

# Annual Report


## 2014-15




our year in  
**NUM83R2**

July 2014  
to  
June 2015






3,703,049,000 litres of water supplied to households

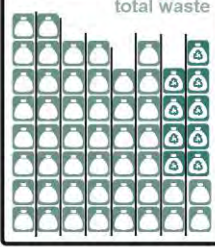


2,878,346,000 litres of wastewater processed


*Our Assets services*



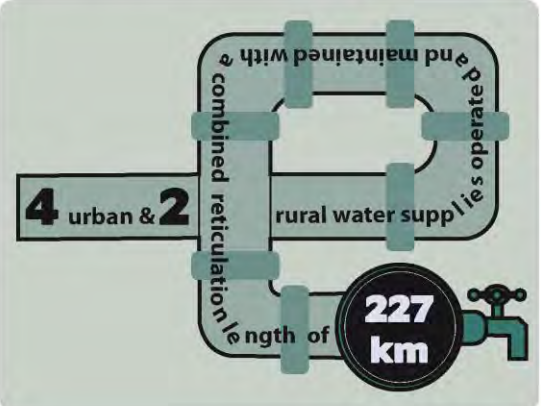
2,425 tonnes of recycling, representing 17% of total waste




509.6 km of roading is maintained and managed by Council at a cost of \$5,600,000



3% unsealed  
97% sealed

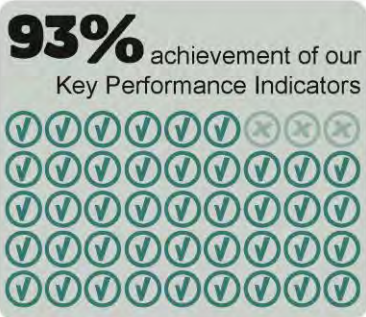


4 urban & 2 rural water supplies operated by a combined reticulation network length of 227 km




**\$405M** total asset value


93% achievement of our Key Performance Indicators



571 number of new Facebook likes




*Our Corporate services*




\$2,615 average rates bill on all rateable properties


116 media queries processed



940 rates rebate applications approved at an average rebate of \$519 per applicant





123 submissions received on the LTP



official information requests processed

16





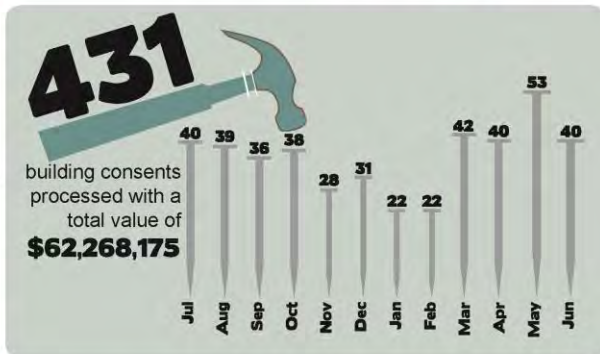
168 reports to Council, written on 1,655 pages







Our Regulatory Services





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# Section 1

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## Introduction





## 1.1. Message from the Mayor and Chief Executive

The past year has been a very positive one for the South Waikato. The latest Infometrics data shows the District's economy growing by 2.5% on the previous year. This data also shows slight population growth against the trend of past years. These figures are underpinned by strong business interest in our district.

Council's new Business Case Management approach is proving very successful with 77 business case interactions with businesses looking to establish in the district and existing businesses looking to expand or develop. This initiative means investors, entrepreneurs and business owners liaise with one person at Council who brings everyone together at the start of the project to ensure a smoother, more efficient path through the regulatory framework involved.

The new business growth including; \$385m Fonterra dryer installation at Lichfield; Blue Pacific Minerals expansion; refurbishment of the Okoroire Hotel; new BP Service Station in Tīrau; farm conversions at Whakamaru is fantastic and will create more job opportunities in the South Waikato.

We were very pleased to receive the compliments of Fonterra who identified publically that South Waikato District Council are one of the easiest to deal with in their experience and they expressed their delight in receiving a resource consent for their major development in under 30 days.

Council's decision to invest in the Tokoroa Road Rail Terminal in a private public partnership with RJ Lincoln Ltd and the New Zealand Transport Authority demonstrates an innovative and far sighted approach that will deliver significant economic benefits for Tokoroa and the South Waikato for many years to come. This initiative has gained the attention of Central Government and Councils throughout New Zealand as a very positive example of a District Council investing in and influencing its future.

Council's commitment of \$5 million from its investment fund to fund economic and community development projects has also produced excellent results. Fifteen projects received funding. The Rangiura Retirement Village has completed stage one of its major expansion project; the new equipment project for Hospice was completed; the Tokoroa High School Academy Services transportation project was completed; the welding workshop at the Tokoroa Trade Training Centre was fully established; with the remaining eleven projects still underway.

Readers of the financial statements will see variances between actual expenditure and what was budgeted in the Annual Plan that related to expenditure on the Economic and Community Development (\$5million) Funding. \$3million had been spent on these projects to the end of June 2015. This expenditure was consulted on and approved by Council but was not included in the 2014-15 budget. Because this funding was provided from the South Waikato Investment Fund reserve this expenditure had no impact on the level of rates.

The Lake Moana Nui dam repair and silt removal project was completed ready for summer. The result was fantastic and the reserve provided plenty of entertainment and family time over the summer months.

Council operations continue to be scrutinised for more effective and efficient ways of working to ensure we continue to provide top quality services and value to our customers. We have introduced a South Waikato Solutions philosophy internally with a focus on exploring and providing "solutions" to our ratepayers requirements wherever possible. We continue to work collaboratively with our neighbouring Councils on projects and initiatives that improve efficiencies, avoid duplication of services and result in more cost effective delivery.

The addition of an Audit and Risk Committee to the Council structure with an independent chair is another positive initiative this year, providing another level of scrutiny and opportunity to benchmark Council's systems and processes against sector best practice.

We were particularly proud to be invited guests to the 2014 International Mayoral Forum on Tourism held in China; the only representatives from New Zealand. Over 70 mayors from around the world discussed the

importance of international tourism to local economies. Opportunities like these further cement relationships that enhance economic development and enable investment opportunities.

Other excellent achievements in a very busy year include activating our new District Plan after years of hard work and without costly Environment Court processes; our beautiful Te Waihou Walkway receiving a TripAdvisor Excellence Award from ratings by users from around the world; the continued success of our premier sporting event "The Taniwha" managed by Waikato River Trails and Total Sport; the establishment of our Youth Leadership Advisory Board (YLAB) with 42 very engaged and positive young people; the opening of the new Croad Place Recycling facility and the introduction of our brand new public transport trial, the Urban Connector.

The Leith Place redevelopment project is gaining momentum as we continue to develop concepts prior to consulting with the public and business owners. This project will ensure our residents have a vibrant place to go and that we are positioned to capture passing traffic in need of a break and stop-over who will spend in our shops and businesses.

Other positives include the tidying up of the Tokoroa Memorial Sportsground; reducing the level of our air quality exceedances; successfully launching the Tīrau Library Link Service and our commitment to help save the endangered Kokāko in the Mamaku. The Representation Review which Council is required to conduct every six years caused some healthy debate across the district with the status quo remaining.

We continued to build sound business and community relationships. Of particular importance is our strong relationships with Raukawa; Te Arawa River Iwi Trust; farming, engineering and forestry sectors; our social service organisations who help deliver services to our community and key business leaders who drive further development.

We would like to thank all in our community who engage with us on our various plans, policies and funding rounds. Your input is valued, your suggestions are discussed and in many cases taken on board and your commitment and passion for the South Waikato is greatly appreciated.



Neil Sinclair MNZM JP BDS  
MAYOR  
22 October 2015



Craig Hobbs  
CHIEF EXECUTIVE  
22 October 2015

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

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## 1.2. Report from the Audit Office



**INDEPENDENT AUDITOR'S REPORT  
TO THE READERS OF SOUTH WAIKATO DISTRICT COUNCIL AND GROUP'S ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2015**

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

- the financial statements of the District Council and group that comprise:
  - the statement of financial position as at 30 June 2015 on page 103;
  - the statement of comprehensive revenue and expense, statement of changes in equity and statement of cashflows for the year ending 30 June 2015 on pages 101, 102 and 104;
  - the funding impact statement of the District Council on page 105;
  - the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 50, 56, 57, 63, 67, 71, 75, 79, 83, 85, 88, and 92; and
  - the notes to the financial statements that include accounting policies and other explanatory information about the financial statements on pages 106 to 150;
- the statement of service provision (referred to as groups of activities) of the District Council on pages 47 to 93 and the funding impact statements in relation to each group of activities of the District Council on pages 50, 56, 57, 63, 67, 71, 75, 79, 83, 85, 88, and 92; and
- the disclosures of the District Council that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 35 to 39.

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

- information about:
  - council-controlled organisations on pages 93 to 97;
  - reserve funds on pages 135 to 136;
  - each group of activities carried out by the District Council on pages 47 to 93;
  - remuneration paid to the elected members and certain employees of the District Council on pages 140 to 141;
  - employee staffing levels and remuneration on page 141;
  - severance payments on page 124;
  - rating base units on page 17; and
  - insurance of assets on pages 147 to 148;
- a report on the activities undertaken by the District Council and group to establish and maintain processes to provide opportunities for Maori to contribute to the Council's decision-making processes on page 42; and
- a statement of compliance signed by the mayor of the Council, and by the District Council and group's chief executive on page 100; and



**Opinion**

**Audited information**

In our opinion:

- the financial statements of the District Council and group on pages 101 to 150:
  - present fairly, in all material respects:
    - the District Council and group's financial position as at 30 June 2015;
    - 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.
- the funding impact statement of the District Council on page 105, present 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 annual plan.
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 50, 56, 57, 63, 67, 71, 75, 79, 83, 85, 88, and 92, present fairly, in all material respects, by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the District Council's long-term plan or annual plan.
- the groups of activities of the District Council on pages 47 to 93:
  - presents fairly, in all material respects, the District Council's levels of service for the year ended 30 June 2015, including:
    - the levels of service as measured against the intended levels of service adopted in the long-term plan;
    - the reasons for any significant variances between the actual service and the expected service; and
  - complies with generally accepted accounting practice in New Zealand.
- the funding impact statements in relation to each group of activities of the District Council on pages 50, 56, 57, 63, 67, 71, 75, 79, 83, 85, 88, and 92, present fairly, in all material respects, by each group of activities, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's long-term plan.
- the disclosures on pages 35 to 39 represent a complete list of required disclosures and accurately reflects the information drawn from the District Council's audited information.

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

The District Council and group's annual report complies with the *Other Requirements* of schedule 10 that are applicable to the annual report.

Our audit was completed on 22 October 2015. This is the date at which our opinion is expressed.

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

**Basis of opinion**

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

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



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

An audit also involves evaluating:

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

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

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

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

#### **Responsibilities of the Council**

The Council is responsible for preparing:

- financial statements and groups of activities that:
  - comply with generally accepted accounting practice in New Zealand;
  - present fairly the District Council and group's financial position, financial performance and cash flows;
  - present fairly its service performance, including achievements compared to forecast;
- a funding impact statement that presents fairly the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's annual plan;
- funding impact statements in relation to each group of activities that presents fairly by each group of activities, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's long-term plan;
- statements about budgeted and actual capital expenditure in relation to each group of activities that presents fairly by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the District Council's long-term plan or annual plan;
- disclosures in accordance with the requirements of the Local Government (Financial Reporting and Prudence) Regulations 2014; and
- the other information in accordance with the requirements of schedule 10 of the Local Government Act 2002.

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





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

**Responsibilities of the Auditor**

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

**Independence**

When carrying out this audit, which includes our report on the *Other Requirements*, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. Other than this audit, which includes our report on the *Other Requirements*, we have no relationship with or interests in the District Council or any of its subsidiaries.

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

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



### **1.3. District profile**

#### **1.3.1. Population**

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

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

#### **1.3.2. Rating information**

(As at 30 June 2015)

Number of Properties	10,133
Area	180,011ha
Gross Land Value	\$2,608,500,550
Gross Capital Value	\$4,627,791,900

#### **1.3.3. Main industries**

Forestry and pastoral farming, particularly dairying, are the predominant activities in the district. Around 31% (\$303m) of the district's GDP comes from forestry and agriculture while manufacturing makes up 16% (\$159m).

Dairy Cattle Farming alone contributes \$178m to the South Waikato.

#### **1.3.4. Natural resources**

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

#### **1.3.5. Recreational opportunities**

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

#### **1.3.6. Facilities**

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

## 1.4. Council directory

Postal Address	Private Bag 7 TOKOROA 3444		
Tokoroa Office	Torphin Crescent TOKOROA 3420	Phone	+64 (07) 885 0340
		Fax	+64 (07) 885 0718
Putāruru Office	Overdale Street PUTĀRURU 3411	Phone	+64 (07) 883 7189
		Fax	+64 (07) 883 7215
Tīrau (Agency)	Tīrau Information Centre Main Road TĪRAU 3410	Phone	+64 (07) 883 1202
		Fax	+64 (07) 8831202
Email	info@southwaikato.govt.nz		
On the web at	www.southwaikato.govt.nz	(visit us on Facebook)	
Facebook	<a href="http://www.facebook.com/southwaikatodistrictcouncil">www.facebook.com/southwaikatodistrictcouncil</a>		
Twitter	@SouthWaikatoDC		

## 1.5. Your elected representatives

### 1.5.1.



Neil Sinclair MNZM JP BDS  
Mayor (Elected at large)  
(07) 885 0716 Bus Phone  
(027) 4468 422 Mobile  
(07) 883 8122 Home Phone  
neil.sinclair@southwaikato.govt.nz



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



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



Adrienne Bell  
(Putāruru Ward)  
(07) 883 8045 Bus Phone  
(027) 4712 404 Mobile  
adriennejb@yahoo.co.nz



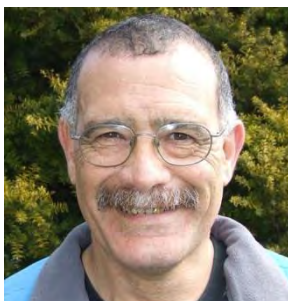
Anne Edmeades  
(Putāruru Ward)  
(07) 883 8262 Bus Phone  
(07) 883 7490 Home Phone  
(021) 0118 4710 Mobile  
anneandroyce@xtra.co.nz



Jeff Gash JP  
(Tokoroa Ward)  
(07) 886 4752 Bus Phone  
(07) 886 9959 Home Phone  
(027)5898 472 Mobile  
tokoroa@sportsworld.co.nz



Marin Glucina  
(Tokoroa Ward)  
(07) 886 5168 Bus Phone  
(07) 886 8821 Home Phone  
(021) 0284 3214 Mobile  
glu-@hotmail.com



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



Bill Machen  
(Tokoroa Ward)  
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Terry Magill  
(Tīrau Ward)  
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(07) 883 4888 Home Phone  
(021) 240 7844 Mobile  
terry@magilllearl.co.nz



Tua Numanga  
(Tokoroa Ward)  
(07) 885 5811 Bus Phone  
(07) 886 1977 Home Phone  
(021) 961 977 Mobile  
numangatd@gmail.com

**1.5.2. Tirau Community Board**



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



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



Nora Martelletti JP  
(07) 888 5756 Home Phone



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



Derek Keesing  
(027) 493 8819 Mobile  
derek@arcserv.co.nz



## 1.6. Corporate structure

### 1.6.1. Executive team



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

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

### 1.6.2. Council group Structure

#### **Chief Executive**

Assets  
Corporate  
Community  
Regulatory  
Human Resources  
Communication and Marketing

#### **Human Resources**

Industrial Relations  
Occupational Health and Safety  
Recruitment and Induction  
Remuneration  
Training Development

#### **Corporate**

Democracy  
Information Services  
Legal Services  
Revenue  
Finance  
Strategic Planning and Projects  
Continuous Improvement  
Corporate Funding

#### **Community**

Community Services  
Libraries  
Customer Services  
Leisure Services (Pools and Events Centre)  
Economic development

#### **Regulatory**

Animal Control/Parking  
Building Control  
Civil Defence and Rural Fire  
Environmental Health  
Planning and Business Case Management  
Environmental Health and Liquor

#### **Communications**

Strategic Communication  
Media Spokesperson  
Media Liaison  
Internal Communication

#### **Assets**

Infrastructure Services (Water, Sewerage, Stormwater, Waste Management, Asset Strategy)  
Roading  
Parks and Property

## 1.7. Council's strategic planning context

### 1.7.1. Vision and values

#### Our vision

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

#### Our values

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

#### Long term plan

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

Council reports on progress regarding the implementation of the 10 Year Plan each year in its Annual Report. This 2014-15 Annual Report is the third report on the 10 Year Plan 2012-22.

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

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

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

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

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

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

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

## Financial strategy limits

The financial strategy also set limits around certain financial measures. These limits and the achievement of these as at 30 June 2015 are outlined below:

Financial Area	Financial Limit	Achievement
Rates Revenue	Not to exceed \$31m by 2021-22	Rates set for 2014-15 are \$22.469m. It is not planned that rates exceed \$31m by 2021-22
Rates Increase	Not to exceed 8.5% in any year and should be in the range 2% - 8.5%	Rates increase for 2014-15 was 5.13%
External Debt	External loans not to exceed \$20m. This was increased from \$15m during the LTP amendment consultation process in 2013-14	External loans as at 30 June 2015 were \$13.592m
Internal Debt	Limited to 20% of the total value of the depreciation reserves funds	Internal loans as at 30 June 2015 were \$1.922m

## 1.8. Community outcomes

### 1.8.1. Identifying community outcomes

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

- Engaged community: We encourage and support an engaged social community through the provision of our services and facilities.
  - Involvement in shared services initiatives with other Councils to reduce costs and improve services for our ratepayers.
  - The organisation established a community group focused on engaging with the community.
  - Have implemented a trial of public transport services within Tokoroa and between Tokoroa and Tirau
- Safe and healthy community: We regulate, advocate for, and support where we can, improved safety and health for our people.
  - Continued funding and management of the 'On the House' / Warm Homes Clean Air programme for low socio-economic householders and the implementation of a new partially subsidised scheme 'Split the Bill' and the existing 'Buy Now Pay Later' / Heat Swap schemes to incentivise the removal of non-compliant wood burners and the Burnwise scheme to promote the sale of dry firewood.
  - Council consulted on the 2015-25 Long Term Plan; the policies and strategies associated with the Long Term Plan; the Representation Review and the Water Supply Bylaw.
- Improving image: We focus on improving the image and perception of the South Waikato District.
  - Council has worked with Hamilton Waikato Tourism on a district feature in NZ Today.
  - Emphasis has been placed on mainstream media like Waikato Times in positive business opportunity articles.
  - Council has employed a Marketing Officer to support the improvement of the District's image and encourage economic development
- Council's growing economy: We support and encourage existing businesses and endeavour to attract new businesses to the district.
  - Council has supported the creation of the South Waikato Investment Fund (SWIF) Trust and the South Waikato Development (DRIVE) Trust which have been established and are operational. The purpose of these trusts is to maintain and create additional employment opportunities and to promote the development and revitalisation of the South Waikato. These trusts will actively work to promote the South Waikato as an attractive place to do business.
  - Council allocated \$5 million to be distributed for community and economic development projects within our community. \$3million of this funding has been invested this projects with a number of projects completed or near complete including the Tokoroa Rail Terminal, the Rangiuira Rest Home and Home for the Elderly Expansion, Trade Training Welding Course Equipment, the Te Waihou Walkway Upgrade, St Johns Putāruru Hall Alterations, Tokoroa High School Services Academy Vans and Hospice Equipment. These projects have significant community and economic benefit for our communities.
- Diverse economy: We encourage the economic base in the district to diversify, especially in relation to tourism.
  - Council has been a major contributor to the completion and opening of the Waikato River Trails; 100km of trails meander from Karapiro to Atiamuri. Council also contributes financially to the Taniwha, a multi-sport event which utilises these trails.
  - The SWIF and the DRIVE Trusts will foster a more diverse economy.
- Sustainable environment: We want the South Waikato District Council to lead the community in sustainable development.
  - The District Plan is now in place and identifies Significant Natural Areas (SNAs) to support their protection.



- Council supports projects such as Enviroschools, the Mokaihaha Kokako project and the Local Biodiversity Strategy.
- Well managed environment: Council's infrastructure is sustainable and contributes positively to the district environment.
  - Council is compliant with resource consents that have been issued by the Waikato Regional Council. Council is required to apply for resource consents for activities that it undertakes such as water supply, wastewater, stormwater and landfills. These resource consents apply environmental standards that Council must abide by and comply with.
  - Asset Management plans are in place for Council's infrastructural assets and facilities.
- Celebration of culture: We celebrate the artistic and cultural achievements of our people, and the diversity of their cultures.
  - Council carries out a range of activities to support and celebrate cultural achievements; these include funding initiatives and sponsoring events to be held in the district. Celebrations of culture included sponsoring the Forest View High Polinetia Fa'atasi group, Tokoroa Little Theatre, South Waikato Music Society, Putāruru Theatre Players, Scottish Country Dance Club, Cook Islands Community (Society) and the Talking Poles Trust.
  - South Waikato District Libraries celebrate the cultural diversity of our district through the promotion of Māori Language, Samoan Language and Cook Island Language weeks, and through displays, cultural performances, presentations and story-telling. Other cultural festivals celebrated are Diwali (Indian Festival of Lights), Chinese Autumn Festival, Chinese New Year and Matariki.
  - Cultural leadership: We support and encourage cultural leadership and capacity building.
  - Council promotes input to decision-making from Māori and Pacific Island communities, including a partnership approach with Raukawa. A joint management agreement was signed with iwi parties and Waikato Regional Council for the protection of the Waikato River.
  - The Ngāti Tūwharetoa, Raukawa and Te Arawa River Iwi Waikato River Act 2010 established a co-management regime for the upper Waikato River, which includes all of the Waikato catchment within the South Waikato District. This regime sees valuable partnerships established between iwi, the Crown and associated councils. The Waikato River co-management framework is separate to their comprehensive Treaty Claims.

### 1.8.2. Our progress toward achieving community outcomes

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

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

Outcome	MARCO Results*		
	2013	Trend between 2010 and 2013	Trend between 2007 and 2010
Engaged community: We encourage and support an engaged social community through the provision of our services and facilities	50.2% of people felt that overall, they understand how Council makes decisions.	Decrease of 6.5%. In 2010 56.7% of people felt they understood how Council makes decisions.	Decrease of 0.7%. In 2007 57.4% of people felt they understood how Council makes decisions.

	42.7% of people felt that overall, they have confidence that Council makes decisions that are in the best interest of the district.	Decrease of 11.6%. In 2010 54.3% of people felt that they have confidence that Council makes decisions that are in the best interest of the district.	Decrease of 3.1%. In 2007 57.4% of people felt that they have confidence that Council makes decisions that are in the best interest of the district.
	42% of people felt that they have enough say in what Council does.	Decrease of 10.1%. In 2010 52.1% of people felt that they have enough say in what Council does.	Increase of 1.1%. In 2007 51% of people felt that they have enough say in what Council does.
Safe and healthy community: We regulate, advocate for, and support where we can, improved safety and health for our people	83.7% of people felt safe in their community during the day time.	There was an increase of 1.8%. In 2010 81.9% of people felt safe during the day time.	There was a decrease of 2.2%. In 2007 84.1% of people felt safe in their community during the day time.
	57.3% of people felt safe in their community after dark.	There was a decrease of 2.5%. In 2010, 59.8% of people felt safe in their community after dark.	There was a decrease of 6.3%. In 2007 66.1% of people felt safe in their community after dark.
Improving image: We focus on improving the image and perception of the South Waikato District	62.3% of people felt a sense of pride in the way our district looks and feels.	There was a decrease of 2.1%. In 2010, 64.4% of people felt a sense of pride in the way our community looks and feels.	There was a decrease of 4.4%. In 2007, 68.8% of people felt a sense of pride in the way our community looks and feels.
Growing economy: We support and encourage existing businesses and endeavour to attract new businesses to the district Diverse economy: We encourage the economic base in the district to diversify, especially in relation to tourism	84.4% of people felt that their job makes good use of their skills, training and experience.	There was an increase of 9.4%. In 2010 75% of people felt that their job made good use of their skills, training and experience.	There was a decrease of 9%. In 2007 84% of people felt that their job made good use of their skills, training and experience.
Celebration of culture: We celebrate the artistic and cultural achievements of our people, and the diversity of their cultures Cultural leadership: We support and encourage cultural leadership and capacity building	79% of people felt that their family were knowledgeable and show respect for the diverse cultures who live in our district.	There was a decrease of 1.6%. In 2010, 80.6% of people felt that their family were knowledgeable and showed respect for other cultures.	There was an increase of 1.2%. In 2007, 79.4% of people felt that their family were knowledgeable and showed respect for other cultures.

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

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

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

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

## 1.9. Council's strategies

This is the third year of reporting against the new community outcomes (see Section 2). The 15 strategies that have been developed to enable these community outcomes to be achieved are listed below:

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

## 1.10. Report on funding and financial policies

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

### 1.10.1. Financial targets report

#### Background

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

#### Overall performance

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

Key Targets	Actual 2014-15 \$000's	Budget 2014-15 \$000's	Note
Surplus/(deficit) after Tax	(2,951)	(104)	1
Total equity/net assets	384,688	358,403	2
Borrowings	13,592	13,600	3
Capital expenditure	7,796	6,467	4

#### Notes

1. Council incurred a deficit of \$3.0m this year against a budgeted deficit of \$0.1m. The major factors in this variance were: \$2.1m relating to an accounting write-off of vegetation no longer classified as an asset; \$0.9m for accounting losses relating to the replacement of assets such as roads and water reticulation and \$1m of expenditure on economic and community development projects not initially classified as operational expenditure. This is offset by \$0.5m of unrealised gains for the investments Council has relating to our Asset Replacement / depreciation reserves.
2. The main reason for this relates to the budget being set prior to the revaluation for 2013-14 where there was a much higher value revaluation on roading formation than expected.
3. Council borrowings were on target for 30 June 2015.
4. Capital expenditure this year was higher than budget because \$2million spent on economic and community development projects was not initially classified as capital expenditure. Other capital expenditure was not spent this year; for example Tokoroa wastewater enhanced nitrogen removal and the Tokoroa CBD upgrade.



## 1.10.2. Investment policy report

### Background

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

### Overall performance

The South Waikato Investment Fund (SWIF) was dissolved at the end of June 2014. \$20million of the funding was transferred to an external Trust (South Waikato Investment Fund Trust). \$6.5million was allocated to economic and community development projects and was transferred to a Council Created Reserve awaiting the expenditure on these projects.

The performance of the investments in the remaining Special and Restricted Reserves was strong during the year with an increase in value of \$986k and 10.35% (after tax and fees). This increase in value came mainly from an increase in the value of NZ Fixed Interest, NZ Property and Shares.

### Specific objectives and targets

Performance Objective	
To comply with all relevant statutes and their amendments	Achieved. All relevant statutes and amendments complied with.
To develop and maintain professional relationships with representatives of approved financial institutions	Achieved. Professional relationships with representatives of approved financial institutions developed and maintained.
To manage Council's return on funds invested through effective control and management of its interest rate risk and to maintain Council's exposure to interest rate risk within acceptable levels	Achieved. Council's return of funds managed within acceptable levels.
To safeguard Council's cash investments by monitoring the credit ratings of approved financial institutions	Achieved. Credit ratings of approved financial institutions were monitored during the year.
To actively manage the internal controls to ensure that funds are invested in accordance with Council policy	Achieved. Satisfactory internal controls operated to ensure that funds were invested in accordance with the policy.
To avoid financial arrangements that could be described as speculative. At all times maintain a risk-averse stance	Achieved. No speculative financial arrangements were entered into during the year. Generally a risk-averse stance has been taken.
<b>Special and Restricted Reserve Funds</b>	
To achieve a real total return after investment expenses over the long-term, as set out in the Long Term Plan. 'Real' means over and above inflation as measured within the parameters set out in the policy	Achieved. The performance of the Restricted Reserve funds for the year was 10.35% gross of inflation (2014: 9.44%).
To ensure that the Investment and Reserve Funds are invested prudently	Achieved. Investment and Reserve Funds were invested in accordance with Investment Policy.
To ensure that money is available for distribution, as required, to meet the needs and financial policies of Council	Achieved. Monies were allocated for distribution in accordance with policy.
To maintain the value of the Investment Fund's capital base in real terms, and to grow such capital value. 'Real' in this context relates to changes in the Consumer Price Index (CPI)	Achieved. The level of inflation this year has remained relatively low with CPI at 0.4%. Council's Restricted Reserves primarily relate to our Depreciation Reserves which are used for funding the replacement of infrastructural assets in the future. Part of the investment is in "growth" investments to help ensure an increase in value.
To maximise the income available for distribution each year	Achieved. Funding was retained from the SWIF reserve before it was transferred to subsidise general rates of \$400,000, as proposed in the 2014-15 Annual Plan, was actioned.

### 1.10.3. Liability management policy report

#### Background

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

#### Overall performance

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

#### Specific objectives and targets

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

Specific Policy Limits		
Measure	Policy Limit	Actual
Interest Rate Exposure		
Gross interest exposure of all external debt/total revenue	<10%	2.63%
Gross interest expense of all external debt/rates revenue	<15%	4.01%
Liquidity Policy		
Maximum debt repayable in 1 year/total equity	<3%	0.2%
Credit exposure		
Total term liabilities not greater than total annual rating revenue	<100%	67%
Gross external debt will not exceed 5% of equity	<5%	3.5%
Net cash flows from operating activities greater than gross annual external interest expense	2 times	7 times
External debt not to exceed \$15m	<\$15m	13.6m
Internal debt limited to: 20% (SWIF), and 50% (non-SWIF)	>20% (SWIF) >50% (not-SWIF)	Limits adhered
Liquidity Test	1:1	2.29:1
Debt repayment policy	Maximum term 30 years	No loan exceeds that term

Rates revenue to not exceed \$31m by 2021-22	<\$31m	Rates income received was \$20.2m
Rates increases not to exceed 8.5% of the previous year, with a preferred range of 2% - 8.5%	2% - 8.5%	Rates increase struck for 2014-15 was 5.13%

## 1.10.4. Rates remission and postponement policies report

### Background

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

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

### Remission granted

Remission type	2015		2014	
	No.	\$	No.	\$
Community, sporting and other organisations	50	84,089	49	79,869
Rates on land protected for natural, historical or cultural conservation purposes	2	387	2	367
Economic development (commercial and industrial development)	-	-	-	-
Uniform annual general charges on non-contiguous rating units owned by the same owner	7	4,332	5	3,144
School sewerage rates	33	70,899	33	68,263
Penalties	n/a	17,467	n/a	21,499
Māori freehold land	7	7,708	4	5,289
Multiple residential properties	2	2,619	1	1,255

### Postponement

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

## 1.10.5. Revenue and financing policy report

### Background

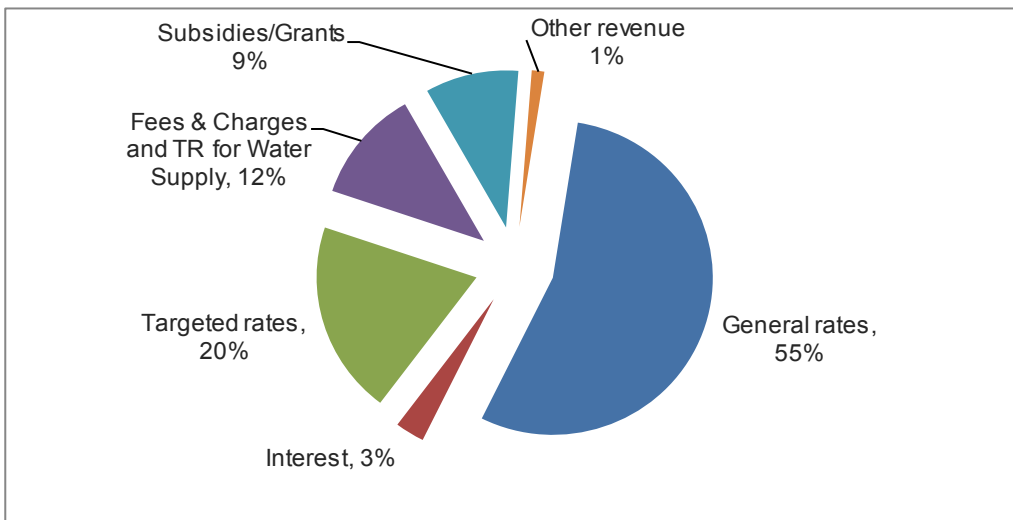
#### Overall performance

## 1.10.6. Funding impact statement report

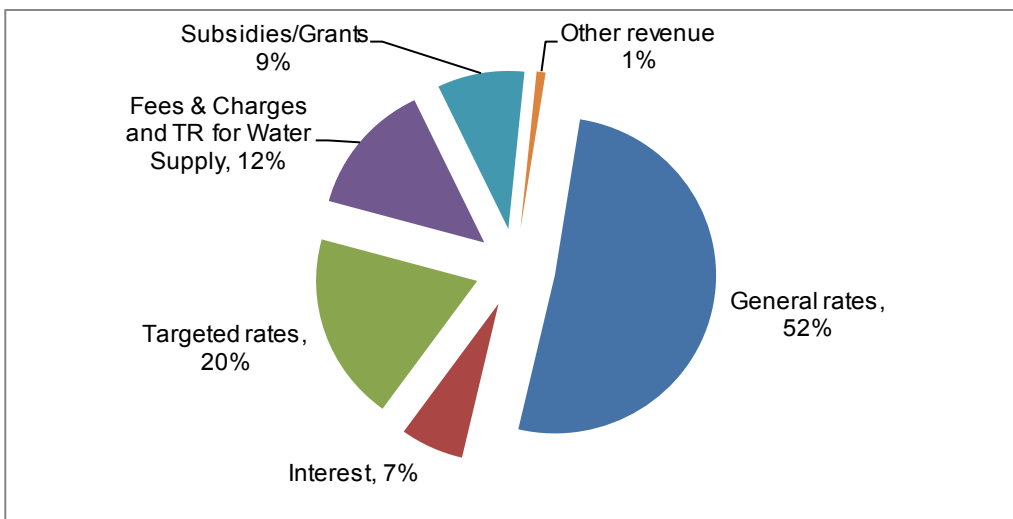
Significant Activity	General Rates Target	General Rates Actual	Targeted Rates Target	Targeted Rates Actual	User Charges Target	User Charges Actual	Subsidy & Grant Target	Subsidy & Grant Actual
Community advocacy and liaison	100%	100%						
SW Sport & Events Centre	80%	67%			20%	24%		9%
The Plaza	100%	100%						
Halls			95%	79%	5%	21%		
Economic Development	100%	95%				5%		
Business Promotion - Tokoroa Ward			100%	100%				
Business Promotion - Putaruru Ward			100%	100%				
District Promotion	100%	99%				1%		(0)
Stormwater			100%	100%				
Sewerage			100%	100%				
Waste - Litter Collection	100%	100%				0%		
Refuse Collection			100%	58%		42%		
Waste - Landfill Operations and Refuse disposal	30%	21%			70%	79%		
Recycling			100%	99%		1%		
Property Management	90%	80%			10%	20%		
Roading Network	54%	61%				2%	46%	38%
Cemeteries	40%	33%			60%	67%		
CBD Upgrades	100%	100%						
Public Toilets	95%	100%			5%			
Animal Control	40%	40%			60%	60%		
Regulatory Services (Other than Animal Control and Building)	80%	87%			20%	13%		
Building consents and Inspection	50%	61%			50%	39%		
Water Supply		0%	100%	89%		11%		
Emergency Management	100%	100%				0%		
Swimming Pools	80%	85%			20%	15%		
Sportsgrounds	95%	94%			5%	6%		
Parks and Reserves	95%	96%			5%	5%		
District Recreation	100%	100%						
Pensioner Housing					100%	100%		
Library Services	90%	96%			10%	5%		
Community Governance			100%	100%				
District Governance	100%	100%				0%		

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

Funding impact revenue source - budgeted 2014-15



Funding impact revenue source - actual 2014-15





## 1.11. Annual report disclosure statement for year ending 30 June 2015

### What is the purpose of this statement?

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

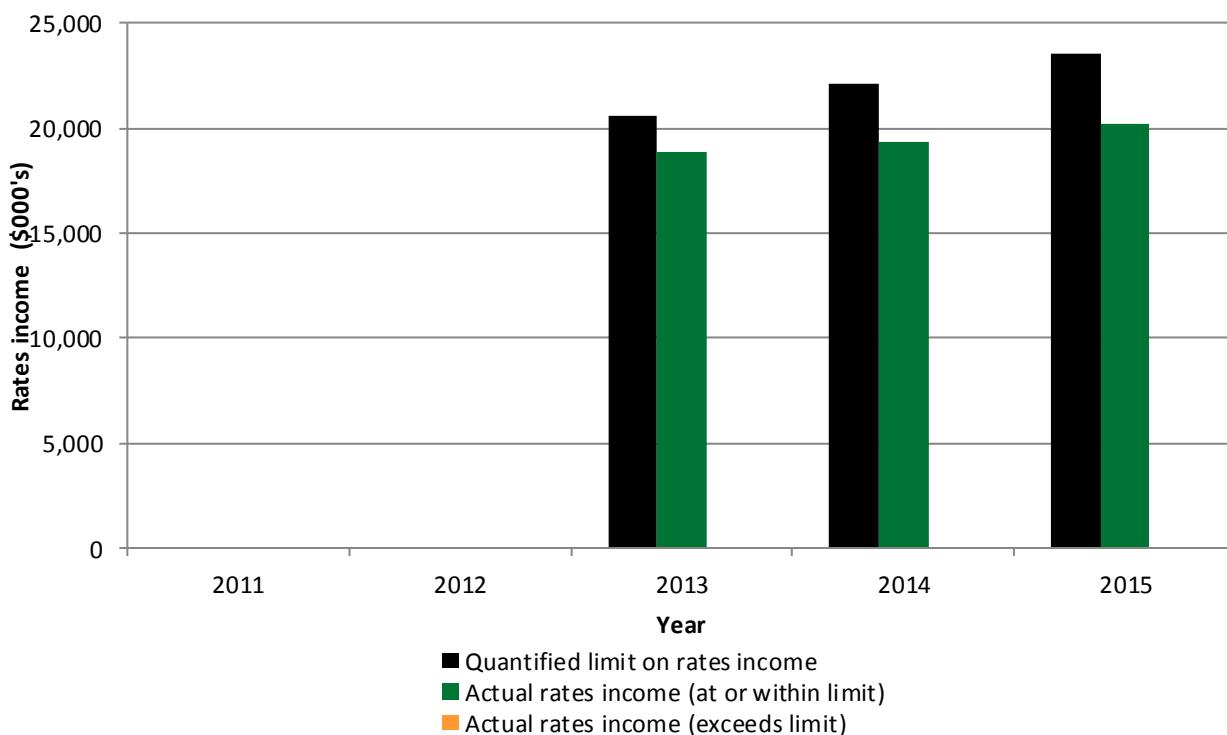
### 1.11.1. Rates affordability benchmark

The Council meets the rates affordability benchmark if:

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

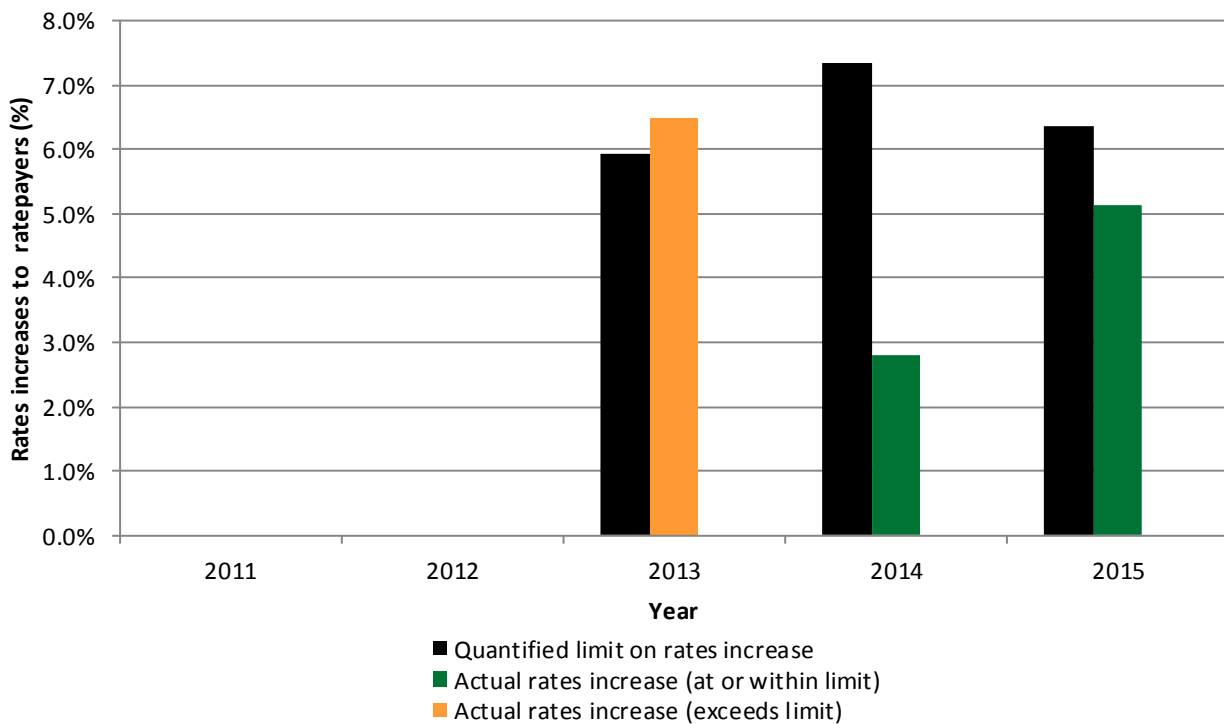
#### Rates (income) affordability

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



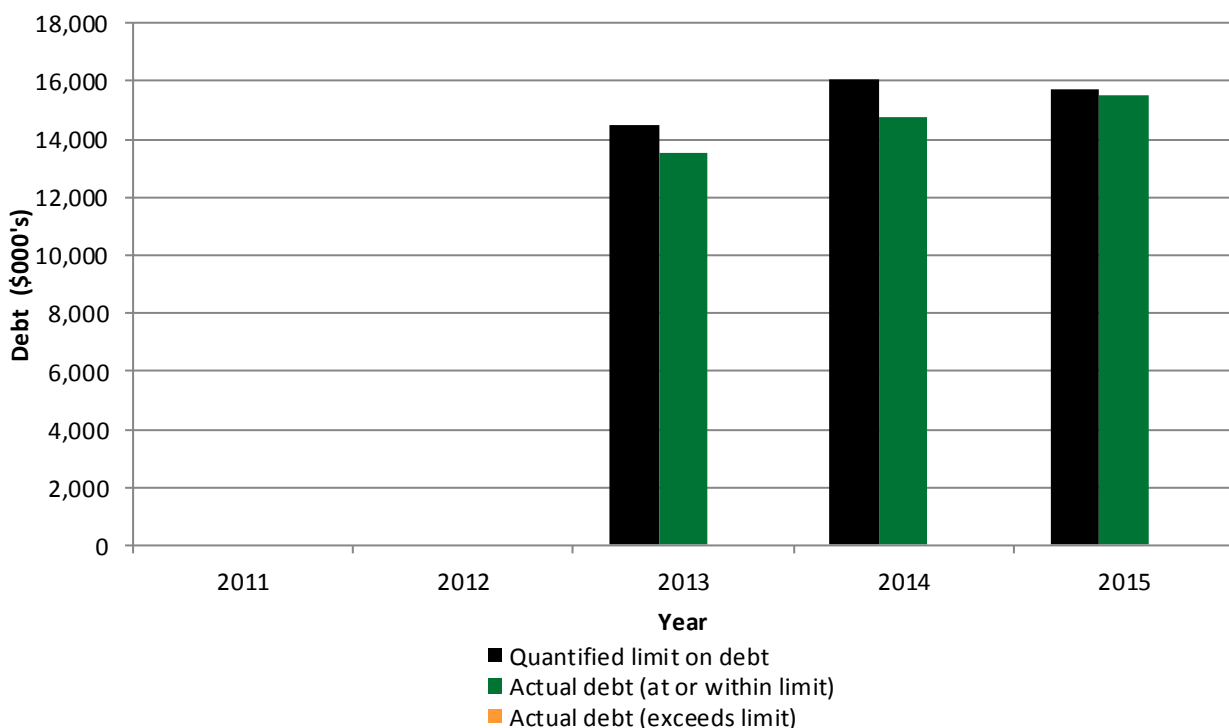
### 1.11.2. Rates (increases) affordability

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



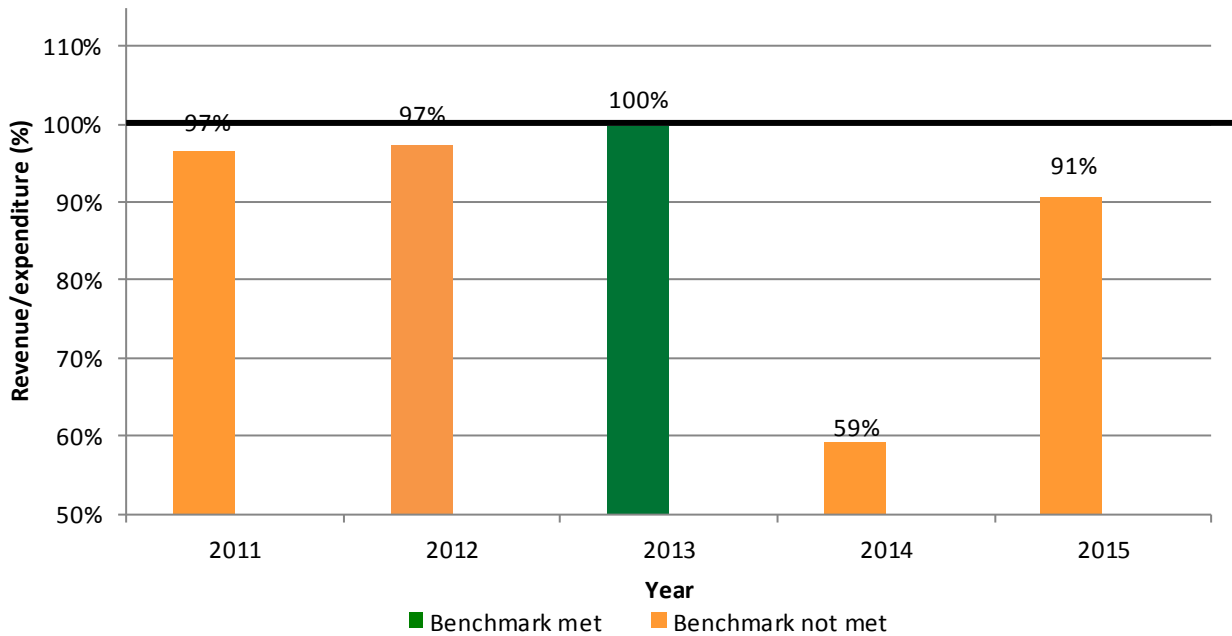
### 1.11.3. Debt affordability benchmark

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



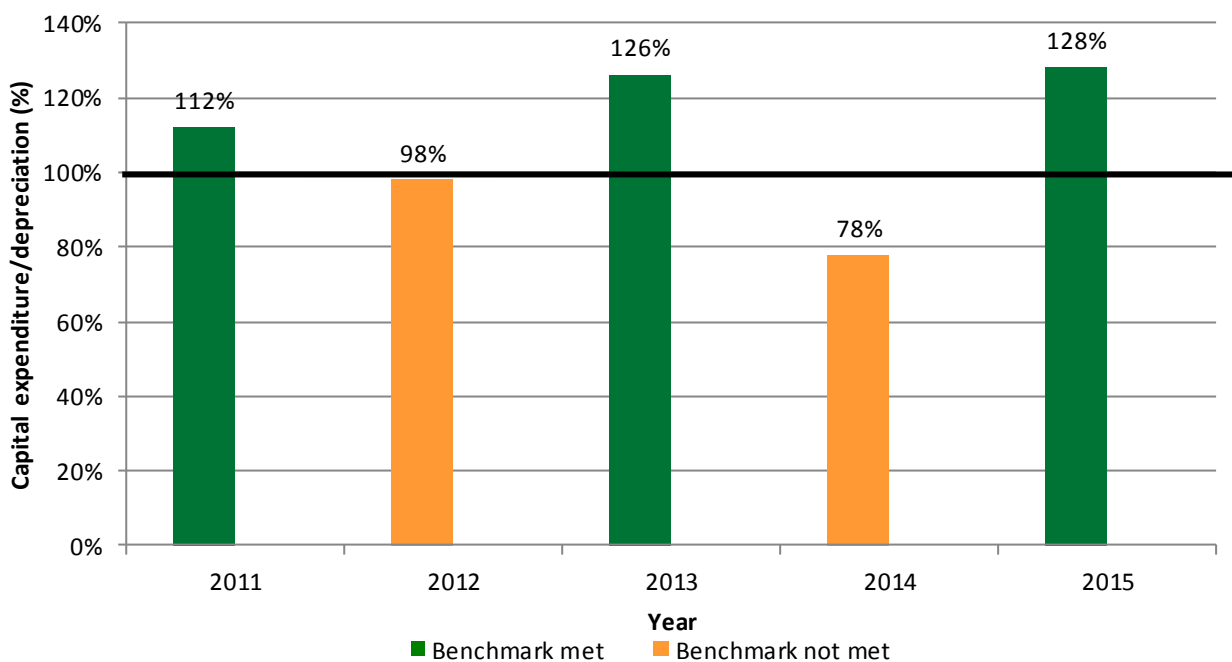
### 1.11.4. Balanced budget benchmark

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



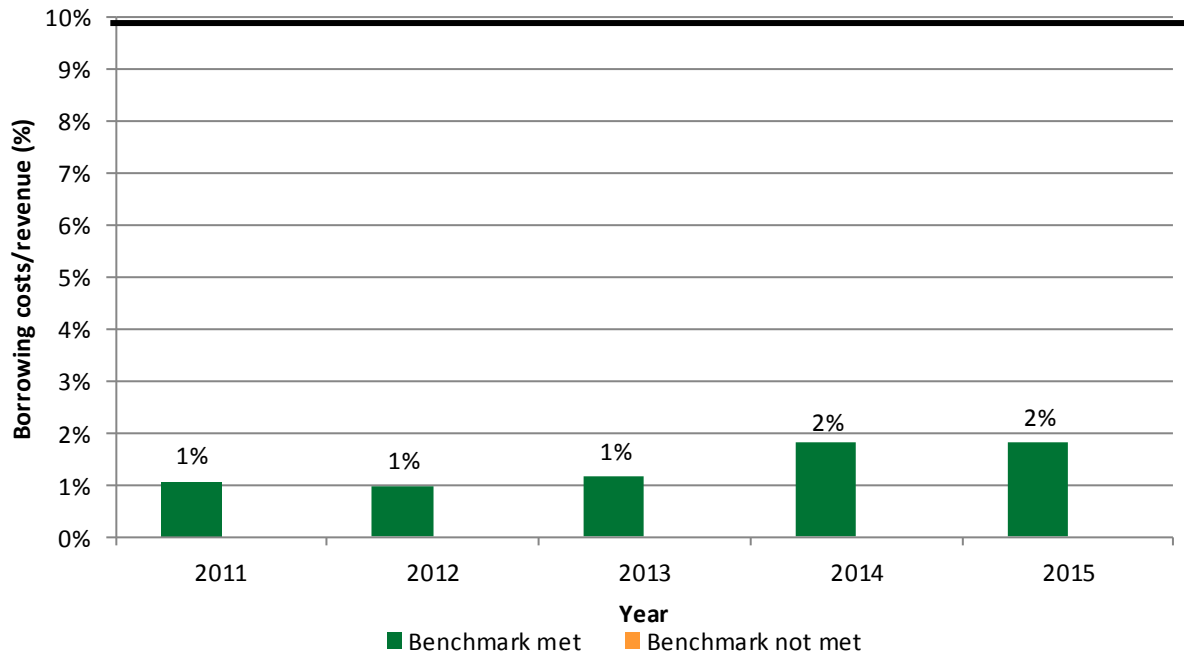
### 1.11.5. Essential services benchmark

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



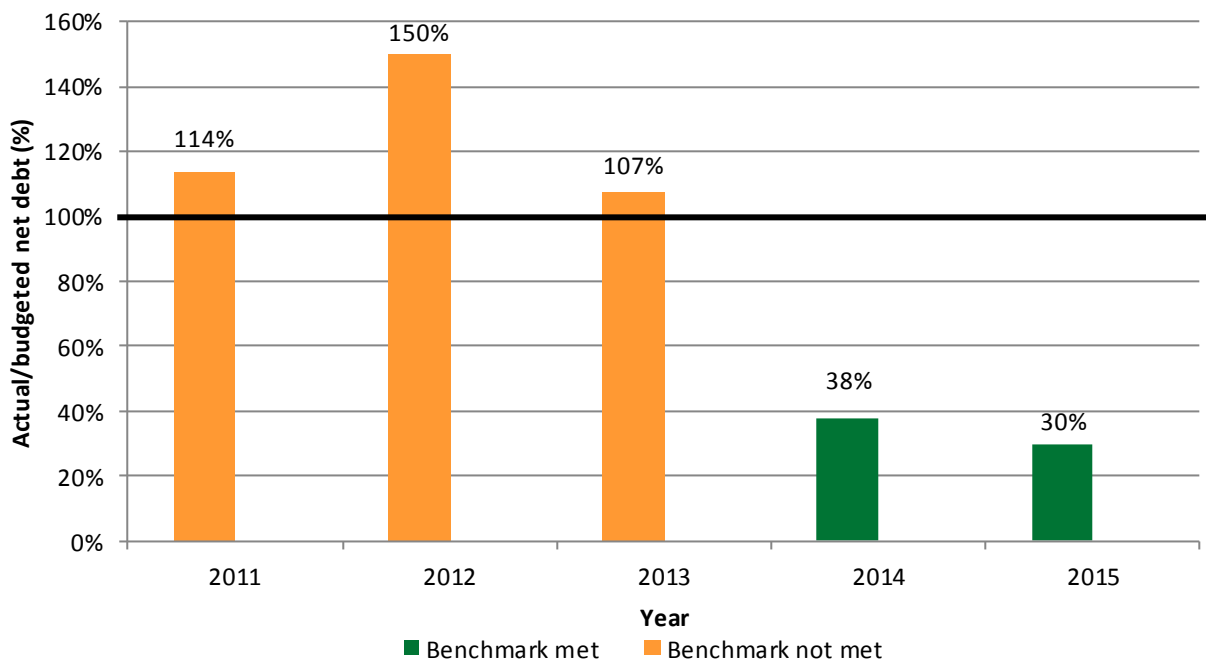
### 1.11.6. Debt servicing benchmark

The following graph displays the Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant and equipment). The Council meets this benchmark if its borrowing cost equal or are less than 10% of revenue.



### 1.11.7. Debt control benchmark

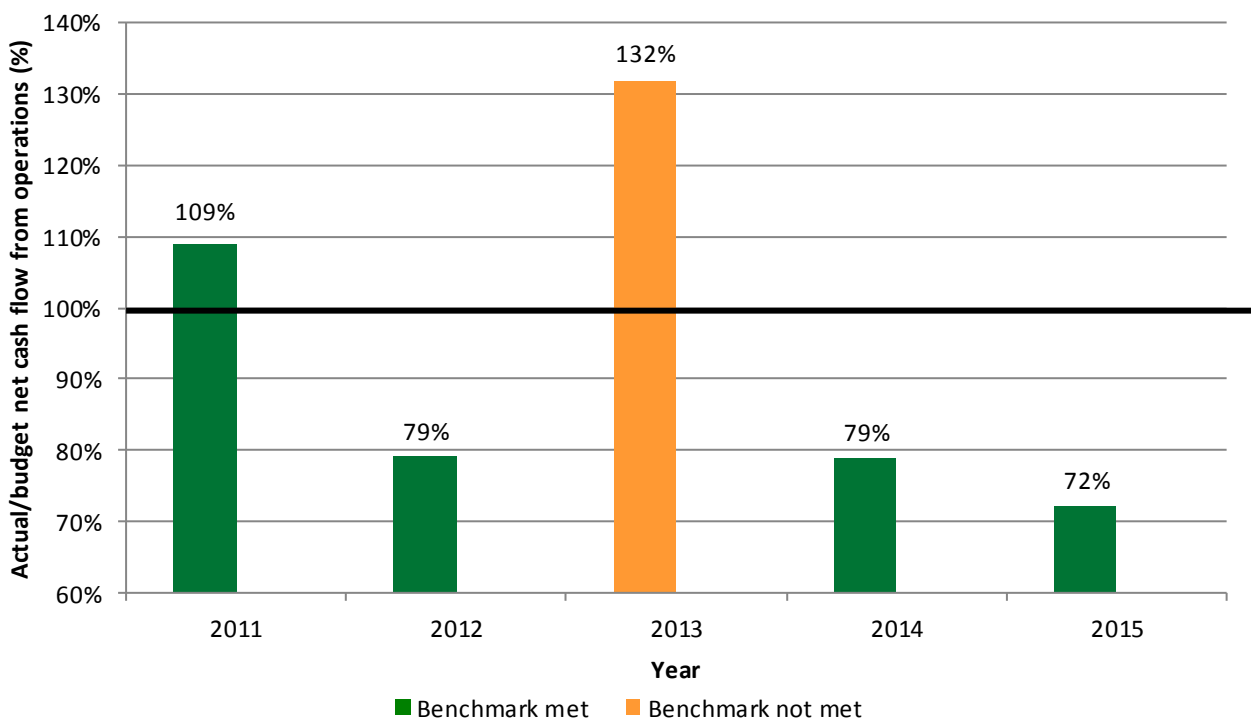
The following graph displays the Council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables). The Council meets the debt control benchmark if its actual net debt equals or is less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



For years 2011 to 2013 actual net debt was negative - that is Council had more financial assets, in the form of investments, than loans. In each of these years the actual net debt was more favourable than the planned net debt. The graph for 2011 to 2013 represents this as not meeting the benchmark because the value is over 100%. However being over 100% for these years is actually positive. The problem is better explained by an example. 2011 - actual net debt was \$-23m ie Council had \$23m more investments than loans but had planned to have only \$20.3m more investments than loans. This is favourable but the resulting percentage is 113.7%. Because this is over 100%, the benchmark graph indicates the "benchmark as not being met" even though the result is positive.

## 1.11.8. 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.



## 1.12. Report on governance

### 1.12.1. The elected council

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

### 1.12.2. Local democracy is about

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

Taking into account:

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

### 1.12.3. Committee structure

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

- Corporate and Regulatory Committee
- Community and Assets Committee
- Grants Committee
- Chief Executive Relationship Committee
- Hearings Committee
- Rural Access Sub-committee
- Finance Audit and Risk Committee (Ceased 23 October 2014)
- Audit and Risk Committee (effective October 2014 - first meeting held 12 February 2015)
- District Licensing Committee.

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

### 1.12.4. Tīrau Community Board

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

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



### **1.12.5. Councillor's code of conduct**

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

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

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

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

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

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

### **1.12.8. Meetings**

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

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

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

### **1.12.10. Corporate governance**

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

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

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

### **1.12.11. Audit**

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

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

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

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

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

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

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

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







# Section 2

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## Groups of Activities



### 2.1. Customer satisfaction survey

#### 2.1.1. Overall satisfaction

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

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

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

#### Overall Satisfaction

In brief:

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

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

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

# Annual Report 2014-2015

## Section 2: Groups of Activities

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

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

# These questions were not asked in 2014



## 2.2. Council's activities

### 2.2.1. Transport and Roothing

#### Community outcomes

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

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

#### Contribution to the Council strategy

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

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

In addition, the following Council strategies also contribute to:

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

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

The purpose of this function is to effectively and efficiently manage a safe and reliable district roading network. The network (excluding state highways) has a replacement value of \$276.3m, with the largest assets being road foundation (\$119m), road pavement and surfacing (\$58.7m), and footpaths (\$22.2m). The district is traversed by six state highways. New Zealand Transport Agency (NZTA) is the main provider of funds for road activities. The Council currently obtains 50% funding for maintenance, operations and renewals, 60% for demand management and community programmes (road safety) and 60% for improvements. Following a comprehensive review of the Funding Assistance Rates (FAR's) by NZTA it was confirmed during the year that SWDC FAR rate would increase to a normal rate of 52% starting with the 2015/16 financial year.

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

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

# Annual Report 2014-2015

## Section 2: Groups of Activities

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Most asset maintenance is carried out under a three year competitively tendered contract. Sign replacements, road marking and lighting maintenance are carried out by specialist contractors. Council has a Road Safety Programme that is largely funded through New Zealand Transport Agency. Under this programme, the Council employs a part-time Road Safety Coordinator to encourage community groups to prepare and implement educational projects that target high risk areas in the South Waikato. During the 2014/15 year there were 7 fatalities recorded within the District, of which 6 occurred on the State Highway One and one occurred on the local network.

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

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

Less than 15% of the district road network is of a substandard width (based on national guidelines for the management of the roading hierarchy for local roads and state highways). Most substandard width roads in the district are rural roads with low traffic volumes. When usage increases, such as following dairy conversions, or when safety issues arise, the Council incorporates widening into its programme of work. As far as is practicable, road widening is carried out in conjunction with resurfacing and/or pavement rehabilitation as an associated improvement to be as cost effective as possible.

Although there is a small percentage of unsealed roads maintained by Council, this is intended to be reduced. While there is not a specific service level requirement for all district roads to be sealed, the benefits of seal extension are significant to individual ratepayers. As a result of the Long Term Plan process and subsequent budget constraints, seal extensions were suspended for the first two years of the LTP and resumed in 2014-15. A budget of \$70,000 was used to address the dust issue on Vosper Road and extending the seal and kerbing on Bridget Street Putāruru.

### **Pavement rehabilitation**

Road pavement renewal is generally triggered by roughness measurements that cannot be addressed with thin surface treatments or by detection of wheel tracks or other major pavement deterioration. Replacement takes one of two forms: reconstruction or pavement treatment. In either case, existing granular layers may be salvaged and re-laid, sometimes using lime or cement stabilisation of the existing pavement. New base course layers are added with a bitumen sealed surfacing to finish the work. Council's annual roading programme addresses between 3-5 km of pavement rehabilitation per year, subject to funding.

### **Road safety**

Council contributes to road safety in the following ways:

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

### **Footpath safety**

Council continues to seek a solution to the slippery pavers in Tokoroa CBD during winter. This will be ongoing and will include a general wash of the cobbles when required. Repair of misaligned concrete footpaths will continue. A number of mobility crossings have also been upgraded to comply with standards and will continue until all substandard crossings are addressed.

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## Section 2: Groups of Activities

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### Land transport programme (Land TP)

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

### Why we do it

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

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

### Council's roles

Provider	Advocate	Regulator	Partner	Facilitator
Y	Y	Y	Y	Y

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## Section 2: Groups of Activities

### Funding impact statement - Transport and Roothing

	LTP 2014 \$000's	LTP 2015 \$000's	Actual 2015 \$000's
<b>SOURCES OF OPERATING FUNDING</b>			
General Rates, Uniform Annual General Charges, rates penalties	4,509	4,964	4,533
Targeted rates	-	-	-
Subsidies & grants for operating purposes	2,596	2,734	1,215
Fees, charges & targeted rates for water	-	-	60
Internal charges & overheads recovered	(50)	(84)	(8)
Local authorities fuel tax, fines, infringement fees, and other receipts	113	122	155
<b>TOTAL OPERATING FUNDING (A)</b>	<b>7,168</b>	<b>7,736</b>	<b>5,955</b>
<b>APPLICATION OF OPERATING FUNDING</b>			
Payments of staff & suppliers	3,027	3,151	3,128
Finance costs	236	226	193
Internal charges & overheads applied	563	582	1,224
Other operating funding applications	246	260	35
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>4,072</b>	<b>4,219</b>	<b>4,580</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)</b>	<b>3,096</b>	<b>3,517</b>	<b>1,375</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies & grants for capital expenditure	1,543	1,628	1,661
Development & financial contributions	10	11	13
Increase (decrease) in debt	155	31	(192)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>	<b>1,708</b>	<b>1,670</b>	<b>1,482</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure:			
• to meet additional demand	400	426	3,226
• to improve the level of services	-	58	-
• to replace existing assets	2,826	3,039	-
Increase (decrease) in reserves	(1,483)	(1,651)	254
Increase (decrease) in investments	3,061	3,315	(623)
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>4,804</b>	<b>5,187</b>	<b>2,857</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)</b>	<b>(3,096)</b>	<b>(3,517)</b>	<b>(1,375)</b>
<b>FUNDING BALANCE ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

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## Section 2: Groups of Activities

### Significant asset acquisitions or replacements

#### Major capital projects for 2014-15

<b>Transport and roading</b>	<b>Actual Spend 2015 \$000</b>	<b>Budget Spend 2015 \$000</b>	<b>Actual Spend 2014 \$000</b>
Formation widening	377	400	430
Seal widening	15	20	26
Seal extension	58	70	-
Pavement rehabilitation	922	860	885
Drainage kerb & Channel	150	149	163
Kerb and channel renewals	90	80	82
Christmas/feature Lighting	22	25	20
Maintenance chip seals & reseals	949	940	875
Asphaltic surfaces	151	160	187
Traffic services renewals-signs	105	110	93
Traffic services renewals-street lights	104	100	111
Minor improvements	215	261	229
Footpath renewals	36	45	48
Sundry other	31	74	53
<b>Total</b>	<b>3,225</b>	<b>3,294</b>	<b>3,202</b>

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

<b>Key Result Areas</b>	<b>2014-15 Target</b>	<b>2014-15 Level Achieved</b>	<b>Comments</b>
Road Quality	At least 80% of Council roads (by length) will meet the New Zealand Transport Agency (NZTA) target for roughness and not more than 15% of road length shall exceed the NZTA maximum target roughness	Achieved	Council achieved this measure with a combined (urban/rural) measure of 92% against the smooth travel exposure
Road Safety	The number of crashes in the South Waikato District per 100 million vehicle km travelled (VKT) is less than both the crash rate per 100 million VKT for all New Zealand, and Council's peer group, as defined by the NZTA's annual road safety report	No data available (NZTA does not produce annual report anymore)	In 2011-12, Council achieved this measure with an overall result of 64 (peer 71, all NZ 68). There is a new measure in place for 2015/16.
Service Responsiveness	90% of potholes on Council's roads are repaired within one week of notice with the remaining 10% addressed within a month of notice	Achieved	78 requests were received for the year. 76 (97%) were responded to within target
Customer Satisfaction	Council receives fewer than twenty five complaints about the road network per year (this includes footpaths, signage, street lighting and road markings)	Achieved	8 complaints were received for the year. These related to: beam restoration, footpaths, poor drainage vegetation control and potholes. All were resolved.



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## Section 2: Groups of Activities

Customer Satisfaction	90% of all sub-standard footpaths within the district are responded to within one week of notice and repaired within two weeks, with the remaining 10% repaired within one month	Not Achieved	54 requests were received for the year. 93% were responded to within one week, 93% were repaired within two weeks, with 3 (6%) repaired within one month and 1 (2%) outside one month.
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### 2.2.2. Recreation and Facilities

#### Community outcomes

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

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

#### Contribution to the Council strategy

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

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

In addition, the following Council strategies also contribute to:

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

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## Section 2: Groups of Activities

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

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

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

The Centre is a well-used base for a variety of community, regional and national sports, business and private functions, with a total of 38,472 people having used the facility during the year.

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

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

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

#### **Community halls**

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

#### **Cemeteries**

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

#### **Public toilets**

The Council provides conventional public toilet facilities in Arapuni (adjacent to the Hydro Dam), Arapuni Village, Putāruru, Tirau, and Tokoroa. In total, 36 toilet facilities are managed by the Council (17 in Council buildings, 15 in reserves and four in the CBDs).

#### **Talking poles**

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

#### **Pensioner housing**

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

#### **Other properties**

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

#### **Tokoroa airfield**

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

#### **Parks and reserves**

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

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## Section 2: Groups of Activities

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Parks and Reserves are classified into several types:

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

### Swimming pools

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

### District library service

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

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

### Other recreation support

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

### Why we do it

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

- **South Waikato Sport and Events Centre**

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

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

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

- **Community halls**

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

- **Cemeteries**

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

- **Public toilets**

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

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- **Public toilet**

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

- **Talking poles**

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

- **Tokoroa airfield**

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

- **Christmas lights**

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

- **Parks and reserves**

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

- **Swimming pools**

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

- **District library service**

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

- **Other recreation support**

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

### Council's roles

Provider	Advocate	Regulator	Partner	Facilitator
Y	Y	Y	Y	Y

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## Section 2: Groups of Activities

### Funding impact statement - Recreation and Facilities

#### A. Facilities, property and amenities

	LTP 2014 \$000's	LTP 2015 \$000's	Actual 2015 \$000's
<b>SOURCES OF OPERATING FUNDING</b>			
General Rates, Uniform Annual General Charges, rates penalties	1,344	1,469	1,054
Targeted rates	31	34	32
Subsidies & grants for operating purposes	-	-	-
Fees, charges & targeted rates for water	676	701	633
Internal charges & overheads recovered	225	223	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
<b>TOTAL OPERATING FUNDING (A)</b>	<b>2,276</b>	<b>2,427</b>	<b>1,719</b>
<b>APPLICATION OF OPERATING FUNDING</b>			
Payments of staff & suppliers	933	958	947
Finance costs	161	170	155
Internal charges & overheads applied	740	751	277
Other operating funding applications	64	66	12
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>1,898</b>	<b>1,945</b>	<b>1,391</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)</b>	<b>378</b>	<b>482</b>	<b>328</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies & grants for capital expenditure	-	-	43
Development & financial contributions	-	-	17
Increase (decrease) in debt	415	239	116
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>	<b>415</b>	<b>239</b>	<b>176</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure:			
• to meet additional demand	6	45	8
• to improve the level of services	15	267	302
• to replace existing assets	684	165	125
Increase (decrease) in reserves	(279)	(227)	177
Increase (decrease) in investments	367	471	(108)
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>793</b>	<b>721</b>	<b>504</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)</b>	<b>(378)</b>	<b>(482)</b>	<b>(328)</b>
<b>FUNDING BALANCE ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>



# Annual Report 2014-2015

## Section 2: Groups of Activities

### Funding impact statement - Recreation and Facilities

#### B. Leisure services

	LTP 2014 \$000's	LTP 2015 \$000's	Actual 2015 \$000's
<b>SOURCES OF OPERATING FUNDING</b>			
General Rates, Uniform Annual General Charges, rates penalties	4,283	4,521	4,100
Targeted rates	-	-	-
Subsidies & grants for operating purposes	1	1	-
Fees, charges & targeted rates for water	364	376	328
Internal charges & overheads recovered	(32)	(61)	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
<b>TOTAL OPERATING FUNDING (A)</b>	<b>4,616</b>	<b>4,837</b>	<b>4,428</b>
<b>APPLICATION OF OPERATING FUNDING</b>			
Payments of staff & suppliers	2,601	2,683	2,551
Finance costs	145	163	67
Internal charges & overheads applied	1,001	1,042	1,315
Other operating funding applications	114	141	94
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>3,861</b>	<b>4,029</b>	<b>4,027</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)</b>	<b>755</b>	<b>808</b>	<b>401</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies & grants for capital expenditure	-	-	2
Development & financial contributions	8	9	3
Increase (decrease) in debt	722	244	290
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>	<b>730</b>	<b>253</b>	<b>295</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure:			
• to meet additional demand	-	-	-
• to improve the level of services	693	660	184
• to replace existing assets	1,100	384	550
Increase (decrease) in reserves	(1,070)	(783)	231
Increase (decrease) in investments	762	800	(269)
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>1,485</b>	<b>1,061</b>	<b>696</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)</b>	<b>(755)</b>	<b>(808)</b>	<b>(401)</b>
<b>FUNDING BALANCE ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Annual Report 2014-2015

## Section 2: Groups of Activities

### Significant asset acquisitions or replacements

#### Major capital projects for 2014-15

<b>Facilities, properties &amp; amenities</b>	<b>Actual Spend 2015 \$000</b>	<b>Budget Spend 2015 \$000</b>	<b>Actual Spend 2014 \$000</b>
Cemeteries*	169	112	7
Community Halls	32	31	12
The Plaza	-	-	-
Sports Events centre	11	12	37
Tirau Hall	6	15	4
Public toilets	84	571	270
Tokoroa airfield	-	-	248
Pensioner housing	124	136	62
<b>Total</b>	<b>426</b>	<b>877</b>	<b>640</b>
<b>Leisure services</b>	<b>Actual Spend 2015 \$000</b>	<b>Budget Spend 2015 \$000</b>	<b>Actual Spend 2014 \$000</b>
Library Collection Annual Renewal	122	135	133
Library-other	37	50	21
Sportsgrounds-Memorial Park	59	83	15
Logan Street Skatepark upgrade	-	-	11
Sportsgrounds-Glenshea Park	80	189	88
Reserves - walkway development	32	45	24
Reserves - Revegetation Planting	14	17	17
Reserves - Putaruru to Duxfield walkway	-	-	9
Playground Equipment renewals	28	28	128
Lake Moananui - Dam repairs*	221	-	640
Lake Moananui - silt removal and prevention work	28	151	148
Lake Moananui - silt detention forebay	-	-	57
Lake Moananui - retaining walls	-	37	
Baird Rd - bridge St Walkway-landscaping/planting	-	-	23
Other parks and reserves projects	45	56	17
District indoor pool - plant replacement	40	36	92
Tirau pool - plant replacement	23	27	6
Putaruru pool - plant replacement	4	-	25
<b>Total</b>	<b>733</b>	<b>854</b>	<b>1,454</b>

\* The additional expenditure on these 2 projects was approved by Council during the year.

#### Major variations from budget included:

The David Foote Park-permanent toilets and changing facilities project budgeted at \$158,000 is in progress, with the toilet now installed and the changing rooms upgrade still in progress, currently obtaining quotations on final design. The Leith Place toilet renewal/investigation budgeted at \$400,000 has not started as it is linked to the bigger Leith Place re-development project.

- The Glenshea Park fitness circuit equipment will arrive early in 2015-16.

# Annual Report 2014-2015

## Section 2: Groups of Activities

- The budget for the Lake Moananui projects has been carried over, and work will be completed early in 2015-16.

### Performance results - Recreation and Facilities

Key Result Areas	2014-15 Target	2014-15 Level Achieved	Comments
Safety: buildings	Council will ensure 100% compliance with the Building Act 2004 and hold current warrants of fitness where required (this includes Council owned buildings in public use, such as the Plaza)	Achieved	All Council buildings that are in public use hold a current Building Warrant of Fitness which is valid to December 2015.
Safety: playgrounds	Council will respond to complaints, service requests and inspection reports relating to unsafe playground equipment within one hour of notification and the equipment will be made safe within 24 hours at least 95% of the time	Achieved	No service requests or complaints received. Playground safety target has been met through contractor safety inspections and internal playground audits
Service quality: Parks and Reserves	Council receives fewer than ten complaints about parks and reserves per year	Achieved	Nine complaints were received for the year.
Safety: Swimming pools	At least 90% of pool water tests comply with the relevant New Zealand standards of water quality	Achieved	Pool water testing, which is performed a maximum of 5 times/day when the pools are in operation, has achieved an overall rating of 93%.
Usage: Swimming pools	An average of at least four visits per resident per year to the South Waikato Indoor Pools will be achieved.	Not Achieved	Four visits per resident were not achieved. This is based on 76,085 visits and a population of 22,800
Usage: Libraries	An average of at least 8.5 book issues per resident per year will be achieved	Not achieved	Council has achieved 6.3 book issues per resident. This is based on 143,391 issues and a population of 22,800. As a result of an increase in use of internet for information searching and e-books, this performance measure has been changed for future years
Service quality: Public Toilets	Council receives fewer than six complaints each year about public toilets	Achieved	Two quality complaints were received for the year. Increased cleaning and minor improvements have made an impact on the Leith Place toilets
Service responsiveness: Cemeteries	100% of all enquiries, requests or complaints are responded to within three working days of notice	Achieved	5 service requests or public enquires were received for the year. All were responded to within target

# Annual Report 2014-2015

## Section 2: Groups of Activities

Occupancy: Pensioner Housing	The service delivers affordable and appropriate units for our residents to live in, which is reflected in 95% occupancy of Council's pensioner housing on an annual basis	Achieved	Council's pensioner housing has achieved an occupancy rate of 97.25%
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### 2.2.3. Economic and Community Development

#### Community Outcomes

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

#### Contribution to the Council strategy

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

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

In addition, the following Council strategies also contribute to:

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

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

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

Council created the Youth Leadership and Advisory Board in 2015 to ensure that the youth voice is heard in decision making processes. Activities to build the capability of the district's youth and experience have been established with several events and training programmes made available to youth across the South Waikato.

# Annual Report 2014-2015

## Section 2: Groups of Activities

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Community pride is also enhanced through the Our Neighbourhood series that brings residents together to meet, engage and learn about local social services. Events such as Balloons over South Waikato continue to attract wide ranging support and participation from the community, businesses and the not for profit sector.

Council works with businesses in promoting the CBD's, usually through business/community associations such as Pride in Putāruru. This approach is to facilitate development by direct expenditure on the CBD and indirectly by striking a rate to support business promotions and encourage community events around the towns. The Council also facilitates by offering venues and equipment to groups working on community based projects and identifies volunteer partnership between local businesses and the not for profit sector.

The Council works with partners in joint ventures to achieve objectives which promote wider economic and social wellbeing. An example being scholarships and transport support for students with the University of Waikato and the development of training with industry leaders.

The Council established the award winning Tokoroa Trade Training Centre in 2008 and continues to provide services to local industry in an effort to facilitate growth of the centre's programmes. In 2015 course provision grew to include welding training and an investigation into further expansion to cater for the needs of the district's transport and logistics industry is being undertaken.

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

- Information Centres
- Waikato River Trails
- Overdale Community Centre
- The Plaza – South Waikato Performing Arts Centre
- Sport Waikato
- Pride in Putāruru
- Tokoroa Council of Social Services.

In addition contracts are also in place to support the development of Cougar Park and significant events such as The Taniwha. Both of these contracts contribute to enhance the image of the district and increase the tourism offerings within South Waikato. In order to build on the promotion of these projects and activities Council is a party to Hamilton Waikato Tourism, which is the Regional Tourism Organisation.

### **Why we do it**

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

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

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

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

#### **Economic development initiatives**

Council has prioritised job creation efforts and promotion of the district.

As well as direct funding of economic development initiatives the Council is involved in a variety of projects that have an indirect effect on the economic growth of the district. Council continues to work behind the scenes towards projects and endeavours that have a positive impact on the district. Much of this can be seen in the Business Case Management services made available in 2014 to support applicants working through regulatory processes.

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

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## Section 2: Groups of Activities

We have implemented previous commitments that encourage economic development from the Arapuni Concept Plan. The Council is also continuing to support the development of the Waikato River Trails through financial and partnership support. Council maintains the airfield as an operational airfield and now identifies its value as a multiuse space and also supports recreational initiatives on the periphery land that promote a range of economic and social benefits to the district.

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

Beyond the standard economic development efforts of Council, two entities have been established to further the aims of more jobs and greater district promotion. Council has transferred \$20,000,000 of its investment fund to the newly created South Waikato Investment Trust to manage the funds and assess applications for grants that will advance the district. The second entity known as the Economic DRIVE Trust appointed a board of directors in 2015 to identify growth opportunities, build relationships with investors and proactively seek industry development while supporting Council to reduce barriers to economic development in the district.

### Warm homes - clean air

Council has loan funded the Warm Homes Clean Air programme by \$150,000 in recent years, and continues to do so, in an effort to work towards National air quality standards.

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

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

Not solving the poor air quality situation could affect the potential for business expansion and economic development in these towns so Council is committed to these programmes to improve the health of Tokoroa's residents.

In addition to the Warm Homes Clean Air Programme, Council established a clean heat rates incentive scheme ('Heat Swap') in 2011 to support other ratepayers across the district that didn't qualify for the Warm Homes Clean Air Programme. This scheme also aims to replace non-compliant heating sources with compliant systems. This allows those who enter into the scheme to have a targeted rate on their property for ten years to alleviate pressures with the initial outlay to buy new appliances that provide clean heat. This programme continues to be well supported.

These programmes have made major improvements in the air quality in Tokoroa. For the calendar year ending December 2014 the Tokoroa airshed had nine exceedances (an exceedance is a recording of Particle Matter 10/PM10 over 50 mg/m3 as determined in the National Environmental Standards for Air Quality) with two thirds sitting between 50-60 mg/m3, a significant improvement from 2009 when Tokoroa measured 17 exceedances with the highest recorded at 80 mg/m3.

### Hospital and medical services

Council recognises the importance of ensuring that we retain an appropriate level of hospital and medical services in Tokoroa. Council was delighted when the final agreement for the establishment of a medical centre at the Tokoroa Hospital was achieved, and was opened in November 2013. Council still continues to support this model and has recently begun a public transport trial focussing on health care provision and access in the district.

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

### Council's role

Provider	Advocate	Regulator	Partner	Facilitator
Y	Y	Y	Y	Y

# Annual Report 2014-2015

## Section 2: Groups of Activities

### Funding impact statement - Economic and Community Development

	LTP 2014 \$000's	LTP 2015 \$000's	Actual 2015 \$000's
<b>SOURCES OF OPERATING FUNDING</b>			
General Rates, Uniform Annual General Charges, rates penalties	2,126	2,288	2,001
Targeted rates	141	171	94
Subsidies & grants for operating purposes	-	-	-
Fees, charges & targeted rates for water	18	14	10
Internal charges & overheads recovered	(100)	(130)	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
<b>TOTAL OPERATING FUNDING (A)</b>	<b>2,185</b>	<b>2,343</b>	<b>2,105</b>
<b>APPLICATION OF OPERATING FUNDING</b>			
Payments of staff & suppliers*	2,266	2,252	508
Finance costs	72	81	71
Internal charges & overheads applied	179	194	396
Other operating funding applications*	5	5	1,184
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>2,522</b>	<b>2,532</b>	<b>2,159</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)</b>	<b>(337)</b>	<b>(189)</b>	<b>(54)</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	-	-	-
Increase (decrease) in debt	364	215	(137)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>	<b>364</b>	<b>215</b>	<b>(137)</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure:			
• to meet additional demand	-	-	-
• to improve the level of services	21	-	-
• to replace existing assets	15	16	-
Increase (decrease) in reserves	(36)	(16)	20
Increase (decrease) in investments	27	26	(211)
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>27</b>	<b>26</b>	<b>(191)</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)</b>	<b>337</b>	<b>189</b>	<b>54</b>
<b>FUNDING BALANCE ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* In the LTP grants paid were previously included in payments of staff and suppliers. This is now more correctly classified as other operating funding applications.



# Annual Report 2014-2015

## Section 2: Groups of Activities

### Significant asset acquisitions or replacements

<b>Economic and community development</b>	<b>Actual Spend 2015 \$000</b>	<b>Budget Spend 2015 \$000</b>	<b>Actual Spend 2014 \$000</b>
District Promotion - billboards/signs	-	35	16
CBD Security Cameras	1	50	-
LED lighting	-	-	17
Tokoroa Rail Terminal*	1,871	-	-
Te Waihou Walkway upgrade*	99	-	-
Talking Poles	10	20	-
<b>Total</b>	<b>1,981</b>	<b>105</b>	<b>33</b>

\* These projects were not budgeted, but had been approved by Council and were funded from the Economic and Community Development Fund (\$5m)

#### Major variations from budget included:

- The Tokoroa Rail Terminal and Te Waihou walkway upgrade were new projects funded from the Economic and Community Development Fund.

### Performance results - Community and economic development

<b>Key Result Areas</b>	<b>2014-15 Target</b>	<b>2014-15 Level Achieved</b>	<b>Comments</b>
Social connectivity and building capacity of community groups	Membership of Council's community connect website is promoted and maintained with a minimum of 80 registered users updating details within the year	Achieved	151 members have updated their details this year
Youth Development	Council will support the coordination of an annual youth event in partnership with a local youth advisory group	Achieved	A Youth Advisory Board was established, co-ordinating a total of 6 events this year
Events	Council will ensure on average one event per quarter occurs to enhance community cohesiveness	Achieved	Community Development ran 13 events this year
Local economic development plan	Ensure the development of a local economic development plan (to be implemented through the 2015-25 Long Term Plan)	On track	The strategy was completed and was subject to the establishment of the DRIVE Trust

## 2.2.4. Water Supply

### Community Outcomes

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

- Well managed environment: Council's infrastructure is sustainable and contributes positively to the district environment.

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

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

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

In addition, the following Council strategies also contribute to:

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

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

The Council operates four urban and two rural water supply networks, totalling over 220km of pipeline and six treatment plants. Most of the water is taken from underground sources, which are considered to be of high quality. Just over half of Putāruru water is sourced from the Blue Spring, which is believed to be the source of 70% of New Zealand's bottled water, and is sold internationally. Athol's supply is sourced from a Carter Holt Harvey network connected into the local Council supply network. The water supply systems are maintained and operated by Council's Watermark business unit. Capital works are carried out internally or contracted out based on the scale and nature of the work and the relative efficiencies obtained by tendering out. The network has an estimated replacement value of \$51.9m, almost half of which is pipe reticulation (\$29.7m) based on a June 2013 valuation. Regular asset management and level of service reviews are undertaken to ensure asset condition is managed and customer expectations are understood.

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

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

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

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

# Annual Report 2014-2015

## Section 2: Groups of Activities

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### Why we do it

Council is in the business of providing water supply because:

- through consultation with the community, this activity has been shown to make an essential contribution to the wellbeing of the district in the areas of health, environment and economy.
- Council believes that, because of the natural monopoly nature and community importance of water supply and the consequences of service failure, it should retain management and operation of the district's water supply assets.

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

### Council's role

Provider	Advocate	Regulator	Partner	Facilitator
Y		Y		

# Annual Report 2014-2015

## Section 2: Groups of Activities

### Funding impact statement - Water Supply

	LTP 2014 \$000's	LTP 2015 \$000's	Actual 2015 \$000's
<b>SOURCES OF OPERATING FUNDING</b>			
<b>Rates Revenue:</b>			
General Rates, Uniform Annual General Charges, rates penalties	-	-	-
Targeted rates	1,992	2,020	2,191
<b>Other Revenue</b>			
Subsidies & grants for operating purposes	-	-	-
Fees, charges & targeted rates for water	239	247	272
Internal charges & overheads recovered	68	69	68
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	146
<b>TOTAL OPERATING FUNDING (A)</b>	<b>2,299</b>	<b>2,336</b>	<b>2,677</b>
<b>APPLICATION OF OPERATING FUNDING</b>			
Payments of staff & suppliers	697	722	1,285
Finance costs	-	-	-
Internal charges & overheads applied	954	939	695
Other operating funding applications	-	-	-
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>1,651</b>	<b>1,661</b>	<b>1,980</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)</b>	<b>648</b>	<b>675</b>	<b>697</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	1	1	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>	<b>1</b>	<b>1</b>	<b>-</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure:			
• to meet additional demand	-	-	-
• to improve the level of services	139	-	352
• to replace existing assets	776	385	117
Increase (decrease) in reserves	(913)	(385)	440
Increase (decrease) in investments	647	676	(212)
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>649</b>	<b>676</b>	<b>697</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)</b>	<b>(648)</b>	<b>(675)</b>	<b>(697)</b>
<b>FUNDING BALANCE ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Annual Report 2014-2015

## Section 2: Groups of Activities

### Significant asset acquisitions or replacements

<b>Water supply</b>	<b>Actual Spend 2015 \$000</b>	<b>Budget Spend 2015 \$000</b>	<b>Actual Spend 2014 \$000</b>
Tokoroa - reticulation replacements	213	225	224
Tokoroa - capital component of maintenance	20	12	10
Tokoroa - Billah St headworks (incl basement pumps)	46	53	44
Tokoroa - rising main - Colson's Hill	45	110	148
Tokoroa - Colsons Hill - repair leak	-	-	-
Tokoroa/Lichfield - resource consents	20	31	17
Tokoroa - Glenshea reservoir-repair leak	-	-	5
Putaruru - reticulations replacements	42	24	19
Putaruru - capital component of maintenance	19	12	1
Putaruru -Pinedale Reservoirs Solar Panel	2	2	-
Tirau - capital component of maintenance	-	12	14
Tirau - reticulation replacements	24	34	29
Arapuni - reticulation renewal	26	40	31
Arapuni - storage tank/reservoir refurbish	5	8	96
Arapuni - UV treatment	5	66	-
Other Capital Projects	-	-	26
<b>Total</b>	<b>467</b>	<b>629</b>	<b>664</b>

#### Major variations from budget included:

- Arapuni UV treatment will now be completed in 2015-16.

#### Major projects completed included:

- Arapuni storage tank and reservoir refurbishment
- Reticulation replacements.
- Billah Treatment Plant high lift pump replacement

#### Performance results - Water Supply

<b>Key Result Areas</b>	<b>2014-15 Target</b>	<b>2014-15 Level Achieved</b>	<b>Comments</b>
Service Responsiveness	At least 95% of disruption to Council's urban water supply network will be responded to within one hour of notice on 24/7 basis	Achieved	Council received 37 service requests. All (100%) were responded to within target
Network Reliability	90% of disruptions to Council's urban water supply network will be remedied within twelve hours of notice	Achieved	Council received 37 service requests. All (100%) remedied within target
Safety	At least 97% of tests for E.coli carried out on treated reticulated water will indicate a level of E. coli in the reticulated Council systems of less than one per 100ml	Achieved	659 samples were analysed. 659 (100%) achieved the target

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Water Quality grading - Ministry of Health (at source) requirement	All public water supplies will comply with the NZ Drinking Water Standards (water quality standards) by the date specified in the Health (Drinking Water) Amendment Act 2007. Tokoroa 1 Jul-2012; Putāruru 1 Jul-2014; Tirau 1 Jul-2014; Arapuni 1 Jul-2015; Lichfield 1 Jul-2015	Achieved	As stated in the Health Act 1956, section 69V (Duty to take all practicable steps to comply with Drinking Water Standards). Council do have a current Public Health Risk Management Plan dated April 2010.
Water Distribution system grading – Ministry of Health requirement	All public water supplies will comply with the NZ Drinking Water Standards (distribution system standards) by the date specified in the Health (Drinking Water) Amendment Act 2007. Tokoroa 1 Jul-2012; Putāruru 1 Jul-2014; Tirau 1 Jul-2014; Arapuni 1 Jul-2015; Lichfield 1 Jul-2015	Achieved	As stated in the Health Act 1956, section 69V (Duty to take all practicable steps to comply with Drinking Water Standards). Council do have a current Public Health Risk Management Plan dated April 2010.

### 2.2.5. Stormwater

#### Community Outcomes

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

#### Contribution to the Council strategy

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

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

In addition, the following Council strategies also contribute to:

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

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

Management of stormwater is an associated part of managing subdivision and land use and the roading network. Council currently has stormwater systems in Arapuni, Putāruru, Tirau and Tokoroa. The system is relatively long lasting as it is

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## Section 2: Groups of Activities

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mainly pipe based and most stormwater pipes are constructed of reinforced concrete and have a lifespan of around 100 years. Other components of the system are channelling, grating and culverts. Council maintains the pipe network to minimise blockages and responds to requests from the public for urgent maintenance needs. Discharges from these systems are monitored to meet conditions of consents imposed by Waikato Regional Council. Entry points for stormwater into the system have sumps to trap contaminating debris from washing through to natural waterways.

### Why we do it

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

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

### Council's role

Provider	Advocate	Regulator	Partner	Facilitator
Y		Y		



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### Funding impact statement - Stormwater

	LTP 2014 \$000's	LTP 2015 \$000's	Actual 2015 \$000's
<b>SOURCES OF OPERATING FUNDING</b>			
<b>Rates Revenue:</b>			
General Rates, Uniform Annual General Charges, rates penalties	-	-	-
Targeted rates	438	444	487
<b>Other Revenue</b>			
Subsidies & grants for operating purposes	-	-	-
Fees, charges & targeted rates for water	-	-	-
Internal charges & overheads recovered	127	123	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	320
<b>TOTAL OPERATING FUNDING (A)</b>	<b>565</b>	<b>567</b>	<b>807</b>
<b>APPLICATION OF OPERATING FUNDING</b>			
Payments of staff & suppliers	184	180	160
Finance costs	-	-	-
Internal charges & overheads applied	35	41	54
Other operating funding applications	-	-	-
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>219</b>	<b>221</b>	<b>214</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)</b>	<b>346</b>	<b>346</b>	<b>593</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure:			
• to meet additional demand	-	-	-
• to improve the level of services	-	-	-
• to replace existing assets	41	36	29
Increase (decrease) in reserves	(41)	(36)	268
Increase (decrease) in investments	346	346	296
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>346</b>	<b>346</b>	<b>593</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)</b>	<b>(346)</b>	<b>(346)</b>	<b>(593)</b>
<b>FUNDING BALANCE ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

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### Significant asset acquisitions or replacements

<b>Stormwater</b>	<b>Actual Spend 2015 \$000</b>	<b>Budget Spend 2015 \$000</b>	<b>Actual Spend 2014 \$000</b>
Tokoroa - minor new works projects	14	11	12
Puraruru - minor new works projects	12	17	9
Putaruru - Tirau Street pipe renewal	3	6	97
Tirau - minor new works projects	-	-	4
Arapuni Rd Outlets Replacement	-	-	3
<b>Total</b>	<b>29</b>	<b>34</b>	<b>125</b>

#### Major variations from budget included:

None

#### Performance results - Stormwater

Key Result Areas	2014-15 Target	2014-15 Level Achieved	Comments
Reliability	Buildings that comply with the Building Code will not be flooded due to failures of system maintenance	Achieved	No flooding of buildings that comply with the Building Code were reported
Service Responsiveness	At least 90% of non-urgent service requests are responded to within one week of notice. The remaining 10% will be responded to within two weeks	Achieved	During this reporting period 90.74% of requests were responded to within the one week timeframe. The remaining requests were responded to within the two week timeframe.
Consent Compliance	There will be no more than two 'Formal Enforcement Actions' from the consenting authority in regard to Council's compliance with resource consent conditions	Achieved	Council did not receive any formal enforcement actions from the Regional Council

### 2.2.6. Wastewater

#### Community Outcomes

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

#### Contribution to the Council strategy

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

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

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

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

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

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

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

- How effectively the service prevents any significant public health events that may be attributed to sewage contamination.
- Wastewater quality is measured by compliance with Resource Consents.
- How often there are capacity constraints on wastewater collection and treatment capacity and whether there is sufficient capacity to support growth in designated urban areas.
- By frequency of wastewater overflows from the collection network either through pipe blockages, breaks, or lack of capacity
- By frequency of discharge of partially treated wastewater from treatment plants and pumping stations because of lack of capacity or through operational faults
- Public satisfaction

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## Section 2: Groups of Activities

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### Why we do it

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

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

### Council's roles

Provider	Advocate	Regulator	Partner	Facilitator
Y		Y		

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### Funding impact statement - Wastewater

	LTP 2014 \$000's	LTP 2015 \$000's	Actual 2015 \$000's
<b>SOURCES OF OPERATING FUNDING</b>			
<b>Rates Revenue:</b>			
General Rates, Uniform Annual General Charges, rates penalties	-	-	-
Targeted rates	2,665	2,812	2,860
<b>Other Revenue</b>			
Subsidies & grants for operating purposes	-	-	-
Fees, charges & targeted rates for water	6	6	7
Internal charges & overheads recovered	316	316	2
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	322
<b>TOTAL OPERATING FUNDING (A)</b>	<b>2,987</b>	<b>3,134</b>	<b>3,191</b>
<b>APPLICATION OF OPERATING FUNDING</b>			
Payments of staff & suppliers	1,612	1,701	1,532
Finance costs	61	57	40
Internal charges & overheads applied	302	335	353
Other operating funding applications	70	73	-
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>2,045</b>	<b>2,166</b>	<b>1,925</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)</b>	<b>942</b>	<b>968</b>	<b>1,266</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	3	3	-
Increase (decrease) in debt	-	-	(42)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>	<b>3</b>	<b>3</b>	<b>(42)</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of services	-	-	119
- to replace existing assets	545	337	182
Increase (decrease) in reserves	(545)	(337)	473
Increase (decrease) in investments	945	971	450
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>945</b>	<b>971</b>	<b>1,224</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)</b>	<b>(942)</b>	<b>(968)</b>	<b>(1,266)</b>
<b>FUNDING BALANCE ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

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## Section 2: Groups of Activities

### Significant asset acquisitions or replacements

Wastewater	Actual Spend 2015 \$000	Budget Spend 2015 \$000	Actual Spend 2014 \$000
Tokoroa - wastewater treatment plant (WWTP) upgrade	-	13	41
Tokoroa - wastewater WWTP Boiler Pumps	9	12	-
Tokoroa - UV plant upgrade	14	14	13
Tokoroa WWTP - nitrogen removal enhancement	-	263	17
Tokoroa WWTP - security gates	27	27	-
Tirau WWTP upgrade	25	37	51
Arapuni WWTP upgrade	-	-	10
Putaruru Replace sewer main - Duke to Main	95	95	-
District-wide above ground/under ground plant renewals	109	157	54
Putāruru resource consent renewal	2	20	59
Putāruru filter pumps & UV	11	6	26
Other	9	77	-
<b>Total</b>	<b>301</b>	<b>721</b>	<b>271</b>

#### Major variations from budget included:

- Tokoroa wastewater treatment plant nitrogen removal enhancement will now be completed during 2015-16.

#### Major projects completed included:

- Miscellaneous above ground/underground plant renewals
- Putāruru, Arapuni Road sewer main lining
- Security Gate installation at the Tokoroa Wastewater Treatment Plant.

### Performance results - Wastewater

Key Result Areas	2014-15 Target	2014-15 Level Achieved	Comments
Network Reliability	No more than one break or blockage per year causing overflow, per 10km of Council's sewerage pipe network. The network comprises 163.9km of reticulation pipelines, so the KPI is for 16 or fewer breaks or blockages per annum	Achieved	Council has had 13 blockages for the year.
Quality of discharge	There will be no "Formal Enforcement Actions" from the consenting authority (Waikato Regional Council) in regard to Council's compliance with resource consent conditions relating to wastewater	Achieved	There were no formal enforcement actions from the Regional Council
Service Responsiveness	At least 95% of urgent service requests are responded to within one hour of the request with the remaining 5% responded to within 24 hours	Achieved	Council received 25 service requests. All (100%) were responded to within 1 hour

### 2.2.7. Solid Waste and Recycling

#### Community Outcomes

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

#### Contribution to the Council Strategy

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

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

In addition, the following Council strategies also contribute to:

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

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

Council provides the kerbside rubbish and recycling collections to our urban areas so that our residents are able to dispose of their waste safely. The Tokoroa landfill and Putāruru 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.

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

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

Council's solid waste and recycling functions include:



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### Landfill operations

Council currently has the following landfill sites:

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

### Litter collection

The service ensures that there are adequate litter collection arrangements in public places and that litter bins are properly maintained and emptied. This includes general litter collection from kerb and channels, some road berms and water tables.

### Refuse collection

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

### Hazardous waste disposal

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

### Recycling

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

### Why we do it

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

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

### Council's roles

Provider	Advocate	Regulator	Partner	Facilitator
Y	Y	Y	Y	Y

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### Funding impact statement - Solid Waste and Recycling

	LTP 2014 \$000's	LTP 2015 \$000's	Actual 2015 \$000's
<b>SOURCES OF OPERATING FUNDING</b>			
<b>Rates Revenue:</b>			
General Rates, Uniform Annual General Charges, rates penalties	743	747	415
Targeted rates	651	663	740
<b>Other Revenue</b>			
Subsidies & grants for operating purposes	-	-	44
Fees, charges & targeted rates for water	1,192	1,271	814
Internal charges & overheads recovered	(20)	(19)	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	138
<b>TOTAL OPERATING FUNDING (A)</b>	<b>2,566</b>	<b>2,662</b>	<b>2,151</b>
<b>APPLICATION OF OPERATING FUNDING</b>			
Payments of staff & suppliers	1,947	2,035	1,723
Finance costs	107	101	127
Internal charges & overheads applied	175	189	260
Other operating funding applications	99	102	-
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>2,328</b>	<b>2,427</b>	<b>2,110</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)</b>	<b>238</b>	<b>235</b>	<b>41</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	-	-	-
Increase (decrease) in debt	-	-	(48)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>	<b>-</b>	<b>-</b>	<b>(48)</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure:			
• to meet additional demand	-	-	-
• to improve the level of services	-	-	245
• to replace existing assets	33	33	4
Increase (decrease) in reserves	(33)	(33)	(25)
Increase (decrease) in investments	238	235	(231)
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>238</b>	<b>235</b>	<b>(7)</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)</b>	<b>(238)</b>	<b>(235)</b>	<b>(41)</b>
<b>FUNDING BALANCE ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

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### Significant asset acquisitions or replacements

<b>Solid waste and recycling</b>	<b>Actual Spend 2015 \$000</b>	<b>Budget Spend 2015 \$000</b>	<b>Actual Spend 2014 \$000</b>
Tokoroa landfill leachate pump	-	-	5
Tokoroa - recycling facility	173	124	649
Tokoroa - capital component of maintenance	21	21	3
Tokoroa - New Tipping Head	52	50	-
Tokoroa - other minor projects	4	4	3
Putaruru - other minor projects	-	5	6
Tirau - Depot Street - refurbish recycling container	-	-	-
<b>Total</b>	<b>250</b>	<b>204</b>	<b>666</b>

#### Major projects:

- The recycling centre facility at Croad Place was opened in November 2014.
- New tipping head was constructed at the Tokoroa landfill.

### Performance results - solid waste and recycling

Key Result Areas	2014-15 Target	2014-15 Level Achieved	Comments
Waste Minimisation	The amount of waste that is recycled must not be less than 10% of the residual waste sent to landfill.  ('Residual waste' is the gross tonnage over the weighbridge less cover material, sewage sludge, greenwaste, and metal/timber fractions)	Achieved	17% of residual waste was recycled
Consent Compliance	There will be no 'Formal Enforcement Actions' from the consenting authority in regard to Council's compliance with resource consent conditions	Achieved	There were no formal enforcement actions received from the Regional Council
Kerbside refuse collection	There are no more than 50 complaints about the kerbside refuse collection service per annum	Achieved	No complaints were received

### **2.2.8. Regulatory**

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

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

#### **Community outcomes**

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

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

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

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

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

In addition, the following Council strategies also contribute to:

- Develop partnerships that support the achievement of our vision.

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

Council has a regulatory role in the following main areas:

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

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

### Why we do it

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

### 2014-15 projects

- Animal Control operations continue to be managed effectively with public safety paramount
- The District Liquor Accord working partnership forum which was established between licensees, Police, the Public Health Unit and Council, continues to be successful in reducing alcohol related harm
- Food Act premise audits transition implemented
- After hours noise control contract renewed
- The Building Control Authority within the Council remains accredited to provide consenting and inspection services in accordance with the requirements of the Building Act 2004
- Derelict and dangerous and insanitary buildings monitoring and enforcement programme implemented
- Operative Local Approved Products Policy (LAPP) which considers the location of retail outlets for psychoactive substances.

### Council's roles

Provider	Advocate	Regulator	Partner	Facilitator
Y	Y	Y	Y	Y

# Annual Report 2014-2015

## Section 2: Groups of Activities

### Funding impact statement - Environment

#### A. Regulatory Services

	LTP 2015 \$000's	LTP 2015 \$000's	Actual 2015 \$000's
<b>SOURCES OF OPERATING FUNDING</b>			
<b>Rates Revenue:</b>			
General Rates, Uniform Annual General Charges, rates penalties	1,077	1,107	1,043
Targeted rates	-	-	-
Subsidies & grants for operating purposes	2	3	-
Fees, charges & targeted rates for water	748	776	774
Internal charges & overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	77
<b>TOTAL OPERATING FUNDING (A)</b>	<b>1,827</b>	<b>1,886</b>	<b>1,894</b>
<b>APPLICATION OF OPERATING FUNDING</b>			
Payments of staff & suppliers	1,120	1,137	1,099
Finance costs	-	-	-
Internal charges & overheads applied	706	748	729
Other operating funding applications	-	-	-
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>1,826</b>	<b>1,885</b>	<b>1,828</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)</b>	<b>1</b>	<b>1</b>	<b>66</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of services	-	-	-
- to replace existing assets	2	2	-
Increase (decrease) in reserves	(2)	(2)	1
Increase (decrease) in investments	1	1	65
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>1</b>	<b>1</b>	<b>66</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)</b>	<b>(1)</b>	<b>(1)</b>	<b>(66)</b>
<b>FUNDING BALANCE ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 2.2.8.1 Resource management and planning

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

Council has a role in the following areas:

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

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

#### Why we do it

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

#### 2014-15 projects

- District Plan appeals resolved without Environment Court hearings
- District Plan Operative 1 July 2015
- Council continues to monitor and enforce resource consent conditions and other activities through appropriate legislative framework
- Landowners continue to be supported through education, guidance and funding to enhance biodiversity.

#### Council's roles

Provider	Advocate	Regulator	Partner	Facilitator
Y	Y	Y	Y	Y



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## Section 2: Groups of Activities

### Funding impact statement - Environment

#### B. Resource management & planning

	LTP 2014 \$000's	LTP 2015 \$000's	Actual 2015 \$000's
<b>SOURCES OF OPERATING FUNDING</b>			
<b>Rates Revenue:</b>			
General Rates, Uniform Annual General Charges, rates penalties	977	903	1,078
Targeted rates	-	-	-
Subsidies & grants for operating purposes	19	19	-
Fees, charges & targeted rates for water	97	107	129
Internal charges & overheads recovered	(72)	(74)	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
<b>TOTAL OPERATING FUNDING (A)</b>	<b>1,021</b>	<b>955</b>	<b>1,207</b>
<b>APPLICATION OF OPERATING FUNDING</b>			
Payments of staff & suppliers	636	556	789
Finance costs	37	33	42
Internal charges & overheads applied	275	293	366
Other operating funding applications	73	73	-
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>1,021</b>	<b>955</b>	<b>1,197</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)</b>	<b>-</b>	<b>-</b>	<b>10</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	-	-	-
Increase (decrease) in debt	-	-	(88)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>	<b>-</b>	<b>-</b>	<b>(88)</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure:			
• to meet additional demand	-	-	-
• to improve the level of services	-	-	-
• to replace existing assets	-	-	-
Increase (decrease) in reserves	-	-	-
Increase (decrease) in investments	-	-	(78)
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>-</b>	<b>-</b>	<b>(78)</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)</b>	<b>-</b>	<b>-</b>	<b>(10)</b>
<b>FUNDING BALANCE ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Significant asset acquisitions or replacements

There were no asset acquisitions or replacements.

### 2.2.8.2 Emergency management

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

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

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

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

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

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

#### Why we do it

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

#### 2014-15 projects

- Council endorsed South Waikato District participation in new Pumicelands Enlarged Rural Fire District
- Council staff have continued to take an active part in all Waikato Regional Civil Defence Group discussions and decision making
- Relationships continue to be strengthened with local emergency services and welfare committee representatives
- Emergency operations centre training and EMIS welfare registration has been undertaken by Council civil defence staff
- Bylaw for open fires in the urban area operative
- Participation in national Ministry of Civil Defence and Emergency Management controllers' development programme.

#### Council's roles

Provider	Advocate	Regulator	Partner	Facilitator
Y	Y	Y	Y	Y

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

- Keep and maintain a current fire plan for the district (Section12(4))

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## Section 2: Groups of Activities

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- Give warnings of the imminence of fire hazard conditions [to the public] (Section.18(b))
- Give any information available in relation to fire hazard conditions [to the public] (Section.18(c)).

Upon being advised of the existence of a fire, proceed, or, if a Principal Fire Officer, arrange for a deputy to proceed, with all possible speed to the place where the fire is and, if in his/her opinion the fire constitutes a hazard to life or property, endeavour by all practical means to extinguish the fire and prevent the spread thereof and to save lives and property in danger (Section 36(1)(a)). All these requirements were met for the year.

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

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# Annual Report 2014-2015

## Section 2: Groups of Activities

### Funding impact statement - Environment

#### C. Emergency Management

	LTP 2014 \$000's	LTP 2015 \$000's	Actual 2015 \$000's
<b>SOURCES OF OPERATING FUNDING</b>			
<b>Rates Revenue:</b>			
General Rates, Uniform Annual General Charges, rates penalties	342	355	335
Targeted rates	-	-	-
Subsidies & grants for operating purposes	12	12	-
Fees, charges & targeted rates for water	-	-	1
Internal charges & overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
<b>TOTAL OPERATING FUNDING (A)</b>	<b>354</b>	<b>367</b>	<b>336</b>
<b>APPLICATION OF OPERATING FUNDING</b>			
Payments of staff & suppliers	197	203	168
Finance costs	-	-	-
Internal charges & overheads applied	149	156	138
Other operating funding applications	-	-	-
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>346</b>	<b>359</b>	<b>306</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)</b>	<b>8</b>	<b>8</b>	<b>30</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	-	-	-
Increase (decrease) in debt	-	-	21
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>	<b>-</b>	<b>-</b>	<b>21</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of services	-	-	-
- to replace existing assets	3	4	24
Increase (decrease) in reserves	(3)	(4)	13
Increase (decrease) in investments	8	8	14
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>8</b>	<b>8</b>	<b>51</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)</b>	<b>(8)</b>	<b>(8)</b>	<b>(30)</b>
<b>FUNDING BALANCE ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

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## Section 2: Groups of Activities

### Significant asset acquisitions or replacements

Emergency Management	Actual Spend 2015 \$000	Budget Spend 2015 \$000	Actual Spend 2014 \$000
Additional Generator	21	20	-
Replace 13 Portable Radios	3	4	-
<b>Total</b>	<b>24</b>	<b>24</b>	<b>-</b>

### Performance Results - Regulatory

Key Result Areas	2014-15 Target	2014-15 Level Achieved	Comments
Building Control timeliness	At least 90% of building consents are processed within statutory timelines (20 working days)	Achieved	Council received 465 building consents for the year. 99.3% of applications were processed within statutory timelines.
Accreditation	Council will retain accreditation as a Building Consent Authority	Achieved	Council has retained accreditation as a Building Consent Authority for the year.
Liquor and Food safety	100% of premises registered under the Food Hygiene Regulations are inspected annually	Achieved	Council has 219 registered premises. 100% have been inspected annually.
Animal Control service responsiveness	Greater than 90% of urgent* requests are responded to within one hour on a 24/7 basis. (*dog attacks, dog aggression, stock wandering on road)	Achieved	Council received 95 urgent service requests for the year. One didn't meet the hour response time.
Resource consent timeliness	At least 90% of non- notified consents are processed within statutory timelines (20 or 40 working days)	Achieved	86 non-notified resource consents were processed. 100% were processed within statutory timelines (20 or 40 working days)
Resource consent conditions	Not less than 80 hours per annum is spent on monitoring resource consent conditions	Achieved	85 hours have been spend on monitoring resource consent conditions
District plan integrity	Reviews and plan changes to the district plan are carried out in accordance with the statutory requirements in the Resource Management Act 1991 (RMA)	Achieved	14 appeals were received to the Proposed District Plan. Decisions were made in accordance with the RMA
Emergency management preparedness	More than six training sessions are held or attended per year, including one South Waikato Emergency Operations Centre exercise	Achieved	10 training sessions were held or attended during the year. A local South Waikato civil defence exercise on welfare registration was held 8 July
Emergency management awareness	More than 20 visits to local organisations per year	Achieved	23 visits were undertaken

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## Section 2: Groups of Activities

Rural fire compliance	Maintain rural fire management arrangements to meet the requirements of the Forest and Rural Fires Act 1977	Achieved	Achieved all the requirements of the National Rural Fire Authority
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### 2.2.9. Governance and corporate

#### Community Outcomes

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

#### Strategic directions - governance

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

#### Contribution to the Council strategy

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

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

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## Section 2: Groups of Activities

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

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

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

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

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

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

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

The role of the Community Board is to:

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

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

A representation review occurred during the year. Council consulted widely and received and heard submissions from the community. The outcome was that there would be no change in the representation structure for local government in the South Waikato and that would be no dedicated Councillors representing Māori.

### **Why we do it**

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

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

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

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- Local Electoral Act 2001.

### Council's roles

Provider	Advocate	Regulator	Partner	Facilitator
Y	Y	Y	Y	Y

### Funding impact statement - Governance and Corporate

	LTP 2014 \$000's	LTP 2015 \$000's	Actual 2015 \$000's
<b>SOURCES OF OPERATING FUNDING</b>			
General Rates, Uniform Annual General Charges, rates penalties	1,576	1,597	1,971
Targeted rates	15	15	11
Subsidies & grants for operating purposes	-	-	-
Fees, charges & targeted rates for water	-	-	90
Internal charges & overheads recovered	3	3	10,241
Local authorities fuel tax, fines, infringement fees, and other receipts	40	-	299
<b>TOTAL OPERATING FUNDING (A)</b>	<b>1,634</b>	<b>1,615</b>	<b>12,612</b>
<b>APPLICATION OF OPERATING FUNDING</b>			
Payments of staff & suppliers	518	437	7,064
Finance costs	-	-	55
Internal charges & overheads applied	1,050	1,045	4,432
Other operating funding applications	66	133	1,044
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>1,634</b>	<b>1,615</b>	<b>12,595</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)</b>	<b>-</b>	<b>-</b>	<b>17</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	-	-	-
Increase (decrease) in debt	928	-	6
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>	<b>928</b>	<b>-</b>	<b>6</b>
<b>APPLICATION OF CAPITAL FUNDING</b>			
Capital expenditure:			
• to meet additional demand	-	-	-
• to improve the level of services	-	-	2,134
• to replace existing assets	1,753	758	318
Increase (decrease) in reserves	(825)	(758)	(1,779)
Increase (decrease) in investments	-	-	(650)
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>928</b>	<b>-</b>	<b>23</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)</b>	<b>-</b>	<b>-</b>	<b>(17)</b>
<b>FUNDING BALANCE ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>



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### Significant asset acquisitions or replacements

Governance and corporate	Actual Spend 2015 \$000	Budget Spend 2015 \$000	Actual Spend 2014 \$000
Council admin buildings & depots	92	260	26
IT expenditure	148	282	333
Vehicle replacements	48	240	377
Trade training tools	63	-	-
Furniture renewals	11	15	6
<b>Total</b>	<b>362</b>	<b>797</b>	<b>742</b>

#### Major variations from budget included:

- Less expenditure was required for vehicle replacement this year. Capital expenditure on information services particularly replacement telephone system will occur next year. Work on the Tokoroa CBD upgrade (particularly the i-Site) has been delayed.

### Performance results - governance and corporate services

Key Result Areas	2014-15 Target	2014-15 Level Achieved	Comments
Compliance	Compliance with all sections of the Local Government Act 2002 governing elections and functions of elected officials and the preparation and consultation on all key Council policies required by the Act	Achieved	Consultation, the electoral processes and the functions of elected officials comply with legislation
Sustainability	Council will implement three actions per year that encourage sustainable behavioural change	Achieved	Council took part in the following initiatives: Waikato Local Authority Shared Services Energy Audit; Development and opening of the Croad Place Recycling facility and Water Conservation Education Campaign
Elections	Council will conduct error free local government elections (the election process is defined in the Local Electoral Act 2001)	Achieved	No elections during the year. 63 submissions received for Representation Review. Public Notice of final proposal published 8 July 2015.

### 2.2.10. Council Controlled Organisations (CCOs)

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

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

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

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

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## Section 2: Groups of Activities

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### Shareholders

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

### Company Objectives

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

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

### Nature and Scope of Activities

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

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

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

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

LASS has three major established operations - Shared Valuation Data Service (SVDS), Waikato Regional Transportation Model (WRTM), and the Insurance Advisory Group.

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

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

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### Performance results

The following performance measures were incorporated into the Local Authority Shared Services Limited (LASS) 2014-15 financial year.

Performance Measure	Actual Outcome
The Statement of Intent is informed by the annual survey and independent benefits review.	Achieved. A draft Statement of Intent (SOI) for 2015-16 was distributed to all shareholding councils for comment and feedback on 26 February 2015. The annual survey of shareholders was completed and presented to the Board at their meeting on 22 May. The draft benefits review was presented to the Board at their meeting on 22 May. The final SOI was adopted by the Board on 26 June 2015 and distributed to all shareholders on 29 June.
Costs Control: Administration expenditure shall not exceed that budgeted by more than 5% unless prior approval is obtained from the directors	Achieved, actual expenditure was \$16,439 unfavourable to budget.
The company maintains an overall positive cash flow position	Not achieved this year as cash flow was intentionally operated at a negative level in order to use up surpluses. The Company still maintains a safe cash position with the cash, cash equivalents and bank accounts balances at the end of June 2015, being \$693,617.
Reporting: The Board will provide a written report on the business operations and financial position of the LASS as a minimum on a 6 monthly basis	Achieved. The 2013/14 Annual Report was sent to all shareholders on 22 September 2014. A 6 month report was sent to all shareholders on 26 February 2015.
Statutory Adherence: There will be an annual report to directors that all statutory requirements of the LASS are being adhered to	Achieved. All parties have confirmed that there were no legislative breaches during the year and this will be reported to the LASS Board at the August meeting when the Annual Report is presented.
SVDS Availability: That SVDS is available to users at least 99% of normal working hours	Achieved. SVDS was available 99.8% of working hours
SVDS Data Sales Delivery: That at least 98% of agreed timelines are met for sale of property files that have been delivered to the File Transfer Protocol (FTP) server for access to customers	Achieved. 100% of timelines were met.
SVDS Major Enhancement Development Hours: All Capital enhancement work is supported by a business case approved by the Advisory Group	Not applicable this year as only minor work items of \$5,000 or less have been undertaken as per the road map approved by the SVDS Advisory Group
WRTM: That all required modelling reports are actioned within the required timeframe	Achieved. All modelling reports were completed within specified timeframe, or time extensions were agreed with the model partner/3rd partner concerned.
WTRM: That the base model adheres to "Screenline Validation Standards" as set out in the NZTA Economic Evaluation Manual as indicated by an	Achieved. The WRTM is going through an update process to bring it up to the 2013 census base. The peer reviewer has reviewed all technical notes and

# Annual Report 2014-2015

## Section 2: Groups of Activities

external independent peer review	has advised that the revised base model meets the EEM standards, This has been documented in the peer reviewer's report. The modelling services undertaken were all done using the WRTM version 7, which was last peer reviewed in 2013. No changes have been made to the model since that time.
WTRM: That a full report on progress of the WRTM model be provided to the LASS Board twice each year	Achieved. The WRTM Contract Manager reporting to the LASS Board in September 2014, October 2014, December 2014 and May 2015.
Insurance: The key performance indicators from appendix 4 of the brokerage contract are met	<p>Achieved. The KPI in the brokerage contract are as follows:</p> <ol style="list-style-type: none"> <li>1. Failure to undertake GAP Analysis and Risk profiling for each of the Councils. Achieved. The Gap analysis was completed.</li> <li>2. Not achieving at least an overall saving of 15% based on like for like coverage in non-property areas of the insurance profiles of LASS. Achieved.</li> <li>3. Failure to give appropriate strategic advice on programme structure and improve coverage for the councils in LASS. Achieved. A number of discussions and amendments have been made to and around the programme since the appointment of Aon. An example would be the Infrastructure Insurance programme that has been put in place and the current work being done on the Jardine Lloyd Thompson Group PLC/Riskpool offering.</li> <li>4. Failure to provide adequate and reasonable day to day service to the councils in the LASS group. Achieved. Most of the time, all Councils received this level of services. Occasionally there are times when the response to queries may be slightly delayed. To address this, more resource has been applied to the Aon team handling the LASS account. Regular advice is provided on specific areas, e.g. Contract Terms and Conditions, policy responses to specific scenarios put forward, claims.</li> </ol>
Joint Procurement: That any joint procurement projects deliver as per project approved objectives	Achieved. A joint procurement initiative was completed as per the project's objectives for a Professional Services Panel for four of the shareholding councils.
Advice to the Waikato Mayoral Forum: In response to requests from shareholders, the Company will provide regular reports and updates to the Waikato Mayoral Forum regarding progress with shared service initiatives.	Achieved. Written and verbal update reports were provided to the Mayoral Forum at their meetings on 30 July, 15 September and 4 November, 2014, 23 February, 20 April and 15 June 2015.
Independent Benefit Review Plan updated: The independent benefit review plan will be reviewed, updated and signed off by the LASS Board by 31 May of the year immediately preceding the year the plan	Achieved. As part of preparing the 2015-16 Statement of Intent, a new performance measure to assess the benefits being achieved by LASS was developed and included in the SOI's revised

# Annual Report 2014-2015

## Section 2: Groups of Activities

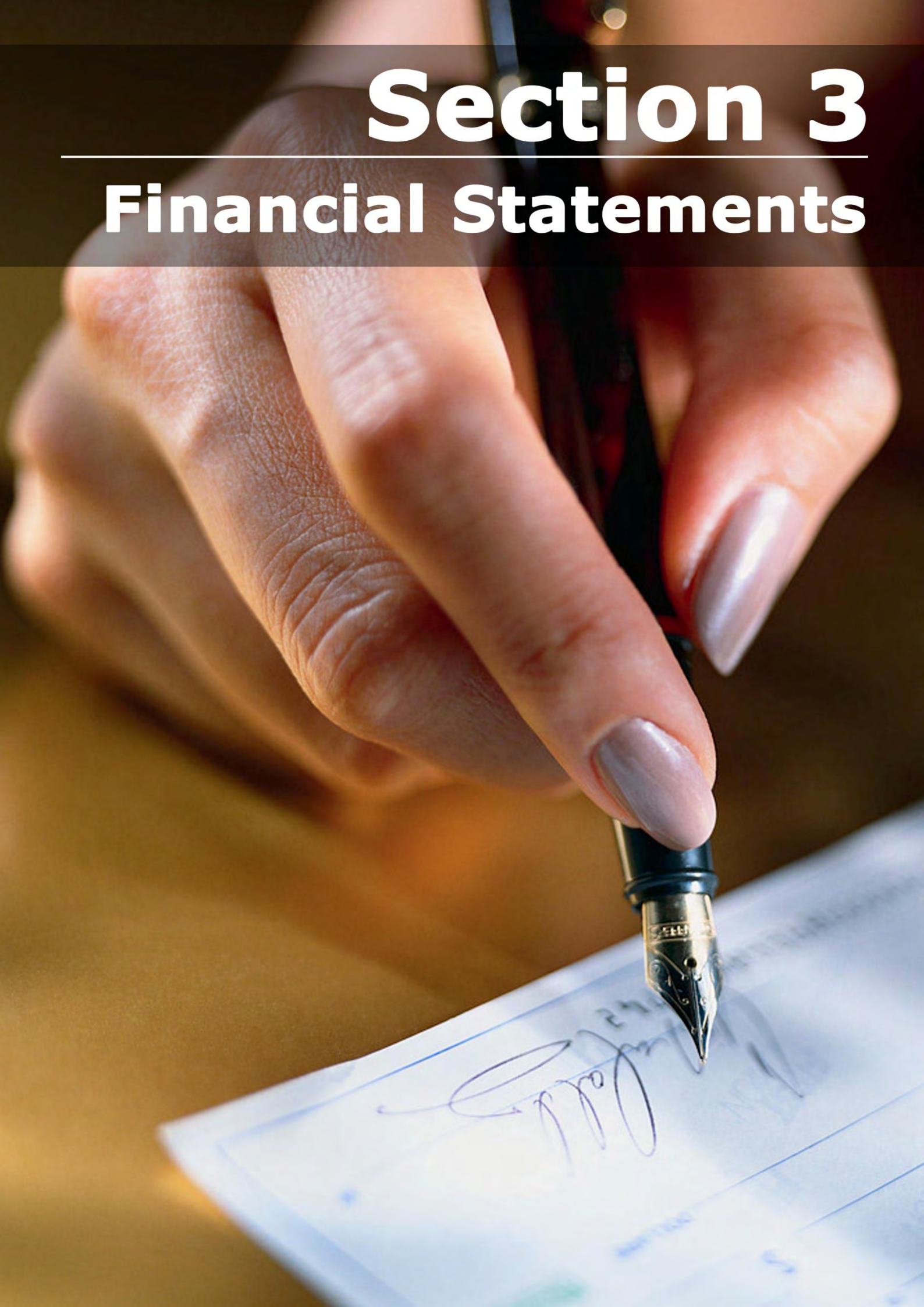
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relates to.	set of performance measures.
Independent Benefit Reviews: Those reviews timetabled in the plan for the current year be completed by the end of the year.	Achieved. The draft benefits review was presented to the Board at their meeting on 22 May. A copy of the final benefits report will be sent to shareholders with this Annual Report.



# Section 3

## Financial Statements



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### 3.1. Statement of compliance

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



Neil Sinclair MNZM JP BDS  
MAYOR  
22 October 2015



Craig Hobbs  
CHIEF EXECUTIVE  
22 October 2015



## 3.2. Consolidated statements

### 3.2.1. Statement of comprehensive revenue and expense

For the year ended 30 June 2015	Parent and Group			
	Note No.	Actual 2015 \$000	Budget 2015 \$000	Actual 2014 \$000
<b>Income</b>				
Rates, excluding targeted water supply rates	3	20,194	20,476	19,375
Fees, charges, and targeted rates for water supply		5,159	5,107	5,204
Development and financial contributions		33	35	42
Subsidies and grants	4	3,058	2,772	2,650
Finance income	5	507	408	707
Other revenue	6	1,623	2,389	1,326
Gains on financial instruments	7	-	-	1,273
<b>Total income</b>		<b>30,574</b>	<b>31,187</b>	<b>30,577</b>
<b>Expenditure</b>				
Employee benefits expense	8	8,359	8,226	8,208
Depreciation and amortisation expense	16,17	7,141	7,307	7,171
Finance costs	5	811	847	541
Other expenses	9	17,214	14,911	33,426
<b>Total expenditure</b>		<b>33,525</b>	<b>31,291</b>	<b>49,346</b>
<b>Surplus/(Deficit) before tax</b>		<b>(2,951)</b>	<b>(104)</b>	<b>(18,769)</b>
Income tax expense		-	-	-
<b>Surplus/(Deficit) after tax</b>		<b>(2,951)</b>	<b>(104)</b>	<b>(18,769)</b>
<b>Other comprehensive revenue and expense</b>				
Gain/loss in Asset Revaluation Reserve	21	6,273	9,032	3,836
Gain/loss in Investment Revaluation Reserve	21	538	-	(244)
<b>Total other comprehensive revenue and expense</b>		<b>6,811</b>	<b>9,032</b>	<b>3,592</b>
<b>Total comprehensive revenue and expense</b>		<b>3,860</b>	<b>8,928</b>	<b>(15,177)</b>

### 3.2.2. Statement of changes in equity

For the year ended 30 June 2015							
		Parent and Group					
	Note No.	Restricted Reserves	Council Created Reserves	Property Revaluation Reserves	Investment Revaluation Reserves	Retained Earnings	Total
<b>Balance as at 30 June 2013</b>		<b>9,336</b>	<b>27,400</b>	<b>211,832</b>	<b>534</b>	<b>146,899</b>	<b>396,001</b>
Deficit for the year		-	-	-	-	(18,769)	(18,769)
Transfers to retained earnings on disposal		-	-	62	-	(62)	-
Transfers to General Equity		(10,766)	(28,433)	-	-	39,199	-
Transfers from General Equity		12,137	9,074	-	-	(21,211)	-
<b>Other comprehensive revenue and expense</b>							
Gain/loss in Asset Revaluation Reserve	21	-	-	3,836	-	-	3,836
Gain/loss in Investment Revaluation Reserve	21	-	-	-	(244)	-	(244)
<b>Total comprehensive revenue and expense</b>		<b>1,371</b>	<b>(19,359)</b>	<b>3,898</b>	<b>(244)</b>	<b>(843)</b>	<b>(15,177)</b>
<b>Balance at 30 June 2014</b>		<b>10,707</b>	<b>8,041</b>	<b>215,730</b>	<b>290</b>	<b>146,056</b>	<b>380,824</b>
<b>Forecast balance at 1 July 2014</b>							
Deficit for the year	21	-	-	-	-	(2,951)	(2,951)
Transfers to retained earnings on disposal		-	-	(646)	-	646	-
Transfer of vegetation assets to retained earnings on disposal		-	-	(1,811)	-	1,811	-
Transfers to General Equity		7,631	560	-	-	(8,191)	-
Transfers from General Equity		(3,231)	(3,517)	-	-	6,748	-
<b>Other comprehensive revenue and expense</b>							
Gain/loss in Asset Revaluation Reserve	21	-	-	6,273	-	-	6,273
Gain/loss in Investment Revaluation Reserve	21	-	-	-	538	-	538
<b>Total comprehensive revenue and expense</b>		<b>4,400</b>	<b>(2,957)</b>	<b>3,816</b>	<b>538</b>	<b>(1,937)</b>	<b>3,860</b>
<b>Balance at 30 June 2015</b>		<b>15,107</b>	<b>5,084</b>	<b>219,546</b>	<b>828</b>	<b>144,119</b>	<b>384,684</b>

### 3.2.3. Statement of financial position

As at 30 June 2015				
	Note	Actual	Parent and Group	Actual
	No.	2015	Budget	2014
		\$000	2015	\$000
			\$000	\$000
<b>Equity</b>				
Retained earnings	21	144,119	147,129	146,056
Other reserves	21	240,565	211,274	234,768
<b>Total equity</b>		<b>384,684</b>	<b>358,403</b>	<b>380,824</b>
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	10	6,234	4,066	11,415
Receivables from non-exchange transactions	11	2,100	2,847	1,825
Receivables from exchange transactions	11	1,598	-	1,075
Inventories	12	198	177	204
Other financial assets	13	867	-	282
Non-current assets held for sale	14	743	-	245
<b>Total current assets</b>		<b>11,740</b>	<b>7,090</b>	<b>15,046</b>
<b>Non-current assets</b>				
Property, plant and equipment	15	382,300	363,924	379,155
Other financial assets	13	9,504	6,895	7,552
Non-current assets held for sale	14	81	-	147
Intangible assets	16	203	-	5
<b>Total non-current assets</b>		<b>392,088</b>	<b>370,819</b>	<b>386,859</b>
<b>Total assets</b>		<b>403,828</b>	<b>377,909</b>	<b>401,905</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables and deferred revenue from non-exchange transactions	17	995	-	1,068
Payables and deferred revenue from exchange transactions	17	2,589	3,362	2,779
Employee benefit obligations	19	981	1,376	1,373
Borrowings	20	816	918	577
Provision for landfill closure	18	26	28	28
Trust accounts	17	15	155	146
<b>Total current liabilities</b>		<b>5,422</b>	<b>5,839</b>	<b>5,971</b>
<b>Non-current liabilities</b>				
Provision for landfill closure	18	809	822	770
Borrowings	20	12,776	12,682	14,180
Employee benefit obligations	19	137	163	160
<b>Total non-current liabilities</b>		<b>13,722</b>	<b>13,667</b>	<b>15,110</b>
<b>Total liabilities</b>		<b>19,144</b>	<b>19,506</b>	<b>21,081</b>
<b>Net assets</b>		<b>384,684</b>	<b>358,403</b>	<b>380,824</b>

**3.2.4. Statement of cashflows**

For the year ended 30 June 2015	Note No.	Parent and Group		Actual 2014 \$000
		Actual 2015 \$000	Budget 2015 \$000	
Cash flow from operating activities				
<i>Cash was provided from:</i>				
Rates		22,108	22,819	21,292
Subsidies and grants		2,385	2,751	2,886
Fees and charges		2,921	3,301	3,015
Other income		1,230	-	698
Interest received		507	34	707
Dividend received		264	-	498
		<u>29,415</u>	<u>28,905</u>	<u>29,096</u>
<i>Cash was applied to:</i>				
Interest paid		811	850	541
Net GST paid		990	-	1,259
Payment to suppliers and employees		22,139	21,602	39,328
		<u>23,940</u>	<u>22,452</u>	<u>41,128</u>
<b>Net cash inflows/(outflows) from operating activities</b>	22	<b><u>5,475</u></b>	<b><u>6,453</u></b>	<b><u>(12,032)</u></b>
Cash flow from investing activities				
<i>Cash provided from:</i>				
Proceeds from investments		-	702	7,021
Property, plant and equipment sales		186	-	151
		<u>186</u>	<u>702</u>	<u>7,172</u>
<i>Cash was applied to:</i>				
Purchase of investments		1,998	827	-
Purchase of property, plant and equipment		7,679	6,442	7,723
		<u>9,677</u>	<u>7,269</u>	<u>7,723</u>
<b>Net cash inflows/(outflows) from investing activities</b>		<b><u>(9,491)</u></b>	<b><u>(6,567)</u></b>	<b><u>(551)</u></b>
Cash flow from financing activities				
<i>Cash was provided from:</i>				
Loans raised		1,629	1,033	7,105
		<u>1,629</u>	<u>1,033</u>	<u>7,105</u>
<i>Cash was applied to:</i>				
Loans repaid		2,794	903	688
<b>Net cash inflows/(outflows) from financing activities</b>		<b><u>(1,165)</u></b>	<b><u>130</u></b>	<b><u>6,417</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(5,181)</u></b>	<b><u>16</u></b>	<b><u>(6,166)</u></b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b><u>11,415</u></b>	<b><u>1,259</u></b>	<b><u>17,581</u></b>
<b>Cash and cash equivalents at the end of the year</b>	10	<b><u>6,234</u></b>	<b><u>1,275</u></b>	<b><u>11,415</u></b>

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## Section 3: financial statements

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

	Annual Plan 2014 \$000's	Actual 2014 \$000's	Annual Plan 2015 \$000's	Actual 2015 \$000's
<b>SOURCES OF OPERATING FUNDING</b>				
General Rates, Uniform Annual General Charges, rates penalties	16,538	16,082	16,820	16,529
Targeted rates	5,125	5,812	5,727	6,415
Subsidies & grants for operating purposes	2,653	1,225	2,588	1,259
Fees, charges & targeted rates for water	3,144	3,563	3,176	3,138
Interest & dividends from investments	805	577	458	740
Local authorities fuel tax, fines, infringement fees, and other receipts	153	1,157	112	328
<b>TOTAL OPERATING FUNDING (A)</b>	<b>28,418</b>	<b>28,416</b>	<b>28,881</b>	<b>28,409</b>
<b>APPLICATION OF OPERATING FUNDING</b>				
Payments of staff & suppliers	46,329	46,961	20,059	29,090
Finance costs	474	872	850	891
Other operating funding applications	401	119	899	2,369
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>47,204</b>	<b>47,952</b>	<b>21,808</b>	<b>32,350</b>
<b>SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)</b>	<b>(18,786)</b>	<b>(19,536)</b>	<b>7,073</b>	<b>(3,941)</b>
<b>SOURCES OF CAPITAL FUNDING</b>				
Subsidies & grants for capital expenditure	1,557	1,595	1,497	1,706
Development & financial contributions	23	42	13	33
Increase (decrease) in debt	716	255	1,059	673
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>	<b>2,296</b>	<b>1,892</b>	<b>2,569</b>	<b>2,412</b>
<b>APPLICATION OF CAPITAL FUNDING</b>				
Capital expenditure:				
• to meet additional demand	406	430	443	3,234
• to improve the level of services	785	857	1,230	3,336
• to replace existing assets	5,641	5,323	4,794	1,349
Increase (decrease) in reserves	(4,879)	(20,220)	(3,909)	73
Increase (decrease) in investments	(18,443)	(4,034)	7,084	(9,521)
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>(16,490)</b>	<b>(17,644)</b>	<b>9,642</b>	<b>(1,529)</b>
<b>SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)</b>	<b>18,786</b>	<b>19,536</b>	<b>(7,073)</b>	<b>3,941</b>
<b>FUNDING BALANCE ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 3.3. Notes to the financial statements

#### 1 Statement of accounting policies

##### Reporting entity

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

The primary objective of Council is to provide services and social benefits to the community rather than making a financial return. Accordingly, Council has designated itself as a public benefit entity for the purposes of financial reporting. The financial statements of the Council are for the year ended 30 June 2015. The financial statements were authorised for issue by the Councillors on 22 October 2015.

##### 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.

These are the first financial statements presented in accordance with the new 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).

###### PBE IPSAS 1: Presentation of Financial Statements

There are minor differences between PBE IPSAS 1 and the equivalent NZ IFRS (PBE) standard. These differences have an effect on disclosure only. The main changes in disclosure resulting from the application of PBE IPSAS 1 are the following:

###### *Receivables from exchange and non-exchange transactions:*

In the financial statements of the previous financial year, receivables were presented as a single total in the statement of financial position. However, PBE IPSAS 1 requires receivables from non-exchange transactions and receivables from exchange transactions to be presented separately in the statement of financial position. This requirement affected the presentation of both current and comparative receivables figures.

###### PBE IPSAS 23: Revenue from non-exchange transactions

PBE IPSAS 23 prescribes the financial reporting requirements for revenue arising from non-exchange transactions. There is no equivalent financial reporting standard under NZ IFRS. The application of this standard affected the presentation of revenue from exchange and non-exchange transactions in the statement of comprehensive revenue and expense.

###### Functional and presentation currency

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

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

###### Group financial statements

The following entity was a subsidiary of the Council for the 2013/14 year, but was wound up during 2014/15: the South Waikato Economic Development Trust (SWEDT). The Mayor, the Deputy Mayor and one other person were the only trustees. Council had no financial investment in SWEDT but funded some of SWEDT's activities, and exercised control in its financial and operating activities.

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

# Annual Report 2014-2015

## Section 3: financial statements

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

### Changes in accounting policies

There has been one change in accounting policy during the year. Previously vegetation assets were capitalised and depreciated. Once an area is re-vegetated, it is not maintained in the future and becomes part of the bush area. Due to this, previous and future vegetation assets will be treated as operational expense.

### Standards, amendments and interpretations issued that are effective and have been adopted

The Council has transitioned to the new and applicable PBE Accounting Standards in preparing its 30 June 2015 financial statements. The Council has assessed the implications of the new Accounting Standards Framework to be minor and more of a presentational and disclosure issue.

## Significant accounting policies

### Revenue

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

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

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

### Government grants

Government grants are recognised when:

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

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

### Provision of services

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

### Interest and dividends

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

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

### Vested assets

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

### Financial contributions borrowing costs

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

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

# Annual Report 2014-2015

## Section 3: financial statements

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### **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



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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 2014 by professionally qualified in-house staff, and peer reviewed by Opus International Consultants Limited, Auckland at optimised depreciated replacement value. Each asset component was valued taking into account its remaining useful life.

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

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

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

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

### **Restricted assets**

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

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- 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

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

### Stormwater Systems

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

### Water Supply

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

### Impairment

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

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

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

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

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

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

### Disposals

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

### Subsequent cost

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

### Assets under construction

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

### Vested assets

Certain infrastructure assets have been vested in Council and are recognised in profit or loss at fair value. These assets have been valued based on the actual quantities of infrastructure components vested and the current 'in the ground' cost of providing identical services. Vested assets include roads, the Talking Poles, pavement art, the Tokoroa town clock, the

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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.

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### **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.

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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.

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### **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% (2014: 3.5%) per annum and a discount rate between 2.93% and 5.50% (2014: 3.7% - 6%) per annum. The discount rate is derived from the forward rates on NZ Government Bonds over recent periods. It's also assumed that all employees will retire at the age of 65 and will resign in accordance with the withdrawal rate assumption taken from the Treasury Circular 1998/15. Any actuarial gain or loss resulting from re-measurement of these liabilities is recognised in profit or loss.

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

#### **Presentation of employee entitlements**

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

### **Superannuation schemes**

#### **Defined contribution scheme**

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

### **Public equity**

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

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

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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. Summary

### 2a. Cost of services

	Parent and Group		
	Actual	Budget	Actual
	2015	2015	2014
	\$000	\$000	\$000
<b>REVENUE</b>			
<b>Revenue From Significant Activities</b>			
Transport and roading	2,942	2,704	2,708
Facilities, properties and amenities	785	781	743
Leisure services	333	349	349
Economic and community development	104	162	126
Water supply	2,463	2,482	2,313
Stormwater	487	484	509
Wastewater	2,870	2,796	2,836
Solid waste and recycling	1,630	1,656	2,063
Environment - regulatory services	877	787	781
Environment- resource management and planning	128	96	125
Environment - emergency management	1	7	10
Governance and corporate	254	225	55
<b>Total Service Statement Revenue</b>	<b>12,874</b>	<b>12,529</b>	<b>12,618</b>
<b>General Revenue</b>	18,469	17,469	17,959
<b>TOTAL REVENUE</b>	<b>31,343</b>	<b>29,998</b>	<b>30,577</b>
<b>EXPENDITURE</b>			
<b>Expenditure From Significant Activities</b>			
Transport and roading	9,017	8,519	7,234
Facilities, properties and amenities	1,817	1,846	2,048
Leisure services	4,594	4,533	4,510
Economic and community development	2,216	2,400	22,665
Water supply	2,969	3,054	2,393
Stormwater	621	628	616
Wastewater	2,896	3,174	2,986
Solid waste and recycling	2,288	2,202	2,194
Environment - regulatory services	1,791	1,860	1,802
Environment- resource management and planning	1,200	1,124	1,092
Environment - emergency management	328	351	324
Governance and corporate	6,638	1,831	1,733
<b>Total Service Statement Expenditure</b>	<b>36,373</b>	<b>31,522</b>	<b>45,597</b>
<b>Less Internal Expenditure</b>	(2,079)	(1,420)	(739)
<b>TOTAL EXPENDITURE</b>	<b>34,294</b>	<b>30,102</b>	<b>48,858</b>
<b>NET DEFICIT BEFORE TAX</b>	<b>(2,951)</b>	<b>(104)</b>	<b>(18,769)</b>

**2b. Exchange/non-exchange revenue**

	Parent and Group		
	Actual	Budget	Actual
	2015	2015	2014
	\$000	\$000	\$000
<b>Revenue from exchange transactions</b>			
Fees and user charges including targeted rates for water supply	5,159	5,107	5,204
Subsidies and grants	3,058	2,772	2,650
Interest revenue	507	408	707
<b>Total revenue from exchange transactions</b>	<b>8,724</b>	<b>8,287</b>	<b>8,561</b>
<b>Revenue from non-exchange transactions</b>			
Development contributions	33	35	42
Other revenue	1,500	1,000	2,471
Rates, excluding targeted rates for water supply	20,194	20,476	19,375
Vested assets	123	200	128
<b>Total revenue from non-exchange transactions</b>	<b>21,850</b>	<b>21,711</b>	<b>22,016</b>
<b>Total revenue</b>	<b>30,574</b>	<b>29,998</b>	<b>30,577</b>

**3 Rates revenue**

	Parent and Group	
	Actual	Actual
	2015	2014
	\$000	\$000
<b>General Rates</b>	16,195	15,711
<b>Targeted rates attributable to activities</b>		
Waste water	2,860	2,741
Stormwater	487	408
Solid waste	740	563
Business Promotion	94	87
Economic Development	45	49
Public Halls	11	15
District Governance	321	322
Rates charged on Council properties	(559)	(521)
<b>Total rates, excluding targeted water supply rates</b>	<b>20,194</b>	<b>19,375</b>

**Rates remissions**

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

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

**4 Subsidies and grants**

	Parent and Group	
	Actual 2015 \$000	Actual 2014 \$000
New Zealand Transport Agency roading subsidies	2,875	2,554
Grants and donations for the SW Sport and Events Centre	43	96
National Waste Levy	125	-
Sundry other	15	-
	<b>3,058</b>	<b>2,650</b>

There are no unfulfilled conditions and other contingencies attached to subsidies and grants recognised (2014 nil).

**5 Finance income and finance costs**

	Parent and Group	
	Actual 2015 \$000	Actual 2014 \$000
Finance Income		
Interest Income		
- Term deposits	256	150
- Available for Sale bonds	251	557
<b>Total Finance Income</b>	<b>507</b>	<b>707</b>
Finance Cost		
Interest cost		
- Interest on bank borrowings	785	525
- Provisions: Discount unwinding (Note 18)	26	16
<b>Total Finance Costs</b>	<b>811</b>	<b>541</b>

**6 Other revenue**

	Parent and Group	
	Actual 2015 \$000	Actual 2014 \$000
Dividends	264	498
Petrol tax	156	146
Vested assets	123	129
Other	1,080	553
	<b>1,623</b>	<b>1,326</b>

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

	Parent and Group	
	Actual 2015 \$000	Actual 2014 \$000
<b>Financial Instruments</b>		
Fair value through other comprehensive income-gains on disposal ( Note 21)	-	1,273
Fair value through other comprehensive income-losses on disposal	-	-
Gains/(losses) on changes in fair value of Forward Exchange Contracts	-	-
<b>Total financial Instruments gains/(losses)</b>	<b>-</b>	<b>1,273</b>

## 8 Employee benefit expenses

### Defined benefit retirement leave provision

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

	Parent and Group	
	Actual 2015 \$000	Actual 2014 \$000
The principal assumptions used for the purpose of the actuarial valuations were as follows:		
Discount rate	2.93%-5.5%	3.70%-5.5%
Expected rate of salary increase	3.5%	3.5%
Retirement age for all employees	65	65
Amounts recognised in the balance sheet in respect of the defined benefit retirement plan are as follows:		
Present value of unfunded obligation	220	241
Less-unrecognised past service cost	-	-
<b>Net liability recognised in the balance sheet</b>	<b>220</b>	<b>241</b>
Comprising:		
Current	124	122
Non-current	96	119
<b>Total employee benefit obligations</b>	<b>220</b>	<b>241</b>
Amounts recognised in the income statement in respect of the defined benefit retirement plan are as follows:		
Current service cost	23	22
Interest cost	2	3
Actuarial gains/(losses)	(31)	(17)
<b>Total</b>	<b>(6)</b>	<b>8</b>
The charge for the year is included in the employee benefits expense in the income statement.		
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	241	277
Current service cost	23	22
Interest cost	2	3
Actuarial gains/(losses)	(31)	(17)
Less: benefits paid	(15)	(44)
<b>Closing defined benefit obligation</b>	<b>220</b>	<b>241</b>

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### 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.

	Parent and Group	
	Actual 2015 \$000	Actual 2014 \$000
The present value of long service compensated leave	<b>66</b>	<b>79</b>
Comprising:		
Current	25	38
Non-current	41	41
Total employee benefit obligations	<b>66</b>	<b>79</b>
Amounts recognised in the profit or loss in respect of Council's long service compensated leave and salaries are as follows:		
Salaries	8,359	8,195
Current service cost	6	6
Interest cost	1	1
Actuarial (gains)/ losses	(15)	(3)
Past service cost	-	-
<b>Total</b>	<b>8,351</b>	<b>8,199</b>
The charge for the year is included in the employee benefits expense in the profit or loss.		
Changes in the present value of long service compensated leave are as follows:		
<b>Opening long service compensated leave obligation</b>	<b>79</b>	<b>78</b>
Current service cost	6	6
Interest cost	1	1
Past service cost	-	-
Less: benefits paid	(5)	(6)
Actuarial (gains)/losses	(15)	1
<b>Closing long service compensated leave obligation</b>	<b>66</b>	<b>80</b>
<b>Total employee benefits expense recognised in the profit or loss</b>	<b>8,359</b>	<b>8,208</b>
<b>Current portion of employee benefit obligations recognised in the balance sheet.</b>	<b>149</b>	<b>160</b>
<b>Non-current portion of employee benefit obligations recognised in the balance sheet.</b>	<b>137</b>	<b>160</b>

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### 9 Other expenses

	Parent and Group	
	Actual 2015 \$000	Actual 2014 \$000
Audit Fees-audit of financial statements	122	120
Audit Fees-audit of Long Term Plan	81	-
Impairment of receivables	(242)	127
Rates Remissions	170	170
Councillors Remuneration (including meeting allowances)	335	316
Insurance	209	102
Subscriptions, fees and contribution to other organisations legal and settlement fees	120	90
Donations and grants	45	13
Economic and Community fund grants	1,114	209
Inventories consumed	905	-
Losses on disposal of property, plant and equipment	3	55
Library books asset write down	3,014	504
Repairs and maintenance	-	21
Energy	4,112	3,955
Operational costs	664	658
SWIF investment paid out to SWIF Trust	3,251	3,067
Other operating expenses	-	20,512
<b>Total</b>	<b>3,311</b>	<b>3,505</b>
	<b>17,214</b>	<b>33,426</b>

### Severance Payments

During the year to 30 June 2015, one severance payment of \$3,805 was made to an employee of the South Waikato District Council (2014: Nil).

### 10 Cash and cash equivalents

	Parent and Group	
	Actual 2015 \$000	Actual 2014 \$000
Cash at bank and in hand	300	967
Term deposits: ex-South Waikato Investment Funds	3,000	5,000
Cash investments in Restricted reserves	2,046	2,784
Call accounts	888	2,664
<b>Total cash and cash equivalents</b>	<b>6,234</b>	<b>11,415</b>

The carrying amount of short-term deposits with maturity dates of three months or less approximates their fair value. The weighted average effective interest rate for cash and cash equivalents is 2.5% (2014: 3.9%).



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### 11 Trade and other receivables

	Parent and Group	
	Actual 2015 \$000	Actual 2014 \$000
Rates receivable	1,691	1,784
Metered water	50	41
Sundry debtors	1,020	948
Prepayments	157	262
Accrued revenue	936	263
Related party receivables (note 24)	19	20
	<b>3,873</b>	<b>3,318</b>
Less: Provision for Impairment of receivables	175	418
<b>Total trade and other receivables</b>	<b>3,698</b>	<b>2,900</b>

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

2,100 1,825

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

1,598 1,075

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

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

	Council only	
	Actual 2015 \$000	Actual 2014 \$000
Arrears (> 1 year)	483	573
Current (< 1 year)	1,000	992
Penalties	208	219
<b>Carrying amount</b>	<b>1,691</b>	<b>1,784</b>
Movements in the provision for impairment of receivables are as follows:		
At 1 July	418	354
Increase/(decrease) in provisions made during the year	(184)	190
Receivables written off during the year	(59)	(126)
<b>At 30 June</b>	<b>175</b>	<b>418</b>

**12 Inventories**

	Council only	
	Actual 2015 \$000	Actual 2014 \$000
Reticulation repairs stock	188	149
Water treatment stock	-	4
Other stock	10	51
<b>Total</b>	<b>198</b>	<b>204</b>

**13 Other financial assets**

	Parent and Group	
	Actual 2015 \$000	Actual 2014 \$000
<b>Current portion</b>		
<b>Available for Sale Financial Assets:</b>		
Corporate bonds, deposits and other fixed interests	834	258
<b>Loans and receivables</b>		
Tirau Golf Club	-	5
Putaruru Squash Rackets Club	2	-
Tokoroa Kart Club	2	4
Withholding tax on income	29	15
<b>Total current portion</b>	<b>867</b>	<b>282</b>
<b>Non-Current portion</b>		
<b>Available for Sale Financial Assets:</b>		
Corporate bonds, deposits and other fixed interests	5,248	4,126
Oveseas share portfolio	3,580	2,731
Shared Valuation Database Systems	43	43
NZ Local Government Insurance Corporation Limited	44	44
<b>Loans and receivables</b>		
Putaruru Squash Racquets Club	4	3
Tokoroa Kart Club	4	-
Heat Swap paying providers	581	603
<b>Total non-current portion</b>	<b>9,504</b>	<b>7,552</b>

**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% (2014: 5.39%). 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 Non-current assets held for sale**

	Parent and Group	
	Actual 2015 \$000	Actual 2014 \$000
<b>Current</b>		
Local Purpose Reserve etc; Parts of James Higgins Park	217	217
Sections 1 & 4 (Lake Road, Tirau)	61	28
Depot – Patetere Street – Tīrau	465	-
	<b>743</b>	<b>245</b>
<b>Non -Current</b>		
Tokoroa Depot	26	-
Section 3 SO 459585	10	10
Section 4 SO 459585	3	3
Unformed Road off Lichfield Road	29	24
Parts of James Higgins Park	-	96
57 Arapuni Street – Putāruru	4	10
Parts of Totara Park - Putāruru	9	4
	<b>81</b>	<b>147</b>
<b>Total</b>	<b>824</b>	<b>392</b>

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 2016. 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 2016.

The accumulated property revaluation reserve recognised in equity for these properties at 30 June 2015 is \$520,000 (2014: \$143,000).

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### 15 Property, plant and equipment

Asset Class	Parent and Group 2014-15												
	Cost/revaluation 1 July 2014 \$000	Accumulated depreciation & impairment charges	Carrying amount 1 July 2014 \$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 on elimination on revaluation \$000	Cost/revaluation 30 June 2015 \$000	Accumulated & depreciation & impairment charges 30 June 2015	Transfer to assets held for sale 30 June 2015
<b>Operational assets</b>													
<i>Heritage assets</i>	144	-	144	-	-	-	-	-	-	144	-	-	144
Library collection	1,315	(876)	439	122	-	(72)	(109)	50	-	1,365	(935)	-	430
Buildings	16,284	(458)	15,826	503	-	(1)	(288)	-	-	16,487	6	-	16,493
Furniture & fittings	1,346	(935)	411	31	-	(16)	(61)	16	-	1,361	(980)	-	381
Equipment	5,360	(4,267)	1,093	25	4	(146)	(436)	134	-	6,066	(5,392)	-	674
Land	3,390	(1)	3,389	-	-	(133)	252	(0)	-	3,512	(4)	-	3,508
Motor vehicles	1,393	(538)	855	48	-	(146)	(200)	106	-	1,295	(632)	-	663
Other major plant	510	(235)	275	84	-	-	(30)	-	-	595	(266)	-	329
<b>Total operational assets</b>	<b>29,742</b>	<b>(7,310)</b>	<b>22,432</b>	<b>813</b>	<b>4</b>	<b>(514)</b>	<b>705</b>	<b>(1,124)</b>	<b>306</b>	<b>-</b>	<b>30,825</b>	<b>(8,203)</b>	<b>22,622</b>
<b>Infrastructural assets</b>													
Bridges	7,570	-	7,570	1	-	-	(184)	-	-	7,571	(184)	-	7,387
Culverts	5,936	(25)	5,911	7	-	-	(138)	-	-	5,918	(138)	-	5,780
Buildings	4,573	(132)	4,441	270	-	(11)	(637)	(90)	-	3,973	-	-	3,973
Land	3,992	-	3,992	-	-	-	724	-	-	4,716	-	-	4,716
Landfill	4,827	(2,293)	2,534	74	-	-	(169)	-	-	4,893	(2,454)	-	2,439
Pipes	13	(3)	10	-	-	-	(0)	-	-	13	(3)	-	10
Pumps	269	(269)	-	-	-	-	-	-	-	267	(267)	-	-
Roads and Footpaths	219,662	-	219,662	3,078	-	(569)	(2,796)	66	-	222,171	(2,730)	-	219,441
Sewerage:	-	-	-	-	-	-	-	-	-	-	-	-	-
Treatment plant and facilities	14,116	(527)	13,589	175	-	(89)	(486)	314	-	14,501	(998)	-	13,503
Other (includes reticulation)	17,408	(506)	16,902	97	-	(11)	(501)	(300)	-	17,193	(1,006)	-	16,187
Street furniture	540	(420)	120	10	-	-	(44)	-	0	550	(464)	-	86
Streetlights	2,324	(28)	2,296	125	-	(18)	(113)	-	0	2,431	(141)	-	2,290
Stormwater system	20,111	(443)	19,668	818	-	(78)	(410)	-	0	20,851	(853)	-	19,998
Water systems	-	-	-	-	-	-	-	-	-	-	-	-	-
Treatment plant and facilities	7,193	(281)	6,912	202	33	(32)	(283)	(612)	-	6,780	(560)	-	6,220
Other (includes reticulation)	17,704	(563)	17,141	559	-	(165)	(516)	589	-	18,678	(1,070)	-	17,608
<b>Total infrastructural assets</b>	<b>326,238</b>	<b>(5,490)</b>	<b>320,748</b>	<b>5,416</b>	<b>33</b>	<b>(973)</b>	<b>87</b>	<b>(5,730)</b>	<b>57</b>	<b>0</b>	<b>330,506</b>	<b>(10,868)</b>	<b>319,638</b>
<b>Restricted assets</b>													
Parks & reserves	4,752	(579)	4,173	423	-	(2,241)	(5)	(236)	169	2,429	-	-	2,429
Restricted buildings	2,504	(81)	2,423	51	-	(1)	266	(51)	-	2,688	-	-	2,688
Restricted land	27,610	(291)	27,319	92	-	(41)	4,559	-	15	32,376	-	(432)	31,944
<b>Total restricted assets</b>	<b>34,866</b>	<b>(951)</b>	<b>33,915</b>	<b>566</b>	<b>-</b>	<b>(2,283)</b>	<b>4,820</b>	<b>(287)</b>	<b>184</b>	<b>146</b>	<b>37,493</b>	<b>(432)</b>	<b>37,061</b>
Capital work in progress	2,060	-	2,060	919	-	-	-	-	-	2,979	-	-	2,979
<b>Grand total</b>	<b>392,906</b>	<b>(13,751)</b>	<b>379,155</b>	<b>7,714</b>	<b>37</b>	<b>(3,770)</b>	<b>5,612</b>	<b>(7,141)</b>	<b>547</b>	<b>146</b>	<b>401,803</b>	<b>(19,071)</b>	<b>382,300</b>

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

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## Section 3: financial statements

The net carrying amount of property, plant and equipment held under a finance lease is \$Nil; (2014: \$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 (2014: \$Nil). The closing balance of the revaluation reserve is \$219,545,000 (2014: \$215,730,000).

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

### Revaluation

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

### Depreciation and amortisation expense by group of activity

	Parent and Group	
	Actual 2015 \$000	Actual 2014 \$000
Transport and roading	3,293	3,188
Recreation and facilities	851	865
Economic and community development	-	12
Water supply	851	851
Stormwater	410	406
Wastewater	990	1,037
Solid waste and recycling	191	175
Regulatory	50	-
Environment - emergency management	22	15
Governance and corporate	483	622
<b>Total</b>	<b>7,141</b>	<b>7,171</b>

**16 Intangible assets**

	<b>Parent and Group</b>	
	<b>Actual 2015 \$000</b>	<b>Actual 2014 \$000</b>
<b>Computer Software</b>		
Cost	1,432	1,428
Accumulated amortisation and impairment	(1,428)	(1,428)
Opening carrying amount	<u>4</u>	-
Additions/(disposals)	1	4
Additional assets classified as intangible assets	199	-
Amortisation charge	(2)	-
Amortisation charge	-	-
<b>Closing carrying amount</b>	<b><u>202</u></b>	<b><u>4</u></b>
<b>Carbon credits</b>		
Cost	3	3
Accumulated amortisation and impairment	(2)	-
Opening carrying amount	<u>1</u>	3
Additions/(disposals)	-	-
Amortisation charge	-	(2)
<b>Closing carrying amount</b>	<b><u>1</u></b>	<b><u>1</u></b>
<b>Total closing carrying amounts</b>	<b><u>203</u></b>	<b><u>5</u></b>

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

**Carbon credits**

The 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. The 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.

	Parent and Group	
	Actual 2015 \$000	Actual 2014 \$000
Sundry Creditors	2,229	2,157
Accrued expenses	285	697
Income received in advance	1,022	980
Related Party Payables ( Note 24)	48	13
<b>Total</b>	<b>3,584</b>	<b>3,847</b>
<b>Trust Accounts</b>	<b>15</b>	<b>146</b>
Payables and deferred revenue under non-exchange transactions	995	1,068
Payables and deferred revenue under exchange transactions	2,589	2,779

## 18 Landfill provisions

	Parent and Group	
	Actual 2015 \$000	Actual 2014 \$000
Opening balance	798	850
Additional provision made during the year	38	0
Amounts used during the year	(27)	(68)
Unused amount reversed during the year	-	-
Discount unwinding (Note 5)	26	16
<b>Total landfill provision</b>	<b>835</b>	<b>798</b>
Presented by:		
Current provision	26	28
Non-current provision	809	770
<b>Total landfill provision</b>	<b>835</b>	<b>798</b>

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

### Closure responsibilities

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

### Post closure responsibilities

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

### Capacity of the site

Final capping at Tokoroa is programmed for 2022. The remaining capacity of the site (refuse, clean fill and cover) is approximately 68,136 cubic metres (2014: 74,700 cubic metres).



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Estimates of life have been made by Council's Engineers, based on historical volume information. The cash out flows for landfill post closure are expected to occur between 2004 and 2040. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated, taking into account technology, and is discounted using forward rates of 2.81%-5.50% (2014: forward rates of 3.70%-5.50%) as provided by the New Zealand Treasury.

### 19 Employment benefit liabilities

	Parent and Group	
	Actual 2015 \$000	Actual 2014 \$000
Accrued pay	73	398
Annual Leave	731	791
Long service leave	66	79
Retirement gratuities	220	241
Sick leave	28	24
<b>Total employee benefit liabilities</b>	<b>1,118</b>	<b>1,533</b>
Comprising		
Current	981	1,373
Non-current	137	160
<b>Total employee benefit liabilities</b>	<b>1,118</b>	<b>1,533</b>

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### 20 Borrowing

	Parent and Group	
	Actual 2015 \$000	Actual 2014 \$000
Current portion	816	577
Non-current portion	12,776	14,180
<b>Total borrowings</b>	<b>13,592</b>	<b>14,757</b>
<i>Made up of:</i>		
Pensioner housing	280	293
CBD Infrastructure loan	536	885
Landfill site development loan	237	245
Putaruru service centre	472	495
Tokoroa landfill site access	215	223
Putaruru landfill closure	238	248
Putaruru transfer station	206	215
Roading	2,670	2,713
Sport and events centre	0	1,838
Timber museum	354	368
Fibre optic cable connection	194	202
Toilets	1,579	1,552
Swimming pools	857	895
Sportsgrounds	408	340
Warm homes	751	717
Ground Truthing	155	-
District plan	575	817
Heat swap	652	708
Airport	88	90
Recycling centre facility	795	635
Waste water	717	759
Property	292	307
Public halls	52	54
Cemeteries	14	18
Parks and reserves*	1,112	21
Christmas/LED lights	19	89
Other loans	124	30
<b>Total borrowings</b>	<b>13,592</b>	<b>14,757</b>

The increase in borrowings for Parks and Reserves was due to the Lake Moananui project which was resolved to be loan funded by Council

Council's source of external borrowing at 30 June 2015 is a committed cash advance facility (CCAF) with a limit of \$15m. Within the facility operates secured bank funding issued under \$6m and \$5m customised average rate loan facilities (CARL), with the remainder of external borrowing being re-priced quarterly at the current 90 day BNZ borrowing rate.

#### Security

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

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### 21 Equity

	Parent and Group	
	Actual	Actual
	2015	2014
	\$000	\$000
<b>Retained earnings</b>		
Opening Balance	146,056	146,899
Net surplus/(deficit) for the year	(2,951)	(18,769)
<i>Transfers (to)/from:</i>		
Property Revaluation Reserves	2,457	(62)
Restricted Reserves	(4,400)	(1,371)
Council Created Reserves	2,957	19,359
<b>Closing balance</b>	<b>144,119</b>	<b>146,056</b>
<b>Other Reserves</b>		
<b>Depreciation and Restricted Reserves</b>		
Opening Balance	10,707	9,336
Transfers to General Equity	7,631	(10,766)
Transfers from General Equity	(3,231)	12,137
<b>Closing balance</b>	<b>15,107</b>	<b>10,707</b>
<b>Council Created Reserves</b>		
Opening Balance	8,041	27,400
Transfers to General Equity	560	(28,433)
Transfers from General Equity	(3,517)	9,074
<b>Closing balance</b>	<b>5,084</b>	<b>8,041</b>
<b>Property Revaluation Reserves</b>		
Opening Balance as previously reported	215,730	211,832
Increase/(decrease) in revaluation	6,273	3,836
Transfers to retained earnings on disposal	(646)	62
Transfer of vegetation assets to retained earnings on disposal	(1,811)	-
<b>Closing balance</b>	<b>219,546</b>	<b>215,730</b>
<i>Represented by:</i>		
Land ( Restricted)	22,224	16,530
Land ( Operational)	2,455	2,290
Buildings (Infrastructural)	383	1,011
Buildings (Operational)	3,320	2,866
Building (Restricted)	545	277
Parks and Reserves	1,101	2,814
Roading	158,390	158,611
Sewerage	10,496	10,522
Stormwater	7,102	7,138
Water	13,530	13,671
	<b>219,546</b>	<b>215,730</b>
<b>Investment Revaluation Reserve</b>		
Opening Balance	290	534
Valuation gains/(losses) taken to equity	538	1,029
Transfer to profit or loss on disposal	-	(1,273)
<b>Closing balance</b>	<b>828</b>	<b>290</b>
<b>Total other reserves</b>	<b>240,565</b>	<b>234,768</b>

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## Section 3: financial statements

### Movement of Council created, restricted and depreciation reserves

	Actual	Parent and Group		Actual
	1 July 2014 \$000	Transfers in \$000	out \$000	30 June 2015 \$000
<b>Council Created Reserves</b>				
National waste levy	49	79	-	128
SWDC asset purchase	78	145	(15)	208
South Waikato Economic Development	7,456	219	(3,435)	4,240
South Waikato Investment Fund	-	-	-	-
Pensioner Housing	-	76	(67)	8
State Highway 1	30	-	-	30
Riverside access	375	24	-	400
Financial contributions - stormwater	3	-	-	3
Financial contributions - wastewater	5	-	-	5
Financial contributions - water	5	0	-	5
Financial contributions - roading	29	14	-	43
Financial contributions - reserves	11	3	-	14
<b>Total Council Created Reserves</b>	<b>8,041</b>	<b>560</b>	<b>(3,517)</b>	<b>5,084</b>
<b>Restricted Reserves</b>				
Upper Atiamuri Hall	5	-	(14)	(9)
Puketurua Hall	13	7	(9)	11
Wautu Hall	16	6	(7)	15
Lichfield Hall	-	-	(6)	(6)
Arapuni Hall	25	-	-	25
Tapapa-Okoroire Hall	42	2	-	44
Refuse collection	(124)	50	(2)	(76)
District sewerage	(100)	466	(1)	365
District stormwater	(133)	7	(2)	(128)
District water supply	297	517	-	814
Tirau Community Board	8	-	(5)	3
Tokoroa promotions	7	-	(7)	-
Pride in Putaruru	18	30	-	48
District Recycling	(145)	-	(129)	(274)
<b>Total Restricted Reserves</b>	<b>(71)</b>	<b>1,085</b>	<b>(182)</b>	<b>832</b>
<b>Depreciation Reserves</b>				
Arapuni Hall	2	-	-	2
Waste disposal	698	62	(58)	702
Sewerage	3,308	1,097	(300)	4,105
Stormwater	3,430	620	(29)	4,021
Water	1,376	1,041	(468)	1,949
Pensioner housing	152	89	(17)	224
General rating activities	1,812	3,637	(2,177)	3,272
<b>Total Depreciation Reserves</b>	<b>10,778</b>	<b>6,546</b>	<b>(3,049)</b>	<b>14,275</b>
<b>Total Restricted and Depreciation Reserves</b>	<b>10,707</b>	<b>7,631</b>	<b>(3,231)</b>	<b>15,107</b>

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## Section 3: financial statements

### Purpose of reserve

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

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.

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.

State Highway 1: A fund established to upgrade the road entries into Tokoroa off State Highway 1.

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.

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

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

Depreciation reserves – 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

	Parent and Group	
	Actual 2015 \$000	Actual 2014 \$000
<b>Net deficit before tax</b>	<b>(2,951)</b>	<b>(18,769)</b>
<i>Add/(deduct) non-cash items</i>		
Depreciation and amortisation of plant, property and equipment	7,141	7,171
Assets vested in Council	(123)	(129)
Loss on sale of property, plant and equipment	3,014	504
Library book write down	-	21
Gain in disposal of fair value through equity investments	-	(1,273)
<i>Add/(deduct) movements in working capital items</i>		
Trade and other receivables	(803)	(53)
Trade and other payables	(263)	484
Inventories	6	(34)
Trust accounts	(131)	(9)
Employee benefits	(415)	55
<b>Net cash inflow/(outflow) from operating activities</b>	<b>5,475</b>	<b>(12,032)</b>

## 23 Capital commitments and contingencies

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

	Parent and Group	
	Actual 2015 \$000	Actual 2014 \$000
Lake Moananui fitness Equipment	69	-
Glenshea Park Fitness Equipment	46	-
Tokoroa Rail Terminal - Kiwi Rail	529	-
Tokoroa Rail Terminal - Downer	353	-
Arapuni Water Treatment Plant	111	-
Lake Moananui dam remediation	-	267
Lake Moananui silt removal and island/forebay	-	13
Tokoroa Water - rising main - Colson's Hill	-	17
Croad Place recycling facility	-	186
<b>Total</b>	<b>1,108</b>	<b>483</b>

### Contingent Liabilities

#### Guarantees

As at 30 June 2015 the South Waikato District Council was acting as a guarantor for a loan of \$21,120 advance by ANZ National Bank Limited to the Tokoroa Kart Club Incorporated (2014: \$25,201).

#### Responsibility for shortfall for mutual liability

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

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

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

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### 24 Related party transactions

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

	Parent and Group	
	Actual 2015 \$000	Actual 2014 \$000
<b>His Worship The Mayor Neil Sinclair and Deputy Mayor Jenny Shattock - members on the South Waikato Economic Development Trust:</b>		
Donations received for SWSEC on behalf of the Trust	-	3
<b>His Worship The Mayor Neil Sinclair - Council appointments:</b>		
Waikato Regional Council-Land Transport Committee		
Service provided by Waikato Regional Council	238	253
Service provided to Waikato Regional Council	19	20
Account payable to Waikato Regional Council	10	3
<b>Councillors Bill Machen &amp; Adrienne Bell - Councillor appointments (part) on Timber Museum Trust</b>		
Grants paid to the Timber Museum Trust	-	91
Account payable to Timber Museum Trust	29	-
<b>Councillor Herman Van Rooijen - Councillor appointment on Waikato River Trails</b>		
Grants paid to Waikato River Trails	237	246
<b>Councillor Adrienne Bell - Councillor appointment on South Waikato Arts Trust</b>		
Grants paid to South Waikato Arts Trust	92	92
<b>Deputy Mayor Jenny Shattock and Councillor Brenda Watkins - Tokoroa Council of Social Services (TCOSS)</b>		
Services provided by TCOSS	17	20
<b>Deputy Mayor Jenny Shattock - Council appointment on South Waikato Achievement Centre</b>		
Services provided by SW Achievement Centre	114	115
Account payable to the Achievement Centre	9	10
<b>Councillors Anne Edmeades - Trustees of Pride in Putaruru</b>		
Goods and services provided by Pride in Putaruru	70	56
<b>His Worship The Mayor Neil Sinclair - Council appointments on the Rangiura Home Trust:</b>		
Goods and services provided by Rangiura Trust	650	1
<b>Councillor Jeff Gash - manager at Goldpine Industries</b>		
Goods and services provided by Goldpine Industries	-	1
<b>Chief Executive Craig Hobbs - trustee on Balloons over Waikato Trust</b>		
Goods and services provided by Balloons over Waikato Trust	5	5
<b>Chief Executive Craig Hobbs - wife is owner of Triowins Sponsorship</b>		
Goods and services provided by Triowins Sponsorship	-	2
<b>Councillor Thomas Lee - Councillor appointment on Trades Training centre</b>		
Grants paid to the Trades Training centre	80	-
<b>Total related party payables (Note 17)</b>	<b>48</b>	<b>13</b>
<b>Total related party receivables (Note 11)</b>	<b>19</b>	<b>20</b>

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

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

#### Key Management Personnel:

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

	Parent and Group	
	Actual 2015 \$000	Actual 2014 \$000
Salaries and other short term employee benefits	1,522	1,456
Post employment benefits	-	34
Other long term benefits	-	-
Termination benefits	-	-
	<b>1,522</b>	<b>1,490</b>

## 25 Remuneration

### Chief Executive

During the year ended 30 June 2015 the Council's Chief Executive was remunerated as follows:

	Parent and Group	
	Actual 2015 \$000	Actual 2014 \$000
<b>Craig Hobbs</b>		
Base Salary	224	203
Vehicle (market value plus FBT)	19	19
Kiwisaver Employer's Contribution	7	6
<b>Total</b>	<b>250</b>	<b>228</b>

For the year ended 30 June 2015 the total annual cost, including fringe benefit tax, to the South Waikato District Council of the remuneration package received by the Chief Executive is calculated at \$250,000 (2014: \$228,000).

### Elected representatives

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



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	Parent and Group	
	Actual 2015 \$000	Actual 2014 \$000
<b>Mayor and Councillors</b>		
Lyn Corban	-	7
Neil Sinclair (Mayor)	79	78
Jenny Shattock	29	30
Herman Van Rooijen	26	27
Anne Edmeades	21	22
Michael Gubb	-	7
Adrienne Bell	25	24
Alan Blair	-	7
Brenda Watkins	-	8
Jeff Gash	25	17
Bill Machen	21	15
Marin Glucina	21	15
Tua Numanga	21	15
Terry Magill	25	17
Thomas Lee	21	15
<b>Total Councillors</b>	<b>314</b>	<b>304</b>

	Parent and Group	
	Actual 2015 \$000	Actual 2014 \$000
<b>Community Board Members</b>		
Nora Martelletti	3	3
Heather Spinley	-	1
Geoff Poole	-	1
Clive Collingwood	3	2
Cassandra Robinson	3	3
Derek Keesing	3	2
<b>Total Community Board members</b>	<b>12</b>	<b>12</b>

### Council employees

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

	Parent and Group	
	Actual 2015 \$000	Actual 2014 \$000
< \$60,000	104	95
\$60,000 - \$79,000	31	30
\$80,000 - \$99,000	11	12
\$100,000 - \$119,000	5	10
\$120,000 - \$259,000	5	5
<b>Total employees</b>	<b>156</b>	<b>152</b>

Total remuneration includes non-financial benefits provided to employees.

At balance date, the Council employed 87 full-time employees (2014: 88), with the balance of staff representing 19.08 (2014: 26.28) full-time equivalent employees. A full-time employee is determined on the basis of a 37.5-hour working week

## 26 Financial instruments

### 26A Financial Instrument Categories

	Note	Parent and Group	
		Actual 2015 \$000	Actual 2014 \$000
<b>Financial assets</b>			
<b>Loans and receivables</b>			
Cash and cash equivalents	10	6,234	11,415
Trade and other receivables	11	3,698	2,638
Other financial assets:			
Sundry loans	13	622	632
<b>Total loans and receivables</b>		<b>10,554</b>	<b>14,685</b>
<b>Available for sale financial assets</b>			
Other financial assets:			
Bonds, deposits and other fixed interests	13	6,082	4,384
Unlisted shares	13	87	87
Listed shares	13	3,580	2,731
<b>Total available for sale financial assets</b>		<b>9,749</b>	<b>7,202</b>
<b>Financial liabilities</b>			
<b>Financial liabilities at amortised cost</b>			
Trade and other payables	17	3,584	2,867
Trust Accounts	17	(15)	146
Secured loans	20	13,592	14,757

### 26B Fair value hierarchy disclosures

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

- Quoted market price (level 1) – financial instruments with quoted prices for identical instruments in active markets
- Valuation technique using observable inputs (level 2) – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in active markets and financial instruments valued using models where all significant inputs are observable
- Valuation techniques with significant non-observable inputs (level 3) – financial instruments valued using models where one or more significant inputs are not observables.

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

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	Total \$000	Quoted Market Price \$000 Level 1	Observable inputs \$000 Level 2	Significant non-observable inputs \$000 Level 3
<b>30 June 2015 - Parent and Group</b>				
<i>Financial assets</i>				
<b>General Funds</b>				
Bank security bonds (AA-)	1,715	1,715	-	-
Corporate bonds (BBB+ to AA-)	1,494	1,494	-	-
Local Government bonds (A to AA)	569	569	-	-
NZ Government Bonds (AA+)	215	215	-	-
International bonds (not rated)	1,196	1,196	-	-
<b>30 June 2014 - Parent and Group</b>				
<i>Financial assets</i>				
<b>General Funds</b>				
Bank security bonds (AA-)	1,099	1,099	-	-
Corporate bonds (BBB+ to AA-)	948	948	-	-
<b>South Waikato Investment Fund</b>				
NZ Government Bonds (AA+)	213	213	-	-
International bonds (not rated)	516	516	-	-

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 and 20 respectively.

#### Fair value interest rate risk

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

#### Cash flow interest rate risk

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

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### 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	2015 \$000		2014 \$000	
<b>Interest Rate Risk</b>		Profit	Other Equity	Profit	Other Equity
<b>Financial assets</b>			0.5%		-0.5%
NZ fixed interest bonds	a	-	20	0	(20)
<b>Financial liabilities</b>		0.25%	-	-0.25%	-
Borrowings	b	(34)	-	34	-
<b>Foreign Exchange Risk</b>		Profit	Other Equity	Profit	Other Equity
<b>Financial assets</b>			0.5%		-0.5%
International fixed interest bonds	c	7	-	(7)	-
International equity	d	10	-	(10)	-
<b>International Cash</b>		10%	-	-10%	-
US dollar denominated cash	e	1	-	(1)	-
<b>Equity Price Risk</b>		Profit	Other Equity	Profit	Other Equity
<b>Financial assets</b>			5.0%		-5.0%
NZ Equity investments	f		79		(79)
NZ Property investments	g		44		(44)
International Equity investments	h		84		(84)

### Explanation of sensitivity analysis

#### Financial assets

##### a - General funds fixed interest bonds

A total of \$3,993,000 (2013: \$3,091,000) invested in local bonds is classified as available for sale financial assets. A movement in interest rates of plus or minus 0.5% in 2014-15 would have had an impact of +/- \$20,000 (2014: \$15,000) on the fair value of the asset and the investment revaluation reserve.

##### b - Borrowings

A total of \$13,592,000 (2014: \$14,757,000) is classified as long term borrowings. A movement of plus or minus 0.25% in interest rates in 2014-15 would have had an impact of +/- \$34,000 (2014: \$37,000) on the profit or loss.

##### c - International fixed interest bonds

A total of \$1,196,000 (2014: \$516,000) is classified as available for sale financial assets. A movement of plus or minus 0.5% in the US exchange in 2014-15 would have had an impact of \$7,000 (2014: \$3,000) on the fair value of the asset and the investment revaluation reserve.

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### **d - International equity**

A total of \$1,678,000 (2013: \$1,136,000) is classified as available for sale financial assets. A movement of plus or minus 0.5% in the US exchange rate in 2014-15 would have had an impact of \$10,000 (2014: \$6,000) on the fair value of the asset and the investment revaluation reserve

### **e - International cash**

A total of \$9,000 (2014: \$nil) was cash held in US dollars, and classified as available for sale financial assets. A movement of plus or minus 10% in the US exchange rate in 2014-15 would have had an impact of \$1,000 (2014: nil) on the fair value of the asset and the investment revaluation reserve.

### **f - NZ equity investments**

A total of \$1,585,000 (2014: \$1,416,000) invested in listed local shares classified as available for sale financial assets. A movement of plus or minus 5% in share prices in 2014-15 would have had an impact of \$79,000 (2014: \$71,000) on the fair value of the asset and the investment revaluation reserve.

### **g - NZ property investments**

A total of \$890,000 (2014: \$769,000) 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 2014-15 would have had an impact of \$44,000 (2014: \$38,000) on the fair value of the asset and the investment revaluation reserve.

### **h - International equity investments**

A total of \$1,678,000 (2014: \$1,136,000) invested in overseas shares is classified as available for sale financial assets. A movement of plus or minus 5% in share prices in 2014-15 would have had an impact of \$84,000 (2014: \$57,000) 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.

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### Credit quality of financial assets

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

	Parent and Group	
	Actual 2015	Actual 2014
	\$000	\$000
<b>Cash and cash equivalents:</b>		
Cash and short term deposits (AA to BBB)	6,234	11,415
Total cash and cash equivalents	6,234	11,415
<b>General Funds:</b>		
Sundry corporate and government securities (AA- to AA)	1,494	1,099
Bank security bonds (AA+ to AAA)	1,715	948
Local Government Bonds (A to AA)	569	831
NZ Government Bonds (AA+)	215	213
International Bonds ( Not rated)	1,196	516
Total general fund bonds	5,189	3,607

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 3.35% to 3.61% (4.30% to 5.79% for 2014). 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 67% of the annual rates revenue (2014: 76%). Total interest costs represented 4.0% of the annual rates revenue (2014: 2%).

#### Fair Value

Contractual maturity analysis of financial liabilities:

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	Weighted average interest rate	Carrying amount \$000	Contractual cash flows \$000	Less than 1 year \$000	2-5 years \$000	>5 years \$000
<b>Parent and Group 2015</b>						
Trade and other payables		3,299	3,299	3,299	-	-
Borrowings	5.35%	13,592	18,287	1,434	5,763	11,090
Trust Accounts		15	15	15	-	-
Financial guarantees	3.50%	33	33	33	-	-
<b>Total</b>		<b>16,939</b>	<b>21,634</b>	<b>4,781</b>	<b>5,763</b>	<b>11,090</b>
<b>Parent and Group 2014</b>						
Trade and other payables		3,150	3,150	3,150	-	-
Borrowings	5.39%	14,757	21,977	1,361	5,449	15,167
Trust Accounts		146	146	146	-	-
Financial guarantees	3.50%	33	33	33	-	-
<b>Total</b>		<b>18,086</b>	<b>25,306</b>	<b>4,690</b>	<b>5,449</b>	<b>15,167</b>

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

## 27 Operating lease as lessor

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

	Parent and Group	
	Actual 2015 \$000	Actual 2014 \$000
Not later than one year	122	100
Later than one year and not later than five years	155	166
Later than five years	377	345
<b>Total non-cancellable operating leases</b>	<b>654</b>	<b>610</b>

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

## 28 Insurance contracts

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

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

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

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

### Commercial motor vehicles \$1,096,000

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

### Infrastructure \$95,940,000

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

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### **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**

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**

## **29 Major budget variations**

### **Statement of comprehensive revenue and expense**

Other expenses is greater than budgeted by \$2.7m due to losses on disposal of plant property and equipment of \$3.014m. This is mainly due to the change in treatment for vegetation which was previously capitalised, but has now been expensed.

### **Statement of Financial Position**

Plant, property and equipment is higher than budget by \$19.4m. This is due to the budget for the Annual Plan being set prior to the completion of the revaluation as at 30 June 2014 when there was a much higher revaluation recorded on roading assets than expected.

Other financial assets are \$3.4m higher than budget due to the increase in investments matched to the increase in the restricted reserves.

### **Statement of Cashflows**

The major variances are in payments to suppliers and employees and proceeds from investments. In the annual plan, the proceeds from the SWIF funds were budgeted to be dispersed, but that occurred in 2013-14. The \$4.2m additional cash held at the end of the year is mainly due to the \$3.89m of funds yet to be dispersed from the ex SWIF fund.

## **30 Capital management**

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

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

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

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

The South Waikato District Council has the following reserves:

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



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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).

## **31 Non-consolidation of subsidiary**

### **The South Waikato Economic Development Trust**

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

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

For the year ended 30 June 2015, the Trust earned total revenue of \$3,249 (2014: \$29,318) and a net loss of \$105,727 (2014 net loss of \$14,084). The Trust was wound up before the end of June so had no assets or liabilities at balance date.

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### 32 Comparatives

In the consolidated statement of comprehensive revenue and expense, classifications in the current year do not align to classifications in prior year columns. This is due to the change in preparing the financial statements from a reporting system rather than through a spreadsheet model. If the prior year was prepared in the same way, the consolidated statement of comprehensive revenue and expense would have been shown as below.

For the year ended 30 June 2015	Parent and Group	
	Actual 2015 \$000	Comparative 2014 \$000
<b>Income</b>		
Rates, excluding targeted water supply rates	20,194	19,400
Fees, charges, and targeted rates for water supply	5,159	4,858
Development and financial contributions	33	42
Subsidies and grants	3,058	2,912
Finance income	507	667
Other revenue	1,623	1,566
Gains on financial instruments	-	1,273
<b>Total income</b>	<b>30,574</b>	<b>30,718</b>
<b>Expenditure</b>		
Employee benefits expense	8,359	8,163
Depreciation and amortisation expense	7,141	6,992
Finance costs	811	609
Other expenses	17,214	33,723
<b>Total expenditure</b>	<b>33,525</b>	<b>49,487</b>
<b>Surplus/(Deficit) before tax</b>	<b>(2,951)</b>	<b>(18,769)</b>
Income tax expense	-	-
<b>Surplus/(Deficit) after tax</b>	<b>(2,951)</b>	<b>(18,769)</b>
<b>Other comprehensive revenue and expense</b>		
Gain/loss in Asset Revaluation Reserve	6,273	3,836
Gain/loss in Investment Revaluation Reserve	538	(244)
<b>Total other comprehensive revenue and expense</b>	<b>6,811</b>	<b>3,592</b>
<b>Total comprehensive revenue and expense</b>	<b>3,860</b>	<b>(15,177)</b>

### 33 Events after balance date

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