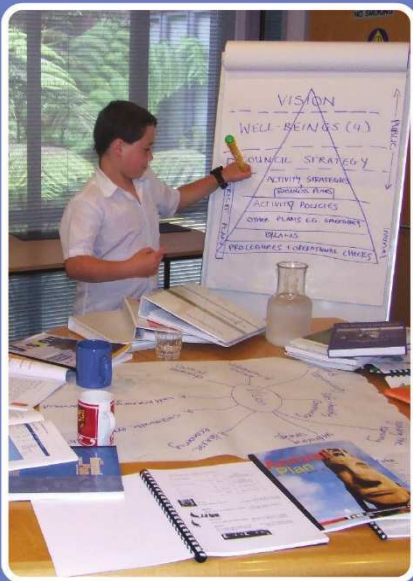


Annual Report 2012-13



ISSN 1170-7534

THE 2012-13 YEAR IN NUMBERS

\$369M

Total asset value

\$4.6M

Net surplus

87%

Achievement of our key performance indicators

77%

Achievement in our capital expenditure by project

\$2,414

The average rates bill across all ratepayers in our district

538KM

Of roading managed and maintained by Council

4

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

\$22M

The value of the 500 building consents processed during the year while achieving 100% compliance with the statutory timeframes

7.5

Book issues per resident for the year

886

Rates rebate applications approved at an average rebate of \$523 per applicant. This scheme is providing considerable relief to those least able to pay their rates

79

Pensioner housing units with 96% occupancy rate achieved

2,737 TONNES

Of solid waste recycled for the year, representing 14% of total waste excluding greenwaste

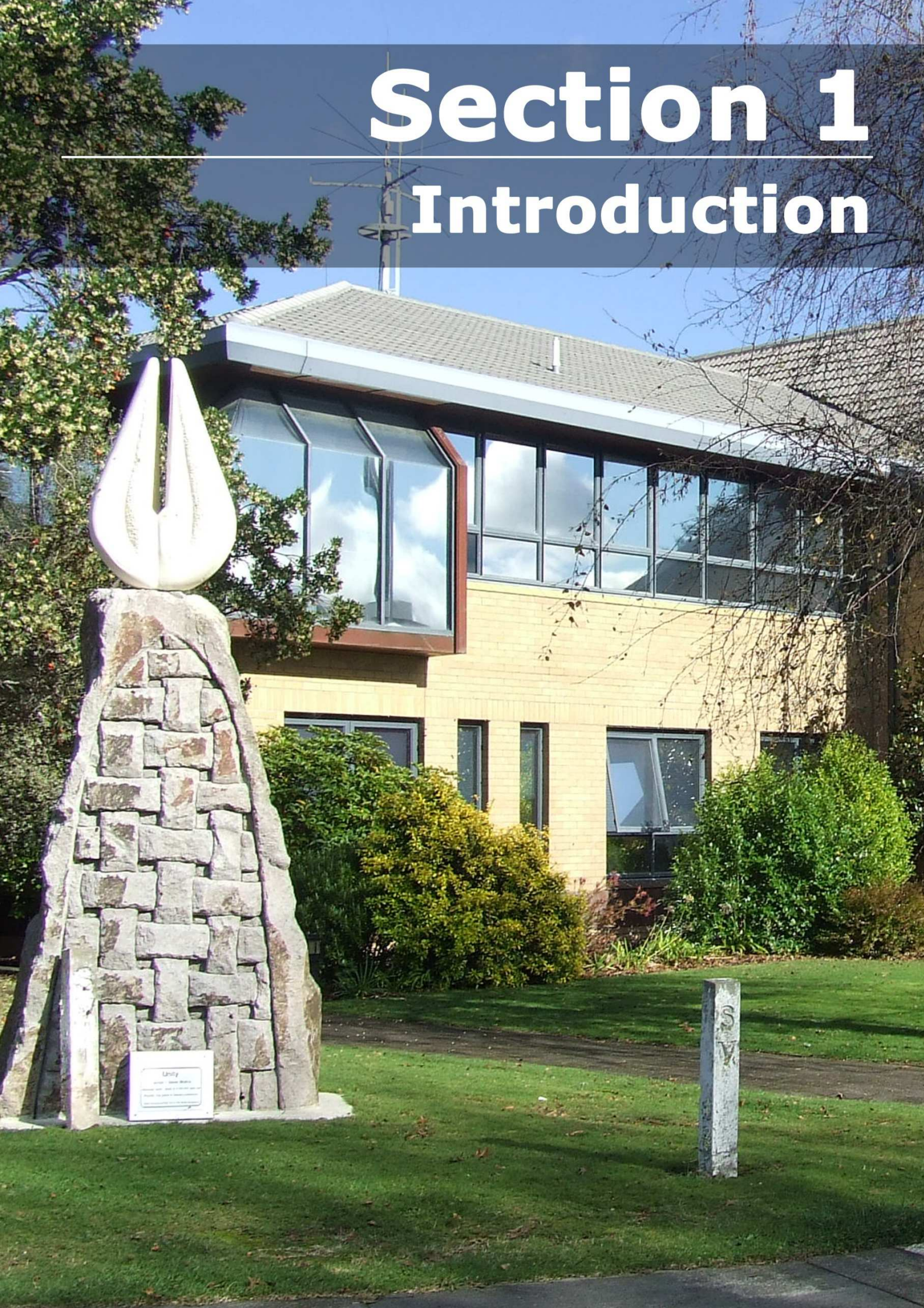
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Section 1

Introduction



MESSAGE FROM THE MAYOR AND CHIEF EXECUTIVE

Our Council is facing a number of challenges like lack of employment availability, talk of amalgamation with other Councils and protecting our investment fund.

Council's role is a balancing act. We are responsible for providing quality services and facilities that our community want and need at an affordable cost. All the while keeping our eye on the bigger picture; to facilitate job creation and stimulate economic growth and improve our image through increased district promotion.

Financial overview

Council has been very successful in keeping rate revenue increases as low as possible. However we have not allowed this to stop us investing in community infrastructure like sports grounds; and large infrastructure like our road network and water and wastewater treatment plants. These facilities are necessary to build healthy, vibrant communities and respond to economic investment opportunities.

We believe we have done a good job of maintaining low rate levels. We work very hard to balance maintaining levels of service, escalating costs, central government requirements, community expectations and our ability to fund progress.

In terms of debt we are again looking very healthy. Our external debt level per person has long compared very favourably with the average across New Zealand; largely due to our healthy financial position.

One of our key financial challenges over the past year has been how best to protect and utilise our South Waikato Investment Fund capital of \$25 million. Council has done considerable work on investigating establishing two external bodies. The first will be made up of proven and reliable business people who will be provided with \$1 million dollars to identify and seed fund projects that will grow the economic advantages of the district. If approved; the second body (which will also be completely separate from Council) will try to ensure that the remaining capital is protected for the South Waikato community should amalgamation occur. The size of this decision means that the community will be consulted on using a Special Consultative Procedure which is open for submissions until 25th October 2013.

Council measures its annual non-financial performance through 55 key performance indicators (KPIs) that look at a range of services and activities from roading and stormwater to libraries and pools. We are pleased to advise that we have only missed 7 KPIs this year, which gives us an 87% success rate.

Talk of change

It was signalled in December last year that local government is heading for significant reform and is in a time of change. Central government is sending strong signals about amalgamation and a shared approach to the delivery of many services. Council has kept, and will continue to keep, a careful eye on these and related developments to ensure the interests of our community are supported.

Strong relationships

Building strong relationships and working collaboratively continued as a priority with the Waikato Regional Council; with local iwi as the Treaty Settlement process continues; with the Waikato River Authority given our reliance and proximity to the Waikato River; and with our neighbouring Councils.

Sad passings

We couldn't review this past year without mentioning the sad passings of two our Councillors. Tokoroa Ward Councillor Barrie Herlihy passed away in October last year and we lost Tirau Ward Councillor Warren Lee eight months later in May this year. Their untimely deaths saddened co-Councillors and Council staff greatly.

Large asset development

The single biggest initiative this past year has been the construction of the South Waikato Sport and Events Centre. The doors opened in October last year and usage figures to 30 June include

15,800 adults, 4,183 youth, 2,887 children, 1,582 seniors and 50 pre-schoolers. A total of 97 functions, including weddings, funerals, parties, meetings, ceremonies, courses and conferences have been held in the function rooms. The main arena has been used for sports leagues, club nights, casual bookings, sporting clubs and school groups a massive 178 times; and the arena has been used six times for large events including a wedding reception, balls and award ceremonies. This development was discussed in this community for over 20 years. Council's capital commitment of \$2.6million from this investment account and \$1.55million from major funders Lotteries, Trust Waikato and the Lion Foundation has brought this facility to life; and since construction started fundraising by the local community has amounted to a further \$700,000.

The recycling crates were introduced for urban areas, not without a few teething problems which appear to have worked themselves through. The new system has improved health and safety concerns and the bins have contributed to neater neighbourhoods on recycling days. The more waste we stop going to landfill, the longer the landfill will last; so Council encourages the community to continue recycling products using the bins provided.

The largest roading project Council undertook this past year was the Arapuni road realignment. The primary driver for this project, that has been in the pipeline for a while was safety. All design work was done in house and the project came in within budget and on schedule. Council has received positive feedback from the local community, travellers and other district councils; so clearly a well-managed project from start to finish.

Asset upgrades to wastewater treatment plants, waste management systems and the road network have all contributed to improving the quality of life for everyone living in the South Waikato.

Caring for the environment

Several years' worth of work on the new District Plan is coming to a close. This document is Council's primary planning and resource management tool for continued district development while protecting our natural environment. Council has worked closely with iwi, local developers and the Waikato Regional Council to achieve a sound document that will be in place for the next ten years.

The Warm Homes Clean Air programme has been in place in the South Waikato since 2005. The programme assists low income residents to install improved insulation and energy efficient heating in order to improve the air quality issues we have in Tokoroa (and to a lesser extent in Putāruru). We are moving into an era of even greater partnership with the Waikato Regional Council and we look forward to improved outcomes in this area.

Aligned to the Warm Homes programme is Council's new Heat Swap scheme that was introduced last financial year. This scheme has the same goal -to improve air quality- but is aimed at middle to high income residents who are being offered the opportunity to install clean heat products and pay Council back through a targeted rate over the next ten years. Uptake is now well over 100 homes and staff receive regular weekly queries.

New things

The inaugural Taniwha running, walking, biking event held in November 2012 along the Waikato River Trails is yet another success story. With a goal of 500 competitors in the first year, an overwhelming 841 registrations resulted. People visiting the South Waikato for events such as this brings money into the district; an estimated \$144,000 over that weekend! The Waikato River Trails itself has been supported by Council since it began in 2004; completed now and growing in popularity, close to 30,000 people walked, ran or biked the trails over the past year.

Council can now be found on Facebook and Twitter, marking a step into the social media arena. Staff are pleased with the level of engagement with our community and can only hope it grows in the coming years.

Business growth and the future

Now into its sixth year, the Trade Training Centre (TTC) continues to go extremely well with strong performing and dedicated students enrolled in the 2013 year. These students continue to do their practical work in local engineering and automotive businesses in the district. The 2012 intake saw 17 students start the course, 17 students complete the course and nine of them found employment in our district! The success of the project is simply outstanding.

A large amount of new business development has occurred in the district. This range of development weaves through the many aspects of our lives from generating jobs, income and

economic growth to improving our community cohesiveness through social and cultural initiatives and events.

The wealth of natural beauty, diverse culture, central location, economic opportunity, inexpensive living and passionate people make the South Waikato a wonderful place to live, work and play.

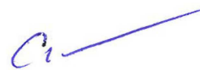
At Council we are committed to our vision; our strategic goals and outcomes. We are working towards these in everything we do to add value to our local communities. We hope you will support, engage and work with us on this journey.



Neil Sinclair MNZM JP BDS

MAYOR

3 October 2013



Craig Hobbs

CHIEF EXECUTIVE

3 October 2013

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

Moemoea - Uhia te haumaruru te ngangahau i te whakamorimoritanga ki te hapori

INDEPENDENT AUDITOR'S REPORT TO THE READERS OF SOUTH WAIKATO DISTRICT COUNCIL AND GROUP'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2013

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

- the financial statements of the District Council and group that comprise:
 - the consolidated balance sheet as at 30 June 2013 on page 118;
 - the consolidated statement of comprehensive income on page 116, consolidated statement of changes in equity on page 117 and consolidated cash flow statement on page 119 for the year ending 30 June 2013; and
 - the notes to the financial statements that include accounting policies and other explanatory information about the financial statements on pages 121 to 177;
- the funding impact statement of the District Council on page 120;
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 48, 55, 62, 67, 73, 78, 83, 89, 95, 100, 103 and 108;
- the statement of service provision (referred to as groups of significant activities) of the District Council on pages 43 to 110; and
- the funding impact statements in relation to each group of activities of the District Council on pages 48, 55, 62, 67, 73, 78, 83, 89, 95, 100, 103 and 108.

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

- information about:
 - council-controlled organisations on page 111;
 - reserve funds on page 158;
 - each group of activities carried out by the District Council on pages 43 to 110;
 - remuneration paid to the elected members and certain employees of the District Council on page 165;
 - employee staffing levels and remuneration on page 165; and
 - severance payments on page 142;
- a report on the activities undertaken by the District Council and group to establish and maintain processes to provide opportunities for Maori to contribute to the Council's decision-making processes on page 39; and
- a statement of compliance signed by the Mayor of the Council, and by the District Council and group's chief executive on page 115.

Opinion

Audited information

In our opinion:

- the financial statements of the District Council and group on pages 116 to 119 and pages 121 to 177:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the District Council and group's financial position as at 30 June 2013; and
 - the results of its operations and cash flows for the year ended on that date.
- the funding impact statement of the District Council on page 120, fairly reflects the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's annual plan.
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 48, 55, 62, 67, 73, 78, 83, 89, 95, 100, 103 and 108, fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the District Council's long-term plan or annual plan.
- the groups of significant activities of the District Council on pages 43 to 110:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the District Council's levels of service for the year ended 30 June 2013, including:
 - the levels of service as measured against the intended levels of service adopted in the long-term plan; and
 - the reasons for any significant variances between the actual service and the expected service.
- the funding impact statements in relation to each group of activities of the District Council on pages 48, 55, 62, 67, 73, 78, 83, 89, 95, 100, 103 and 108, fairly reflects by each group of activities, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's long-term plan.

Compliance with the other requirements of schedule 10

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

Our audit was completed on 3 October 2013. This is the date at which our opinion is expressed.

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

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we

comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the information we audited is free from material misstatement.

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

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

An audit also involves evaluating:

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

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

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

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

Responsibilities of the Council

The Council is responsible for preparing:

- financial statements and groups of significant activities that:
 - comply with generally accepted accounting practice in New Zealand;
 - fairly reflect the District Council and group's financial position, financial performance and cash flows;

- fairly reflect its service performance, including achievements compared to forecast;
- a funding impact statement that fairly reflects the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's annual plan;
- funding impact statements in relation to each group of activities that fairly reflects by each group of activities the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's long-term plan;
- statements about budgeted and actual capital expenditure in relation to each group of activities that fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the District Council's long-term plan or annual plan; and
- the other information in accordance with the requirements of schedule 10 of the Local Government Act 2002.

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

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

Responsibilities of the Auditor

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

Independence

In addition to this audit, which includes our report on the Other Requirements, we have carried out assignments in the areas of the audit of the long term plan amendment, which are compatible with those independence requirements. Other than these assignments we have no relationship with or interests in the District Council or any of its subsidiaries.



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

1.3 DISTRICT PROFILE

Population

New Zealand 4.5 million (Statistics NZ national estimates June 2013)

South Waikato District 22,700 (Statistics NZ sub-national estimates June 2012)

Rating Information

(As at 30 June 2012)

Number of Properties 10,104

Area 179,500ha

Gross Land Value \$2,599,628,900

Gross Capital Value \$4,600,894,300

Main Industries

Forestry and pastoral farming, particularly dairying, are the predominant activities in the district. Around 20% of the workforce is employed in forestry and agriculture and a similar percentage is employed in manufacturing associated with these industries.

Natural Resources

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

Recreational Opportunities

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

Facilities

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

1.4 COUNCIL DIRECTORY

| | | | |
|-----------------------|---|-----------------------------|--|
| Postal Address | Private Bag 7 TOKOROA 3444 | | |
| Tokoroa Office | Torphin Crescent TOKOROA 3420 | Phone: Fax: | +64 (07) 885 0340 +64 (07) 885 0718 |
| Putāruru Office | Overdale Street PUTARURU 3411 | Phone: Fax: | +64 (07) 883 7189 +64 (07) 883 7215 |
| <i>Tīrau (Agency)</i> | Tīrau Information Centre Main Road TIRAU 3410 | Phone: Fax: | +64 (07) 883 1202 +64 (07) 883 1202 |
| Email | info@southwaikato.govt.nz | | |
| On the web at | Southwaikato.govt.nz | (visit us on Facebook also) | |

1.5 YOUR ELECTED REPRESENTATIVES

Mayor and Councillors



Neil Sinclair MNZM JP BDS - Mayor (Elected at large)
 (07) 885 0716 Bus Phone
 (07) 885 0719 Bus Fax
 (0274) 468 422 Mobile
 (07) 883 8122 Home Phone
 neil.sinclair@southwaikato.govt.nz



Jenny Shattock JP - Deputy Mayor
 (Tokoroa Ward)
 (07) 886 9431 Bus Phone
 (07) 886 8391 Bus Fax
 (07) 886 8120 Home Phone
 (0274) 416 230 Mobile
 jennyshattock@radionetwork.co.nz



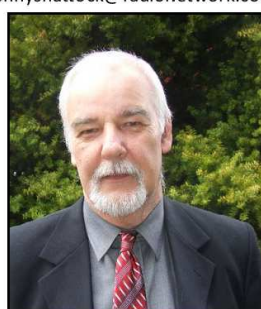
Adrienne Bell
 (Putaruru Ward)
 (07) 883 8045 Bus Phone
 (07) 883 8563 Home Phone
 (0274) 712 404 Mobile
 adriennejb@yahoo.co.nz



Brenda Watkins
 (Tokoroa Ward)
 (07) 886 5969 Home Phone
 (07) 886 5963 Home Fax
 (0273) 424 625 Mobile
 b.b.watkins@xtra.co.nz



Alan Blair
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 (0272) 943 106 Mobile
 alan_blair@xtra.co.nz



Warren Lee
 (Tirau Ward)
 July 2012 - May 2013
 Sadly passed away



Anne Edmeades
 (Putaruru Ward)
 (07) 883 8262 Bus Phone
 (07) 883 7490 Home Phone
 (021) 0818 4710
 anneandroyce@xtra.co.nz



Lyn Corban
 (Tokoroa Ward)
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 lyn.corban@xtra.co.nz



Herman Van Rooijen JP
 (Putaruru Ward)
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 (07) 883 6765 Home Fax
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 vanrooijen@xtra.co.nz



Micheal Gubb
 (Tokoroa Ward)
 (07) 886 6799 Bus Phone
 (07) 886 6755 Bus Fax
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 mike@planetcomputers.co.nz



Barrie Herlihy JP
 (Tokoroa Ward)
 July 2012 - October 2012
 Sadly passed away

Tirau Community Board



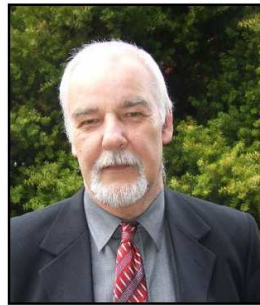
Nora Martelletti JP
Chairperson
(07) 883 4874 Home Phone



Geoff Poole
(07) 883 1181 Home Phone
(021) 240 5294 Mobile
geoffpoole@kol.co.nz



Heather Spinley
(07) 883 1573 Home Phone
(027) 273 2238 Mobile



Warren Lee
(Tirau Ward Councillor)
July 2012 - May 2013
Sadly passed away



Clive Collingwood
(07) 883 1788 Home Phone
(027) 458 027 Mobile
noddy_collingwood@clearnet.net.nz
from May 2012

1.6 CORPORATE STRUCTURE

Executive Leadership Team



Standing From left: Amanda Hema (Community Development Manager),Cindy Kent (Strategic Policy Manager), Roger Fisher (Group Manager Assets),Kerry Fabrie (Communications Manager), Seated from left: Murray McAlister (Human Resources Manager), Sharon Robinson (Group Manager Environment) Craig Hobbs (Chief Executive), and Ben Smit (Deputy Chief Executive).

Chief Executive

Assets
Corporate
Environment
Human Resources
Communications
Community Development

Corporate Group

Customer Service
District Libraries
Governance Services
Legal Services
Risk Management
Information Services/Technology
Revenue and Finance
Strategic Planning

Environment Group

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

Assets Group

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

Corporate Structure Continued...

Human Resources

Industrial Relations

Equal Employment
Opportunities

Occupational Health and Safety

Recruitment and Induction

Remuneration Policies

Training/Development

Community Development

Economic Development

Grants Allocation

Youth Development

Capacity Building for
Community Outcomes

District Events

Community Partnerships

Communications

Strategic Communication

Media Spokesperson

Media Liaison

Internal Communication

1.7 COUNCIL'S STRATEGIC PLANNING CONTEXT

Vision, Mission and Values

Our Vision

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

Our Mission

To use our collective knowledge and insight to provide visionary leadership and prudent stewardship in enabling a co-operative community approach towards achieving Council's Vision for the District.

Council offers unified representation, balancing the demands for change, stewardship and affordability.

Dealings with customers and residents are professional and address real needs.

The "right things" are done in the "right way" within the resources available.

A high performing professional and satisfying work environment.

Our Values

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

Long Term Plan

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

Council reports on progress regarding the implementation of the 10 Year Plan each year in its Annual Report. This 2012-13 Annual Report is the first report on the 10 Year Plan 2012-22.

The major changes, adopted in the Long Term Plan 2012-22, affecting Council's strategic direction over the last two years have been:

1. The Local Government Act in 2010 which, amongst others, changed the meaning of community outcomes, removed the four wellbeings and required Council to develop a financial strategy
2. Council adopted two key strategic objectives. Council believes that it should play a wider role in the community to contribute to the success of the district over the long term. Council has therefore proposed to work towards two key strategic objectives:
 - **More jobs** - Council to support, where we can, the development of more work or jobs for our people

- **Promotion of the district** - Council to promote (both within the district and to others) and develop the essential qualities that make our community and district special.

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

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

3. This lead to changes to Council’s strategic direction with the development of nine new Council outcomes and 15 strategies.

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

Financial Strategy Limits

The financial strategy also set limits around certain financial measures. These limits and the achievement of these as at 30 June 2013 is outlined below:

| Financial Area | Financial Limit | Achievement |
|-----------------------|---|---|
| Rates Revenue | Not to exceed \$31m by 2021-22 | Rates set for 2013-14 are \$21.371m. It is not planned that rates exceed \$31m by 2021-22. |
| Rates Increase | Not to exceed 8.5% in any year and should be in the range 2% - 8.5% | Rates increase for 2013-14 was 3.75% |
| External Debt | External loans not to exceed \$15m | External loans forecasted for 2013-14 were \$8.2m |
| Internal Debt | Limited to percentages detailed in the investment policy. | Limits not exceeded |

1.8 COMMUNITY OUTCOMES

Identifying Community Outcomes

Below, nine Community Outcomes were developed through workshops and discussions with key partners in the community during the 2012-2022 Long Term Plan process:

1. Engaged community: We encourage and support an engaged social community through the provision of our services and facilities
 - The successful construction of the South Waikato Sport and Events Centre ahead of schedule and on budget. \$1,550,000 was raised from initial sponsored funding and nearly \$700,000 has been raised from the community and corporate sponsors after this time.
 - Upgrade to 14 public toilet blocks across the district at a cost of \$1,231,900.
 - Low rate revenue increases and low levels of debt by comparison across other Councils, supporting our continued efforts toward sound financial management and the principals that underpin our financial policies.
 - Urban centres move to using recycling bins and change to user pays refuse bags to improve cost effectiveness and service.
 - Roading programme continued successfully. Over the last four years Council assumed ownership and control of 46km of forestry roads.
 - Involvement in the shared services initiatives with other Councils to reduce costs and improve services for our ratepayers.
 - The Council has a Youth Council as part of Council's commitment to a collaborative Youth Strategy for the district.
2. Safe and healthy community: We regulate, advocate for, and support where we can, improved safety and health for our people
 - Continued funding and management of the Warm Homes Clean Air programme for low socio-economic householders and the implementation of the Heat Swap scheme to incentivise the removal of non-compliant wood burners and the Burnwise scheme to promote the sale of dry firewood.
 - A Liquor Alcohol policy is being developed
3. Improving image: We focus on improving the image and perception of the South Waikato District
 - Council's District Information Billboards are in the final production stages and should be ready for installation by mid-September. Boards, which highlight other areas of interest in the district, are to be positioned around the district at high tourist traffic areas, such as Te Waihou, and the Waikato River Trails.
 - Council being the first council to be recognised as Motorhome Friendly by the Motorhome Association.
 - Council introduced a Facebook and Twitter account to further engage our community and assist promotion of key events and attractions.

4. Growing economy: We support and encourage existing businesses and endeavour to attract new businesses to the district
 - A large amount of new business development has occurred in the district, including some fairly big developments such as a new Z petrol station, a new Farmlands, Robert Harris, Subway, a stock food store, engineering expansion and the container rail siding in Wawa Road.
 - Currently establishing an economic development trust of proven and reliable business people, funded initially from Council's South Waikato Investment Fund, to identify and seed fund projects that will grow the economic advantages of the district.
 - Propose to establish a trust, completely separate from Council, to try to ensure that the South Waikato Investment Fund is protected for the South Waikato community should amalgamation occur. The size of this decision means that the community will be consulted on using a Special Consultative Procedure with submissions open until 25 October 2013.
 - Continued success and expansion of the Trade Training Centre.
5. Diverse economy: We encourage the economic base in the district to diversify, especially in relation to tourism
 - Council has been a major contributor to the Waikato River Trails being completed and opened. 100km of trails meander from Karapiro to Atiamuri. Last year saw the Taniwha, a new multi-sport event which utilised the trails
6. Sustainable environment: We want the South Waikato District Council to lead the community in sustainable development
 - The development and consultation of the new District Plan has occurred. Hearings are currently taking place.
7. Well managed environment: Council's infrastructure is sustainable and contributes positively to the district environment
 - Significant upgrade to the Tokoroa waste water treatment plant including the installation of a drum filter, dewatering plant and ultra-violet treatment plant.
8. Celebration of culture: We celebrate the artistic and cultural achievements of our people, and the diversity of their cultures
 - Council carries out a range of activities to support and celebrate cultural achievements; these include funding built initiatives and sponsoring events to be held in the District. For example, Council has this year funded the establishment of a 'unique gateway' to the Waikato River Trails to be located at Little Waipa Reserve, which is planned to reflect the extensive Maori and hydroelectricity generation history of the Waikato river. Celebrations of culture included sponsoring the Forest View High Polinetia Fa'atasi group, Tokoroa Little Theatre, South Waikato Music Society, Putaruru Theatre Players, Scottish Country Dance Club, Cook Islands Community (Society) and the Talking Poles Trust.
 - South Waikato District Libraries celebrate the cultural diversity of our district through the promotion of Māori Language, Samoan Language and Cook Island Language weeks, through displays, cultural performances, presentations, story-telling and 'how to' workshops. The team entered the 2012 Raukawa Māori Language Awards (Ngā

Whiringā Whāiti) in the Local Government category (Ngā Rōpū Kāwanatanga). This last year they won the Local Government Category for their efforts towards Māori Language Week.

9. Cultural leadership: We support and encourage cultural leadership and capacity building.
 - Council promotes input to decision-making from Māori and Pacific Island communities, including a partnership approach with Raukawa Settlement Trust. A joint management agreement was signed with Iwi parties and Waikato Regional Council for the protection of the Waikato River.
 - The Ngāti Tūwharetoa, Raukawa and Te Arawa River Iwi Waikato River Act 2010 established a co-management regime for the upper Waikato River, which includes all of the Waikato catchment within the South Waikato District. This regime sees valuable partnerships established between iwi, the Crown and associated councils. The Waikato River co-management framework is separate to their Comprehensive Treaty Claims.

Our Progress toward achieving Community Outcomes

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

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

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

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

| | | | |
|--------------------------------|--|--|--|
| | 70.7% of people felt that their neighbourhood were knowledgeable and show respect for the diverse cultures who live in our district. | There was a decrease of 1.4%. In 2010 72.1% of people felt that their neighbourhood were knowledgeable and show respect for other cultures. | There was a decrease of 1.8%. In 2007 73.9% of people felt that their neighbourhood were knowledgeable and show respect for other cultures. |
| Total (quality of life) | 81.7% of people were satisfied with their quality of life. | In 2010 78.2% of people were satisfied with their quality of life. There was an increase of 3.5% since 2010. | In 2007 84.2% of people were satisfied with their quality of life. There was a movement of 6% being 78.2%-84.2% since 2007. |

| Outcome | State of the Environment[#] Results |
|---|---|
| Sustainable environment: We want the South Waikato District Council to lead the community in sustainable development | Stream fencing: Council provides support to the South Waikato Environmental Initiatives (SWEI), to assist in funding fencing of streams. An additional 27,897 metres of streams have been fenced since July 2008 through assistance by SWEI. |
| Well managed environment: Council's infrastructure is sustainable and contributes positively to the district environment | Recycling: Recycling volumes received have increased from 1634 tonnes per annum in 2001/2002 to 2737 tonnes 2012/2013. |
| | Quantity of solid waste generated: The per capita volume of waste to landfill has continued to decline since 2007 where it peaked at 1,138 kgs. |

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

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

In early 2012 Council surveyed 304 people who registered for the CONNECT Panel of Residents in November 2010 - February 2011. The members of the panel initially responded to three surveys which helped the Council to look at community perceptions about community outcomes and activities of the Council as well as its levels of service. The results in these areas are available on our website but in summary, the panel indicated that the Council should continue to strive towards achieving a balanced implementation of the wellbeings (now defunct), should simplify and cut down on the number of community outcomes, and should strive to retain and continue to provide the current levels of service provided by Council services.

1.9 COUNCIL'S STRATEGIES

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

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

1.10 REPORT ON FUNDING AND FINANCIAL POLICIES

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

Financial Targets Report

Background

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

Overall Performance

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

| Key Targets | Actual 2012-13 \$000's | Budget 2012-13 \$000's | Note |
|-----------------------------|---------------------------|---------------------------|------|
| Surplus/(Deficit) After Tax | 4,581 | 715 | 1 |
| Total Equity/Net Assets | 355,263 | 366,735 | 2 |
| Borrowings | 8,340 | 7,591 | 3 |
| Capital Expenditure | 10,014 | 8,678 | 4 |

Notes

1. Council incurred a surplus of \$4.6m this year. A surplus of \$0.7m had been budgeted. A major factor in this variance was the gain on the sale of financial investments of \$4m, as some of these investments were realised when transferring to a new fund manager. Vested assets received were also \$0.4m more than forecast, largely due to the transfer of ownership to Council of the ex-Pirates Rugby Club building, being vested to Council. Rates revenue was slightly higher than budget \$0.274m. Depreciation and finance costs were less than forecast, mostly due to completion of various capital projects at a later date than forecast. More detailed explanations of the key variances are set out in the commentary in Note 29 of Notes to the Financial Statements.
2. This represents an accumulation of changes since the budget, as part of the Long Term Plan 2012-22 process, was adopted, including lower land, buildings, parks and reserves asset revaluations in 2011-12 than budgeted (\$17.6m), lower net surplus in 2011-12 than budgeted (\$4.2m), higher net surplus this year than budgeted (\$3.8m), and the increase in asset revaluations of water, wastewater and stormwater assets this year than budgeted (\$9.1m).
3. Council borrowings were above forecast due mostly to a number of projects which were to be internally loan funded, being instead externally loan funded, as Council looks to review its policy on the level of internal borrowing. There was also a more than anticipated take-up in the heat-swap scheme (self-funded by targeted rates).
4. A number of capital projects carried over from 2011-12 year were completed in the 2012-13 year. This includes the Sport and Events Centre, Tokoroa wastewater treatment plant upgrade, water treatment plant upgrades, and the completion of a number of new toilet facilities. Council carried forward projects comprising \$2,771,000 from the previous year(s), as well as Council resolutions of \$496,000 additional expenditure. Overall, Council completed 77% of budgeted current year projects (or 120 out of 155 current year projects).

Investment Policy Report

Background

The Investment Policy was updated in conjunction with the Long Term Plan 2012-22 development.

Overall Performance

The realised investment return was \$1.27m compared to a budgeted surplus of \$1.52m. The South Waikato Investment Fund (SWIF) also recorded a capital gain of \$1.55 million during the year (2012: capital loss of \$205,000). A total value increase of \$2.82 million for 2012-13. This gain has been recognised in 'gains on financial instruments' in the Statement of Comprehensive Income.

Specific Objectives and Targets

| Performance Objective | Achievement |
|--|---|
| To comply with all relevant statutes and their amendments | All relevant statutes and amendments complied with |
| To develop and maintain professional relationships with representatives of approved financial institutions | Professional relationships with representatives of approved financial institutions developed and maintained |
| To manage Council's return on funds invested through effective control and management of its interest rate risk and to maintain Council's exposure to interest rate risk within acceptable levels | Council's return on funds managed within acceptable levels |
| To safeguard Council's cash investments by monitoring the credit ratings of approved financial institutions | Credit ratings of approved financial institutions were monitored during the year |
| To actively manage the internal controls to ensure that funds are invested in accordance with Council policy | Satisfactory internal controls operated to ensure that funds were invested in accordance with the policy |
| To avoid financial arrangements that could be described as speculative. At all times maintain a risk-averse stance | No speculative financial arrangements were entered into during the year. Generally a risk-averse stance has been taken |
| South Waikato Investment Fund (SWIF) and Special and Restricted Reserve Funds | |
| To achieve a real total return after investment expenses over the long-term, as set out in the Long Term Plan. 'Real' means over and above inflation as measured within the parameters set out in the Policy | The SWIF has been steadily recovering since the global financial recession began to affect the fund from 2009 - the SWIF continues to be resilient and has returned 10.83% for the year ended 30 June 2013 The total fund has increased in value (after allowing for \$600,000 rates subsidy) from \$24.6 million to \$26.6 million The real return to 30 June 2013, since the fund's inception, is 5.56% The performance of the Restricted Reserve funds for the year ended 30 June 2013 was 4.09% gross of inflation (2012: 2.99%) |
| To ensure that the Investment and Reserve Funds are invested prudently | Investment and Reserve Funds were invested in accordance with the Investment Policy |
| To ensure that money is available for distribution, as required, to meet the needs and financial policies of Council | Monies have been allocated for distribution in accordance with policy |
| To maintain the value of the Investment Fund's capital base in real terms, and to grow such capital value. 'Real' in this context relates to changes in the Consumer Price Index (CPI) | The level of inflation this year has been relatively low (CPI of only 0.7%). Coupled with the high SWIF earnings for the year of approximately \$2,6m, this has helped augment the fluctuation reserve from \$248,805 as at the end of last year to \$1,630,368 as at 30 June 2013. |
| To maximise the income available for distribution each year | The SWIF subsidy of \$600,000 on the rates requirement, as proposed in the 2012-13 Annual Plan, was actioned |

Liability Management Policy Report

Background

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

Overall Performance

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

Specific Objectives and Targets

| Performance Objective | Achievement |
|--|---|
| To comply with all relevant statutes and their amendments | All relevant statutes and amendments have been complied with |
| To develop and maintain professional relationships with representatives of approved financial institutions | Achieved. Continued good relationship with Council's banker BNZ, who are now Councils' investment fund manager. The Committed Cash Advance Facility (CARL) was renewed for another four years. A customised averaged rate loan (CARL) facility was set-up in May 2013 |
| To ensure Council is able to meet its future commitments as they fall due, in both the short term and the long term, through active liquidity management | Achieved. Council established, in 2013, a five-year CARL, which has been set-up so as to provide tranches of fixed terms of interest over the short to medium terms |
| To reduce Council's risk of borrowing through the effective control and management of interest rate risk and to maintain Council's exposure to interest rate risk at acceptable levels | Achieved. Interest rate risk maintained at acceptable levels |
| To endeavour to ensure the selection of the most effective methods for long term financing requirements among the various financial alternatives | Achieved. Council's main borrowing is now by way of a customised averaged rate loan (CARL) facility. This operates within the overall CCAF. |
| To actively manage adequate internal controls to ensure that funds are borrowed in accordance with Council policy | Achieved. Funds were borrowed in accordance with Council Policy |
| To avoid financial arrangements that could be described as speculative. At all times maintain a risk-averse stance. | Achieved. No speculative financial arrangements were entered into during the year. Generally a risk averse stance has been taken |

| Specific Policy Limits | | |
|---|--------------------------------|---|
| Measure | Policy Limit | Actual |
| Interest Rate Exposure | | |
| Gross Interest expense of all external debt/ total Revenue | <10% | 0.99% |
| Gross Interest expense of all external debt/ Rates Revenue | <15% | 1.72% |
| Liquidity Policy | | |
| Maximum debt repayable in 1 year/ total equity | <3% | 0.08% |
| Credit Exposure | | |
| Total term liabilities not greater than total annual rating revenue | <100% | 44% |
| Gross external debt will not exceed 5% of equity | <5% | 2.35% |
| Net cash flows from operating activities greater than gross annual external interest expense | 2 times | 21 times |
| External debt not to exceed \$15m | <\$15m | \$8.3m |
| Internal debt limited to: 20% (SWIF), and 50% (non-SWIF) | >20% (SWIF) >50% (non-SWIF) | Limits adhered |
| Liquid Test | 1:1 | 4.46:1 |
| Debt Repayment policy | Maximum term 30 Years | No loan exceeds that term |
| Rates revenue to not exceed \$31m by 2021-22 | < \$31m | Rates income received was \$18.8m |
| Rates increases not to exceed 8.5% of the previous year, with a preferred range of 2% - 8.5%. | 2% - 8.5% | Rates increase struck for 2012-13 was 5.95% |

Rates Remission and Postponement Policies Report

Background

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

- community, sporting and other organisations
- rates on land protected for natural, historical or cultural conservation purposes
- economic development (commercial and industrial development)
- Uniform Annual General Charges on non-contiguous rating units owned by the same owner
- school sewerage rates
- penalties
- Māori Freehold Land.

Remission Granted

| Remission Type | 2013 | | 2012 | |
|---|------|--------|------|--------|
| | No. | \$ | No. | \$ |
| Community, Sporting and Other Organisations | 46 | 72,585 | 48 | 59,880 |
| Rates on Land Protected for Natural, Historical or Cultural Conservation Purposes | 1 | 402 | 1 | 129 |
| Economic Development (Commercial and Industrial Development) | - | - | - | - |
| Uniform Annual General Charges on Non-contiguous Rating Units Owned by the Same Owner | 6 | 3,716 | 6 | 3,514 |
| School Sewerage Rates | 33 | 64,153 | 33 | 60,806 |
| Penalties | N/A | 12,217 | N/A | 11,793 |
| Māori Freehold Land | Nil | Nil | Nil | Nil |

Postponement

Council's Postponement Policy is to assist ratepayers experiencing extreme financial circumstances that affect their ability to pay rates. Council has received no applications for postponement of rates.

Revenue and Financing Policy Report

Background

The Revenue and Financing Policy, as outlined in the Long Term Plan 2012-22, is designed to ensure that, wherever practical, the allocation of costs of service is met by those who benefit from that service.

The Funding Impact Statement describes the funding mechanisms the Council intends using each year to achieve the funding proportions indicated by the Revenue and Financing Policy.

Overall Performance

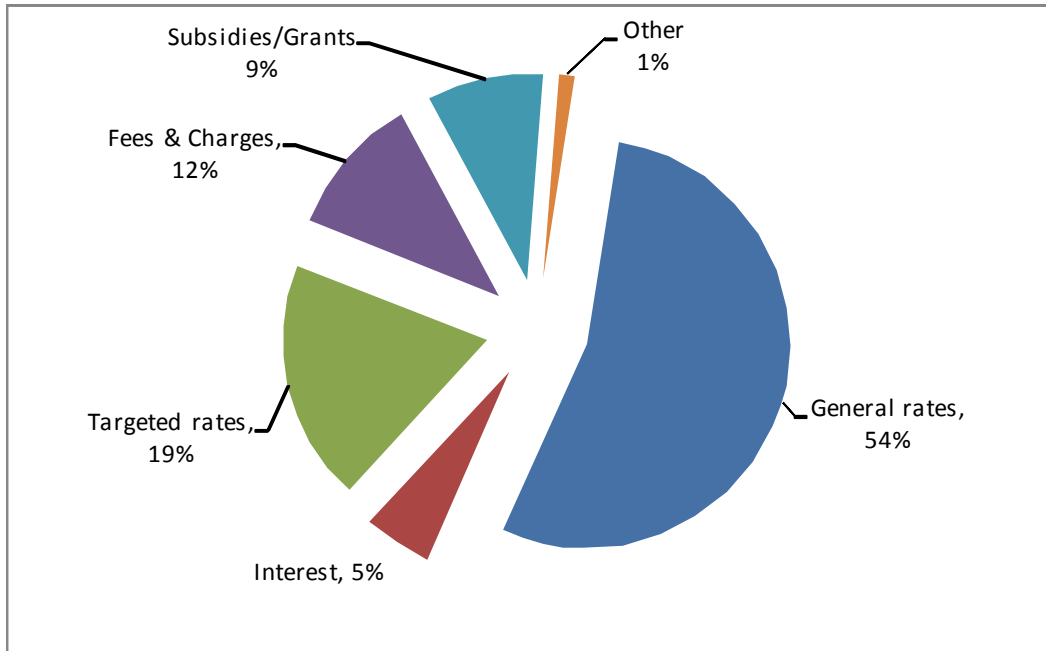
The actual allocation of the cost of the Council's activities is not significantly different from the Revenue and Financing Policy. The following schedule provides a percentage target (as stated in the policy) and that actually achieved from the significant activity.

Funding Impact Statement Report

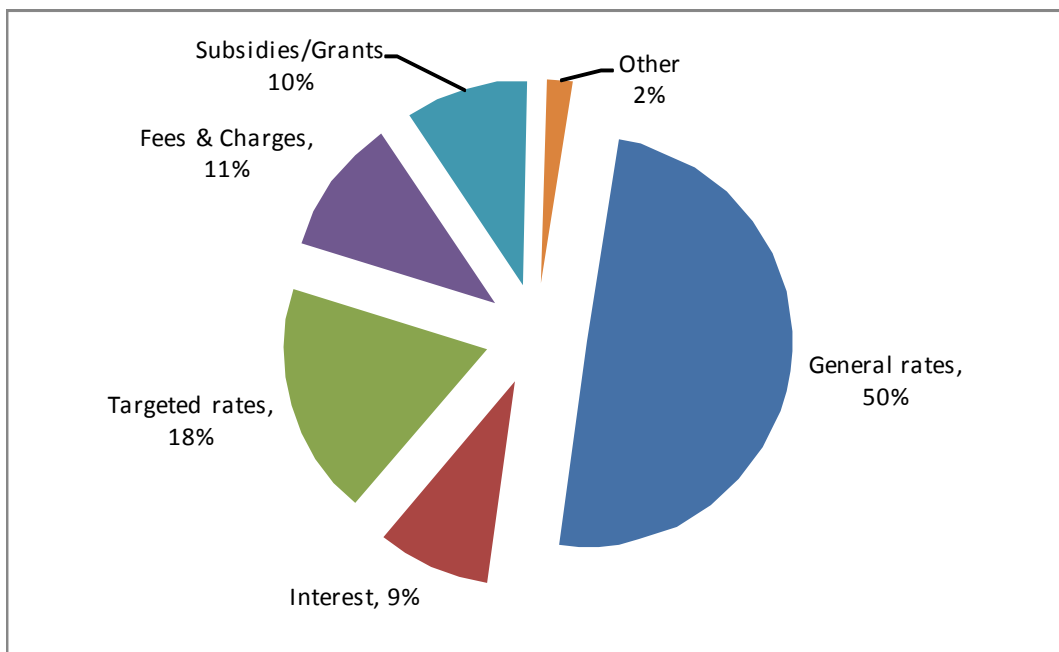
| Significant Activity | General Rates Target | General Rates Actual | Targeted Rates Target | Targeted Rates Actual | User Charges Target | User Charges Actual | Subsidy & Grant Target | Subsidy & Grant Actual |
|--|----------------------|----------------------|-----------------------|-----------------------|---------------------|---------------------|------------------------|------------------------|
| Community advocacy and liaison | 100% | 99% | | | | | - | 1% |
| SW Sport & Events Centre | 80% | 85% | | | 20% | 15% | | |
| The Plaza | 100% | 100% | | | | | | |
| Halls | | | 95% | 83% | 5% | 17% | | |
| Economic Development | 100% | 97% | | | | | | 3% |
| Business Promotion - Tokoroa Ward | | | 100% | 100% | | | | |
| Business Promotion - Putaruru Ward | | | 100% | 100% | | | | |
| District Promotion | 100% | 99% | | | | 1% | | |
| Stormwater | | | 100% | 100% | | | | |
| Sewerage | | | 100% | 100% | | | | |
| Waste - Litter Collection | 100% | 100% | | | | | | |
| Refuse Collection | | | 100% | 53% | | 47% | | |
| Waste - Landfill Operations and Refuse disposal | 30% | 35% | | | 70% | 65% | | |
| Recycling | | | 100% | 100% | | | | |
| Property Management | 90% | 72% | | | 10% | 28% | | |
| Roading Network | 54% | 70% | | | | 2% | 46% | 28% |
| Cemeteries | 40% | 41% | | | 60% | 59% | | |
| CBD Upgrades | 100% | 100% | | | | | | |
| Public Toilets | 95% | 100% | | | 5% | | | |
| Animal Control | 40% | 41% | | | 60% | 59% | | |
| Regulatory Services (Other than Animal Control and Building) | 80% | 86% | | | 20% | 14% | | |
| Building consents and Inspection | 50% | 55% | | | 50% | 45% | | |
| Water Supply | | | 100% | 86% | | 14% | | |
| Emergency Management | 100% | 99% | | | | 1% | | |
| Swimming Pools | 80% | 83% | | | 20% | 17% | | |
| Sportsgrounds | 95% | 95% | | | 5% | 5% | | |
| Parks and Reserves | 95% | 95% | | | 5% | 5% | | |
| District Recreation | 100% | 100% | | | | | | |
| Pensioner Housing | | | | | 100% | 100% | | |
| Library Services | 90% | 94% | | | 10% | 6% | | |
| Community Governance | | | 100% | 100% | | | | |
| District Governance | 100% | 100% | | | | | | |

Summary of Actual and Target Revenue Sources

Funding Impact Revenue Source - Budgeted 2012-13



Funding Impact Revenue Source-Actual 2012-13



1.11 REPORT ON GOVERNANCE

The Elected Council

The South Waikato District Council consists of the Mayor and ten Councillors. Together, they make the policy decisions for the Council. The current Council (in this reporting year) was elected on 9 October 2010 for a three year term. The next triennial elections are scheduled for 12 October 2013.

Local Democracy is about:

- conducting business in an open, transparent and democratically accountable manner
- giving effect to identified priorities and desired outcomes in an efficient and effective manner
- having regard to the views of all communities within a district
- prudent stewardship and the efficient and effective use of its resources in the interests of its district or region
- taking into account:
 - the social, economic and cultural well-being of people and communities
 - the need to maintain and enhance the quality of the environment
 - the reasonably foreseeable needs of future generations
- fair and effective representation for individuals and communities
- public confidence in and understanding of the local electoral process.

Committee Structure

The Council has five principle committees, three sub-committees and one joint committee to monitor and assist in the effective discharge of the Council's responsibilities.

These are:

- Corporate and Environment Committee
- Grants Committee
- Chief Executive Relationship Committee
- Hearings Committee
- Rural Access Sub-committee
- South Waikato Sport and Events Centre Tender Evaluation Sub-committee
- Treasury Management Oversight Sub-committee
- Community and Assets Committee

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

Tirau Community Board

The Council has one Community Board (for the Tirau community). A new board was elected on 13 October 2010 for a three year term.

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

Councillors' Code of Conduct

Council has adopted a Code of Conduct for the Mayor and Councillors. This prescribes their roles and responsibilities and guides the Mayor's and Councillors' relationships and behaviour towards each other, Council staff and the public. It also guides them in confidential matters, information they receive, dealing with conflicts of interest, complying with standing orders and ethical conduct.

Councillors' and Community Board Members' Remuneration

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

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

Conflict of Interest

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

Meetings

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

Division of Responsibility between Council and Management

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

Corporate Governance

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

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

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

Audit

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

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

1.12 REPORT ON OUR COMMITMENT TO THE TREATY OF WAITANGI

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

The Council and Raukawa are working closely on a number of projects, including a government funded programme designed to support and develop young leaders, liaison on environmental matters and the protection and enhancement of the Waikato River and biodiversity. This relationship is important to the Council and one it is committed to.

Waikato River Co-Management

The Ngāti Tūwharetoa, Raukawa and Te Arawa River Iwi Waikato River Act 2010 established a co-management regime for the upper Waikato River, which includes all of the Waikato catchment within the South Waikato District. This regime sees partnerships established between Raukawa, the Crown, the Regional Council and the district councils. Joint management agreement between Raukawa, Te Arawa River Iwi Trust and the Council in relation to management arrangements for the River and activities within the catchment affecting the River will be developed and will guide these partnerships.

These co-management tools are a new aspect to resource management within the South Waikato District and are supported by the Council.

South Waikato District Council will ensure the District Plan review has due regard to, and indicates how, these aspects of the co-management deed will be implemented, in addition to giving effect to the Waikato River Vision and Strategy.

Opportunities for Māori to Contribute to Decision-Making

Memorandum of Understanding (MoU) Council and Raukawa Settlement Trust

This document formally records the intention and commitment of the Raukawa Settlement Trust Board and the Council to establish an interactive, positive and balanced relationship exercising good faith, co-operation and responsiveness in the way we work together. The MoU includes a commitment to regular meetings, and for both parties to provide the necessary resources for working together. This includes joint submissions concerning legislation, funding applications to the Waikato River Authority and other representations to Government as appropriate.



Section 2

Groups of Activities

2.1 CUSTOMER SATISFACTION SURVEY

Council contracts the National Research Bureau's (NRB) Communitrak™ survey approximately every 2 to 3 years. This survey of the district's residents measures their levels of satisfaction with Council supplied services. Because it is carried out by NRB for a number of local authorities, it provides useful comparison data at both a 'whole sector' and 'peer (or comparable) local authority' level. The most recent South Waikato survey was conducted in March 2011 and the results of this survey are reported in a number of our performance measure disclosures throughout Section 2 of this Annual Report. The next survey is due in early 2014.

Sample sizes are chosen at a level that gives a 95% level of confidence in survey results. In 2011, the geographical spread of respondents by ward was 240 (Tokoroa), 122 (Putāruru) and 40 (Tirau). This spread is roughly consistent with the population distribution. Respondents were also screened to ensure a representative sample in terms of age, gender split, and balance according to ward populations. The result is that the total figures represent the adult population's viewpoint across the entire South Waikato district.

Communitrak™ reports satisfaction results in four categories: 'very satisfied', 'fairly satisfied', 'not satisfied' and 'don't know'. For the purpose of reporting results in this Annual Report, the 'very satisfied' and 'fairly satisfied' results have been combined and assessed as 'satisfied'.

Overall Satisfaction

In brief:

- Overall 82% of ratepayers are satisfied with how rates are spent (5% up on 2008). This is also ahead of our Peer Group* (71%) and the National (72%) average.
- Out of the 20 services surveyed, resident's satisfaction improved between 2008 and 2011 in 13 areas; stayed the same in three areas and went down in just four.
- The area where residents are most satisfied (and which applies to all parts of the district) is parks and reserves, at 88%.
- The areas where satisfaction decreased were sports fields and playgrounds, tourism promotion, community assistance and public toilets. At the time of the survey, the Putāruru public toilets had not yet been replaced.

The overall 'performance rating of the Mayor and Councillors during the last year' increased to 64% positive (60% in 2008) and is significantly higher than both the national average (53%) and the peer group (54%).

Our overall 'performance rating of Council staff during the last year' is 68% satisfied (same as 2006 results, up on 2008) and above the national average (61%) and on par with our peer group (69%).

* Our Peer Group includes the following district councils: Gisborne, Gore, Grey, Hastings, Horowhenua, Marlborough, Masterton, New Plymouth, Queenstown-Lakes, Rodney, Rotorua, Taupo, Timaru, Waikato, Waimakariri, Waipa, Whakatane and Whangārei.

The table on the following page summarizes the results achieved by Council in terms of community satisfaction with services between 2006 and 2011:

| Activity | Satisfaction in 2006 | Satisfaction in 2008 | Satisfaction in 2011 | Trend |
|--|-----------------------------|-----------------------------|-----------------------------|--------------|
| Parks and reserves | 86 | 87 | 88 | Improving |
| Beautification and landscaping | 84 | 80 | 86 | Improving |
| Roads (excluding State Highways) | 92 | 83 | 86 | Mixed |
| Household recycling service | 79 | 80 | 83 | Improving |
| Public libraries | 85 | 79 | 82 | Mixed |
| Council water supply pressure* | 93 | 94 | 94 | Stable |
| Dog control | 75 | 80 | 80 | Stable |
| Council rubbish collection* | 92 | 94 | 93 | Stable |
| Litter control | 79 | 74 | 78 | Mixed |
| Footpaths | 77 | 71 | 77 | Mixed |
| Public swimming pools | 67 | 69 | 75 | Improving |
| Sportsfields and playgrounds | 79 | 81 | 75 | Decreasing |
| Cemeteries - including maintenance | 73 | 69 | 72 | Mixed |
| Taste and odour of Council water supplied* | 74 | 78 | 78 | Mixed |
| Tourism promotion | 71 | 69 | 65 | Decreasing |
| Community assistance | 71 | 66 | 60 | Decreasing |
| Business promotion | 57 | 54 | 60 | Improving |
| Landfills in the District | 55 | 56 | 60 | Improving |
| Resource management planning | 51 | 44 | 58 | Improving |
| Public toilets | 64 | 54 | 52 | Decreasing |

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

2.2 COUNCIL'S ACTIVITIES

2.2.1 Transport and Roading

- Road Network and Road Safety

2.2.2 Recreation and Facilities

- Cemeteries
- Community Halls
- Historic Heritage Properties
- Pensioner Housing
- Other Property
- Public Toilets
- Talking Poles
- Plaza Theatre (South Waikato Arts Centre), Putaruru
- Tokoroa Airfield

Leisure Services

- Parks and Reserves
- Playgrounds
- Sports fields
- Library Service
- Other recreation support
- Public Swimming Pools

2.2.3 Community and Economic Development

- Community Advocacy
- Business and CBD Promotion
- District Promotion
- Economic Development projects/assistance
- Grants and Support
- Visitor Information Centres
- Youth Projects

2.2.4 Water Services

2.2.5 Stormwater

2.2.6 Wastewater

2.2.7 Solid Waste and Recycling

- Litter Collection
- Recycling
- Refuse Collection

2.2.8 Environment

- Animal Control
- Building Consents and Inspections
- Health and Liquor Licensing
- Parking

Resource Management

- Policy and consent processing

Emergency Management

- Civil Defence
- Rural Fire

2.2.9 Governance and Corporate

- District Governance
- Community Governance

2.2.1 TRANSPORT AND ROADING

Road Network and Road Safety

Contribution to the Council Strategy:

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

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

In addition, the following Council strategies are also contributed to:

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



What we do – a description of the activity

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

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

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

Most asset maintenance is carried out under a 3 year competitively tendered contract. Sign replacements, road marking and lighting maintenance are carried out by specialist contractors. Council has a Road Safety Programme that is largely funded through New Zealand Transport Agency. Under this programme, the Council employs a part-time Road Safety Coordinator to encourage community groups to prepare and implement educational projects that target high risk areas in the South Waikato. During the 2012/13 year all of the fatalities in the district occurred on state highways.

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

Road Widening and Seal Extensions

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

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

Pavement Rehabilitation

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

Road Safety

Council contributes to road safety in the following ways:

- The Council partners in the employment of a Road Safety Coordinator, to develop and deliver the Road Safety Education Programme. This will continue into the foreseeable future to

deliver national and local road safety programmes. The Road Safety Programme is currently budgeted around \$74,500 per year.

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

Footpath Safety

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

Land Transport Programme (LTP)

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

Why we do it

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

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

Council's Roles

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

Funding impact statement - Road Network and Road Safety

| | Annual Plan 2012 \$000's | Forecast 2013 \$000's | Actual 2013 \$000's |
|--|--------------------------------|-----------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General Rates, Uniform Annual General Charges, rates penalties | 4,034 | 4,401 | 4,232 |
| Targeted rates (other than a targeted rate for water supply) | - | - | - |
| Subsidies & grants for operating purposes | 2,649 | 2,495 | 1,111 |
| Fees, charges & targeted rates for water supply | - | - | 36 |
| Internal charges & overheads recovered | 77 | 35 | 25 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | 87 | 110 | 515 |
| TOTAL OPERATING FUNDING (A) | 6,847 | 7,041 | 5,919 |
| APPLICATION OF OPERATING FUNDING | | | |
| Payments of staff & suppliers | 2,990 | 2,999 | 3,351 |
| Finance costs | 198 | 241 | 176 |
| Internal charges & overheads applied | 467 | 571 | 1,163 |
| Other operating funding applications | 177 | 228 | 33 |
| TOTAL APPLICATIONS OF OPERATING FUNDING (B) | 3,832 | 4,039 | 4,723 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | 3,015 | 3,002 | 1,196 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies & grants for capital expenditure | 1,586 | 1,454 | 1,586 |
| Development & financial contributions | 20 | 10 | 8 |
| Increase (decrease) in debt | 694 | 217 | 61 |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| | 0 | 0 | |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | 2,300 | 1,681 | 1,655 |
| APPLICATION OF CAPITAL FUNDING | | | |
| Capital expenditure: | | | |
| - to meet additional demand | 422 | 435 | 478 |
| - to improve the level of services | - | - | - |
| - to replace existing assets | 3,036 | 2,750 | 3,005 |
| Increase (decrease) in reserves | (1,178) | (1,513) | 95 |
| Increase (decrease) in investments | 3,035 | 3,011 | (727) |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | 5,315 | 4,683 | 2,851 |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | (3,015) | (3,002) | (1,196) |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - |

Significant Asset Acquisitions or Replacements

Major Capital Projects for 2012-13

| Transport and roading | Actual Spend 2013 \$000 | Budget Spend 2013 \$000 | Actual Spend 2012 \$000 |
|---|--------------------------------|--------------------------------|--------------------------------|
| Formation widening | 478 | 434 | 441 |
| Seal widening | 12 | 12 | 243 |
| Seal extension | - | 65 | - |
| Pavement rehabilitation | 827 | 837 | 861 |
| Drainage renewals | 150 | 139 | 153 |
| Christmas/feature Lighting | 78 | 80 | 23 |
| Maintenance chip seals & reseals | 880 | 910 | 1,061 |
| Asphaltic surfaces | 166 | 140 | 99 |
| Kerb and channel renewals | 91 | 90 | 90 |
| Traffic services renewals-signs | 108 | 108 | 105 |
| Traffic services renewals-street lights | 111 | 110 | 103 |
| Minor improvements | 278 | 189 | 364 |
| Footpath renewals | 51 | 51 | 52 |
| Sundry other | 289 | 19 | 3 |
| Total | 3,519 | 3,184 | 3,598 |

Major variations from budget included:

Over expenditure occurred as a result of storm damage rehabilitation/reinstatement works, and the purchase of land at Pellikan Place for strategic roading purposes. The works performed due to storm damage was funded 50% by the New Zealand Transport Agency (NZTA), and the balance offset by savings made in operational (non-capital) activities. The Pellikan Place land purchase (under sundry other) was funded from a portion of budget marked for the new recycling centre facility which has been deferred into 2013-14.

Major projects completed included:

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

PERFORMANCE RESULTS – ROAD NETWORK AND ROAD SAFETY

| Key Result Areas | 2012-13 Target | 2012-13 Level Achieved | Comments |
|------------------------|--|------------------------|--|
| Road Quality | At least 80% of Council roads (by length) will meet the New Zealand Transport Agency (NZTA) target for roughness and not more than 15% of road length shall exceed the NZTA maximum target roughness. | No data available | In 2011-12, Council achieved this measure, with 91% of Council roads (by length) meeting the NZTA target for roughness. |
| Road Safety | The number of crashes in the South Waikato District per 100 million vehicle km travelled (VKT) is less than both the crash rate per 100 million VKT for all New Zealand, and Council's peer group, as defined by the NZTA's annual road safety report. | No data available | In 2011-12, Council achieved this measure with an overall result of 64 (peer 71, all NZ 68) |
| Service Responsiveness | 90% of potholes on Council's roads are repaired within one week of notice with the remaining 10% addressed within a month of notice. | Achieved | 28 requests were received for the year. 26 (93%) were responded to within target, with the remaining two repairs within one month. |
| Customer Satisfaction | Council receives fewer than twenty five complaints about the road network per year (this includes footpaths, signage, street lighting and road markings). | Achieved | Eight complaints were received for the year |
| Customer Satisfaction | 90% of all sub standard footpaths within the district are responded to within one week of notice and repaired within two weeks, with the remaining 10% repaired within one month. | Not Achieved | 55 requests were received for the year. 91% were responded to within 1 week, 87% repaired within 2 weeks, with 3 repaired within 1 month. However 4 were not repaired within 1 month |

2.2.2 RECREATION AND FACILITIES

Introduction

This area of activity involves various community, support and leisure services and their contributions to community wellbeing, including:

- Community advocacy, grants and support
- Parks and reserves
- Public swimming pools
- Libraries
- Pensioner housing
- Cemeteries
- Public toilets
- Community halls and other public buildings
- Tokoroa Airfield
- South Waikato Sport and Events Centre

Community Outcomes

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

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

COMMUNITY FACILITIES, PROPERTY AND AMENITIES

Contribution to the Council Strategy:

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

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

In addition, the following Council strategies are also contributed to:

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

What we do – a description of the activity

Council provides a range of facilities and amenities for community benefit, including:

South Waikato Sport & Events Centre



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

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

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

The South Waikato Arts Centre (The Plaza), Putāruru

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

Community Halls

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

Cemeteries

Cemeteries are provided in Putāruru (2), Tīrau and Tokoroa. Council's service consists of burials, cemetery maintenance and records management.

Public Toilets

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

Talking Poles

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

Pensioner Housing

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

Other Properties

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

Tokoroa Airfield

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

Why we do it

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

South Waikato Sport & Events Centre

The Council actively supports recreation and community fulfilment by creating and managing quality sport, leisure and health opportunities as central to the achievement of community wellbeing. The South Waikato Sport & Events Centre is the premier sports and events facility in the district.

The South Waikato Arts Centre (The Plaza)

The Council actively supports the arts and culture sector as central to the achievement of community wellbeing. The Plaza is the premier performance facility in the district.

Community Halls

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

Cemeteries

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

Public Toilets

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

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

Talking Poles

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

Tokoroa Airfield

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

Christmas Lights

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

Funding impact statement - Community Facilities, Properties and Amenities

| | Annual Plan 2012 \$000's | Forecast 2013 \$000's | Actual 2013 \$000's |
|--|--------------------------------|-----------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General Rates, Uniform Annual General Charges, rates penalties | 983 | 1,114 | 1,053 |
| Targeted rates (other than a targeted rate for water supply) | 19 | 32 | 38 |
| Subsidies & grants for operating purposes | 62 | 119 | - |
| Fees, charges & targeted rates for water supply | 466 | 591 | 539 |
| Internal charges & overheads recovered | 95 | 130 | 24 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | - | - | - |
| TOTAL OPERATING FUNDING (A) | 1,625 | 1,986 | 1,654 |
| APPLICATION OF OPERATING FUNDING | | | |
| Payments of staff & suppliers | 647 | 789 | 886 |
| Finance costs | 104 | 153 | 139 |
| Internal charges & overheads applied | 504 | 694 | 225 |
| Other operating funding applications | 72 | 45 | 1 |
| TOTAL APPLCIATIONS OF OPERATING FUNDING (B) | 1,327 | 1,682 | 1,251 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | 298 | 304 | 403 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies & grants for capital expenditure | 3,000 | 367 | 367 |
| Development & financial contributions | - | - | 21 |
| Increase (decrease) in debt | 2,625 | 1,209 | 1,572 |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | 5,625 | 1,576 | 1,960 |
| APPLICATION OF CAPITAL FUNDING | | | |
| Capital expenditure: | | | |
| - to meet additional demand | 63 | - | - |
| - to improve the level of services | 7,019 | 1,895 | 2,182 |
| - to replace existing assets | 740 | 252 | 352 |
| Increase (decrease) in reserves | (2,196) | (572) | (205) |
| Increase (decrease) in investments | 297 | 305 | 34 |
| | - | - | - |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | 5,923 | 1,880 | 2,363 |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | (298) | (304) | (403) |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - |

Significant Asset Acquisitions or Replacements

Major Capital Projects for 2012-13

| Community facilities, properties & amenities | Actual Spend 2013 \$000 | Budget Spend 2013 \$000 | Actual Spend 2012 \$000 |
|---|--------------------------------|--------------------------------|--------------------------------|
| Cemeteries | 6 | 13 | 11 |
| Community Halls | 46 | 48 | 43 |
| The Plaza | 47 | 48 | - |
| Sports Events centre | 2,119 | 1,739 | 4,200 |
| Tirau Hall | 9 | 10 | 2 |
| Public toilets | 229 | 168 | 1,164 |
| Tokoroa airfield | - | 12 | 53 |
| Pensioner housing | 77 | 108 | 115 |
| Total | 2,533 | 2,146 | 5,588 |

Major variations from budget included:

The South Waikato Sport and Events Centre was completed in October 2012. Expenditure shown reflects carry forward budget from 2011-12.

Pensioner housing exterior repainting budgeted at \$8,300 has been carried forward into 2013-14.

A number of public toilets were still in progress in the previous year and only completed this year; associated budget from the previous year was also therefore used in this year.

Tokoroa airfield fuel supply installation is now scheduled for 2013-14.

Significant projects completed included:

- The Plaza theatre seating replacement
- Tirau Hall vinyl floor replacement
- Completion of various district-wide toilet projects
- Pensioner housing interior redecoration, re-roofing, kitchen replacements and accessibility enhancements.



Tokoroa Youth Park toilets

PERFORMANCE RESULTS – RECREATION AND FACILITIES

| Key Result Areas | 2012-13 Target | 2012-13 Level Achieved | Comments |
|-------------------------------------|--|------------------------|---|
| Safety: buildings | Council will ensure 100% compliance with the Building Act 2004 and hold current warrants of fitness where required (this includes Council owned buildings in public use, such as the Plaza). | Achieved | All Council buildings that are in public use are compliant with the Building Act 2004. All buildings requiring warrants of fitness have warrants valid until December 2013. |
| Safety: Playgrounds | Council will respond to complaints, service requests and inspection reports relating to unsafe playgrounds equipment within one hour of notification and the equipment will be made safe within 24 hours at least 95% of the time. | Achieved | One instance of playground safety was identified, and responded to immediately. |
| Service quality: Parks and Reserves | Council receives fewer than ten complaints about parks and reserves per year. | Achieved | Four complaints were received for the year. |
| Safety: Swimming Pools | At least 90% of pool water tests comply with the relevant New Zealand standards of water quality. | Achieved | Pool water testing has achieved an overall rating of 92%. |
| Usage: Swimming Pools | An average of at least four visits per resident per year to the South Waikato Indoor Pools will be achieved. | Achieved | Four visits per resident were achieved. This based on 100,305 visits and a population of 22,900. |
| Usage: Libraries | An average of at least 8.5 book issues per resident per year will be achieved. | Not Achieved | Council has achieved 7.5 book issues per resident. This is based on 170,938 issues and a population of 22,900. |
| Service quality: Public Toilets | Council receives fewer than six complaints each year about public toilets. | Achieved | Two request for service quality complaints were received for the year. |
| Service responsiveness: Cemeteries | 100% of all enquiries, requests or complaints are responded to within three working days of notice. | Achieved | All enquiries have been addressed within the specified timeframe. 30 requests were received for the year. 18 enquiries were responded to the same day; 9 were responded to the next business day, and 3 within two business days. |

PERFORMANCE RESULTS – RECREATION AND FACILITIES

(continued)

| Key Result Areas | 2012-13 Target | 2012-13 Achieved | Level | Comments |
|---------------------------------|--|------------------|-------|--|
| Occupancy: Pensioner Housing | The service delivers affordable and appropriate units for our residents to live in, which is reflected in 95% occupancy of Council's pensioner housing on an annual basis. | Achieved | | Councils' pensioner housing has achieved an occupancy rate of 96%. |

LEISURE SERVICES

Contribution to the Council Strategy:

In delivering the leisure and services activities and initiatives, Council focuses on the following top priorities; to:

- Enhance access to and use of Council's services and facilities
- Support tourism development
- Encourage and advocate for a safer community
- Encourage and advocate for improved health services for our community
- Encourage education and training to improve employment in our district
- Maintain a strong working relationship with Maori
- Maintain and support our community's art and culture, and support cultural displays and events
- In addition, the following Council strategies are also contributed to:
 - Enhance communication with our community and stakeholders
 - Sustainability is embedded in all of Council's operations
 - Develop partnerships that support the achievement of our vision
 - Stimulate economic development by assisting existing & attracting new businesses
 - Provide sound asset management planning
 - Manage the Council business - do things well

Enhance What we do – a description of the activity

Parks and Reserves

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

Parks and Reserves are classified into several types:

- 48 urban reserves varying in size from 500m² to 25ha
- 6 lakeside reserves
- 6 sportsgrounds located in Putāruru and Tokoroa
- 14 playgrounds located in Tokoroa, Putāruru, Tīrau, Arapuni and Jones' Landing
- 3 skateboard areas
- 5 scenic bush reserves
- 2 recreational reserves at Lichfield and Tīrau

A large number of plantation strips, roadside gardens and small beautification areas

- Council's support for the Te Waihou Walkway project includes staff commitment, checking boardwalks for safety and future planning in collaboration with the Te Waihou Working Party.

Swimming Pools

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

District Library Service

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

Other Recreation Support

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

Why we do it

Parks and Reserves

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

Swimming Pools

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

District Library Service

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

Other Recreation Support

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

Council's Roles

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

Funding impact statement - Leisure Services

| | Annual Plan 2012 \$000's | Forecast 2013 \$000's | Actual 2013 \$000's |
|--|--------------------------------|-----------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General Rates, Uniform Annual General Charges, rates penalties | 3,790 | 4,135 | 3,979 |
| Targeted rates (other than a targeted rate for water supply) | - | - | - |
| Subsidies & grants for operating purposes | - | 1 | - |
| Fees, charges & targeted rates for water supply | 342 | 348 | 359 |
| Internal charges & overheads recovered | 55 | (17) | 25 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | - | - | - |
| TOTAL OPERATING FUNDING (A) | 4,187 | 4,467 | 4,363 |
| APPLICATION OF OPERATING FUNDING | | | |
| Payments of staff & suppliers | 2,470 | 2,535 | 2,617 |
| Finance costs | 118 | 131 | 96 |
| Internal charges & overheads applied | 895 | 1,019 | 1,232 |
| Other operating funding applications | 88 | 95 | 53 |
| TOTAL APPLICATIONS OF OPERATING FUNDING (B) | 3,571 | 3,780 | 3,998 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | 616 | 687 | 365 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies & grants for capital expenditure | - | - | 2 |
| Development & financial contributions | 8 | 8 | 1 |
| Increase (decrease) in debt | 289 | 75 | (98) |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | 297 | 83 | (95) |
| APPLICATION OF CAPITAL FUNDING | | | |
| Capital expenditure: | | | |
| - to meet additional demand | - | - | - |
| - to improve the level of services | 408 | 423 | 354 |
| - to replace existing assets | 213 | 507 | 348 |
| Increase (decrease) in reserves | (332) | (852) | 17 |
| Increase (decrease) in investments | 624 | 692 | (449) |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | 913 | 770 | 270 |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | (616) | (687) | (365) |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - |

Significant Asset Acquisitions or Replacements

Major Capital Projects 2012-13

| Leisure services | Actual Spend 2013 \$000 | Budget Spend 2013 \$000 | Actual Spend 2012 \$000 |
|---|--------------------------------|--------------------------------|--------------------------------|
| Library Collection Annual Renewal | 134 | 135 | 144 |
| Library-other | 43 | 84 | 8 |
| Sportsgrounds-Memorial Park | 209 | 160 | - |
| Sportsgrounds-Glenshea Park | 60 | 79 | - |
| Reserves - walkway development | 16 | 49 | 38 |
| Reserves - Putaruru to Duxfield walkway | 12 | 100 | - |
| Playground Equipment renewals | 16 | 37 | 40 |
| Lake Moananui - retaining walls | - | 37 | - |
| Tirau village green development | - | - | 33 |
| Arapuni Village Green carpark development & link road | 7 | - | 79 |
| Other parks and reserves projects | 33 | 42 | 64 |
| District indoor pool - plant replacement | 147 | 178 | 11 |
| Putaruru pool - plant replacement | 25 | 29 | - |
| Total | 702 | 929 | 417 |

Major variations from budget included:

- Library collection-other includes a number of smaller projects that have been carried forward into 2013-14.
- Sportsgrounds-Memorial Park includes some projects that relate to the previous year that were completed this year, including new signage and the installation of new surfaces to three netball courts.
- The Putāruru to Duxfield walkway was still in progress at year-end, and will be completed in 2013-14.
- Some playground equipment renewals were still in progress at year-end.
- Lake Moana-nui retaining walls is being completed in 2013-14.
- A \$20,000 repaint of the District pool exterior walls will be completed in 2013-14.

Major projects completed included:

- Tokoroa Library rear wall replacement
- Library collection books
- District indoor pool - UV treatment system
- Putāruru pool plant replacement
- Te Waihou Walkway - furniture and signage
- Arapuni Village Green development.
- Memorial Sportsground Oval Lighting

2.2.3 COMMUNITY AND ECONOMIC DEVELOPMENT

Contribution to the Council Strategy:

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

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

In addition, the following Council strategies are also contributed to:

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

What we do – a description of the activity

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

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

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

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

The 'Start' programme, led by the South Waikato Life Long Learning Group and supported by Council, added to this base in 2012-13 by including a 'Start Day' for intermediate scholars and an

'Start Expo' for all people interested in learning - but with an emphasis on high school students. Start Day students visited local companies, and the Start Expo aimed at getting everyone informed and excited about their career journey. Over 1,400 people attended the expo, which was rated as a great experience by both business and students.

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

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

Why we do it

Community Advocacy, Grants and Support

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

District and Event promotions

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

Economic Development initiatives

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

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

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

We have implemented previous commitments that encourage economic development. For instance, toilets and parking at Arapuni have been built to cater for visitors to the Waikato River

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

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

Warm Homes – Clean Air

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

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

The programme is intended to improve the health of residents in Putāruru and Tokoroa. Both towns have known air quality problems. It is a national priority for urban areas with air pollution problems to achieve the national air quality standards. The programme Council is contributing to involves fitting clean heat appliances, insulation, and educating residents on the importance of heating homes in a cost effective and environmental safe way.

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

Council established a clean heat rates incentive scheme ('Heat Swap') in 2011-12 to support ratepayers to replace non-compliant heating sources with compliant systems. This allows those that enter into the scheme to have a targeted rate on their property for ten years to alleviate pressures with the initial outlay to buy new appliances that provide clean heat. This programme continues to be well supported, with the total at the end of the 2012/13 year at \$494,000 loaned by Council to 123 property owners.

Hospital and Medical Services

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

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

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

Council's Role

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

Funding impact statement - Community & Economic Development

| | Annual Plan 2012 \$000's | Forecast 2013 \$000's | Actual 2013 \$000's |
|--|--------------------------------|-----------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General Rates, Uniform Annual General Charges, rates penalties | 1,785 | 1,922 | 1,849 |
| Targeted rates (other than a targeted rate for water supply) | 104 | 114 | 109 |
| Subsidies & grants for operating purposes | - | - | 7 |
| Fees, charges & targeted rates for water supply | 9 | 13 | 18 |
| Internal charges & overheads recovered | (9) | (69) | 1 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | - | - | - |
| TOTAL OPERATING FUNDING (A) | 1,889 | 1,980 | 1,984 |
| APPLICATION OF OPERATING FUNDING | | | |
| Payments of staff & suppliers | 1,914 | 2,204 | 1,668 |
| Finance costs | 18 | 56 | 44 |
| Internal charges & overheads applied | 138 | 130 | 357 |
| Other operating funding applications | 3 | 5 | - |
| TOTAL APPLCIATIONS OF OPERATING FUNDING (B) | 2,073 | 2,395 | 2,069 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | (184) | (415) | (85) |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies & grants for capital expenditure | - | - | - |
| Development & financial contributions | - | - | - |
| Increase (decrease) in debt | 250 | 437 | (90) |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | 250 | 437 | (90) |
| APPLICATION OF CAPITAL FUNDING | | | |
| Capital expenditure: | | | |
| - to meet additional demand | - | - | - |
| - to improve the level of services | 50 | 30 | 29 |
| - to replace existing assets | 15 | 15 | 24 |
| Increase (decrease) in reserves | (15) | (45) | (15) |
| Increase (decrease) in investments | 16 | 22 | (213) |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | 66 | 22 | (175) |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | 184 | 415 | 85 |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - |

Significant Asset Acquisitions or Replacements

Major Capital Projects for 2012-13

| Community support and economic development | Actual Spend 2013 \$000 | Budget Spend 2013 \$000 | Actual Spend 2012 \$000 |
|---|--------------------------------|--------------------------------|--------------------------------|
| District Promotion - billboards/signs | 24 | 15 | 3 |
| LED lighting | 29 | 30 | 49 |
| Total | 53 | 45 | 52 |

Major variations from budget included:

District promotion - billboards/signs - there was carry over budget (not shown above) of \$20,000 from 2011-12. \$10,000 of the resulting under expenditure is to be carried forward into 2013-14.

PERFORMANCE RESULTS - COMMUNITY AND ECONOMIC DEVELOPMENT

| Key Result Areas | 2012-13 Target | 2012-13 Level Achieved | Comments |
|---|--|------------------------|--|
| Social connectivity and building capacity of community groups | Membership of Council's community connect website is promoted and maintained with a minimum of 80 registered users updating details within the year. | Achieved | 109 registered users details were updated during the year. |
| Youth Development | Council will sponsor an active Youth Council within the district – with responsibilities including planning and coordinating the School of Zen event, and making youth submissions on Council's draft plans. | Achieved | The Youth Council ran the School of Zen event on 6 December 2012 and was then scaled back due to work pressures on the youth. In addition, a youth submission on Council's draft Annual Plan 2013-14 was received from Jade Hohaia - South Waikato Youth Services Manager [Social Sector Trials] representing local youth. |
| Events | Council will ensure on average one event per quarter occurs to enhance community cohesiveness. | Achieved | Eleven events have been held. These were: the Mayoral breakfast; 6 neighbourhood parties; Involve (October 2012), apprenticeship graduation (November 2012), ANZAC Day service (April 2013) and Honouring Volunteers (June 2013). |
| Local economic development plan | Ensure the development of a local economic development plan (to be implemented through the 2015-25 Long Term Plan). | Achieved | Currently the Waikato Mayoral Forum is developing an Economic Development Strategy for the region and Council staff are contributing to this process. Initially, the plan was to wait for this to be completed to act as the baseline and foundation for the development of a Local Economic Development Action Plan. However, as this is progressing slowly, Council has indicated to staff that we should not wait, and that work on a local economic development plan should begin in the 2013-14 financial year. |

2.2.4 WATER SERVICES

Council is a key provider of many infrastructural needs of South Waikato communities, including water supplies, sewerage, stormwater drainage and solid waste management. This will continue as a commitment to Council core services.

Community Outcomes

The water, sanitary and waste management group of activities contribute to the following community outcomes themes:

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

Principles

To create a healthy, safe and happy community and maintain a clean, green district, Council will:

- partner with other providers to meet identified needs
- use Council outcomes as the basis for developing responses
- commit to a strong asset management approach to asset-based infrastructure, and constantly review levels of service for adequacy
- advocate in a determined fashion for the retention and increased servicing of the South Waikato District by government departments
- lead by example by managing its own waste effectively
- act in the interests of present and future generations
- recognise the environmental costs of decisions and actions

- promote business waste reduction initiatives
- invest adequately in environmental education
- exercise the precautionary principle where decision-making may result in environmental harm
- transition South Waikato communities towards more environmentally sustainable practices in the home and at work
- understand Council's cultural responsibilities and the links between long term community wellbeing and Council's environmental, social and economic responsibilities.

Targets

Regular asset management and level of service reviews are undertaken to ensure asset condition is managed and customer expectations are understood.

- Waste Minimisation Plan contains targets for waste reduction
- Advertising and promotion of recycling is undertaken
- Requirements are met for all Asset Management Plans.

Contribution to the Council Strategy:

In delivering the water supply activities and initiatives, Council focuses on the following top priorities; to:

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

In addition, the following Council strategies are also contributed to:

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

What we do – a description of the activity

The Council operates four urban and two rural water supply networks, totalling over 200km of pipeline and five treatment plants. Most of the water is taken from underground sources, which are considered to be of high quality. Some of Putāruru's water is sourced from the Blue Spring, which is believed to be the source of 70% of New Zealand's bottled water, and is sold internationally. Athol's supply is sourced from a Carter Holt Harvey network connected into the

local Council supply network. The water supply systems are maintained and operated by Council's Watermark business unit. Capital works may be carried out internally or contracted out based on the scale and nature of the work and the relative efficiencies obtained by tendering out. The network has an estimated replacement value of \$51.9m, almost half of which is pipe reticulation (\$29.7m). The networks are subject to regular revaluations. This has a flow on effect on the amount taken in depreciation. These amounts are based on a June 2013 valuation.

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

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

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

- service continuity
- potable water
- adequacy of asset condition
- adequacy of funding
- adequacy of capacity
- public satisfaction
- response times
- legislative compliance (quality and supply standards).

Why we do it

Council is in the business of providing water supply because:

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

Council's Roles

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

Funding impact statement - Water Supply

| | Annual Plan 2012 \$000's | Forecast 2013 \$000's | Actual 2013 \$000's |
|--|--------------------------------|-----------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General Rates, Uniform Annual General Charges, rates penalties | - | - | - |
| Targeted rates (other than a targeted rate for water supply) | 1,786 | 1,844 | 1,847 |
| Subsidies & grants for operating purposes | - | - | - |
| Fees, charges & targeted rates for water supply | 196 | 231 | 287 |
| Internal charges & overheads recovered | 182 | 68 | 500 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | - | - | - |
| TOTAL OPERATING FUNDING (A) | 2,164 | 2,143 | 2,634 |
| APPLICATION OF OPERATING FUNDING | | | |
| Payments of staff & suppliers | 673 | 670 | 2,117 |
| Finance costs | - | - | - |
| Internal charges & overheads applied | 847 | 887 | 657 |
| Other operating funding applications | - | - | - |
| TOTAL APPLCIATIONS OF OPERATING FUNDING (B) | 1,520 | 1,557 | 2,774 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | 644 | 586 | (140) |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies & grants for capital expenditure | - | - | 174 |
| Development & financial contributions | - | 1 | - |
| Increase (decrease) in debt | 2 | - | - |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | 2 | 1 | 174 |
| APPLICATION OF CAPITAL FUNDING | | | |
| Capital expenditure: | | | |
| - to meet additional demand | - | - | - |
| - to improve the level of services | 414 | 300 | 363 |
| - to replace existing assets | 609 | 491 | 443 |
| Increase (decrease) in reserves | (1,021) | (791) | (211) |
| Increase (decrease) in investments | 644 | 587 | (561) |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | 646 | 587 | 34 |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | (644) | (586) | 140 |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - |

Significant Asset Acquisitions or Replacements

Major Capital Projects 2012-2013

| Water supply | Actual Spend 2013 \$000 | Budget Spend 2013 \$000 | Actual Spend 2012 \$000 |
|---|--------------------------------|--------------------------------|--------------------------------|
| Tokoroa - reticulation replacements | 249 | 256 | 79 |
| Tokoroa - capital component of maintenance | 14 | 12 | 8 |
| Tokoroa - Billah St headworks | 4 | 7 | 59 |
| Tokoroa - Elizabeth Park main switchboard upgrade | - | - | 26 |
| Tokoroa - Colsons Hill - repair leak | 6 | - | 18 |
| Putaruru - Waihou headworks | - | 11 | - |
| Putaruru - headworks | - | - | 21 |
| Putaruru - reticulations replacements | 46 | 42 | 19 |
| Putaruru - capital component of maintenance | 5 | 12 | 11 |
| Putaruru -water treatment system | 318 | 300 | - |
| Tirau - capital component of maintenance | 3 | 12 | 66 |
| Tirau - new works-water treatment | 55 | - | 170 |
| Tirau - reticulation replacements | 26 | 35 | 22 |
| Arapuni - reticulation renewal | 80 | 104 | - |
| Other Capital Projects | - | - | 33 |
| Total | 806 | 791 | 532 |

Major variations from budget included:

The Putāruru water treatment system upgrade was completed.

Arapuni bores resource consent renewal (\$20,000) was not required.

Major projects completed included:

Smart water meters were installed in Tokoroa

The Putāruru water treatment system upgrade was completed including Ultra Violet (UV) treatment

Tirau new works water treatment project was completed

Reticulation replacements

PERFORMANCE RESULTS - WATER SUPPLY

| Key Result Areas | 2012-13 Target | 2012-13 Level Achieved | Comments |
|--|--|------------------------|---|
| Service Responsiveness | At least 95% of disruption to Council's urban water supply network will be responded to within one hour of notice on 24/7 basis. | Achieved | Council received 36 service requests. All (100%) were responded to within one hour. |
| Network Reliability | 90% of disruptions to Council's urban water supply network will be remedied within twelve hours of notice. | Achieved | Council received 36 service requests. All (100%) remedied within twelve hours. |
| Safety | At least 97% of tests for E.coli carried out on treated reticulated water will indicate a level of E. coli in the reticulated Council systems of less than one per 100ml. | Achieved | 587 samples were analysed. 585 (99.66%) achieved the target. |
| Water Quality grading - Ministry of Health (at source) requirement | All public water supplies will comply with the NZ Drinking Water Standards (water quality standards) by the date specified in the Health (Drinking Water) Amendment Act 2007. Tokoroa 1 Jul-2012; Putāruru 1 Jul-2014; Tīrau 1 Jul-2014; Arapuni 1 Jul-2015; Lichfield 1 Jul-2015. | Not achieved | Water at the Tokoroa water treatment plant is chlorinated and treated with UV as required by the Act, however systems to provide appropriate continuous monitoring were still being implemented, therefore could not be achieved. |
| Water Distribution system grading – Ministry of Health requirement | All public water supplies will comply with the NZ Drinking Water Standards (distribution system standards) by the date specified in the Health (Drinking Water) Amendment Act 2007. Tokoroa 1 Jul-2012; Putāruru 1 Jul-2014; Tīrau 1 Jul-2014; Arapuni 1 Jul-2015; Lichfield 1 Jul-2015. | Not achieved | Water at the Tokoroa water treatment plant is chlorinated and treated with UV as required by the Act, however systems to provide appropriate continuous monitoring were still being implemented, therefore could not be achieved. |

2.2.5 STORMWATER

Contribution to the Council Strategy:

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

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

In addition, the following Council strategies are also contributed to:

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

What we do – a description of the activity

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

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

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

Why we do it

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

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

Council's Roles

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

Funding impact statement – Stormwater

| | Annual Plan 2012 \$000's | Forecast 2013 \$000's | Actual 2013 \$000's |
|--|--------------------------------|-----------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General Rates, Uniform Annual General Charges, rates penalties | - | - | - |
| Targeted rates (other than a targeted rate for water supply) | 384 | 422 | 427 |
| Subsidies & grants for operating purposes | - | - | - |
| Fees, charges & targeted rates for water supply | 5 | - | - |
| Internal charges & overheads recovered | 172 | 127 | 104 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | - | - | - |
| TOTAL OPERATING FUNDING (A) | 561 | 549 | 531 |
| APPLICATION OF OPERATING FUNDING | | | |
| Payments of staff & suppliers | 170 | 163 | 136 |
| Finance costs | - | - | - |
| Internal charges & overheads applied | 25 | 57 | 60 |
| Other operating funding applications | - | - | - |
| TOTAL APPLCIATIONS OF OPERATING FUNDING (B) | 195 | 220 | 196 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | 366 | 329 | 335 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies & grants for capital expenditure | - | - | - |
| Development & financial contributions | 2 | - | - |
| Increase (decrease) in debt | - | - | - |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | 2 | - | - |
| APPLICATION OF CAPITAL FUNDING | | | |
| Capital expenditure: | | | |
| - to meet additional demand | - | - | - |
| - to improve the level of services | - | - | - |
| - to replace existing assets | 46 | 189 | 58 |
| Increase (decrease) in reserves | (46) | (189) | 174 |
| Increase (decrease) in investments | 368 | 329 | 103 |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | 368 | 329 | 335 |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | (366) | (329) | (335) |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - |

Significant Asset Acquisitions or Replacements

Major Capital Projects 2012-2013

| Stormwater | Actual Spend 2013 \$000 | Budget Spend 2013 \$000 | Actual Spend 2012 \$000 |
|--------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Tokoroa - minor new works projects | 4 | 11 | 5 |
| Puraruru - minor new works projects | 15 | 17 | 16 |
| Putaruru - Tirau Street pipe renewal | 17 | 105 | - |
| Tirau - minor new works projects | 5 | 6 | 10 |
| Arapuni - resource consent renewal | 17 | 50 | - |
| | 58 | 189 | 31 |

Major variations from budget included:

The Tirau Street pipe renewal was still in progress at year-end.

The Arapuni resource consent renewal was completed.

PERFORMANCE RESULTS – STORMWATER

| Key Result Areas | 2012-13 Target | 2012-13 Level Achieved | Comments |
|------------------------|---|------------------------|---|
| Reliability | Buildings that comply with the Building Code will not be flooded due to failures of system maintenance. | Achieved | No flooding of buildings that comply with the Building Code was reported. |
| Service Responsiveness | At least 90% of non-urgent service requests are responded to within one week of notice. The remaining 10% will be responded to within two weeks. | Not achieved | Council received 57 service requests. Six requests (10.5%) were not responded to within the target. |
| Consent Compliance | There will be no more than two 'Formal Enforcement Actions' from the consenting authority in regard to Council's compliance with resource consent conditions. | Achieved | Council did not receive any formal enforcement actions from the regional council. |

2.2.6 WASTEWATER

Contribution to the Council Strategy:

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

- Enhance access to and use of Council's services and facilities
- Encourage and advocate for a safer community
- Encourage and advocate for improved health services for our community
- Enhance communication with our community and stakeholders
- Manage the Council business - do things well
- Encourage a sustainable environment
- Sustainability is embedded in all of Council's operations
- Provide sound asset management planning
- Maintain a strong working relationship with Maori
- Develop partnerships that support the achievement of our vision In addition, the following Council strategies are also contributed to:
- Stimulate economic development by assisting existing and attracting new businesses
- Enhance communication

What we do – a description of the activity

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

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

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

Why we do it

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

If wastewater collection and treatment systems fail to meet health, safety and environmental standards then domestic wastewater, commercial wastewater and certain classes of industrial wastes could be discharged into street gutters or the ground. Public health risks would almost certainly arise from this. Waste could also find its way into streams and rivers in an untreated state, which would degrade the quality of the district's natural waterways. Wastewater collection and treatment is, therefore, core infrastructure for the district.

Council's current ownership stems from a legacy ownership role that, except in particular circumstances, is now prohibited from passing to the private sector by the Local Government Act 2002 Section 130.

Through consultation with the community, this activity has been shown to make an essential contribution to the wellbeing of the community in areas of health, environment and the economy.

Council believes that, because of the natural monopoly and public good nature of the service and the consequences of failure of the service, it should retain management and operation of the wastewater assets.

Council's Roles

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

FUNDING IMPACT STATEMENT – WASTEWATER

| | Annual Plan 2012 \$000's | Forecast 2013 \$000's | Actual 2013 \$000's |
|--|--------------------------------|-----------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General Rates, Uniform Annual General Charges, rates penalties | - | - | - |
| Targeted rates (other than a targeted rate for water supply) | 2,349 | 2,489 | 2,566 |
| Subsidies & grants for operating purposes | - | - | - |
| Fees, charges & targeted rates for water supply | 9 | 6 | 7 |
| Internal charges & overheads recovered | 486 | 316 | 109 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | - | - | - |
| TOTAL OPERATING FUNDING (A) | 2,844 | 2,811 | 2,682 |
| APPLICATION OF OPERATING FUNDING | | | |
| Payments of staff & suppliers | 1,527 | 1,537 | 1,546 |
| Finance costs | 83 | 65 | 43 |
| Internal charges & overheads applied | 354 | 255 | 317 |
| Other operating funding applications | 46 | 66 | - |
| TOTAL APPLCIATIONS OF OPERATING FUNDING (B) | 2,010 | 1,923 | 1,906 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | 834 | 888 | 776 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies & grants for capital expenditure | - | - | - |
| Development & financial contributions | 13 | 3 | - |
| Increase (decrease) in debt | 158 | - | (107) |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | 171 | 3 | (107) |
| APPLICATION OF CAPITAL FUNDING | | | |
| Capital expenditure: | | | |
| - to meet additional demand | - | - | - |
| - to improve the level of services | - | - | 794 |
| - to replace existing assets | 1,491 | 239 | 580 |
| Increase (decrease) in reserves | (1,333) | (239) | (727) |
| Increase (decrease) in investments | 847 | 891 | 22 |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | 1,005 | 891 | 669 |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | (834) | (888) | (776) |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - |

SIGNIFICANT ASSET ACQUISITIONS OR REPLACEMENTS

Major Capital Projects 2012-13

| Wastewater | Actual Spend 2013 \$000 | Budget Spend 2013 \$000 | Actual Spend 2012 \$000 |
|--|--------------------------------|--------------------------------|--------------------------------|
| Tokoroa - wastewater treatment plant (WWTP) upgrade | 1,254 | 98 | 299 |
| Tokoroa - UV plant upgrade | 10 | 13 | 3 |
| Tokoroa WWTP - nitrogen removal enhancement | 24 | 33 | - |
| Tirau WWTP upgrade | 15 | 15 | 18 |
| Arapuni WWTP upgrade | 14 | 20 | - |
| District-wide above ground/under ground plant renewals | 43 | 54 | 47 |
| Other | 33 | 6 | 60 |
| Total | 1,393 | 239 | 427 |

Major variations from budget included:

- Work on the Tokoroa WWTP upgrade has been completed, with \$1,184,000 of carry forward budget from 2011-12.

Major projects completed included

- Miscellaneous above ground/underground plant renewals
- Tokoroa WWTP nitrogen removal enhancement
- Tokoroa WWTP upgrade

PERFORMANCE RESULTS – WASTEWATER

| Key Result Areas | 2012-13 Target | 2012-13 Level Achieved | Comments |
|------------------------|--|------------------------|---|
| Network Reliability | No more than one break or blockage per year causing overflow, per 10km of Council's sewerage pipe network. The network comprises 163.9km of reticulation pipelines, so the KPI is for 16 or fewer breaks or blockages per annum. | Not Achieved | Council has had 18 blockages for the year. |
| Quality of discharge | There will be no "Formal Enforcement Actions" from the consenting authority (Waikato Regional Council) in regard to Council's compliance with resource consent conditions relating to wastewater. | Not achieved | An abatement notice was received from the Regional Council for overflow which occurred on 21-22 October 2012 at Tirau Wastewater Treatment Plant. |
| Service Responsiveness | At least 95% of urgent service requests are responded to within one hour of the request with the remaining 5% responded to within 24 hours. | Achieved | Council received 28 service requests. All (100%) were responded to within 1 hour. |

2.2.7 SOLID WASTE AND RECYCLING

Contribution to the Council Strategy:

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

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

In addition, the following Council strategies are also contributed to:

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

Targets

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

Accessibility

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

Cost

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

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

- Service continuity
- Adequacy of funding

- Adequacy of capacity
- Public satisfaction
- Legislative compliance
- Environmental impact.

What we do – a description of the activity

Council's solid waste and recycling functions includes:

Landfill Operations

Council currently has the following landfill sites:

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

Litter Collection

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

Refuse Collection

Council provides weekly refuse collection from defined areas (mostly urban) paying for this service, in Arapuni, Putāruru, Tirau and Tokoroa.

Hazardous Waste Disposal

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

Greenwaste

Greenwaste mulching takes place in Putāruru and Tokoroa. This is managed on behalf of Council by private operators, in accordance with Councils' Landfills Asset Management Plan. The operation of these assets is closely aligned to Council's Waste Management and Minimisation Plan 2012-2017.

Kerbside Recycling

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

Why we do it

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

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

Council's Roles

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

Funding impact statement - Solid Waste & Recycling

| | Annual Plan 2012 \$000's | Forecast 2013 \$000's | Actual 2013 \$000's |
|--|--------------------------------|-----------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General Rates, Uniform Annual General Charges, rates penalties | 874 | 734 | 710 |
| Targeted rates (other than a targeted rate for water supply) | 597 | 586 | 584 |
| Subsidies & grants for operating purposes | 24 | - | - |
| Fees, charges & targeted rates for water supply | 822 | 1,089 | 789 |
| Internal charges & overheads recovered | - | 15 | 39 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | - | - | 60 |
| TOTAL OPERATING FUNDING (A) | 2,317 | 2,424 | 2,182 |
| APPLICATION OF OPERATING FUNDING | | | |
| Payments of staff & suppliers | 1,768 | 1,827 | 1,764 |
| Finance costs | 139 | 109 | 56 |
| Internal charges & overheads applied | 24 | 186 | 279 |
| Other operating funding applications | 210 | 85 | - |
| TOTAL APPLCIATIONS OF OPERATING FUNDING (B) | 2,141 | 2,207 | 2,099 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | 176 | 217 | 83 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies & grants for capital expenditure | 450 | - | 51 |
| Development & financial contributions | - | - | - |
| Increase (decrease) in debt | 450 | 120 | 64 |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | 900 | 120 | 115 |
| APPLICATION OF CAPITAL FUNDING | | | |
| Capital expenditure: | | | |
| - to meet additional demand | - | - | - |
| - to improve the level of services | 900 | 240 | 6 |
| - to replace existing assets | 25 | 118 | 60 |
| Increase (decrease) in reserves | (25) | (238) | 126 |
| Increase (decrease) in investments | 176 | 217 | 6 |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | 1,076 | 337 | 198 |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | (176) | (217) | (83) |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - |

Significant Asset Acquisitions or Replacements

Major Capital Projects 2012-13

| Solid waste and recycling | Actual Spend 2013 \$000 | Budget Spend 2013 \$000 | Actual Spend 2012 \$000 |
|--|--|--|--|
| Tokoroa landfill leachate pump | - | - | 11 |
| Tokoroa - recycling facility | 6 | - | 5 |
| Tokoroa - capital component of maintenance | 21 | 22 | - |
| Tokoroa - security fencing | 18 | 55 | - |
| Tokoroa - other minor projects | 7 | 11 | - |
| Putaruru - other minor projects | 10 | 26 | - |
| Recycling crates | - | 240 | - |
| Tirau - Depot Street - refurbish recycling container | 4 | 4 | - |
| Total | 66 | 358 | 16 |

Major variations from budget included:

- Recycling crates were purchased as an operational cost in the 2011-12 financial year, for \$194,000.
- The district recycling facility project has been carried forward into 2013-2014. \$115,000 of the \$780,000 budget has been used to purchase land at Pellikan Place, as a strategic transport and roading asset.

PERFORMANCE RESULTS - SOLID WASTE AND RECYCLING

| Key Result Areas | 2012-13 Target | 2012-13 Level Achieved | Comments |
|----------------------------|--|------------------------|---|
| Waste Minimisation | The amount of waste that is recycled must not be less than 10% of the residual waste sent to landfill. ('Residual waste' is the gross tonnages over the weighbridge less cover material, sewage sludge, greenwaste, and metal/timber fractions). | Achieved | 13% of residual waste was recycled |
| Consent Compliance | There will be no 'Formal Enforcement Actions' from the consenting authority in regard to Council's compliance with resource consent conditions. | Achieved | There were no formal enforcement actions received from the regional council |
| Kerbside refuse collection | There are no more than 50 complaints about the kerbside refuse collection service per annum. | Achieved | Only three complaints were received for the year |

2.2.8 ENVIRONMENT

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

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

Community Outcomes

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

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

Principles

To create a cleaner, greener and more environmentally responsible district, Council will:

- Act in the interests of present and future generations
- Recognise the environmental cost of its decisions and actions
- Exercise the precautionary principle where its decision-making may result in environmental harm
- Transition South Waikato communities towards more environmentally sustainable practices in the home and at work

- Understand cultural responsibilities more clearly and the links between long term community wellbeing and environmental, social and economic responsibilities
- Recognise the importance of sustainability, quality of design and innovation in the built environment.

REGULATORY SERVICES

Contribution to the Council Strategy:

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

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

In addition, the following Council strategies are also contributed to:

- Develop partnerships that support the achievement of our vision

What we do – a description of the activity

Council has a regulatory role in the following main areas:

- Animal Control, which includes registration of dogs and impounding of roaming and dangerous animals
- Council acts as a Building Consenting Authority under the Building Act and issues Building Consents and regulates the safety of buildings and other structures
- Council enforces its bylaws
- Ensuring the appropriate health standards are met in premises serving food and that the appropriate licenses are obtained (e.g. offensive trades, funeral directors and hawkers)
- Investigation of infectious diseases
- Ensuring that premises selling liquor comply with legislative requirements
- Noise Control
- Parking enforcement in the CBDs
- Enforcement of legislation governing swimming pool fences
- Provide public health advice to enhance community or individual well-being.

Why we do it

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

2012-13 projects

Animal Control operations continue to be managed effectively with public safety paramount. The re-homing service continues to be successful. Council has focussed on seizing unregistered dogs, to encourage registration, rather than issuing infringement notices to non-compliant owners.

The District Liquor Accord working partnership forum which was established between licensees, Police, the Public Health Unit and Council, continues to be successful in reducing alcohol related harm.

The Building Control Authority within the Council remain accredited to provide consenting and inspection services in accordance with the requirements of the Building Act 2004.

Council's Roles

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

Funding impact statement – Regulatory Services

| | Annual Plan 2012 \$000's | Forecast 2013 \$000's | Actual 2013 \$000's |
|--|--------------------------------|-----------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General Rates, Uniform Annual General Charges, rates penalties | 998 | 965 | 928 |
| Targeted rates (other than a targeted rate for water supply) | - | - | - |
| Subsidies & grants for operating purposes | 2 | 2 | - |
| Fees, charges & targeted rates for water supply | 731 | 720 | 716 |
| Internal charges & overheads recovered | - | - | - |
| Local authorities fuel tax, fines, infringement fees, and other receipts | - | - | 42 |
| TOTAL OPERATING FUNDING (A) | 1,731 | 1,687 | 1,686 |
| APPLICATION OF OPERATING FUNDING | | | |
| Payments of staff & suppliers | 1,083 | 1,021 | 1,070 |
| Finance costs | - | - | - |
| Internal charges & overheads applied | 647 | 666 | 704 |
| Other operating funding applications | - | - | - |
| TOTAL APPLCIATIONS OF OPERATING FUNDING (B) | 1,730 | 1,687 | 1,774 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | 1 | - | (88) |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies & grants for capital expenditure | - | - | - |
| Development & financial contributions | - | - | - |
| Increase (decrease) in debt | - | - | - |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | - | - | - |
| APPLICATION OF CAPITAL FUNDING | | | |
| Capital expenditure: | | | |
| - to meet additional demand | - | - | - |
| - to improve the level of services | - | - | - |
| - to replace existing assets | 2 | - | - |
| Increase (decrease) in reserves | (2) | - | (5) |
| Increase (decrease) in investments | 1 | - | (83) |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | 1 | - | (88) |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | (1) | - | 88 |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - |

Significant Asset Acquisitions or Replacements

Major Capital Projects 2012-13

There were no major capital projects for this activity.

PERFORMANCE RESULTS – ENVIRONMENT

| Key Result Areas | 2012-13 Target | 2012-13 Level Achieved | Comments |
|---------------------------------------|--|------------------------|---|
| Building Control timeliness | At least 90% of building consents are processed within statutory timelines (20 working days). | Achieved | Council received 500 building consents for the year. 100% of applications were processed within the target |
| Accreditation | Council will retain accreditation as a Building Consent Authority. | Achieved | Council has retained accreditation as a Building Consent Authority for the year |
| Liquor & Food safety | 100% of premises registered under the Food Hygiene Regulations are inspected annually. | Achieved | Council has 197 registered premises. 100% have been inspected annually |
| Animal Control-Service Responsiveness | Greater than 90% of urgent* requests are responded to within one hour on a 24/7 basis. (*dog attacks, dog aggression, stock wandering on road). | Achieved | Council has received 90 urgent service requests for the year. 100% were responded to within target |
| Resource Consent Timeliness | At least 90% of non-notified consents are processed within statutory timelines (20 or 40 working days). | Achieved | 42 Resource Consents processed. 100% were processed within target. This made up of 25 land use consents and 17 subdivision consents |
| Resource Consent Conditions | Not less than 80 hours per annum is spent on monitoring resource consent conditions. | Achieved | 105 hours has been spent on monitoring resource consent conditions |
| District Plan integrity | Reviews and Plan Changes to the District Plan are carried out in accordance with the statutory requirements in the Resource Management Act 1991 (RMA). | Achieved | The District Plan was under review during the year, with five sets of hearings to consider all 53 submissions, commencing from 1 July 2013 No Plan changes were required |

PERFORMANCE RESULTS – ENVIRONMENT

(Continued)

| Key Result Areas | 2012-13 Target | 2012-13 Achieved | Level | Comments |
|-----------------------------------|--|------------------|-------|---|
| Emergency Management preparedness | More than six training sessions are held or attended per year, including one South Waikato Emergency Operations Centre exercise. | Achieved | | Seven training sessions were held or attended during the year |
| Emergency Management awareness | More than 20 visits to local organisations per year. | Achieved | | 21 visits were undertaken |
| Rural Fire compliance | Maintain rural fire management arrangements to meet the requirements of the Forest and Rural Fires Act 1977. | Achieved | | National Rural Fire Authority statistics reporting, training & equipment audit requirements were met Attended the Agricultural and Pastoral (A & P) show to promote rural fire management arrangements. Rural Fire Warrants were reviewed and updated. Rural property access was reviewed |

RESOURCE MANAGEMENT AND PLANNING

Contribution to the Council Strategy:

In delivering the resource management and planning activities and initiatives, Council focuses on the following top priorities; to:

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

In addition, the following Council strategies are also contributed to:

- Support tourism development
- Develop partnerships that support the achievement of our vision

What we do – a description of the activity

Council has a role in the following areas:

- To prepare, review, maintain and implement the district plan
- To make decisions on applications for land use and subdivision consent
- To monitor and enforce consent conditions.

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

Why we do it

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

2012-13 projects

Five sets of hearings have been programmed to hear the 53 submissions and further submissions relating to the Proposed District Plan for July -September 2013. Work during this period included preparing officer reports on various submissions and preparing a Section 32 Report (Consideration of alternatives, benefits and costs) under the RMA. Notices of hearings were sent out for Hearing one (Urban Issues) which commenced on 1 July 2013. Briefing of hearings panel members and staff was also carried out

Council continues to monitor and enforce resource consent conditions and other activities through appropriate legislative framework. A compliance strategy guideline was prepared for the planning division.

Several new bylaws were written and adopted including the Freedom Camping Bylaw and the Prostitution and Signage Bylaw.

Council's Roles

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

Funding impact statement - Resource Management and Planning

| | Annual Plan 2012 \$000's | Forecast 2013 \$000's | Actual 2013 \$000's |
|--|--------------------------------|-----------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General Rates, Uniform Annual General Charges, rates penalties | 742 | 804 | 774 |
| Targeted rates (other than a targeted rate for water supply) | - | - | - |
| Subsidies & grants for operating purposes | 19 | 19 | - |
| Fees, charges & targeted rates for water supply | 106 | 92 | 81 |
| Internal charges & overheads recovered | (36) | (58) | 110 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | | | - |
| TOTAL OPERATING FUNDING (A) | 831 | 857 | 965 |
| APPLICATION OF OPERATING FUNDING | | | |
| Payments of staff & suppliers | 484 | 491 | 869 |
| Finance costs | 19 | 33 | 30 |
| Internal charges & overheads applied | 554 | 552 | 359 |
| Other operating funding applications | 36 | 58 | - |
| TOTAL APPLCIATIONS OF OPERATING FUNDING (B) | 1,093 | 1,134 | 1,258 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | (262) | (277) | (293) |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies & grants for capital expenditure | - | - | - |
| Development & financial contributions | - | - | - |
| Increase (decrease) in debt | 262 | 277 | 253 |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | 262 | 277 | 253 |
| APPLICATION OF CAPITAL FUNDING | | | |
| Capital expenditure: | | | |
| - to meet additional demand | - | - | - |
| - to improve the level of services | - | - | - |
| - to replace existing assets | - | - | - |
| Increase (decrease) in reserves | - | - | - |
| Increase (decrease) in investments | - | - | (40) |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | - | - | (40) |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | 262 | 277 | 293 |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - |

Significant Asset Acquisitions or Replacements

Major Capital Projects 2012-13

There were no capital projects for this activity.

EMERGENCY MANAGEMENT

Contribution to the Council Strategy:

In delivering the emergency management activities and initiatives, Council focuses on the following top priorities; to:

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

In addition, the following Council strategies are also contributed to:

- Develop partnerships that support the achievement of our vision
- Provide sound asset management planning

What we do – a description of the activity

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

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

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

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

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

Why we do it

Council is required to act as a planning Emergency Management Rural Fire Coordinator under several pieces of legislation. These give it the responsibility to provide 24 hour coverage in terms of rural fire and communications and to facilitate community preparedness. Apart from the statutory requirements, if Council did not participate in these activities, or did so without adequate

preparation, there is a high risk of economic damage and even loss of life. These roles are therefore essentially about providing insurance for the community against a variety of potential losses that could arise from disaster events.

2012-13 projects

Council staff continue to participate in discussions regarding an enlarged rural fire district in the Central North Island.

Staff have taken an active part in all Waikato Regional Civil Defence Group discussions and decision making.

Relationships continue to be strengthened with emergency services and welfare committee representatives.

Civil Defence staff were preparing to take part in the implementation of the integrated training strategy scheduled for August 2013.

Council's Roles

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

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

- Keep and maintain a current fire plan for the district (Section 12(4))
- Give warnings of the imminence of fire hazard conditions [to the public] (Section 18(b))
- Give any information available in relation to fire hazard conditions [to the public] (Section 18(c))
- Upon being advised of the existence of a fire, proceed, or, if a Principal Fire Officer, may arrange for a deputy to proceed, with all possible speed to the place where the fire is and, if in his/her opinion the fire constitutes a hazard to life or property, endeavour by all practical means to extinguish the fire and prevent the spread thereof and to save lives and property in danger (Section 36(1)(a)).

All of these requirements were met for the year.

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

Funding impact statement - Emergency Management

| | Annual Plan 2012 \$000's | Forecast 2013 \$000's | Actual 2013 \$000's |
|--|--------------------------------|-----------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General Rates, Uniform Annual General Charges, rates penalties | 340 | 328 | 316 |
| Targeted rates (other than a targeted rate for water supply) | - | - | - |
| Subsidies & grants for operating purposes | 30 | 12 | - |
| Fees, charges & targeted rates for water supply | - | - | - |
| Internal charges & overheads recovered | - | - | - |
| Local authorities fuel tax, fines, infringement fees, and other receipts | - | - | 3 |
| TOTAL OPERATING FUNDING (A) | 370 | 340 | 319 |
| APPLICATION OF OPERATING FUNDING | | | |
| Payments of staff & suppliers | 226 | 192 | 179 |
| Finance costs | - | - | - |
| Internal charges & overheads applied | 135 | 140 | 140 |
| Other operating funding applications | - | - | - |
| TOTAL APPLCIATIONS OF OPERATING FUNDING (B) | 361 | 332 | 319 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | 9 | 8 | - |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies & grants for capital expenditure | - | - | - |
| Development & financial contributions | - | - | - |
| Increase (decrease) in debt | - | - | - |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | - | - | - |
| APPLICATION OF CAPITAL FUNDING | | | |
| Capital expenditure: | | | |
| - to meet additional demand | 9 | 14 | 9 |
| - to improve the level of services | - | - | - |
| - to replace existing assets | - | 13 | 8 |
| Increase (decrease) in reserves | (9) | (27) | (6) |
| Increase (decrease) in investments | 9 | 8 | (11) |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | 9 | 8 | - |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | (9) | (8) | - |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - |

Significant Asset Acquisitions or Replacements

Major Capital Projects 2012-13

| Emergency management | Actual Spend 2013 \$000 | Budget Spend 2013 \$000 | Actual Spend 2012 \$000 |
|---|--------------------------------|--------------------------------|--------------------------------|
| Mobile satellite station and welfare | 11 | 14 | 4 |
| Civil defence/rural fire communication hardware | 6 | 12 | - |
| Rewire Council chambers | - | - | 6 |
| Total | 17 | 26 | 10 |

Major variations from budget included:

- The unused communications hardware budget has been carried forward into 2013-14.

2.2.9 GOVERNANCE AND CORPORATE

Strategic Directions - Governance

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

Contribution to the Council Strategy:

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

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

Principles

To pursue good governance Council will:

- Be ethical and compassionate in fulfilling its roles and responsibilities
- Be transparent, accountable and inclusive in its decision-making and financial management
- Manage itself efficiently as an organisation
- Provide strong community leadership
- Effectively plan for the future

- Manage risk appropriately
- Ensure equity in service provision
- Adhere to organisational policies and legislative requirements
- Consult with communities when defining significant issues, discuss options, and form and adopt proposals.

Vision, Mission and Values

Our Vision

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

Our Mission

By using our knowledge, skills and passion we will deliver services that meet the needs and aspirations of our community.

Our Values

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

What we do – a description of the activity

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

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

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

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

In parallel with the traditional role of Council as a representative body, the Local Government Act 2002 obliges Council to work in a more participatory way with South Waikato communities. This includes an increased emphasis on long-term planning for and on behalf of local communities, including a role in promoting communication, collaboration and partnerships with other agencies.

Community Boards and Advisory Committees also play a key role by providing a grass roots advisory service on many issues. Representative community governance at the Tirau Ward level is undertaken by the Tirau Community Board.

The role of the Community Board is to:

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

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

Why we do it

- Public consultation has identified that South Waikato communities want Council to provide strong leadership
- District governance has elements of a public good
- Council administration is required for adequate resourcing of activities in an efficient and effective manner
- Tirau Community Board has been established in accordance with the Local Government Act 2002; its roles include representation and action as an advocate for the interests of the Tirau Ward
- Council, Community Boards and Advisory Committees are formed under the:
 - Local Government Act 2002
 - Local Government Official Information and Meetings Act 1987
 - Local Government (Rating) Act 2002
 - Local Electoral Act 2001.

Council's Roles

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

Funding impact statement - Governance & Corporate

| | Annual Plan 2012 \$000's | Forecast 2013 \$000's | Actual 2013 \$000's |
|--|--------------------------------|-----------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General Rates, Uniform Annual General Charges, rates penalties | 1,501 | 1,485 | 1,880 |
| Targeted rates (other than a targeted rate for water supply) | 15 | 15 | 15 |
| Subsidies & grants for operating purposes | - | - | - |
| Fees, charges & targeted rates for water supply | - | - | 73 |
| Internal charges & overheads recovered | 2 | 2 | 10,157 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | - | - | 973 |
| TOTAL OPERATING FUNDING (A) | 1,518 | 1,502 | 13,098 |
| APPLICATION OF OPERATING FUNDING | | | |
| Payments of staff & suppliers | 415 | 429 | 6,993 |
| Finance costs | - | - | 93 |
| Internal charges & overheads applied | 1,103 | 1,073 | 4,128 |
| Other operating funding applications | - | - | 163 |
| TOTAL APPLCIATIONS OF OPERATING FUNDING (B) | 1,518 | 1,502 | 11,377 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | - | - | 1,721 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies & grants for capital expenditure | - | - | - |
| Development & financial contributions | - | - | - |
| Increase (decrease) in debt | - | - | - |
| Gross proceeds from sale of assets | - | - | 66 |
| Lump sum contributions | - | - | - |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | - | - | 66 |
| APPLICATION OF CAPITAL FUNDING | | | |
| Capital expenditure: | | | |
| - to meet additional demand | - | - | - |
| - to improve the level of services | - | - | - |
| - to replace existing assets | 840 | 1,012 | 867 |
| Increase (decrease) in reserves | (840) | (1,012) | (363) |
| Increase (decrease) in investments | - | - | 1,283 |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | - | - | 1,787 |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | - | - | (1,721) |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - |

Significant Asset Acquisitions or Replacements

Major Capital Projects 2012-13

| Governance and corporate | Actual Spend 2013 \$000 | Budget Spend 2013 \$000 | Actual Spend 2012 \$000 |
|----------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Council admin buildings & depots | 2 | 130 | 400 |
| IT expenditure | 480 | 577 | 324 |
| Vehicle replacements | 379 | 290 | 183 |
| Furniture renewals | 6 | 15 | 12 |
| Total | 867 | 1,012 | 919 |

Major variations from budget included:

A number of projects have been carried over into the 2013-14 year.

IT productivity software was not fully spent and will carry over into 2013-14.

PERFORMANCE RESULTS – GOVERNANCE & CORPORATE SERVICES

| Key Result Areas | 2012-13 Target | 2012-13 Level Achieved | Comments |
|------------------|--|------------------------|--|
| Compliance | Compliance with all sections of the Local Government Act 2002 governing elections and functions of elected officials and the preparation and consultation on all key Council policies required by the Act. | Achieved | Key deliverables have all been met |
| Sustainability | Council will implement three actions per year that encourage sustainable behavioural change. | Achieved | Three actions implemented were: Energy Policy review, Sustainability Action list and waste education for schools |
| Elections | Council will conduct error-free local government elections (the election process is defined in the Local Electoral Act 2001). | Achieved | Ratepayer Elector enrolment processes up-to-date. Electoral forms revised for 2013. Deputy Electoral Officer appointed. All public notices actioned. All other election processes noted and up to date |

2.3 COUNCIL CONTROLLED ORGANISATIONS

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

Local Authority Shared Services (LASS) Limited

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

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

Shareholders

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

Company Objectives

The objective of LASS is to provide local authorities of the Waikato Region with a vehicle to develop shared services. The constitution of LASS sets out principles according to which the company will be operated and governed. This includes shareholders' rights and the appointment of directors. The company's Annual Statement of Intent identifies its activities, intentions for the year and the objectives to which those activities will contribute.

Nature and Scope of Activities

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

1. 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.
2. Pursue all opportunities to develop shared services that may benefit the community, either through enhanced services or reduced costs.
3. 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.
4. Explore all possible avenues to provide these services itself, or contract them from outside parties, each depending on a rigorous business case.

The initial product developed is the shared valuation database. It is envisaged that the company will continue to develop new products to be made available to the local authorities within the Waikato Regional Council boundaries. At the same time, other opportunities may be explored in partnership with local authorities outside the region to develop new products such as aerial

photograph provision, Geographic Information System (GIS) and emergency management systems.

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

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

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

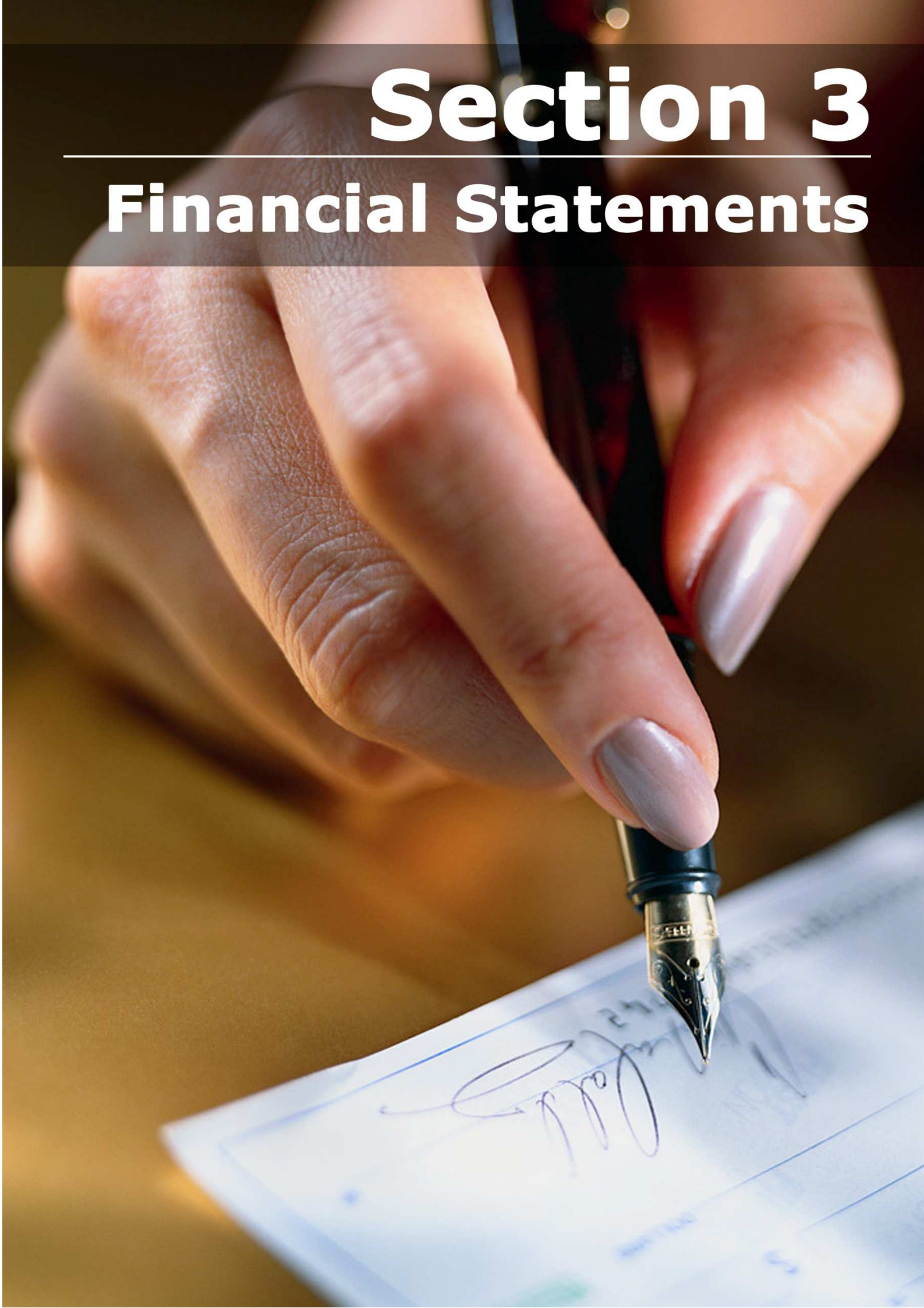
Performance Results

The following performance measures were incorporated into the Local Authority Shared Services Limited (LASS) 2012-13 financial year.

| Performance Measure | Actual Outcome |
|--|--|
| The company will carry out an annual survey of shareholders to assist directors in developing improvements on behalf of the shareholders, and to receive a majority of shareholder approval on the service provided. | Annual survey of shareholders was completed in July with all of the shareholder councils replying. Eleven councils replied that the concept of LASS was still delivering benefits to their council. Five councils replied that LASS was fulfilling the expectations of shareholders and seven replied "fairly satisfied". Those who responded fairly satisfied were generally satisfied with the existing services but considered more could be achieved through other shared service opportunities. |
| Administration expenditure shall not exceed that budgeted by more than 5% unless prior approval is obtained from the directors. | Achieved. Actual expenditure was \$13,642 favourable to budget. |
| The company maintains an overall positive cash flow position. | Achieved. Cash, cash equivalents and bank accounts at year end was \$283,692. |
| The board will provide a written report on the business operations and financial position of the LASS as a minimum on a 6 monthly basis. | Six monthly reports have been sent to shareholders. |
| There will be an annual report to directors that all statutory requirements of the LASS are being adhered to. | Reported to the August board meeting. |
| That SVDS is available to users at least 99% of normal working hours. | SVDS was available 99.93% of working hours. |
| That at least 98% of agreed timelines are met for sale of property files that have been delivered to the FTP server for access to customers. | 100% of sales and property files were supplied to Teralink/Property IQ on time. |
| That over 50% of the Intergen support hours are spent on major development work. | 35% of Intergen support hours were spent on major development work as a result of much higher bug fix and administration time. This has been the subject of discussions with Intergen management and a new model for controlling this has been implemented. |
| That all required modelling reports are actioned within the required timeframe | Achieved. |
| That a full report on progress of the model be provided to the LASS Board twice each year. | Achieved. |

Section 3

Financial Statements



STATEMENT OF COMPLIANCE

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



Neil A Sinclair MNZM JP BDS
MAYOR
3 October 2013



Craig Hobbs
CHIEF EXECUTIVE
3 October 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2013

| | Note No. | Parent and Group | | |
|--|-------------|-------------------------|---------------------------|-------------------------|
| | | Actual 2013 \$000 | Forecast 2013 \$000 | Actual 2012 \$000 |
| Income | | | | |
| Rates, excluding targeted water supply rate | 3 | 18,842 | 18,568 | 17,683 |
| Fees, charges, and targeted rates for water supply | | 5,109 | 5,043 | 4,559 |
| Development and financial contributions | | 30 | 40 | 44 |
| Subsidies and grants | 4 | 2,981 | 3,053 | 4,390 |
| Finance income | 5 | 1,184 | 1,502 | 1,405 |
| Other revenue | 6 | 762 | 185 | 235 |
| Gains on financial instruments | 7 | 4,049 | - | 243 |
| Total income | | 32,957 | 28,391 | 28,559 |
| Expenditure | | | | |
| Employee benefits expense | 8 | 8,107 | 7,920 | 7,744 |
| Depreciation and amortisation expense | 16,17 | 6,148 | 6,672 | 6,470 |
| Finance costs | 5 | 337 | 422 | 293 |
| Other expenses | 9 | 13,784 | 12,662 | 14,596 |
| Total expenditure | | 28,376 | 27,676 | 29,103 |
| Surplus before tax | | 4,581 | 715 | (544) |
| Income tax expense | | - | - | - |
| Profit/(Loss) after tax | | 4,581 | 715 | (544) |
| Other comprehensive income | | | | |
| Change in Asset Revaluation Reserve | 22 | 13,832 | 4,699 | (5,403) |
| Change in Investment Revaluation Reserve | 22 | (2,534) | - | (206) |
| Total other comprehensive income | | 11,298 | 4,699 | (5,609) |
| Total comprehensive income | | 15,879 | 5,414 | (6,153) |

Notes to the financial statements are included on pages 121 - 177

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

| | Note No | Parent and Group | | Actual 2012 \$000 |
|--|------------|-------------------------|---------------------------|-------------------------|
| | | Actual 2013 \$000 | Forecast 2013 \$000 | |
| Balance at 1 July | | 339,384 | 361,321 | 345,537 |
| Profit for the year | | 4,581 | 715 | (544) |
| Other comprehensive income | | | | |
| Change in Asset Revaluation Reserve | 22 | 13,832 | 4,699 | (5,403) |
| Change in Investment Revaluation Reserve | 22 | (2,534) | - | (206) |
| Total comprehensive income for the year | | 15,879 | 5,414 | (6,153) |
| Balance at 30 June | | 355,263 | 366,735 | 339,384 |
| Total comprehensive income attributable to: | | | | |
| South Waikato District Council | | 15,879 | 5,414 | (6,153) |
| Non-controlling interest | | - | - | - |

Notes to the financial statements are included on pages 121 - 177

CONSOLIDATED BALANCE SHEET

As at 30 June 2013

| | Note No. | Parent and Group | | |
|--------------------------------------|-------------|-------------------------|---------------------------|-------------------------|
| | | Actual 2013 \$000 | Forecast 2013 \$000 | Actual 2012 \$000 |
| Equity | | | | |
| Retained earnings | 22 | 146,899 | 149,467 | 140,449 |
| Other reserves | 22 | 208,364 | 217,268 | 198,935 |
| Total equity | | 355,263 | 366,735 | 339,384 |
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 10 | 17,581 | 3,573 | 5,200 |
| Trade and other receivables | 11 | 2,847 | 2,138 | 2,395 |
| Inventories | 12 | 170 | 190 | 173 |
| Other financial assets | 13 | 2,258 | 3,128 | 6,654 |
| Derivative financial instruments | 14 | - | - | 124 |
| Non-current assets held for sale | 15 | 101 | - | - |
| Total current assets | | 22,957 | 9,029 | 14,546 |
| Non-current assets | | | | |
| Property, plant & equipment | 16 | 334,926 | 348,367 | 318,159 |
| Other financial assets | 13 | 11,567 | 22,763 | 19,675 |
| Intangible assets | 17 | - | 12 | 2 |
| Total non-current assets | | 346,493 | 371,142 | 337,836 |
| Total assets | | 369,450 | 380,171 | 352,382 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Trade and other payables | 18 | 3,362 | 3,714 | 3,852 |
| Employee benefit obligations | 20 | 1,317 | 1,064 | 1,162 |
| Borrowings | 21 | 287 | 1,035 | 6,873 |
| Provision for landfill closure | 19 | 28 | 28 | 28 |
| Trust accounts | 18 | 155 | 153 | 158 |
| Total current liabilities | | 5,149 | 5,992 | 12,073 |
| Non-current liabilities | | | | |
| Provision for landfill closure | 19 | 822 | 658 | 662 |
| Borrowings | 21 | 8,053 | 6,556 | - |
| Employee benefit obligations | 20 | 163 | 230 | 263 |
| Total non-current liabilities | | 9,038 | 7,444 | 925 |
| Total liabilities | | 14,187 | 13,436 | 12,998 |
| Net assets | | 355,263 | 366,735 | 339,384 |

Notes to the financial statements are included on pages 121 - 177

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2013

| | | Parent and Group | | |
|--|----------|----------------------|------------------------|------------------------|
| | Note No. | Actual 2013 \$000 | Forecast 2013 \$000 | Actual 2012 \$000 |
| Cash flow from operating activities | | | | |
| <i>Cash was provided from:</i> | | | | |
| Rates | | 20,475 | 20,852 | 19,246 |
| Subsidies and grants | | 2,891 | 3,053 | 4,270 |
| Fees and charges | | 3,064 | 3,224 | 2,794 |
| Other income | | 202 | - | 148 |
| Interest received | | 1,184 | 1,310 | 1,458 |
| Dividend received | | - | - | 69 |
| | | <u>27,816</u> | <u>28,439</u> | <u>27,985</u> |
| <i>Cash was applied to:</i> | | | | |
| Interest paid | | 337 | 408 | 293 |
| Net GST paid | | 497 | - | 1,683 |
| Payment to suppliers and employees | | <u>20,354</u> | <u>23,006</u> | <u>18,220</u> |
| | | <u>21,188</u> | <u>23,414</u> | <u>20,196</u> |
| Net cash inflows / (outflows) from operating activities | 23 | <u>6,628</u> | <u>5,025</u> | <u>7,789</u> |
| Cash flow from investing activities | | | | |
| <i>Cash provided from:</i> | | | | |
| Proceeds from investments | | 13,880 | - | 700 |
| Property, plant & equipment sales | | <u>66</u> | <u>1,053</u> | <u>38</u> |
| | | <u>13,946</u> | <u>1,053</u> | <u>738</u> |
| <i>Cash was applied to:</i> | | | | |
| Purchase of investments | | - | 4,348 | 520 |
| Purchase of property, plant & equipment | | <u>9,662</u> | <u>8,920</u> | <u>11,710</u> |
| | | <u>9,662</u> | <u>13,268</u> | <u>12,230</u> |
| Net cash inflows / (outflows) from investing activities | | <u>4,284</u> | <u>(12,215)</u> | <u>(11,492)</u> |
| Cash flow from financing activities | | | | |
| <i>Cash was provided from:</i> | | | | |
| Loans raised | | <u>1,915</u> | <u>1,502</u> | <u>2,754</u> |
| | | <u>1,915</u> | <u>1,502</u> | <u>2,754</u> |
| <i>Cash was applied to:</i> | | | | |
| Loans repaid | | <u>446</u> | <u>292</u> | <u>2,458</u> |
| Net cash inflows / (outflows) from financing activities | | <u>1,469</u> | <u>1,210</u> | <u>296</u> |
| Net increase / (decrease) in cash and cash equivalents | | 12,381 | (5,980) | (3,407) |
| Cash and cash equivalents at the beginning of the year | | 5,200 | 9,553 | 8,607 |
| Cash and cash equivalents at the end of the year | 10 | <u>17,581</u> | <u>3,573</u> | <u>5,200</u> |

Notes to the financial statements are included on pages 121 - 177

FUNDING IMPACT STATEMENT-WHOLE OF COUNCIL

For the year ended 30 June 2013

| | Forecast 2012 \$000's | Actual 2012 \$000's | Forecast 2013 \$000's | Actual 2013 \$000's |
|--|-----------------------------|---------------------------|-----------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | | |
| General Rates, Uniform Annual General Charges, rates penalties | 15,047 | 14,628 | 15,888 | 15,721 |
| Targeted Rates (other than a targeted rate for water supply) | 5,269 | 5,300 | 5,500 | 5,555 |
| Subsidies & grants for operating purposes | 2,787 | 1,416 | 2,648 | 1,117 |
| Fees, charges & targeted rates for water supply | 2,685 | 2,678 | 3,089 | 2,905 |
| Interest & dividends from investments | 1,690 | 678 | 1,502 | 750 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | 88 | 13,390 | 107 | 11,938 |
| TOTAL OPERATING FUNDING (A) | 27,566 | 38,090 | 28,734 | 37,986 |
| APPLICATION OF OPERATING FUNDING | | | | |
| Payments of staff & suppliers | 19,262 | 23,299 | 20,198 | 23,194 |
| Finance costs | 372 | 703 | 408 | 678 |
| Other operating funding applications | 905 | 10,763 | 775 | 9,895 |
| TOTAL APPLICATIONS OF OPERATING FUNDING (B) | 20,539 | 34,765 | 21,381 | 33,767 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | 7,027 | 3,325 | 7,353 | 4,219 |
| SOURCES OF CAPITAL FUNDING | | | | |
| Subsidies & grants for capital expenditure | 5,036 | 3,134 | 1,820 | 2,180 |
| Development & financial contributions | 43 | 44 | 23 | 30 |
| Increase (decrease) in debt | 4,862 | 2,520 | 2,335 | 1,655 |
| Gross proceeds from sale of assets | - | 38 | - | 66 |
| Lump sum contributions | - | - | - | - |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | 9,941 | 5,736 | 4,178 | 3,931 |
| APPLICATION OF CAPITAL FUNDING | | | | |
| Capital expenditure: | | | | |
| - to meet additional demand | 494 | 445 | 449 | 487 |
| - to improve the level of services | 8,791 | 6,602 | 2,888 | 3,728 |
| - to replace existing assets | 7,017 | 4,543 | 5,586 | 5,745 |
| Increase (decrease) in reserves | (6,911) | (4,022) | (5,476) | (1,120) |
| Increase (decrease) in investments | 7,577 | 1,493 | 8,084 | (690) |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | 16,968 | 9,061 | 11,531 | 8,150 |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | (7,027) | (3,325) | (7,353) | (4,219) |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - | - |

Notes to the financial statements are included on pages 121 - 177

NOTES TO THE FINANCIAL STATEMENTS

1 Statement of Accounting Policies

Reporting Entity

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

The primary objective of Council is to provide services and social benefits to the community rather than making a financial return. Accordingly, Council has designated itself as a public benefit entity for the purposes of the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The financial statements of the Council are for the year ended 30 June 2013. The financial statements were authorised for issue by the Councillors on 3 October 2013.

Basis of Preparation

Statement of Compliance

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

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

Measurement Base

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

Functional and presentation currency

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

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

Group Financial Statements

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

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

Consolidated financial statements of the group have not been prepared using the purchase method due to the small size of the subsidiary, which means that the parent and group amounts are not materially different. Information relating to the subsidiary of the Council is separately disclosed in the *Note 31*.

Changes in Accounting Policies

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

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

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

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

Significant Accounting Policies

Revenue

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

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

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

Government Grants

Government grants are recognised when:

claimed, for work completed on previously approved programmes

eligibility has been established by the grantor.

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

Provision of Services

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

Interest and Dividends

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

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

Vested Assets

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

Financial Contributions

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.

Borrowing Costs

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

Consequently, all borrowing costs are recognised as an expense in the period in which they are incurred.

Grant Expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

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

Cost Allocation Policy

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

Cost drivers for allocation of indirect costs

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

Non-Current Assets Held for Sale

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

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

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

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

Property, Plant and Equipment

These are classified as:

Operational Assets

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

Infrastructural Assets

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

all property, plant and equipment associated with water supply, sewerage, stormwater and waste disposal, including the land that they are located upon

all roads, service lanes, footpaths, street lights, carparks and associated street furniture

all public toilets and restrooms, public halls and the land they are situated on.

Restricted Assets

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

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

all cemeteries

all land contained within road reserves.

Measurement at Recognition

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

Measurement after Recognition

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

Operational Assets

Heritage Assets

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

Library Collection

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

Land and Buildings

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

Motor Vehicles, Plant and Equipment, Furniture and Fittings

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

Infrastructural Assets

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

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

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

Roads, footpaths, streetlights, large culverts and bridges were revalued effective 30 June 2011 by Opus International Consultants Limited, Auckland. Each asset component was valued taking into account its remaining useful life. The valuation approach adopted is the optimised depreciated replacement value.

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

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

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

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

Restricted Assets

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

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

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

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

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

Accounting for Revaluations

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

The results of revaluing are recognised in other comprehensive income and accumulated as a separate component of equity in the asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed through profit or loss. Any subsequent increase on revaluation that off-sets 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 & furniture | 3 – 10 years |
| Library assets | 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 |
| Street lights and poles | 25 – 70 years |
| Bridges | 78 – 118 years |
| Land (including land under roads) | not depreciated |

Waste

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

Sewerage Systems

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

Stormwater Systems

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

Water Supply Systems

| | |
|---------------------------|--|
| 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 asset's ability to generate net cash inflows and where an entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

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

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

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

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

Disposals

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

Subsequent Cost

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

Assets under Construction

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

Vested Assets

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

Rental Property

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

Intangible Assets

Computer Software

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

Easements

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

Amortisation of Intangible Assets

The carrying amount of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in profit or

loss. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software 3 – 7 years

Financial Instruments

Financial Assets

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

Financial Assets at Fair Value

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

A financial asset is classified as held for trading if:

- i. it has been acquired principally for the purpose of selling in the near future; or
- ii. 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
- iii. it is a derivative that is not designated and effective as a hedging instrument.

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

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

Financial assets at fair value through profit or loss

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

Held to Maturity Investments

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

Loans and Receivables

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

Available for Sale Financial Assets

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

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

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

Impairment of Financial Assets

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

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

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

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

Significant financial difficulty of the issuer or counterparty, or

Default or delinquency in interest or principal payments.

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

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

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

Financial Liabilities

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

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

Bank Borrowings

Interest bearing bank loans are initially measured at fair value net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

Debt Instruments

Council issues bonds from time to time to raise funds. These are initially measured at fair value net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

Trade Payables

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

Derivative Financial Instruments

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

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

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

Investments in Council Controlled Organisations

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

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

Inventories

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

Foreign Currencies

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

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

Cash and Cash Equivalents

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

Goods and Service 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 employee 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%(2012:2.7%) per annum and a discount rates between 2.71% and 5.50% (2012: 2.43% - 6%) per annum. The discount rate is derived from the forward rates on NZ Government Bonds over recent periods. It's also assumed that all employees will retire at the age of 65 and will resign in accordance with the withdrawal rate assumption taken from the Treasury Circular 1998/15. Any actuarial gain or loss resulting from re-measurement of these liabilities is recognised in profit or loss.

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

Presentation of employee entitlements

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

Superannuation Schemes

Defined Contribution Scheme

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

Public Equity

Public equity is the community's interest in the Council, as measured by the value of total assets less total liabilities. Public equity is disaggregated and classified into a number of reserves to

enable clearer identification of the specific uses Council makes of its accumulated surpluses. The components of equity are:

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

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

General Equity (Retained Earnings)

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

Restricted Reserves

Restricted reserves are those reserves subject to specific conditions accepted as binding by the Council and which may not be revised by Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specific purposes or if certain specified conditions are met. The reserves represent balances held from the collection of targeted rates and charges on activities that are funded from targeted rating or those same activities funding depreciation.

Council Created Reserves

Council-created reserves are a part of the accumulated balance and are established at the will of Council. Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of Council.

Property Revaluation Reserves

Revaluation reserves arise from certain asset classes being revalued.

Investment Revaluation Reserve

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

Leasing

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

Finance Leases

Council as Lessee

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

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

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

Council as Lessor

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

Operating Leases

Council as Lessee

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

Council as Lessor

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

Provisions

Council recognises a provision for future expenditure of uncertain amount when there is a present obligation (legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Landfill Post-closure Provision

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

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

asset where they give rise to future economic benefit to be obtained. Components of the capitalised landfill asset are depreciated over their useful lives.

Financial Guarantee Contracts

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

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

Critical Judgements and Estimations

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

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

The estimates and underlying assumptions are reviewed on an ongoing 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 & 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.

Reclassifications

As part of the additional disclosure detailing the movement in Council-created and Restricted reserves, as shown in Note 22, a reclassification to the comparative figures has been made. This reclassification is due to the general depreciation reserve, which was previously classified under Council-created reserves, being more accurately classified under Restricted reserves. This also provides consistency as other depreciation reserves were already classified under Restricted reserves. The reclassification of the 2012 comparative figures is shown below:

| | Reported 2012 \$000 | Parent and Group Reclassification | Reclassified 2012 \$000 |
|---------------------------------|------------------------------------|--|--|
| Restricted Reserves | | | |
| Opening Balance | 10,223 | 332 | 10,555 |
| Transfers to General Equity | (4,019) | (2,306) | (6,325) |
| Transfers from General Equity | 4,108 | 3,992 | 8,100 |
| Closing balance | <u>10,312</u> | <u>2,018</u> | <u>12,330</u> |
| Council Created Reserves | | | |
| Opening Balance | 27,482 | (332) | 27,150 |
| Transfers to General Equity | (5,668) | 2,306 | (3,362) |
| Transfers from General Equity | 5,961 | (3,992) | 1,969 |
| Closing balance | <u>27,775</u> | <u>(2,018)</u> | <u>25,757</u> |

2 SUMMARY COST OF SERVICES

| REVENUE | Actual 2013 \$000 | Forecast 2013 \$000 | Actual 2012 \$000 |
|---|----------------------------------|------------------------------------|----------------------------------|
| General Revenue (Net of Internal Revenue) | 21,096 | 16,774 | 16,022 |
| Revenue From Significant Activities | | | |
| Transport and roading | 2,729 | 2,616 | 2,794 |
| Recreation and facilities - facilities & property | 958 | 989 | 2,102 |
| Economic and community development | 134 | 127 | 122 |
| Recreation and facilities - leisure services | 362 | 357 | 415 |
| Water supply | 2,313 | 2,075 | 2,048 |
| Stormwater | 428 | 423 | 388 |
| Wastewater | 2,576 | 2,498 | 2,429 |
| Solid waste and recycling | 1,501 | 1,674 | 1,449 |
| Environment - regulatory services | 759 | 722 | 695 |
| Environment- resource management & planning | 81 | 110 | 79 |
| Environment - emergency management | 3 | 12 | - |
| Governance and corporate | 16 | 14 | 16 |
| Total Service Statement Revenue | 11,860 | 11,617 | 12,537 |
| TOTAL REVENUE | 32,956 | 28,391 | 28,559 |
| EXPENDITURE | | | |
| Expenditure From Significant Activities | | | |
| Transport and roading | 6,800 | 7,052 | 6,854 |
| Recreation and facilities - facilities & property | 1,764 | 2,034 | 1,442 |
| Economic and community development | 2,081 | 2,417 | 2,124 |
| Recreation and facilities - leisure services | 4,557 | 4,475 | 4,541 |
| Water supply | 2,178 | 2,144 | 2,055 |
| Stormwater | 565 | 550 | 587 |
| Wastewater | 2,627 | 2,814 | 2,767 |
| Solid waste and recycling | 2,293 | 2,423 | 2,951 |
| Environment - regulatory services | 1,778 | 1,687 | 1,656 |
| Environment- resource management & planning | 1,146 | 1,134 | 1,156 |
| Environment - emergency management | 333 | 340 | 316 |
| Governance and corporate | 1,612 | 1,500 | 1,519 |
| Total Service Statement Expenditure | 27,734 | 28,570 | 27,968 |
| Less: Elimination of Internal Expenditure | (769) | (894) | (763) |
| | 26,965 | 27,676 | 27,205 |
| Other Expenditure | 1,410 | - | 1,898 |
| TOTAL EXPENDITURE | 28,375 | 27,676 | 29,103 |
| NET SURPLUS BEFORE TAX | 4,581 | 715 | (544) |

3 RATES REVENUE

| | Parent and Group | |
|---|-------------------------|-------------------------|
| | Actual 2013 \$000 | Actual 2012 \$000 |
| General Rates | 14,749 | 13,807 |
| Targeted rates attributable to activities | | |
| Waste water | 2,566 | 2,419 |
| Stormwater | 427 | 388 |
| Solid waste | 592 | 597 |
| Business Promotion | 97 | 31 |
| Economic Development | 12 | 74 |
| Public Halls | 31 | 19 |
| District Governance | 15 | 15 |
| Rates penalties | 353 | 333 |
| Total rates, excluding targeted water supply rates | 18,842 | 17,683 |

Rates Remissions

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

In accordance with the Local Government (Rating) Act 2002, certain properties cannot be rated for general rates. This includes schools, places of religious worship, public gardens and reserves. These non-rateable properties, where applicable, may be subject to targeted rates in respect of sewerage, water and refuse. Non-rateable land does not constitute a remission under Council rates remission policy. Rates revenue excludes rates paid on Council's own property of \$519,000 (2012: \$488,000).

4 SUBSIDIES AND GRANTS

| | Parent and Group | |
|---|-------------------------|-------------------------|
| | Actual 2013 \$000 | Actual 2012 \$000 |
| New Zealand Transport Agency roading subsidies | 2,605 | 2,681 |
| Grants and donations for the SW Sport and Events Centre | 367 | 1,619 |
| Sundry other | 9 | 90 |
| | 2,981 | 4,390 |

There are no unfulfilled conditions and other contingencies attached to subsidies and grants recognised (2012 nil).

5 FINANCE INCOME AND FINANCE COSTS

| | Parent and Group | |
|--|-------------------------|-------------------------|
| | Actual 2013 \$000 | Actual 2012 \$000 |
| Finance Income | | |
| Interest Income | | |
| - Term deposits | 372 | 403 |
| - Available for Sale bonds | <u>812</u> | <u>1,002</u> |
| Total Finance Income | <u>1,184</u> | <u>1,405</u> |
| Finance Cost | | |
| Interest cost | | |
| - Interest on bank borrowings | 325 | 275 |
| - Provisions: Discount unwinding (Note 19) | <u>12</u> | <u>18</u> |
| Total Finance Costs | <u>337</u> | <u>293</u> |

6 OTHER REVENUE

| | Parent and Group | |
|---------------------------------|-------------------------|-------------------------|
| | Actual 2013 \$000 | Actual 2012 \$000 |
| Dividends | - | 69 |
| Petrol tax | 157 | 148 |
| Vested assets | 559 | 18 |
| Income from sale of paper roads | <u>46</u> | <u>-</u> |
| | <u>762</u> | <u>235</u> |

7 GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS

| | Parent and Group | |
|--|-------------------------|-------------------------|
| | Actual 2013 \$000 | Actual 2012 \$000 |
| Financial Instruments | | |
| Fair value through other comprehensive income-gains on disposal (Note 22) | 4,215 | 190 |
| Fair value through other comprehensive income-losses on disposal | (41) | - |
| Gains/(losses) on changes in fair value of Forward Exchange Contracts | <u>(125)</u> | <u>53</u> |
| Total financial Instruments gains/(losses) | <u>4,049</u> | <u>243</u> |

8 EMPLOYEE BENEFIT EXPENSES

Defined Benefit Retirement Leave Provision

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

| | Parent and Group | |
|--|-------------------------|---------------|
| | Actual | Actual |
| | 2013 | 2012 |
| | \$000 | \$000 |
| The principal assumptions used for the purpose of the actuarial valuations were as follows: | | |
| Discount rate | 2.71%-5.5% | 2.43%-6% |
| Expected rate of salary increase | 3.5% | 2.7% |
| 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 | 277 | 246 |
| Less-unrecognised past service cost | - | - |
| Net liability recognised in the balance sheet | 277 | 246 |
| Comprising: | | |
| Current | 163 | 28 |
| Non-current | 114 | 218 |
| Total employee benefit obligations | 277 | 246 |
| Amounts recognised in the income statement in respect of the defined benefit retirement plan are as follows: | | |
| Current service cost | 23 | 7 |
| Interest cost | 2 | 10 |
| Actuarial gains/(losses) | 6 | 19 |
| Total | 31 | 36 |
| 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 | 246 | 210 |
| Current service cost | 23 | 7 |
| Interest cost | 2 | 10 |
| Actuarial gains/(losses) | 6 | 19 |
| Less: benefits paid | - | - |
| Closing defined benefit obligation | 277 | 246 |

8 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

| Defined Benefit Long Service Leave Provision | Parent and Group | |
|--|------------------|------------------|
| | Actual | Actual |
| | 2013 | 2012 |
| | \$000 | \$000 |
| The amount recognised in the balance sheet in respect of Council's long service compensated leave liability is as follows: | | |
| The present value of long service compensated leave | <u>78</u> | <u>77</u> |
| Comprising: | | |
| Current | 29 | 29 |
| Non-current | 49 | 45 |
| Total employee benefit obligations | <u>78</u> | <u>74</u> |
| Amounts recognised in the profit or loss in respect of Council's long service compensated leave and salaries are as follows: | | |
| Salaries | 8,072 | 7,711 |
| Current service cost | 6 | 4 |
| Interest cost | 1 | 2 |
| Actuarial (gains)/ losses | (3) | (9) |
| Past service cost | - | - |
| Total | <u>8,076</u> | <u>7,708</u> |
| The charge for the year is included in the employee benefits expense in the profit or loss. | | |
| Changes in the present value of long service compensated leave are as follows: | | |
| Opening long service compensated leave obligation | 74 | 78 |
| Current service cost | 6 | 4 |
| Interest cost | 1 | 2 |
| Past service cost | - | - |
| Less: benefits paid | - | (1) |
| Actuarial (gains)/losses | (3) | (9) |
| Closing long service compensated leave obligation | <u>78</u> | <u>74</u> |
| Total employee benefits expense recognised in the profit or loss | 8,107 | 7,744 |
| Current portion of employee benefit obligations recognised in the balance sheet. | 193 | 57 |
| Non-current portion of employee benefit obligations recognised in the balance sheet. | 163 | 263 |

Also refer Notes 20 & 26

9 OTHER EXPENSES

| | Parent and Group | |
|---|-------------------------|-------------------------|
| | Actual 2013 \$000 | Actual 2012 \$000 |
| Audit Fees - annual report | 118 | 115 |
| Audit Fees - prior year over-run | - | 10 |
| Audit Fees - long term plan | - | 80 |
| Impairment of receivables | 60 | 40 |
| Rates Remissions | 122 | 108 |
| Councilors Remuneration (including meeting allowances) | 290 | 296 |
| Insurance | 190 | 264 |
| Subscriptions, fees and contribution to other organisations | 69 | 66 |
| legal and settlement fees | 78 | 511 |
| Donations and grants | 653 | 938 |
| Inventories consumed | 55 | 171 |
| Losses on disposal of property, plant and equipment | 1,375 | 1,243 |
| Library books asset write down | 20 | 636 |
| Repairs and maintenance | 3,986 | 3,962 |
| Energy | 716 | 654 |
| Operational costs | 2,954 | 2,440 |
| Other operating expenses | 3,098 | 3,062 |
| Total | 13,784 | 14,596 |

Severance Payments

During the year to 30 June 2013, one severance payment of \$122,000 was made to the former Chief Executive of the South Waikato District Council (2012: no severance payments made to employees of South Waikato District Council).

10 CASH AND CASH EQUIVALENTS

| | Parent and Group | |
|--|-------------------------|-------------------------|
| | Actual 2013 \$000 | Actual 2012 \$000 |
| Cash at bank and in hand | 230 | 1,709 |
| Cash investments within South Waikato Investment Fund | 8,214 | 966 |
| Cash investments in Restricted reserves | 6,382 | 205 |
| Other Short term deposits maturing 3 months or less from date of acquisition | 2,755 | 2,320 |
| Total cash and cash equivalents | 17,581 | 5,200 |

The carrying amount of short-term deposits with maturity dates of three months or less approximates their fair value. The weighted average effective interest rate for cash and cash equivalents is 3% (2012: 4.66%).

11 TRADE AND OTHER RECEIVABLES

| | Parent and Group | |
|---|------------------|--------------|
| | Actual | Actual |
| | 2013 | 2012 |
| | \$000 | \$000 |
| Rates receivable | 1,720 | 1,661 |
| Metered water | 40 | 28 |
| Sundry debtors | 679 | 472 |
| Prepayments | 234 | 136 |
| Accrued revenue | 498 | 407 |
| Related party receivables (note 25) | 30 | 20 |
| | 3,201 | 2,724 |
| Less: Provision for Impairment of receivables | 354 | 329 |
| Total trade and other receivables | 2,847 | 2,395 |

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

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

| | Council only | |
|--|--------------|--------------|
| | Actual | Actual |
| | 2013 | 2012 |
| | \$000 | \$000 |
| Arrears (> 1 year) | 459 | 426 |
| Current (< 1 year) | 1,040 | 1,030 |
| Penalties | 220 | 206 |
| Carrying amount | 1,719 | 1,662 |
| Movements in the provision for impairment of receivables are as follows: | | |
| At 1 July | 329 | 320 |
| Additional provisions made during the year | 85 | 49 |
| Receivables written off during the year | (60) | (40) |
| At 30 June | 354 | 329 |

12 INVENTORIES

| | Council only | |
|----------------------------|-------------------------|-------------------------|
| | Actual 2013 \$000 | Actual 2012 \$000 |
| Reticulation repairs stock | 152 | 145 |
| Water treatment stock | 4 | 5 |
| Other stock | 14 | 23 |
| Total | 170 | 173 |

The carrying amount of inventories held for distribution that are measured at current replacement cost as at 30 June 2013 amounted to \$170,000 (2012: \$173,000).

13 OTHER FINANCIAL ASSETS

| | Parent and Group | |
|---|----------------------|----------------------|
| | Actual 2013 \$000 | Actual 2012 \$000 |
| Current portion | | |
| Available for Sale Financial Assets: | | |
| Corporate bonds, deposits and other fixed interests | 2,251 | 6,647 |
| Loans and receivables | | |
| Tirau Golf Club | 4 | 4 |
| Tokoroa Kart Club | 3 | 3 |
| Total current portion | 2,258 | 6,654 |
| Non-Current portion | | |
| Available for Sale Financial Assets: | | |
| Corporate bonds, deposits and other fixed interests | 10,969 | 13,194 |
| Oveseas share portfolio | - | 6,293 |
| Shared Valuation Database Systems | 43 | 43 |
| NZ Local Government Insurance Corporation Limited | 44 | 44 |
| Loans and receivables | | |
| Tirau Golf Club | 4 | 4 |
| Tokoroa Kart Club | 8 | 10 |
| Putaruru Squash Rackets Club | 5 | - |
| Heat Swap paying providers | 494 | 87 |
| Total non-current portion | 11,567 | 19,675 |

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

Fair Value

The fair value of loans and receivables has been determined using cashflows discounted at a rate based on the South Waikato District Council's borrowing rate of 5.05% (2012: 4.35%). The fair value approximates the carrying amount stated above.

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

Impairment

No impairment provisions were made for other financial assets.

13 OTHER FINANCIAL ASSETS (CONTINUED)

Maturity analysis and Weighted Average Effective Interest Rates

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

| | Weighted average interest | Carrying amount \$000 | Contractual cash flows \$000 | Less than 1 year \$000 | 1-5 years \$000 | More than 5 years \$000 |
|---|---------------------------|-----------------------|------------------------------|------------------------|-----------------|-------------------------|
| Parent and Group 2013 | | | | | | |
| General funds | | | | | | |
| -Cash and cash equivalents * | 0% | 9,367 | 9,367 | 9,367 | - | - |
| -Bank securities | - | - | - | - | - | - |
| -Corporate securities | - | - | - | - | - | - |
| -Local authority securities | - | - | - | - | - | - |
| -Government securities | - | - | - | - | - | - |
| -Non-cash equivalent bank deposits | - | - | - | - | - | - |
| Trade and other receivables * | - | 2,847 | 2,847 | 2,847 | - | - |
| Other financial assets: loans and receivables | 6.70% | 20 | 51 | 9 | 35 | 7 |
| South Waikato Investment Fund (SWIF): | | | | | | |
| -Cash and cash equivalents * | 0% | 8,214 | 8,214 | 8,214 | - | - |
| -Bank deposits | 4.60% | 1,383 | 1,396 | 1,396 | - | - |
| -Bank securities | 5.05% | 5,542 | 6,714 | 313 | 4,398 | 2,003 |
| -Corporate securities | 4.89% | 4,333 | 5,865 | 1,105 | 1,923 | 2,837 |
| -Local authority securities | 4.25% | 1,345 | 1,563 | 71 | 970 | 522 |
| -Government securities | 3.40% | 617 | 778 | 32 | 329 | 417 |
| Total | | 33,668 | 36,795 | 23,354 | 7,655 | 5,786 |
| Parent and Group 2012 | | | | | | |
| General funds | | | | | | |
| -Cash and cash equivalents * | 0% | 4,235 | 4,235 | 4,235 | - | - |
| -Bank securities | 1.91% | 3,070 | 3,053 | 1,536 | 1,517 | - |
| -Corporate securities | 4.25% | 285 | 312 | 312 | - | - |
| -Local authority securities | 3.63% | 1,008 | 1,042 | 36 | 1,006 | - |
| -Government securities | 3.52% | 312 | 299 | 299 | - | - |
| -Non-cash equivalent bank deposits | 4.66% | 805 | 811 | 811 | - | - |
| Trade and other receivables * | 0% | 2,395 | 2,395 | 2,395 | - | - |
| Other financial assets: loans and receivables | 6.70% | 21 | 51 | 9 | 35 | 7 |
| South Waikato Investment Fund (SWIF): | | | | | | |
| -Cash and cash equivalents * | 0% | 966 | 966 | 966 | - | - |
| -Bank securities | 5.85% | 8,207 | 9,381 | 4,064 | 3,174 | 2,143 |
| -Corporate securities | 5.27% | 3,258 | 3,857 | 188 | 2,804 | 865 |
| -Local authority securities | 4.09% | 865 | 1,010 | 50 | 960 | 0 |
| -Government securities | 3.42% | 2,031 | 2,508 | 111 | 393 | 2,004 |
| Total | | 27,458 | 29,920 | 15,012 | 9,889 | 5,019 |

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

13 OTHER FINANCIAL ASSETS (CONTINUED)

South Waikato Investment Fund

The South Waikato Investment Fund (SWIF) was established in July 1999 and is currently made up of managed fund investments in overseas shares, New Zealand bonds and fixed interest cash. This investment portfolio is managed by a team of experts who carry out the investment risk assessment and provide advice to Council. The bonds and overseas shares are well diversified across geographical territories and industries. The SWIF has been classified as an 'available for sale' investment.

As at 30 June 2013, the fixed interest cash portion of the SWIF included internal borrowing from South Waikato District Council of \$5,172,577(2012: \$5,172,820).

14 DERIVATIVE FINANCIAL INSTRUMENTS

| | Parent and Group | | | |
|------------------------------------|-------------------------|-------------|-------------------------|-------------|
| | Actual 2013 \$000 | | Actual 2012 \$000 | |
| | Assets | Liabilities | Assets | Liabilities |
| Forward foreign exchange contracts | | | | |
| Analysed as: | | | | |
| Current | - | - | 124 | - |
| Non-current | - | - | - | - |
| Total | - | - | 124 | - |

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

15 NON-CURRENT ASSETS HELD FOR SALE

| | Parent and Group | |
|---|-------------------------|-------------------------|
| | Actual 2013 \$000 | Actual 2012 \$000 |
| Land | | |
| Parts of James Higgins Park, Tokoroa | 96 | - |
| Lot 14 DPS 28461 (Hilcrest Street, Tirau) | 2 | - |
| Lot 15 DPS 322 (Clothier street, Putaruru) | 3 | - |
| Total | 101 | - |

Council has approved the sale of these properties. The completion date of these sales is expected to be by June 2014.

The accumulated property revaluation reserve recognised in equity for the three properties at 30 June 2013 is \$73,310

16 PROPERTY, PLANT AND EQUIPMENT

| Asset Class | Parent and Group 2012/2013 | | | | | | | | | | | | |
|-------------------------------------|-------------------------------------|---|-----------------------------------|-----------------------------|-----------------------------|---------------------------------|---|---|---|--------------------------------------|--|---|------------------------------------|
| | Cost/ Revaluation 1 July 2012 | Accumulated depreciation and impairment charges 1 July 2012 | Carrying amount 1 July 2012 | Current year addition | Current year disposal | Revaluation surplus \$000 | Current year depreciation charges \$000 | Depreciation write off on disposal \$000 | Depreciation eliminated on revaluation \$000 | Cost/ Revaluation 30 June 2013 | Accumulated depreciation and impairment charges 30 June 2013 | Transfer to Non-current Assets held for sale 30 June 2013 | Carrying amount 30 June 2013 |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| Operational assets | | | | | | | | | | | | | |
| <i>Heritage assets</i> | 144 | - | 144 | - | - | - | - | - | - | 144 | - | - | 144 |
| Library collection | 1,283 | (858) | 425 | 134 | (105) | - | (105) | 86 | - | 1,312 | (877) | - | 435 |
| Buildings | 10,148 | - | 10,148 | 5,924 | - | - | (175) | - | - | 16,072 | (175) | - | 15,897 |
| Furniture & fittings | 1,118 | (790) | 328 | 188 | (1) | - | (80) | 1 | - | 1,305 | (869) | - | 436 |
| Equipment | 4,623 | (3,711) | 912 | 647 | (305) | - | (440) | 294 | - | 4,965 | (3,857) | - | 1,108 |
| Land | 3,398 | (1) | 3,397 | - | - | - | - | - | - | 3,398 | (1) | - | 3,397 |
| Motor vehicles | 1,211 | (574) | 637 | 379 | (243) | - | (168) | 193 | - | 1,347 | (549) | - | 798 |
| Other major plant | 399 | (179) | 220 | 109 | - | - | (27) | - | - | 508 | (206) | - | 302 |
| Total operational assets | 22,324 | (6,113) | 16,211 | 7,381 | (654) | - | (995) | 574 | - | 29,051 | (6,534) | - | 22,517 |
| Infrastructural assets | | | | | | | | | | | | | |
| Bridges | 8,442 | (150) | 8,292 | - | - | - | (150) | - | - | 8,442 | (300) | - | 8,142 |
| Culverts | 4,887 | (119) | 4,768 | 217 | (46) | - | (109) | 27 | - | 5,058 | (201) | - | 4,857 |
| Footpaths | 11,048 | (344) | 10,704 | 68 | (14) | - | (318) | 7 | - | 11,102 | (655) | - | 10,447 |
| Buildings | 2,371 | - | 2,371 | 1,277 | - | - | (57) | - | - | 3,648 | (57) | - | 3,591 |
| Land | 3,756 | - | 3,756 | - | - | - | - | - | - | 3,756 | - | - | 3,756 |
| Landfill | 4,688 | (1,930) | 2,758 | 203 | - | - | (195) | - | - | 4,891 | (2,125) | - | 2,766 |
| Pipes | 13 | (2) | 11 | - | - | - | - | - | - | 13 | (2) | - | 11 |
| Pumps | 269 | (269) | - | - | - | - | - | - | - | 269 | (269) | - | - |
| Roading | 166,042 | (1,281) | 164,761 | 3,369 | (861) | - | (2,187) | 347 | - | 168,549 | (3,120) | - | 165,429 |
| Sewerage | 13,355 | (814) | 12,541 | 1,496 | (808) | 259 | (352) | 129 | 1,035 | 14,302 | (2) | - | 14,300 |
| Street furniture | 500 | (345) | 155 | 24 | - | - | (36) | - | - | 524 | (381) | - | 143 |
| Streetlights | 2,316 | (49) | 2,267 | 232 | - | - | (57) | - | - | 2,548 | (106) | - | 2,442 |
| Sewerage reticulation | 13,173 | (713) | 12,460 | 6 | (8) | 3,874 | (364) | 4 | 1,072 | 17,046 | (1) | - | 17,045 |
| Stormwater system | 16,642 | (724) | 15,918 | 140 | (20) | 3,218 | (371) | 8 | 1,033 | 19,980 | (54) | - | 19,926 |
| Water systems | 5,498 | (281) | 5,217 | 621 | (43) | 402 | (169) | 9 | 441 | 6,478 | - | - | 6,478 |
| Water reticulation | 16,593 | (695) | 15,898 | 325 | (189) | 1,358 | (459) | 93 | 1,061 | 18,087 | - | - | 18,087 |
| Total infrastructural assets | 269,593 | (7,716) | 261,877 | 7,978 | (1,989) | 9,111 | (4,824) | 624 | 4,642 | 284,693 | (7,273) | - | 277,420 |
| Restricted assets | | | | | | | | | | | | | |
| Parks & reserves | 4,022 | - | 4,022 | 421 | (18) | - | (295) | 1 | - | 4,425 | (294) | - | 4,131 |
| Restricted buildings | 1,413 | - | 1,413 | 998 | - | - | (32) | - | - | 2,411 | (32) | - | 2,379 |
| Restricted land | 27,537 | - | 27,537 | 142 | - | - | - | - | - | 27,679 | - | (101) | 27,578 |
| Total restricted assets | 32,972 | - | 32,972 | 1,561 | (18) | - | (327) | 1 | - | 34,515 | (326) | (101) | 34,088 |
| Capital work in progress | 7,099 | - | 7,099 | 560 | (6,758) | - | - | - | - | 901 | - | - | 901 |
| Grand total | 331,988 | (13,829) | 318,159 | 17,480 | (9,419) | 9,111 | (6,146) | 1,199 | 4,642 | 349,160 | (14,133) | (101) | 334,926 |

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Asset Class | Parent and Group 2011/2012 | | | | | | | | | | | | |
|-------------------------------------|-------------------------------------|---|-----------------------------------|-----------------------------|-----------------------------|------------------------|--|--|--|--------------------------------------|--|--|------------------------------------|
| | Cost/ Revaluation 1 July 2011 | Accumulated depreciation and impairment charges 1 July 2011 | Carrying amount 1 July 2011 | Current year addition | Current year disposal | Revaluation surplus | Current year depreciation charges | Depreciation write off on disposal | Depreciation eliminated on revaluation | Cost/ Revaluation 30 June 2012 | Accumulated depreciation and impairment charges 30 June 2012 | Current year Reclassification 30 June 2012 | Carrying amount 30 June 2012 |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| | | | | | | | | | | | | | |
| Operational assets | | | | | | | | | | | | | |
| <i>Heritage assets</i> | 144 | - | 144 | - | - | - | - | - | - | 144 | - | - | 144 |
| Library collection | 3,249 | (2,227) | 1,022 | 144 | (2,110) | - | (107) | 1,476 | - | 1,283 | (858) | - | 425 |
| Buildings | 11,365 | (527) | 10,838 | 512 | - | (1,729) | (191) | - | 718 | 10,148 | - | - | 10,148 |
| Furniture & fittings | 1,100 | (666) | 434 | 26 | (8) | - | (128) | 4 | - | 1,118 | (790) | - | 328 |
| Equipment | 4,494 | (3,431) | 1,063 | 344 | (210) | (5) | (484) | 199 | 5 | 4,623 | (3,711) | - | 912 |
| Land | 3,646 | (1) | 3,645 | - | (42) | (206) | - | - | - | 3,398 | (1) | - | 3,397 |
| Motor vehicles | 1,168 | (507) | 661 | 182 | (139) | - | (175) | 108 | - | 1,211 | (574) | - | 637 |
| Other major plant | 399 | (153) | 246 | - | - | - | (26) | - | - | 399 | (179) | - | 220 |
| Total operational assets | 25,565 | (7,512) | 18,053 | 1,208 | (2,509) | (1,940) | (1,111) | 1,787 | 723 | 22,324 | (6,113) | - | 16,211 |
| Infrastructural assets | | | | | | | | | | | | | |
| Bridges | 8,442 | - | 8,442 | - | - | - | (150) | - | - | 8,442 | (150) | - | 8,292 |
| Culverts | 4,829 | - | 4,829 | 58 | - | - | (119) | - | - | 4,887 | (119) | - | 4,768 |
| Footpaths | 10,993 | (1) | 10,992 | 55 | - | - | (343) | - | - | 11,048 | (344) | - | 10,704 |
| Buildings | 2,317 | (131) | 2,186 | 51 | - | (63) | (50) | - | 181 | 2,305 | - | 66 | 2,371 |
| Land | 3,904 | - | 3,904 | - | - | (148) | - | - | - | 3,756 | - | - | 3,756 |
| Landfill | 4,627 | (1,729) | 2,898 | 61 | - | - | (201) | - | - | 4,688 | (1,930) | - | 2,758 |
| Pipes | 13 | (2) | 11 | - | - | - | - | - | - | 13 | (2) | - | 11 |
| Pumps | 269 | (269) | - | - | - | - | - | - | - | 269 | (269) | - | - |
| Roading | 164,490 | (20) | 164,470 | 3,391 | (1,839) | - | (2,196) | 935 | - | 166,042 | (1,281) | - | 164,761 |
| Sewerage | 13,275 | (396) | 12,879 | 152 | (72) | - | (432) | 14 | - | 13,355 | (814) | - | 12,541 |
| Street furniture | 497 | (307) | 190 | 3 | - | - | (38) | - | - | 500 | (345) | - | 155 |
| Streetlights | 2,134 | (5) | 2,129 | 182 | - | - | (44) | - | - | 2,316 | (49) | - | 2,267 |
| Sewerage reticulation | 13,019 | (353) | 12,666 | 162 | (8) | - | (363) | 3 | - | 13,173 | (713) | - | 12,460 |
| Stormwater system | 16,493 | (366) | 16,127 | 213 | (64) | - | (393) | 35 | - | 16,642 | (724) | - | 15,918 |
| Water systems | 5,403 | (150) | 5,253 | 168 | (73) | - | (162) | 31 | - | 5,498 | (281) | - | 5,217 |
| Water reticulation | 16,558 | (347) | 16,211 | 257 | (222) | - | (455) | 107 | - | 16,593 | (695) | - | 15,898 |
| Total infrastructural assets | 267,263 | (4,076) | 263,187 | 4,753 | (2,278) | (211) | (4,946) | 1,125 | 181 | 269,527 | (7,716) | 66 | 261,877 |
| Restricted assets | | | | | | | | | | | | | |
| Parks & reserves | 5,748 | (921) | 4,827 | 191 | (75) | (1,692) | (365) | 72 | 1,214 | 4,172 | - | (150) | 4,022 |
| Restricted buildings | 1,924 | (99) | 1,825 | - | (44) | (551) | (38) | 3 | 134 | 1,329 | - | 84 | 1,413 |
| Restricted land | 30,799 | - | 30,799 | - | - | (3,262) | - | - | - | 27,537 | - | - | 27,537 |
| Total restricted assets | 38,471 | (1,020) | 37,451 | 191 | (119) | (5,505) | (403) | 75 | 1,348 | 33,038 | - | (66) | 32,972 |
| Capital work in progress | 1,518 | - | 1,518 | 5,581 | - | - | - | - | - | 7,099 | - | - | 7,099 |
| Grand total | 332,817 | (12,608) | 320,209 | 11,733 | (4,906) | (7,656) | (6,460) | 2,987 | 2,252 | 331,988 | (13,829) | - | 318,159 |

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net carrying amount of property, plant and equipment held under a finance lease is \$Nil; (2012: \$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 (2012: \$Nil). The closing balance of the revaluation reserve is \$171,094,000 (2012: \$157,780,000).

Revaluation

In assessing the Optimised Replacement Cost, allowance has been made for costs of bringing the asset into working condition for its intended use and these costs include architectural and engineering fees.

With regard to reserve lands, designations or properties zoned reserve, market value was assessed in comparison to adjoining lands and then a deduction was made or in some cases premium was added for the designation or reserve status, based on the restriction of use and the likelihood of this status being removed or changed.

Depreciation and amortisation expense by Group of Activity

| | Parent and Group | |
|---|-------------------------|-------------------------|
| | Actual 2013 \$000 | Actual 2012 \$000 |
| Transport and roading | 2,820 | 2,902 |
| Recreation and facilities - facilities & property | 177 | 224 |
| Economic and community development | 12 | 13 |
| Recreation and facilities - leisure services | 553 | 598 |
| Water supply | 628 | 620 |
| Stormwater | 371 | 368 |
| Wastewater | 716 | 795 |
| Solid waste and recycling | 195 | 176 |
| Environment - regulatory services | - | - |
| Environment- resource management & planning | - | - |
| Environment - emergency management | 14 | 12 |
| Governance and corporate | 662 | 762 |
| Total | 6,148 | 6,470 |

17 INTANGIBLE ASSETS

| | Parent and Group | |
|---|------------------|-----------------|
| | Actual | Actual |
| | 2013 | 2012 |
| | \$000 | \$000 |
| Computer Software | | |
| Cost | 1,428 | 1,428 |
| Accumulated amortisation and impairment | <u>(1,426)</u> | <u>(1,416)</u> |
| Opening carrying amount | 2 | 12 |
| Additions | - | - |
| Amortisation charge | <u>(2)</u> | <u>(10)</u> |
| Closing carrying amount | <u>-</u> | <u>2</u> |

| Computer Software | Parent and Group | |
|---|------------------|-----------------|
| | Actual | Actual |
| | 2013 | 2012 |
| | \$000 | \$000 |
| Closing Cost | 1 | 1,428 |
| Closing accumulated amortisation and impairment | <u>(1)</u> | <u>(1,426)</u> |
| Closing carrying amount | <u>-</u> | <u>2</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 Income.

Carbon credits

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

18 TRADE AND OTHER PAYABLES

| | Parent and Group Actual 2013 \$000 | Actual 2012 \$000 |
|-----------------------------------|---|----------------------------------|
| Sundry Creditors | 1,766 | 1,978 |
| Accrued expenses | 666 | 919 |
| Income received in advance | 863 | 919 |
| Related Party Payables (Note 25) | <u>67</u> | <u>36</u> |
| Total | <u>3,362</u> | <u>3,852</u> |
| Trust Accounts | <u>155</u> | <u>158</u> |

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

19 LANDFILL PROVISIONS

| | Parent and Group | |
|---|-------------------------|---------------|
| | Actual | Actual |
| | 2013 | 2012 |
| | \$000 | \$000 |
| Opening balance | 690 | 617 |
| Additional provision made during the year | 148 | 55 |
| Amounts used during the year | - | - |
| Unused amount reversed during the year | - | - |
| Discount unwinding (Note 5) | 12 | 18 |
| Total landfill provision | 850 | 690 |
| Presented by: | | |
| Current provision | 28 | 28 |
| Non-current provision | 822 | 662 |
| Total landfill provision | 850 | 690 |

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

Closure Responsibilities

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

Post Closure Responsibilities

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

Capacity of the Site

Final capping at Tokoroa is programmed for 2022. The remaining capacity of the site (refuse, clean fill and cover) is approximately:

| | | |
|---------|--------------------------|----------------------------|
| Tokoroa | 2013:83,500 cubic metres | 2012: 116,000 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 2040. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated, taking into account technology, and is discounted using forward rates of 2.71%-5.50% (2012: forward rates of 2.43%-6%) as provided by the New Zealand Government.

20 EMPLOYEE BENEFIT LIABILITIES

| | Parent and Group | |
|---|------------------|--------------|
| | Actual | Actual |
| | 2013 | 2012 |
| | \$000 | \$000 |
| Accrued pay | 320 | 325 |
| Annual Leave | 780 | 759 |
| Long service leave | 78 | 74 |
| Retirement gratuities | 277 | 246 |
| Sick leave | 25 | 21 |
| Total employee benefit liabilities | 1,480 | 1,425 |
| Comprising | | |
| Current | 1,317 | 1,162 |
| Non-current | 163 | 263 |
| Total employee benefit liabilities | 1,480 | 1,425 |

21 BORROWINGS

| | Parent and Group | |
|--------------------------------|------------------|--------------|
| | Actual | Actual |
| | 2013 | 2012 |
| | \$000 | \$000 |
| Current portion | 287 | 6,873 |
| Non-current portion | 8,053 | - |
| Total borrowings | 8,340 | 6,873 |
| <i>Made up of:</i> | | |
| Pensioner Housing | 165 | 175 |
| CBD Infrastructure Loan | 313 | 332 |
| Landfill Site Development loan | 257 | 289 |
| Putaruru Service Centre | 519 | 547 |
| Tokoroa Landfill Site Access | 235 | 247 |
| Putaruru Landfill Closure | 263 | 277 |
| Putaruru Transfer Station | 226 | 238 |
| Roading | 2,306 | 2,167 |
| Sports and Events Centre | 1,965 | 605 |
| Timber Museum | 383 | 397 |
| Fibre Optic | 212 | 223 |
| Toilets | 1,273 | 1,163 |
| Other Loans | 223 | 213 |
| Total borrowings | 8,340 | 6,873 |

Council's main source of external borrowing at 30 June 2013 is secured bank funding issued under a \$6 million, five-year customised average rate loan facility (CARL). The \$10m facility is comprised of fixed rate portions of \$1.5m each, at 5.33%, at terms of two, three, four and five years.

21 BORROWINGS (CONTINUED)

The remainder of external borrowing is re-priced quarterly at the current 90 day BNZ borrowing rate. Both the CARL and the quarterly re-priced portions are operated under Council's committed cash advance facility (CCAF), which was renewed for a further term of four years, and increased (to \$10,000,000) during the year.

Security

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

22 EQUITY

| | Parent and Group | |
|--|-------------------------|-------------------------|
| | Actual 2013 \$000 | Actual 2012 \$000 |
| Retained earnings | | |
| Opening Balance | 140,449 | 141,177 |
| Net surplus/(deficit) for the year | 4,581 | (544) |
| <i>Transfers (to)/from:</i> | | |
| Property Revaluation Reserves | 518 | 198 |
| Restricted Reserves | 2,994 | (89) |
| Council Created Reserves | (1,643) | (293) |
| Closing balance | 146,899 | 140,449 |
| Other Reserves | | |
| Restricted Reserves | | |
| Opening Balance | 12,330 | 10,555 |
| Transfers to General Equity | (8,417) | (6,325) |
| Transfers from General Equity | 5,423 | 8,100 |
| Closing balance | 9,336 | 12,330 |
| Council Created Reserves | | |
| Opening Balance | 25,757 | 27,150 |
| Transfers to General Equity | (469) | (3,362) |
| Transfers from General Equity | 2,112 | 1,969 |
| Closing balance | 27,400 | 25,757 |
| Property Revaluation Reserves | | |
| Opening Balance as previously reported | 157,780 | 163,381 |
| Increase/(decrease) in revaluation | 13,832 | (5,403) |
| Transfers to retained earnings on disposal | (518) | (198) |
| Closing balance | 171,094 | 157,780 |
| <i>Presented by:</i> | | |
| Land (Restricted) | 16,530 | 16,530 |
| Land (Operational) | 2,307 | 2,307 |
| Buildings (Infrastructural) | 860 | 889 |
| Buildings (Operational) | 2,551 | 2,551 |
| Building (Restricted) | 171 | 220 |
| Parks & Reserves | 2,821 | 2,676 |
| Roading | 114,314 | 114,456 |
| Sewerage | 10,549 | 4,575 |
| Stormwater | 7,192 | 2,947 |
| Water | 13,799 | 10,629 |
| | 171,094 | 157,780 |
| Investment Revaluation Reserve | | |
| Opening Balance | 3,068 | 3,274 |
| Valuation gains/(losses) taken to equity | 1,681 | (16) |
| Transfer to profit or loss on disposal | (4,215) | (190) |
| Closing balance | 534 | 3,068 |
| Total other reserves | 208,364 | 198,935 |

Foreign exchange losses recognised in equity (Investment Revaluation Reserve) amounted to \$168,333 (2012: \$195,264).

22 EQUITY (CONTINUED)

Movement of Council created and restricted reserves:

| | | Actual 1 July 2012 \$000 | Parent and Group | | Actual 30 June 2013 \$000 |
|---|---|-----------------------------------|------------------|--------------|------------------------------------|
| | | | In \$000 | out \$000 | |
| Council Created Reserves | | | | | |
| National waste levy | A | 42 | 52 | 30 | 64 |
| SWDC asset purchase | B | 84 | 47 | 59 | 72 |
| South Waikato Economic Development Fund | C | 406 | 6 | 242 | 170 |
| South Waikato Investment Fund | D | 24,558 | 2,129 | 78 | 26,609 |
| Pensioner Housing | E | 117 | 73 | 192 | (2) |
| State Highway 1 | F | 114 | 3 | 29 | 88 |
| Riverside access | G | 373 | 11 | 11 | 373 |
| Financial contributions - stormwater | H | 3 | - | - | 3 |
| Financial contributions - wastewater | H | 4 | - | - | 4 |
| Financial contributions - water | H | 4 | - | - | 4 |
| Financial contributions - roading | H | - | 8 | - | 8 |
| Financial contributions - reserves | H | 52 | 3 | 48 | 7 |
| Total Council Created Reserves | | 25,757 | 2,332 | 689 | 27,400 |
| Restricted Reserves | | | | | |
| Upper Atiamuri Hall | I | 13 | 7 | 16 | 4 |
| Puketurua Hall | I | 15 | 1 | - | 16 |
| Waotu Hall | I | 20 | - | 5 | 15 |
| Lichfield Hall | I | 6 | - | - | 6 |
| Arapuni Hall | I | 18 | 7 | 3 | 22 |
| Tapapa-Okoroire Hall | I | 86 | 3 | 50 | 40 |
| Refuse collection | I | 39 | 6 | 146 | (101) |
| District sewerage | I | 294 | 1,307 | 1,820 | (219) |
| District stormwater | I | (46) | 56 | 89 | (79) |
| District water supply | I | 549 | 990 | 1,333 | 206 |
| Tirau Community Board | I | 8 | 1 | - | 8 |
| Tokoroa promotions | I | 14 | 1 | - | 15 |
| Pride in Putaruru | I | - | 10 | - | 10 |
| District Recycling | I | (9) | - | 20 | (29) |
| Total Restricted Reserves | | 1,007 | 2,389 | 3,482 | (86) |
| Depreciation Reserves | | | | | |
| Arapuni Hall | J | 1 | 2 | 1 | 2 |
| Waste disposal | J | 727 | 26 | 60 | 693 |
| Sewerage | J | 3,667 | 753 | 1,616 | 2,804 |
| Stormwater | J | 3,028 | 337 | 162 | 3,203 |
| Water | J | 1,501 | 665 | 806 | 1,360 |
| Pensioner housing | J | 138 | 74 | 76 | 136 |
| General rating activities | K | 2,261 | 3,447 | 4,484 | 1,224 |
| Total Depreciation Reserves | | 11,323 | 5,304 | 7,205 | 9,422 |

Purpose of reserve:

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

23 RECONCILIATION OF NET CASHFLOW TO OPERATING SURPLUS

| | Parent and Group | |
|--|-------------------------|-------------------------|
| | Actual 2013 \$000 | Actual 2012 \$000 |
| Net surplus before tax | 4,581 | (544) |
| <i>Add /(deduct) non-cash items</i> | | |
| Depreciation and amortisation of plant, property & equipment | 6,148 | 6,470 |
| Assets vested in Council | (559) | (18) |
| Loss on sale of property, plant & equipment | 1,375 | 1,243 |
| Library book write down | 20 | 636 |
| Gain in disposal of fair value through equity investments | (4,049) | (190) |
| Capital work in progress written off | - | 72 |
| <i>Add /(deduct) movements in working capital items</i> | | |
| Trade and other receivables | (451) | (315) |
| Trade and other payables | (490) | 236 |
| Inventories | 3 | 8 |
| Trust accounts | 5 | 7 |
| Employee benefits | 55 | 184 |
| Net cash inflow from operating activities | 6,628 | 7,789 |

24 CAPITAL COMMITMENTS AND CONTINGENCIES

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

| | Parent and Group | |
|--|------------------|------------|
| | Actual | Actual |
| | 2013 | 2012 |
| | \$000 | \$000 |
| Putaruru and Tirau Water Supply upgrade | - | 41 |
| Colsons Hill Reservoir repairs | - | 7 |
| Tokoroa W WTP drum filter | - | 52 |
| Tokoroa W WTP sludge handling | - | 26 |
| Tokoroa W WTP UV plant upgrade | - | 277 |
| Lake Moananui toilet upgrade | - | 68 |
| Tokoroa Memorial sportsground toilets/changing rooms | - | 16 |
| Arapuni toilets | - | 7 |
| Sport & Events Centre | - | 94 |
| Tirau information centre toilet refurbishment | 63 | - |
| Glenshea Park grandstand roof replacement | 22 | - |
| Putaruru stormwater pipe renewals | 88 | - |
| Glenshea resevoir leak repair | 5 | - |
| Croad Place (land for refuse & recycling centre) | 620 | - |
| Total | 798 | 588 |

Contingent Liabilities

Guarantees

As at 30 June 2013 the South Waikato District Council was acting as a guarantor for a loan of \$29,282 advanced by ANZ National Bank Limited to the Tokoroa Kart Club Incorporated (2012: \$33,123).

Responsibility for shortfall calls for mutual liability

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

In 2012 the 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 will 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 is already sufficient certainty of the extent of some of these shortfalls to enable Council to quantify its share of the liability. Where this is the case, the liability has been accounted for in this financial report. However, there also remains the potential for further currently unquantified obligations/calls on the council. There is considerable uncertainty about any future claims and council is uncertain if there will be additional obligations.

Further losses claimed against Council

Roading and Asphalt Ltd (RAL) is appealing the decision by the High Court to award losses claimed in relation to the third year of a contract (contract 640/379) that was not awarded to RAL. The amount claimed is \$190,000. Due to the uncertainty of the likely outcome, and the legitimacy of the losses sought, Council has not accrued this into its accounts.

Contingent Asset

Appeal against RAL

On 8 June 2012, in its decision against South Waikato District Council in not awarding RAL Contract 640/379, the High Court awarded RAL for loss of profits, plus GST and interest (\$396,000) and court costs (\$77,000). These amounts have been paid over to RALs legal representatives (held in trust). Council is appealing the court decision. If the Court of Appeal overturns the High Court decision, Council will be refunded these payments.

25 RELATED PARTY TRANSACTIONS

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

| | Actual 2013 \$ 000 | Actual 2012 \$ 000 |
|--|--------------------------|--------------------------|
| His Worship The Mayor Neil Sinclair & Deputy Mayor Jenny Shattock - Council appointments on the South Waikato Economic Development Trust: | | |
| Funding provided to the South Waikato Economic Development Trust | - | 7 |
| Deputy Mayor Jenny Shattock- Manager of Radio Forestland | | |
| Services provided by Radio Forestland | 32 | 34 |
| Account payable to Radio Forestland | 3 | 2 |
| His Worship The Mayor Neil Sinclair and Councillor Alan Blair(alternative) - Council appointments: | | |
| Waikato Regional Council-Land Transport Committee | | |
| Service provided by Waikato Regional Council | 101 | 131 |
| Service provided to Waikato Regional Council | 30 | 20 |
| Account payable to Waikato Regional Council | 31 | 6 |
| Councillor Alan Blair - Councillor appointment on Timber Museum Trust | | |
| Grants paid to the Timber Museum Trust | 119 | 110 |
| Account payable to Timber Museum Trust | 9 | 28 |
| Councillor Alan Blair - Councillor appointment on South Waikato Talking Poles Trust | | |
| Grants paid to the South Waikato Talking Poles Trust | 1 | 1 |
| Councillor Herman Van Rooijen - Councillor appointment on Waikato River Trails | | |
| Grants paid to Waikato River Trails | 389 | 450 |
| Councillor Adrienne Bell - Councillor appointment on South Waikato Arts Trust (replaced Councillor Warren year during the year) | | |
| Grants paid to South Waikato Arts Trust | 92 | 86 |
| Councillor Brenda Watkins - Councillor appointment on Tokoroa Council of Social Services (TCOSS) | | |
| Services provided by TCOSS | 20 | 28 |
| Councillor Brenda Watkins - member of the Tokoroa Rotary Club | | |
| Services provided by Tokoroa Rotary Club | - | 1 |
| Deputy Mayor Jenny Shattock - Council appointment on South Waikato Achievement Centre (replaced Councillor Michael Gubb during year) | | |
| Services provided by SW Achievement Centre | 180 | 334 |
| Account payable to the Achievement Centre | 10 | - |
| Councillor Michael Gubb - Councillor appointment on South Waikato Leisure Services Board | | |
| Goods & services provided by SW Sports & Leisure Board | 41 | 156 |
| Councillor Michael Gubb - Volunteer Station Officer | | |
| Goods & services provided by NZ Fire Service | 2 | 2 |
| Councillor Anne Edmeades - Councillor appointment on South Waikato Safer Community Council | | |
| Goods & services provided by South Waikato Safer Community Council | - | 40 |
| Councillor Adrienne Bell - Trustee of Pride in Putaruru (replaced Councillor Anne Edmeades during year) | | |
| Goods & services provided by Pride in Putaruru | 68 | 114 |
| Account payable to Pride in Putaruru | 14 | - |
| Deputy Mayor Jenny Shattock - Council appointment on Tokoroa Senior Citizens & Welfare (replaced Councillor Barrie Herlihy during year) | | |
| Goods & services provided by Tokoroa Senior Citizens & Welfare | 3 | 3 |
| Total related party payables (Note 18) | <u>67</u> | <u>36</u> |
| Total related party receivables (Note 11) | <u>30</u> | <u>20</u> |

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

25 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Key Management Personnel

| | Actual 2013 \$ 000 | Actual 2012 \$ 000 |
|---|-----------------------------------|-----------------------------------|
| Salaries and other short term employee benefits | 1,579 | 1,321 |
| Post employment benefits | 34 | 18 |
| Other long term benefits | - | - |
| Termination benefits | - | - |
| | <u>1,613</u> | <u>1,339</u> |

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

26 REMUNERATION

Chief Executive

During the year ended 30 June 2013 the Council's Chief Executive was remunerated as follows:

| | Actual 2013 \$ 000 | Actual 2012 \$ 000 |
|---|-----------------------------------|-----------------------------------|
| David Hall (1 July 2012 - 9 May 2013) | | |
| Base Salary | 247 | 223 |
| Contractual obligations | 122 | - |
| Vehicle (market value plus FBT) | 17 | 18 |
| Kiwisaver Employer's Contribution | 10 | 4 |
| Total | <u>396</u> | <u>245</u> |
| Craig Hobbs (20 May 2013 - 30 June 2013) | | |
| Base Salary | 23 | - |
| Vehicle (market value plus FBT) | 2 | - |
| Kiwisaver Employer's Contribution | 1 | - |
| Total | <u>26</u> | <u>-</u> |

For the year ended 30 June 2013 the total annual cost, including fringe benefit tax, to the South Waikato District Council of the remuneration package received by the Chief Executive is calculated at: David Hall - \$396,000 (2012:\$245,000); Craig Hobbs - \$26,000 (2012: nil).

26 REMUNERATION (CONTINUED)

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:

| Elected Representatives | Parent and Group | |
|--------------------------------|----------------------------------|----------------------------------|
| | Actual 2013 \$000 | Actual 2012 \$000 |
| Mayor and Councillors | | |
| Lyn Corban | 20 | 20 |
| Neil Sinclair (Mayor) | 75 | 71 |
| Jenny Shattock | 29 | 27 |
| Herman Van Rooijen | 28 | 26 |
| Anne Edmeades | 20 | 20 |
| Michael Gubb | 20 | 20 |
| Adrienne Bell | 20 | 20 |
| Barrie Herlihy | 6 | 20 |
| Alan Blair | 21 | 20 |
| Brenda Watkins | 23 | 22 |
| Warren Lee | 18 | 20 |
| Total Councillors | 280 | 286 |

| Community Board members | Parent and Group | |
|--------------------------------------|----------------------------------|----------------------------------|
| | Actual 2013 \$000 | Actual 2012 \$000 |
| Nora Martelletti | 4 | 4 |
| H Spinley | 2 | 2 |
| G Poole | 2 | 2 |
| C Collingwood | 2 | - |
| F Van Lent | - | 2 |
| Total Community Board members | 10 | 10 |

Council Employees

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

| | Actual 2013 \$000 | Actual 2012 \$000 |
|------------------------|----------------------------------|----------------------------------|
| < \$60,000 | 99 | 97 |
| \$60,000 - \$79,000 | 28 | 25 |
| \$80,000 - \$99,000 | 11 | 14 |
| \$100,000 - \$119,000 | 7 | 4 |
| \$120,000 - \$259,000 | 4 | 4 |
| Total employees | 149 | 144 |

Total remuneration includes non-financial benefits provided to employees.

At balance date, the Council employed 99 full-time employees (2012: 96), with the balance of staff representing 17.85 (2012: 17.45) full-time equivalent employees. A full-time employee is determined on the basis of a 37.5-hour working week.

27 FINANCIAL INSTRUMENTS

27A Financial Instrument Categories

| | Note | Actual 2013 \$000 | Actual 2012 \$000 |
|--|------|-------------------------|-------------------------|
| Financial assets | | | |
| Fair value through profit or loss | | | |
| Derivative financial instrument assets | 14 | - | 125 |
| Loans and receivables | | | |
| Cash and cash equivalents | 10 | 17,581 | 5,200 |
| Trade and other receivables | 11 | 2,613 | 2,259 |
| Other financial assets: | | | |
| Sundry loans | 13 | 513 | 108 |
| Total loans and receivables | | 20,707 | 7,567 |
| Available for sale financial assets | | | |
| Other financial assets: | | | |
| Bonds, deposits and other fixed interests | 13 | 13,220 | 19,841 |
| Unlisted shares | 13 | 87 | 87 |
| Listed shares | 13 | - | 6,293 |
| Total available for sale financial assets | | 13,307 | 26,221 |
| Financial liabilities | | | |
| Fair value through profit or loss | | | |
| Derivative financial instrument liabilities | 14 | - | - |
| Financial liabilities at amortised cost | | | |
| Trade and other payables | 18 | 2,499 | 2,933 |
| Trust Accounts | 18 | 155 | 158 |
| Secured loans | 21 | 8,340 | 6,873 |

27 FINANCIAL INSTRUMENTS (CONTINUED)

27B Fair Value Hierarchy Disclosures

For those instruments recognised at fair value in the balance sheet, fair values are determined according to the following hierarchy.

1. Quoted market price (level 1) – financial instruments with quoted prices for identical instruments in active markets
2. 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
3. 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 2013 - Parent and Group | | | | |
| <i>Financial assets</i> | | | | |
| General Funds | | | | |
| Sundry corporate & government securities | - | - | - | - |
| Bank securities | - | - | - | - |
| South Waikato Investment Fund | | | | |
| Directly held bonds | - | - | - | - |
| Bank bonds | 5,542 | 5,542 | - | - |
| Corporate bonds | 4,333 | 4,333 | - | - |
| Government bonds | 617 | 617 | - | - |
| Others | 1,345 | 1,345 | - | - |
| Shares | - | - | - | - |
| Derivatives | - | - | - | - |
| <i>Financial liabilities</i> | | | | |
| Derivatives | - | - | - | - |
| 30 June 2012 - Parent and Group | | | | |
| <i>Financial assets</i> | | | | |
| General Funds | | | | |
| Sundry corporate & government securities | 2,411 | 2,411 | - | - |
| Bank securities | 3,070 | 3,070 | - | - |
| South Waikato Investment Fund | | | | |
| Directly held bonds | 2,060 | 2,060 | - | - |
| Bank bonds | 6,680 | 6,680 | - | - |
| Corporate bonds | 2,725 | 2,725 | - | - |
| Government bonds | 2,031 | 2,031 | - | - |
| Others | 865 | 865 | - | - |
| Shares | 6,293 | 6,293 | - | - |
| Derivatives | 124 | - | 124 | - |

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

27 FINANCIAL INSTRUMENTS (CONTINUED)

Financial Instrument Risks

Council has a series of policies to manage the risks associated with financial instruments. The South Waikato District Council is risk averse and seeks to minimise exposure from its treasury activities. Council has established approved Liability Management and Investment policies which have been adopted as part of Council's Long Term Plan 2012-22. These policies do not allow any transactions that are speculative in nature to be entered into.

Market Risk

Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. Council is exposed to price risk on its equity and bond investments, which are classified as available for-sale-financial assets. The price risk is managed by diversification of Council investment portfolio in accordance with the limits set out in Council Investment policy.

Currency Risk

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

Interest Rate Risk

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

Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the value of financial instruments will fluctuate because of changes in market interest rates. Borrowing and investment at fixed interest rates expose Council to fair value interest rate risk. Council manages its interest rate exposure by restricting the gross interest of all external borrowing to 10% of total revenues and to 15% of Council's operating revenue. Council can also use interest rate derivatives such as interest rate swaps and options to manage interest rate risks when the need arises. Interest rates on borrowings are subject to quarterly re-pricing.

Cash Flow Interest Rate Risk

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

27 FINANCIAL INSTRUMENTS (CONTINUED)

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 | 2013 \$000 | | 2012 \$000 | |
|---------------------------------------|----------|---------------|--------------|---------------|--------------|
| Interest Rate Risk | | Profit | Other Equity | Profit | Other Equity |
| Financial assets | | 0.5% | -0.5% | 0.5% | -0.5% |
| South Waikato Investment Fund (SWIF): | | | | | |
| Bonds | <i>a</i> | - | 652 | - | (652) |
| | | | | - | 805 |
| | | | | - | (805) |
| Financial liabilities | | 0.25% | -0.25% | 0.25% | -0.25% |
| Borrowings | <i>c</i> | (19) | 19 | (11) | 11 |
| Foreign Exchange Risk | | Profit | Other Equity | Profit | Other Equity |
| Financial assets | | 5% | -5% | 5.0% | -5.0% |
| Derivative financial instruments | <i>b</i> | - | - | (6) | - |
| | | | | 6 | - |
| International Cash | | 10% | -10% | 10% | -10% |
| US dollar denominated cash | <i>e</i> | 806 | (806) | - | - |
| | | | | - | - |
| Equity Price Risk | | Profit | Other Equity | Profit | Other Equity |
| Financial assets | | 5% | -5% | 5.0% | -5.0% |
| South Waikato Investment Fund (SWIF): | | | | | |
| Quoted shares | <i>d</i> | - | - | - | - |
| | | | | 314 | (314) |

27 FINANCIAL INSTRUMENTS (CONTINUED)

Explanation of sensitivity analysis

Financial assets

a - South Waikato Investment Fund (SWIF): Bonds

A total of \$11,837,000 (2012: \$19,841,000) invested in local bonds is classified as available for sale financial assets. A movement in interest rates of plus or minus 0.5% in 2012-13 would have had an impact of +/- \$652,000 on the fair value of the asset and the investment revaluation reserve. A movement in interest rates of plus or minus 0.5% in 2011-12 would have had an impact of +/- \$805,000.

b - Derivative financial instruments

A total of \$nil is classified as financial assets at fair value through profit or loss (2012: \$124,000). A movement in exchange rates of plus or minus 5% in 2012-13 would have had an impact of \$nil on profit or loss. A movement of plus or minus 5% in 2011-12 would have had an impact of \$6,000.

c - Borrowings

A total of \$8,340,000 (2012: \$6,873,000) is classified as long term borrowings. A movement of plus or minus 0.25% in interest rates in 2012-13 would have had an impact of +/- \$19,000 on the profit or loss. A movement of plus or minus 0.25% in 2011-12 would have had an impact of +/- \$11,000 on the profit or loss.

d - South Waikato Investment Fund (SWIF): Quoted shares

A total of \$nil (2012: \$6,293,000) invested in listed overseas shares is classified as available for sale financial assets. A movement of plus or minus 5% in share prices in 2012-13 would have had an impact of \$nil on the fair value of the asset and the investment revaluation reserve. A movement of plus or minus 5% in share prices in 2011-12 would have had an impact of \$314,000.

e - South Waikato Investment Fund (SWIF): International cash

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

27 FINANCIAL INSTRUMENTS (CONTINUED)

Credit quality of financial assets

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

| | Parent and Group | |
|---|-------------------------|---------------|
| | Actual | Actual |
| | 2013 | 2012 |
| | \$000 | \$000 |
| Cash and cash equivalents: | | |
| Cash and short term deposits (AA to BBB) | 17,581 | 5,200 |
| Total cash and cash equivalents | <u>17,581</u> | <u>5,200</u> |
| General Funds: | | |
| Sundry corporate & government securities (AA- to AA) | - | 1,605 |
| Bank security bonds (AA+ to AAA) | - | 3,070 |
| Total general fund bonds | <u>-</u> | <u>4,675</u> |
| South Waikato Investment Fund (SWIF): | | |
| Directly held bonds (A+ to AA- and G3-G4 good-reasonable, by BondWatch rating) | - | 2,060 |
| Bank security bonds (AA+ to A) | 5,542 | 6,680 |
| Corporate bonds (AA+ to A-) | 4,333 | 2,725 |
| NZ government bonds (AAA+) | 617 | 2,031 |
| Others (A to BBB) | 1,345 | 865 |
| Total SWIF bonds exceeding maturities less than 3 months | <u>11,837</u> | <u>14,361</u> |
| Directly held deposits | | |
| Term deposits (AA) | <u>1,383</u> | <u>805</u> |
| Derivative financial instruments: | | |
| Forward foreign exchange contracts | - | 124 |
| Total derivative financial instruments | <u>-</u> | <u>124</u> |

Trade and other receivables mainly arise from Council's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of trade and other receivables with reference to internal or external credit ratings. Council has no significant concentration of credit risk in relation to trade and other receivables, as it has a large number of credit customers (mainly ratepayers) and Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

27 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity Risk

Management of liquidity risk

Liquidity risk is the risk that Council will encounter difficulty raising funds to meet commitments as they fall due. Prudent liquidity management implies maintaining sufficient cash in the form of bank current accounts and demand deposits. In meeting its liquidity requirements, Council avoids concentration of debt maturity dates with the maximum level of debt repayable in any one year to no more than 3% of total public equity. The maturity analysis of the Council's interest bearing investments is disclosed in Note 13.

Liquidity and Market Risk

Interest rates ranged from 3.5% to 5.05% (3.5% to 4.35% for 2012). Council policy restricts loan principal outstanding to the value of the District's annual rate revenue and the interest cost to 15% of the annual rates revenue. Loan principal outstanding was 39% of the annual rates revenue (2012: 35.3%). Total interest costs represented 1.6% of the annual rates revenue (2012: 1.5%).

Fair value

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

Contractual maturity analysis of financial liabilities

| | Weighted average interest rate | Carrying amount \$000 | Contractual cash flows \$000 | Less than 1 year \$000 | 1-2 years \$000 | 2-5 years \$000 |
|------------------------------|--------------------------------------|-----------------------------|------------------------------------|------------------------------|-----------------------|-----------------------|
| Parent and Group 2013 | | | | | | |
| Trade and other payables | | 2,499 | 2,499 | 2,499 | - | - |
| Borrowings | 5.05% | 8,340 | 10,296 | 704 | 704 | 8,888 |
| Trust Accounts | | 155 | 155 | 155 | - | - |
| Financial guarantees | 3.50% | 33 | 33 | 33 | - | - |
| Total | | 11,027 | 12,983 | 3,391 | 704 | 8,888 |
| Parent and Group 2012 | | | | | | |
| Trade and other payables | | 2,933 | 2,933 | 2,933 | - | - |
| Borrowings | 4.35% | 6,873 | 7,172 | 7,172 | - | - |
| Trust Accounts | | 158 | 158 | 158 | - | - |
| Financial guarantees | 3.50% | 33 | 33 | 33 | - | - |
| Total | | 9,997 | 10,296 | 10,296 | - | - |

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

28 OPERATING LEASE AS LESSOR

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

| | Parent and Group | |
|---|-------------------------|-------------------------|
| | Actual 2013 \$000 | Actual 2012 \$000 |
| Not later than one year | 104 | 100 |
| Later than one year and not later than five years | 215 | 124 |
| Later than five years | 369 | 275 |
| Total non-cancellable operating leases | 688 | 499 |

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

29 MAJOR FORECAST VARIATIONS

| | Actual 2013 \$000 | Forecast 2013 \$000 | Variance \$000 |
|--|-------------------------|---------------------------|-------------------|
| Total income | 32,957 | 28,391 | 4,566 |
| Assets vested in Council | 559 | 201 | 358 |
| Vested assets income results from the gifting of property to Council. It cannot be reliably estimated in the budget due to the inherent uncertainty in the amount and timing. Vested income for the year exceeded forecast mainly due to the vesting of a sports building (ex Pirates Rugby Club building) to Council from New Zealand Rugby League. | | | |
| Finance Income | 1,184 | 1,502 | (318) |
| Finance income was below budget mainly due to generally lower interest rates on bonds and bank deposits than forecast | | | |
| Gain on financial instruments | 4,049 | - | 4,049 |
| This represents accumulated unrealised gains on investments which became realised when Council changed fund managers at the end of the year. The net difference between this and change in investment revaluation reserve (in other comprehensive income) of \$2.665m represents \$1.384m of actual gain on the current years' movements. | | | |
| Total operating expenditure | 28,374 | 27,676 | 698 |
| Net loss on sale | 1,375 | - | 1,375 |
| The net loss arose mainly from the renewal of infrastructural assets, particularly roading, water, wastewater and stormwater. | | | |
| Transport and Roothing | 6,800 | 7,052 | (252) |
| The transport and roading expenditure was below budget mainly due to lower depreciation cost compared to budget. The budget assumes higher depreciation charges. | | | |
| Recreation and facilities-facilities and property | 1,764 | 2,034 | (270) |
| Under expenditure occurred mainly as a result of lower operational costs on talking poles because the symposium was postponed; interest charges, depreciation and cleaning costs on toilets. A number of new toilets were completed towards the end of the year at a slightly lower capital cost (and therefore lower interest costs) than budgeted. | | | |
| Economic and Community Development | 2,081 | 2,417 | (336) |
| Economic and community development was underspent mainly because Heat Swap expenditure of \$494,000 has been treated as a recoverable investment (financial asset receivable) rather than an operational cost. \$210,000 had been budgeted as an operational cost. (note, these are self-funded via a ten year targeted rate over those ratepayers). Further, Warm Homes expenditure for the year was also less than budget. | | | |

29 MAJOR FORECAST VARIATIONS (CONTINUED)

| | Actual 2013 \$000 | Forecast 2013 \$000 | Variance \$000 |
|--|-------------------------|---------------------------|-------------------|
| Wastewater | 2,627 | 2,814 | (187) |
| <p>The wastewater activity was underspent mainly due to lower depreciation associated with the timing of completion and capitalisation of major projects such as the Tokoroa wastewater treatment plant(WWTP) new drum filter, WWTP de-watering plant and the UV upgrade.</p> | | | |
| BALANCE SHEET | | | |
| Property, plant & equipment | 334,926 | 348,367 | (13,441) |
| <p>Property, plant and equipment was below budget due to a combination of variations since Council's 2012-22 Long Term Plan was adopted. These include: lower asset revaluation increase in 2011-12 for land, buildings, parks & reserves assets (\$17.6m); and the deferral of some capital projects like the Glenshea Park grandstand replacements. These were partially offset by a higher revaluation increase for wastewater, water and stormwater assets this year (\$9.1m).</p> | | | |
| Other financial assets (non-current) | 11,567 | 22,763 | (11,196) |
| <p>Long term financial assets were below forecast due to the realisation of overseas shares and long term bonds, prior to year end. The realisation immediately prior to year-end resulted in a larger amount of cash and cash equivalents held at year-end.</p> | | | |
| Cash and cash equivalents | 17,581 | 3,573 | 14,008 |
| <p>Cash and cash equivalents were above forecast due to the reasons mentioned above.</p> | | | |
| Borrowings | 8,340 | 7,591 | 749 |
| <p>Borrowings were above forecast due mostly to a number of projects which were to be internally loan funded, being instead externally loan funded, as Council reviewed it's policy on the level of internal borrowing. There was also a more than anticipated take-up in the heat-swap scheme (self-funded by targeted rates).</p> | | | |
| STATEMENT OF CASHFLOWS | | | |
| Net Cash Inflow from Operating Activities | 6,628 | 5,025 | 1,603 |
| <p>Net Cash Inflows from Operating Activities were higher than forecast mainly due to generally lower operational expenditure in the roading and transport, facilities and property, economic development, and waste water activities.</p> | | | |
| Net Cash inflow /(Outflow) from Investing Activities | 4,284 | (12,215) | 16,499 |
| <p>Net cash inflows from investing activities arose as opposed to net cash outflows anticipated in the budget, mainly due to the realisation of most long term investments as mentioned above.</p> | | | |
| Net Cash Inflow/(Outflow) from Financing Activities | 1,469 | 1,210 | 259 |
| <p>Net cash inflows from financing activities were slightly above forecast mainly due to the use of external loans on some projects that were to be internal loan funded, as mentioned above.</p> | | | |

30 CAPITAL MANAGEMENT

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

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

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

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

- The South Waikato District Council has the following reserves:
- reserves for different areas of benefit
- self-insurance reserves
- trust reserves
- other reserves

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

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

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

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

31 NON-CONSOLIDATION OF SUBSIDIARY

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

The South Waikato Economic Development Trust

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

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

For the year ended 30 June 2013, the Trust earned total revenue of \$141,903 (2012: \$236,178) and a net loss of \$49,248 (2012: net surplus of \$54,751). The Trust had assets of \$247,927 (2012: \$220,001) and liabilities of \$147,190 (2012: \$33,615) at that date.

32 EVENTS AFTER BALANCE DATE

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