council Properties	(618)	(578)
Total rates, excluding targeted water supply rates	26,078	24,335

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.

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 wastewater, water and refuse. Non-rateable land does not constitute a remission under council rates remission policy.

5. Subsidies and grants

	Actual 2019 \$000	Actual 2018 \$000
New Zealand Transport Agency roading subsidies	4,171	5,887
Grants and donations for the SW Sport and Events Centre	10	31
National Waste Levy	92	91
Sundry other	38	36
	4,311	6,045

There are no unfulfilled conditions and other contingencies attached to subsidies and grants (2018: nil).

6. Finance income and finance costs

	Actual 2019 \$000	Actual 2018 \$000
Finance Income		
Interest Income		
- Call account	103	105
- Available for Sale bonds	190	370
Total Finance Income	293	475
Finance Cost		
- Interest on bank borrowings	599	541
- Other finance expenses	74	61
Total Finance Costs	673	602

7. Other revenue

	Actual 2019 \$000	Actual 2018 \$000
Dividends revenue	147	263
Petrol tax	191	167
Vested assets	1,129	571
Rates penalties	346	324
Other	1,900	1,185
Total other revenue	3,713	2,510

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.

	Actual 2019 \$000	Actual 2018 \$000
The principal assumptions used for the purpose of the actuarial valuations were as follows:		
Discount rate	1.26%-4.21%	1.78%-4.75%
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	135	137
Net liability recognised in the balance sheet	135	137
Comprising:		
Current	6	22
Non-current	129	115
Total employee benefit obligations	135	137
Amounts recognised in the income statement in respect of the defined benefit retirement plan are as follows:		
Current service cost	4	3
Interest cost	3	3
Actuarial gains/(losses)	(55)	(55)
Total	(48)	(49)
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	62	111
Current service cost	4	3
Interest cost	3	3
Actuarial gains/(losses)	(55)	(55)
Less: benefits paid	0	0
Closing defined benefit obligation	14	62

Long service compensated leave

Every employee who has completed a period of 15, 20 and 25 years' current continuous service who was employed prior to 1 April 1992 is entitled to a special holiday of two weeks, three weeks and four weeks respectively.

Every employee who was employed on or after 1 July 2003 who is under coverage of the Officers' (Public Service Association) Collective Employment Agreement and who has completed a period of 10, 15 and 20 years' current continuous service will be entitled to a special holiday of one week at each of those anniversaries. This clause will not apply to employees who have, or will, become entitled in terms of the previous clause.

	Actual 2019 \$000	Actual 2018 \$000
The present value of long service compensated leave	32	29
Comprising:		
Current	17	16
Non-current	15	13
Total employee benefit obligations	32	29
Amounts recognised in the profit or loss in respect of Council's long service compensated leave and salaries are as follows:		
Salaries	9,628	9,109
Current service cost	3	2
Interest cost	1	1
Actuarial (gains)/ losses	(12)	(12)
Past service cost	-	-
Total	9,620	9,101
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:		
Opening long service compensated leave obligation	36	45
Current service cost	3	2
Interest cost	1	1
Past service cost	-	-
Less: benefits paid	-	-
Actuarial (gains)/losses	(12)	(12)
Closing long service compensated leave obligation	28	36
Total employee benefits expense recognised in the profit or loss	9,620	9,101
Current portion of employee benefit obligations recognised in the balance sheet.	844	1,058
Non-current portion of employee benefit obligations recognised in the balance sheet.	260	172

Severance Payments

During the year to 30 June 2019 there were no severance payments made to employees of the South Waikato District Council (2018: 1 \$28,890).

9. Other expenses

	Actual 2019 \$000	Actual 2018 \$000
Audit Fees-audit of financial statements	141	137
Audit Fees-audit of Long Term Plan	-	106
Impairment of receivables	(32)	43
Rates Remissions	129	188
Councilors Remuneration (including meeting allowances)	454	397
Insurance	308	248
Subscriptions, fees and contribution to other organisations	101	202
Legal and settlement fees	75	49
Donations and grants	81	95
Economic and Community fund grants	723	793
Community contracts	154	94
Inventories consumed	2	(2)
Losses on disposal of property, plant and equipment	493	1,074
Repairs and maintenance	5,293	3,951
Energy	1,004	1,029
Other operating expenses	10,148	8,904
Total	19,074	17,308

10. Cash and cash equivalents

	Actual 2019 \$000	Actual 2018 \$000
Cash at bank and in hand	(49)	13
Cash investments in Restricted reserves	1,390	257
Call account balances	3,893	4,872
Total cash and cash equivalents	5,234	5,142

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 1.0% (2018 1.25%).

Cash investments in restricted reserves represents the cash portion of the value of the Asset Replacement Reserves invested by BNZ Private Bank.

11. Trade and other receivables

	Actual 2019 \$000	Actual 2018 \$000
Rates receivable	1,745	1,550
Metered water	36	25
Sundry debtors	1,787	1,165
Prepayments	276	209
Accrued revenue	670	802
	4,514	3,751
Less: Provision for Impairment of receivables	163	196
Total trade and other receivables	4,351	3,555

Receivables from non-exchange transactions include outstanding amounts for rates, grants, infringements, and fees and charges that are partly subsidised by rates

2,457	2,037
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Receivables from exchange transactions include outstanding amounts for commercial sales and fees and charges that have not been subsidised by rates

1,894	1,518
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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 receivables overdue but not impaired are as follows:

	Actual 2019 \$000	Actual 2018 \$000
Arrears (> 1 year)	623	531
Current (< 1 year)	898	810
Penalties	224	209
Carrying amount	1,745	1,550
Movements in the provision for impairment of receivables are as follows:		
At 1 July	196	153
Increase/(decrease) in provisions made during the year	(28)	43
Receivables written off during the year	(5)	-
At 30 June	163	196

12. Inventories

	Actual 2019 \$000	Actual 2018 \$000
Reticulation repairs stock	129	167
Other stock	3	22
Total	132	189

13. Other financial assets

	Actual 2019 \$000	Actual 2018 \$000
Current portion		
Loans and receivables		
Heat Swap paying providers	185	-
Total current portion	185	19,924
Non-Current portion		
Available for Sale Financial Assets:		
Corporate bonds, deposits and other fixed interests	8,445	10,622
Oveseas share portfolio	10,968	8,171
Shared Valuation Database Systems	43	43
Civic Financial Services Limited	40	44
Loans and receivables		
Heat Swap paying providers	1,016	1,044
Total non-current portion	20,512	19,924

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 rates – 2019 Nil (2018: Nil). The fair value approximates the carry amount stated above.

The shares in Civic Financial Services Limited, and Shared Valuation Database Systems are unlisted. The fair value of these 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 Civic Financial Services Limited.

Shared Valuation Database Systems 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

14. Assets held for sale

	Actual 2019 \$000	Actual 2018 \$000
Current		
Local Purpose Reserve etc; Parts of James Higgins Park	-	232
Dumfries Rd	231	-
Depot – Patetere Street – Tirau	661	661
Moffat Rd Tokoroa Airport	-	225
Pentland Terrace Stopped Lane	9	-
Putāruru Smallbore Rifle Club land only	37	37
42 Thompson Street Tokoroa	-	50
Total	938	1,205

Council has approved the sale of these properties and they are currently available for sale. The completion date of the properties listed under current is expected to be by 30 June 2020

The accumulated property revaluation reserve recognised in equity for these properties at 30 June 2019 is \$496,000 (2018:\$1,047,116).

15. Property, plant and equipment

Asset Class	Cost/revaluation 1 July 2018 \$000	Accumulated depreciation & impairment charges 1 July 2018 \$000	Carrying amount 1 July 2018 \$000	Current year addition \$000	Asset transfers	Assets transferred to Council to \$000	Current year disposal \$000	Revaluation surplus \$000	Current year depreciation charges \$000	Depreciation write- off on disposals \$000	Cost/revaluation 30 June 2019 \$000	Accumulated depreciation and impairment charges 30 June 2019 \$000	Carrying amount 30 June 2019 \$000
Operational assets													
<i>Heritage assets</i>	145	-	145	-	-	-	-	-	-	-	145	-	145
Library collection	1,342	(944)	398	138	-	-	(52)	-	(108)	43	1,428	(1,009)	419
Buildings	18,135	(1)	18,134	1,293	-	885	-	-	(353)	-	20,313	(354)	19,959
Furniture & fittings	2,120	(1,135)	985	184	-	-	(2)	-	(152)	2	2,302	(1,285)	1,017
Equipment	5,040	(4,242)	798	792	-	-	(75)	-	(306)	42	5,757	(4,506)	1,251
Land	5,049	(5)	5,044	-	-	-	-	-	-	-	5,049	(5)	5,044
Motor vehicles	1,246	(638)	608	32	-	-	(29)	-	(119)	11	1,249	(746)	503
Other major plant	714	(390)	324	17	-	-	-	-	(40)	-	731	(430)	301
Total operational assets	33,791	(7,355)	26,436	2,456	-	885	(158)	-	(1,078)	98	36,974	(8,335)	28,639
Infrastructural assets													
Bridges	8,028	(209)	7,819	-	-	-	-	-	(210)	-	8,028	(419)	7,609
Culverts	6,042	(138)	5,904	133	-	17	(5)	-	(139)	1	6,187	(276)	5,911
Buildings	4,361	-	4,361	68	-	55	-	-	(90)	-	4,484	(90)	4,394
Land	5,338	-	5,338	-	-	-	-	-	-	-	5,338	-	5,338
Landfill	5,038	(2,991)	2,047	24	-	-	(824)	-	(188)	738	4,238	(2,441)	1,797
Pipes	13	(3)	10	-	-	-	-	-	-	-	13	(3)	10
Pumps	267	(267)	-	-	-	-	-	-	-	-	267	(267)	-
Roads and footpaths	243,325	(2,562)	240,763	2,424	-	153	(312)	-	(2,674)	79	245,590	(5,157)	240,433
Sewerage Treatment plant and facilities	13,795	(943)	12,852	178	-	2	(151)	1,197	(437)	60	15,021	(1,320)	13,701
Sewerage Other (includes reticulation)	16,512	(1,065)	15,447	2	-	-	-	1,958	(543)	-	18,472	(1,608)	16,864
Street furniture	564	(527)	37	9	-	-	-	-	(8)	-	573	(535)	38
Streetlights	4,829	(166)	4,663	182	-	-	(24)	-	(221)	2	4,987	(385)	4,602
Stormwater system	22,086	(982)	21,104	102	(1,215)	-	-	3,946	(482)	-	24,919	(1,464)	23,455
Water Treatment plant and facilities	7,035	(579)	6,456	52	-	-	(9)	364	(257)	(7)	7,442	(843)	6,599
Water Other (includes reticulation)	18,871	(1,188)	17,683	185	-	18	(25)	2,532	(590)	5	21,581	(1,773)	19,808
Total infrastructural assets	356,104	(11,620)	344,484	3,359	(1,215)	245	(1,350)	9,997	(5,839)	878	367,140	(16,581)	350,559
Restricted assets													
Parks & reserves	2,772	-	2,772	1,389	1,215	2	(15)	47	(324)	1	5,410	(323)	5,087
Restricted buildings	2,830	-	2,830	143	-	-	(116)	-	(59)	-	2,857	(59)	2,798
Restricted land	34,571	(4)	34,567	117	-	-	(115)	-	-	-	34,573	(4)	34,569
Total restricted assets	40,173	(4)	40,169	1,649	1,215	2	(246)	47	(383)	1	42,840	(386)	42,454
Capital work in progress	3,533	-	3,533	1,360	-	-	-	-	-	-	4,893	-	4,893
Total All Assets	433,601	(18,979)	414,622	8,824	-	1,132	(1,754)	10,044	(7,300)	977	451,847	(25,302)	426,545

Asset Class	Cost/revaluation 1 July 2017 \$000	Accumulated depreciation & impairment charges 1 July 2017 \$000	Carrying amount 1 July 2017 \$000	Current year addition \$000	Assets transferred to Council \$000	Current year disposal \$000	Revaluation surplus \$000	Current year depreciation charges \$000	Depreciation write-off on disposals \$000	Cost/revaluation 30 June 2018 \$000	Accumulated depreciation and impairment charges 30 June 2018	Carrying amount 30 June 2018 \$000
Operational assets												
<i>Heritage assets</i>	145	-	145	-	-	-	-	-	-	145	-	145
Library collection	1,386	(969)	417	102	-	(146)	-	(104)	129	1,342	(944)	398
Buildings	16,533	(575)	15,958	-	-	(321)	2,806	(309)	-	18,135	(1)	18,134
Furniture & fittings	1,536	(1,106)	430	662	-	(78)	-	(107)	78	2,120	(1,135)	985
Equipment	4,866	(4,181)	685	318	-	(144)	-	(202)	141	5,040	(4,242)	798
Land	2,755	(5)	2,750	1,520	-	(50)	824	-	-	5,049	(5)	5,044
Motor vehicles	1,251	(559)	692	108	-	(113)	-	(170)	91	1,246	(638)	608
Other major plant	658	(348)	310	56	-	-	-	(42)	-	714	(390)	324
Total operational assets	29,130	(7,743)	21,387	2,766	-	(852)	3,630	(934)	439	33,791	(7,355)	26,436
Infrastructural assets												
Bridges	7,810	(1)	7,809	218	-	-	-	(208)	-	8,028	(209)	7,819
Culverts	5,852	-	5,852	183	20	(13)	-	(139)	1	6,042	(138)	5,904
Buildings	4,237	(163)	4,074	15	-	-	358	(86)	-	4,361	-	4,361
Land	5,011	-	5,011	-	-	-	327	-	-	5,338	-	5,338
Landfill	4,997	(2,812)	2,185	41	-	-	-	(179)	-	5,038	(2,991)	2,047
Pipes	13	(3)	10	-	-	-	-	-	-	13	(3)	10
Pumps	267	(267)	-	-	-	-	-	-	-	267	(267)	-
Roads and footpaths	240,513	(5)	240,508	3,082	-	(270)	-	(2,584)	27	243,325	(2,562)	240,763
Sewerage Treatment plant and facilities	13,774	(492)	13,282	43	1	(23)	-	(461)	10	13,795	(943)	12,852
Sewerage Other (includes reticulation)	16,328	(532)	15,796	56	135	(7)	-	(533)	-	16,512	(1,065)	15,447
Street furniture	550	(517)	33	14	-	-	-	(10)	-	564	(527)	37
Streetlights	3,155	(82)	3,073	2,386	-	(712)	-	(135)	51	4,829	(166)	4,663
Stormwater system	21,725	(516)	21,209	8	354	(1)	-	(466)	-	22,086	(982)	21,104
Water Treatment plant and facilities	6,700	(297)	6,403	350	1	(16)	-	(284)	2	7,035	(579)	6,456
Water Other (includes reticulation)	18,779	(592)	18,187	107	33	(48)	-	(596)	-	18,871	(1,188)	17,683
Total infrastructural assets	349,711	(6,279)	343,432	6,503	544	(1,090)	685	(5,681)	91	356,104	(11,620)	344,484
Restricted assets												
Parks & reserves	3,098	(557)	2,541	243	28	(1)	233	(273)	1	2,772	-	2,772
Restricted buildings	2,913	(109)	2,804	-	-	-	86	(60)	-	2,830	-	2,830
Restricted land	33,661	(3)	33,658	80	-	(11)	840	-	-	34,571	(4)	34,567
Total restricted assets	39,672	(669)	39,003	323	28	(12)	1,159	(333)	1	40,173	(4)	40,169
Capital work in progress	1,625	-	1,625	2,211	-	(303)	-	-	-	3,533	-	3,533
Total All Assets	420,138	(14,691)	405,447	11,803	572	(2,257)	5,474	(6,948)	531	433,601	(18,979)	414,622

The net carrying amount of property, plant and equipment held under a finance lease is \$Nil; (2018 \$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 (2018 \$Nil). The closing balance of the revaluation reserve is \$258,942,000 (2018 \$249,563,000).

Network infrastructure	Most recent estimate of replacement cost \$000	Date of estimate
Roads and Footpaths	256,995	30/06/2017
Wastewater		
Treatment plant and facilities	25,149	30/06/2019
Other	46,986	30/06/2019
Water systems		
Treatment plant and facilities	13,964	30/06/2019
Other	51,345	30/06/2019
Stormwater system	46,369	30/06/2019

Depreciation and amortisation expense by group of activity

	Actual 2019 \$000	Actual 2018 \$000
Transport and roading	3,270	3,100
Recreation and facilities	1,193	1,042
Water supply	883	917
Stormwater	481	467
Wastewater	982	997
Solid waste and recycling	206	197
Regulatory	24	42
Environment - emergency management	14	16
Governance and corporate	323	258
Total	7,376	7,036

16. Intangible assets

	Actual 2019 \$000	Actual 2018 \$000
Computer Software		
Cost	2,614	2,503
Accumulated amortisation and impairment	(2,467)	(2,381)
Opening carrying amount	<u>147</u>	<u>122</u>
Additions/(disposals)	1	111
Additional assets classified as intangible assets	-	-
Accumulated amortisation charge on additional assets	-	-
Amortisation charge	(75)	(86)
Closing carrying amount	<u>73</u>	<u>147</u>
Carbon credits		
Cost	14	14
Accumulated amortisation and impairment	-	-
Opening carrying amount	<u>14</u>	<u>14</u>
Additions/(disposals)	513	137
Amortisation charge	-	-
Closing carrying amount	<u>527</u>	<u>151</u>
Total closing carrying amounts	<u>600</u>	<u>298</u>

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 Revenue and Expense.

Carbon credits

Council has previously acquired carbon credits for the purpose of meeting its obligations under the Emissions Trading Scheme for carbon emissions from its landfill operations. Council is required to forfeit carbon credits for emissions following the end of each calendar year.

17. Trade and other payables

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.

	Actual 2019 \$000	Actual 2018 \$000
Sundry Creditors	3,019	3,201
Accrued expenses	470	252
Income received in advance	1,459	1,468
Total	<u>4,948</u>	<u>4,921</u>
Payables and deferred revenue under non-exchange transactions	1,267	1,303
Payables and deferred revenue under exchange transactions	3,681	3,618
Trust Accounts	<u>-</u>	<u>2</u>

18. Landfill provisions

	Actual 2019 \$000	Actual 2018 \$000
Opening balance	928	756
Additional provision made during the year	8	8
Amounts used during the year	(8)	(7)
Unused amount reversed during the year	-	-
Discount unwinding	229	171
Total landfill provision	1,157	928
Presented by:		
Current provision	703	15
Non-current provision	454	913
Total landfill provision	1,157	928

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 2020. The remaining capacity of the site (refuse, clean fill and cover) is approximately 20,000 cubic metres (2018: 35,000 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 2054. 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 1.26%-3.41% (2018: forward rates of 1.78%-4.75%) as provided by the New Zealand Treasury.

19. Employment benefit obligations

	Actual 2019 \$000	Actual 2018 \$000
Accrued pay	210	326
Annual Leave	687	699
Long service leave	32	29
Retirement gratuities	135	137
Sick leave	40	39
Total employee benefit liabilities	1,104	1,230
Comprising		
Current	844	1,058
Non-current	260	172
Total employee benefit liabilities	1,104	1,230

20. Borrowings

	Actual 2019 \$000	Actual 2018 \$000
Current portion	1,381	1,188
Non-current portion	14,228	14,033
Total borrowings	15,609	15,221
<i>Made up of:</i>		
Airport	79	82
CBD Infrastructure Loan	309	442
Cemeteries	146	155
District Plans	343	454
Fibre Optic	147	160
Halls	8	9
Heat Swap	1,159	998
LED Lights	109	128
Other Loans	787	487
Parks and Reserves	1,314	1,341
Pensioner Housing	253	271
Pools	717	717
Property	3,849	3,099
Putaruru Landfill Closure	180	197
Putaruru Service Centre	357	389
Putaruru Transfer Station	158	172
Recycling Centre	710	735
Roading	2,002	2,184
Solid Waste	98	0
Sportsgrounds	154	165
Timber Museum	281	302
Toilets	1,262	1,347
Tokoroa Landfill development	341	372
Warm Homes	352	465
Wastewater	481	550
Water	13	-
Total borrowings	15,609	15,221

Council's source of external borrowing at 30 June 2019 is a customised average rate term loan (CARL) with a limit of \$17m (2018: \$17m). Within the facility is one fixed rate funding agreement of \$2.5m. The total of the approved facilities is \$17m (2018: \$17m).

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. There were no changes to the Liability Management Policy during the period.

21. Equity

	Actual 2019 \$000	Actual 2018 \$000
Retained earnings		
Opening Balance	151,453	146,974
Net surplus/(deficit) for the year	2,134	3,561
<i>Transfers (to)/from:</i>		
Property Revaluation Reserves	665	943
Restricted Reserves	(1,662)	(112)
Council Created Reserves	1,310	87
Closing balance	153,900	151,453
Other Reserves		
Asset Replacement and Restricted Reserves		
Opening Balance	17,538	17,426
Transfers to General Equity	5,212	4,208
Transfers from General Equity	(3,550)	(4,096)
Closing balance	19,200	17,538
Council Created Reserves		
Opening Balance	2,444	2,531
Transfers to General Equity	1,117	1,226
Transfers from General Equity	(2,427)	(1,313)
Closing balance	1,134	2,444
Property Revaluation Reserves		
Opening Balance as previously reported	249,563	244,826
Increase/(decrease) in revaluation	10,044	5,680
Transfers to retained earnings on disposal	(665)	(943)
Closing balance	258,942	249,563
<i>Represented by:</i>		
Land (Restricted)	23,991	23,995
Land (Operational)	3,130	3,622
Buildings (Infrastructural)	740	740
Buildings (Operational)	6,066	6,066
Building (Restricted)	549	548
Parks and Reserves	1,365	1,323
Roading	177,953	178,052
Sewerage	14,627	11,514
Stormwater	12,872	8,927
Water	17,649	14,776
	258,942	249,563
Investment Revaluation Reserve		
Opening Balance	1,635	1,167
Valuation gains/(losses) taken to equity	868	468
Closing balance	2,503	1,635
Total other reserves	281,779	271,180

Movement of Council created, restricted and depreciation reserves

	Actual 1 July 2018 \$000	Transfers in \$000	Transfers out \$000	Actual 30 June 2019 \$000
Council Created Reserves				
Pensioner Housing	53	-	(139)	(86)
SWDC asset purchase	(308)	250	-	(58)
South Waikato Economic Development	1,237	9	(923)	323
Roading reserve extra NZTA subsidy	202	-	(202)	-
SW Economic Develop Trust	39	-	(10)	29
Riverside access	417	4	-	421
Financial contributions - reserves	52	16	-	68
Financial contributions - roading	175	90	(22)	243
National waste levy	200	91	(189)	102
Financial contributions - stormwater	2	-	-	2
Financial contributions - water	1	-	-	1
Financial contributions - wastewater	-	-	-	-
Mayoral grants reserve	-	4	-	4
Forestry/Airport reserve	389	230	-	619
Land purchase reserve	(15)	-	(72)	(87)
Whakamaru Forestry Reseve	-	423	-	423
Solidwaste ringfencing	-	-	(870)	(870)
Total Council Created Reserves	2,444	1,117	(2,427)	1,134
Restricted Reserves				
Water	(626)	127	(5)	(504)
Wastewater	(297)	255	(3)	(45)
Stormwater	(478)	174	(130)	(434)
Refuse collection	(52)	-	(105)	(157)
Upper Atiamuri Hall	(28)	-	(5)	(33)
Puketurua Hall	(2)	1	-	(1)
Wautu Hall	(4)	-	(1)	(5)
Lichfield Hall	(34)	-	(1)	(35)
Arapuni Hall	6	-	(5)	1
Tapapa Hall	8	-	(6)	2
Piarere Hall	-	-	-	-
Tirau Community Board	3	7	-	10
Tokoroa CBD	22	61	-	83
Putāruru Promotion (CCTV)	5	16	-	21
Putāruru CBD	29	-	(12)	17
District Recycling	(166)	-	(49)	(215)
Total Restricted Reserves	(1,614)	641	(322)	(1,295)
Asset Replacement Reserves				
General	304	113	(22)	395
Water	3,252	1,170	(477)	3,945
Wastewater	6,226	1,273	(912)	6,587
Stormwater	5,483	722	(381)	5,824
Refuse disposal	957	80	(399)	638
The Plaza	(2)	6	-	4
Vehicles	260	184	(33)	411
Toilets	128	45	0	173
Sport and events centre	565	123	(3)	685
Sportsgrounds	103	154	(19)	238
Parks and reserves	50	242	(456)	(164)
Cemeteries	59	17	(18)	58
Libraries	(64)	(4)	-	(68)
Pools	72	85	(341)	(184)
Bridges	523	30	-	553
General properties	135	212	(149)	198
Trade training centre	39	3	-	42
Putāruru CCTV	21	9	-	30
Tokoroa CCTV	26	12	-	38
Information Services	882	75	(17)	940
District Recycling	133	20	(1)	152
Total Asset Replacement Reserves	19,152	4,571	(3,228)	20,495
Total Asset Replacement and Restricted Reserves	17,538	5,212	(3,550)	19,200

Purpose of reserves

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.

SWDC asset purchase: Hold the proceeds from the sale of assets until they are applied to purchase other assets.

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.

Roading reserve extra NZTA Subsidy: This reserve was created from additional subsidy provided from NZTA in 17/18 for work relating to the 16/17 year. The reserve was used to fund part of the roading programme in 18/19.

SW Economic Development Trust: This reserve is committed to fund trade training initiatives.

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.

Financial contributions: To manage financial contributions levied from the development of subdivisions until this funding is used for the development of related activities.

National waste levy: Manage the funds received from government relating to the national waste levy levied.

Mayoral grants reserve: If the mayoral grants are not spent, they will be transferred to this reserve to be available in the following year.

Forestry/Airport reserve: To ring fence the proceeds of the sale of harvested logs near the airport to be used in the future to fund the replacement of the runway and maintenance of the planted forest.

Land purchase reserve: To ring fence the loan costs from the purchase of strategic land. When this land is sold, the proceeds will be applied against this reserve.

Whakamaru Forestry reserve: To ring fence the proceeds of the sale of trees from the Whakamaru reserve to be used in the future for tree planting at the reserve.

Solidwaste ringfencing: The Tokoroa landfill is projected to be closed in September 2020. The increased fees which were applied from 1 March 2019 were to fund additional operating costs from 1 March to 30 September 2020. This reserve is being used to ring fence those costs and revenues over the 3 financial years.

Restricted (targeted rate) reserves: Targeted rate reserves are used to manage the surpluses and deficits of specific targeted activities such as water, stormwater, wastewater 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.

Asset replacement 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.

Asset replacement reserve – general rating activities: This reserve accumulates funded depreciation and is used to fund replacement capital expenditure for general rated activities.

22. Reconciliation of net cash flow to operating surplus/(deficit)

	Actual 2019 \$000	Actual 2018 \$000
Net surplus before tax	2,134	3,561
<i>Add /(deduct) non-cash items</i>		
Depreciation and amortisation of plant, property and equipment	7,376	7,036
Assets vested in Council	(1,129)	(571)
Loss on sale of property, plant and equipment	493	1,074
<i>Add /(deduct) movements in working capital items</i>		
Trade and other receivables	(794)	(453)
Trade and other payables	28	831
Inventories	57	14
Trust accounts	(6)	1
Employee benefits	(127)	115
Net cash inflow/(outflow) from operating activities	8,032	11,608

23. Capital commitments and contingencies

Capital commitment represent capital expenditure contracted for at balance date by not yet earned:

There is \$1.0m of capital commitments at 30 June 2019 (2018: \$39k). This relates to the Leith PI contract and is work that was currently contracted as at 30 June, but had not yet been completed.

Contingent Liabilities**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 fifteen 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.

Carter Holt Harvey

In April 2013, the Ministry of Education (MOE) initiated High Court proceedings against Carter Holt Harvey (CHH) and others alleging inherent defects in the cladding sheets and cladding systems manufactured and prepared by CHH. Subsequently, in December 2016, CHH commenced third party proceedings against 48 Councils, including South Waikato District Council alleging a breach of duty in the processing of building consents, undertaking building inspections and issuing Code Compliance Certificates. The MOE's claim against CHH is for 833 school buildings, 11 of which are located within the South Waikato district across 7 schools. At present there is insufficient information to conclude on potential liability and claim quantum, if any.

24. Remuneration

Chief Executive

During the year ended 30 June 2019 the Council's Chief Executive was remunerated as follows:

	Actual 2019 \$000	Actual 2018 \$000
Craig Hobbs (1 July 2018 - 28 September 2018)		
Base Salary	65	240
Vehicle (market value plus FBT)	5	19
Kiwisaver Employer's Contribution	2	7
Total	72	266
Ben Smit - Acting (1 October 2018 - 25 November 2018)		
Base Salary	35	-
Vehicle (market value plus FBT)	4	-
Kiwisaver Employer's Contribution	1	-
Total	40	-
Ben Smit (26 November 2018 - 30 June 2019)		
Base Salary	153	-
Vehicle (market value plus FBT)	14	-
Kiwisaver Employer's Contribution	5	-
Total	172	-

For the year ended 30 June 2019, the total annual cost including fringe benefit tax to the South Waikato District Council of the remuneration package being received by the Chief Executive is calculated at \$284,000 (2018:\$266,384).

Key Management Personnel

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

	Actual 2019 \$000	Actual 2018 \$000
Salaries and other short term employee benefits	1,473	1,511
Post employment benefits	-	-
Other long term benefits	-	-
Termination benefits	-	-
	1,473	1,511

Council employees

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

	Actual 2019 \$000	Actual 2018 \$000
< \$60,000	95	85
\$60,000 - \$79,000	23	25
\$80,000 - \$99,000	23	19
\$100,000 - \$119,000	7	8
\$120,000 - \$259,000	5	5
Total employees	153	142

Total remuneration includes non-financial benefits provided to employees.

At balance date, the Council employed 125.35 full time equivalent employees (based on a 37.5-hour working week. There were 109 full-time employees (2018: 115), with the balance of staff representing 16.35 full-time equivalent employees.

25. Councillor Remuneration

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.

	Actual 2019 \$000	Actual 2018 \$000
Mayor and Councillors		
Jenny Shattock	97	90
Herman Van Rooijen	28	26
Adrienne Bell	33	29
Jeff Gash	43	34
Bill Machen	28	26
Marin Glucina	28	26
Thomas Lee	28	26
Peter Schulte	27	26
Gray Baldwin	32	31
Aroma Ngapo-Lipscombe	27	26
Wendy Cook	27	26
Total Councillors	398	366
Community Board Members		
Clive Collingwood	3	3
Cassandra Robinson	7	6
Derek Keesing	-	3
Sharon Burling - Claridge	3	3
Holly Blair	3	-
Total Community Board members	16	15

26. Related Parties

Related party transactions should be disclosed when they are other than that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances.

As at 30 June 2019 Mayor Jenny Shattock was a Trustee of the South Waikato Investment Fund Trust (SWIF Trust). All transactions between South Waikato District Council and the SWIF Trust are carried out at arm's length.

27. Financial instruments

Financial instrument categories

	Note	Actual 2019 \$000	Actual 2018 \$000
Financial assets			
Loans and receivables			
Cash and cash equivalents	10	5,234	5,142
Trade and other receivables	11	3,405	2,544
Other financial assets:			
Sundry loans	13	1,201	1,044
Total loans and receivables		9,840	8,730
Available for sale financial assets			
Other financial assets:			
Bonds, deposits and other fixed interests	13	8,445	10,622
Unlisted shares	13	83	87
Listed shares	13	10,968	8,171
Total available for sale financial assets		19,496	18,880
Financial liabilities			
Financial liabilities at amortised cost			
Trade and other payables	17	3,019	3,201
Trust Accounts	17	-	2
Secured loans	20	15,609	15,221
Total financial liabilities at amortised cost		18,628	18,424

Fair values 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.

	Total \$000	Quoted Market Price \$000 Level 1	Observable inputs \$000 Level 2	Significant non- observable inputs \$000 Level 3
30 June 2019				
<i>Financial assets</i>				
General Funds				
Bank security bonds (AA-)	1,212	1,212	-	-
Corporate bonds (BBB+ to AA-)	5,661	5,661	-	-
Local Government bonds (A to AA)	-	-	-	-
NZ Government Bonds (AA+)	-	-	-	-
International bonds (not rated)	12,541	12,541	-	-
30 June 2018				
<i>Financial assets</i>				
General Funds				
Bank security bonds (AA-)	3,256	3,256	-	-
Corporate bonds (BBB+ to AA-)	5,661	5,661	-	-
Local Government bonds (A to AA)	-	-	-	-
NZ Government Bonds (AA+)	-	-	-	-
International bonds (not rated)	9,875	9,875	-	-

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 Liability Management and Investment policies which have been adopted by Council.

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.

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 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 repricing.

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	2019 \$000		2018 \$000	
Interest Rate Risk		Profit	Other Equity	Profit	Other Equity
Financial assets			0.5%		-0.5%
NZ fixed interest bonds	a		20		(20)
Financial liabilities		0.25%		-0.25%	
Borrowings	b	39		(39)	
Foreign Exchange Risk		Profit	Other Equity	Profit	Other Equity
Financial assets		0.5%		-0.5%	
International fixed interest bonds	c	22		(22)	
International equity	d	38		(38)	
Australian equity	e	17		(17)	
International Cash		10.0%		-10.0%	
US dollar denominated cash	f	-		-	
Equity Price Risk		Profit	Other Equity	Profit	Other Equity
Financial assets			5.0%		-5.0%
NZ Equity investments	g		-		-
NZ Property investments	h		-		-
International Equity investments	i		378		(378)
Australian Equity investments	j		171		(171)

Explanation of sensitivity analysis

Financial assets

a - General funds fixed interest bonds

A total of \$4,030,064 (2018: \$6,088,692) invested in local bonds is classified as available for sale financial assets. A movement in interest rates of plus or minus 0.5% in 2018-19 would have had an impact of +/- \$20,000 (2018: \$30,000) on the fair value of the asset and the investment revaluation reserve.

b - Borrowings

A total of \$15,609,000 (2018: \$15,221,000) is classified as long term borrowings. A movement of plus or minus 0.25% in interest rates in 2018-19 would have had an impact of +/- \$39,000 (2018: \$38,000) on the profit or loss.

c - International fixed interest bonds

A total of \$4,415,120 (2018: \$4,170,799) is classified as available for sale financial assets. A movement of plus or minus 0.5% in the US exchange in 2018-19 would have had an impact of \$22,000 (2018: \$21,000) on the fair value of the asset and the investment revaluation reserve.

d - International equity

A total of \$7,550,366 (2018: \$5,705,584) is classified as available for sale financial assets. A movement of plus or minus 0.5% in the US exchange rate in 2018-19 would have had an impact of \$38,000 (2018: \$29,000) on the fair value of the asset and the investment revaluation reserve.

e - Australian equity

A total of \$3,417,975 (2018: \$425,625) is classified as available for sale financial assets. A movement of plus or minus 0.5% in the US exchange rate in 2018-19 would have had an impact of \$17,000 (2018: \$2,000) on the fair value of the asset and the investment revaluation reserve.

f - International cash

A total of \$0 (2018: \$0) was cash held in US & AU dollars, and classified as available for sale financial assets. A movement of plus or minus 10% in the exchange rate in 2018-19 would have had an impact of \$0 (2018: \$0) on the fair value of the asset and the investment revaluation reserve.

g - NZ equity investments

A total of \$0 (2018: \$2,258,806) invested in listed local shares classified as available for sale financial assets. A movement of plus or minus 5% in share prices in 2018-19 would have had an impact of \$0 (2018: \$113,000) on the fair value of the asset and the investment revaluation reserve.

h - NZ property investments

A total of \$0 (2018: \$206,788) 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 2018-19 would have had an impact of \$0 (2018: \$10,000) on the fair value of the asset and the investment revaluation reserve.

i - International equity investments

A total of \$7,550,366 (2018: \$5,705,584) invested in overseas shares is classified as available for sale financial assets. A movement of plus or minus 5% in share prices in 2018-19 would have had an impact of \$378,000 (2018: \$285,000) on the fair value of the asset and the investment revaluation reserve.

j - Australian equity investments

A total of \$3,417,975 (2018: \$425,625) invested in Australian shares is classified as available for sale financial assets. A movement of plus or minus 5% in share prices in 2018-19 would have had an impact of \$171,000 (2018: \$21,000) 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.

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:

	Actual 2019 \$000	Actual 2018 \$000
Cash and cash equivalents:		
Cash and short term deposits (AA to BBB)	5,234	5,142
Total cash and cash equivalents	5,234	5,142
General Funds:		
Sundry corporate and government securities (AA- to AA)	5,661	5,661
Bank security bonds (AA+ to AAA)	1,212	3,256
International Bonds (Not rated)	12,541	9,875
Total general fund bonds	19,414	18,792

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 maintains access to a committed facility with BNZ from which funds can be drawn at any time.

Liquidity and market risk

Interest rates ranged from 0.5% to 1.5% (0.5% to 1.5% for 2018). Council policy restricts loan principal outstanding to the value of the District's annual revenue. Loan principal outstanding was 40% of the annual revenue (2018: 40%).

Fair Value

Contractual maturity analysis of financial liabilities:

	Weighted average interest rate	Carrying amount \$000	Contractual cash flows \$000	Less than 1 year \$000	2-5 years \$000	>5 years \$000
30 June 2019						
Trade and other payables		3,019	3,019	3,019	-	-
Borrowings	3.80%	15,609	20,895	2,117	7,007	11,771
Trust Accounts		-	-	-	-	-
Financial guarantees		-	-	-	-	-
Total		18,628	23,914	5,136	7,007	11,771
30 June 2018						
Trade and other payables		3,201	3,201	3,201	-	-
Borrowings	3.85%	15,221	21,762	1,930	7,044	12,788
Trust Accounts		1	1	1	-	-
Financial guarantees	3.50%	5	5	5	-	-
Total		18,428	24,969	5,137	7,044	12,788

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:

	Actual 2019 \$000	Actual 2018 \$000
Not later than one year	72	70
Later than one year and not later than five years	180	148
Later than five years	333	316
Total non-cancellable operating leases	585	534

No contingent rents have been recognised in the profit and loss during the period (2018: \$nil).

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 excluding fire - \$150,000,000

Material damage fire only - \$30,000,000

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 for damage that is caused by fire, or fire following a natural disaster, with SWDC limit being \$30 million.

Commercial motor vehicles \$944,039

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

Infrastructure \$98,579,173

Based on risk engineering and loss modelling for the Waikato hazard scape a \$300 million shared loss limit is in place with the Regional collective. Each council then has its own sublimit in place based on their individual exposures. SWDC loss limit is \$25m. Insurance is to the level of 40% in anticipation of 60% contribution from central government in the event of a disaster. In addition to this SWDC have access to a second cover for the 60% up to a shared loss limit of \$10 million.

Business interruption

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.

Professional indemnity \$50,000,000**Public liability \$50,000,000****30. Major budget variations****Statement of comprehensive revenue and expense**

Other revenue is \$1.8m higher than budgeted. This is due to \$1.1m of vested asset income and \$1.0m from the sale of the trees from Whakamaru reserve offset by \$0.3m less finance revenue than budgeted.

Personnel costs are \$0.7m less than expected. This was due to significant vacancies during the year, and an organisational restructure.

Depreciation is \$0.6m less than expected. This was due to the delays in the capital expenditure programme being completed

Other expenses is \$2.1m higher than expected. This is due to loss on sale of property, plant and equipment of \$0.5m, and additional expenses in Solid Waste of \$1.6m which are being recovered through increased revenue.

Statement of Financial Position

Other reserves are \$13.2m higher than expected. This is partly due to the increase in revaluation reserves being \$5m more than expected and asset replacement reserves being \$5m higher than expected. This has been offset by other financial assets being \$5.5m higher due to a higher balance in the BNZ private bank.

Total borrowings are \$1.4m lower than expected. This is mainly due to the delays in the capital expenditure programme being completed.

Statement of Cashflows

Other income is \$1.3m higher than expected. This is mainly due to the sale of the Whakamaru trees.

Purchase of property plant and equipment is \$2.9m lower than expected. This is due to the delays in the capital expenditure programme being completed.

Loans raised are \$3.1m lower than expected. This is due to the delays in the capital expenditure programme being completed.

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 21).

32. Events after balance date

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