

Annual Report

2016-17



South
Waikato
District
Council

CONTENTS

1.	INTRODUCTION	4
1.1.	Message from the Mayor and Chief Executive.....	4
1.2.	Report from the Audit Office.....	6
1.3.	Councillors and their contact details.....	9
1.4.	Tirau Community Board members.....	9
2.	THE COUNCIL STRATEGY	10
2.1.	Council's vision.....	10
2.2.	Council's outcomes and strategies.....	10
2.3.	Financial strategy limits.....	10
2.4.	Community outcomes.....	10
2.5.	Report on achievement of objectives in funding and financial policies.....	13
2.6.	Revenue and financing policy report.....	15
2.7.	Summary of actual and target revenue sources.....	16
2.8.	Annual report disclosure statement for the year ending 30 June 2017.....	17
3.	ACTIVITIES SECTION	22
3.1.	Transport and Roding.....	22
3.2.	Recreation and facilities.....	26
3.3.	Economic and community development.....	32
3.4.	Water supply.....	35
3.5.	Stormwater.....	38
3.6.	Wastewater.....	41
3.7.	Solid Waste and Recycling.....	44
3.8.	Regulatory.....	47
3.9.	Governance and corporate.....	53
3.10.	Customer Satisfaction survey.....	57
3.11.	Involvement with Council Controlled Organisations (CCOs).....	59
4.	FINANCIAL STATEMENTS	67
4.1.	Statement of compliance.....	67
4.2.	Financial statements.....	68
	Statement of comprehensive revenue and expenses.....	68
	Statement of changes in equity.....	69
	Statement of financial position.....	70
	Statement of cashflows.....	71
	Funding Impact Statement - whole of Council.....	72
4.3.	Notes to the financial statements.....	73
	Reporting entity.....	73
	Basis of preparation.....	73
	Significant accounting policies.....	74

1. INTRODUCTION

1.1. Message from the Mayor and Chief Executive

The 2016-17 year saw fantastic growth in our district, demonstrating that Council's strategies of supporting job creation and economic and community development is positioning the South Waikato very well for a growing and prosperous future.

Our Council remains in a solid financial position; with a strong surplus for the year as detailed in the Statement of Comprehensive Revenue and Expenses of \$1.521m. Major differences to our budget were; additional income from solid waste, building and planning consents, unbudgeted income from the sale of trees at Amisfield offset by expenditure on emergency roading work and projects that were funded from the South Waikato Development Fund.

The December 2016 Infometrics report indicated that for the second year in a row, more than 100 jobs were introduced to our labour market, after two years of decline. This trend was endorsed with an increase in economic gain of 0.9% to December 2016. Traffic flows were up 6.3%, compared to 4.5% nationally, which was a positive indication that the investment Council has committed to the Tokoroa CBD upgrade will ensure continued economic growth for businesses in the Tokoroa town centre.

House prices in 2016 were 31% above their 2015 level and rental prices increased by 8.5% which is an eight year high. This positive growth for the district creates pressure on the housing market across the district. Council, working with Putāruru Moving Forward and the Putāruru community, has identified areas in Putāruru for a range of residential development. This is now entering the re-zoning stage under a District Plan Review process. We recognise that growth is occurring throughout the district and work has just started looking at a district wide growth strategy.

People are recognising the positive attributes of our district, including a strong, diverse community, affordable land prices, a growing economy, a business friendly council and facilities to cater to those who enjoy outdoor recreation such as water sports, cycling and walking. We're very central with strong road and rail links. People are moving out of the main centres and landing on our doorstep.

We are rising to the challenge of growth.

The 2016-17 was a year of change with the triennial elections introducing a new Mayor for the first time in 12 years and a new Council with four new faces. New leadership brings new ideas and coupled with population growth for the first time in over 20 years, our district is facing an exciting and positive future as it moves into a growth phase.

We have undertaken a number of projects to provide new or enhanced services to our community during this past year. The Urban Connector public transport service grows in use every month. The long awaited CCTV cameras in Putāruru and Tokoroa have been installed and the rollout of free public Wi-Fi in Tokoroa which is up and running.

Another long awaited project was the funky new toilet block at the top of the hill in Tirau - what a fantastic toilet it is.

We facilitated a Business Support Service as an enhancement to our commitment to supporting local business and we launched our Business Prospectus which highlights our district's many strengths and is used to promote our district with potential business investors.

The Healthy Rivers Plan Change 1 made media headlines. Council submitted on the plan change, citing serious adverse effects on our community and our economic profile if the plan change occurs. Our Council agrees wholeheartedly with the philosophy around Healthy Rivers - cleaning up our rivers and waterways - but has grave concerns about the economic impact and timelines.

We swore in 38 new citizens at a Citizenship Ceremony in December - our largest ever; yet again showing what a truly multi-cultural community we are. Council won the Kaunihera ā-Rohe (Local Government) award in the national Te Reo awards and The Putāruru Customer Services team were presented with an award for Service to the Community at the Putāruru Business Awards.

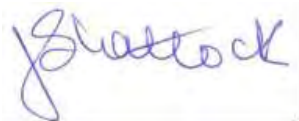
We introduced the increasingly popular Open Public Forums at the start of each Council meeting. Feedback from our community is that they find these sessions valuable and a great way to raise concerns or ideas. We also launched a brand new mobile phone app called Antenno to bring real time notifications to our community. If you haven't downloaded it yet, do so!

We harvested the pine trees out at Amisfield, realising a net profit of \$ \$211,829 (incl GST). We then planted new trees - we'll report on that net profit in the 2041-42 Annual Report!

We rationalised buildings at the Tokoroa Memorial Sportsground to ensure the grounds continue to feature well maintained and well used facilities and we also made progress on the new Tokoroa Skate park design and Tokoroa CBD re-development.

In the complex world of shaping the future of the South Waikato and ensuring all Council services meet our ratepayers' expectations, there are always some challenges.

We are mindful of the cost of rates and we make every effort to carefully balance the needs and wants of our community when delivering our multitude of services. We hope you have enjoyed the year with us and we look forward to our continued journey together through the 2017-18 year. What will it bring...



Jenny Shattock QSM JP
MAYOR



Craig Hobbs
CHIEF EXECUTIVE

1.2. Report from the Audit Office



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF SOUTH WAIKATO DISTRICT COUNCIL'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

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

We are also required to report on:

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

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

We completed our work on 5 October 2017. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 68 to 118:
 - present fairly, in all material respects:
 - the District Council's financial position as at 30 June 2017;
 - the results of its operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
- the funding impact statement on page 72, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long Term Plan.
- the service provision (referred to as groups of activities) on pages 22 to 56:
 - presents fairly, in all material respects, the District Council's levels of service for each group of activities for the year ended 30 June 2017, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - complies with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities on pages 22 to 56, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's Long Term Plan; and
- the funding impact statement for each group of activities on pages 22 to 56, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long-term plan.

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Report on the disclosure requirements

We report that the District Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 17 to 21, which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council's audited information and, where applicable, the District Council's long-term plan and annual plans.

Basis for opinion on the audited information

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

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

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

Responsibilities of the Council for the audited information

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

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

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

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

Responsibilities of the auditor for the audited information

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

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

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the District Council's Long Term Plan.

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

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

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of

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not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Council's internal control.

We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.

We determine the appropriateness of the reported intended levels of service in the service provision, as a reasonable basis for assessing the levels of service achieved and reported by the District Council.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the District Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the District Council to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.

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

Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 4 to 5, 9 to 16 and 57 to 67, but does not include the audited information and the disclosure requirements.

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

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

Independence

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

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



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

1.3. Councillors and their contact details



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

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

Councillor Name	Phone number	Email Address	Ward
Jenny Shattock	885 0716 027 441 6230	jenny.shattock@southwaikato.govt.nz	Mayor
Jeff Gash	027 589 9472	jeff.gash@outlook.com	Tokoroa
Gray Baldwin	027 239 0497	baldwin@xtra.co.nz	Putāruru
Adrienne Bell	027 471 2404	adriennejb@yahoo.co.nz	Putāruru
Wendy Cook	021 719 093	wendy@pockets.co.nz	Tokoroa
Marin Glucina	021 416 076	glu-@hotmail.com	Tokoroa
Thomas Lee	027 332 1292	lee.whanau@clear.net.nz	Tokoroa
Bill Machen	027 471 5899	lilyandbill@xtra.co.nz	Tokoroa
Arama Ngapo-Lipscombe	027 533 9988	arama@nll.co.nz	Tokoroa
Peter Schulte	021 434 933	peter@otobahncoffee.com	Tirau
Herman Van Rooijen	027 246 6601	vanrooijen@xtra.co.nz	Putaruru

1.4. Tirau Community Board members

Name	Phone Number	Email Address
Cassandra Robinson (Chair)	027 243 4931	cassandra.r@xtra.co.nz
Clive Collingwood	027 245 8027	noddy_collingwood@clear.net.nz
Derek Keesing	027 493 8819	derek@arcserv.co.nz
Sharon Burling-Claridge	07 883 1776	cadillacafe@xtra.co.nz

2. THE COUNCIL STRATEGY

The Council Strategy is set in the Long Term Plan 2015-25 and presents what Council is going to do for the next ten years to make our district a better place to live and work.

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

2.1. Council's vision

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

2.2. Council's outcomes and strategies

The Council outcomes are the goals that Council is working towards over the next 10 years to achieve the vision. Each Council outcome links to one or more strategies. These strategies describe the broad actions that Council will undertake to achieve the outcomes. Council's outcomes and strategies are shown on the next page.

2.3. Financial strategy limits

Council recognises the financial constraints on our community, and in order to protect financial integrity, Council has set limits on the amount of rates that it can collect and the amount of debt that it can accumulate. Whether or not we have achieved compliance with these limits is discussed below.

Financial Measure	Limit	Achieved?	Comment
Rates Increase	Not to exceed the Local Government Cost Index + 2% in any one year	Yes	Rates increase was 3.55%. LGCI for 2017 plus 2% was 4.46%.
External debt	External loans not to exceed \$17m plus the level of internal loans borrowed from the Asset Replacement Reserves	Yes	External loans as at 30 June 2017 were \$12.5676m
Internal debt	Limited to the lowest of 20% of the value of our Asset Replacement Reserves or \$3m.	Yes	Internal loans as at 30 June 2017 were \$1.760m

2.4. Community outcomes

Grow our economy: existing businesses thrive and new businesses start up in the district.

Tirau Concept Plan - Traffic and Parking issues

Council has been working with the communities of Tokoroa, Putāruru and Tīrau to develop concept plans for these towns. The Tīrau Concept Plan is focussed on encouraging the travelling public to stop in Tīrau, by making it safer and also easier to find parking. We have also focussed on making Tīrau safer for pedestrians and motorists. Council worked with a traffic management consultant and the Tīrau community and visitors to Tīrau to understand how we could achieve those outcomes. A list of suggested works was compiled. During the Annual Plan 2016-17 Council decided to provide \$200,000 towards completing this work. This included the installation of a new toilet on Hillcrest Street at the 'top of the hill' (southern entrance to Tīrau). Council worked with Tīrau Community Board and plans to review the Tīrau Streetscape Design 1996 and Tīrau 2020 Concept Plan will continue through the new Long Term Plan.

Outcomes

Grow our Economy

Existing businesses thrive and new businesses start up in the district.

Improved External Image

People outside our district are encouraged to live, work and develop business here.

Well-managed Infrastructure

Our infrastructure is financially and operationally sustainable; it contributes positively to our district environment; and it is cost effective for households and businesses, now and in the future.

Efficient Council Operations

Council ensures that our business practices are efficient and effective and achieved through successfully working with our community.

Sustainable Council Operations

We have regard to sustainability while operating in a cost effective manner.

Quality Regulatory Service

Council delivers a local regulatory service that keeps our community safe and is cost effective to households and businesses, now and in the future.

Quality Services and Facilities

Council provides quality local public services and facilities which are cost effective to households and businesses, now and in the future.

Community Pride

Council provides services that make residents proud of our district, celebrating the artistic, sporting and cultural achievements of our people and the diversity of our cultures.

Cultural Leadership

We support and encourage cultural leadership and capacity building.

Strategies

Economic Development

Stimulate economic development by assisting existing and attracting new businesses while encouraging diversity.
Encourage education and training to improve the employment opportunity of the district's residents.

District Promotion

Use a full range of marketing tools in conjunction with other organisations, to encourage external people to visit and live and develop businesses in our district.

Efficient and Effective Operations

Provide sound total asset management planning.
Sustainability is embedded in all of Council's operations

Regulatory Services

Provide regulatory services that meet legislative requirements while supporting our customers.

Services and Facilities

Enhance access to and use of Council's services and facilities.

Community pride

Through improved communication, community activities and enhanced physical environment Council will focus on making our community proud and engaged.
Maintain and support our community's art and culture and support cultural displays and events.

Cultural leadership

Build and maintain a strong strategic and operational relationship with Raukawa.
Build and maintain a strong working relationship with Māori at all levels of Council.
Build and maintain a strong working relationship with all cultures present in our district.

Putāruru Moving Forward

As part of the wider Putāruru Concept Planning project, a growth plan for the Putāruru community was developed. In response to high demand for housing and business premises in recent years, the Plan aims to co-ordinate the long term growth of the township and develop an enabling framework for growth to occur, particularly in the residential and business sectors. The draft plan received high levels of community support in its development and in the consultation phase. The Plan was finalised and endorsed by Council in July 2017 and is now being used to guide changes to the South Waikato District Plan. A District Plan change will give effect to the Growth Plan. At this stage the project is expected to take up to a year however this will be dependent on the process that Council is obliged to follow under the Resource Management Act. Detailed investigations into infrastructure costs, limitations and potential opportunities are being carried out in conjunction with the District Plan change. In the longer term, consideration is being given to options for funding growth related infrastructure; in the short term until 2022 Council has a Financial Contributions Policy that can be utilised to recover growth related infrastructure costs. Putāruru Moving Forward is a group of local business people working on the Putāruru Concept Plan. The key components of the draft plan to date is to create a vibrant small town within a progressive rural community that is a great place to live in, in addition our thinking is to make Putāruru the best regional rural commercial service town; a great place to stop, leveraging off attractions like Te Waihou and Waikato River Trails; and a great place to shop. Council is assisting this work by providing \$100,000 funding, staff time and a Council representative to help with the development of this work. Furthermore, Council has confirmed that phase one of the District Planning project will occur in Putāruru.

Business Case Management

Our elected members and staff work proactively with new businesses wishing to set up in our district, or existing businesses wishing to expand. Council has a dedicated Business Case Manager, who helps guide businesses through regulatory processes. This approach has helped to secure new businesses and business expansion within our district, such as the new milk dryer development at Fonterra in Lichfield. This has brought new jobs to our district from both the construction and post-construction phases.

Improved external image: People outside our district are encouraged to live, work and develop businesses here.

Council engaged Urbanism Plus to develop a consultative urban design framework focused on Leith Place, Tokoroa. Council will engage a leading Architect to take the Leith Place development project to completion in 2018.

Well managed infrastructure: our infrastructure is financially and operationally sustainable; it contributes positively to our district environment; and it is cost effective for household and businesses, now and in the future.

While pressure on the Te Waihou walkway eased during 2016-17, Council continues to work with Raukawa Charitable Trust and the community to seek positive solutions to the ongoing management of the area.

Amisfield Trees. The two council owned wood lots adjacent to the Amisfield Airport complex were harvested in May and early June 2017. The area was prepared in July and replanted in late July 2017 with Pinus Radiata.

A quality planning regulatory service: Deliver a local planning regulatory service that keeps our community safe and is cost effective to households and businesses, now and in the future.

The District Plan became operative on 1 July 2015. This was a result of a number of years work, deciding how best to manage development and the environment over the next ten years.

Council has also participated in the Upper Waihou Local Indigenous Biodiversity Strategies (LIBS) pilot. The Regional Policy Statement requires a LIBS for each district and a LIBS for the South Waikato is also recognised in the District Plan, as a key non-regulatory method of meeting Council's duties to maintain or enhance indigenous biodiversity that may not qualify as significant. This work will continue in the 2017-18 financial year.

Quality services and facilities: Council provides quality local public services and facilities which are cost effective to households and businesses, now and in the future.

Over the next eight years, Council will undertake upgrades to the Tokoroa Indoor Pool facility to ensure that this facility is modern and inviting. The first of these upgrades happened this year, which included painting and refurbishment of the ceilings and replacements to the plant.

Council began construction of new pensioner units on Kindergarten Reserve. This will help ensure that there are affordable, quality housing rental options available for our aging population.

Consultation and design work was undertaken for the new Tokoroa Skatepark. This is located adjacent to the Tokoroa Youth Park. This will be constructed in the 2017-18 financial year.

Community pride: Council provides services that make residents proud of our district, celebrating the artistic, sporting and cultural achievements of our people and the diversity of our cultures.

The Our Neighbourhood series was successfully completed this year across communities in the District. A strategy to guide the ongoing maintenance and development of the Talking Poles was drafted and adopted by Council. This document provides a co-ordinated approach for these significant community artworks. A successful Waitangi Day celebration was held in February with a collaborative approach to organising the day between Raukawa, South Waikato Pacific Islands Community Services and Council.

Council participated in around 20 community events over the year, which included the Our Neighbourhood series, Balloons over South Waikato, ANZAC Day events, Youth Week and Matariki.

Sustainable Council operations: We have regard to sustainability while operating in a cost effective manner.

Council holds resource consents with the Waikato Regional Council for its key components of infrastructure including: Landfills (the Tokoroa Landfill and the closed landfills at Tīrau and Putāruru), Wastewater Treatment Plants, the water-takes and the Comprehensive Urban Storm-water Consents. Council operated these facilities without any breaches resulting in formal enforcement actions from Waikato Regional Council.

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

2.5.1. Rates remission and postponement policies report

Background

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

- Community, sporting and other organisations
- Rates on land protected for natural, historical or cultural conservation purposes
- Uniform annual general charges and targeted rates on non-contiguous rural rating units in common ownership
- School sewerage rates
- Penalties
- Māori freehold land
- Uncollectable rates
- Multiple dwellings with a common use on one rating unit
- Water rates due to leaks

Remission granted	2016-17		2015-16	
	Number	Amount (\$)	Number	(\$)
Community, sporting and other organisations	54	102,226	54	99,132
Rates on land protected for natural, historical or cultural conservation purposes	2	44	2	388
Uniform annual general charges and targeted rates on non-contiguous rural rating units in common ownership	22	14,625	8	4,943
School sewerage rates	33	73,991	34	71,084
Penalties	150	25,543	133	18,136
Māori freehold land	6	5,944	7	7,785
Uncollectable rates	2	2,223	2	2,134
Multiple dwellings with a common use on one rating unit	2	2,749	2	2,621
Water rates due to leaks	7	7,403	10	4,496

2.5.2. Rating information

As at 30 June 2017, the number and value of the rating units in the South Waikato District were:

Number of rating units	10,012
The total capital value of the rating units	5,783,281,900
The total land value of the rating units	3,457,001,500

2.6. Revenue and financing policy report

Background

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

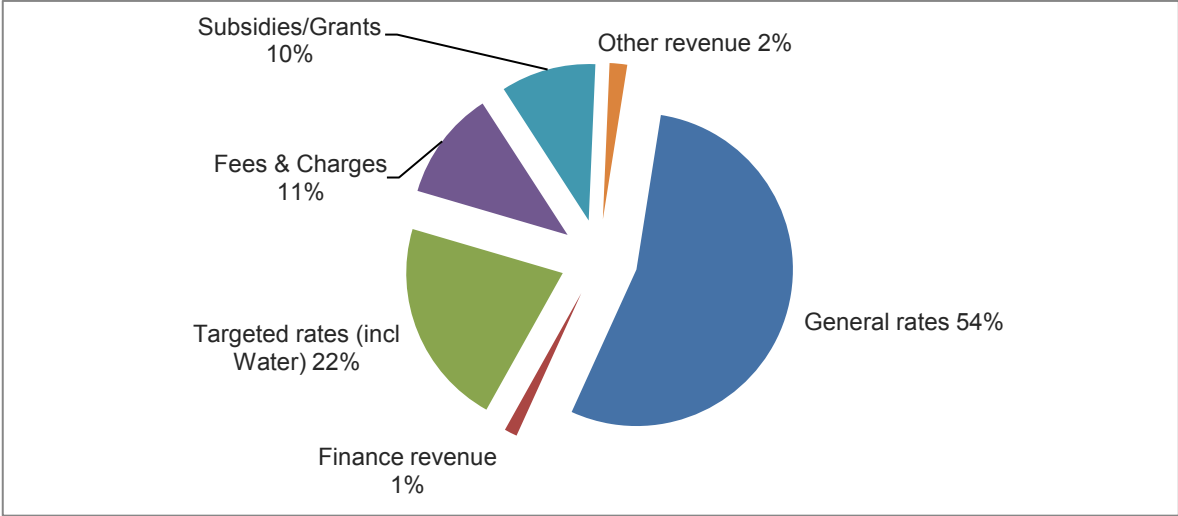
Overall performance

Significant Activity	General Rates Target	General Rates Actual	Targeted Rates Target	Targeted Rates Actual	User Fees Target	User Fees Actual
Animal Control	40%	41%			60%	59%
Building Consents and Inspections	50%	44%			50%	56%
Business and CBD Promotion - Tokoroa and Putāruru			100%	97%		3%
Cemeteries	40%	40%			60%	60%
Community Advocacy, Grants and Support (including Visitor Centres)	100%	100%				
Community Governance (Tirau Community Board)			100%	100%		
Community Halls			95%	95%	5%	5%
District Governance	100%	98%				2%
District Promotion	100%	100%				
Economic Development	100%	95%				5%
Emergency management (Civil Defence and Rural Fires)	100%	99%				1%
Libraries	90%	96%			10%	4%
Parks and Reserves (including Sportsgrounds)	95%	97%			5%	3%
Pensioner Housing					100%	100%
Property Management	90%	80%			10%	20%
Public toilets	95%	100%			5%	
Regulatory Services (Parking and Health)	80%	71%			20%	29%
Resource Management (consent processing)	65%	54%			35%	46%
Resource Management (policy and monitoring, including	100%	100%				
Roading (general roading activities)	100% (after subsidies)	98%				2%
Roading (CBD upgrade loan)	100%	100%				
South Waikato Performing Arts Centre (The Plaza and Tirau Hall)	100% (after hireage income)	94%				6%
South Waikato Sports and Events Centre	80%	71%			20%	29%
Stormwater			100%	100%		
Swimming Pools	80%	85%			20%	15%
Talking Poles	100%	100%				
Te Waihou Walkway	100%	100%				
Tokoroa Airfield	40%	2%			60%	98%
Tokoroa Council of Social Services	80%	91%			20%	9%
Waste - Landfills and Refuse Disposal	30%	10%			70%	90%
Waste - Litter Collection	100%	100%				
Waste - Refuse Collection			55%	55%	45%	45%
Waste - Recycling			100%	96%		4%
Wastewater			100%	99%		1%
Water Supply			100%	100%		0%

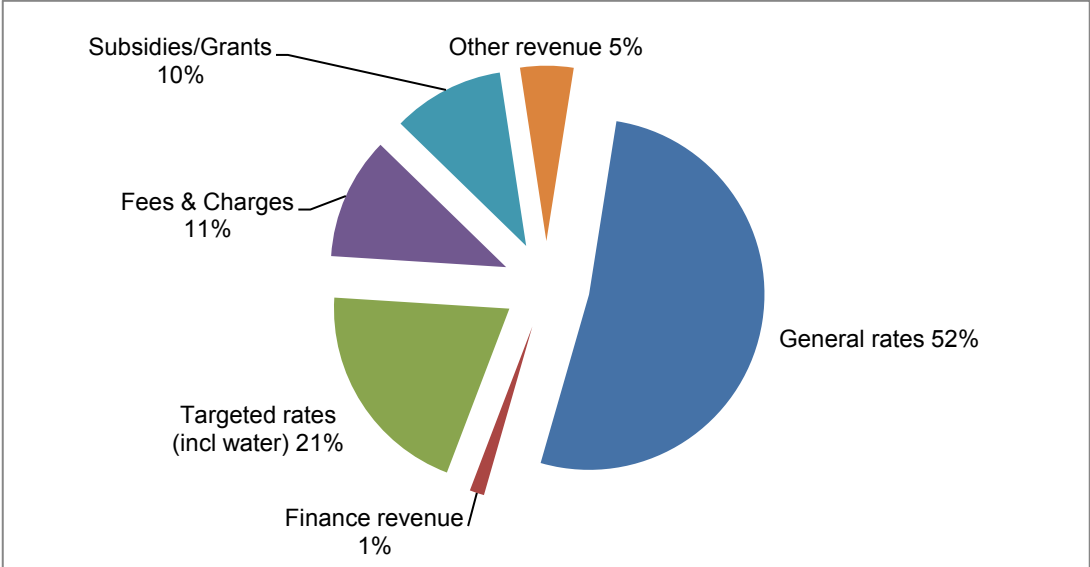
Council aims to be within +/- 5% of these targets

2.7. Summary of actual and target revenue sources

Funding impact revenue source - budgeted 2016-17



Funding impact revenue source - actual 2016-17



2.8. Annual report disclosure statement for the year ending 30 June 2017

2.8.1. What is the purpose of this statement?

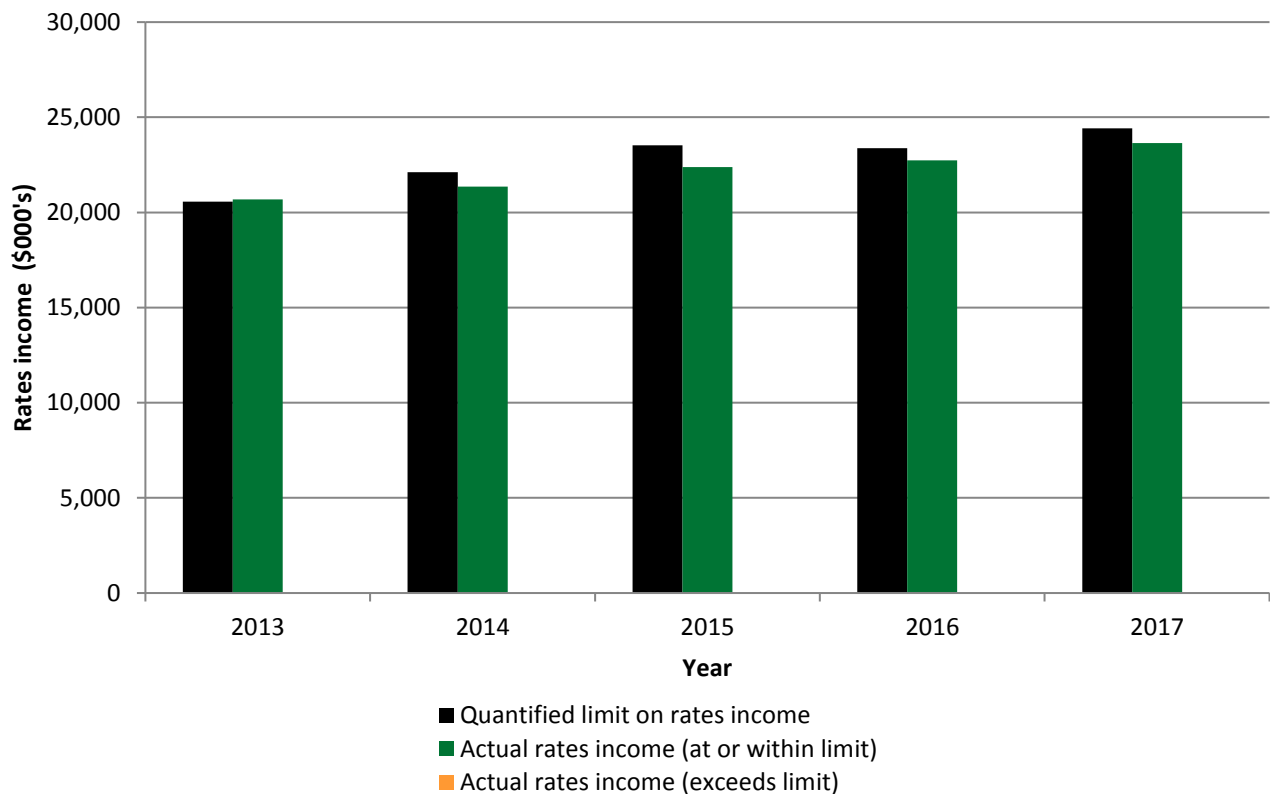
The purpose of this statement is to disclose the Council's planned financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings. The Council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

2.8.2. Rates affordability benchmark

The Council meets the rates affordability benchmark if:

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

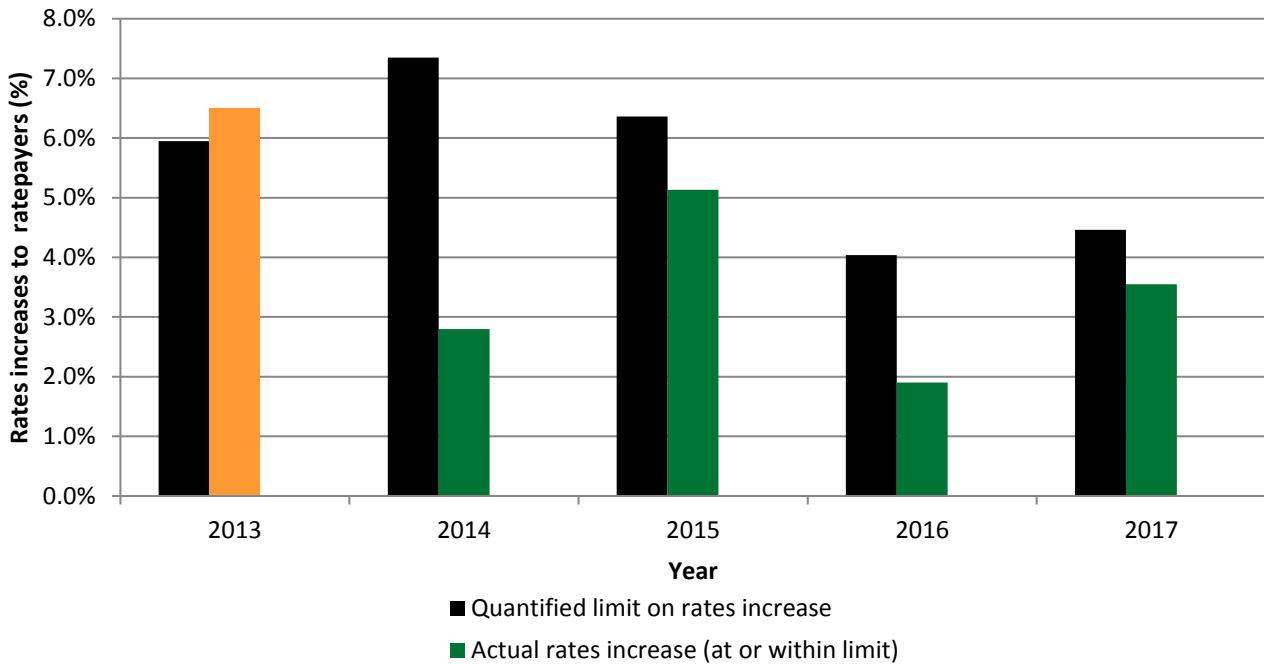
The following graph compares the Council's actual rates income with a quantified limit on rates contained in the financial strategy included in the Council's long-term plan.



In previous Annual Reports, the actual rates income excluded water rates. This has now been included for all years.

2.8.3. Rates (increases) affordability

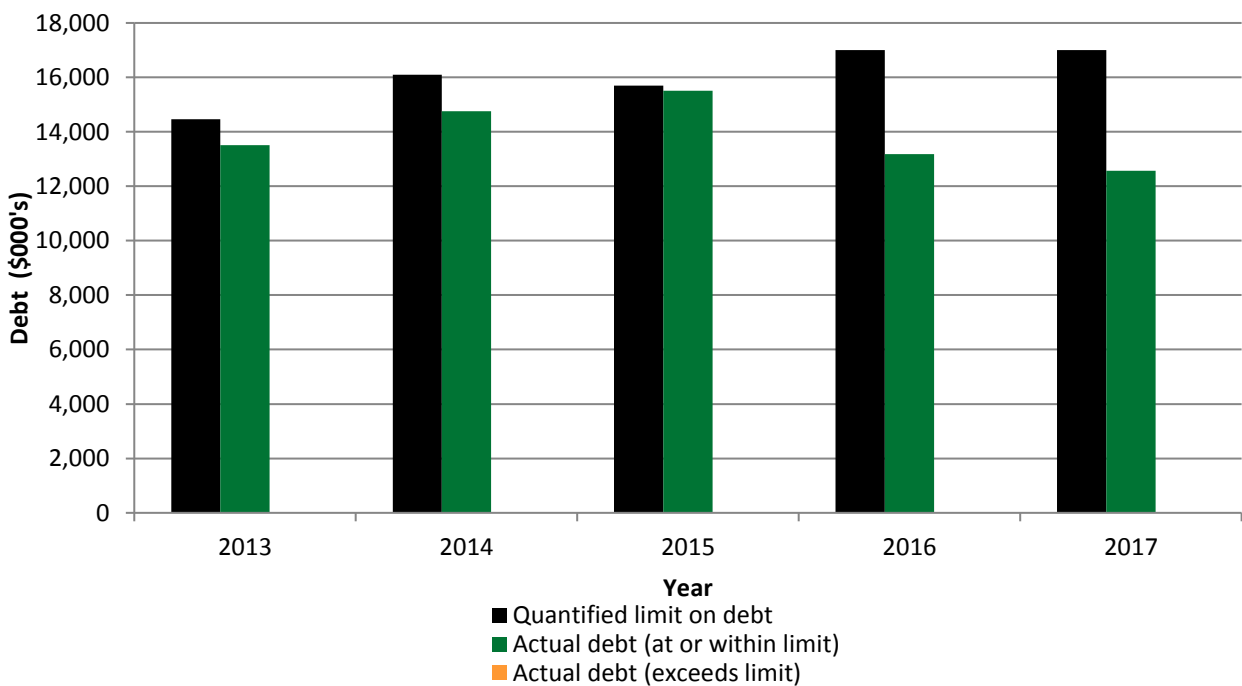
The following graph compares the Council's actual rates income with a quantified limit on rates contained in the financial strategy included in the Council's Long Term Plan



2.8.4. Debt affordability benchmark

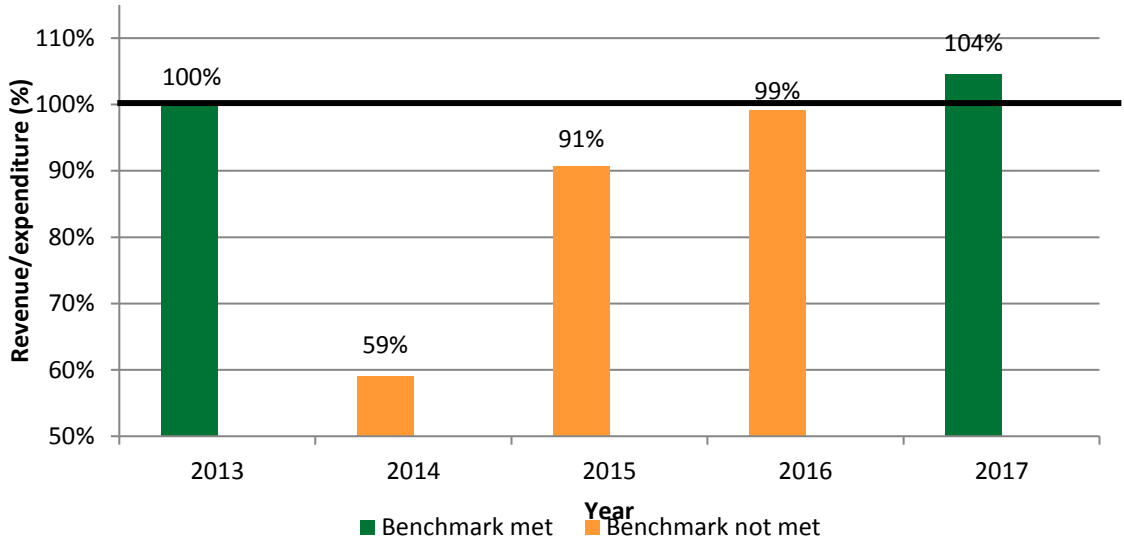
The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in Council's Long Term Plan.



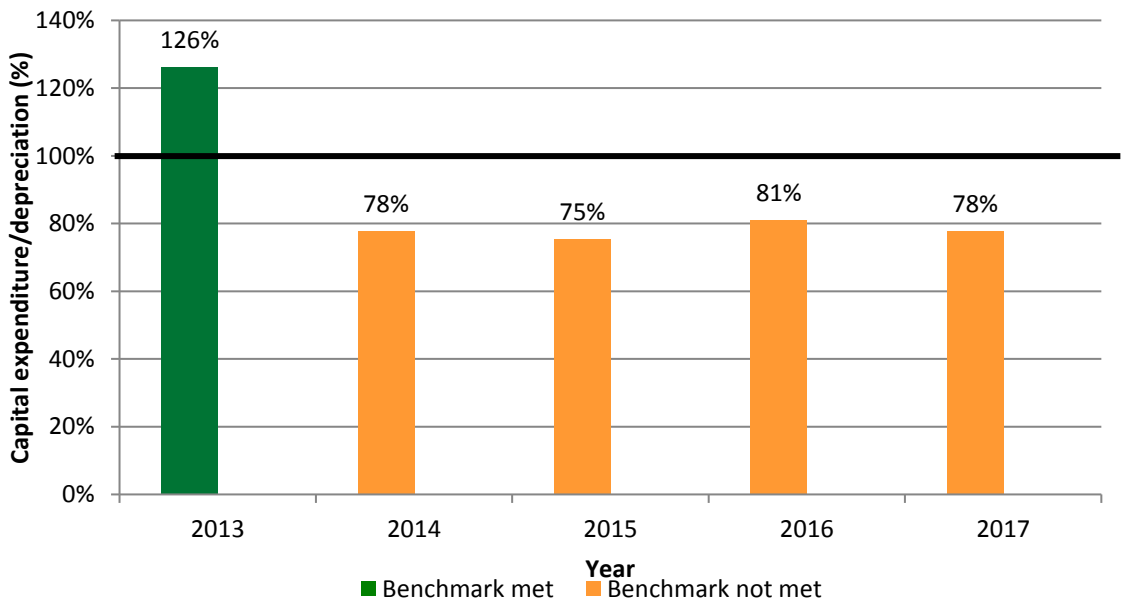
2.8.5. Balanced budget benchmark

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



2.8.6. Essential services benchmark

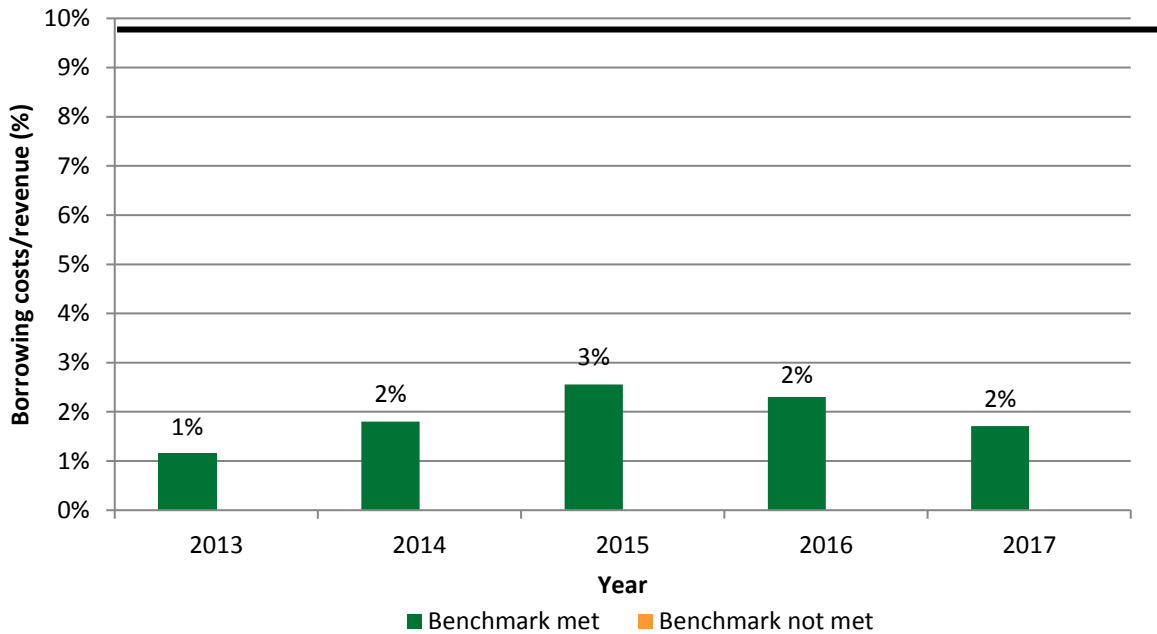
The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services. The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



Note: Capital expenditure is less than depreciation because Council is accumulating reserves for future planned asset replacement

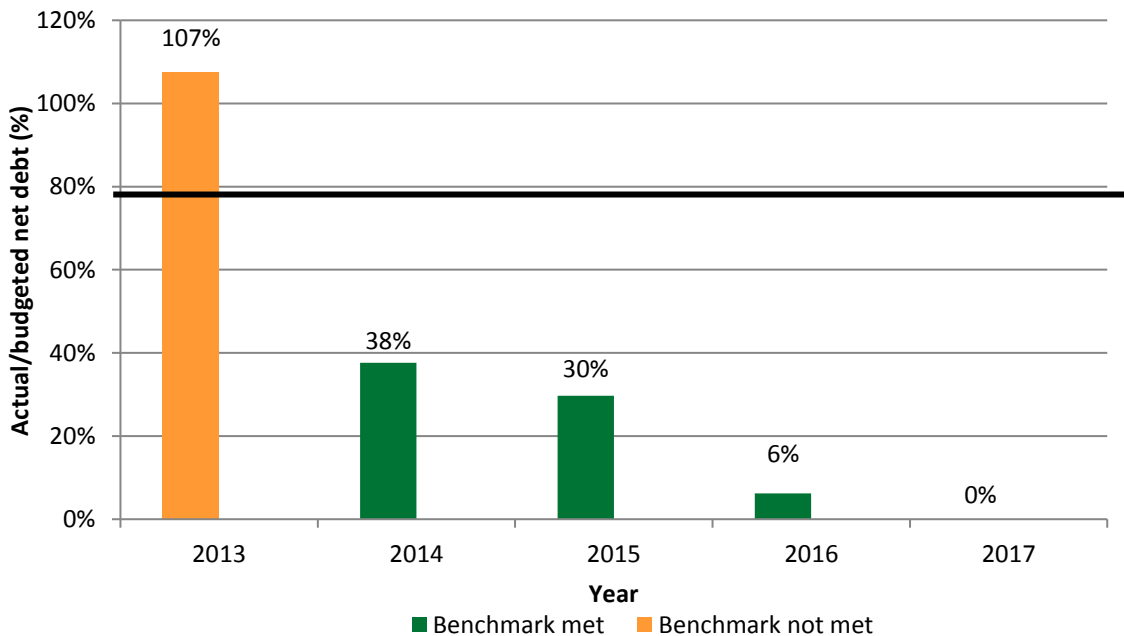
2.8.7. Debt servicing benchmark

The following graph displays the Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant and equipment). The Council meets this benchmark if its borrowing cost equal or are less than 15% of revenue.



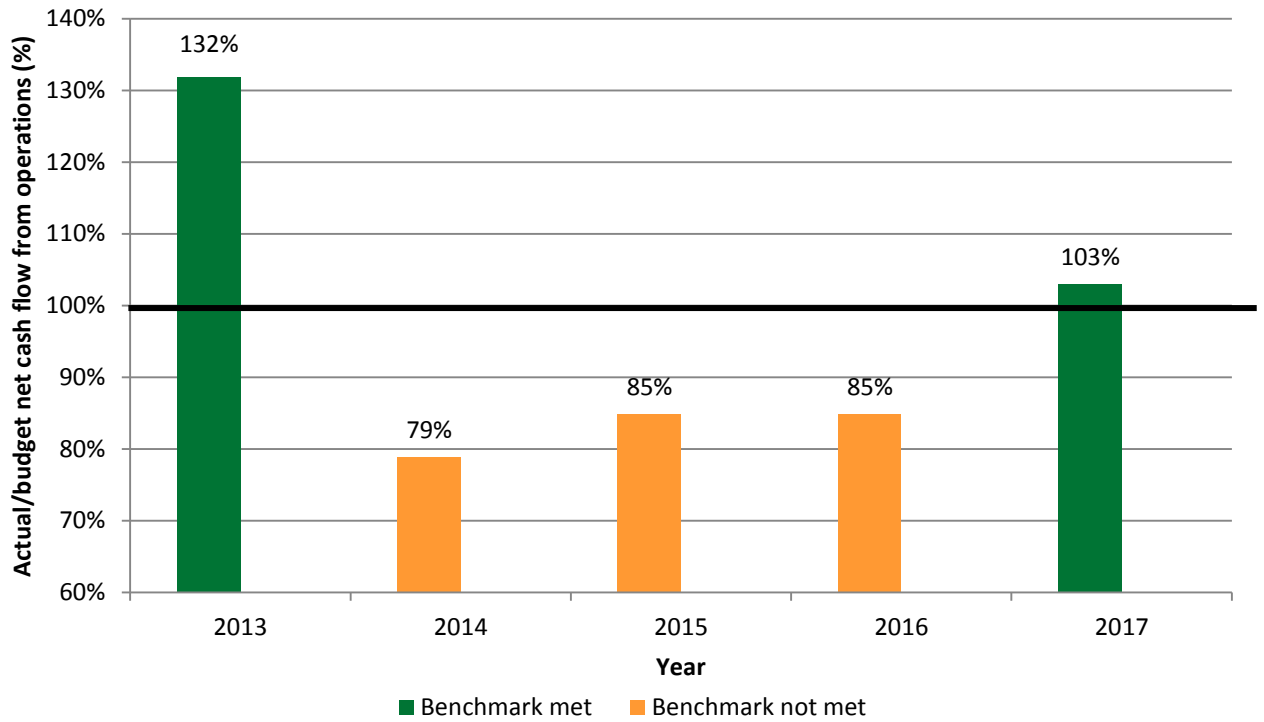
2.8.8. Debt control benchmark

The following graph displays the Council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables). The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



2.8.9. Operations control benchmark

This graph displays the Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations. The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



3. Activities Section

3.1. Transport and Roothing

3.1.1. What we do

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

3.1.2. Why we do it

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

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

3.1.3. Contribution to the Council Strategy

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

Outcomes	Strategies
Well managed infrastructure: our infrastructure is financially and operationally sustainable; it contributes positively to our district environment, and is cost effective for households and businesses, now and in the future.	Efficient and effective operations strategy: Provide sound total asset management.
Sustainable Council operations: We have regard to sustainability while operating in a cost effective manner.	Efficient and effective operations strategy: Sustainability is embedded in all of Council's operations.
Efficient Council operations: Council ensures that our business practices are efficient and effective and achieved through successfully working with our community.	Efficient and effective operations strategies: Work together with our partners to achieve common goals. Embed a quality improvement philosophy into all operations of Council. Implement governance and management structures, systems and processes that improve our effectiveness and efficiency.

3.1.4. Key highlights

Highlights of the roading and transport group of activities include:

The consultation that was done in relation to the Tirau Concept Plan. The consultation revealed that traffic and parking were major issues for Tirau. In May 2016, Council agreed to spend \$200,000 on works that were identified as necessary through the consultation process.

3.1.5. Effects on the community

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

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

3.1.6. How well did we do?

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

Key Performance Indicators	2016-17 Level Achieved	Comments
8% of the area of the district's sealed road network is resurfaced annually.	Not achieved due to the on-going wet weather	Council resealed 6.5% of the roading network.
The smooth travel exposure shall be at least 70% of NZTA target for roughness.	Achieved	The smooth travel exposures is 97%.
That Council will respond to 100% of all service requests within ten working days of notice.	Achieved	Council received a total of 824 service requests and all completed within the agreed timeframe.
There are no fatalities or serious injury crashes on the local road network that are directly contributable to road conditions.	Achieved	None
An annual audit of the footpath network identifies that at least 90% of the footpath network has a displacement of less than 20mm.	Achieved	Council engaged an external consultant to a condition audit of all footpaths in the district in April 2016 and 99.67% of the footpaths had a displacement of less than 20mm.

3.1.7. Significant asset acquisitions or replacements

Transport and roading	Actual Spend 2017 \$000	Budget Spend 2017 \$000	Actual Spend 2016 \$000
Formation widening	345	280	296
Seal widening	63	95	239
Carpark Reseals	10	15	-
Reseal projects	-	188	-
Pavement rehabilitation	718	1,098	746
Drainage kerb and channel	383	140	112
Kerb and channel renewals	74	90	95
Christmas/feature Lighting	19	10	12
Maintenance chip seals and reseals	894	1,029	1,050
Traffic services renewals-signs	73	85	191
Traffic services renewals-street lights	154	115	-
Traffic Counters	1	5	-
Minor improvements	344	315	344
Footpath renewals	61	40	38
Sundry other	97	920	201
Total	3,236	4,425	3,324

3.1.8. Funding Impact Statement - Transport and Roading

	LTP 2016 \$000's	LTP 2017 \$000's	Actual 2017 \$000's
SOURCES OF OPERATING FUNDING			
General Rates, Uniform Annual General Charges, rates penalties	4,738	4,852	4,938
Targeted rates	-	-	-
Subsidies and grants for operating purposes	1,179	1,211	1,481
Fees and charges	40	41	82
Internal charges and overheads recovered	1,513	1,525	272
Local authorities fuel tax, fines, infringement fees, and other receipts	150	151	180
TOTAL OPERATING FUNDING (A)	7,620	7,780	6,953
APPLICATION OF OPERATING FUNDING			
Payments to staff and suppliers	4,230	4,252	4,146
Finance costs	272	272	129
Internal charges and overheads applied	1,043	1,038	1,290
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	5,545	5,562	5,565
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	2,075	2,218	1,388
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	1,961	1,804	1,681
Development and financial contributions	-	-	86
Increase (decrease) in debt	-	-	(287)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING (C)	1,961	1,804	1,480
APPLICATION OF CAPITAL FUNDING			
Capital expenditure:			
• to meet additional demand	-	-	-
• to improve the level of services	414	478	844
• to replace existing assets	3,544	3,412	2,328
Increase (decrease) in reserves	(3,603)	(3,863)	77
Increase (decrease) in investments	3,681	3,995	(381)
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	4,036	4,022	2,868
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(2,075)	(2,218)	(1,388)
FUNDING BALANCE ((A-B)+(C-D))	-	-	-

3.2. Recreation and facilities

3.2.1. What we do

- Manage over 240ha of parks, reserves, playgrounds and sportsgrounds
- Maintain cycleways and walkways
- Pensioner housing
- Community halls
- Libraries
- Cemeteries
- Public toilets
- Public art such as the Talking Poles in Tokoroa and the Mosaic Murals in Putāruru
- The Tokoroa Airfield
- The South Waikato Sport and Events Centre
- The South Waikato Indoor Pools in Tokoroa and outdoor pools in Putāruru and Tirau
- The South Waikato Performing Arts Centre (The Plaza)

3.2.2. Why we do it

Council undertakes the recreation and facilities group of activities to ensure that our residents and visitors to our community have a wide range of options to meet their leisure and recreation needs. These facilities play an important role in fostering community pride in our district as they provide for both formal sporting and recreational groups to come together, or for friends and family to get together in an informal manner. Walkways and reserves play an important role in promoting our district to people who are not locals as they encourage them to experience the beauty of our district.

3.2.3. Contribution to the Council Strategy

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

Outcomes	Strategies
Improved external image: People outside our district are encouraged to live, work and develop businesses here.	District promotion strategy: Use a full range of marketing tools in conjunction with other organisations, to encourage external people to visit and live and develop businesses in our district.
Quality services and facilities: Council provides quality local public services and facilities which are cost effective to households and businesses, now and in the future.	Services and facilities strategy: Enhance access to and use of Council's services and facilities.
Community pride: Council provides services that make residents proud of our district, celebrating the artistic, sporting and cultural achievements of our people and the diversity of our cultures.	Community Pride Strategy: Through improved communication, community activities, an enhanced physical environment focus on making our community proud and engaged.

3.2.4. Key highlights

The key highlights for the recreation and facilities are:

- The construction is near complete of four of the new pensioner units with the fifth one being built next year at Kindergarten Reserve. These units will help ensure that there are affordable housing opportunities for our elder people.
- The South Waikato Sport and Events Centre continues to offer a high quality, reasonably priced venue for our community. Patronage of the Centre was up in the 2016/17 year to 49,221 visits compared to

43,383 visits in the 2015/16 year. Revenue has increased in the 2016/17 year to \$173,354 in comparison to \$153,219 in the 2015/16 year.

- The Tokoroa Indoor Pools facility continues to offer a fun and inviting leisure option for our community. Initial investigations were completed into identifying future upgrades for the pool facilities and this work will be completed in the 2017/18 year. Patronage at the pool facilities was up in the 2016/17 year to 86,710 visits compared to 72,774 visits in the 2015/16 year. Revenue has increased in the 2016/17 year to \$182,729 in comparison to \$177,473 in the 2015/16 year. Pool user fees were reviewed and some fees were agreed for reduction in the 2017/18 year to ensure the facilities remain affordable.
- Funding was approved for the replacement of the existing and outdated library management system with the Kotui system in association with the National Library. The transition to the Kotui Library Management System will be completed in the 2017/18 year.
- A strategy for the management, ongoing maintenance and future development of the Talking Poles was developed and approved by Council. This strategy provides a co-ordinated approach for the future management of the Talking Poles.

3.2.5. Effects on the community

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

3.2.6. How well did we do?

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

Key Performance Indicators	2016-17 Level Achieved	Comments
100% of enquiries and service requests relating to playgrounds are responded to within three working days of notice.	Not Achieved	Council received six enquiries and service requests for the year two of these were not responded to on time one of which did not have sufficient details to address issue.
100% of enquiries and service requests relating to parks and reserves are responded to within three working days of notice.	Not achieved	Council failed to respond to 61 requests. Having received 411 requests, Council responded to 350 on time. There were ongoing issues with Contractors entering correct data and signing off work due to structural changes in the group.
100% of enquiries and service requests relating to public toilets are responded to within three working days of notice.	Not Achieved	30 service requests and enquiries were received in relation to public toilets and 29 were responded to on time.
100% of all enquiries, requests or complaints relating to cemeteries are responded to within three working days of notice.	Not Achieved	Council received 29 enquiries, service requests and complaints in relation to cemeteries and 20 were responded in on time.
The occupancy of Council's pensioner housing units is at least 95% on an annual basis.	Achieved	The occupancy of Council's pensioner housing units was 95.17%.
That the use of the function rooms at the South Waikato Sport and Events Centre will be at least used 45%. Hours of operation will be 8.30am to 4.30pm, Monday to Friday.	Not achieved	The function rooms were only used 34.93%, however these results exclude any weeknight sports leagues, or weekend bookings including generally large functions such as weddings or sports tournaments.

Key Performance Indicators	2016-17 Level Achieved	Comments
That the use of the arena at the South Waikato Sport and Events Centre will be at least used 25%. Hours of operation will be 8.30am to 4.30pm, Monday to Friday.	Not achieved	The arena was only used 13.61% of the time, however these results exclude any weeknight sports leagues, or weekend bookings including generally large functions such as weddings or sports tournaments.
At least 90% of pool water tests comply with the relevant New Zealand standards of water quality.	Achieved	11,674 tests were undertaken at the pools in 2016-17. 90% (10,459) of these tests were compliant.
An average of at least four visits per resident per year to the South Waikato Pool facilities will be achieved.	Not achieved	An average of four visits per resident per year equates to 88,284 visits in total. There were only 86,710 visits to the pools in 2016-17.
An average of at least 6.5 visits per resident per year to the South Waikato District Libraries will be achieved.	Achieved	There were 157,032 visits to the libraries. This is an average of 9.5 visits per resident per year to the libraries.
That 10 or more groups make contact with the district libraries each month. Making contact with the library involves either the group visiting the library, or library staff visiting the group.	Achieved	There were 189 groups who made contact with the libraries over the year.
That the library websites and Overdrive receive 8,110 visits annually.	Achieved	There were 14,280 visits to the library websites and overdrive.

3.2.7. Significant asset acquisitions or replacements

Facilities, properties and amenities	Actual Spend 2017 \$000	Budget Spend 2017 \$000	Actual Spend 2016 \$000
Cemeteries	8	3	60
Community Halls	96	64	29
Public toilets	108	60	116
Pensioner housing	572	382	184
Runway Reseal	-	264	-
Remarking of Runway	-	10	-
Amisfield Tree Planting	6	-	-
Total	790	783	389
Leisure services	Actual Spend 2017 \$000	Budget Spend 2017 \$000	Actual Spend 2016 \$000
Library Collection Annual Renewal	123	135	121
Library-other	57	19	67
Sportsgrounds-Memorial Park	25	96	199
Sportsground - Replacement Sports Equipment	23	27	-
Skatepark upgrade	5	340	350
Sportsgrounds-Glenshea Park	12	12	153
Reserves - walkway development	159	206	17
Reserve - revegetation planting	-	-	-
Playground Equipment renewals	39	26	105
Reserves - exercise equipment	36	52	-
Lake Moananui - Dam repairs	-	-	55
Other parks and reserves projects	62	57	68
Pools plant replacement	179	162	100
Total	720	1,132	1,235

3.2.8. Funding Impact Statement - recreation and facilities

	LTP 2016 \$000's	LTP 2017 \$000's	Actual 2017 \$000's
SOURCES OF OPERATING FUNDING			
General Rates, Uniform Annual General Charges, rates penalties	1,213	1,269	1,223
Targeted rates	36	37	28
Subsidies and grants for operating purposes	-	-	32
Fees and charges	940	601	849
Internal charges and overheads recovered	963	980	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	30
TOTAL OPERATING FUNDING (A)	3,152	2,887	2,162
APPLICATION OF OPERATING FUNDING			
Payments to staff and suppliers	1,692	1,701	971
Finance costs	303	315	113
Internal charges and overheads applied	503	522	402
Other operating funding applications	12	11	-
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	2,510	2,549	1,486
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	642	338	676
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	30	30	-
Development and financial contributions	17	17	22
Increase (decrease) in debt	(6)	-	(214)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING (C)	41	47	(192)
APPLICATION OF CAPITAL FUNDING			
Capital expenditure:			
• to meet additional demand	-	-	-
• to improve the level of services	35	17	569
• to replace existing assets	187	423	213
Increase (decrease) in reserves	(228)	(440)	(582)
Increase (decrease) in investments	689	385	284
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	683	385	484
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(642)	(338)	(676)
FUNDING BALANCE ((A-B)+(C-D))	-	-	-

3.2.9. Funding impact statement - leisure services

	LTP 2016 \$000's	LTP 2017 \$000's	Actual 2017 \$000's
SOURCES OF OPERATING FUNDING			
General Rates, Uniform Annual General Charges, rates penalties	4,236	4,332	4,583
Targeted rates	-	-	-
Subsidies and grants for operating purposes	2	-	-
Fees and charges	985	317	313
Internal charges and overheads recovered	10	10	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	25
TOTAL OPERATING FUNDING (A)	5,233	4,659	4,921
APPLICATION OF OPERATING FUNDING			
Payments to staff and suppliers	2,546	2,558	2,495
Finance costs	165	167	114
Internal charges and overheads applied	1,198	1,202	1,363
Other operating funding applications	37	37	86
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	3,946	3,964	4,058
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	1,287	695	863
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	2	2	1
Development and financial contributions	2	2	16
Increase (decrease) in debt	(9)	3	(92)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING (C)	(5)	7	(75)
APPLICATION OF CAPITAL FUNDING			
Capital expenditure:			
• to meet additional demand	-	-	-
• to improve the level of services	350	-	-
• to replace existing assets	978	558	696
Increase (decrease) in reserves	(1,337)	(555)	(520)
Increase (decrease) in investments	1,291	699	612
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	1,282	702	788
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(1,287)	(695)	(863)
FUNDING BALANCE ((A-B)+(C-D))	-	-	-

3.3. Economic and community development

3.3.1. What we do

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

3.3.2. Contribution to the Council Strategy

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

Council Outcome	Council Strategy
Grow our economy: Existing businesses thrive and new businesses start up in the district.	Economic development strategies: Stimulate economic development by assisting existing and attracting new businesses while encouraging diversity. Encourage education and training to improve the employment opportunities of district's residents.
Improved external image: People outside our district are encouraged to live, work and develop businesses here.	District promotion strategy: Use a full range of marketing tools in conjunction with other organisations, to encourage external people to visit and live and develop businesses in our district.
Community pride: Council provides services that make residents proud of our district, celebrating the artistic, sporting and cultural achievements of our people and the diversity of our cultures.	Community Pride Strategies: Maintain and support our community's art and culture, and support cultural displays and events. Through improved communication, community activities, an enhanced physical environment focus on making our community proud and engaged.
Cultural leadership: We support and encourage cultural leadership and capacity building.	Cultural leadership strategies: Build and maintain a strong working relationship with Māori at all levels of Council to encourage true partnership. Build and maintain a strong working relationship with all cultures present in our district.

3.3.3. Key highlights

Highlights for the economic and community groups of activities in 2016-17 include:

- A growth strategy for the Putāruru Area was developed in response to strong demand for sections and housing. This plan identifies land areas for future residential and business growth to occur in a co-ordinated manner. A District Plan change to rezone land for residential and business growth is planned for the 2017/18 year.
- The Putāruru Concept Plan, Putāruru Moving Forward. Work continued on the Putāruru Concept Plan with this work to be completed in the 2017/18 year.

- A Southern Waikato Economic Development Action Plan was initiated by Waikato Means Business as one of the outcomes of the Waikato Plan. We will continue to be actively involved in this process in the 2017/18 year.
- An investment prospectus that provides key information on the district and the advantages of locating in the South Waikato was completed and distributed.
- The Leith Place development has progressed with further community consultation and confirmation of the design option that will be constructed in the 2017/18 year.
- The Tokoroa Skatepark concept design was completed, a tender process carried out and contractors have been chosen for the build to occur in 2017-18.
- The Our Neighbourhood series was successfully carried out in partnership with key stakeholders. The series was also used to promote council leisure and recreational facilities.

3.3.4. Effects on the community

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

3.3.5. How well did we do?

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

Key Performance Indicators	2016-17 Level Achieved	Comments
That the details of at least 80% of groups registered on the Community Connect website are updated annually.	Achieved	100% of groups updated their details.
That Council holds 12 or more events per annum, with no less than two key stakeholders supporting or partnering with Council to hold each event.	Achieved	Council held 26 events where there were no less than two key stakeholders supporting the event. Events included Youth Week, Our Neighbour Series, ANZAC day and Balloons over Waikato.
That no less than a total of 30 students are enrolled annually in the Tokoroa Trade Training Centre engineering, automotive and welding programmes.	Not achieved	There were 26 students who enrolled in engineering at the beginning of the 2017 year. Unfortunately the KPI does not include students enrolled in the new distribution course, which if considered would extend beyond the KPI requirements.

3.3.6. Significant asset acquisitions or replacements

Economic and community development	Actual Spend 2017 \$000	Budget Spend 2017 \$000	Actual Spend 2016 \$000
CBD Security Cameras	61	-	40
CCTV camera replacement	57	-	-
Tokoroa Rail Terminal	-	-	399
Te Waihou Walkway upgrade	8	-	-
Talking Poles	-	10	-
District Branding - signs	10	15	-
Total	136	25	439

Funding for the Tokoroa Rail Terminal came from the South Waikato Investment (\$5m) Community and Economic Development funding. This was not included in the Council's Annual Plan because it had no rates impact.

3.3.7. Funding Impact Statement - economic and community development

	LTP 2016 \$000's	LTP 2017 \$000's	Actual 2017 \$000's
SOURCES OF OPERATING FUNDING			
General Rates, Uniform Annual General Charges, rates penalties	2,138	2,070	2,107
Targeted rates	273	302	131
Subsidies and grants for operating purposes	-	-	-
Fees and charges	10	10	32
Internal charges and overheads recovered	643	650	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	47
TOTAL OPERATING FUNDING (A)	3,064	3,032	2,317
APPLICATION OF OPERATING FUNDING			
Payments to staff and suppliers	777	725	451
Finance costs	311	337	80
Internal charges and overheads applied	445	443	418
Other operating funding applications	1,155	1,051	1,030
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	2,688	2,556	1,979
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	376	476	338
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	247	117	(187)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING (C)	247	117	(187)
APPLICATION OF CAPITAL FUNDING			
Capital expenditure:			
• to meet additional demand	-	-	-
• to improve the level of services	-	-	80
• to replace existing assets	95	16	57
Increase (decrease) in reserves	152	101	(82)
Increase (decrease) in investments	376	476	96
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	623	593	151
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(376)	(476)	(338)
FUNDING BALANCE ((A-B)+(C-D))	-	-	-

3.4. Water supply

3.4.1. What we do

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

3.4.2. Contribution to the Council Strategy

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

Outcome	Strategy
Well managed infrastructure: Our infrastructure is financially and operationally sustainable; it contributes positively to our district environment; and it is cost effective for household and businesses, now and in the future.	Efficient and effective operations strategy: Provide sound total asset management planning.
Sustainable Council operations: We have regard to sustainability while operating in a cost effective manner.	Efficient and effective operations strategy: Sustainability is embedded in all of Council's operations.

3.4.3. Key highlights

Highlights for the water supply activity include:

- New UV and micro filtration treatment was installed at Lichfield as part of Council's obligation to meet the Drinking Water Standards.

3.4.4. Effects on the community

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

3.4.5. How well did we do?

Key Performance Indicators	2016-17 Level Achieved	Comments
At least 97% of tests for E-coli (bacteria compliance) carried out on treated reticulated water will indicate a level of E-Coli in the reticulated Council systems of less than one per 100ml.	Achieved	There were 739 tests taken over the year. 99.73% of the tests taken were compliant.

Key Performance Indicators	2016-17 Level Achieved	Comments
Drinking water treatment and distribution: All unsecured water sources, will have their water treated as prescribed in part 5 of the drinking-water standards to treat protozoa.	Not achieved	Council has seven water sources in total. Over the past five years Council has upgraded six water sources to ensure compliance with part 5 of the Drinking Water Standards 2005 (Revised 2008) for protozoa (Cryptosporidium and Giardia). In addition Council has undertaken manual monitoring for Cryptosporidium and Giardia every six months at all sites. To date all samples taken have been clear. There is 1 unsecured water source that does not have their water treated as prescribed in part 5 of the drinking water standards. Lichfield had protozoa treatment installed in the 2016-17 financial year. Council will install new Microfiltration and Ultra Violet Light Treatment at Glenshea Water Treatment Plant in December 2017.
Drinking water treatment and distribution: The water loss from Council's reticulation network will be no more than 20%.	Achieved	The water loss from Council's water network was 5%.
The median response times for call-outs in response to a fault or interruption to the water reticulation system does not exceed one hour of notice.	Achieved	The median response time was 24 minutes.
The total number of complaints received by Council about water supply issues (including clarity, taste, odour, water pressure/flow and continuity of supply) does not exceed one complaint per 1000 connections to Council's water supply system.	Achieved	There were 0 complaints received about water supply issues.

3.4.6. Significant asset acquisition

Water supply	Actual Spend 2017 \$000	Budget Spend 2017 \$000	Actual Spend 2016 \$000
Tokoroa - reticulation replacements	258	269	197
Tokoroa - capital component of maintenance	20	22	126
Putāruru - reticulation replacements	29	35	3
Putāruru - capital component of maintenance	7	12	32
Tīrau - capital component of maintenance	10	13	57
Tīrau - reticulation replacements	47	80	-
Arapuni - reticulation renewal	12	28	47
Arapuni - UV treatment	-	-	145
Lichfield - Disinfection upgrade	132	130	-
Total	515	589	607

3.4.7. Funding Impact Statement - water supply

	LTP 2016 \$000's	LTP 2017 \$000's	Actual 2017 \$000's
SOURCES OF OPERATING FUNDING			
Rates Revenue:			
General Rates, Uniform Annual General Charges, rates penalties	-	-	-
Targeted rates	2,099	2,064	2,087
Other Revenue			
Subsidies and grants for operating purposes	-	-	-
Fees and charges	288	290	310
Internal charges and overheads recovered	4,533	4,582	11
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	106
TOTAL OPERATING FUNDING (A)	6,920	6,936	2,514
APPLICATION OF OPERATING FUNDING			
Payments to staff and suppliers	5,349	5,382	2,412
Finance costs	-	-	-
Internal charges and overheads applied	770	768	717
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	6,119	6,150	3,129
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	801	786	(615)
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING (C)	-	-	-
APPLICATION OF CAPITAL FUNDING			
Capital expenditure:			
• to meet additional demand	-	-	-
• to improve the level of services	-	131	132
• to replace existing assets	457	461	368
Increase (decrease) in reserves	(457)	(592)	(650)
Increase (decrease) in investments	801	786	(465)
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	801	786	(615)
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(801)	(786)	615
FUNDING BALANCE ((A-B)+(C-D))	-	-	-

3.5. Stormwater

3.5.1. What we do

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

3.5.2. Contribution to the Council strategy

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

Outcomes	Strategies
Well managed infrastructure: Our infrastructure is financially and operationally sustainable; it contributes positively to our district environment; and it is cost effective for household and businesses, now and in the future.	Efficient and effective operations strategy: Provide sound total asset management planning.
Sustainable Council operations: We have regard to sustainability while operating in a cost effective manner.	Efficient and effective operations strategy: Sustainability is embedded in all of Council's operations.

3.5.3. Key highlights

No highlights.

3.5.4. Effects on the community

When appropriate systems to deal with stormwater do not exist it can cause hazards such as flooding of homes, businesses and damage to the roading network.

3.5.5. How well did we do?

Key Performance Indicators	2016-17 Level Achieved	Comments
Council will have no flood events in a year. A flood event is defined as an occasion where buildings that are compliant with the Building Code and are serviced by Council's reticulated stormwater system experience flooding.	Achieved	No flood events occurred during the financial year 2016-17.
No buildings that comply with the Building Code will be flooded.	Achieved	No buildings flooded during the financial year 2016-17.
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' in regards to compliance with resource consent conditions.
The median response time for call-outs to attend a flooding event does not exceed four hours.	Achieved	There were no call-outs for the year in relation to a flooding event.
The total number of complaints received by Council about the stormwater system does not exceed more than one complaint per 1,000 connections to Council's stormwater system	Achieved	There are 7511 connections to the stormwater network, so Council is allowed 7 complaints. Council received one complaint.

3.5.6. Significant asset acquisition

Stormwater	Actual Spend 2017 \$000	Budget Spend 2017 \$000	Actual Spend 2016 \$000
Tokoroa - minor new works projects	12	17	13
Putāruru - minor new works projects	12	15	3
Putāruru - pipe renewal	-	-	69
Tīrau - minor new works projects	10	66	5
Arapuni Rd Outlets Replacement	2	5	5
Total	36	103	95

3.5.7. Funding Impact Statement - stormwater

	LTP 2016 \$000's	LTP 2017 \$000's	Actual 2017 \$000's
SOURCES OF OPERATING FUNDING			
Rates Revenue:			
General Rates, Uniform Annual General Charges, rates penalties	-	-	-
Targeted rates	556	608	611
Other Revenue			
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	186
TOTAL OPERATING FUNDING (A)	556	608	797
APPLICATION OF OPERATING FUNDING			
Payments to staff and suppliers	162	184	133
Finance costs	-	-	-
Internal charges and overheads applied	85	86	96
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	247	270	229
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	309	338	568
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	-
Development and 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	10	20	2
• to replace existing assets	93	24	21
Increase (decrease) in reserves	(103)	(44)	81
Increase (decrease) in investments	309	338	464
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	309	338	568
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(309)	(338)	(568)
FUNDING BALANCE ((A-B)+(C-D))	-	-	-

3.6. Wastewater

3.6.1. What we do

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

3.6.2. Contribution to the Council Strategy

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

Outcomes	Strategies
Well managed infrastructure: Our infrastructure is financially and operationally sustainable; it contributes positively to our district environment; and it is cost effective for household and businesses, now and in the future.	Efficient and effective operations strategy: Provide sound total asset management planning.
Sustainable Council operations: We have regard to sustainability while operating in a cost effective manner.	Efficient and effective operations strategy: Sustainability is embedded in all of Council's operations.

3.6.3. Key highlights

Highlights for the wastewater group of activities include:

- The duplicate sewer in Tokoroa was extended.
- Two archimedes screws were replaced at the Tokoroa wastewater treatment plant.
- Work commenced on the renewal at the resource consents for the four wastewater plants.

3.6.4. Effects on the community

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

3.6.5. How well did we do?

Key Performance Indicators	2016-17 Level Achieved	Comments
The total number of dry weather overflows from the sewerage system shall not exceed three per 1,000 sewerage connections to the sewerage system. A dry weather overflow is when a blockage causes wastewater in the reticulated system to spill.	Not achieved	There are 7625 connections to the wastewater system. Council is allowed 22 overflows. There were 18 dry weather overflows for the year.
The median response times for call-outs in response to a fault or interruption to Council's wastewater reticulation system does not exceed one hour of notice.	Achieved	The median response time was 24 minutes.

Key Performance Indicators	2016-17 Level Achieved	Comments
The median time to clear blockages or faults to Council's wastewater reticulation network will not exceed 24 hours from notification.	Achieved	The median response time to clear blockages was 2.31 hours.
The total number of complaints received by Council about wastewater issues (including sewage odour, sewerage system faults, sewerage system blockages and response times to issues with its sewerage system) does not exceed more than one complaint per 1000 connections.	Achieved	There are 7625 connections to the wastewater network. Seven complaints are allowed. There were no complaints received.
There will be no "Formal Enforcement Actions" from the consenting authority in regard to Council's compliance with resource consent conditions	Achieved	There were no 'formal enforcement actions' undertaken.

3.6.6. Significant asset acquisition

Wastewater	Actual Spend	Budget Spend	Actual Spend
	2017 \$000	2017 \$000	2016 \$000
Tokoroa - wastewater treatment plant (WWTP) upgrade	11	35	206
Tokoroa - Archimedes Screw	87	175	-
Tokoroa - Duplicate Sewers	41	62	-
Tokoroa - UV plant upgrade	30	30	15
Tokoroa WWTP - nitrogen removal enhancement	158	-	27
Tokoroa WWTP - Plant digester	-	100	-
Putāruru WWTP - plant & equipment upgrade	16	87	-
Putāruru filter pumps & UV	39	7	35
Tīrau WWTP upgrade	30	27	31
Tīrau WWTP Membranes	29	25	-
Other	-	50	-
Total	441	598	314

3.6.7. Funding Impact Statement - wastewater

	LTP 2016 \$000's	LTP 2017 \$000's	Actual 2017 \$000's
SOURCES OF OPERATING FUNDING			
Rates Revenue:			
General Rates, Uniform Annual General Charges, rates penalties	-	-	-
Targeted rates	2,833	2,931	3,050
Other Revenue			
Subsidies and grants for operating purposes	-	-	-
Fees and charges	6	6	26
Internal charges and overheads recovered	521	524	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	207
TOTAL OPERATING FUNDING (A)	3,360	3,461	3,283
APPLICATION OF OPERATING FUNDING			
Payments to staff and suppliers	1,995	2,011	1,769
Finance costs	90	90	29
Internal charges and overheads applied	553	546	464
Other operating funding applications	4	4	-
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	2,642	2,651	2,262
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	718	810	1,021
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	(57)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING (C)	-	-	(57)
APPLICATION OF CAPITAL FUNDING			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of services	-	53	158
- to replace existing assets	687	563	272
Increase (decrease) in reserves	(687)	(616)	(505)
Increase (decrease) in investments	718	810	1,039
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	718	810	964
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(718)	(810)	(1,021)
FUNDING BALANCE ((A-B)+(C-D))	-	-	-

3.7. Solid Waste and Recycling

3.7.1. What we do

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

3.7.2. Contribution to the Council Strategy

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

Outcomes	Strategies
Well managed infrastructure: Our infrastructure is financially and operationally sustainable; it contributes positively to our district environment; and it is cost effective for household and businesses, now and in the future.	Efficient and effective operations strategy: Provide sound total asset management planning.
Sustainable Council operations: We have regard to sustainability while operating in a cost effective manner.	Efficient and effective operations strategy: Sustainability is embedded in all of Council's operations

3.7.3. Key highlights

Highlights for the solid waste and recycling groups of activities include:

- Safety barriers were installed at the Tokoroa Landfill face.
- The kiosk at the Putāruru Transfer Station was upgraded.

3.7.4. Effects on the community

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

3.7.5. How well did we do?

Key Performance Indicators	2016-17 Level Achieved	Comments
There will be no 'Formal Enforcement Actions' from the consenting authority in regard to Council's compliance with resource consent conditions	Achieved	There were no 'formal enforcement actions' undertaken by the consenting authority.
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	The amount of waste that was recycled was 15.73% of residual waste.

Key Performance Indicators	2016-17 Level Achieved	Comments
100% of enquiries and service requests relating to refuse collection are responded to within three working days of notice.	Achieved	There were 42 enquiries and service requests received in relation to the refuse collection service. 100% of these were responded to on time.
100% of enquiries and service requests relating to recycling collection are responded to within three working days of notice.	Achieved	There were 70 enquiries and service requests received in relation to the recycling collection. 100% of these were responded to on time.

3.7.6. Significant asset acquisition

Solid waste and recycling	Actual Spend 2017 \$000	Budget Spend 2017 \$000	Actual Spend 2016 \$000
Tokoroa - recycling facility	61	57	-
Tokoroa - capital component of maintenance	9	22	5
Tokoroa - new kiosk computer	3	4	-
Tokoroa - other minor projects	-	-	4
Putāruru - other minor projects	24	5	13
Putāruru - security camera	3	5	-
Putāruru - weighbridge	37	-	-
Total	137	93	22

3.7.7. Funding impact statement - solid waste and recycling

	LTP 2016 \$000's	LTP 2017 \$000's	Actual 2017 \$000's
SOURCES OF OPERATING FUNDING			
Rates Revenue:			
General Rates, Uniform Annual General Charges, rates penalties	464	473	426
Targeted rates	814	896	810
Other Revenue			
Subsidies and grants for operating purposes	53	53	125
Fees and charges	921	1,001	1,348
Internal charges and overheads recovered	-	1	-
Local authorities fuel tax, fines, infringement fees, and other receipts	65	65	134
TOTAL OPERATING FUNDING (A)	2,317	2,489	2,843
APPLICATION OF OPERATING FUNDING			
Payments to staff and suppliers	1,692	1,790	1,849
Finance costs	129	133	(6)
Internal charges and overheads applied	415	416	518
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	2,236	2,339	2,361
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	81	150	482
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(11)	(10)	(72)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING (C)	(11)	(10)	(72)
APPLICATION OF CAPITAL FUNDING			
Capital expenditure:			
• to meet additional demand	-	-	-
• to improve the level of services	-	52	-
• to replace existing assets	40	46	137
Increase (decrease) in reserves	(51)	(109)	(11)
Increase (decrease) in investments	81	151	284
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	70	140	410
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(81)	(150)	(482)
FUNDING BALANCE ((A-B)+(C-D))	-	-	-

3.8. Regulatory

3.8.1. What we do

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

3.8.2. Contribution to the Council Strategy

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

Outcomes	Strategies
Grow our economy: Existing businesses thrive and new businesses start up in the district.	Economic development strategies: Stimulate economic development by assisting existing and attracting new businesses while encouraging diversity.
A quality regulatory service: Deliver a local regulatory service that keeps our community safe and is cost effective to households and businesses, now and in the future.	Regulatory services strategy: Provide regulatory services that meet legislative requirements while supporting our customers.
Cultural leadership: We support and encourage cultural leadership and capacity building.	Cultural leadership strategies: Build and maintain a strong strategic and operational relationship with Raukawa.

3.8.3. Key highlights

Highlights for Regulatory include:

- Completed transitional agreement with Fire Emergency NZ
- Healthy Rivers Plan Change 1 engagement with stakeholders and formal submission to Waikato Regional Council

3.8.4. Effects on the community

Central Government has given Council responsibilities to make sure that our community is safe.

3.8.5. How did we do?

Key Performance Indicators	2016-17 Level Achieved	Comments
Building control: At least 90% of building consents are processed within statutory timelines (20 working days)	Achieved	Council processed 461 building consents and 453 of these were processed on time. (98%)

Key Performance Indicators	2016-17 Level Achieved	Comments
Building control: Council will retain accreditation as a Building Consent Authority.	Achieved	IANZ Audit August 2017
Environmental Health: 100% of premises registered under the Food Hygiene regulations are inspected annually.	Achieved	There are 189 premises registered under the Food Hygiene regulations, 100% were inspected as required.
Environmental Health: 100% of premises registered under the Food Act 2014 are audited annually.	Achieved	Currently there are 30 premises registered under the Food Act 2014, 100% of these were inspected as required.
Liquor licensing: 100% of on, off and club licenses are inspected annually.	Achieved	There are 54 premises registered and 100% of these were inspected.
Animal control: Greater than 90% of urgent requests are responded to within one hour on 24/7 basis	Achieved	There were 112 urgent requests received and 106 of these were responded to within one hour.
Business Case Management: 100% of all potential business development projects that require an integrated regulatory approach are contacted within three working days.	Achieved	There were 72 cases that required an integrated regulatory approach, and 100% of these were contacted within three working days.
Resource management policy and monitoring, including environmental protection and monitoring: At least 95% of non-notified consents are processed within statutory timelines (20 or 40 working days).	Achieved	Council processed 59 resource consents and 100% were processed on time.
Resource management policy and monitoring, including environmental protection and monitoring: Not less than 80 hours per annum is spent on monitoring land uses e.g. resource consents, certificates of compliance and existing situations.	Achieved	Council staff spent 86 hours on monitoring land uses.
Resource management policy and monitoring, including environmental protection and monitoring: 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	No plan changes or reviews undertaken
Civil Defence: More than three training sessions/exercises are attended within the Waikato Civil Defence Emergency Management Group.	Achieved	There were 5 training sessions/exercises attended.
Civil Defence: At least one South Waikato District Emergency Operations Centre or Managers exercise is held on an annual basis.	Achieved	Two events were held one in August and one in September.
Civil Defence: To raise awareness of civil defence issues, Council will conduct 20 or more visits to local organisations.	Achieved	Council visited 21 local organisations.
Rural Fire: Maintain rural fire management arrangements to meet the requirements of the Forest and Rural Fires Act 1977 and Pumicelands Enlarged Rural Fire District.	Achieved	Legislative requirements met

Key Performance Indicators	2016-17 Level Achieved	Comments
Rural Fire: At least 90% of all rural fire and emergency calls are responded to within 15 minutes.	Achieved	Council received 53 calls and 100% of these were responded to within 15 minutes.

3.8.6. Significant asset acquisition

Emergency Management	Actual Spend 2017 \$000	Budget Spend 2017 \$000	Actual Spend 2016 \$000
Replace 13 portable radios	-	4	9
Total	-	4	9

3.8.7. Funding Impact Statement - regulatory management

	LTP 2016 \$000's	LTP 2017 \$000's	Actual 2017 \$000's
SOURCES OF OPERATING FUNDING			
Rates Revenue:			
General Rates, Uniform Annual General Charges, rates penalties	920	966	1,041
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	834	822	931
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	44	44	69
TOTAL OPERATING FUNDING (A)	1,798	1,832	2,041
APPLICATION OF OPERATING FUNDING			
Payments to staff and suppliers	1,166	1,207	1,272
Finance costs	-	-	-
Internal charges and overheads applied	625	617	637
Other operating funding applications	5	5	13
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	1,796	1,829	1,922
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	2	3	119
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	-
Development and 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	-	-	-
Increase (decrease) in reserves	-	-	-
Increase (decrease) in investments	2	3	119
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	2	3	119
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(2)	(3)	(119)
FUNDING BALANCE ((A-B)+(C-D))	-	-	-

3.8.8. Funding Impact Statement - resource management and planning

	LTP 2016 \$000's	LTP 2017 \$000's	Actual 2017 \$000's
SOURCES OF OPERATING FUNDING			
Rates Revenue:			
General Rates, Uniform Annual General Charges, rates penalties	814	837	896
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	1	1	161
Internal charges and overheads recovered	109	110	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
TOTAL OPERATING FUNDING (A)	924	948	1,057
APPLICATION OF OPERATING FUNDING			
Payments to staff and suppliers	523	551	530
Finance costs	38	36	28
Internal charges and overheads applied	269	265	272
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	830	852	830
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	94	96	227
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(93)	(96)	(100)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING (C)	(93)	(96)	(100)
APPLICATION OF CAPITAL FUNDING			
Capital expenditure:			
• to meet additional demand	-	-	-
• to improve the level of services	-	-	-
• to replace existing assets	27	-	-
Increase (decrease) in reserves	-	-	-
Increase (decrease) in investments	(26)	-	127
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	1	-	127
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(94)	(96)	(227)
FUNDING BALANCE ((A-B)+(C-D))	-	-	-

3.8.9. Funding Impact Statement - emergency management

	LTP 2016 \$000's	LTP 2017 \$000's	Actual 2017 \$000's
SOURCES OF OPERATING FUNDING			
Rates Revenue:			
General Rates, Uniform Annual General Charges, rates penalties	315	314	346
Targeted rates	-	-	-
Subsidies and grants for operating purposes	(2)	(2)	-
Fees and charges	11	11	2
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
TOTAL OPERATING FUNDING (A)	324	323	348
APPLICATION OF OPERATING FUNDING			
Payments to staff and suppliers	219	221	164
Finance costs	1	1	-
Internal charges and overheads applied	89	89	90
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	309	311	254
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	15	12	94
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(2)	(2)	(2)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING (C)	(2)	(2)	(2)
APPLICATION OF CAPITAL FUNDING			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of services	-	-	-
- to replace existing assets	10	4	-
Increase (decrease) in reserves	(10)	(4)	-
Increase (decrease) in investments	13	10	92
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	13	10	92
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(15)	(12)	(94)
FUNDING BALANCE ((A-B)+(C-D))	-	-	-

3.9. Governance and corporate

3.9.1. What we do

- Organise local government elections
- Support the elected members
- Ensure efficient Council and Tīrau Community Board meetings
- Communicate effectively with our communities
- Develop Long Term Plans, Annual Plans and Annual Reports
- Manage Council's corporate business (which includes information systems, legal services, human resources, revenue, finance, communications, executive support and strategic planning).

3.9.2. Contribution to the Council Strategy

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

Outcomes	Strategies
Grow our economy: Existing businesses thrive and new businesses start up in the district.	Economic development strategies: Stimulate economic development by assisting existing and attracting new businesses while encouraging diversity. Encourage education and training to improve the employment opportunities of district's residents.
Improved external image: People outside our district are encouraged to live, work and develop businesses here.	District promotion strategy: Use a full range of marketing tools in conjunction with other organisations, to encourage external people to visit and live and develop businesses in our district.
Community pride: Council provides services that make residents proud of our district, celebrating the artistic, sporting and cultural achievements of our people and the diversity of our cultures.	Community Pride Strategy: Through improved communication, community activities, an enhanced physical environment focus on making our community proud and engaged.
Cultural leadership: We support and encourage cultural leadership and capacity building.	Cultural leadership strategies: Maintain and support our community's art and culture, and support cultural displays and events. Build and maintain a strong strategic and operational relationship with Raukawa. Build and maintain a strong working relationship with Māori at all levels of Council. Build and maintain a strong working relationship with all cultures present in our district.
Efficient Council operations: Council ensures that our business practices are efficient and effective and achieved through successfully working with our community.	Efficient and effective operations strategies: Work together with our partners to achieve common goals. Embed a quality improvement philosophy into all operations of Council. Implement governance and management structures, systems and processes that improve our effectiveness and efficiency.

3.9.3. Effects on the community

The governance, executive and corporate group of activities support all the other activities carried out by Council to ensure that they run smoothly by providing the necessary information systems and financial and other internal managerial support. Governance and corporate plays an important role in ensuring that

democracy is upheld in our district as it ensures that elections and decision-making processes are lawful. Communications play an important role in informing our community about Council's upcoming plans and allowing opportunities for our residents to have their say.

3.9.4. How did we do?

Key Performance Indicators	2016-17 Level Achieved	Comments
Council will conduct error-free local government elections (the election process is defined in the Local Electoral Act 2001).	Achieved	
To ensure that Council only collects enough rates to meet its funding requirements, the operating level of Council's average annual general fund will not be more than \$500,000 in surplus or less than \$500,000 in deficit.	Not Achieved	The average is a \$506,000 surplus which although outside the benchmark limit, has occurred mainly as a result of Council revenue for solid waste and the fees and charges from some of our regulatory activities being in excess of budgets.
That Council complies with all sections of the Local Government Act 2002 governing the functions of elected officials and consultation with our community on documents (including strategies, policies and bylaws).	Achieved	
All official information requests are responded to within the statutory timeframe (20 or 40 working days).	Achieved	Council received 46 official information requests and 100% of these were responded to on time.
That 90% of media queries are responded to within five working days.	Achieved	Council receive 51 media queries and 100% of these were responded to within five working days.
That 100% of media queries are responded to within ten working days.	Achieved	Council receive 51 media queries and 100% of these were responded to within ten working days.
The total amount of rate arrears is less than 10% of the current year's total rates paid to Council.	Achieved	The amount of rate arrears is 4.31% of the current year's total rates paid to Council.
Council's information systems are available at least 99% of the time. System availability is defined as reliable access during business hours to supported applications. Availability is measured from offices over 24 hours 365 days of the year, excluding planned and agreed maintenance downtime.	Achieved	
Annual Plans and Long Term Plans will be adopted in compliance with the requirements and deadlines of the Local Government Act 2002.	Achieved	The Annual Plan 2017-18 was complete two months before required. The Long Term Plan 2018-28 is on track and community engagement began early 2017. Ongoing community engagement is planned for mid-late 2017. Priorities for the district continue to develop.

3.9.5. Significant asset acquisition

Governance and corporate	Actual Spend 2017 \$000	Budget Spend 2017 \$000	Actual Spend 2016 \$000
Council admin buildings and depots	113	84	-
IT expenditure & GIS upgrades	197	139	112
Vehicle replacements	343	240	242
Trade training tools	10	-	4
Furniture renewals	13	15	10
Total	676	478	368

3.9.6. Funding Impact Statement - governance and corporate

	LTP 2016 \$000's	LTP 2017 \$000's	Actual 2017 \$000's
SOURCES OF OPERATING FUNDING			
General Rates, Uniform Annual General Charges, rates penalties	1,719	1,992	1,905
Targeted rates	17	18	20
Subsidies and grants for operating purposes	-	-	-
Fees and charges	29	67	153
Internal charges and overheads recovered	4,468	4,361	8,068
Local authorities fuel tax, fines, infringement fees, and other receipts	-	42	215
TOTAL OPERATING FUNDING (A)	6,233	6,480	10,361
APPLICATION OF OPERATING FUNDING			
Payments to staff and suppliers	4,416	4,527	8,176
Finance costs	71	71	83
Internal charges and overheads applied	1,517	1,501	2,111
Other operating funding applications	1,095	137	572
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	7,099	6,236	10,942
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	(866)	244	(581)
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(9)	(9)	(43)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING (C)	(9)	(9)	(43)
APPLICATION OF CAPITAL FUNDING			
Capital expenditure:			
• to meet additional demand	-	-	-
• to improve the level of services	-	-	-
• to replace existing assets	1,510	496	796
Increase (decrease) in reserves	(1,510)	(496)	(854)
Increase (decrease) in investments	(875)	235	(566)
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	(875)	235	(624)
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	866	(244)	581
FUNDING BALANCE ((A-B)+(C-D))	-	-	-

3.10. Customer Satisfaction survey

3.10.1. Introduction

Council undertake satisfaction reporting four times a year, so that Council has a more timely understanding on the satisfaction levels of our residents with the services and facilities that Council delivers. The second annual report on the survey under this regime was published in July 2017.

3.10.2. Sample sizes

A sample size of 405 respondents was attained, and the survey is designed to be demographically representative: 250 representatives were from the Tokoroa Ward, 115 were from the Putāruru Ward and 40 respondents were from the Tirau Ward. Gender and ethnic diversity was accounted for, with respondents identifying as 44% male and 56% female, 74% European, 22% Māori, 3% Pacific and 6% other ethnicities (this does not add up to 100% as respondents are able to choose more than one ethnicity). 90% of respondents were rate payers and 87% of all respondents had resided within the district for over 10 years. 33% of respondents were 19-39 years of age, 45% were aged 40-64 and 22% were 65 years and over.

It is important to capture true satisfaction levels of actual users of specific services. Council has worked with researchers to ensure sample numbers for 'activity specific' questions; such as those associated with building consent processes, liquor licensing and the utility of facilities.

The overall satisfaction figures include the categories: somewhat satisfied, satisfied and very satisfied and the overall dissatisfaction figures include: very dissatisfied and somewhat dissatisfied.

3.10.3. Overall Satisfaction

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

he table below shows: Council activities, satisfaction rates for financial year June 2015-16, sample numbers or number of people who were surveyed for the associated activities, and June 2016-17 year satisfaction and dissatisfaction results.

Council Activity	2016 Satisfaction Level excluding 'don't knows'	2017 sample size	2017 Satisfaction Level	2017 Dissatisfaction Level
Overall satisfaction with Council's performance	80%	405	88%	12%
Wastewater system reliability	94%	316	96%	4%
How Council treats and disposes of wastewater	85%	316	92%	8%
Ability of stormwater network to protect your property from flooding	84%	405	83%	17%
Ability of stormwater network to keep roads and footpaths free from flooding	75%	405	75%	25%
How well the stormwater network is maintained	76%	405	75%	25%
Kerbside rubbish collection	94%	268	92%	8%
Kerbside recycling services	86%	405	86%	14%
Putāruru, Tirau, Waotu and Okoroire recycling points	80%	405	89%	11%
The Croad Place Recycling Centre	90%	405	93%	7%

Council Activity	2016 Satisfaction Level excluding 'don't knows'	2017 sample size	2017 Satisfaction Level	2017 Dissatisfaction Level
The services for managing green waste	78%	405	80%	20%
The services for managing general water	76%	405	86%	14%
Management of loose litter and bins in and around the town	76%	405	85%	15%
How well urban roads are maintained	80%	405	81%	19%
How well rural roads are maintained	77%	405	76%	24%
The safety of roads	80%	405	82%	18%
Availability of footpaths/crossing points for mobility scooters/wheel chairs	75%	405	81%	19%
How well footpaths are maintained	70%	405	84%	16%
Adequacy of cycleways on our roads	49%	405	53%	47%
Provision of dedicated walkways/other cycleways around the South Waikato	80%	405	81%	19%
Satisfaction with sports grounds	93%	405	96%	4%
Satisfaction with other parks and reserves	89%	405	94%	6%
Satisfaction with playgrounds	90%	405	92%	8%
Satisfaction with cemeteries	93%	405	96%	4%
Satisfaction with libraries (UoS)	98%	230	99%	1%
Satisfaction with swimming pools (UoS)	86%	181	95%	5%
Satisfaction with public toilets (UoS)	56%	209	64%	36%
Satisfaction with community halls (UoS)	92%	96	90%	10%
Satisfaction with South Waikato Sport and Events Centre (UoS)	96%	209	97%	3%
Library opening hours (UoS)	95%	230	99%	1%
Range of books and materials available at the libraries (UoS)	95%	230	96%	4%
The library charges (UoS)	91%	230	98%	2%
The overall service delivered by the library (UoS)	98%	230	98%	2%
The way that the libraries connect with local groups (UoS)	96%	230	96%	4%
Satisfaction with animal control (UoS)	75%	242	83%	17%
Satisfaction with managing and issuing building consents (UoS)	76%	131	69%	31%
Satisfaction with managing and issuing resource consents (UoS)	64%	111	64%	36%
Satisfaction with managing liquor licensing (UoS)	90%	114	70%	30%
Satisfaction with Civil Defence (UoS)	77%	203	77%	23%
Satisfaction with Rural Fire (UoS)	93%	202	95%	5%
Satisfaction with licensing premises such as cafes, restaurants and hairdressers (UoS)	70%	121	80%	20%
Satisfaction with making a complaint or a request for service				
How easy it was to make your enquiry or requests (UoS)	n/a	81	75%	25%

Council Activity	2016 Satisfaction Level excluding 'don't knows'	2017 sample size	2017 Satisfaction Level	2017 Dissatisfaction Level
How long it took to resolve the matter (UoS)	n/a	81	47%	53%
The information provided being accurate (UoS)	n/a	81	66%	34%
How well Council staff understood your request and how well they communicated with you (UoS)	n/a	81	64%	36%
The resolution or outcome achieved (UoS)	n/a	81	54%	46%
How would you rate Council overall for how well they handled your enquiry (UoS)	n/a	81	61%	39%

3.11. Involvement with Council Controlled Organisations (CCOs)

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

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

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

3.11.1. Company Objective

The objective of LASS is to provide local authorities of the Waikato Region with a vehicle to procure shared services. The LASS also provides Councils that wish to develop new services with a corporate structure under which they can develop and promote services to other local authorities.

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

3.11.2. Nature and Scope of Activities

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

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

Council policies and objectives relating to CCOs

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

LASS is governed by a board of directors made up of the chief executives of the local authority shareholders. Council's involvement in LASS is consistent with its Appointment of Directors to CCO's Policy. Council's involvement in LASS was confirmed, following public consultation through its Annual Plan 2005-06.



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




Performance results




The following performance measures were incorporated into the Local Authority Shared Services Limited (LASS) 2015-16 financial year:







Key:








-  Achieved
-  Not applicable
-  Not achieved









TARGET	METHOD	MEASURE	ACTUAL OUTCOME	
Procurement Joint procurement initiatives for goods and services for WLASS councils will be investigated and implemented.	Procurement is from sources offering best value, service, continuity of supply, and/or opportunities for integration.	A minimum of three new procurement initiatives investigated per annum and business cases developed if considered appropriate.	Achieved. A joint RFP with BOPLASS for the supply of Multi-function Devices was completed and Konica Minolta were accepted as the preferred supplier.	
			Shared procurement of Thomson Reuters services, EMA membership, and participation in the BOPLASS EFTPOS contract have been investigated, but no financial benefits were identified.	
			A WLASS Master Agreement with Vertical Horizonz for the provision of health & safety training was completed in February 2017 and 11 councils have signed Joining Agreements.	
		Initiatives which are implemented shall provide financial savings and/or	Achieved. A syndicated clause in three tendered Hamilton City	





		<p>improved service levels to the participating councils.</p> <p>New suppliers are awarded contracts through a competitive tender process.</p>	<p>Council contracts enables all shareholders to access:</p> <p>(i) a library book buying contract at 37% discount on the RRP;</p> <p>(ii) a contract for the supply of pipes and fittings for water, wastewater and stormwater pipes, which provides discounts of between 30% and 80% off the list price;</p> <p>(iii) an HR Panel of eight suppliers for the recruitment of permanent and temporary staff.</p> <p>Information on how to participate in syndicated contracts for Office Furniture, Media Monitoring and Employee Assistance Programmes was circulated to all shareholding councils.</p> <p>Following an RFP process, a WLASS Master Agreement for Fleet Management has been entered into with FleetPartners /FleetSmart for a term of 1+2.</p>	
<p>Collaborative Projects</p> <p>Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented.</p>	<p>The focus is on shared services which will benefit all councils.</p>	<p>A minimum of three priority projects for collaboration are identified per annum.</p> <p>If considered of value, business cases are developed for approval by the Board, and the projects are implemented.</p>	<p>Achieved.</p> <p>Six projects (GIS, Procurement, Aligned Planning, Digital Strategy, Learning and Development, and Building Services) have been investigated.</p> <p>Achieved.</p> <p>Business cases for all six projects were approved by the Board.</p> <p>A GIS team is working on identifying why</p>	 

			<p>spatial data should be used to support the Waikato region within the framework of the Waikato Digital Strategy, including identifying the benefits and measures of success</p> <p>A Procurement review is in progress.</p> <p>An RFP to select a Project Manager to lead the Aligned Planning project is in progress.</p> <p>A Digital Strategy is under development.</p> <p>A Learning & Development Working Party has been established, and projects are in progress.</p> <p>A strategic review of Building has been completed and a number of new initiatives have been identified, which will commence in 2017/18.</p>	
Existing WCLASS Contracts Existing contracts are managed and renegotiated as required.	Appointed vendors deliver on the terms of their contracts and deliver value to the shareholders.	<p>The WCLASS Contracts Register is maintained and managed.</p> <p>Contracts which are due for renewal are tested for competitiveness and either renegotiated or tendered through a competitive process.</p>	<p>Achieved. Contracts Register is up-to-date.</p> <p>Achieved. Four current contracts have been extended, following a performance review:</p> <p>(i) Dataprint (computer-generated print, mailhouse and e-services)</p> <p>(ii) Professional Services Panel (building services, planning 3-waters, urban design, flood hazards consultancy services)</p> <p>(iii) Aon (insurance brokerage)</p> <p>(iv) Infometrics (economic data).</p>	 
Cashflow				

The company shall maintain a positive cashflow position.	The Financial Accountant reviews cashflow monthly. The WLASS Board reviews the financial statements quarterly.	Monthly financial statements show a positive cashflow position.	Achieved. Cashflow for the year shows a positive total cash balance of \$352,274. Reports on the financial position were considered at WLASS Board meetings on 5 August, 14 October, and 2 December 2016, and on 3 February, 24 March and 26 May 2017.	
Cost Control Administration expenditure shall be managed and monitored.	The Financial Accountant and Chief Executive review expenditure monthly.	Administration expenditure shall not exceed budget by more than 5%, unless prior approval is obtained from the Board.	Achieved. Administration expenditure was 19% favourable compared to budget	
Reporting Six monthly reports provided to Shareholders.	The Chief Executive prepares a written report for the WLASS Board every meeting. One 6-monthly and one Annual Report are prepared for shareholders.	The Board shall provide a written report on the business operations and financial position of WLASS to the Shareholders every six months. Every second report shall be the Annual Report, which includes a report that all of the statutory requirements of WLASS are being adhered to.	Achieved. The 6-monthly report was distributed to shareholders on 9 February 2017. Achieved. This is the Annual Report.	 
Waikato Mayoral Forum The company shall provide administrative support and updates on Mayoral Forum work streams to the Mayoral Forum.	Updates on Mayoral Forum projects shall be co-ordinated by the WLASS Chief Executive. Mayoral Forum projects shall be managed financially through WLASS. Note: The current approved work streams are: Regulatory Bylaws and Policies Waikato Plan	The Mayoral Forum is regularly updated on the progress of each approved work stream. Approved invoices for Mayoral Forum projects are paid by the 20th of the month following their receipt.	Not Applicable. The WLASS CEO is no longer responsible for updating the Mayoral Forum on progress with projects. Project sponsors are responsible for updates. Partly Achieved. All approved invoices, except for one, were paid by the 20th of the month following their receipt.	 
Shared Valuation Data Services (SVDS)			Achieved.	

<p>The SVDS is reliable, well maintained and available to all users.</p>	<p>A Contract Manager is appointed for SVDS.</p> <p>The Contract Manager monitors performance of the contractor and reports quarterly to the SVDS Advisory Group.</p>	<p>The SVDS is available to users at least 99% of normal working hours.</p> <p>All capital enhancement work is supported by a business case and approved by the SVDS Advisory Group.</p> <p>The SVDS Advisory Group meets at least 6-monthly.</p>	<p>SVDS was available to users for 99.16% of normal working hours.</p> <p>N/A.</p> <p>There has been no capital enhancement work over the last 12 months.</p> <p>Achieved. The Group met on 1 September and 17 November 2016, and on 9 March and 1 June 2017</p>	<p></p> <p></p>
<p>Insurance</p> <p>Achieve the relevant KPIs in Appendix 4 of the Insurance Brokerage contract with Aon.</p>	<p>The Insurance Broker delivers on the terms of their contract and provides value to the participating councils.</p>	<p>Strategic advice provided by Aon on the insurance programme structure is assessed as satisfactory in the annual WCLASS Shareholders' survey by the participating councils.</p> <p>The day-to-day service provided by Aon is assessed as satisfactory in the annual WCLASS Shareholders' survey by the participating councils.</p>	<p>N/A.</p> <p>Shareholders' survey was reported to the Board on 26 August 2017.</p> <p>N/A.</p> <p>Shareholders' survey was reported to the Board on 26 August 2017.</p>	<p></p> <p></p>
<p>RATA</p> <p>All stakeholders are kept informed about RATA's projects and achievements.</p>	<p>Six monthly and annual reports are provided to all stakeholders.</p> <p>Annual Forward Works Programme tours are completed, to provide opportunities for councils' roading staff to share their knowledge and experience</p>	<p>Reports presented to WCLASS Board as at 30 December and 30 June, and circulated to stakeholders.</p> <p>Reports include a summary of savings achieved.</p> <p>All RATA councils participate in the tour.</p>	<p>Achieved.</p> <p>6-monthly reports presented to Board meetings on 2 December 2016 (circulated to stakeholders on 19 December) and on 7 July 2017.</p> <p>Achieved.</p> <p>A summary of savings was included. In the July report to the Board.</p> <p>Achieved.</p> <p>All councils participated in the tour in October 2016.</p>	<p></p> <p></p> <p></p>

<p>Sub-regional data collection contracts deliver good quality data on roading assets.</p>	<p>Data collection contracts (minimum of two across the region) are managed in accordance with best practice.</p> <p>Data supplied by contractors is of good quality and meets all councils' requirements.</p>	<p>Report on tour outcomes prepared by 31 December each year, and circulated to stakeholders.</p> <p>Contracts which are due for renewal are tested for competitiveness and either renegotiated or tendered through a competitive process.</p> <p>Any data issues are identified and resolved, with any incidents reported to stakeholders.</p>	<p>Not Achieved. Report delayed until February 2017 (individual councils received their reports in January).</p> <p>N/A. No contracts due for renewal. Data collection contracts were extended for one year on 14 October 2016.</p> <p>Achieved. Asset Information Engineer identifies and resolves all issues.</p>	<p></p> <p></p> <p></p>
<p>Waikato Regional Transport Model (WRTM) The WRTM is reliable, well maintained and available to all users.</p>	<p>RATA manages the WRTM on behalf of LASS, and monitors the performance of the model supplier (currently Traffic Design Group).</p> <p>RATA reports quarterly to the WRTM Project Advisory Group.</p>	<p>All modelling reports requested from the model supplier are actioned within the agreed timeframe, scope and budget.</p> <p>A report from RATA on any new developments and on the status of the model is provided to the WLASS Board at least every six months.</p> <p>The quality of the base model complies with NZTA guidelines (as set out in the NZTA's Economic Evaluation Manual), and is independently peer reviewed each time the model is updated.</p>	<p>Achieved. Reports were provided on 15 August and 18 November 2016. No quarterly reports were requested in 2017 as the model was unused during this period.</p> <p>Achieved. Reports presented to the Board in December 2016 and July 2017.</p> <p>Achieved. Peer review of base model was completed in April 2017. Consultant has been engaged to complete future years' model in 2017/18.</p>	<p></p> <p></p> <p></p>
<p>Waikato Building Consent Group Provide strategic direction and actively pursue improvements in Building Control across the Waikato region.</p>	<p>Develop and maintain a quality assurance system for building consents, that meets statutory compliance and supports excellence and consistency in customer service and business practice.</p>	<p>Internal audits completed annually for each Group member.</p> <p>Provide Group members with a joint quality assurance</p>	<p>Partially Achieved. Only seven of the eight audits scheduled for the year were completed due to a lack of staff resources to assist.</p> <p>Not Achieved. The quality assurance system</p>	<p></p> <p></p>

		system that meets statutory compliance.	consists of over 466 separate documents. Regulation 17 requires that all BCAs on an annual or more frequent basis; audit and review all of their quality assurance systems to ensure that the systems meet the requirements of the BCA regulations and the Building Act 2004, and remain appropriate for purpose. Even though the audit and review of the QA systems was achieved within the calendar year, it was not achieved within 12 months from the last completion date.	
		Report at least six monthly to the WLASS Board on the Group's activities.	Achieved. Reports presented to the 3 February and 7 July 2017 Board meetings.	
Future Proof All stakeholders are kept informed about Future Proof's projects and achievements.	Six monthly and annual reports are provided to all stakeholders.	Reports presented to WLASS Board as at 30 December and 30 June, and circulated to stakeholders.	Achieved. 6-monthly reports presented to the Board on 2 December 2016 and 7 July 2017.	
Shareholder Survey Shareholders are satisfied with the performance of WLASS.	An annual survey of shareholders is undertaken to assess satisfaction levels with WLASS.	A survey of shareholders is undertaken each year, and the results are reported to all shareholders.	In Progress. Shareholders' survey has been completed and is scheduled to be reported to the Board on 26 August 2017.	
Review of Benefits Shareholders are informed of the benefits being provided to shareholding councils by WLASS.	The benefits of WLASS (including financial and non-financial achievements) are regularly analysed and reported to shareholders.	Information on the financial and non-financial benefits being achieved by WLASS are included in the 6-monthly and Annual Report to shareholders.	Achieved. Information is included in this report.	

4. Financial statements

4.1. Statement of compliance

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



Jenny Shattock QSM JP
MAYOR
5 October 2017



Craig Hobbs
CHIEF EXECUTIVE
5 October 2017

4.2. Financial statements

Statement of comprehensive revenue and expenses

For the year ended 30 June 2017				
	Note No.	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
Revenue				
Rates, excluding targeted water supply rates	4	23,649	23,700	22,739
Fees, charges, and targeted rates for water supply		3,731	3,004	3,489
Development and financial contributions		124	21	86
Subsidies and grants	5	3,409	2,997	3,075
Finance income	6	445	770	413
Other revenue	7	1,748	927	1,498
Total revenue	3	33,106	31,419	31,300
Expenditure				
Employee benefits expense	8	9,009	9,410	8,520
Depreciation and amortisation expense	15/16	6,891	7,721	6,851
Finance costs	6	569	824	735
Other expenses	9	15,116	13,372	15,363
Total expenditure		31,585	31,327	31,469
Surplus/(Deficit)		1,521	92	(169)
Other comprehensive revenue and expense				
Gain/loss in Asset Revaluation Reserve	21	22,659	14,134	3,890
Gain/loss in Investment Revaluation Reserve	21	100	-	239
Total other comprehensive revenue and expense		22,759	14,134	4,129
Total comprehensive revenue and expense		24,280	14,226	3,960

These Financial Statements should be read in conjunction with the accounting policies and notes on pages 73 to 118

Statement of changes in equity

For the year ended 30 June 2017	Note No.	Restricted Reserves	Council Created Reserves	Property Revaluation Reserves	Investment Revaluation Reserves	Retained Earnings	Total
Balance as at 30 June 2015		15,107	5,084	219,546	828	144,119	384,684
Deficit for the year	21	-	-	-	-	(169)	(169)
Transfers to retained earnings on disposal		-	-	(539)	-	539	-
Transfer of vegetation assets to retained earnings on disposal		-	-	-	-	-	-
Transfers to General Equity		5,061	697	-	-	(5,758)	-
Transfers from General Equity		(4,328)	(2,325)	-	-	6,653	-
Other comprehensive revenue and expense							
Gain/loss in Asset Revaluation Reserve	21	-	-	3,890	-	-	3,890
Gain/loss in Investment Revaluation Reserve	21	-	-	-	239	-	239
Total comprehensive revenue and expense		733	(1,628)	3,351	239	1,265	3,960
Balance at 30 June 2016		15,840	3,456	222,897	1,067	145,384	388,644
Net profit for the year	21	-	-	-	-	1,521	1,521
Transfers to retained earnings on disposal		-	-	(730)	-	730	-
Transfers to General Equity		4,519	559	-	-	(5,078)	-
Transfers from General Equity		(2,933)	(1,484)	-	-	4,417	-
Other comprehensive revenue and expense							
Gain/loss in Asset Revaluation Reserve	21	-	-	22,659	-	-	22,659
Gain/loss in Investment Revaluation Reserve	21	-	-	-	100	-	100
Total comprehensive revenue and expense		1,586	(925)	21,929	100	1,590	24,280
Balance at 30 June 2017		17,426	2,531	244,826	1,167	146,974	412,924

These Financial Statements should be read in conjunction with the accounting policies and notes on pages 73 to 118

Statement of financial position

	Note No.	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
Equity				
Retained earnings	21	146,974	145,298	145,384
Other reserves	21	265,950	266,640	243,260
Total equity		412,924	411,938	388,644
Assets				
Current assets				
Cash and cash equivalents	10	7,277	1,178	3,984
Current portion of investments		-	2,000	-
Receivables from non-exchange transactions	11	1,918	3,387	1,867
Receivables from exchange transactions	11	1,183	-	872
Inventories	12	203	199	219
Other financial assets	13	2	-	5
Current assets held for sale	14	981	-	788
Total current assets		11,564	6,764	7,735
Non-current assets				
Property, plant and equipment	15	405,447	408,862	385,002
Other financial assets	13	14,078	13,674	14,443
Non-current assets held for sale	14	228	-	126
Intangible assets	16	136	2	142
Total non-current assets		419,889	422,538	399,713
Total assets		431,453	429,302	407,448
Liabilities				
Current liabilities				
Payables and deferred revenue from non-exchange transactions	17	1,243	3,286	1,081
Payables and deferred revenue from exchange transactions	17	2,847	-	2,574
Employee benefit obligations	19	993	770	992
Borrowings	20	904	1,014	880
Provision for landfill closure	18	18	26	23
Trust accounts	17	1	-	4
Total current liabilities		6,006	5,096	5,554
Non-current liabilities				
Provision for landfill closure	18	738	809	818
Borrowings	20	11,663	11,112	12,296
Employee benefit obligations	19	122	347	136
Total non-current liabilities		12,523	12,268	13,250
Total liabilities		18,529	17,364	18,804
Net assets		412,924	411,938	388,644

These Financial Statements should be read in conjunction with the accounting policies and notes on pages 73 to 118

Statement of cashflows

	Note No.	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
Cash flow from operating activities				
<i>Cash was provided from:</i>				
Rates		24,088	23,700	23,118
Subsidies and grants		3,250	2,997	3,849
Fees and charges		3,563	3,004	3,812
Other income		1,288	21	1,183
Interest received		445	700	413
Dividend received		337	-	293
		<u>32,971</u>	<u>30,422</u>	<u>32,668</u>
<i>Cash was applied to:</i>				
Interest paid		569	824	735
Net GST paid		1,854	-	1,440
Payment to suppliers and employees		21,597	20,656	21,709
		<u>24,020</u>	<u>21,480</u>	<u>23,884</u>
Net cash inflows/(outflows) from operating activities	22	8,951	8,942	8,784
Cash flow from investing activities				
<i>Cash provided from:</i>				
Proceeds from investments		466	800	-
Property, plant and equipment sales		457	-	60
		<u>923</u>	<u>800</u>	<u>60</u>
<i>Cash was applied to:</i>				
Purchase of investments		-	1,000	3,837
Purchase of property, plant and equipment		5,972	8,130	6,841
		<u>5,972</u>	<u>9,130</u>	<u>10,678</u>
Net cash inflows/(outflows) from investing activities		(5,049)	(8,330)	(10,618)
Cash flow from financing activities				
<i>Cash was provided from:</i>				
Loans raised		-	160	189
		<u>-</u>	<u>160</u>	<u>189</u>
<i>Cash was applied to:</i>				
Loans repaid		609	944	605
		<u>609</u>	<u>944</u>	<u>605</u>
Net cash inflows/(outflows) from financing activities		(609)	(784)	(416)
Net increase/(decrease) in cash and cash equivalents		3,293	(172)	(2,250)
Cash and cash equivalents at the beginning of the year		3,984	1,350	6,234
Cash and cash equivalents at the end of the year	10	7,277	1,178	3,984

These Financial Statements should be read in conjunction with the accounting policies and notes on pages 73 to 118

Funding Impact Statement - whole of Council

	Annual Plan 2016 \$000's	Actual 2016 \$000's	LTP 2017 \$000's	Actual 2017 \$000's
SOURCES OF OPERATING FUNDING				
General Rates, Uniform Annual General Charges, rates penalties	17,227	16,699	17,105	17,465
Targeted rates	6,235	6,602	6,316	6,739
Subsidies and grants for operating purposes	1,388	1,384	1,263	1,638
Fees and charges	3,344	3,820	3,276	4,206
Interest and dividends from investments	770	791	911	877
Local authorities fuel tax, fines, infringement fees, and other receipts	288	316	302	320
TOTAL OPERATING FUNDING (A)	29,252	29,612	29,173	31,245
APPLICATION OF OPERATING FUNDING				
Payments to staff and suppliers	26,151	23,488	25,821	24,368
Finance costs	1,197	1,081	1,005	569
Other operating funding applications	1,412	2,237	1,245	1,702
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	28,760	26,806	28,071	26,639
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	492	2,806	1,102	4,606
SOURCES OF CAPITAL FUNDING				
Subsidies and grants for capital expenditure	1,609	1,604	1,836	1,682
Development and financial contributions	21	86	19	124
Increase (decrease) in debt	(428)	(494)	4	(1,053)
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING (C)	1,202	1,196	1,859	753
APPLICATION OF CAPITAL FUNDING				
Capital expenditure:				
• to meet additional demand	-	22	-	-
• to improve the level of services	2,419	2,226	751	1,785
• to replace existing assets	6,010	4,654	6,004	4,888
Increase (decrease) in reserves	(4,371)	(316)	(6,617)	(3,047)
Increase (decrease) in investments	(2,364)	(2,584)	2,823	1,733
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	1,694	4,002	2,961	5,359
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(492)	(2,806)	(1,102)	(4,606)
FUNDING BALANCE ((A-B)+(C-D))	-	-	-	-

4.3. Notes to the financial statements

1. Statement of accounting policies

Reporting entity

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

The primary objective of Council is to provide services and social benefits to the community rather than making a financial return. Accordingly, Council has designated itself as a public benefit entity for the purposes of financial reporting. The financial statements of the Council are for the year ended 30 June 2017. The financial statements were authorised for issue by the Councillors on 5 October 2017.

Basis of preparation

Statement of compliance

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

The financial statements have been prepared in accordance with NZ GAAP and they comply with Tier 1 Public Benefit Entity (PBE) Standards.

Measurement base

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

Changes from 2015-16

There has been changes in the treatment from 2015-16 within the same note. For these items, the 2015-16 comparatives have been changed as well for ease of understanding. The changes are:

- Water income from targeted rates has now been included with rates. The amount changed for 2015-16 is \$2,121,030, and has been changed in Note 4-Rates Revenue as well as the Statement of Comprehensive Income.
- In 2015-16 \$870,000 of Community Contracts were disclosed as Donations and Grants, this has been changed for both years. Refer to note 9.
- In 2015-16 \$28,000 of employee benefit expenses were incorrectly disclosed as other expenses.

Functional and presentation currency

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

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

Changes in accounting policies

There has been no changes in accounting policies.

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.

Revenue from non-exchange transactions

Rates

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

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

Water rates

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.

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.

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.

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

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.

Revenue from exchange transactions

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.

Borrowing costs

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

Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria 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, wastewater, 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 2015.

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 2015 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 2017 by professionally qualified in-house staff, and peer reviewed by Opus International Consultants Limited, Auckland at optimised depreciated replacement value. Each asset component was valued taking into account its remaining useful life.

Wastewater, stormwater disposal and water supply property, plant and equipment were revalued on 30 June 2016 by professionally qualified in-house staff, and peer reviewed by Beca Projects NZ Limited at optimised depreciated replacement value.

The underground reticulation pipework was also revalued on 30 June 2016 by professionally qualified in-house staff, and peer reviewed by Beca Projects NZ Limited, 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 2015.

Parks and reserves assets were revalued effective 30 June 2015 at depreciated replacement value. The revaluation was undertaken using a combination of in-house staff and an external consultant, Robert Berghuis, Senior Valuer from Beca Projects NZ Limited. Both in-house staff and the external consultant have an extensive knowledge base and background in parks and reserves asset management.

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

- available current contract-supplier unit rates for equivalent asset types (giving the highest level of confidence) or
- the 2012 asset values/purchase cost adjusted for industry-specific inflation indices to represent estimated replacement costs for modern equivalent asset (MEA) components as at 30 June 2015 (giving a high level of confidence).

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

Accounting for revaluations

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

The results of revaluing are recognised in other comprehensive income and accumulated as a separate component of equity in the asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed through profit or loss. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in profit or loss will be recognised first in profit or loss up to the amount previously expensed and then credited to other comprehensive income.

Depreciation

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

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

Operational and restricted assets

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

Infrastructural assets**Roading Network**

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

Waste

Landfills, pipes and pumps	7 - 100 years
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Wastewater Systems

Manholes	80 years
Treatment plant	5 - 80 years

Stormwater Systems

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

Water Supply

Reticulated pipework	55 - 95 years
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Valves and hydrants	80 years
Pump stations	Up to 100 years (dependent on componentry)
Storage tanks	25 - 80 years
Infrastructural buildings	40 - 100 years
Street furniture	3 - 10 years

Impairment

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

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

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

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

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

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

Disposals

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

Subsequent cost

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

Assets under construction

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

Vested assets

Certain infrastructure assets have been vested in Council and are recognised in profit or loss at fair value. These assets have been valued based on the actual quantities of infrastructure components vested and the current 'in the ground' cost of providing identical services. 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 PBE IPSAS, as the rental property is held to provide a social service rather than for rental income, capital appreciation or both.

Intangible assets**Computer software**

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

Carbon credits

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

Easements

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

Amortisation of intangible assets

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

Computer software	3 – 7 years
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Financial instruments**Financial assets**

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

Financial assets at fair value

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

A financial asset is classified as held for trading if:

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

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

These consist of forward foreign exchange contracts that are assets. Council uses these derivative financial instruments to hedge exposure to foreign exchange fluctuations. However, as permitted by PBE IPSAS 29, Council does not employ hedge accounting techniques in its accounting for derivative financial instruments. After initial measurement these assets are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss. Council does not currently hold any of these investments.

Financial assets at fair value through profit or loss

These consist of forward foreign exchange contracts that are assets. Council uses these derivative financial instruments to hedge exposure to foreign exchange fluctuations. However, as permitted by PBE IPSAS 29, Council does not employ hedge accounting techniques in its accounting for derivative financial instruments. After initial measurement these assets are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss.

Held to maturity investments

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

Loans and receivables

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

Available for sale financial assets

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

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

These include bonds and shares, the investment in 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 services tax (GST)

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

Employee benefits

Short-term employee entitlements

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

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

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

Long-term entitlements

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave have been calculated on actuarial basis using the service of professional actuaries. The actuarial calculations are based on an assumed salary increase of 3.5% (2016: 3.5%) per annum and a discount rate between 1.97% and 4.75% (2016: 2.12% - 4.75%) per annum. The discount rate is derived from the forward rates on NZ Government Bonds over recent periods. It's also assumed that all employees will retire at the age of 65 and will resign in accordance with the withdrawal rate assumption taken from the Treasury Circular 1998/15. Any actuarial gain or loss resulting from re-measurement of these liabilities is recognised in profit or loss.

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

Presentation of employee entitlements

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

Superannuation schemes

Defined contribution scheme

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

Public equity

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

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

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

General equity (retained earnings)

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

Restricted reserves

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

Council created reserves

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

Property revaluation reserves

Revaluation reserves arise from certain asset classes being revalued.

Investment revaluation reserve

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

Leasing

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

Operating leases

Council as lessee

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

Council as lessor

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

Provisions

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

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

Landfill post-closure provision

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

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

Financial guarantee contracts

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

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

Critical judgements and estimations

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

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

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

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

Property, plant and equipment

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

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

Classification of investments

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

Long service leave provisions

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

Landfill closure and post-closure provision

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

2. Cost of services

	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
REVENUE			
Revenue From Significant Activities			
Economic and community development	157	275	189
Facilities, property and amenities	955	723	837
Governance and Corporate	546	131	420
Leisure Services	300	319	354
Solid Waste and Recycling	2,376	1,860	2,085
Stormwater	425	605	743
Transport and Roothing	3,462	2,986	2,971
Wastewater	2,874	2,962	3,169
Water Supply	2,666	2,377	2,606
Environment-regulatory services	1,029	918	1,074
Environment-resource management and planning	161	100	116
Environment-emergency management	3	10	4
Total Service Statement Revenue	14,954	13,266	14,568
General Revenue	18,152	18,153	17,319
Less internal revenue	-	-	(587)
TOTAL REVENUE	33,106	31,419	31,300
EXPENDITURE			
Expenditure From Significant Activities			
Economic and community development	2,006	2,258	2,049
Facilities, property and amenities	1,613	1,686	1,985
Governance and Corporate	3,317	2,583	4,384
Leisure Services	4,531	4,715	4,709
Solid Waste and Recycling	2,504	2,441	2,454
Stormwater	650	628	631
Transport and Roothing	7,716	7,823	7,406
Wastewater	3,251	3,141	2,982
Water Supply	2,925	2,840	2,501
Environment-regulatory services	1,963	1,946	1,816
Environment-resource management and planning	835	914	800
Environment-emergency management	274	352	299
Total Service Statement Expenditure	31,585	31,327	32,016
Less Internal Expenditure	-	-	(547)
TOTAL EXPENDITURE	31,585	31,327	31,469
NET DEFICIT BEFORE TAX	1,521	92	(169)

3. Exchange/non-exchange revenue

	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
Revenue from exchange transactions			
Fees and user charges including targeted rates for water supply	3,731	3,004	3,489
Total revenue from exchange transactions	3,731	3,004	3,489
Revenue from non-exchange transactions			
Development contributions	124	21	86
Subsidies and grants	3,409	2,997	3,075
Interest revenue	445	770	413
Other revenue	1,625	927	1,476
Rates	23,649	23,700	22,739
Vested assets	123	-	22
Total revenue from non-exchange transactions	29,375	28,415	27,811
Total revenue	33,106	31,419	31,300

4. Rates revenue

	Actual 2017 \$000	Actual 2016 \$000
General Rates	17,127	16,353
Targeted rates attributable to activities		
Water	2,088	2,121
Waste water	3,050	2,929
Stormwater	611	566
Solid waste	811	814
Business Promotion	132	126
Public Halls	28	28
District Governance	20	18
Rates penalties	337	346
Rates charged on Council properties	(555)	(562)
Total rates, excluding targeted water supply rates	23,649	22,739

Council's rates policy allows Council to remit rates on churches, marae, play centres, schools and other community or sporting organisations. There are also remissions on protected land or in certain cases where land is being commercially developed.

In accordance with the Local Government (Rating) Act 2002, certain properties cannot be rated for general rates. This includes schools, places of religious worship, public gardens and reserves. These non-rateable properties, where applicable, may be subject to targeted rates in respect of wastewater, water and refuse. Non-rateable land does not constitute a remission under council rates remission policy.

5. Subsidies and grants

	Actual 2017 \$000	Actual 2016 \$000
New Zealand Transport Agency roading subsidies	3,162	2,846
Grants and donations for the SW Sport and Events Centre	32	35
National Waste Levy	214	154
Sundry other	1	40
	3,409	3,075

There are no unfulfilled conditions and other contingencies attached to subsidies and grants (2016: nil).

6. Finance income and finance costs

	Actual 2017 \$000	Actual 2016 \$000
Finance Income		
Interest Income		
- Call account	96	70
- Term deposits	-	-
- Available for Sale bonds	349	343
Total Finance Income	445	413
Finance Cost		
Interest cost		
- Interest on bank borrowings	647	722
- Provisions: Discount unwinding (Note 18)	(78)	13
Total Finance Costs	569	735

7. Other revenue

	Actual 2017 \$000	Actual 2016 \$000
Dividends	337	293
Petrol tax	164	160
Vested assets	123	22
Other	1,124	1,023
	1,748	1,498

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. This is a scheme which was available historically, no new employees will be added.

	Actual 2017 \$000	Actual 2016 \$000
The principal assumptions used for the purpose of the actuarial valuations were as follows:		
Discount rate	1.97%-4.75%	2.12%-4.75%
Expected rate of salary increase	3.5%	3.5%
Retirement age for all employees	65	65
Amounts recognised in the balance sheet in respect of the defined benefit retirement plan are as follows:		
Present value of unfunded obligation	131	180
Net liability recognised in the balance sheet	131	180
Comprising:		
Current	22	47
Non-current	109	133
Total employee benefit obligations	131	180
Amounts recognised in the income statement in respect of the defined benefit retirement plan are as follows:		
Current service cost	4	4
Interest cost	2	3
Actuarial gains/(losses)	(54)	24
Total	(48)	31
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	159	220
Current service cost	4	4
Interest cost	2	3
Actuarial gains/(losses)	(54)	24
Less: benefits paid	0	(92)
Closing defined benefit obligation	111	159

Long service compensated leave

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

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

	Actual 2017 \$000	Actual 2016 \$000
The present value of long service compensated leave	50	59
Comprising:		
Current	37	26
Non-current	13	33
Total employee benefit obligations	50	59
Amounts recognised in the profit or loss in respect of Council's long service compensated leave and salaries are as follows:		
Salaries	9,018	8,527
Current service cost	2	3
Interest cost	1	1
Actuarial (gains)/ losses	(12)	(11)
Past service cost	-	-
Total	9,009	8,520
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	54	66
Current service cost	2	3
Interest cost	1	1
Past service cost	-	-
Less: benefits paid	-	(5)
Actuarial (gains)/losses	(12)	(11)
Closing long service compensated leave obligation	45	54
Total employee benefits expense recognised in the profit or loss	9,009	8,520
Current portion of employee benefit obligations recognised in the balance sheet.	993	992
Non-current portion of employee benefit obligations recognised in the balance sheet.	122	136

Severance Payments

During the year to 30 June 2017 there were no severance payments made to employees of the South Waikato District Council (2016: nil).

9. Other expenses

	Actual 2017 \$000	Actual 2016 \$000
Audit Fees-audit of financial statements	133	125
Impairment of receivables	30	(29)
Rates Remissions	190	163
Councillors Remuneration (including meeting allowances)	377	357
Insurance	212	210
Subscriptions, fees and contribution to other organisations	66	70
Legal and settlement fees	82	12
Donations and grants	98	113
Economic and Community fund grants	749	872
Community contracts	556	953
Inventories consumed	(1)	(1)
Losses on disposal of property, plant and equipment	590	1,115
Repairs and maintenance	4,050	3,791
Energy	635	616
Other operating expenses	7,349	6,996
Total	15,116	15,363

In prior years, many community contracts have been disclosed as grants. This has been corrected in 2016/17.

10. Cash and cash equivalents

	Actual 2017 \$000	Actual 2016 \$000
Cash at bank and in hand	12	334
Term deposits: ex-South Waikato Investment Funds	-	-
Cash investments in Restricted reserves	3,226	693
Call accounts	4,039	2,957
Total cash and cash equivalents	7,277	3,984

The carrying amount of short-term deposits with maturity dates of three months or less approximates their fair value. The weighted average effective interest rate for cash and cash equivalents is 1.5% (2016: 1.5%).

11. Trade and other receivables

	Actual 2017 \$000	Actual 2016 \$000
Rates receivable	1,530	1,648
Metered water	29	20
Sundry debtors	1,159	832
Prepayments	257	224
Accrued revenue	279	162
Related party receivables	-	-
	3,254	2,886
Less: Provision for Impairment of receivables	153	147
Total trade and other receivables	3,101	2,739

Receivables from non-exchange transactions include outstanding amounts for rates, grants, infringements, and fees and charges that are partly subsidised by rates	1,918	1,727
Receivables from exchange transactions include outstanding amounts for commercial sales and fees and charges that have not been subsidised by rates	1,183	1,013

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

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

	Actual 2017 \$000	Actual 2016 \$000
Arrears (> 1 year)	494	511
Current (< 1 year)	851	930
Penalties	187	206
Carrying amount	1,532	1,647
Movements in the provision for impairment of receivables are as follows:		
At 1 July	147	175
Increase/(decrease) in provisions made during the year	31	27
Receivables written off during the year	(25)	(55)
At 30 June	153	147

12. Inventories

	Actual 2017 \$000	Actual 2016 \$000
Reticulation repairs stock	170	175
Other stock	33	44
Total	203	219

13. Other financial assets

	Actual 2017 \$000	Actual 2016 \$000
Current portion		
Available for Sale Financial Assets:		
Corporate bonds, deposits and other fixed interests	-	-
Loans and receivables		
Putaruru Squash Rackets Club	2	-
Tokoroa Kart Club	-	5
Withholding tax on income	-	-
Total current portion	2	5
Non-Current portion		
Available for Sale Financial Assets:		
Corporate bonds, deposits and other fixed interests	8,101	8,886
Oveseas share portfolio	5,029	4,756
Shared Valuation Database Systems	43	43
NZ Local Government Insurance Corporation Limited	45	44
Loans and receivables		
Putaruru Squash Racquets Club	-	-
Tokoroa Kart Club	-	1
Heat Swap paying providers	860	713
Total non-current portion	14,078	14,443

Fair value

The fair value of loans and receivables has been determined using cash flows discounted at a rate based on the South Waikato District Council's borrowing rate of 5.00% (2016: 4.58%). The fair value approximates the carrying amount stated above.

The shares in NZ Local Government Insurance Corporation Limited, and Shared Valuation Database Systems are unlisted. The fair value of these unlisted shares has not been disclosed for these instruments because their fair value cannot be measured reliably. It cannot be reliably measured due to a lack of an active market and a lack of appropriate cashflow projection information for NZ Local Government Insurance Corporation Limited. Shared Valuation Database

Systems shares cannot be reliably measured due to the lack of an active market and reliable revenue stream information. Council does not intend to dispose of the unlisted shares.

Impairment

No impairment provisions were made for other financial assets

14. Assets held for sale

	Actual 2017 \$000	Actual 2016 \$000
Current		
Local Purpose Reserve etc; Parts of James Higgins Park	178	217
Sections 1 and 4 (Lake Road, Tirau)	-	61
Depot – Patetere Street – Tirau	588	510
Moffat Rd Tokoroa Airport	215	-
	981	788
Non -Current		
Tokoroa Depot - Kauri St	121	96
Putāruru Smallbore Rifle Club land only	24	7
42 Thompson Street Tokoroa	31	23
57 Arapuni Street – Putāruru	52	-
	228	126
Total	1,209	914

Council has approved the sale of these properties and they are currently available for sale. The completion date of the properties listed under current is expected to be by 30 June 2017. The properties listed under non-current have been available for sale for more than a year, and there has been little interest shown in these properties. It is unlikely that they will be sold by 30 June 2017.

The accumulated property revaluation reserve recognised in equity for these properties at 30 June 2017 is \$885,000 (2016:\$ 248,000).

15. Property, plant and equipment

Description	Cost/Revaluation 1 July 2016 \$000	Accumulated Depreciation and Impairment Charges \$000	Transfer to assets held for sale \$000	Carrying Amount 1 July 2016 \$000	Current Year Additions \$000	Vested Assets \$000	Current Year Disposals \$000	Revaluation Surplus \$000	Current Year Depreciation \$000	Depreciation Write offs on Disposals \$000	Cost/Revaluation 30 June 2017 \$000	Accumulated Depreciation and Impairment Charges \$000	Carrying Amount 30 June 2017 \$000
Operational Assets													
<i>Heritage assets</i>	144	-	-	144	-	1	-	-	-	-	145	-	145
Library collection	1,335	(921)	-	414	123	-	(73)	-	(110)	63	1,386	(969)	417
Buildings	16,317	(255)	-	16,062	186	-	-	-	(290)	-	16,533	(575)	15,958
Furniture & fittings	1,440	(1,037)	-	403	95	-	-	-	(68)	-	1,536	(1,106)	430
Equipment	4,569	(4,014)	-	555	354	-	(57)	-	(205)	38	4,866	(4,181)	685
Land	2,548	(4)	-	2,544	207	-	-	-	(1)	-	2,755	(5)	2,750
Motor vehicles	1,396	(732)	-	664	331	-	(476)	-	(192)	365	1,251	(559)	692
Other major plant	602	(307)	-	295	56	-	-	-	(41)	-	658	(348)	310
Total Operational Assets	28,351	(7,270)	-	21,081	1,352	1	(606)	-	(907)	466	29,130	(7,743)	21,387
Infrastructural assets													
Bridges	7,707	(361)	-	7,346	-	-	-	647	(184)	-	7,810	(1)	7,809
Culverts	6,134	(274)	-	5,860	333	-	(23)	(188)	(135)	5	5,852	-	5,852
Buildings	3,999	(81)	-	3,918	239	-	-	-	(83)	-	4,237	(163)	4,074
Land	4,716	-	-	4,716	295	-	-	-	-	-	5,011	-	5,011
Landfill	4,916	(2,638)	-	2,278	81	-	-	-	(174)	-	4,997	(2,812)	2,185
Pipes	13	(3)	-	10	-	-	-	-	(0)	-	13	(3)	10
Pumps	267	(267)	-	-	-	-	-	-	-	-	267	(267)	-
Roads and footpaths	225,598	(5,033)	(278)	220,287	3,246	30	(561)	19,742	(2,444)	208	240,513	(5)	240,508
Treatment plant and facilities	13,594	(3)	-	13,591	260	-	(80)	-	(495)	6	13,774	(492)	13,282
Other (includes reticulation)	16,262	(0)	-	16,262	54	12	-	-	(532)	-	16,328	(532)	15,796
Street furniture	550	(497)	-	53	-	-	-	-	(20)	-	550	(517)	33
Streetlights	2,537	(253)	-	2,284	199	34	-	678	(122)	-	3,155	(82)	3,073
Stormwater system	21,687	(52)	-	21,635	24	14	(1)	-	(463)	0	21,725	(516)	21,209
Treatment plant and facilities	6,353	-	-	6,353	400	-	(53)	-	(299)	2	6,700	(297)	6,403
Other (includes reticulation)	18,590	2	-	18,592	239	15	(65)	-	(596)	2	18,779	(592)	18,187
Total Infrastructural Assets	332,923	(9,460)	(278)	323,185	5,370	105	(783)	20,879	(5,547)	223	349,711	(6,279)	343,432
Restricted assets													
Parks & reserves	2,888	(273)	-	2,615	216	4	(10)	-	(286)	2	3,098	(557)	2,541
Restricted buildings	2,777	(55)	-	2,722	193	-	(56)	-	(56)	1	2,913	(109)	2,804
Restricted land	33,195	(3)	-	33,192	576	15	(125)	-	(0)	-	33,661	(3)	33,658
Total Restricted Assets	38,860	(331)	-	38,529	985	19	(191)	-	(342)	3	39,672	(669)	39,003
Capital work in progress	2,207	-	-	2,207	(582)	-	-	-	-	-	1,625	-	1,625
Total All Assets	402,341	(17,061)	(278)	385,002	7,125	125	(1,580)	20,879	(6,796)	692	420,138	(14,691)	405,447

Asset Class	Cost/revaluation 1 July 2015 \$000	Accumulated depreciation & impairment charges 1 July 2015 \$000	Carrying amount 1 July 2015 \$000	Current year addition \$000	Assets transferred to Council \$000	Current year disposal \$000	Revaluation surplus \$000	Current year depreciation charges \$000	Depreciation write- off on disposals \$000	Depreciation elimination on revaluation \$000	Adjust revaluation reserve for properties held for sale \$000	Cost/revaluation 30 June 2016 \$000	Accumulated depreciation and impairment charges 30 June 2016 \$000	Transfer to non- current assets held for sale 30 June 2016 \$000	Carrying amount 30 June 2016 \$000
Operational assets															
<i>Heritage assets</i>	144	-	144	-	-	-	-	-	-	-	-	144	-	-	144
Library collection	1,365	(935)	430	121	-	(151)	-	(105)	119	-	-	1,335	(921)	-	414
Buildings	16,487	6	16,493	338	-	-	-	(255)	-	-	(514)	16,317	(255)	-	16,062
Furniture & fittings	1,361	(980)	381	86	-	(7)	-	(61)	4	-	-	1,440	(1,037)	-	403
Equipment	6,066	(5,392)	674	208	-	(88)	-	(326)	87	-	-	4,569	(4,014)	-	555
Land	3,512	(4)	3,508	-	-	-	-	(0)	-	-	(964)	2,548	(4)	-	2,544
Motor vehicles	1,295	(632)	663	238	-	(137)	-	(190)	90	-	-	1,396	(732)	-	664
Other major plant	595	(266)	329	7	-	-	-	(41)	-	-	-	602	(307)	-	295
Total operational assets	30,825	(8,203)	22,622	998	-	(383)	-	(978)	300	-	(1,478)	28,351	(7,270)	-	21,081
Infrastructural assets															
Bridges	7,571	(184)	7,387	202	-	(65)	-	(181)	3	-	-	7,707	(361)	-	7,346
Culverts	5,918	(138)	5,780	216	3	(3)	-	(137)	1	-	-	6,134	(274)	-	5,860
Buildings	3,973	-	3,973	26	-	-	-	(81)	-	-	-	3,999	(81)	-	3,918
Land	4,716	-	4,716	-	-	-	-	-	-	-	-	4,716	-	-	4,716
Landfill	4,893	(2,454)	2,439	23	-	-	-	(184)	-	-	-	4,916	(2,638)	-	2,278
Pipes	13	(3)	10	-	-	-	-	-	-	-	-	13	(3)	-	10
Pumps	267	(267)	-	-	-	-	-	-	-	-	-	267	(267)	-	-
Roads and footpaths	222,171	(2,730)	219,441	4,201	-	(1,053)	-	(2,588)	286	-	-	225,598	(5,033)	(278)	220,287
Sewerage:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treatment plant and facilities	14,501	(998)	13,503	219	-	(482)	639	(399)	111	-	-	13,594	(3)	-	13,591
Other (includes reticulation)	17,193	(1,006)	16,187	-	-	(6)	585	(505)	1	-	-	16,262	(0)	-	16,262
Street furniture	550	(464)	86	-	-	-	-	(33)	-	-	-	550	(497)	-	53
Streetlights	2,431	(141)	2,290	126	-	(19)	-	(115)	2	-	-	2,537	(253)	-	2,284
Stormwater system	20,851	(853)	19,998	231	-	(4)	1,828	(418)	0	(0)	-	21,687	(52)	-	21,635
Water systems	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treatment plant and facilities	6,780	(560)	6,220	241	-	(66)	222	(275)	5	6	-	6,353	-	-	6,353
Other (includes reticulation)	18,678	(1,070)	17,608	341	19	(69)	1,241	(537)	14	(25)	-	18,590	2	-	18,592
Total infrastructural assets	330,506	(10,868)	319,638	5,826	22	(1,767)	4,515	(5,453)	423	(19)	-	332,923	(9,460)	(278)	323,185
Restricted assets															
Parks & reserves	2,429	-	2,429	462	-	(3)	-	(273)	-	-	-	2,888	(273)	-	2,615
Restricted buildings	2,688	-	2,688	107	-	(18)	-	(55)	0	-	-	2,777	(55)	-	2,722
Restricted land	31,944	-	31,944	430	-	(6)	-	(0)	-	-	824	33,195	(3)	-	33,192
Total restricted assets	37,061	-	37,061	999	-	(27)	-	(328)	0	-	824	38,860	(331)	-	38,529
Capital work in progress	2,979	-	2,979	(772)	-	-	-	-	-	-	-	2,207	-	-	2,207
Total All Assets	401,371	(19,071)	382,300	7,051	22	(2,177)	4,515	(6,759)	723	(19)	(654)	402,341	(17,061)	(278)	385,002

The net carrying amount of property, plant and equipment held under a finance lease is \$Nil; (2016 \$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 (2016 \$Nil). The closing balance of the revaluation reserve is \$244,826k (2016 \$222,987k).

Assets not previously disclosed: 3 land assets have previously not been recorded as part of PP&E

Network infrastructure	Most recent estimate of replacement	
	cost \$000	Date of estimate
Roads and Footpaths	256,995	30/06/2017
Wastewater	-	
Treatment plant and facilities	22,461	30/05/2016
Other	41,964	30/05/2016
Water systems	-	
Treatment plant and facilities	12,109	30/05/2016
Other	44,525	30/05/2016
Stormwater system	40,563	30/05/2016

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 expense by group of activity

	Actual 2017 \$000	Actual 2016 \$000
Transport and roading	2,918	3,068
Recreation and facilities	1,011	964
Water supply	1,977	860
Stormwater	463	419
Wastewater	-	908
Solid waste and recycling	194	203
Regulatory	45	48
Environment - emergency management	20	21
Governance and corporate	262	362
Total	6,890	6,853

16. Intangible assets

	Actual 2017 \$000	Actual 2016 \$000
Computer Software		
Cost	2,427	1,632
Accumulated amortisation and impairment	(2,286)	(1,430)
Opening carrying amount	141	202
Additions/(disposals)	76	74
Additional assets classified as intangible assets	-	721
Accumulated amortisation charge on additional assets	-	(764)
Amortisation charge	(95)	(92)
Closing carrying amount	122	141
Carbon credits		
Cost	14	1
Accumulated amortisation and impairment	-	-
Opening carrying amount	14	1
Additions/(disposals)	-	-
Amortisation charge	-	-
Closing carrying amount	14	1
Total closing carrying amounts	136	142

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

Carbon credits

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

17. Trade and other payables

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

	Actual 2017 \$000	Actual 2016 \$000
Sundry Creditors	2,127	2,122
Accrued expenses	259	146
Income received in advance	1,704	1,387
Related Party Payables	-	-
Total	4,090	3,655
Payables and deferred revenue under non-exchange transactions	1,243	1,081
Payables and deferred revenue under exchange transactions	2,847	2,574
Trust Accounts	1	4

18. Landfill provisions

	Actual 2017 \$000	Actual 2016 \$000
Opening balance	841	835
Additional provision made during the year	80	-
Amounts used during the year	(87)	(7)
Unused amount reversed during the year	-	-
Discount unwinding (Note 6)	(78)	13
Total landfill provision	756	841
Presented by:		
Current provision	18	23
Non-current provision	738	818
Total landfill provision	756	841

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 Tīrau landfill site has been permanently closed and the surface of the site capped to resource consent standards. There are closure and post-closure responsibilities such as the following:

Closure responsibilities

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

Post closure responsibilities

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

Capacity of the site

Final capping at Tokoroa is programmed for 2020. The remaining capacity of the site (refuse, clean fill and cover) is approximately 48,724 cubic metres (2016: 60,419 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 1.97%-4.75% (2016: forward rates of 1.9%-4.7%) as provided by the New Zealand Treasury.

19. Employment benefit liabilities

	Actual 2017 \$000	Actual 2016 \$000
Accrued pay	162	128
Annual Leave	735	734
Long service leave	50	59
Retirement gratuities	131	180
Sick leave	37	27
Total employee benefit liabilities	1,115	1,128
Comprising		
Current	993	992
Non-current	122	136
Total employee benefit liabilities	1,115	1,128

20. Borrowing

	Actual 2017 \$000	Actual 2016 \$000
Current portion	904	880
Non-current portion	11,663	12,296
Total borrowings	12,567	13,176
<i>Made up of:</i>		
Pensioner housing	288	304
CBD Infrastructure loan	339	441
Landfill site development loan	402	428
Putaruru service centre	419	447
Putaruru landfill closure	212	226
Putaruru transfer station	185	197
Roading	2,356	2,790
Timber museum	321	339
Fibre optic cable connection	173	184
Toilets	1,427	1,498
Swimming pools	768	815
Sportsgrounds	176	375
Warm homes	573	674
District plan	561	661
Heat swap	820	583
Airport	84	86
Recycling centre facility	759	778
Wastewater	611	668
Property	233	113
Public halls	10	-
Cemeteries	162	169
Parks and reserves	1,314	1,149
Christmas/LED lights	41	43
Other loans	333	208
Total borrowings	12,567	13,176

Council's source of external borrowing at 30 June 2017 is a committed cash advance facility (CCAF) with a limit of \$4m (2016: \$4m), a customised average rate term loan (CARL) with a limit of \$6m (2016: \$6m), and a fixed rate funding agreement of \$5m (2016: \$5m). The total of the approved facilities is \$15m (2016 \$15m).

Within the facility operates secured bank funding issued under \$6m and \$5m customised average rate loan facilities (CARL), with the remainder of external borrowing being re-priced quarterly at the current 90 day BNZ borrowing rate.

Security

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

21. Equity

	Actual 2017 \$000	Actual 2016 \$000
Retained earnings		
Opening Balance	145,384	144,119
Net surplus/(deficit) for the year	1,521	(169)
<i>Transfers (to)/from:</i>		
Property Revaluation Reserves	730	539
Restricted Reserves	(1,586)	(733)
Council Created Reserves	925	1,628
Closing balance	146,974	145,384
Other Reserves		
Asset Replacement and Restricted Reserves		
Opening Balance	15,840	15,107
Transfers to General Equity	4,519	5,061
Transfers from General Equity	(2,933)	(4,328)
Closing balance	17,426	15,840
Council Created Reserves		
Opening Balance	3,456	5,084
Transfers to General Equity	559	697
Transfers from General Equity	(1,484)	(2,325)
Closing balance	2,531	3,456
Property Revaluation Reserves		
Opening Balance as previously reported	222,897	219,546
Increase/(decrease) in revaluation	22,659	3,890
Transfers to retained earnings on disposal	(730)	(539)
Closing balance	244,826	222,897
<i>Represented by:</i>		
Land (Restricted)	22,182	22,223
Land (Operational)	3,352	1,869
Buildings (Infrastructural)	383	383
Buildings (Operational)	3,272	3,320
Building (Restricted)	464	518
Parks and Reserves	1,091	1,098
Roading	178,813	158,097
Sewerage	11,519	11,552
Stormwater	8,928	8,928
Water	14,822	14,909
	244,826	222,897
Investment Revaluation Reserve		
Opening Balance	1,067	828
Valuation gains/(losses) taken to equity	100	239
Closing balance	1,167	1,067
Total other reserves	265,950	243,260

Movement of Council created, restricted and depreciation reserves

	Actual 1 July 2016 \$000	Transfers in \$000	Transfers out \$000	Actual 30 June 2017 \$000
Council Created Reserves				
Pensioner Housing	190	77	(112)	155
SWDC asset purchase	(94)	-	(130)	(224)
South Waikato Economic Development	2,731	(15)	(1,193)	1,523
SW Economic Develop Trust	-	121	(13)	108
Riverside access	407	5	-	412
Financial contributions - reserves	14	25	-	39
Financial contributions - roading	21	125	-	146
National waste levy	174	37	(30)	181
Financial contributions - stormwater	3	-	-	3
Financial contributions - water	5	-	-	5
Financial contributions - wastewater	5	-	-	5
Mayoral grants reserve	-	184	(6)	178
Forestry/Airport reserve	-	-	-	-
Total Council Created Reserves	3,456	559	(1,484)	2,531
Restricted Reserves				
Water	361	3	(254)	110
Wastewater	54	1	(253)	(198)
Stormwater	(113)	(2)	(81)	(196)
Refuse collection	(93)	(1)	89	(5)
Upper Atiamuri Hall	(7)	-	(7)	(14)
Puketurua Hall	10	-	(4)	6
Waotu Hall	5	-	(3)	2
Lichfield Hall	(6)	-	(7)	(13)
Arapuni Hall	23	-	(6)	17
Tapapa Hall	40	-	(5)	35
Piarere Hall	-	-	-	-
Tirau Community Board	2	-	3	5
Tokoroa CBD	16	-	(1)	15
Putāruru Promotion (CCTV)	-	-	6	6
Putāruru CBD	1	-	16	17
District Recycling	(255)	(2)	32	(225)
Total Restricted Reserves	38	(1)	(475)	(438)
Asset Replacement Reserves				
General	1,217	(925)	(58)	234
Water	2,295	955	(500)	2,750
Wastewater	4,782	1,081	(458)	5,405
Stormwater	4,411	524	(23)	4,912
Refuse disposal	1,140	51	(137)	1,054
The Plaza	-	9	(19)	(10)
Pensioner housing	-	74	(74)	-
Arapuni Hall	-	-	-	-
Waotu Hall	-	-	-	-
Vehicles	310	410	(378)	342
Toilets	177	64	(72)	169
Sport and events centre	398	110	(38)	470
Sportsgrounds	(38)	163	(45)	80
Parks and reserves	510	253	(151)	612
Cemeteries	44	10	(8)	46
Libraries	(53)	18	(7)	(42)
Pools	152	94	(167)	79
Bridges	315	187	-	502
Landfill Aftercare	-	-	-	-
General properties	(28)	369	(153)	188
Trade training centre	49	2	(6)	45
Putāruru CCTV	65	12	(57)	20
Tokoroa CCTV	56	16	(48)	24
Information Services	-	926	(59)	867
District Recycling	-	117	-	117
Total Asset Replacement Reserves	15,802	4,520	(2,458)	17,864
Total Reserves	15,840	4,519	(2,933)	17,426

Purpose of reserve

Pensioner housing: Manage the surpluses and deficits from the pensioner housing activity, when more or less rental is collected than is required to fund the annual expenditure of the pensioner houses.

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

South Waikato Economic Development Fund: Council expressed in its Long Term Plan 2006-2016 that Council would take a leadership decision to establish a South Waikato Development Fund of \$4.5 million. The fund would support developments that the community considered are needed across the district. It was specifically established to develop facilities and amenities of strategic value to the district that would otherwise require financing through rate funding; enhance local employment opportunities and economic growth; and attract and retain residents by making the district a more desirable place to live.

Riverside access: Manage sale of proceeds from certain stopped roads. This is to be used for opening up areas to public access in the South Waikato district.

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

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

Restricted (targeted rate) reserves: Targeted rate reserves are used to manage the surpluses and deficits of specific targeted activities such as water, stormwater, wastewater and halls that arise when more or less rates revenue is collected to fund the annual expenditure of that activity. This ensures that rates collected from a certain group of targeted rate payers can only be used for the benefit of that group.

Asset replacement reserves: These accumulate funds from rates and are used for the future capital funding for the replacement of assets. Each major activity group e.g. water, roading, waste water, storm water, solid waste, has their own depreciation reserve so that the funds from each can be applied to the appropriate activity's capital expenditure.

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

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

	Actual 2017 \$000	Actual 2016 \$000
Net surplus before tax	1,521	(169)
<i>Add/(deduct) non-cash items</i>		
Depreciation and amortisation of plant, property and equipment	6,890	6,853
Assets vested in Council	(123)	(22)
Loss on sale of property, plant and equipment	590	1,115
<i>Add/(deduct) movements in working capital items</i>		
Trade and other receivables	(362)	958
Trade and other payables	436	71
Inventories	16	(21)
Trust accounts	(4)	(11)
Employee benefits	(13)	10
Net cash inflow/(outflow) from operating activities	8,951	8,784

23. Capital commitments and contingencies

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

	Actual 2017 \$000	Actual 2016 \$000
Tokoroa Office Vehicle Compound Security Fence	-	13
CCTV Upgrades	-	24
Tirau Hall Ceiling repaint	-	38
Telephone Systems Hardware	16	-
Domain / Harris Service Relocation	23	-
Total	39	75

Contingent Liabilities

Guarantees

As at 30 June 2017 the South Waikato District Council was acting as a guarantor for a loan of \$12,958 advanced by ANZ National Bank Limited to the Tokoroa Kart Club Incorporated (2016: \$17,039)

Responsibility for shortfall for mutual liability

Up until 30 June 2012, the South Waikato District Council was a member of the New Zealand Mutual Liability RiskPool.

The New Zealand Mutual Liability RiskPool had been the key mechanism for the sector to protect itself against public liability and professional indemnity claims over the past fifteen years.

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

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

Carter Holt Harvey

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

24. Related party transactions

In respect of transactions between related parties, the reporting entity shall disclose:

- The nature of the related party relationship;
- The types of transactions that have occurred; and
- The elements of the transactions necessary to clarify the significance of these transactions to its operations and sufficient to enable the financial statements to provide relevant and reliable information for decision making and accountability purposes.

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

	Actual 2017 \$000	Actual 2016 \$000
Service provided to Waikato Regional Council		
Total related party receivables (Note 11)	-	-
Account payable to Waikato Regional Council		
Account payable to Timber museum trust	-	-
Account payable to Achievement centre		
Total related party payables (Note 17)	-	-

25. Remuneration

Chief Executive

During the year ended 30 June 2017 the Council's Chief Executive was remunerated as follows:

	Actual 2017 \$000	Actual 2016 \$000
Craig Hobbs		
Base Salary	234	231
Vehicle (market value plus FBT)	19	19
Kiwisaver Employer's Contribution	7	7
Total	260	257

For the year ended 30 June, the total annual cost including fringe benefit tax to the South Waikato District Council of the remuneration package being received by the Chief Executive is calculated at \$260k (2016:\$257k).

Key Management Personnel

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

	Actual 2017 \$000	Actual 2016 \$000
< \$60,000	110	71
\$60,000 - \$79,000	19	31
\$80,000 - \$99,000	19	12
\$100,000 - \$119,000	5	7
\$120,000 - \$259,000	5	5
Total employees	158	126

Council employees

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

Total remuneration includes non-financial benefits provided to employees.

At balance date, the Council employed 109 full-time employees (2016: 104), with the balance of staff representing 37 (2016: 12.5) full-time equivalent employees. A full-time employee is determined on the basis of a 37.5-hour working week.

26. Councillor Remuneration

Elected representatives

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

	Actual 2017 \$000	Actual 2016 \$000
Mayor and Councillors		
Neil Sinclair (Mayor)	28	86
Jenny Shattock	71	31
Herman Van Rooijen	27	28
Anne Edmeades	8	23
Adrienne Bell	29	27
Jeff Gash	32	27
Bill Machen	25	23
Marin Glucina	25	23
Tua Numanga	8	23
Terry Magill	8	23
Thomas Lee	25	23
Peter Schulte	17	-
Gray Baldwin	21	-
Aroma Ngapo-Lipscombe	17	-
Wendy Cook	17	-
Total Councillors	358	337
Community Board Members		
Nora Martelletti	1	3
Clive Collingwood	3	3
Cassandra Robinson	6	6
Derek Keesing	3	3
Sharon Burling - Claridge	2	-
Total Community Board members	15	15

27. Financial instruments

Financial instrument categories

	Note	Actual 2017 \$000	Actual 2016 \$000
Financial assets			
Loans and receivables			
Cash and cash equivalents	10	7,277	3,984
Trade and other receivables	11	3,101	2,739
Other financial assets:			
Sundry loans	13	860	719
Total loans and receivables		11,238	7,442
Available for sale financial assets			
Other financial assets:			
Bonds, deposits and other fixed interests	13	8,101	8,886
Unlisted shares	13	87	87
Listed shares	13	5,029	4,756
Total available for sale financial assets		13,217	13,729
Financial liabilities			
Financial liabilities at amortised cost			
Trade and other payables	17	4,090	3,655
Trust Accounts	17	1	4
Secured loans	20	12,567	13,176
Total financial liabilities at amortised cost		16,658	16,835

Fair values hierarchy disclosures

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

Quoted market price (level 1) – financial instruments with quoted prices for identical instruments in active markets

Valuation technique using observable inputs (level 2) – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in active markets and financial instruments valued using models where all significant inputs are observable

Valuation techniques with significant non-observable inputs (level 3) – financial instruments valued using models where one or more significant inputs are not observables.

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

	Total \$000	Quoted Market Price \$000 Level 1	Observable inputs \$000 Level 2	Significant non- observable inputs \$000 Level 3
30 June 2017				
<i>Financial assets</i>				
General Funds				
Bank security bonds (AA-)	6,023	6,023	-	-
Corporate bonds (BBB+ to AA-)	3,303	3,303	-	-
Local Government bonds (A to AA)	253	253	-	-
NZ Government Bonds (AA+)	204	204	-	-
International bonds (not rated)	3,348	3,348	-	-
	-	-	-	-
30 June 2016	-	-	-	-
<i>Financial assets</i>	-	-	-	-
General Funds	-	-	-	-
Bank security bonds (AA-)	2,625	2,625	-	-
Corporate bonds (BBB+ to AA-)	4,028	4,028	-	-
Local Government bonds (A to AA)	254	254	-	-
NZ Government Bonds (AA+)	212	212	-	-
International bonds (not rated)	1,424	1,424	-	-

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

Financial instrument risks

Council has a series of policies to manage the risks associated with financial instruments. The South Waikato District Council is risk averse and seeks to minimise exposure from its treasury activities. Council has established approved Liability Management and Investment policies which have been adopted as part of Council's Long Term Plan 2015-25.

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.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of financial instruments will fluctuate because of changes in market interest rates. Borrowing and investment at fixed interest rates expose Council to fair value interest rate risk. Council manages its interest rate exposure by restricting the gross interest of all external borrowing to 10% of total revenues and to 15% of Council's operating revenue. Council can also use interest rate

derivatives such as interest rate swaps and options to manage interest rate risks when the need arises. Interest rates on borrowings are subject to quarterly repricing.

Cash flow interest rate risk

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

Sensitivity analysis

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

	Note	2017 \$000		2016 \$000	
		Profit	Other Equity	Profit	Other Equity
Interest Rate Risk					
Financial assets					
NZ fixed interest bonds	a	-	32	(32)	36
Financial liabilities					
Borrowings	b	31	(31)	-	33
Foreign Exchange Risk					
Financial assets					
International fixed interest bonds	c	7	(7)	-	(7)
International equity	d	10	(10)	-	(9)
International Cash					
US dollar denominated cash	e	0	(0)	-	(1)
AUS dollar denominated cash		14	(14)	-	-
Equity Price Risk					
Financial assets					
NZ Equity investments	f	-	97	(97)	93
NZ Property investments	g	-	57	(57)	55
International Equity investments	h	-	97	(97)	90

Explanation of sensitivity analysis

Financial assets

a - General funds fixed interest bonds

A total of \$6,342,348 (2016: \$7,119,000) invested in local bonds is classified as available for sale financial assets. A movement in interest rates of plus or minus 0.5% in 2016-17 would have had an impact of +/- \$32,000 (2016: \$36,000) on the fair value of the asset and the investment revaluation reserve.

b - Borrowings

A total of \$12,567,000 (2016: \$13,176,000) is classified as long term borrowings. A movement of plus or minus 0.25% in interest rates in 2016-17 would have had an impact of +/--\$31,000 (2016: \$33,000) on the profit or loss.

c - International fixed interest bonds

A total of \$1,405,390 (2016: \$1,424,000) is classified as available for sale financial assets. A movement of plus or minus 0.5% in the US exchange in 2016-17 would have had an impact of \$7,000 (2016: \$7,000) on the fair value of the asset and the investment revaluation reserve.

d - International equity

A total of \$1,942,169 (2016: \$1,791,000) is classified as available for sale financial assets. A movement of plus or minus 0.5% in the US exchange rate in 2016-17 would have had an impact of \$10,000 (2016: \$ 9,000) on the fair value of the asset and the investment revaluation reserve.

e - International cash

A total of \$140,489 (2016: \$6,000) was cash held in US & AU dollars, and classified as available for sale financial assets. A movement of plus or minus 10% in the exchange rate in 2016-17 would have had an impact of \$14,000 (2016: 1,000) on the fair value of the asset and the investment revaluation reserve.

f - NZ equity investments

A total of \$1,937,485 (2016: \$1, 864,000) invested in listed local shares classified as available for sale financial assets. A movement of plus or minus 5% in share prices in 2016-17 would have had an impact of \$97,000 (2016: \$93,000) on the fair value of the asset and the investment revaluation reserve.

g - NZ property investments

A total of \$1,149,773 (2016: \$1,101,000) invested in the New Zealand property equity market is classified as available for sale financial assets. A movement of plus or minus 5% in the New Zealand property share prices in 2016-17 would have had an impact of \$57,000 (2016: \$55,000) on the fair value of the asset and the investment revaluation reserve.

h - International equity investments

A total of \$1,942,169 (2016: \$1,791,000) invested in overseas shares is classified as available for sale financial assets. A movement of plus or minus 5% in share prices in 2016-17 would have had an impact of \$97,000 (2016: \$90,000) on the fair value of the asset and the investment revaluation reserve.

Credit risk

Credit risk is the risk that a third party will default on its obligations to Council, causing Council to incur a loss. Council has no significant concentration of credit risk, as it has a large number of credit customers, mainly ratepayers, and Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers. Investments are also well diversified across a wide range of companies and industries. Accordingly, Council does not require any collateral or security to support these financial instruments. The maximum exposure to credit risk is equal to the carrying amount of all financial assets.

Credit quality of financial assets

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

	Actual 2017 \$000	Actual 2016 \$000
Cash and cash equivalents:		
Cash and short term deposits (AA to BBB)	3,226	3,984
Total cash and cash equivalents	3,226	3,984
General Funds:		
Sundry corporate and government securities (AA- to AA)	2,936	2,625
Bank security bonds (AA+ to AAA)	3,303	4,028
Local Government Bonds (A to AA)	253	254
NZ Government Bonds (AA+)	204	212
International Bonds (Not rated)	1,405	1,424
Total general fund bonds	8,101	8,543

Trade and other receivables mainly arise from Council's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of trade and other receivables with reference to internal or external credit ratings.

Council has no significant concentration of credit risk in relation to trade and other receivables, as it has a large number of credit customers (mainly ratepayers) and Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

Liquidity risk

Management of liquidity risk

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

Liquidity and market risk

Interest rates ranged from 0.55% to 1.50% (3.57% to 4.95% for 2016). 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 53% of the annual rates revenue (2016: 64%). Total interest costs represented 2.5% of the annual rates revenue (2016: 4%).

Fair Value

Contractual maturity analysis of financial liabilities:

	Weighted average interest rate	Carrying amount \$000	Contractual cash flows \$000	Less than 1 year \$000	2-5 years \$000	>5 years \$000
30 June 2017						
Trade and other payables		3,831	3,831	3,831	-	-
Borrowings	4.52%	12,567	19,400	1,509	5,833	12,058
Trust Accounts		5	5	5	-	-
Financial guarantees	3.50%	33	33	33	-	-
Total		16,436	23,269	5,378	5,833	12,058
30 June 2016						
Trade and other payables		3,509	3,509	3,509	-	-
Borrowings	6.15%	13,176	20,686	1,522	5,895	13,269
Trust Accounts		4	4	4	-	-
Financial guarantees	3.50%	33	33	33	-	-
Total		16,722	24,232	5,068	5,895	13,269

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

28. Operating lease as lessor

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

	Actual 2017 \$000	Actual 2016 \$000
Not later than one year	44	135
Later than one year and not later than five years	113	279
Later than five years	326	434
Total non-cancellable operating leases	483	848

No contingent rents have been recognised in the profit and loss during the period (2016: \$nil).

29. Insurance contracts

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

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

Material damage excluding fire - \$150,000,000

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

Council's Material Damage cover is based on a Maximum Probable Loss model (MPL) which means that its assets are insured for the value of the largest probable loss that could result from a disaster in the South

Waikato. Council is insured within a \$150 million primary layer which is shared between the Regional collective. A separate policy is in place which is shared by the Regional collective which provides cover of up to \$125 million for damage that is caused by fire, or fire following a natural disaster.

Commercial motor vehicles \$954,191

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

Infrastructure \$93,830,251

Based on risk engineering and loss modelling for the Waikato hazardscape a \$95.9 million shared loss limit is in place with the Regional collective. Insurance is to the level of 40% in anticipation of 60% contribution from central government in the event of a disaster.

Business interruption

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

Forest and rural fire cover \$100,000 - No longer required due to changes in law - ceased from 1 July 2017

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

Professional indemnity \$50,000,000

Public liability \$50,000,000

30. Major budget variations

Statement of comprehensive revenue and expense

Fees and charges are \$727k more than budgeted. This is due to \$560k additional revenue from Solid waste (mainly from Landfill charges) together with around \$180k from building and planning consents.

Other revenue is \$821k higher than budgeted. This is due to \$623k from business unit charge-outs to capital projects, an unbudgeted grant of \$86k from Trust Waikato for the skatepark, and \$184k income from the sale of the trees at Amisfield.

Other expenses were higher than budgeted by \$1.7m. This is due to \$300k expenditure on emergency roading work relating to weather events, \$590k loss on disposal of assets and \$465k spent on projects which were funded from the South Waikato Development Fund.

Statement of Financial Position

The net of cash and other financial assets is \$3.5m higher than expected due to an increase expected in the Private Bank investments which was not budgeted.

Property Plant and Equipment is \$4m less than expected due to the revaluation in waters assets being lower than budgeted.

Statement of Cashflows

Payments to suppliers and employees was under budgeted in year 1 of the LTP. Cash applied to purchase of investments was lower than budgeted due to the increase in Private Bank investments not being budgeted.

31. Capital management

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

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

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

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

The South Waikato District Council has the following reserves:

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

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

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

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

Council categorises self-insurance reserves and other reserves as "Council Created Reserves", while the others are categorised as "Restricted Reserves" (refer Note 21).

32. Events after balance date

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