

Agenda for a meeting of the Strategy & Finance Committee to be held Audio Visually on
 MONDAY, 18 SEPTEMBER 2021 commencing at **9.30am**.

1. **APOLOGIES AND LEAVE OF ABSENCE**

2. **CONFIRMATION OF STATUS OF AGENDA**

3. **DISCLOSURES OF INTEREST**

4. **CONFIRMATION OF MINUTES**
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GJ Ion

CHIEF EXECUTIVE

TERMS OF REFERENCE AND DELEGATION

Reports to:	The Council
Chairperson:	Cr Janet Gibb
Deputy Chairperson:	Cr Aksel Bech
Membership:	The Mayor, all Councillors and Mrs Maxine Moana-Tuwhangai (Maangai Maaori)
Meeting frequency:	Six-weekly
Quorum:	Majority of members (including vacancies)

Purpose:

The Strategy & Finance Committee is responsible for:

1. Monitoring of Council's strategy, and performance (both financial and non-financial) against the Long Term Plan and Annual Plan.
2. Setting the broad vision and direction of the District, determine specific outcomes that need to be met to deliver on that vision, and develop and monitor strategies to achieve those goals.
3. Determining financial matters within its delegations and Terms of Reference and making recommendations to Council on financial matters outside its authority.
4. Guiding and monitoring Council's interests in Council Controlled Organisations (CCOs), Council Organisations (COs) and subsidiaries.

In addition to the common delegations on page 10, the Strategy & Finance Committee is delegated the following Terms of Reference and powers:

Terms of Reference - Strategy:

1. Develop and agree strategy and plans for the purposes of consultation.
2. Recommend to Council strategy and plans for adoption, including community plans (e.g Blueprints).
3. Monitor and review adopted strategies and plans.
4. To monitor and provide advice on the development and implementation of growth and development strategies, land use, and spatial plans in line with national policy requirements.
5. To enhance the District's economic position by promoting it as a business-friendly and business-enabled location and providing direction on strategic initiatives, plans, projects and potential major developments relating to economic and business development.
6. To monitor and provide direction on engagement with the District's communities in relation to the Council's strategies and plans.
7. To monitor and make decisions on environmental management and sustainability within the District.

8. To receive and consider presentations and reports from stakeholders, government departments, organisations and interest groups on development and wellbeing issues and opportunities within the District.

Terms of Reference – Finance:

9. To monitor Council's financial strategy, and performance against that strategy.
10. To provide clear direction to Council's CCOs and COs on Council's expectations, including feedback on draft statements of intent.
11. To receive six-monthly reports of Council's CCOs and COs, including on board performance.
12. To undertake any reviews of CCOs and agree CCO-proposed changes to their governance arrangements, except where reserved for full Council's approval.
13. To monitor Council's investments and Local Government Funding requirements in accordance with Council policy and applicable legislation.

The Committee is delegated the following powers to act:

- Approval of:
 - a. appointments to, and removals from, CCO and CO boards; and
 - b. a mandate on Council's position in respect of remuneration proposals for CCO and CO board members to be presented at Annual General Meetings.
- Approval of letters of expectation for each CCO and CO.
- Approval of statements of intent for each CCO and CO.
- Approval of proposed major transactions of CCOs and COs.
- Approval or otherwise of any proposal to establish, wind-up or dispose of any holding in, a CCO or CO.
- Monitor work on Future Proof, Waikato Plan, Growth & Economic Development Strategy and cross-boundary issues.
- Approval of any process for making decisions where additional opex or capex funding, or deferred capex, is required.
- Review and make recommendations to Council in relation to Fees & Charges (after consultation with relevant community boards or committees).
- Review and recommend to Council the adoption of the Annual Report.
- Review and recommend to Council the approval of Development Agreements.
- Approval of transactions in relation to investments in accordance with Council policy.
- Approval of contractual and other arrangements for supply and services, and revenue generating contracts, which exceed the Chief Executive's delegations, but exclude contracts or arrangements that are reserved for the Council or another committee's approval.

- Approval of rating issues where these exceed the delegated authority of officers, or are an appeal against officer decisions. For clarity, this excludes decisions that are required, by law, to be made by the Council.
- Approval to write-off outstanding accounts that exceed officer delegations.
- Approval of funding applications for the Heritage Assistance Fund and Conservation Fund as recommended to the committee by officers or relevant assessment bodies.

Open Meeting

To	Strategy & Finance Committee
From	Gavin Ion Chief Executive
Date	8 October 2021
Prepared by	Matt Horsfield Democracy Advisor
Chief Executive Approved	Y
Reference #	GOV1301
Report Title	Confirmation of Minutes

1. EXECUTIVE SUMMARY

To confirm the minutes of the Strategy & Finance Committee meeting held on Monday 6 September 2021

2. RECOMMENDATION

THAT the minutes of the meeting of the Strategy & Finance Committee held on Monday 6 September 2021 be confirmed as a true and correct record.

3. ATTACHMENTS

S&F Committee Open Minutes – 6 September 2021

Minutes for a meeting of the Strategy & Finance Committee of the Waikato District Council held Audio Visually on **MONDAY, 6 SEPTEMBER 2021** commencing at **9:30am**

Present:

Cr JM Gibb (Chairperson)
His Worship the Mayor, Mr AM Sanson
Cr AD Bech
Cr JA Church
Cr CA Eyre
Cr SL Henderson
Cr SD Lynch
Mrs Maxine Moana-Tuwhangai [*until 10:30am*]
Cr FM McNally
Cr RC McGuire
Cr EM Patterson
Cr JD Sedgwick
Cr NMD Smith
Cr LR Thomson
Cr CT Woolerton

Attending:

Mr T Whittaker (Chief Operating Officer)
Ms A Diaz (Chief Financial Officer)
Mr R MacCulloch (General Manager Service Delivery)
Mr V Ramduny (Strategic Projects Manager)
Mr J Ebenhoh (Planning & Policy Manager)
Mr M Horsfield (Democracy Advisor)

APOLOGIES AND LEAVE OF ABSENCE

All members were present.

CONFIRMATION OF STATUS OF AGENDA ITEMS

Resolved: (Crs Thomson/Sedgwick)

THAT the agenda for a meeting of the Strategy & Finance Committee held on Monday, 6 September 2021 be confirmed and all items therein be considered in open meeting with the exception of those items detailed at agenda item 8 which shall be considered with the public excluded;

AND THAT all reports be received.

CARRIED

S&F2109/01

DISCLOSURES OF INTEREST

There were no disclosures of interest.

CONFIRMATION OF MINUTES

Resolved: (Crs Patterson/Eyre)

THAT the minutes of a meeting of the Strategy & Finance Committee held on Monday, 26 July 2021 be confirmed as a true and correct record.

CARRIED

S&F2109/02

REPORTS

Action Register – August 2021

Agenda Item 5

The report was received [*S&F2109/01 refers*] and the following discussion was held.

- A date had not been confirmed for the workshop relating to the Treasury Risk Management Policy Review.

Climate Action Progress – August 2021

Agenda Item 6.1

The report was received [*S&F2109/01 refers*] and the following discussion was held.

- Progress had been made in the last 18 months with Climate Action using business as usual budgeting. Various provisions were included in the 2021-2031 Long Term Plan to make further progress.
- Climate Change Co-ordinator role had been advertised and interviews were underway.

- Council had made emissions targets for the district as an aspirational goal.
- Council had direct levers to help meet emissions targets such as land use policy, decisions in transport, education and conservation.
- LED street lighting programme had paused as funding from Waka Kotahi was no longer available.

ACTION: General Manager Service Delivery to update members on the status of the LED street lighting programme and how it would be funded.

- A Local Government New Zealand remit has requested Government to standardise the measuring of CO2 throughout Councils.
- Questions raised regarding employees working from home, and if reduced it reduced Council's overall energy use.
- COVID lockdowns had not impeded the progress of climate action by the Council.
- Questions raised regarding Council possibly entering the area of forestry planting.
- Council was building an emergency climate change action fund over time for \$5 million.
- It was important to look at the big picture for climate change and ensure that Council works with the community to achieve results.
- Important to include the protection of wetlands, and the important role they play with biodiversity and carbon storage.
- Discussion regarding tourism emissions in the district and whether those emissions were included in the overall emissions result for the district.
- Council's waste minimisation plans need to be robust to support communities with reducing visitor impact. Also need to consider landfills in our district and the waste the district takes from other regions, and how the Council measures its own progress while taking in waste.

Hamilton & Waikato Tourism Annual Report to Waikato District Council – 1 July 2020 to 30 June 2021

Agenda Item 6.2

The report was received [*S&F2109/01 refers*] and the following discussion was held.

- Regenerative tourism programme was underway within the Waikato region. It accounts for emissions and helps businesses achieve carbon offsets, or become carbon positive.
- Hamilton & Waikato Tourism had worked with Raglan Naturally to look at low emissions alternatives for areas such as transport.

- Waikato District had rebounded well from the March 2020 lockdown until the recent August 2021 lockdown.
- There had been a 11% increase in visitor expenditure last year, but the Waikato District is still down \$185 million in visitor expenditure from 2019.
- Waikato is the second busiest region for business expenditure.
- There was a lack of hotel accommodation capacity due to MIQ facilities and emergency housing.
- There had been a strong media focus on the Waikato, through publications such as Air New Zealand's Kia Ora Magazine. Stuff, NZ Herald and Cuisine Magazine.
- 1200 international travel agents had been trained via Zoom with live tours and merchandise sent out to them.
- Average visitor nights in the district were 1.6 nights, with large spikes in Raglan and seasonality is beginning to spread out.
- Mighty Local website had been relaunched under the current lockdown.
- Only four (4) businesses had closed across the region during COVID. There had been access to Government funds to help businesses and ambassador programmes and new initiatives such as West Coast journeys.
- Noted it was important that businesses regularly update their digital networks and marketing.
- Accommodation shortages were still a problem with MIQ facilities. Hamilton & Waikato Tourism were working with three (3) hotel developers to see new opportunities for accommodation facilities.
- Alternative accommodation options such as temporary campervan parks were partially meeting demands for events but it was not a long term solution.
- Growth in Airbnb accommodation in the district had rebounded and increased.

Changes to Default Growth – High Growth Projection from Waikato Projections 2018-2068 Agenda Item 6.3

The report was received [S&F2109/01 refers] and the following discussion was held.

- Currently Council was following the 2020 Waikato University growth projection forecast. Forecasting typically gives three (3) trend projections being high, medium and low. Waikato District was currently following the medium trend projection.

- This report was looking to change to the 2021 Waikato University high growth projection, inline with future proof partners. The differences between the high and medium projections were minimal.
- Questions – why were there variances in the growth projections and levels of growth in the north of the district. Migration, births and deaths had a large influence on projections and COVID had an effect.
- Regardless of the modelling used, projections were not predictions of the future. Modelling would never be completely accurate but is monitored and adjusted to increase the accuracy of the projections. Inaccurate growth forecasting had been identified as a strategic risk and there would be a deep dive report going to Audit & Risk in September 2021.
- Robust methodologies were used to predict modelling, with contingencies and controls in place.
- Waikato University modelling showed that the Waikato District's growth wasn't as affected by COVID as other regions, and was less sensitive to reduced international immigration.

Resolved: (His Worship the Mayor/Cr Sedgwick)

THAT the Strategy and Finance Committee recommends to Council that the Changes to Default Growth – High Growth Projection from Waikato Projections 2018-2068 be adopted as Council's default growth scenario from 21 September 2021.

CARRIED

S&F2109/03

Mrs Moana-Tuwhangai left the meeting 10:30am during the above item and was not present when voting took place.

Economic and Community Development Work Programme Update – August 2021
Agenda Item 6.4

The report was received [*S&F2109/01 refers*] and the following discussion was held.

- The economic impacts from the current lockdown would likely be felt after lockdown had ended.
- New operations manager had been employed at Te Waka, and Te Waka would be looking at how they can better support the District.
- Interviews were underway for Community Development Adviser roles. The positions would be based both in Tuakau and Ngaruawahia.

- A Funding review report would come to the Strategy & Finance Committee in the near future. Staff would be working with Community Boards to give training for processing discretionary funding applications.

Approved Counter Party Review

Agenda Item 7.1

The report was received [S&F2109/01 refers] and no discussion was held.

General rate position for the year ended 30 June 2021

Agenda Item 7.2

The report was received [S&F2109/01 refers] and the following discussion was held.

- Council had tried to move away from high general rate surpluses. The current position is much lower than previous years.
- The general account reserve fund had been accounted for through the long-term plan.
- At the end of the 2020/21 financial year, there was only \$5.2 million of carry forward budget relating to projects that had not been rewarded.
- There were roughly 400 valuation objections, and there be a detailed report would be presented at the next Audit & Risk Committee meeting in September 2021. The capital value associated with the objections is equates to approximately \$44 million.

Resolved: (Crs Smith/Church)

THAT the Strategy & Finance Committee recommends to Council that the 2020/21 general rate surplus of \$35,502 is transferred to the general accounting reserve fund.

CARRIED

S&F2109/04

Exclusion of the Public
Agenda Item 8

Resolved: (Crs Thomson/McInally)

THAT the public be excluded from the following parts of the proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Item number 1 – Confirmation of Public Excluded Minutes	Good reason to withhold exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
Item 2.1 2020/2021 Unpaid Dog Registration Fees write-off	Good reason to withhold exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item No.	Section	Interest
Item 1 Confirmation of Minutes		Refer to the previous Public Excluded reason in the agenda for this meeting.
Item 2.1 2020/2021 Unpaid Dog Registration Fees write-off	7 (2) (g)	Maintain legal professional privilege

CARRIED

S&F2109/05

There being no further business the meeting was declared closed at 11:15am

Minutes approved and confirmed this day of 2021.

Cr J Gibb
CHAIRPERSON

Open Meeting

To	Strategy and Finance Committee
From	Clive Morgan General Manager Community Growth
Date	4 October 2021
Prepared by	Sandy Mason Personal Assistant to Clive Morgan
Chief Executive Approved	Y
Reference #	GOV1318 / 3265512
Report Title	Action Register – October 2021

1. EXECUTIVE SUMMARY

Purpose of this report is to provide the Strategy and Finance Committee with an update on Actions arising the previous meeting.

2. RECOMMENDATION

THAT the report from the General Manager Community Growth be received;

3. ATTACHMENT

Strategy and Finance Committee's Action Register – October 2021

Strategy and Finance Committee's Action Register – October 2021

Meeting Date	Item and Action	Person / Team Responsible	Status Update
6 September 2021	<p>Item 6.3 Treasury Risk Management Policy – Compliance Report on 30 June 2021</p> <p>Action The Treasury Risk Management Policy review will be undertaken at the same time as the PWC Workshop.</p> <p>Status Update August 2021 Contact has been made with PricewaterhouseCoopers but no firm date has been agreed.</p>	Colin Bailey – Finance Manager	Date confirmed is 18 October 2021.
	<p>Item 6.1 Climate Action Progress – August 2021</p> <p>Action General Manager Service Delivery to update members on the status of the LED street lighting programme and how it would be better funded.</p>	Roger MacCulloch – General Manager Service Delivery	Staff have identified 400 lights that have not been converted to LED (including a number of decorative lights). The cost is around \$800,000. There is no budget within the LTP to cover this cost and NZTA have advised there is no subsidy for this work.

Open Meeting

To	Strategy & Finance Committee
From	Alison Diaz Chief Financial Officer
Date	8 October 2021
Prepared by	Melissa Russo - Team Leader, Planning and Policy Colin Bailey - Finance Manager
Chief Executive Approved	Y
Reference #	GOV1318
Report Title	Presentation of the Annual Report and Summary 2020/21

1. EXECUTIVE SUMMARY

The Local Government Act 2002 (LGA) requires Council to adopt its Annual Report and Summary by 31 October each year, however for this year the date has been extended to 30 November 2021 due to the Covid-19 pandemic. The Annual Report 2020/21 compares the actual activities and performance of Council against the intended activities and performance of the Council as specified in the Long Term Plan 2018-28 (LTP). The Annual Report and Summary 2020/21 are reporting on the third year of the 2018-28 LTP.

Audit New Zealand have completed their audit, and verbal clearance has been received for both the full Annual Report and the Summary documents for 2020/21. The Council has received an unqualified audit opinion.

2. RECOMMENDATION

THAT the Strategy and Finance Committee recommends:

THAT Council adopts the audited Annual Report and Summary 2020/21 as attached to the staff report.

3. BACKGROUND

The Local Government Act 2002 requires Council to adopt its Annual Report and Summary by 31 October each year, however for this year the date has been expended to 30 November 2021 due to delays and difficulties occasioned by the Covid-19 pandemic. The Annual Report is the Council's accountability document to its ratepayers and the wider community for each financial year (1 July – 30 June).

In general terms, the Annual Report tells the community how we are delivering on our strategic direction and vision (liveable, thriving and connected communities). More specifically, it tells them:

- How we performed on the work programme and levels of service we set out in our Annual Plan (which is derived from the LTP), and KPIs which are established in the LTP.
- How we performed financially (i.e.: what did we do with the funds we received, what the balances of our assets and liabilities are, and what our cash position is, etc).

4. DISCUSSION AND ANALYSIS OF OPTIONS

4.1 Non-financial performance

Council's projects, activities and associated budgets are divided into eight separate groups of activities and reported in the Statement of Service Provision as part of the Annual Report. These eight groups of activities are:

- Governance.
- Sustainable Communities: Customer and Partnership Focus, Economic Development, Emergency Management, Grants and Donations, and Parks and Facilities.
- Sustainable Environment: Animal Control, Building Quality, Environmental Health, Strategic and District Planning, and Solid Waste.
- Rooding.
- Stormwater.
- Wastewater.
- Water Supply; and
- Organisational Support.

Council has 79 performance measure targets across all these activity groups which are reported back to the community through the Annual Report.

Some of these performance targets are measured through the Resident Satisfaction Survey. Other performance targets are measured based on how well Council responds to customer requests, information which is captured through our service request system. Council reports on progress every quarter against these performance targets and measures.

In the Annual Report, we present to our customers how well we have performed against these targets using a colour coding system. For those targets that we have met or exceeded, we have indicated this through a green dot, those where we are on track towards the target but have not quite made it (within 5%) are represented by an amber dot, and some targets that have not been met are represented by a red dot. For the 2020/21 financial year 75.9% of our performance measures were achieved or on track (Achieved: 55 of 79. On track: 5 of 79 Failed 19 of 79).

In 2019/20 Audit New Zealand advised that improved validation to support the reported performance against the attendance times and resolution times to call-outs relating to faults or unplanned interruptions to the water supply system and to sewerage overflows resulting from a blockage or other fault in the wastewater system was required. In the second half of 2020/21 Council in conjunction with the contractor Watercare Service Limited put in place interim measures to provide supporting documentation and commenced implementation of a fully integrated customer service request system. The interim measures taken in the second half of 2020/21 show improvement in the validation of recording of performance and this data was able to be confirmed. The accuracy of the times shown for attendance and resolution for the first half of 2020/21 was not and cannot be independently verified. Interrogation of GPS tracking systems has indicated the performance against these measures for the full 2020/21 year is a reasonable reflection of the actual result. The implementation of the fully integrated customer service request system is almost completed.

4.2 Financial performance

Despite the uncertainty of the economic outlook resulting from the ongoing coronavirus pandemic around the world, the Council's Annual Report results are extremely pleasing.

The Council has been focused on ensuring service levels have not only been maintained but have been improved while transitioning staff to a new way of working, embedding the new model for the delivery of our Three Waters services ahead of any possible reform in this area, and managing the impacts of higher growth than planned on all areas of our organisation.

The Council's income for this financial year was \$208 million, a positive variance of \$62 million on a budgeted income of \$146 million. Found and vested assets, which are largely unbudgeted, and an unbudgeted gain on the revaluation of interest rate swaps, account for most of the variance, along with a growth in development contributions.

The Council's operational expenditure budget was \$127 million while actual operational expenditure was \$145 million. The amount over budget was largely due to wastewater processing costs that were recovered by customers, maintenance costs funded by a grant from the Department of Internal Affairs relating to the Three Waters Reform, and additional expenditure on the Proposed District Plan. There was also increased expenditure on consultancy costs to provide cover for various employee vacancies throughout the year as well as to meet increased demand for services in areas such as planning and consents. Depreciation and amortisation costs were higher than budget because of higher revaluations in the prior year and pre-purchased wastewater infrastructure growth charges being utilized in Pokeno at a much faster rate than expected.

The impact of the above income and expenditure variances means the operating surplus was \$62 million compared to a budgeted surplus of \$18 million.

The Council's capital programme includes 2020/21 projects as well as prior year projects still to be completed. It should be noted, therefore, that the Annual Report depicts actual progress against the 2020/21 budget only. In real terms, the \$58 million spend delivered 36 per cent of the entire work programme.

Variances in capital work programmes can arise for various reasons: differences in construction prices, timing of subdivision activity within the district, adverse weather resulting in delays, public consultation timeframes, reliance on multi-party funding for some large projects and negotiations over land purchases. In the 2020/21 financial year more capital work was completed than in the previous year.

The Council has carried forward \$69 million of capital works budget to the 2021/22 financial year. Seventy per cent of these projects are underway, 20% relate to development projects which fall outside the direct control of Council in terms of timing, and the balance is made up of works not yet awarded (7%) and grants (3%). Total work in progress, but not completed, amounts to \$46 million. Debt at the end of June 2021 was \$80 million, \$59 million lower than the \$139 million forecast.

In addition to specifying debt limits, the Council's financial strategy stipulated benchmarks for rates increases going forward. These measures are in place to ensure accountability to the public with respect to rates increases and management of debt. The Council was successful in achieving both the rates affordability and debt affordability measures set for 2020/21.

4.2 Legal

The Annual Report and Summary 2020/21 is prepared in accordance with section 98 of the Local Government Act 2002 and must be adopted within four months of the end of the financial year however this year this period has been extended to 30 November 2021. The report must be publicly available within one month of adoption.

4.3 Engagement

This year the Annual Report and Summary documents will be made available to our residents and ratepayers in digital form on our website as soon as they are adopted. To support this, an article will be included in the next fortnightly digital newsletter to residents and ratepayers, encouraging people to view the Summary on the website. Hardcopies of the Annual Report and Summary will be made available at all our libraries and service centres, as well on our website.

5. ATTACHMENTS

Draft Annual Report and Summary 2020/21

2020 / 21



ANNUAL REPORT

Te Riipoata-a-tau



**OUR VISION:
LIVEABLE, THRIVING
AND CONNECTED
COMMUNITIES**

**HE NOOHANGA AAHURU,
HE IWI WHAI ORA,
HE HAPORI
TUUHONO TAHI**

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OVERVIEW

TIROHANGA WHAANUI

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06 Our role and structure

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and Chief Executive

07 Who we are

THIS IS WAIKATO DISTRICT

WAIKATO IS HOME TO...

81,473
PEOPLE
(26.4% IDENTIFY
AS MAAORI)

170
NEW NZ
CITIZENS IN 2020/21

15,344 DOGS

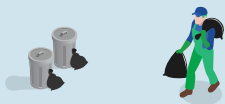


WE PROVIDE...

8,347,000

LITRES OF
DRINKING WATER A DAY

**60 PUBLIC
TOILETS**
USED BY 4,000
PEOPLE EVERYDAY



56

PLAYGROUNDS AND
NEIGHBOURHOOD RESERVES

**DIVERSION
OF 6,568**
TONNES OF REFUSE
FROM LANDFILL
EACH YEAR



2 CAMPGROUNDS
PAPAHUA AND HAKANOA

13 SKATEPARKS

3 SWIMMING
POOLS

WAIKATO SPANS

OVER 450,000
HECTARES OF LAND



IN 2020/21 WE HAVE SUPPORTED...

155 COMMUNITY
GROUPS



AND 161 DOGS WERE
RE-HOMED

WE MAINTAIN...

1,860KMS
OF SEALED ROADS



599KMS
OF UNSEALED
ROADS

255KMS
OF FOOTPATHS

113
PARKS AND
RESERVES



38
COMMUNITY
HALLS

WE OPERATE...



6 LIBRARIES THAT SERVICE
17,574 LIBRARY MEMBERS

25 WATER
RESERVOIRS
WITH A TOTAL
CAPACITY OF 22,813m³



7 WATER TREATMENT
PLANTS WITH A TOTAL CAPACITY
OF 19,180m³ PER DAY
AND 9 WASTEWATER TREATMENT PLANTS



2 ANIMAL
SHELTERS

21
CEMETERIES

25 DOG
EXERCISE AREAS

FROM THE MAYOR AND CHIEF EXECUTIVE

Vision continues to guide growth

Despite an uncertain outlook generated by the COVID-19 pandemic, Waikato district continued to experience rapid growth in 2021.

As one of the fastest-growing districts in the country measured by new dwelling consents, this also brought considerable challenges and a heavy workload. We processed 1,125 dwelling consents, up 39.4% on the previous year, and 2,430 building consents overall, up 27% on 2019/20. Our duty planners handled nearly 5,000 enquiries, up 43% on 2019/20.

The year was marked by a series of major initiatives to guide this growth and give effect to our vision of creating 'liveable, thriving and connected communities – he noohanga aahuru, he iwi whai ora, he hapori tuuhono tahi'.

Our 2021-2031 Long Term Plan (LTP), adopted in June 2021, advances many of the top priorities identified by the community through our District-wide and Local Area Blueprints which plan how to meet the community's social, economic and environmental needs over the next 30 years. These Blueprint priorities were confirmed at a series of public workshops held around the district.

The LTP provides funding for the development of infrastructure over the next 10 years to unlock key 'growth cells' identified by our 'Waikato 2070: District Growth and Economic Development Strategy', which was adopted just before the year under review.

'Waikato 2070' will also be underpinned by our Proposed District Plan which entered its hearings phase in 2021, and which offers a new spatial vision for community development, setting the guidelines for land use and for protecting our environment and heritage. Hearings took place via the innovative use of videoconferencing, making participation easier for submitters.

We worked with our neighbouring councils and other agencies to reach common understandings over shared cross-boundary issues. We progressed giving effect to the Hamilton-Auckland Corridor Plan through a review of our sub-regional Future Proof strategy to manage growth across Hamilton and Waikato and Waipa districts. Through the Waikato Mayoral Forum, we also advanced work on the Waikato Housing Initiative to address housing challenges in the region, with a focus on creating sustainable, resilient and connected communities.

Sustainable delivery of services

We continued successfully to identify sustainable ways to deliver the services our growing district needs.

We secured \$11.3 million of the Government's post-COVID-19 stimulus funding package announced with its Three Waters Reform Programme in July 2020. This will enable us to accelerate \$3.4 million of wastewater network renewals and undertake an additional \$4.3 million wastewater pond de-sludging, among other initiatives for our wastewater, stormwater and water supply services.

We are continuing to assess the impact of the Government's reform proposals on our contract for operational and maintenance services with Watercare Services Ltd and will make a firm decision once we have studied the details.

Through the Waikato District Alliance, a collaborative partnership with Downer NZ to maintain our roads, we undertook projects to enhance road safety, develop alternative transport modes to link our communities, and build infrastructure to support new residential subdivisions. We completed a three-year programme to review and change speed limits in our district, built the Huntly Rail platform for the Te Huia passenger train service to Auckland, resurfaced 118 kms of sealed roads, built 3.5 kms of new footpaths, continued work on the Cambridge to Hamilton stage of the Te Awa cycleway project, and completed the third year of a \$9 million-plus scheme of safety improvements which attracted an NZTA Waka Kotahi subsidy of 76%, saving more than \$2.5 million over the full three years.

We entered a partnership contract with Cushman and Wakefield in October 2020 to maintain the Council's community facilities, which include 220 Council-owned buildings across the district and more than 20 other plant items. Among many projects completed were the refurbishment of the Tuakau library and re-roofing of the Huntly Grandstand.

We are proud that some of our most widely-used services recorded customer satisfaction levels of 80% or more including our libraries, parks and reserves, solid waste and recycling services, and wastewater services. Overall, 60% of survey respondents were satisfied with the way rates are spent on the services and facilities we provide, and 81% rated the quality of life in Waikato district as good or very good.

Caring for our environment

We amended our kerbside refuse and recycling contracts to align these services with the objectives of our Waste Management and Minimisation Plan. We hosted a rural chemical collection in Tuakau, made the decision to end our inorganic waste kerbside collection because it encouraged the dumping of waste to landfill, and continued to support waste minimisation education programmes.

We updated reserves management plans for Woodlands and for the three main reserves in Raglan, upgraded two cemeteries, and ran daffodil bulb plantings across the district in conjunction with our Community Boards.

We assigned dedicated expertise to confront some complex stormwater management issues in the district and inspected businesses and facilities that were identified as high risk for contaminating stormwater if not maintained. A major programme of wastewater treatment plant upgrades to support discharge consent renewals will improve compliance and protect the environment.

Economic development

To encourage business growth and employment opportunities we continued to promote Waikato district through partnerships with our regional economic development agency, Te Waka, and Hamilton & Waikato Tourism. Local tourism spending grew 5.9% thanks to a resurgence in domestic tourism.

Development and investor demand has increased despite uncertainty due to the ongoing impact of COVID-19. A rezoning application for a \$1.2 billion Sleepyhead manufacturing and residential development at Ōhinewai was approved by a panel of independent commissioners, although parts of the proposed development are subject to appeal in the Environment Court.

We established a Business Pop Up School to support new business ideas from people who had lost their jobs because of COVID-19, and we supported community-led development training to build community capability and resilience.

“We continued successfully to identify sustainable ways to deliver the services our growing district needs.”

Financial Performance

We worked hard to set rates and debt levels that balance affordability with the need to provide for our growing community. Average rates per rateable property were \$3,256.30 for 2020/21 and average debt per rateable property is \$2,720.35. This is 61% below our debt servicing limit, offering capacity for funding services and facilities as needed for the future.

Building communities together

We involved you in decisions affecting our district on subjects ranging from reserve management and keeping of animals, to alcohol and speed limits. Our Long Term Plan 2021-31 sparked more than 600 submissions.

The Council approved the creation of Maaori wards for the 2022 and 2025 local government elections, and we started our six-yearly Representation Review to decide the number of our wards and councillors for the next two Council terms.

We enjoyed a strengthened Maaori voice in our decision making with the appointment of two Maangai Maaori (Voice of Maaori) positions to our three major Council committees just before the start of the 2020/21 year.

We committed grants totalling more than \$700,000 from Council-owned or administered funds for distribution to 155 organisations to enable communities to meet some of their own needs.

We are proud of what we have achieved in the last year by working with you.



Allan Sanson
Mayor

Gavin Ion
Chief Executive

OUR COUNCIL

The Council is elected by the residents and ratepayers of the Waikato district. Thirteen Councillors are elected from within the ten wards they represent. The Mayor is elected at large. The Councillors and the Mayor make the decisions affecting our communities across the whole district.

Wards

The district is divided into 10 wards. They are: Awaroa ki Tuakau, Eureka, Hukanui-Waerenga, Huntly, Newcastle, Ngaruawahia, Onewhero-Te Akau, Raglan, Tamahere and Whangamarino.

Community boards

Five community boards, whose members are elected within the board areas, deal with local issues within their areas. Community boards are established in Huntly, Ngaruawahia, Onewhero-Tuakau, Raglan and Taupiri.

Maangai Maaori

The Council appointed two Maangai Maaori (Voice of Maaori) to its three major Council Committees with full voting and speaking rights as part of the 2019-2022 governance structure.

Mayor



Allan Sanson
2020/21



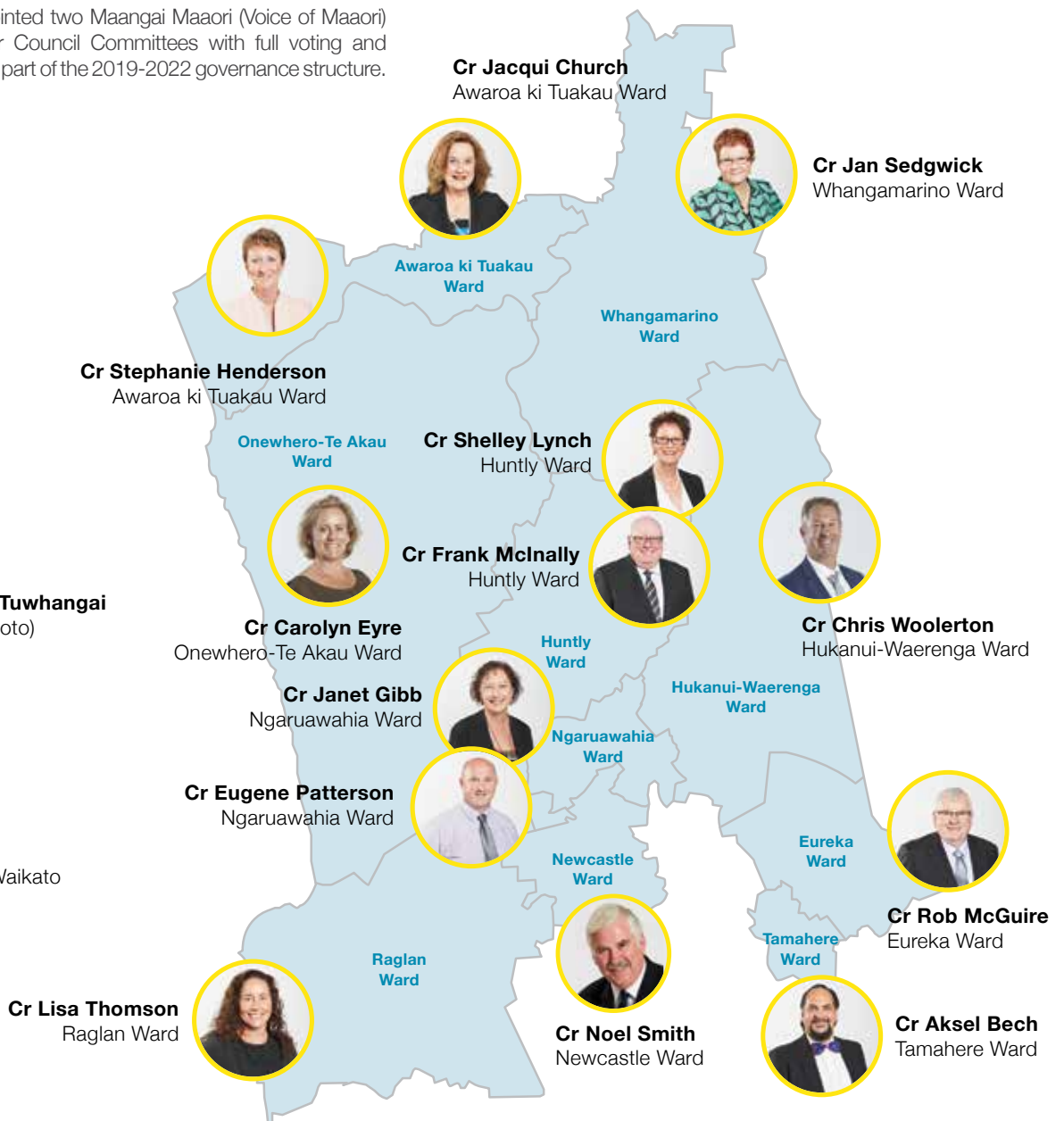
Maxine Moana-Tuwhangai
(Waikato, Maniapoto)
Maangai Maaori



Brendon Green
(Ngaati Hikairo, Waikato
Tainui, Ngaapuhi)
Maangai Maaori

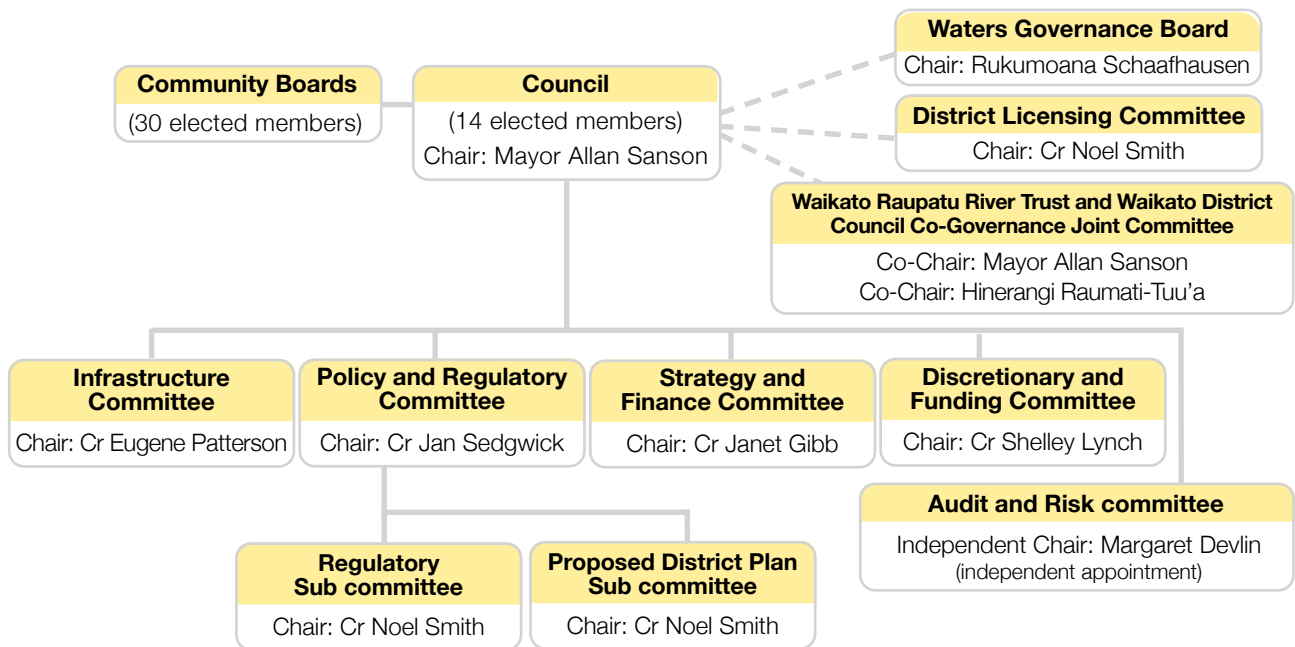
Community committees and groups

By advocating on behalf of their local communities, voluntary community committees and groups play an important role within community decision-making. Council works with them and the community boards so it can take into account local perspectives as part of its decision-making. They include: Aka Aka, Eureka, Glen Afton/Pukemiro, Gordonton, Horsham Downs, Matangi, Meremere, Newstead, North East Waikato (including Mangatawhiri, Mangatangi and Maramarua), Pokeno, Port Waikato, Pukekawa, Rangiriri, Tamahere, Te Kauwhata, Te Kowhai and Whatawhata.



WHO WE ARE 2020/21

Our Governance Structure



OVERVIEW

The Executive Leadership Team



Gavin Ion
Chief Executive



Tony Whittaker
Chief Operating Officer



Sue O’Gorman
General Manager Customer Support



Clive Morgan
General Manager Community Growth



Roger MacCulloch
General Manager Service Delivery



Kurt Abbot
Projects and Innovation Manager



Ian Cathcart
Special Infrastructure Projects



Vanessa Jenkins
People and Capability Manager



Jacob Quinn
Communications, Marketing & Engagement Manager



Geoff King
Chief Information Officer



Alison Diaz
Chief Financial Officer



STATEMENT OF SERVICE PROVISION *TAUAAKI RATONGA WHAKARITENGA*

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- 18 - Economic development
- 19 - Emergency management
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- 31 - Environmental health
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STATEMENT OF SERVICE PROVISION

What we did

This Annual Report reviews our progress towards achieving what we set out to do in the third year of our 2018-2028 Long Term Plan (LTP). The LTP sets out our strategic direction for the 10 years ahead and is reviewed every three years. It establishes our goals and outlines the work we need to carry out to achieve the community outcomes identified.

Our work programmes and associated budgets are divided into eight groups of activities that contribute to the community outcomes we're seeking.

In the 2018-2028 LTP our community outcomes were encapsulated by the Council's vision of liveable, thriving, connected communities – he noohanga aahuru, he iwi whai ora, he hapori tuuhono tahi.



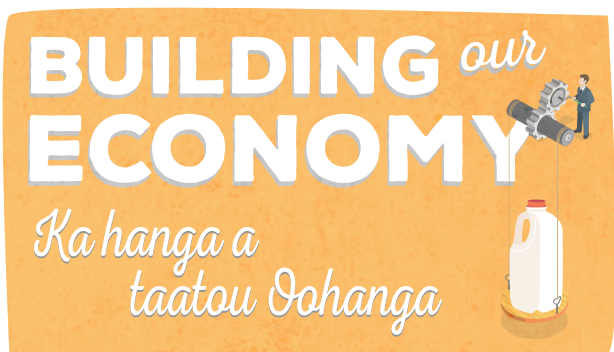
We are a community that believes in environmental sustainability; we pursue and promote related ideas and manage regulatory processes to safeguard and improve our district.



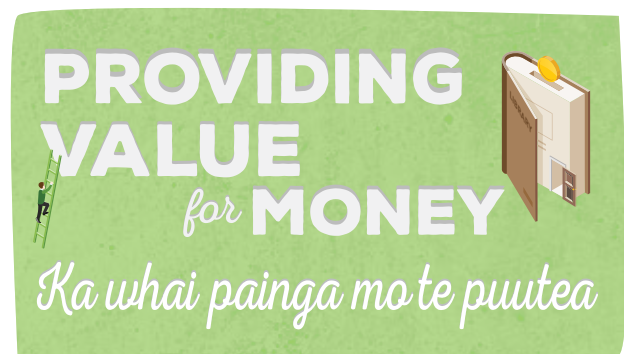
We consider the well-being of all our people in all our planning and activities. We have supported and plan for the development of complete and connected communities.



Our communities work with us so we are collectively focused on the right things at the right time.



We attract diverse enterprises/business: creating jobs and opportunities for our community. We continue to support our existing industry. We have others who leverage our location to ensure tourism brings benefits to a range of people in our communities.



Residents and ratepayers get value for money because we find innovative ways to deliver strategic, timely and fit for purpose infrastructure and services at the most effective cost.

Each group of activities contribute to one or more of our community outcomes.

Activity	Outcome				
	Supporting our Communities	Building our Economy	Sustaining our Environment	Working Together with You	Providing Value for Money
Governance	✓	✓	✓	✓	✓
Sustainable Communities - Customer and partnership focus - Economic development - Emergency management - Grants and donations - Parks and facilities	✓	✓	✓	✓	✓
Sustainable Environment - Animal control - Building quality - Environmental health - Strategic and district planning - Solid waste	✓	✓	✓	✓	✓
Roading	✓	✓		✓	✓
Stormwater	✓		✓	✓	✓
Wastewater	✓		✓	✓	✓
Water Supply	✓		✓	✓	✓
Organisational Support				✓	✓

✓ = primary contribution

✓ = minor contribution

Our Approach

When considering the financial picture, the Council's overall approach continues to be:

- Support growth in targeted areas
- Maintain existing assets
- Modernise infrastructure where it is prudent to do so
- Do more with existing budgets
- Move the cost of providing a service to those who use them ie: user pays

How we did

We have established performance measures for our work programmes to gauge our progress towards the community outcomes identified. In the following pages, you'll see we have shown how we're doing against our performance measures. We've used the 'traffic light' system to indicate whether:



We've achieved



We're on track towards the target but haven't quite made it (within 5%)



We've not met the target (variance greater than 5%)

Where we did not have a corresponding measure from last year to report on, we have indicated this as "N/A" for 2020/21

We conclude with a tabular presentation of our progress towards our community outcomes.

Waikato District Council funding impact statement

For the year ended 30 June 2021 for the

Whole of Council

	2019/20 Annual Plan \$'000	2019/20 Annual Report \$'000	2020/21 Annual plan \$'000	2020/21 Actual \$'000
Sources of operating funding				
General rates, uniform annual general charge, rates penalties	62,408	63,683	67,330	67,594
Targeted rates	28,811	28,313	30,709	30,556
Subsidies and grants for operating purposes	8,607	9,928	8,355	12,804
Fees and charges	10,859	15,229	10,415	13,705
Interest and dividends from investments	180	164	130	59
Local authorities fuel tax, fines, infringement fees, and other receipts	9,290	9,365	7,885	9,266
Total operating funding (A)	120,155	126,682	124,824	133,984
Applications of operating funding				
Payments to staff and suppliers	93,730	100,409	92,818	102,752
Finance costs	4,195	4,505	5,497	4,706
Other operating funding applications	2,422	3,343	2,664	2,861
Total applications of operating funding (B)	100,347	108,257	100,979	110,319
Surplus (deficit) of operating funding (A - B)	19,808	18,425	23,845	23,665
Sources of capital funding				
Subsidies and grants for capital expenditure	11,461	11,646	13,315	15,402
Development and financial contributions	6,283	15,101	6,393	13,158
Increase (decrease) in debt	34,269	15,000	15,661	(15,000)
Gross proceeds from the sale of assets	684	794	521	2,105
Lump sum contributions	-	-	-	-
Other dedicated capital funding	124	952	124	1,232
Total sources of capital funding (C)	52,821	43,493	36,014	16,897
Applications of capital funding				
Capital expenditure				
- to meet additional demand	20,690	8,748	5,361	6,802
- to improve the level of service	21,263	14,117	14,607	19,516
- to replace existing assets	30,255	25,386	30,893	32,317
Increase (decrease) in reserves	398	(4,593)	(581)	(16,098)
Increase (decrease) in investments	23	18,260	9,579	(1,975)
Total applications of capital funding (D)	72,629	61,918	59,859	40,562
Surplus (deficit) of capital funding (C - D)	(19,808)	(18,425)	(23,845)	(23,665)
Funding balance ((A - B) + (C - D))	-	-	-	-

GOVERNANCE

What we did

We continued to work towards achieving the vision and goals the Council established in its Long Term Plan 2018-28 to embrace the growth and changes we face in the decade ahead. Our vision is that we work together as a district to build liveable, thriving and connected communities as our district grows.

Highlights

Our goal, as a democratically-elected Council, is to involve you in the decisions that affect the future of our district.

Representation Review

We commenced our Representation Review, a statutory process that takes place at least once every 6 years and determines the number and size of wards, the number of councillors, and the number of councillors per ward. Our process included early engagement through a survey, as well as stakeholder meetings and community focus groups. The purpose of the early engagement was to establish an evidence base to define communities of interest ahead of the formation of Council's initial proposal. The Representation Review initial proposal is set for consultation with the community in July/August 2021.

Open workshops

We continued to open many of the Councillor workshops to the public, providing transparency and connecting our communities with the early planning stages on key decisions and policies, including the development of our 2021-31 Long Term Plan. Community Board and Committee chairpersons were also invited to these workshops so they could update and connect in with their communities.

Building on the use of technology for public meetings during Covid-19

The advance of COVID-19 required us to think innovatively about how we could continue engagement with the public, and continue to hold public meetings. Building on the success of online public meetings during Alert Levels 4 to 2, we continued to hold virtual/online public meetings and workshops whenever practical. Focus groups for our Representation Review, and for Hui on multiple issues such as the Raglan and Te Kauwhata wastewater consent renewals, continue to be held online allowing the public to engage directly with elected members and other key stakeholders. We also pioneered the use of videoconferencing technology for our Proposed District Plan hearings, making participation easier for submitters.

Engagement with communities

We adopted our 2021-31 Long Term Plan, following consultation in April, and received over 600 submissions from the community. We continued to engage on our Proposed District Plan (PDP), which sets the rules for how the district's land can be used, developed and subdivided.

We consulted on Stage 2 Natural Hazards and Variation 2, and nearly completed the PDP hearings phase, holding 31 hearings in the year under review, with final hearings taking place in July 2021. We also engaged with our communities on a range of other initiatives, plans, strategies and bylaws, on subjects ranging from reserve management, keeping of animals, alcohol control and speed limits.

We expanded our efforts to engage with you through a range of media, surveys, public meetings and market days and we added to our range of online services. We attracted nearly 360,000 visitors to our website in the past year (up 13.4% from 2019/20) and we have more than 17,000 followers on Facebook (up 21%).

Strengthened Iwi Partnerships

The Iwi and Community Partnership Manager and his team of two advisors continued to build stronger relationships with iwi and tangata whenua. We engaged with all iwi groups to assist numerous enquiries and concerns from the Proposed District Plan, the Long Term Plan, and rates and water enquiries, to our Joint Management Agreements. A solid relationship with iwi and hapuu is a vital component in order to deliver liveable, thriving and connected communities.

The past year also saw Council approve the creation of Maaori wards for the 2022 and 2025 local government elections. Maaori ward Councillors will bring a unique set of skills and experience, as well as a Te Ao Maaori lens, to the decisions that Council make, benefitting our decision-making process and our communities.

During Joint Management Agreement meetings with Waikato-Tainui and Nga Wai o Waipa (Ngaati Maniapoto) on the Waikato and Waipa Rivers, we kept iwi briefed as we developed our 2021-31 Long Term Plan. Maaori are also represented on our Waters Governance Board that oversees the governance of our waters' business.

Our collaboration with Waikato-Tainui has developed into a joint decision-making process on a number of initiatives and projects such as growth and infrastructure, community development and Maaori representation in the Council's decision-making processes.

How we did

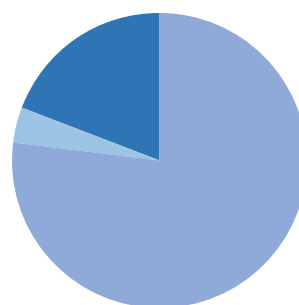
Performance measures	2019/20 result	2020/21 target	2020/21 result	Rating	Explanation
Percentage of residents satisfied that they were able to contact their councillor as and when required.	75%	90%	73%		Over the year only 22 people surveyed had tried to contact their Councillor or Mayor. The margin of error is 21%.
Percentage of district plan changes that are undertaken as per the RMA statutory process.	100%	100%	100%		Extensions to deadlines for decisions on the Proposed District Plan have followed and are continuing to follow the process prescribed in the Resource Management Act 1991, which requires approval by the Minister for the Environment.
Number of joint committee meetings held per annum	3	2 Waikato-Tainui, 2 Maniapoto	4		Five meetings were scheduled, but only 4 held: 3 JMA meetings with Waikato-Tainui and 1 JMA meeting with Maniapoto
Number of identified or notified breaches/objections under Joint Management Agreements, MOU's and MOA's.	0	0	0		Target met.
Number of formal governance hui held between council and iwi / hapuu groups.	4	Minimum of 4	5		Waikato Raupatu River Trust and Waikato Council Co-Governance Joint Committee Meeting was held on 14 April 2021. A number of other meetings have also been held on various topics which are not governance but engagement and working together with iwi/hapu groups.
Percentage of minutes of all open meetings that are made publicly available via the Council's website.	99%	100%	100%		Target met.
Percentage of Council decisions that comply with statutory requirements.	100%	100%	100%		Target met.

What this tells us

Your feedback through our regular customer satisfaction survey is giving us the information we need to improve the way we work with you. We have not met all our targets for the year overall, but we are making positive progress in working with you to ensure our district continues to develop as an attractive place to live and work.

There are no potential significant negative effects associated with this activity.

How we paid for it



Operational Funding

- 77%** General rates, uniform annual general charge, rates penalties
- 19%** Internal charges and overheads recovered
- 4%** Targeted rates

Waikato District Council funding impact statement

For the year ended 30 June 2021 for

Governance

	2019/20 Long term plan \$'000	2020/21 Long term plan \$'000	2020/21 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	5,623	5,725	5,518
Targeted rates	250	268	269
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	1,055	1,082	1,399
Local authorities fuel tax, fines, infringement fees, and other receipts	273	5	2
Total operating funding (A)	7,201	7,080	7,188
Applications of operating funding			
Payments to staff and suppliers	3,091	2,714	2,644
Finance costs	-	-	-
Internal charges and overheads applied	4,086	4,326	4,555
Other operating funding applications	2	2	3
Total applications of operating funding (B)	7,179	7,042	7,202
Surplus (deficit) of operating funding (A - B)	22	38	(14)
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding*	-	-	-
Total sources of capital funding (C)	-	-	-
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	(18)
Increase (decrease) in reserves	22	38	4
Increase (decrease) in investments	-	-	-
Total applications of capital funding (D)	22	38	(14)
Surplus (deficit) of capital funding (C - D)	(22)	(38)	14
Funding balance ((A - B) + (C - D))	-	-	-

SUSTAINABLE COMMUNITIES

This group of activities includes economic development, grants and donations, parks and facilities, emergency management and customer and partnership focus. We provide these services to address social and economic wellbeing to support the development of ‘communities’ and not just discrete sets of towns and villages. It’s about the provision of employment, leisure options, improved quality of life and the protection of enduring communities.

Customer and partnership focus

We want to make it easy for you to contact us about issues and questions regarding the services we provide. Key contact points include staff in our libraries and service centres and our call centre. In order for our customers to feel supported outside of normal working hours, an after-hours service is provided by Hamilton City Council.

Economic development

We are continually providing infrastructure to support businesses and residents and updating the district plan to attract industry to our district, along with many other initiatives. The goal is to ensure our district has longevity by bringing more employment opportunities. The Economic and Community Development team leads, supports and co-ordinates economic development activities, plans and initiatives across the district’s growth nodes to help build a local environment that attracts and sustains new and existing business investment, residential development and visitor experiences.

Emergency management

Public safety and emergency management activities are fundamental to the protection of life and property in the community. We have a key role in disaster and emergency response, management and recovery.

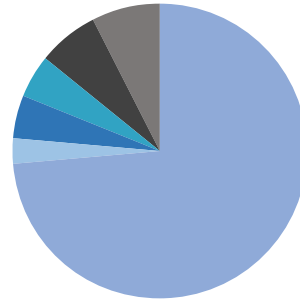
Grants and donations

Every year we provide grants and donations to various organisations and charities throughout the district, which otherwise might not have access to funding for their work.

Community connections (Parks and Facilities)

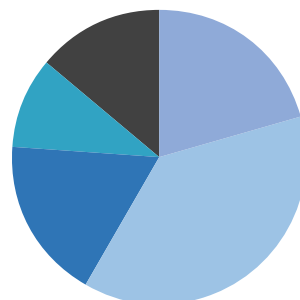
We provide many parks and open spaces, playgrounds and public facilities, including aquatic centres and libraries, walkways and sports grounds. Providing these facilities and amenities supports a healthy and thriving community.

How we paid for it



Operational funding

79%	General rates, uniform annual general charge, rates penalties
8%	Local authorities fuel taxes, infringement fees and other receipts
7%	Internal charges and overheads recovered
5%	Subsidies and grants for operating purposes
5%	Fees and charges
3%	Targeted rates



Capital funding

38%	Increase (decrease) in debt
21%	Development and financial contributions
18%	Gross proceeds from the sale of assets
14%	Subsidies and grants for capital expenditure
10%	Other dedicated capital funding

Customer and Partnership focus

What we did

Customer satisfaction survey

Our ongoing customer satisfaction survey recorded satisfaction levels of 80% or more with some of our largest and most widely-used services including our libraries, parks and reserves, solid waste and recycling services, and wastewater services. Overall, 60% of survey respondents were satisfied with the way rates are spent on the services and facilities provided by the Council, and 81% rated the quality of life in Waikato district as good or very good.

We commissioned the National Research Bureau to undertake our survey by means of randomised telephone polling, as well as online and face-to-face interviews.

Customer engagement

We engaged with our communities on all our plans and strategies, including the 2021-2031 Long Term Plan, our Proposed District Plan, and our district-wide and local area Blueprints. We also consulted on bylaws and policies including those relating to the Keeping of Animals and Alcohol Control.

We continued to enjoy strong online engagement with our communities. Compared with 2019/20 there was a 16.3 % increase in website visits during 2020/21, and a 13.4 % rise in website users (to nearly 360,000 unique visitors during the year).

We manage three Facebook pages as well as Instagram, Linked-In and Twitter accounts. Our main Facebook page receives an average 'organic' (unpaid) monthly reach of 230,000 and we receive an average of 2,500 'engagements' per month (reactions, comments and 'shares'). This brings our monthly average engagement rate to 4.39% - more than double the Facebook average.

Library services

Our libraries are an important focus for community activity, hosting community group meetings as well as regular reading programmes and other learning opportunities. We operate six libraries in the district. Four double as council service centres and two are dedicated public libraries.

Throughout the year we continued to deliver reliable services to our existing customers and this is reflected in the 99% customer satisfaction level recorded by our in-house survey.

Staff have worked hard to broaden and diversify the services and opportunities we provide. In the past year, for example, we introduced a range of educational kits (from musical instruments, to science and junior coding robots, Maaori language, and even DIY tool kits) so customers can experience new things at a very small cost. The kits have proved popular and will remain part of our ongoing service.

We were very fortunate to receive enough funding from Public Libraries NZ to employ three temporary staff in the past year. These staff members helped us undertake extensive canvassing of customers and potential customers so we can learn how to shape our sites to suit a wider variety of people.

During this outreach, the new team contacted schools across the district to develop closer relationships with them. As a result, we signed up hundreds of new online library memberships, began delivering books to classrooms, and provided advice on how to navigate the NZ national library system.

A long-standing goal was completed in the past year with the refurbishment and expansion of the Tuakau Library. Its floor space has now nearly doubled in size to provide a blend of interactive and traditional library space. The library now also offers two meeting/event rooms for public use.







In the course of developing the Council's 2021-31 Long Term Plan we made provision for reviewing, expanding and upgrading our services across the district.

Our plans include a two-year project to scope and design options for a long-anticipated facility at Pokeno for the community and Council to consider.

Despite many efforts over the past year, including a trial of Saturday opening, the new library/service centre in Meremere has seen limited use and will require a review of our use of this site.

We also made provision to roll out new RFID (Radio Frequency Identification) technology in our libraries to replace our existing barcode system. The new technology will allow customers to check out their own books, leaving staff more time to help our customers with their enquiries and engage with them in other ways.

How we did

Performance measures	2019/20 result	2020/21 target	2020/21 result	Rating	Explanation
Percentage of customers satisfied that council engages with the community regarding the right issues.*	40%	60%	42%		Over the 2021/22 financial year staff have consulted on the Long-Term Plan, policies, bylaw and plans. Staff will continue to identify improvements regarding how we consult with the community, through regular project reviews and listening to community feedback.
Percentage of customers satisfied with the ease of access to information regarding key community issues.*	48%	60%	49%		Staff have continued to make key community issues accessible through our consultation platform, Shape Waikato, and have reviewed the useability and functionality of our website. Staff will continue to review how information is communicated and accessed to identify improvements.
Average level of effort to conduct business with Council (on a scale of 1-5, 5 being high effort) How much effort did it take to conduct your business?	2.2	Less than 3.0	2.4		Target met.
Net Promoter Score (level of likelihood that library users will recommend to friends and family their library as a place to go).	97.9%	90%	98%		This indicates a strong emotional connection to our sites and a high level of trust in our staff. We promote our libraries to increase numbers of new users, and to reach nonusers. Over the year 710 customers were surveyed giving us confidence that these results are reliable.
Level of customer satisfaction that the quality of library resources meets their needs.	97.2%	90%	99%		Customer satisfaction is high. Through our survey of 710 customers we also learnt that 95.5% are happy with our opening hours, 93% with our book selection, 99.7% with our staff, and 96.7 with our online services.
Percentage of time that access to a free internet service is available in libraries.	89.6%	100%	98.2%		Downtime was experienced only twice in uncontrollable circumstances due to weather (severe rain and flooding in Ngaruawahia library), and network outages (when Tuakau Library was temporarily located in the town hall.)

* Source: "Waikato District Council Ongoing Satisfaction Survey September 2020-May 2021".

What this tells us

Our survey results tell us that our current customers enjoy using our sites and the services we offer. This provides us with a strong base to develop what we offer to attract more residents to see our libraries as a place for them.

Potential significant negative effects

Potential negative effect	How we are addressing this
Damaged library items	Repaired as condition assessed during the issuing or receipting process, or discarded in accordance with the collections policy.
Inappropriate books/magazines/material in the collection (such as adult material, or offensive to cultures, religion, or in general)	Items are acquired in accordance with the collections policy and catalogued as per the nature of the material.

Economic and Community-Led Development

What we did

Strategy

Waikato district continued to enjoy domestic growth, and ongoing business interest and activity, although the full extent of the impact of COVID-19 is still being understood. From a development and investor perspective the demand has increased. Growth in the construction and manufacturing sector has driven up costs nationally, however, there is uncertainty about growth sustainability as there may be lagging impacts from the COVID-19 pandemic on immigration, supply chains and exports.

With the adoption of the Waikato 2070 Economic and Growth Strategy in June 2020, new commercial, industrial, and residential land has been identified to meet growth demand. The Economic and Community Development team continues to prioritise the voice of our business customers to ensure that their interactions with council are a positive experience and that growth is measured.

The Economic and Community Development team continued to promote economic activity to support growth and sustainability across the Waikato district. In the year under review a Business Pop Up School was established to support new business ideas from people who had lost their jobs because of COVID-19. National and international investors and businesses have continued to show interest in the district, although international enquiries have not yet led to further developments.

The demand from our communities to participate in community governance and capability building has increased and so the Economic and Community Development team have held Community-Led Development programmes to build community capability and resilience across the district.

A growth in our regional partnerships has also enabled more community-led development training to be provided to our communities focusing on governance and funding.

A review of our funding system identified that future funding should be directed to community-led development and aspirations projects identified in our Local Area Blueprints.






Regional Approach

We continued to promote the Waikato district and its communities through regional agencies and partnerships.

We made an annual contribution of \$60,000 to the Regional Economic Development Agency, Te Waka, and an annual grant of \$150,000 to Hamilton & Waikato Tourism. A major marketing campaign to promote the Waikato region and to 'buy local' was led by Hamilton & Waikato Tourism.

We worked with our regional partners on the Waikato Plan to promote the four aspects of community wellbeing - economic, social, cultural and environmental - as identified in the Local Government (Community Well-Being) Amendment Act 2019.

How we did

Performance measures	2019/20 result	2020/21 target	2020/21 result	Rating	Explanation
The percentage increase in number of business units in the Waikato District. (Same or higher than NZ growth rate in number of business units).	2.3%	1.6%*	1.1%		Business units grew by 1.1% to June 2021 compared to the NZ average of 1.6% in the same period
The percentage of customers satisfied or very satisfied that the quality of service and expertise meets their needs	59%	90%	85%		As per the Business Perception Survey April 2021.
Business Perception Survey average rating	8.7	Equal or higher than 8.5 out of 10*	8.5		Target met.
The percentage increase in measurable annual tourism expenditure *	-12%	-12.8	5.9%		Waikato district enjoyed an increase in domestic tourism only.
The percentage delivery of the Economic Development strategic work programme	100%	95%	100%		Target met.

* District growth rate greater or equal to the New Zealand growth rate of the same period.

What this tells us

We maintained the strong reputation we have built with regional and national partners as a place to do business. *There are no potential significant negative effects associated with this activity.*

Emergency management

What we did

This year our team has been working to implement the learning we gained from our COVID-19 response in 2020 when we provided welfare support to our communities through the level four lockdown, and our emergency operations centre was active for several months. COVID-19 has continued to require our business and our communities to adapt to a different way of doing things.

One learning was the need for greater understanding of the network of welfare support providers across our district. This formed part of our welfare business planning for the year. We also worked to increase our welfare support capability through training.

We continued to support the development of community response plans. Some of our learning from 2020 can be applied to these plans, including improving communication channels with our community response groups.

We continued to deliver civil defence emergency management training to our staff to maintain our capability to respond to incidents and emergencies in our district. We also focussed on developing leadership expertise in an incident or emergency.




We did not complete an evaluated exercise in 2020/2021 due to the need for an extended response to a real-life emergency, COVID-19, but we committed to participating in a region-wide emergency response exercise in November this year.

One of our goals this year was to expand our annual Ngaruawahia-based SAFE Kids Day into more of our communities. This was impacted by COVID-19 and is now planned for the new financial year. The SAFE Kids Day provides important safety messages to primary school children from agencies that include Fire and Emergency New Zealand, KiwiRail and NZ Police.

An important part of our work is helping to improve community resilience, so we are starting to offer workshops on this subject to our communities. Resilience is the ability to anticipate and resist disruptive events, minimise adverse impacts, respond effectively, maintain, or recover functionality, and adapt in a way that allows for learning and thriving. The workshops take a community-led approach to understanding the resiliency of our communities, and how we measure changes to their resilience.

In response to significant issues affecting our business and our communities, we have supported a number of incident management team responses this year. We have worked collaboratively with our partner agencies to deliver a multi-agency coordinated response to our communities when faced with complex issues. We continue to strive to provide a greater level of service to our communities during these events.

How we did

Performance measures	2019/20 result	2020/21 target	2020/21 result	Rating	Explanation
Successfully participate in one exercise per annum that is fully moderated by an external party.	1	1	0		We did not undertake a moderated exercise this year due to the COVID-19 response. An unmoderated EOC exercise was undertaken in March 2021 to manage our organisation's 'giveback' day. Planning is underway for Tahi Waikato, an externally moderated exercise including 11 territorial local authorities (TLAs) and other agencies.
Council maintains a minimum number of trained staff to Intermediate Level to fulfil core Emergency Operations Centre roles.	30	30	79		The next intermediate course is in August. Staff are also able to attend regional training offered by other TLAs or the Waikato region Civil Defence Group Emergency Management Office.
Council maintains a minimum level of trained staff to foundation level to fulfil core Emergency Operations Centre roles.	100	100	153		We continue to offer the introductory course on a quarterly basis. The next course is scheduled for 7 July.

There are no potential significant negative effects identified with this activity

Grants and donations

What we did

We supported the work of 155 organisations and charities throughout the district this year with grants and donations from Council-owned or administered funds.

From Council-owned funds (see table) we committed more than \$569,000 for distribution to 113 local groups. Of this the largest single amount was \$150,000 to support the work of Hamilton and Waikato Tourism, and this is continuing to pay dividends in joint research and planning work to underpin our growing tourist industry sector in Raglan.

On behalf of the Creative Communities Scheme Fund we distributed \$70,194 to benefit 37 local groups, and the work of five more groups benefited from \$72,000 we distributed on behalf of an independent trust we administer, the Waikato

District Community Wellbeing Trust (see page 69).

Council funds committed



Council funds committed for distribution (see table) included more than \$300,000 for 18 local groups and projects as a result of Long Term Plan pledges. A further \$268,500 of discretionary grants and other funding was committed for distribution to 95 local groups during the year through applications processes managed by Council committees and Community Boards.

Description	Funds committed through Year 3 of LTP 2018/2028	Amount Paid 2020/2021
Twin Arts Information Centre	5,000	5,000
Raglan Museum	20,000	20,000
Waikato District Sports Award	5,000	-
Life Education Trust	5,000	5,000
Ecosourced Waikato in the District	2,000	-
Waikato district crime prevention	10,000	2,865
Bush Tramway	1,000	1,000
Te Akau Community	7,000	-
Tamahere Community Committee	4,000	-
Hamilton & Waikato Tourism	150,000	150,000
Tuakau and District Museum Society Inc.	10,000	10,000
Para Kore	5,000	5,000
Creative Waikato	6,000	6,000
Te Kauwhata & Districts Information and Support Centre	10,000	-
Waikato Coalfields Museum	50,000	50,000
Waikato Biodiversity Forum	3,371	3,000
Franklin Tourism	2,500	2,500
Matariki Festival	5,000	-
Sub-total / total	300,871	260,365
A total of 95 other groups benefited from:		
Heritage Assistance Fund	20,051	53,326**
Conservation Fund Grants	33,711	40,476**
Heritage project fund	40,000	17,793**
Community Administration Funding	10,000	300**
Discretionary Grants	164,795	171,111*
Total Council funds committed 2019/2020	569,428	543,370

*Includes funds committed in 2019/20

**Amount paid out from committed funds relies on groups securing alternative funding required, or meeting other similar criteria, and this can mean funding may be held over for one or two financial years.

How we did

Performance measures	2019/20 result	2020/21 target	2020/21 result	Rating	Explanation
Number of discretionary grant funding rounds undertaken per year.	3	4	4		All four discretionary grant funding rounds were completed despite COVID-19 restrictions.
The percentage of community funding/grant recipients meeting grant obligations, as evidenced through accountability reports.	95%	100%	100%		Council staff work with community groups to ensure projects are successful and benefit the community, and that funding recipients file accountability reports on time.

There are no potential significant negative effects identified with this activity

Community Connections (Parks and Facilities)

What we did

Community facilities

The Community Facilities team continue to provide repairs and maintenance to the 220 Council owned buildings throughout the district, as well as managing the Council fleet of 72 vehicles and over 20 plant items to ensure that they are safe, maintained, compliant and utilised well. In addition to responding to daily requests for service, staff have carried out renewals at our facilities ensuring the needs of our communities are being met.

To ensure a seamless service for our customers, a partnership contract with Cushman and Wakefield commenced in October 2020 to provide facilities maintenance across all assets. The contract is progressing well with all systems and reporting requirements being met and functioning well.

In addition to daily operational activities, capital works highlights are as follow.

Pensioner housing

Four pensioner housing units were refurbished to ensure our tenants are provided with good quality accommodation that meets their needs. In addition to this, the units at Jellicoe Ave in Tuakau have had all the bath shubs removed and replaced with low-entry showers.

Huntly Memorial Hall

The refurbishing of the Huntly Memorial Hall was completed by a team of community volunteers, with support from Council staff. The hall is now a fully functional, warm and inviting facility that the community can continue to hire out as needed.

Whatawhata Community Hub

Work continues on the Whatawhata Community Hub, with resource consent approved, and detailed design for construction completed. Final funding is being sought before commencing construction.

Tuakau Library

The Tuakau Library extension was completed with construction undertaken while the adjacent Tuakau Hall acted as an interim library. The newly refurbished and extended library re-opened on Monday 12 July.

Raahui Pookeka | Huntly Rail Station and Park & Ride

The new railway station platform with shelters, lighting and seating was completed, along with 40 Park and Ride carparks, to enable access to the new Te Huia commuter train service operating from Hamilton to Auckland. This work was done in conjunction with KiwiRail's siding track and signal upgrades. The Te Huia rail commuter service trial from Raahui Pookeka | Huntly Rail Station is now operating.

Huntly Library Lift

The replacement of the lift in the Huntly Library was successfully completed and commissioned.

Ngaruawahia Office Workspace 2020

The office refurbishment and furniture upgrade was completed, to establish team 'neighbourhoods', hot desks,

and collaboration areas, and enabling the new mobile working environment.

Community Venues and Events

The Community Venues and Events team administer events and volunteer works in Council reserves, halls, cemeteries and burials, campgrounds and Woodlands gardens. Achievements of the past year include the following.

Events

Our biggest event in the district – Sound Splash – completed its consented event allowance and is intending to apply for another multi-year consent. We also received interest from other high impact commercial events to run a one-day festival in Raglan and we will work with the Raglan Community Board to enable the best outcome, taking into account the impact of large scale events on the community. New fees and charges for commercial events on Council property were approved in the Long Term Plan, effective from July 1 2021.

Volunteers

Working with the Open Spaces Team, we ran 16 daffodil bulb plantings across the district in conjunction with our Community Boards. This successful venture is likely to become an annual event.

Cemeteries

We completed the Ngaruawahia Cemetery upgrade and started upgrading the Rangiriri Cemetery. The Rangiriri project was held up by bad weather, creating the need for new materials to complete the works. The aim is to improve the service we provide our communities as well as the aesthetic appeal of these spaces. New signage was installed in the Ngaruawahia Muslim Cemetery. We worked with the Muslim community to provide information on why the graves were not marked in the usual Western manner.

Halls

We finished the long-standing Community Halls Catchment and Targeted Rates Review that had been pending since the Franklin District amalgamation. Council approved catchment changes for our northern-most halls, increasing the Karioitahi, Aka Aka, and Otua catchments and targeted rates, and making a minor boundary change to the Te Akau catchment.

Raglan Holiday Park Papahua

A new toilet block was built to service the cabins and Hui room development at The Raglan Holiday Park Papahua. The shower heating system is being reviewed and sustainable solutions sought that align with central government legislation.

Lake Hakanoa Motor Camp

A Wifi upgrade was completed to improve accessibility to the bunk rooms, allowing dive school students to complete their course work from the camp in the evenings.

Woodlands

A new Reserve Management Plan was completed by the Reserves Team to identify the projects that the Community Venues and Events team will continue to work on with the Woodlands Trust.

A planned brick fence for the music lawn did not proceed as its foundations would have impacted the roots of notable trees and camellias. The project was re-scoped and a timber fence chosen in line with the style seen across the reserve. This work is due to start in the new financial year.

Citizenship Ceremonies

We held two successful citizenship ceremonies, one in April and one in June 2021. No ceremonies were held in 2020 or early 2021 due to the risk of COVID-19.

Open Spaces

The Open Spaces team manages the district's parks and reserves, and works with our maintenance partner, Citycare, to provide quality recreation and amenity spaces for our communities.

We acquired additional sports park land in Tuakau for development in the coming years. In addition to normal maintenance activity, other operational, strategic and capital projects were undertaken including the following.

Coastal Reserve Management Plan

We spent significant time on a robust consultation for the Coastal Reserves Management Plan which covers the three main reserves in Raglan. This work was delayed due to COVID-19 but the plan is expected to be adopted formally in the new financial year.

Huntly Grandstand

The roof on the Huntly Grandstand was replaced with the cooperation of Transpower, which has overhead transmission lines over the structure. Transpower contributed funds to offset the extra costs of working in proximity to their power lines, as well as scheduling extended lines shutdowns to enable this complex work.

Rangiriri and Ngaruawahia Cemeteries

The access road to the Jackson St Cemetery, Ngaruawahia, was upgraded with new kerbing and an asphalt surface. An upgrade of the Rangiriri Cemetery accessway was started and expected to be completed in the new financial year.

Whangarata Cemetery

The new Whangarata Cemetery Stage 1 was completed with kerbed asphalt access and parking. Fencing and minor works are to be completed before it is opened to the public.

Hakanoa Playground

The Lake Hakanoa playground was upgraded and re-opened to the public on 9 July 2021.




Ngaruawahia cricket nets








We installed cricket nets at Centennial Park, Ngaruawahia, using funding from Grassroots Trust. This was well-received by the community and well-used during the summer months.

Munro Sports Park, Pokeno

Stage 1 earthworks to create a stream diversion were completed. A contract has been awarded for Stage 2 which is expected to be completed and fields available for use in the second half of the new financial year.

How we did

Performance measures	2019/20 result	2020/21 target	2020/21 result	Rating	Explanation
Percentage of Customers who are satisfied with Parks And Reserves, including sports fields and playgrounds overall	88%	90%	89%		Our contractors continued to perform well. The capital renewals programme continued to be rolled out so works have been underway in some areas.
Percentage of customers who are satisfied with the presentation of WDC cemeteries	91%	95%	93%		Presentation of cemeteries has been good overall. Some upgrading work will not be finished until the new financial year.
Percentage of new playgrounds built to New Zealand Standard – Playground Equipment and Surfacing (NZS 5828:2015)	100%	100%	100%		All playgrounds are built to NZS Standard.

Percentage of customers who are satisfied with public toilets in the residents satisfaction survey	78%	75%	67%		Survey results have varied over the year. We continue to work with our contractor who maintains our toilets to a high level of cleanliness. Extra cleans are added during peak seasons to meet customers' expectations.
Percentage of new public toilets built to NZS 4241:1999	100%	100%	100%		All toilets are built to NZS Standard.
Percentage of buildings that require a warrant of fitness that comply	100%	100%	100%		All buildings that require a building warrant of fitness are compliant.
Percentage of customers who are satisfied with the service provided at the Raglan campground*	91%	90%	91%		The camp has a steady number of bookings coming in a year on from the initial COVID outbreak in NZ. Reliable hot water is increasing as an issue for the camp which is made more apparent in the colder months.
Percentage of customers who are satisfied with the service provided at the Huntly campground*	76.5%	90%	99%		The Hakanoa Camp continues to provide a consistent level of service. Discussions are happening with the Dive school around expectations in levels of cleaning as divers are expecting cleaning outside the schedule for their own personal benefit.
Percentage of visitors that find the facilities clean, accessible and welcoming (pools)	90%	90%	84%		As per survey results provided by Belgravia Leisure. This survey information is based on a 'net promoter score' system, so the overall results can be considerably influenced negatively by a small number of detractors.
LTP - Percentage of WDC Aquatic Centres that are operated under NZ Pool Safe Accreditation	100%	100%	100%		All 3 Pools operate under Pool Safe accreditation as required by the Belgravia Aquatic Management contract.

*Our LTP 2018-28 has these two performance measures grouped together. To more accurately report on our performance, we are reporting against each campground individually.

Potential Significant Negative Effects

Potential negative effect	How we are addressing this
Disability access to facilities	Development of the Disabilities Access Policy. Design and manoeuvrability for wheelchair access, or mobility scooter. New facilities to be designed in accordance with Council's HCC development manual.
Noise and disorderly behaviour issues from events at reserves, and general use of reserves	Events managed in line with Council's terms and conditions of hire. Any disturbance will be handled by local police or noise control if required.
Herbicides impacting environment	Working in conjunction with Hazardous Substances and New Organisms (HSNO) standards for handling agri-chemicals. Enforcing appropriate conduct and use of wash down facilities and hard stands. Ensuring pest and weed control activities are within guidelines.
Damages to property and harm to people from falling trees and branches	Tree maintenance programme according to industry standards. Focus on higher risk areas such as walkways, playgrounds, higher use reserves, and power networks. Responsive to customer requests and cyclical maintenance.

Reserves can create a fire hazard for properties	Management of fire breaks to prevent this effect.
Hazardous chemicals used to keep bio hazards under control, can be harmful if mishandled	Staff training to identify and handle emergency events and safety standards strictly adhered to. Sodium hypochloride used which is safer alternative than traditional chemicals.
Accidents at aquatic facilities	Pools managed to Pool Safe certification standards. Wet floor signage for appropriate areas.
Isolation/location of public toilets leading to safety concerns	Ensure toilets are designed appropriately and located in areas that are easily visible and accessible. Use Crime Prevention Through Environmental Design (CPTED) principles.
Toilets can present a sanitary risk to the community	Included in Water & Sanitary services assessments (three yearly).
Toilets considered to have a negative aesthetic effect	Use of eco design, strategic locations, planting to minimise the impact, environmentally complementary plain colour.
Noise and disorderly behaviour issues from events at cemeteries and general use of cemeteries	Restricted opening hours.
Congregation of undesirable groups with the potential to vandalise equipment	Maintenance regimes in place to rectify any issues, installation of CCTV as appropriate. Use CPTED design principles.
Potential pollution of waterways from cemetery activities	Maintain an adequate separation distance between human remains and the highest seasonal ground water table. Maintain an adequate buffer zone around cemeteries, and plant with deep rooting trees.

Waikato District Council funding impact statement

For the year ended 30 June 2021 for Sustainable communities

	2019/20 Long term plan \$'000	2020/21 Long term plan \$'000	2020/21 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	21,627	22,193	23,186
Targeted rates	710	716	808
Subsidies and grants for operating purposes	60	60	1,534
Fees and charges	1,760	1,843	1,615
Internal charges and overheads recovered	353	359	2,010
Local authorities fuel tax, fines, infringement fees, and other receipts	1,754	1,793	2,315
Total operating funding (A)	26,264	26,964	31,468
Applications of operating funding			
Payments to staff and suppliers	15,053	15,114	20,214
Finance costs	-	-	-
Internal charges and overheads applied	6,094	6,397	6,193
Other operating funding applications	562	561	554
Total applications of operating funding (B)	21,709	22,072	26,961
Surplus (deficit) of operating funding (A - B)	4,555	4,892	4,507
Sources of capital funding			
Subsidies and grants for capital expenditure	368	400	1,602
Development and financial contributions	2,680	2,730	2,438
Increase (decrease) in debt	3,668	2,270	4,494
Gross proceeds from the sale of assets	511	522	2,159
Lump sum contributions	-	-	-
Other dedicated capital funding*	-	-	1,157
Total sources of capital funding (C)	7,227	5,922	11,850
Applications of capital funding			
Capital expenditure			
- to meet additional demand	1,393	977	2,389
- to improve the level of service	4,427	3,328	7,556
- to replace existing assets	3,708	4,695	4,003
Increase (decrease) in reserves	2,254	1,814	2,409
Increase (decrease) in investments	-	-	-
Total applications of capital funding (D)	11,782	10,814	16,357
Surplus (deficit) of capital funding (C - D)	(4,555)	(4,892)	(4,507)
Funding balance ((A - B) + (C - D))	-	-	-

*Other dedicated capital funding for the Sustainable Communities group of activities represents insurance proceeds to fund replacement of toilets at Tuakau, capital revenue for lighting upgrades at Dr John Lightbody Reserve and NZTA contributions to the Te Awa Cycleway.

SUSTAINABLE ENVIRONMENT

This group of activities includes animal control, building quality, strategic and district planning, solid waste and environmental health.

Our strategic focus is to develop and maintain an integrated approach to providing sustainable, attractive, affordable and safe options for living, in a way that's in tune with what ratepayers want. We need to provide more streamlined processes that cost less while still delivering required results for our community and Council.

Animal control

The Animal Control Team provides animal control services through dog registration, complaint response, and impounding wandering stock and animals as required by the Dog Control Act 1996, Impounding of Stock Act 1955, and Council's Dog Control Policies and Bylaws. This is achieved through active enforcement of requirements and via the education of dog owners and the general public.

Building quality

We protect the community by ensuring that buildings in our district comply with legislation, including the fencing of swimming pools. We process building consent applications and carry out construction inspections.

Environmental health

We provide a range of services to ensure food outlets maintain high food safety standards, alcohol outlets operate to the conditions of their licences, and that noise and nuisance complaints, hazardous substances and contaminated sites are all managed.

Strategic and district planning

Land use and growth management planning ensures the district can grow and develop in a sustainable manner and in accordance with the principles contained in the Resource Management Act (RMA) 1991.

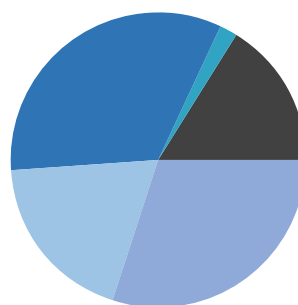
Solid waste

As set out in the Waste Minimisation and Management Plan (WMMP), Council has adopted an aspirational vision of 'Working towards zero waste for the Waikato district.'

The goals of the WMMP are summarised as:

- Working more closely with our communities in managing waste;
- Working more closely with the growing waste management industry in the district and the other councils around us;
- Improving our kerbside recycling collections;
- Considering ways to reduce the amount of rubbish we collect and how much it costs; and
- Improving transfer stations to recover and recycle more material than we do now

How we paid for it



Operational Funding

33% Fees and charges

30% General rates, uniform annual general charge, rates penalties

19% Targeted rates

16% Local authorities fuel taxes, infringement fees and other receipts

2% Internal charges and overheads recovered

Animal control

What we did

With an average of six Animal Control officers on the road during the past year, we responded to 2,997 service requests across the Waikato district. Of the service requests received, 1,244 (42%) related to straying dogs, 328 (11%) related to incidents of dog aggression and 274 (9%) were requests to deal with wandering stock.

The team continues to work hard to respond to all service requests as quickly as possible. Animal Control officers are rostered to be available on-call at nights and weekends to provide a 24-hour, seven days a week service, so we can respond quickly to handle urgent situations involving aggressive dogs or stock on roads.





We continued to prioritise animal safety education for children in our community, providing 84 education sessions in our primary and intermediate schools, and preschools, during the year. These sessions have proved extremely valuable for children to learn how to handle risky encounters with dogs. We have received reports of children making split-second decisions to keep safe by standing still, or rolling into a ball

to protect face and ears, based on the education we have provided. Despite the challenges of COVID-19, which has resulted in schools taking a cautious approach to planning, the Animal Control team is proud of the relationships we have fostered with our schools and the achievements of our educational programme.

The Animal Control team held five successful community events in the past year. Our 2021 Dirty Dog Challenge was the most notable, attracting more than 400 people and 300 dogs to participate. We again co-hosted this event in our district with the Hamilton City Council dog control unit, and all WDC proceeds will be returned to the community to assist with the desexing of dogs.

Dog registration remains a focus for the team. The number of dogs registered at the end of the financial year was 14,107, representing nearly 92% of the 15,344 dogs known by the Council to be in our district.

How we did

Performance measures	2019/20 result	2020/21 target	2020/21 result	Rating	Explanation
The percentage of aggressive dog behaviour complaints, where immediate risk to public safety is present, that has council personnel on site within 1 hour.	100%	95%	98.6%		Target met.
The percentage of complaints regarding stray stock that have council personnel on site within 1 hour.	100%	95%	99.6%		Target met.
The number of reported serious dog attacks on people in public places (where medical attention is required) that occur in our district does not exceed 10 per year.	10	10 or less	3		Target met.
Complete Engagement and Education visits throughout the district.	76	120 per annum/ 10 per month	116		Animal Control positively engaged with a large number of children and members of our community this year. We achieved this through Dog Smart sessions in schools and preschools, the Dogs In Libraries programme and community events such as Dirty Dog.

Potential significant negative effects

Potential negative effect	How we are addressing this
Injury to Animal Control Officers from attack by dog owners, dogs and livestock	Continue to provide ongoing training and ensure the correct and required personal protection equipment is provided.
Dog owners disgruntled by enforcement action taken against them	Professional and courteous enforcement.
Members of the public are at risk from dog attack	Ensure animal control services are maintained at a level to ensure stray dogs are impounded.

Building quality

What we did

Building consents

Following predictions of a post-COVID economic downturn, we instead faced a 27% increase in the number of building consents lodged in the past year, which put huge pressure on the team.

Despite support from external contractors, we were unable to meet the 20-day statutory timeframe for processing consent applications. We recruited more staff to meet these higher workloads, and may need to review staffing levels again if the trend continues.

Inspections

Increasing workloads also impacted building inspection timeframes. We engaged a contractor to maintain our level of service. To meet the increased demand the Council approved the recruitment of two additional Building Inspectors, which we expect will reduce pressure on workloads.

The increase in building inspection workloads dictated decisions on what service we could maintain. We paused our Territorial Authority work, including pool inspections, warrant of fitness inspections and duty inspector services. We obtained Council permission to recruit two specialist pool inspectors (one full-time permanent appointment and one for a fixed term) to catch up on the workload and to maintain our three-yearly pool inspection regime to meet legislative requirements.

Consents system

We continued to improve our new digital online consenting system, which allows for more seamless processing and provides an easier and more affordable customer experience. We now receive about 92% of our building consents online, and we scan any paper-based applications into the system to be processed digitally.

Waikato district remains one of the fastest-growing districts in the country measured by new dwelling consents. In the past year we processed 2,430 building consents, up 27% on 1,914 the previous year, and we processed 1,125 dwelling consents, up 39.4% from 807 in 2019/20.

Assessment of earthquake-prone buildings

We carried out 81 building assessments in the north Waikato area to meet legislative requirements to identify potential earthquake-prone buildings in the district by 2022, and to ensure affected owners have undertaken an initial seismic assessment (ISA). This is in addition to work already undertaken to identify about 416 buildings in the central and southern parts of the district.

We made the decision to engage an external contractor to conduct this work due to pressures on our internal team.

Accreditation

Waikato District Council remains accredited with IANZ following our assessment in February 2021. We received 31 General Non-Compliances (GNCs) and 2 Serious Non-Compliances (SNCs), which we cleared to IANZs satisfaction. With the recruitment of new internal staff, and with a role filled at Waikato Local Authority Shared Services (WLASS), we expect to conduct internal audits required in a more timely manner and to undertake procedures and processes to the satisfaction of IANZ.

Issues

Continued growth in the district resulted in very high numbers of consent applications. Competition from the private sector challenged our ability to recruit the staff we needed in order to process the increased workload within statutory timeframes.

How we did

Performance measures	2019/20 result	2020/21 target	2020/21 result	Rating	Explanation
The percentage of existing buildings with building WOFs that are monitored and audited for compliance annually.	31%	33%	13%		Audits of existing buildings with building WOFs are 20% below target due to the unexpected and unprecedented increase in our consenting workloads. Due to prioritising Building Consent Authority (BCA) work, audits could not be carried out as we simply did not have the resource.
The percentage of buildings that provide sleeping care or paid accommodation that are audited for compliance annually.	95%	100%	48%		The KPI was not met due to the unexpected and unprecedented increase in our consenting workloads. Due to prioritising BCA work, audits could not be carried out as we simply did not have the resource.
The percentage of swimming pools that are inspected for compliance annually.	28.3%	33%	14%		The KPI was not met due to the unexpected and unprecedented increase in our consenting workloads. We are currently recruiting for 2 pool inspectors to catch up the backlog and then remain on track to maintain the KPI in future.
The percentage of building consent applications that are processed within 20 working days.	99.8%	100%	88.2%		Currently we are processing 88.21% of standard consents within the statutory timeframe. We have recruited two new Building Review Officers to enable us to be able to meet the statutory timeframes moving forward.

Potential significant negative effects

Potential negative effect	How we are addressing this
Legislation is requiring more Council input into plan review and building inspection, which increases costs	Council has to react to new legislation but tries to limit the cost increase as much as possible.
Non-compliance requires Council to take offenders before the Courts	Prosecution of blatant offences against the Building Act is necessary to reinforce compliance, maintain equity for those who obtain consents and fulfil statutory duty.
The time to process applications might be regarded as a delay to construction	This is mitigated through the simplification of the consent process.

Environmental health

What we did

Food Act 2014

We continued to support food operators in the district to register under the Food Act 2014. This Act allows food businesses to manage food safety to suit their individual levels of complexity and food safety risk. They are audited by the Council's approved staff verifiers who identify areas requiring improvement.

Our Environmental Health team continued to undertake professional development to enable us to maintain our status as a recognised agency by the Ministry for Primary Industries (MPI) and to provide verification services to food business within the district. One team member completed post graduate papers with Massey University and will be appointed as an Environmental Health Officer. Two other staff gained MPI approval to enforce standards as Food Safety Officers.

The team has handled a heavy demand for guidance from new and existing food businesses in the past year as operators have had to adapt to the Covid-19 environment and economy.

Sale and Supply of Alcohol Act 2012






We worked hard to process a growing number of liquor licensing applications within statutory deadlines, while supporting the District Licencing Committee and working alongside the Ministry of Health and New Zealand Police.

Investigative work and contamination

Our out-of-hours service operators attended about 1,200 noise complaints in the past year. The service has contingency plans that enable it to respond appropriately during COVID-19 restrictions.

We dealt with a surge in requests for potential land contamination assessments as part of the resource consent process. We also responded to a range of health issues and multi-agency events including contaminated land and 'P labs', agricultural activities, and spillages, and worked with the Regional Council to ensure health warnings were visible at any recreational water locations impacted.

How we did

Performance measures	2019/20 result	2020/21 target	2020/21 result	Rating	Explanation
The percentage of licensed food premises that are inspected/verified annually.	100%	100%	100%		Target met.
The percentage of medium risk or higher fee category licensed premises that are inspected annually.	100%	100%	100%		Target met.
Percentage of excessive noise complaints responded to within agreed timeframes.	83%	85%	85%		Target met.
The percentage of hazardous land use information (HAIL) reports that will be completed within 10 working days.	99.5%	90%	100%		Target met.
Percentage of environmental health complaints where the customer has been contacted within 3 working days.	86%	90%	64%		This is a team operational response target. The team has achieved compliance with the Council 5-day KPI target. Continued improvement remains a focus in this area with an increase in complaints following lifting of lockdown.

There are no potential significant negative effects associated with this activity.

Strategic and district planning

What we did

Giving effect to Council's Vision

Over the past year we continued our planning efforts to give effect to our vision of creating 'liveable, thriving and connected communities'.

The 2021-2031 Long Term Plan (LTP), adopted in June 2021, advances many of the community's top priority initiatives included in the Districtwide Blueprint and Local Area Blueprints. These Blueprints were re-examined, re-prioritised and confirmed through a community check-in process in July-August 2020. The LTP also provides funding for design and infrastructure over a 10-year period to unlock growth cells identified in the Waikato 2070: District Growth and Economic Development Strategy (Waikato 2070), which was adopted in May 2020.

Hearings were held on our Proposed District Plan (PDP), which provides updated guidelines for development of our communities. The hearing panel heard evidence from Council planners relating to the Waikato 2070 strategy and Blueprints, so that the Council's vision and strategic intent could be considered within the scope of PDP submissions. Decisions on the entire PDP are expected in the coming months.

We also developed a Planning Roadmap which assists us in understanding and delivering on our plan-making and policy-making responsibilities, including timelines and linkages.

We progressed giving effect to the Hamilton to Auckland Corridor Statement of Shared Spatial Intent and the Hamilton-Waikato Metropolitan Spatial Plan (developed as part of a Crown/Council/Iwi partnership in 2019/2020) through the review of Future Proof, the sub-regional growth and development strategy. We also played a leading role in the reconfiguration of the Future Proof structure to focus on programme implementation.

The launch of the Te Huia passenger train service in April this year was a major step towards better connecting the Waikato and Auckland through mass public transport and hence supporting growth and facilitating economic activity between the two regions.

As part of the Waikato Mayoral Forum, we advanced work on the Waikato Housing Initiative (WHI) to address housing challenges in the Waikato region with a focus on creating sustainable, resilient, and connected communities.

More detail on all these projects and programmes, which are critical to delivering on Council's vision, is provided below in the following sections.

Sub-regional and regional

The Hamilton to Auckland Corridor Statement of Shared Spatial Intent and the Hamilton-Waikato Metropolitan Spatial Plan is currently being incorporated into the review of Future Proof. The Hamilton to Auckland Corridor initiative is aimed at guiding growth and development in a sustainable manner along New Zealand's most significant road, rail and water corridor.

The review of Future Proof will also give effect to the National Policy Statement on Urban Development which directs local authorities to enable greater land supply while also encouraging well-functioning, liveable urban environments. It will also align to Waikato district settlement patterns identified in Waikato 2070. The Future Proof strategy is intended to be released for community engagement and submissions through a Special Consultative Procedure (Local Government Act 2002) in the second half of 2021.

Concurrent with the review of Future Proof is the implementation of several workstreams under the sub-regional partnership. These workstreams include Planning and Policy (which is overseeing a review of the strategy's settlement pattern); Priority Development Areas; Waters; Transport; Forecasting Information and Monitoring; and Biodiversity Offset and Environmental Credit. Consequently, the Future Proof structure was reviewed earlier this year to start giving effect to the implementation of sub-regional landuse and infrastructure planning.

As part of the Waikato Mayoral Forum and the Waikato Plan, we also worked with our partners at a regional level to progress the Waikato Housing Initiative ("WHI"). This is a multi-party, cross-sectoral initiative established to address the housing challenges in the Waikato region by targeting the infrastructure, funding and policy challenges and engaging with central government as one entity representing the region on housing issues. The WHI will work with government to unlock funding opportunities for infrastructure to support housing developments.

Good progress has also been made with regards to other Waikato Plan initiatives including Youth and Employment; Mental Health and Wellbeing; and Climate Action where Council's support has been from an advocacy and resourcing perspective.

District wide

Long Term Plan, Policies and Bylaws

In the year under review the Council's corporate planning team project-managed the development of the Council's 2021-31 LTP and the annual reporting on the previous LTP.

A number of bylaws and policies were also reviewed and adopted, including those relating to Keeping of Animals, Alcohol Control and Petitions Guidelines.

Blueprints

A focus in the past year was implementing the District-wide Blueprint and 15 Local Areas Blueprints. These were adopted in June 2019 following a series of intensive consultation workshops with our communities. They provide a high-level 'spatial picture' of how the district could progress over the next 30 years, addressing the community's social, economic and environmental needs and to give effect to the Council's vision.

Beginning in June 2020 and continuing into July, a series of 10 public workshops were held to check-in with communities and seek feedback to review and adjust the

Blueprint priorities, and to gain further understanding of the community's implementation ideas. The updated Blueprint priorities are available on the Council website, and they guided Council in putting together the 2021-2031 LTP, which provides funding to advance many Blueprint initiatives. In addition, the recent community feedback will help guide a full review of the Blueprints in 2022/23.

Waikato 2070

In the past year the Waikato 2070: District Growth and Economic Development Strategy, has been brought to life through work on the LTP, Proposed District Plan, and the sub-regional Future Proof development strategy. Adopted in May 2020, Waikato 2070 is a guiding document for growth in the district over the next 50 years. It indicates the intention to create dozens of new 'growth cells' in and around existing settlements over the short, medium and long term, in order to enhance social, cultural, economic and environmental wellbeing.

An organisation-wide implementation programme included:

- Funding in the 2021-2031 Long Term Plan for detailed structure planning, town centre design, asset management planning and infrastructure funding, in order to unlock identified growth cells and strengthen existing communities.
- Input into the hearings for the Proposed District Plan (PDP), particularly with respect to the rezoning proposals included in the PDP as well as those raised by submitters.
- Input into sub-regional planning processes including the Future Proof workstreams and the Hamilton-Waikato Metropolitan Spatial Plan. In turn Future Proof will influence statutory RMA documents like the Regional Policy Statement and District Plans so that the agreed strategic direction can lead to on-the-ground development results.
- Consideration of Waikato 2070 in 'business-as-usual' work such as consideration of resource consent applications, building consent applications, and infrastructure decision-making. For example, opportunities were identified to turn 'paper roads' into real roading connections based on the concept plans in Waikato 2070.

Proposed Waikato District Plan

The hearings phase for the Proposed District Plan (PDP) was nearly completed in the year under review, with final hearings taking place in July 2021. A hearing panel of Councillors and independent commissioners, including some with an iwi perspective, is preparing to release its decisions in the coming months. Hearings took place via the innovative use of videoconferencing that began during the Covid-19 'lockdown' phase and made participation easier for submitters. They were recorded and posted on the Council website for the public to view.

More than 900 submissions, covering more than 10,000 individual submission points on the PDP, were received after it was notified in 2018.

Stage 2 of the plan review, covering natural hazards and climate change topics, was notified for submissions in July 2020, and submissions were also received on a variation

relating to Te Kowhai Airfield. Decisions on these matters are expected as part of the overall forthcoming decision on the PDP.

A private plan change in relation to the BuiltSmart industrial site in Huntly was also processed and made operative.

On 28 June 2021 the Council agreed to a recommendation from the PDP hearing panel to write to the Minister for the Environment, requesting an extension of the deadline for the panel's decision from September 2021 to mid-January 2022 to help ensure high-quality decision-making.

Consents

The consent team handled 1,212 resource consent and related applications this financial year, up 27% on last year. The team received an average of 101 consents every month compared with 80 the previous year.

A total of 4,988 enquiries were handled by our Duty Planners, which is up significantly (by 43%) on last year (averaging 417 per month compared with 292 last year).




The number of lots consented through subdivision applications was 737 this year, but a total of 1,045 lots were released for title as previously consented subdivisions were completed by developers. The majority of these new subdivision lots released for title were for residential dwellings.

The number of LIMs processed was up by 42% to 1,761, and the number of property information requests processed was up 30% to 2161.

Highlights

- Hearings on the Proposed District Plan incorporated the innovative use of videoconferencing
- Funding for implementation of Blueprints through the 2021-2031 Long Term Plan
- Implementation of Waikato 2070 through the Proposed District Plan and Long Term Plan, as well as sub-regional processes
- Adoption of the 2021-2031 Long Term Plan
- Higher consent team workloads indicate continuing economic development and growth across the district
- Review and adoption of Alcohol Control Bylaw and Keeping of Animals Bylaw
- A restructured Future Proof partnership and start of the sub-regional strategy review
- Launch of the Te Huia passenger train service between Hamilton and Auckland (6 April 2021)
- Launch of a bus service between Pokeno (through Tuakau) and the Pukekohe Railway Station in January 2021
- Development of a strategic case to inform future transport investment in the northern Waikato
- Start of a sub-regional programme business case for the intergenerational provision of three waters infrastructure in the Waikato/Waipā/Hamilton sub-region.

How we did

Performance measures	2019/20 result	2020/21 target	2020/21 result	Rating	Explanation
The percentage of resource consent applications which are processed within statutory timeframes	99.4%	100%	99.5%		A total of 962 consents were issued this year with only 5 being out of time.
The percentage of current land use consents that are older than two years which have been monitored in the past two years.	78%	More than or equal to 80%	65%		As this KPI captures monitoring activity for two years prior to the date of the report, COVID effects will continue to be reflected in these reports for at least the next year. The Monitoring Team has experienced a significant rise in Service Requests in the past few months which impacts their ability to deal with routine monitoring.
The number of parking patrols that are carried out in communities that have parking controls under the bylaw.	139	More than or equal to 150	140		Township areas, especially Huntly and Ngaruawahia, are much quieter than previously observed. Time zoned parking areas are in less demand. Officers still regularly patrol Ngaruawahia, Huntly and Raglan, however recently more time has been diverted to deal with illegal waste dumping across the district.

What this tells us

The number of resource consents and related applications handled by the Council is up 27% on last year, reflecting continued growth across the district.

Potential significant negative effects

Potential negative effect	How we are addressing this
Planning may increase development costs, through compliance costs, development levies or financial contributions	Benefits flow back to developers from improved environmental quality, and provision and co-ordination of services such as infrastructure, and any net negative effect is not significant.
Non-compliance with statutory requirements for the issuing of resource consents may cause delays	Improvement of systems is ongoing to ensure continual improvement in services.
Inadequate or harsh monitoring of District Plan requirements may discourage development, affecting the economy in the district	Apply a reasonable, concise, consistent monitoring process.

Solid Waste

What we did

The Council renewed contracts with three operators we partner with to provide our district's kerbside refuse and recycling collections and to operate transfer stations and rural drop-off points.

The contracts have been amended for consistency and alignment with the objectives of our Waste Management and Minimisation Plan (WMMP).

The purpose of the WMMP is to set targets to achieve a vision of zero waste, which is seen as integral to the health and wellbeing of our community.

Solid waste review

As required by Section 17A of the local Government Act, we started undertaking a review of solid waste services in the district. This will dovetail with a review of our Solid Waste Activity Management Plan and with the Council's 2021-31 Long Term Plan.

Since the introduction of China's National Sword programme in 2017, international markets for recyclable materials, particularly plastics, have been severely limited, and the lack of local infrastructure for processing plastics adds to the challenge.

This, together with Government initiatives such as the introduction of stewardship schemes for selected classes of materials including e-waste, tyres and some plastics, will change the nature of kerbside collections in future years.

Chemical Collection

Working with Agrecovery and Waikato Regional Council, we hosted a rural chemical collection in Tuakau with a second event scheduled for later in 2021. This is part of a nationwide chemical recovery programme for unwanted or expired agrichemicals.

Inorganic Collection

Our final inorganic kerbside collection took place in April-June 2021.

We were the last Council in New Zealand to offer a service of this kind. It was inconsistent with the New Zealand Waste Strategy and with our own WMMP because it encouraged the dumping of waste to landfill. It was also costly and

brought significant health and safety issues.

In future years, resources will be used to improve the district's waste infrastructure, such as developing community resource recovery centres in Huntly and Tuakau.

Waikato & Bay of Plenty Waste Liaison Group

We are a member of the Waikato and Bay of Plenty Territorial Authority Waste Liaison Group which provides a forum for territorial authorities in the two regions to discuss shared waste minimisation objectives and to work together to prevent and divert waste from landfill through shared infrastructure and programmes.

The group made two submissions to the Ministry for the Environment: the first being a proposed mandatory reporting requirement for territorial authorities; and the second supporting the inclusion of glass in the Container Deposit Scheme currently under consideration by the government.

The group also contributed to early discussions on the NZ Waste Strategy and continued work on shared projects including:

- A cross-regional approach for licensing and data collection for waste operators
- A cross-regional approach for waste infrastructure

Zero Waste Education

We continued to present classroom sessions to primary and area schools participating in our Zero Waste Education programme.




Para Kore

The Council continued to support Para Kore, a waste minimisation education programme delivered from a Maaori perspective and which aims to normalise living without waste on marae.

Enviroschools

We engaged in a range of projects within the Enviroschools programme, which empowers young people to plan, design and implement sustainability actions that are important to them and their communities.

How we did

Performance measures	2019/20 result	2020/21 target	2020/21 result	Rating	Explanation
The percentage of schools in the district that receive solid waste education	66%	55%	58%		Target met.
The percentage of kerbside collection complaints that are resolved within agreed timeframes	97.1%	97%	97.8%		Increased number of service requests in the last quarter of the year related to the inorganic collection, but most dealt with within the allocated time.
The % of time a contractor was engaged within 5 days from receiving the service request to remove rubbish to resolution	89%	95%	38%		Changes made to our process and the inclusion of initial triage of reported illegal dumping of rubbish has affected the timeframe and incidence of engaging a contractor. This change does however result in cost efficiencies for ratepayers and investigation of illegal dumping that would otherwise have only been collected.

Potential significant negative effects

Potential negative effect	How we are addressing this
Increase in the amount of refuse to be disposed as population increases over time.	Council are conducting a Solid Waste Services review to establish if current services are financially and economically sustainable and what future services might look like.
Environmental impacts caused by the discharge of contaminants to land and water from closed landfills.	Council will monitor to ensure compliance with Resource Consent Conditions and closed landfill Aftercare Management Plans.
Ongoing problems with public understanding of the issues, limited facilities and market access for recyclable materials.	Education and programmes to build awareness and foster ownership of waste minimisation within the community. Work with community groups, Contractors and other Councils to coordinate efforts and share resources.
Potential impacts on customer satisfaction due to service failure /delays /responsiveness.	Monitor and report on levels of service in service provider contracts. Work to improve the level of service and reduce the number of service requests.
Health and safety risks associated with the operation, maintenance, or construction of solid waste infrastructure.	Ensure compliance with the Health & Safety at Work Act 2015.
Work with the Zero Harm team to continuously improve Contractor performance.	Each main urban community in our district has green waste and/or recycling facilities.
Under-provision of recycling facilities fails to promote a positive shift in the community's attitude to waste.	Infrastructure and growth needs to be addressed via the Solid Waste Services Review and the LTP.

Waikato District Council funding impact statement

For the year ended 30 June 2021 for

Sustainable environment

	2019/20 Long term plan \$'000	2020/21 Long term plan \$'000	2020/21 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	8,438	8,792	8,128
Targeted rates	5,406	5,750	5,023
Subsidies and grants for operating purposes	-	-	-
Fees and charges	6,390	6,708	8,845
Internal charges and overheads recovered	779	804	603
Local authorities fuel tax, fines, infringement fees, and other receipt	4,396	4,516	4,230
Total operating funding (A)	25,409	26,570	26,829
Applications of operating funding			
Payments to staff and suppliers	18,750	18,826	22,449
Finance costs	-	-	-
Internal charges and overheads applied	6,290	6,710	6,024
Other operating funding applications	56	57	(220)
Total applications of operating funding (B)	25,096	25,593	28,253
Surplus (deficit) of operating funding (A - B)	313	977	(1,424)
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	2,901
Gross proceeds from the sale of assets	-	-	(347)
Lump sum contributions	-	-	-
Other dedicated capital funding*	-	-	-
Total sources of capital funding (C)	-	-	2,554
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	51	52	3,013
- to replace existing assets	76	68	19
Increase (decrease) in reserves	186	857	(1,902)
Increase (decrease) in investments	-	-	-
Total applications of capital funding (D)	313	977	1,130
Surplus (deficit) of capital funding (C - D)	(313)	(977)	1,424
Funding balance ((A - B) + (C - D))	-	-	-

ROADING

What we did

Waikato District Alliance

Roading maintenance is undertaken by the Waikato District Alliance (WDA), a collaborative partnership between the Council and Downer NZ established six years ago to deliver a 'best-for-network' solution.

In the past year we focussed on refining processes to enhance delivery. We developed a Network Safety Plan, updated the safety deficiency database and the Capital Works processes, agreed design standards, introduced the Delivery Management Methodology project management system, and refined the rework and shared risk processes.

A revised Asset Management Plan for the Council's 2021-31 Long Term Plan was delivered in an innovative interactive digital medium, winning high praise from roading industry groups and NZTA Waka Kotahi. It sets a solid basis for ensuring all teams involved in delivery of the service understand their contribution to the overall network outcomes.

Connected communities and alternative transport modes

WDA successfully completed several projects which support Council's 'liveable, thriving and connected communities' vision.

These included the new Huntly Rail Platform for the Te Huia train service, providing easy connection via train to Auckland, and the Horotiu/River Road Roundabout which was a key safety initiative helping reduce the number of vehicle incidents at this intersection. New road construction at Annebrook Road was essentially completed, providing safe connection for residents once the Waikato Expressway is finished.

In addition, 3.5 kilometres of new footpaths were completed to improve pedestrian links and safety in communities across the district including Glen Massey, Horotiu, Huntly, Matangi, Ngaruawahia, Onewhero, Raglan, Tuakau, and Whatawata.

Enhanced shared walking-cycling paths were completed in Raglan, connecting isolated parts of the community, and connecting the town with the beach, to reduce vehicle use impacts. Local feedback has been very positive.

We continued work on the next stage of the Te Awa cycleway project from Cambridge to Hamilton. We completed 2km of cycleway through Tamahere and progressed a boardwalk section to join with Hamilton which is due for completion in November 2021.

In addition, we completed the Mangawara Stream Bridge which is a single lane structure with associated path linking the Taupiri community to the local urupa. This project was jointly delivered with Waikato Tainui, KiwiRail and NZTA Waka Kotahi.

Best for network

Were-surfaced 118 kilometres of sealed roads and rehabilitated 7 kilometres of roading pavement, completed an intensive programme of grading our unsealed roads (approximately 12,000 kilometres) and repaired 5,018 potholes.

The Alliance completed 108,500 m² of stabilisation repairs to push pre-reseal repairs nine months ahead, providing much greater flexibility for annual resealing, and ensuring we will achieve the best practice 'year ahead' goal by June 2022.

Emergency Work

In addition to providing a 24/7 emergency response service, WDA completed significant emergency repairs on the culvert at Lake Rd/Horotiu, at four sites on Highway 22, two on the Waikare to Valley Rd, and on the Onewhero/Tuakau Bridge.

We also responded urgently to provide temporary support under Tainui Bridge after the bearing failed, and to install a temporary guardrail replacement at Henry Road after an agricultural vehicle crash.

These repairs enhance safety for road users and provide resilience on vulnerable sections of road.

COVID-19 Response

Our northern teams continued to provide traffic management for police checkpoints during COVID-19 level 2 lockdowns in the Auckland area.

Planning for growth

Strategic developments have improved traffic flow and network configuration. New infrastructure for residential subdivisions is helping support growth associated with construction of the Waikato Expressway.

We built new infrastructure in Pokeno, Te Kauwhata and Tuakau and supported developer-led roading and bridgework for the Rangitahi Peninsula development in Raglan, and other developments in Horotiu and Ngaruawahia.

Waikato Expressway

During the construction period of the Waikato Expressway Huntly section we managed the effects of construction traffic on local roads through discussion and agreements with NZTA Waka Kotahi and its contractors. We monitored the impact of increased truck movements on the condition of our roads to adjust maintenance regimes and safety measures as required.

Once the entire Expressway is complete, almost 90kms of old State Highway and 5kms of new local roads will have been added to the local road network. Maintenance for these roads was factored into our Long Term Plan budgets and we continued discussions with NZTA on how to mitigate the impact of this change on our communities.

Network Safety

As part of a national approach to tackling unsafe speeds, we completed a three-year programme of speed limit changes in our district, mainly in areas where people live, work and go to school, and on high-risk local roads. We are part of a team that has developed a regional approach to speed management so there is consistency across the region. Our work on the Speed Bylaw has assisted other

councils embarking on their own changes. Our aim is to have safe and appropriate speeds across our district that are consistent and self-explaining.

We submitted a list of road safety projects for capital funding approval by NZTA Waka Kotahi in the National Land Transport Programme. Road safety capital funding is prioritised under NZTA Waka Kotahi's Safer Network Programme, which aims to reduce Deaths and Serious Injuries (DSIs) by 40% in the next 10 years.

Supporting Freight Movement







We adopted a cautious approach to increases in the allowable maximum weights for heavy vehicles, and – except for the Tainui Bridge at Huntly – we have been guided by structural analysis in deciding not to open our Waikato River bridges to heavier vehicles. We worked with industry to develop our plan for implementation across the network. We implemented improvements to the Mercer Ferry Bridge to re-instate freight capacity and began reviewing our network with respect to allowing movement of HPMV trucks.

Road safety and education

We completed the third year of a \$9m-plus scheme of safety improvements in our Low Cost Low Risk programme (LCLR) which attracted an NZTA Waka Kotahi subsidy of 76%, saving Council more than \$2.5m over the full three years. In addition to the LCLR programme the River Rd/ Horotiu Bridge Roundabout project attracted a further \$1.5m NZTA Waka Kotahi funding with a 76% subsidy. The project was designed and delivered within 12 months (ahead of time) and has immediately reduced serious crashes, a very positive outcome.

We worked together with the Police, NZTA Waka Kotahi, and the community to deliver a road safety education programme that meets local needs. There was a strong focus on driver licensing as this not only provides road safety benefits but also opens doors to education and jobs. Other areas of focus have included driving to the conditions, sober driving, and raising awareness about the effects of fatigue and distraction. The programme has been delivered through community workshops, roadside education, skills training, and a large social media presence.

How we did

Performance measures	2019/20 result	2020/21 target	2020/21 result	Rating	Explanation
The change from the previous financial year in the number of fatal and serious injury crashes on the local road network.	+1	Reduction of 1 on previous year -1	+4		A 9% rise in fatal and serious injury crashes in our district reflects a nationwide trend that may be related to an increase in domestic tourism due to COVID-19 and an increase in heavy goods movements.
The average quality of ride on a sealed local road network, measured by smooth travel exposure.	97%	Minimum 91%	97%		The sealed network provides a smooth driving experience that exceeds our target. Most road users will experience a good outcome on the network
The percentage of footpaths that fall within the level of service or service standard for the condition of footpaths that is set out in the LTP.	96.4%	Greater than 90% or at category 3 or better	96.4%		The footpath network provides a level of service above the target set by consultation with the community
The percentage of the sealed local road network that is resurfaced.	5.3%	Minimum 6%	6.4%		The sealing programme for the year reflects network need based on evidence developed in the Activity Management Plan. The results also reflects the need to manage expenditure within an overall budget and balance Opex and Capex expenditure
The percentage of customer service requests relating to roads to which we respond within the timeframes specified.	96.6%	80%	96.2%		The customer experience in terms of response is well above the target
The percentage of customer service requests relating to footpaths responded to within the timeframes specified.	96.5%	80%	93.8%		The customer experience in terms of response is well above the target

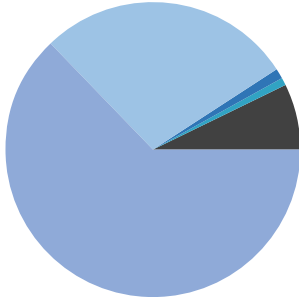
What this tells us

We surpassed our targets for the quality of our roading and for our responsiveness to customer requests. We made good progress on improving our levels of service, even though ongoing responses to COVID-19 disrupted our annual programmes. Planning for new developments remains a challenge and changes are required to accommodate new proposals in order to respond in a co-ordinated way to the requirements for water, power, and telco infrastructure as well as our renewal projects.

Potential significant negative effects

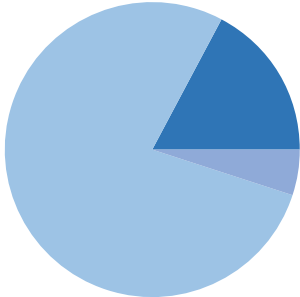
Potential negative effect	How we are addressing this
Road and environmental factors can contribute to crashes, particularly those that involve loss of control	NZTA monitors and records through the Crash Analysis System (CAS) the percentage of accidents caused by loss of control. Identifying surface degradations early (SCRIM) to ensure timely interventions. Prioritised programmes under NZTA's Safer Network Programme (SNP) that align with Road to Zero National Strategy.
Increased traffic congestion on existing transport network	Roading contributions imposed under consent conditions contribute to road upgrading.
The particular needs of cyclists and pedestrians and their conflicts with other forms of traffic	Implement the recommendations of the Walking and Cycling Strategy, continue linkages within townships and communities. Continue 3 year programme of new footpaths and shared cycleways
Speed restrictions imposed on inappropriate locations causing speed limits to be ignored	Implement speed management and speed limit reviews in accordance with Speed Management guidelines 2016 and Waka Kotahi's Megamaps tool
If effect is not given to the Livestock Movement Bylaw 2011 then existing crossings will remain with resulting traffic hazards and public nuisance	Stock bylaw review is nearly complete and will be implemented early in the next LTP period.
Economically, the cost of desired infrastructure improvements may exceed the community's ability to pay	Consult with the community on all costs and options for levels of service through the Long Term Plan process.
The quality of surface runoff from roads that discharges into adjacent coastal or other waters	Compliance with resource consents and Council's engineering standards and guidelines. Environmental controls.
Dust nuisance	Track and record complaints and comply with resource consent conditions during construction activities.
Danger to people and property and high social cost from crashes	Continuing the programme of road safety improvements and speed limit changes
Main roads can divide communities	Continuing to advocate for by-passes around urban centres.
Potential for negative impacts from traffic noise and vibration to properties adjoining roads	High use roads are usually surfaced with asphalt to improve useful life and level of service. Traffic calming will avoid use of speed humps. Specific issues will be investigated and mitigation measures undertaken as appropriate.
Potential for air pollution from traffic fumes to affect health	Continuing to advocate for by-passes around urban centres.
Heavy traffic volumes can lead to loss of amenity in urban areas	Continuing to advocate for by-passes around urban centres. A review of some roads on which the community has raised concerns and address changes through the Public Spaces Bylaw schedules.
Provides easier access to sites that are culturally sensitive	Continuing to better identify sites of cultural significance.
Potential for road construction to disturb sites of cultural significance, including waahi tapu	Continuing to invest in good relationships with tangata whenua.

How we paid for it



Operational funding

63%	General rates, uniform annual general charge, rates penalties
28%	Subsidies and grants for operating purposes
7%	Local authorities fuel taxes, infringement fees and other receipts
1%	Fees and charges
1%	Internal charges and overheads recovered



Capital funding

77%	Subsidies and grants for capital expenditure
20%	Development and financial contributions
3%	Increase (decrease) in debt

Waikato District Council funding impact statement

For the year ended 30 June 2021 for

Roading

	2019/20 Long term plan \$'000	2020/21 Long term plan \$'000	2020/21 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	22,151	22,736	21,829
Targeted rates	-	-	-
Subsidies and grants for operating purposes	8,390	8,330	9,546
Fees and charges	154	175	200
Internal charges and overheads recovered	2,379	2,433	450
Local authorities fuel tax, fines, infringement fees, and other receipts	2,615	2,654	2,348
Total operating funding (A)	35,689	36,328	34,373
Applications of operating funding			
Payments to staff and suppliers	21,160	21,144	20,094
Finance costs	-	-	-
Internal charges and overheads applied	5,038	5,344	3,470
Other operating funding applications	-	-	-
Total applications of operating funding (B)	26,198	26,488	23,564
Surplus (deficit) of operating funding (A - B)	9,491	9,840	10,809
Sources of capital funding			
Subsidies and grants for capital expenditure	11,093	12,776	12,937
Development and financial contributions	1,030	1,048	3,266
Increase (decrease) in debt	2,119	851	490
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	14,242	14,675	16,693
Applications of capital funding			
Capital expenditure			
- to meet additional demand	1,888	2,426	2,010
- to improve the level of service	2,986	2,990	1,409
- to replace existing assets	19,143	19,773	21,218
Increase (decrease) in reserves	(284)	(674)	2,865
Increase (decrease) in investments	-	-	-
Total applications of capital funding (D)	23,733	24,515	27,502
Surplus (deficit) of capital funding (C - D)	(9,491)	(9,840)	(10,809)
Funding balance ((A - B) + (C - D))	-	-	-

STORMWATER

What we did

We assigned a dedicated Stormwater Engineer to confront some complex stormwater management issues in the district, with a focus on consent compliance measured by conditions outlined in the District's Stormwater Discharge Consents. These are based on industry best practice.

High Risk Site Inspections

We visited facilities in Pokeno, Te Kauwhata, Huntly, Raglan, Onewhero, Horotiu and Matangi that were identified as high risk for contaminating stormwater if not maintained. Generally, these were automotive workshops, service stations and chemical/fertiliser suppliers. The main inspection checks were to confirm that oil and water separators were being regularly serviced, chemical storage was designed to stop spills entering the waterways/stormwater network and that spill kits were readily available.

Community collaboration and Engagement

We improved our community engagement, meeting with Raglan and Port Waikato community representatives every six months, and we sponsored Waikato Rivercare to undertake riparian restoration on the lower Waikato River and associated catchments.

Stormwater Bylaw

A new stormwater bylaw was developed for consultation in June-July 2021. It will inform and educate our community and enable Council to enforce new regulations to protect stormwater assets and waterways.

Other

A 2021 addendum to the existing Pokeno Catchment Management Plan (CMP) will give effect to the objectives and principles outlined in the 2010 and 2020 (updated) CMP. It provides a clear action plan to address stormwater issues, primarily flood hazards, enabling the Council to establish stormwater management practices needed within the Pokeno catchment.

We started developing a new Ngaruawahia CMP, focussing on a catchment-wide stormwater solution, and to provide certainty for developers about compliance. We also produced a draft Stormwater Design Guide, for designers and consent approvers, to assist the Council to achieve effective stormwater management outcomes.

We started investigating the Port Waikato stormwater network at the community's request to ascertain its condition and potential impact on coastal erosion.

We completed an updated hydraulic model for the Travers Road Catchment in Te Kauwhata to assist with further catchment development whilst ensuring the downstream flooding risk is not increased.

Abatement Notice

Work to resolve non-compliances that led to an Abatement Notice for the Raglan urban area in 2018/19 has all been completed except for a minor flooding issue on two properties. A revised water quality sampling programme has covered most of the Waikato Regional Council's compliance concerns.

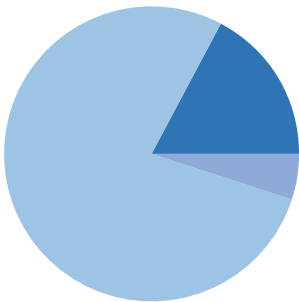
How we did

Performance measures	2019/20 result	2020/21 target	2020/21 result	Rating	Explanation
The number of flooding events that occurs in the district.	0	Less than 5 events per annum	0		Target met.
For each flooding event, the number of habitable floors affected (expressed per 1,000 properties connected to the stormwater system).	0	0.3 affected per 1,000 properties per event	0		Target met.
The median response time to attend a flooding event, measured from the time that Council receives notification to the time that service personnel reach the site.	0	Less than or equal to 2 hours	0		Target met.
The number of complaints received by Council about the performance of its stormwater system, expressed per 1,000 properties connected to the stormwater system	1.7	Less than 4 per 1,000 properties per year	1.7		Target met.
The percentage of customer service requests relating to roads to which we respond within the timeframes specified. Council's level of compliance with resource consents for discharge from its stormwater system, measured by the number of the following notices, orders or convictions received in relation to those consents: <ul style="list-style-type: none"> Abatement notices Infringement notices Enforcement orders Convictions 	1	0	0		No Abatement Notices were issued during the period. As at 30 June 2021, there was one active Abatement Notice for Raglan urban area and work is underway for the outstanding item.

Potential significant negative effects

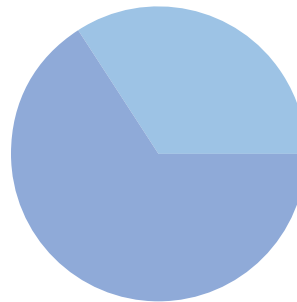
Potential negative effect	How we are addressing this
Discharges to land and waterways not complying with resource consents	Improve processes (may be capital related) and continue to monitor discharges.
Discharge of contaminants to waterways and streams impacting on public health and the environment (includes but not limited to wastewater overflows and stormwater runoff containing sediments, oils, greases and heavy metals)	Implement improvements (capital related) and ensure compliance with Council's Development Manual Guidelines for new developments.
Erosion of streams and river beds	Implement Development Manual Guidelines.
Chemical spills affecting waterways	Establish procedures and emergency response plans with Waikato Regional Council.
Health and safety risks associated with the operation, maintenance, or construction of stormwater infrastructure	Ensure compliance with legislation and health and safety management plans. Maintain an incidents register.
Potential impacts on customer satisfaction due to service failure/delays/responsiveness	Monitor customer requests for service and report on Levels of Service. Ensure customer complaints are resolved.
Disruption during the implementation of works	Works will be implemented under resource consent or contract conditions dictating how the service will be maintained (case by case basis).
Individuals can affect the stormwater network and neighbouring properties by altering natural flow paths	Monitor new developments to ensure natural flow paths are maintained.
Flooding can affect public health and safety	Continue to advise land owners of potential flood-prone areas.
Stormwater can cause public health issues through bacterial contamination of beaches	Establish procedures and emergency response plans with Waikato Regional Council.
Contamination of the receiving environment is unacceptable to tangata whenua	Continuing to better identify sites of cultural significance.

How we paid for it



Operational funding

78%	Targeted rates
17%	Internal charges and overheads recovered
5%	General rates, uniform annual general charge, rates penalties



Capital funding

66%	Development and financial contributions
34%	Increase (decrease) in debt

Waikato District Council funding impact statement

For the year ended 30 June 2021 for

Stormwater

	2019/20 Long term plan \$'000	2020/21 Long term plan \$'000	2020/21 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	101	105	134
Targeted rates	1,793	1,897	1,984
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	244	254	422
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
Total operating funding (A)	2,138	2,256	2,540
Applications of operating funding			
Payments to staff and suppliers	1,515	1,082	1,222
Finance costs	-	-	-
Internal charges and overheads applied	516	559	264
Other operating funding applications	6	6	16
Total applications of operating funding (B)	2,037	1,647	1,502
Surplus (deficit) of operating funding (A - B)	101	609	1,038
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	349	354	715
Increase (decrease) in debt	976	986	370
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	1,325	1,340	1,085
Applications of capital funding			
Capital expenditure			
- to meet additional demand	1,459	100	343
- to improve the level of service	976	986	331
- to replace existing assets	148	166	102
Increase (decrease) in reserves	(1,157)	697	1,347
Increase (decrease) in investments	-	-	-
Total applications of capital funding (D)	1,426	1,949	2,123
Surplus (deficit) of capital funding (C - D)	(101)	(609)	(1,038)
Funding balance ((A - B) + (C - D))	-	-	-

WASTEWATER

What we did

In line with our Long Term Plan, we completed a programme of work to upgrade our wastewater systems around the district with a focus on improving compliance.

Government Funding

The Council was successful in securing \$11.3 million of the Government's post-COVID-19 stimulus funding package announced with its Three Waters Reform Programme in July 2020. This will enable us to accelerate \$3.4 million of wastewater network renewals and undertake an additional \$4.3 million of wastewater pond de-sludging, among other initiatives, for our wastewater, stormwater and water supply services.

We are continuing to assess the impact of the Government's reform proposals on our contract for operational and maintenance services with Watercare Services Ltd and will retain the flexibility to make a firm decision about the proposals once we have studied the details.

Treatment Plant Upgrades

Planning is at different stages for upgrades to treatment plants across the district.

An 'inflight' upgrade for the Meremere treatment plant will involve the installation of a side-stream Membrane Bioreactor (MBR) plant. This membrane upgrade will treat most of the flow from Meremere but allow any high flow to bypass the new treatment plant and continue to be pond treated and disinfected through the existing system.

Procurement is underway to upgrade the Te Kauwhata wastewater treatment plant with ultraviolet disinfection, a Membrane Aerated Biofilm reactor (MABR) and ultrafiltration to remove solids. The plans for this upgrade will allow

growth for 50 years.




Treatment and discharge options were shortlisted for the Raglan wastewater treatment plant discharge consent renewal project. Consultation with iwi and community representatives continued, alongside planning, environmental and engineering analysis, to find a single preferred treatment and discharge solution for the resource consent application and treatment plant upgrade.



Funding was secured under the Three Waters Reform programme to de-sludge the Huntly wastewater treatment plant. Development of a concept upgrade plan is also underway which will consider geotechnical conditions, existing asset condition limitations and various other aspects.

Other achievements:

- The Meremere wastewater discharge consent renewal was secured for 35 years.
- Technical investigations were carried out at Matangi and an application to renew the discharge consent was lodged with Waikato Regional Council.
- Work started on network modelling projects to understand the impact of population growth on our Te Kauwhata and Raglan wastewater networks.
- Network pump station upgrades and inflow and infiltration work led to improved network performance.
- Work started with neighboring Councils to identify a long-term wastewater solution for our southern district area.

How we did

Performance measures	2019/20 result	2020/21 target	2020/21 result	Rating	Explanation	
The number of dry weather sewage overflows from Council's system expressed per 1000 sewage connections to that sewage system.	1.7	Less than or equal to 3	1.8		Target met.	
Where Council attends to sewage overflows resulting from a blockage or other fault in its sewage system, the following median response times measured:*	Attendance time: from the time that Council receives notification to the time that service personnel reach the site	34 minutes	Less than or equal to 1 hour (60 minutes)	41 minutes		Target met
	Resolution time: from the time that Council receives notification to the time that service personnel confirm resolution of the blockage or other fault	123 minutes	Less than or equal to 4 hours (240 minutes)	143 minutes		Target met.

The total number of complaints received by Council about any of the following (expressed per 1,000 connections to the sewage system):*	Sewage odour	9.5 per 1,000 connections	Less than or equal to 10 per 1,000 connections	8.1 per 1,000 connections		Target met.
	Sewage system faults					
	Sewage system blockages					
	Council's response to issues with its sewage system					
Council's level of compliance with resource consents for discharge from its wastewater system, measured by the number of:	Abatement notices	0	Equal or less than 2	0		No Abatement Notices were issued during the period. As at 30 June 2021, there were two active Abatement Notices (Meremere and Te Kauwhata). The Meremere Abatement Notice is now technically resolved as the new consent allows for elevated levels of suspended solids for the next year until the new plant being built is commissioned. A mid Waikato Servicing Strategy was completed and solutions for Te Kauwhata identified. Once implemented, the plant upgrade solution will resolve the non-compliances. Consultation with stakeholders will determine the discharge location.
	Infringement notices					
	Enforcement orders					
	Convictions					

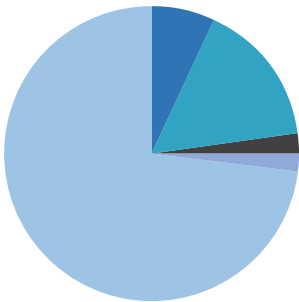
*Reporting against these measures is based on times provided by the contractor for attendance and resolution. Through the auditing process for the 2019/20 Annual Report, the Council became aware the supporting documentation underpinning the recording of performance against these measures was unable to be relied on to confirm the results. In the second half of 2020/21 the Council in conjunction with the contractor Watercare Services Limited put in place interim measures to provide supporting documentation, and commenced planning the implementation of a fully integrated customer service request system. The interim measures taken in the second half of 2020/21 show improvement in the recording of performance and this data was able to be confirmed. The accuracy of the times shown for attendance and resolution for the first half of 2021/21 was not and cannot be independently verified. Interrogation of GPS tracking systems has indicated the performance against these measures for the full 2020/21 year is a reasonable reflection of the actual result.

The implementation of a fully integrated customer service request system is underway.

Potential significant negative effects

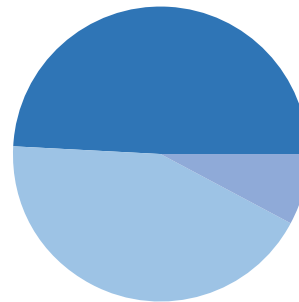
Potential negative effect	How we are addressing this
Discharges to land and waterways not complying with resource consents	Improve processes (may be capital related) and continue to monitor discharge.
Odour from manholes, pump stations and at treatment plants	Improve process and implement improvements (capital related).
Discharges from manholes	Investigate and take remedial measures.
Health and safety risks associated with the operation, maintenance, or construction of wastewater infrastructure	Ensure compliance with legislation and health and safety management plans. Maintain an incidents register.
Pump station overflows	Investigate causes and provide additional storage if required.
Chemical spills at treatment plants	Ensure procedures are in place for correct identification, storage and handling of chemicals. Ensure appropriate funded areas and storage facilities are in place.
The cost of providing, operating and maintaining the schemes is high due to energy requirements	When looking for solutions for small communities, consider alternatives to traditional public wastewater systems.
Unless properly maintained there can be problems with foul odour	We will continue to investigate alternatives for the sustainable disposal of sewage sludge.
Creates an ongoing need for the disposal of sewage sludge	We will continue to encourage households to reduce the amount of wastewater they produce, for example through re-use of grey water for garden irrigation.

How we paid for it



Operational funding

73%	Targeted rates
16%	Fees and charges
7%	Subsidies and grants for operating purposes
2%	General rates, uniform annual general charge, rates penalties
2%	Internal charges and overheads recovered



Capital funding

49%	Increase (decrease) in debt
43%	Development and financial contributions
8%	Subsidies and grants for capital expenditure

Waikato District Council funding impact statement

For the year ended 30 June 2021 for

Wastewater

	2019/20 Long term plan \$'000	2020/21 Long term plan \$'000	2020/21 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	238	244	410
Targeted rates	11,227	11,819	11,956
Subsidies and grants for operating purposes	-	-	1,104
Fees and charges	1,280	1,319	2,603
Internal charges and overheads recovered	74	133	361
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
Total operating funding (A)	12,819	13,515	16,434
Applications of operating funding			
Payments to staff and suppliers	4,483	4,692	9,407
Finance costs	-	-	-
Internal charges and overheads applied	4,668	5,189	2,584
Other operating funding applications	340	347	238
Total applications of operating funding (B)	9,491	10,228	12,229
Surplus (deficit) of operating funding (A - B)	3,328	3,287	4,205
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	695
Development and financial contributions	889	904	3,553
Increase (decrease) in debt	10,297	10,019	4,105
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	11,186	10,923	8,353
Applications of capital funding			
Capital expenditure			
- to meet additional demand	10,841	9,102	1,404
- to improve the level of service	10,333	10,019	4,614
- to replace existing assets	1,931	1,962	1,558
Increase (decrease) in reserves	(8,591)	(6,873)	4,982
Increase (decrease) in investments	-	-	-
Total applications of capital funding (D)	14,514	14,210	12,558
Surplus (deficit) of capital funding (C - D)	(3,328)	(3,287)	(4,205)
Funding balance ((A - B) + (C - D))	-	-	-

WATER SUPPLY

What we did

We continued to address the need for a safe and adequate water supply for our district, with a particular focus on our fast-growing communities.

We regularly engaged with iwi groups on key workstreams and are committed to take into consideration Kaitiakitanga and Te Ture Whaimana, the vision and strategy for the Waikato River, in our decision making.

Three Waters Reform

In July 2020, the Government launched its Three Waters Reform Programme - a three-year programme which will eventually change the way these services are provided across the country. Taumata Arowai, a new regulator established in 2019, will enforce the new drinking water, wastewater, and stormwater standards.

We secured \$11.3 million Government stimulus funding for three waters infrastructure projects announced with the reform programme. (See more details in our Wastewater service provision statement.)

The Council is continuing to assess the impact of the Government's proposals on our contract for operational and maintenance services with Watercare Services Limited. We have been positioning ourselves to enable alignment with the Government's reform proposals but are retaining the flexibility to make a firm decision once we have studied the details.

Safe water

An updated Waikato District Water Demand Management Plan has been submitted to Waikato Regional Council for review and approval. This provides background information and an analysis of water management in the district's 10 water supply schemes, discusses current business-as-usual water demand management activities, and presents options for improving water demand management in the future.

A new water safety plan for the Te Akau Water Treatment Plant and distribution network was completed and has been approved by the Waikato District Health Board. This plan analyses all risks associated with water supply in the Te Akau supply zone and ensures appropriate mitigation measures are in place. It reflects the change in water source from bore water to water from the Raglan Treatment Plant delivered by a tanker carrier.

Growth

A draft strategic servicing strategy for water and wastewater from Meremere to Huntly was prepared to assess the impact of growth and level of service improvements.

Leak Detection

A comprehensive assessment and identification of network leaks was proposed for various areas of the district. This will be completed using conventional sounding technology in the urban parts of the zone and using thermal imaging drones to identify leaks in the rural part of the network. Once identified, leaks will be assessed and repaired as appropriate.

Hydraulic Water Model Updates







We migrated our hydraulic water models for Huntly-Ngaruawahia and Raglan onto a new software platform to improve these decision support tools for managing our water supply networks.

The Huntly-Ngaruawahia InfoWorks WS Pro water model was calibrated with field test results and updated from November 2020.

The Raglan hydraulic model was also converted from EPANET to InfoWorks WS Pro software and calibrated with field test results early this year (2021).

How we did

Performance measures		2019/20 result	2020/21 target	2020/21 result	Rating	Explanation
The extent to which Council's drinking water supply complies with:	Part 4 of the drinking water standards for zones (bacteria compliance criteria)	18	18 (no. of zones that comply out of 18)	18		Target met.
	Part 4 of the drinking water standards (bacteria compliance criteria)	4	4 (no. of plants that comply out of 4)	4		Target met.
	Part 5 of the drinking water standards (protozoal compliance criteria)*	4	4 (no. of plants that comply out of 4)	4		Target met.

Where Council attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured:*	Attendance for urgent call-outs: from the time that Council receives notification to the time that service personnel reach the site	40 minutes	Less than or equal to 60 minutes	36.5 minutes		Target met.
	Resolution of urgent call-outs: from the time that Council receives notification to the time that service personnel confirm resolution of the fault or interruption	103 minutes	Less than or equal to 240 minutes	112.5 minutes		Target met.
Where Council attends a call out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured:*	Attendance for non-urgent call-outs: from the time that Council receives notification to the time that service personnel reach the site	1 day	Less than or equal to 5 days	1 day		Target met.
	Resolution of non-urgent call-outs: from the time that Council receives notification to the time that service personnel confirm resolution of the fault or interruption	1 day	Less than or equal to 5 days	1 day		Target met.
The total number of complaints received by Council about any of the following (expressed per 1000 connections to the networked reticulation system):	Drinking water clarity	19.4 per 1000 connections	Less than or equal to 25 per 1000 connections	15.5 per 1000 connections		Target met.
	Drinking water taste					
	Drinking water odour					
	Drinking water pressure or flow					
	Continuity of supply					
	The local authority's response to any of these issues					
The average consumption of drinking water per day per resident within the Waikato District.	210L	250L or less per person per day	180L		Target met.	
The percentage of real water loss from Council's networked reticulation system.	Combined System	32.9%	28%	24%		Target met.

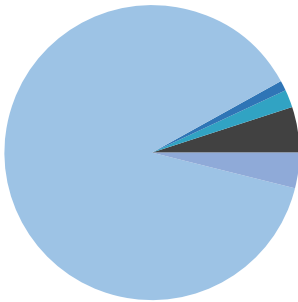
*Reporting against these measures is based on times provided by the contractor for attendance and resolution. Through the auditing process for the 2019/20 Annual Report, the Council became aware the supporting documentation underpinning the recording of performance against these measures was unable to be relied on to confirm the results. In the second half of 2020/21 the Council in conjunction with the contractor Watercare Services Limited put in place interim measures to provide supporting documentation, and commenced planning the implementation of a fully integrated customer service request system. The interim measures taken in the second half of 2020/21 show improvement in the recording of performance and this data was able to be confirmed. The accuracy of the times shown for attendance and resolution for the first half of 2021/21 was not and cannot be independently verified. Interrogation of GPS tracking systems has indicated the performance against these measures for the full 2020/21 year is a reasonable reflection of the actual result.

The implementation of a fully integrated customer service request system is underway.

Potential significant negative effects

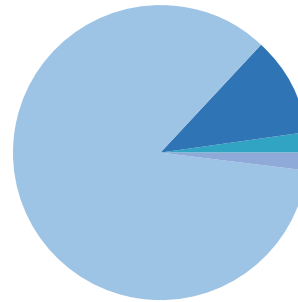
Potential negative effect	How we are addressing this
Potential contamination of the raw water supply	Emergency response plans, operational procedures and monitoring of the raw water supply as per the Water Safety Plan (WSP) are all in place.
Discharges of backwash water from treatment plants and chlorinated water from maintenance activities or pipe failures	Compliance with resource consents, Council's engineering standards and guidelines and maintenance programme.
Effects on river ecology caused by river water extraction during low flows	Compliance with resource consents.
Depletion of aquifer resources	Compliance with resource consents.
Health and safety risks associated with the operation, maintenance, or construction of water supply infrastructure	Ensure compliance with legislation and health and safety management plans. Maintain an incidents register.
Insufficient water supplies during times of drought or emergency	Ensure water sources security and identify potential new sources and back up supplies as per WSP.
Drinking water not meeting Drinking Water Standard 2005 (Revised 2018)	Continue to monitor water quality and improve process if necessary as per WSP. (May be capital related).
Inadequate pressure and flow to fight fires	Carry out modelling/pressure testing and implement remedial works.
Water abstraction from streams and rivers can have an adverse effect on the mauri of the water body	Continuing to better identify the cultural significance of water catchments through resource consent conditions
Insufficient water available during times of drought and emergencies	Implement conservation measures and prioritise use for public health requirements.

How we paid for it



Operational funding

89%	Targeted rates
5%	Internal charges and overheads recovered
4%	General rates, uniform annual general charge, rates penalties
2%	Fees and charges
1%	Subsidies and grants for operating purposes



Capital funding

85%	Development and financial contributions
11%	Increase (decrease) in debt
2%	Subsidies and grants for capital expenditure
2%	Other dedicated capital funding

Waikato District Council funding impact statement

For the year ended 30 June 2021 for

Water supply

	2019/20 Long term plan \$'000	2020/21 Long term plan \$'000	2020/21 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	179	186	446
Targeted rates	9,940	10,729	10,515
Subsidies and grants for operating purposes	-	-	104
Fees and charges	97	97	223
Internal charges and overheads recovered	284	303	542
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	11
Total operating funding (A)	10,500	11,315	11,841
Applications of operating funding			
Payments to staff and suppliers	4,586	4,575	7,130
Finance costs	-	-	-
Internal charges and overheads applied	4,253	4,406	2,523
Other operating funding applications	37	38	146
Total applications of operating funding (B)	8,876	9,019	9,799
Surplus (deficit) of operating funding (A - B)	1,624	2,296	2,042
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	82
Development and financial contributions	1,335	1,357	3,186
Increase (decrease) in debt	1,156	1,587	395
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding*	124	125	75
Total sources of capital funding (C)	2,615	3,069	3,738
Applications of capital funding			
Capital expenditure			
- to meet additional demand	5,109	6,451	613
- to improve the level of service	1,156	1,587	374
- to replace existing assets	2,338	2,440	2,474
Increase (decrease) in reserves	(4,364)	(5,113)	2,319
Increase (decrease) in investments	-	-	-
Total applications of capital funding (D)	4,239	5,365	5,780
Surplus (deficit) of capital funding (C - D)	(1,624)	(2,296)	(2,042)
Funding balance ((A - B) + (C - D))	-	-	-

*Other dedicated capital funding for the Water Supply group of activities represents capital revenue from fees charged to fund capital works for new connections.

ORGANISATIONAL SUPPORT

What we did

Business improvements

We continued to make significant improvements to our digital systems and management processes to enable fast and effective delivery of information to Council, our customers, ratepayers and partners, using digital as a first option.

Among this year's achievements we:

- Built our internal change management expertise to support Council's business initiatives.
- Progressed the transition of water service tools and data sources to our partner agency.
- Transformed our animal control processes with a focus on health and safety to protect staff and public.
- Implemented a new staff pay, performance, and recognition system.
- Replaced our computers with laptops using the latest Microsoft software, and Mondopad collaboration screens. Replaced desk phones with smart mobile phones.
- Upgraded our intranet and introduced new software to manage our social media.
- Implemented Azure Single Sign On to improve security and easy access to cloud systems.
- Upgraded Wi-Fi and internet connectivity to all office and library sites to provide a more reliable service.
- Upgraded council's core ERP system, TechOne, and our payment gateway for customer online payments.
- Progressed the digitisation of district property files to improve ease of access.
- Started developing a customer experience strategy to ensure that processes and systems meet the needs of our customers and community.
- Transitioned from a staff performance management system to a new performance coaching methodology.

We also transformed our project management systems to improve the delivery of business and infrastructure initiatives. We moved our support tool to the cloud, improved financial integration, and provided the ability for projects to be viewed spatially.

We continued implementing a business recovery plan that considered the impacts of COVID-19 and reshaped how we deliver services, and we upgraded our framework for identifying opportunities for continuous business improvement.

We developed a new organisational strategy (for implementation in the new financial year) to sharpen our customer focus and to help align our organisation with the probable future of local government.

Procurement and contract management

We developed a roadmap to implement best practice in procurement and contracting activity, then set about the required redesign of our policy, processes, guidance and related templates.

Due to work programme delays related to Covid-19 we put in place a process that expedited procurement, as well as appropriately managing risk, to ensure projects could still be delivered for our communities.

Zero Harm "Mahi Tika Kaainga Ora" (Work Safe Home Safe) programme

Our Zero Harm programme has continued to focus on three key areas:

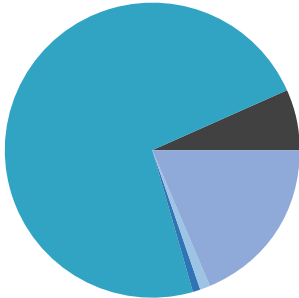
- Safety leadership and engagement
- Disciplined safety management systems and
- Managed risks

We continued to implement and monitor critical health and safety risk controls, and we trained staff in how to manage the risk of workplace violence and aggression.

We worked with other PCBUs (person conducting a business or undertaking) with whom we share duties to eliminate or manage risks to health and safety.

We ran a 'Work Safe Home Safe' week to teach staff about hazard management and to focus on their personal health and wellbeing.

How we paid for it



Operational Funding

77%	Internal charges and overheads recovered
20%	General rates, uniform annual general charge, rates penalties
7%	Local authorities fuel taxes, infringement fees and other receipts
1%	Subsidies and grants for operating purposes
1%	Fees and charges

Capital Funding

101%	Increase (decrease) in debt
-1%	Gross proceeds from the sale of assets

Waikato District Council funding impact statement

For the year ended 30 June 2021 for

Organisational support

	2019/20 Long term plan \$'000	2020/21 Long term plan \$'000	2020/21 Actual \$'000
Sources of operating funding			
General rates, uniform annual general charge, rates penalties	4,052	5,691	7,942
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	516
Fees and charges	-	-	219
Internal charges and overheads recovered	35,067	37,464	29,861
Local authorities fuel tax, fines, infringement fees, and other receipts	508	675	419
Total operating funding (A)	39,627	43,830	38,957
Applications of operating funding			
Payments to staff and suppliers	22,393	23,363	21,186
Finance costs	4,947	5,602	4,706
Internal charges and overheads applied	7,856	8,422	8,442
Other operating funding applications	1,426	1,614	2,123
Total applications of operating funding (B)	36,622	39,001	36,457
Surplus (deficit) of operating funding (A - B)	3,005	4,829	2,500
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	88
Development and financial contributions	-	-	-
Increase (decrease) in debt	13,553	10,314	(27,756)
Gross proceeds from the sale of assets	193	232	293
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	13,746	10,546	(27,375)
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	44
- to improve the level of service	1,334	2,768	2,219
- to replace existing assets	2,911	2,935	2,960
Increase (decrease) in reserves	12,229	9,514	(28,123)
Increase (decrease) in investments	277	158	(1,975)
Total applications of capital funding (D)	16,751	15,375	(24,875)
Surplus (deficit) of capital funding (C - D)	(3,005)	(4,829)	(2,500)
Funding balance ((A - B) + (C - D))	-	-	-

PROGRESS TOWARDS COMMUNITY OUTCOMES

The following tables outline the progress we've made towards the community outcomes we seek as a result of the Council's work programmes.

Governance

Community Outcomes		Progress
Supporting our communities	To ensure that our diverse community is represented in a democratically accountable and respectful manner.	We commenced our Representation Review. This process determines the number and size of wards, total number of councillors and the number of councillors per ward. Early engagement was to support the formation of Council's initial proposal. Public consultation for the initial proposal is set for July/August 2021.
Working together with you	To ensure that decisions are underpinned by sound financial governance.	All minutes of open meetings were made available to the public via our website.
Providing value for money	To ensure that decisions and processes take into account both short and long term impacts on our customers and partners.	We collaborate with Waikato-Tainui to develop a joint decision-making process on a number of initiatives, such as infrastructure, community development and Maaori representation. Council approved the creation of Maaori wards for the 2022 and 2025 local government elections. This will, benefit our decision-making process and our communities.

Sustainable Communities

Community Outcomes		Progress
Supporting our communities	To provide our customers and partners with opportunities for engagement thereby providing input to the decision making process.	We have engaged with our communities on plans, bylaws, projects and initiatives in a range of ways from formal submission procedures to open days, public meetings, and market days, and through social media.
Sustaining our environment	To ensure Council and our communities are resilient and have the capability to respond, manage and recover from emergencies.	We now have a total of 153 staff trained in civil defence emergency management.
Building our economy	To build community capacity by encouraging voluntary and community-based organisations to provide activities and services.	We supported the work of 155 organisations and charities throughout the district this year with grants and donations from Council-owned or administered funds
Sustaining our environment	To ensure that our open spaces are safe and well maintained and offer opportunities for a wide range of recreational, cultural and community activities.	We acquired additional sports park land in Tuakau for development and upgraded kerbing at the Jackson St Cemetery, Ngaruawahia. The roof on the Huntly Grandstand was replaced with the cooperation of Transpower, which has overhead transmission lines over the structure.
Providing value for money	To ensure the Council provides safe, accessible and well-maintained community and leisure facilities and general properties which contribute to the community's recreational, economic and cultural needs.	Our ongoing customer satisfaction survey recorded satisfaction levels of 80% or more with some of our largest and most widely-used services such as our libraries.

Supporting our communities	To ensure that a seamless consistent quality service is provided to our customers via a range of channels.	We use a range of engagement methods including social media, our website, letter drops, open days and our new e-newsletter called Waikato District News.
Building our economy	Tourism in the district is enhanced and Council's processes and infrastructure support and facilitate new and existing business.	We made an annual contribution of \$60,000 to the Regional Economic Development Agency, Te Waka, and an annual grant of \$150,000 to Hamilton & Waikato Tourism. A major marketing campaign to promote the Waikato region and to 'buy local' was led by Hamilton & Waikato Tourism.
Working together with you	To ensure that we are accountable to our customers for our outcomes.	We opened many of the Councillor workshops to the public, providing transparency and connecting our communities with the early planning stages on key decisions and policies, including the recently adopted 2021-31 Long Term Plan. Building on the success of online public meetings during Alert Levels 4 to 2, we continued to hold virtual/online public meetings and workshops whenever practical.
Sustaining our environment	Restoration, protection and enhancement of natural areas in the district to increase natural habitat and biodiversity.	We sponsored Waikato Rivercare to undertake riparian restoration on the lower Waikato River and associated catchments. We also are involved in the Future Proof partnership, which includes the Biodiversity Offset and Environmental Credit workstream.

Sustainable Environment

Community Outcomes		Progress
Sustaining our environment	To ensure that animals are kept in a way that protects their well-being and minimises danger and public nuisance, and provide animal owners with education regarding their responsibilities.	We responded to 2,997 service requests over the last year. We have been proactively patrolling the district to reduce numbers of wandering dogs and work closely with the community when these jobs are called through.
Supporting our community	To ensure that building regulations and standards are met so that people living and working in buildings are safe.	Currently we are processing 88.21% of standard consents within the statutory timeframe. Out of 2430 Building Consents processed this year, 70 have gone over the 20 working day timeframe.
Working together with you	To ensure that development enhances the wellbeing and safety of the community, and that people have the opportunity to participate in the strategic and district planning process.	In June 2020 and continuing into July, we held a series of 10 public workshops to check-in with communities and seek feedback to review and adjust the Blueprint priorities. The updated Blueprint guided Council in putting together the 2021-2031 LTP.
Sustaining our environment	To ensure communities are well informed about the effects of waste and opportunities they have to reduce waste.	We continue to present classroom sessions to primary and area schools participating in our Zero Waste Education programme. Council also continue to support Para Kore, a waste minimisation education programme delivered from a Maaori perspective and which aims to normalise living without waste on marae.
Sustaining our environment	To ensure that activities are managed so that our communities are healthy and safe, legislative requirements are met and nuisance is managed.	Our out-of-hours service operators attended about 1,200 noise complaints in the past year. The service has contingency plans that enable it to respond appropriately during COVID-19 restrictions.
Providing value for money	To ensure that timely and accurate information and efficient processes and provides to people planning to build on or purchase a property.	We continue to improve our new digital online consenting system, which allows for more seamless processing and provides an easier and more affordable customer experience. We now receive about 92% of our building consents online.
Supporting our communities	To ensure sustainable growth is encouraged in appropriate locations supported by well-planned essential services.	The 2021-2031 Long Term Plan (LTP), adopted in June 2021, advances many of the community's top priority initiatives included in the Districtwide Blueprint and Local Area Blueprints. The LTP also provides funding for design and infrastructure over a 10-year period to unlock growth cells identified in the Waikato 2070: District Growth and Economic Development Strategy (Waikato 2070).

Supporting our communities	To ensure that planning controls assist in protecting cultural heritage and the natural and physical environment.	Hearings were held on our Proposed District Plan (PDP), which provides updated guidelines for development of our communities, including rules for protecting the district's environment and heritage. Decisions on the entire PDP are expected in the coming months.
Supporting our environment	To ensure that our waste and recycling services are efficient and effective and protect our natural environment.	We renewed contracts with three operators we partner with to provide kerbside refuse and recycling collections and to operate transfer stations and rural drop-off points. These contracts have been amended for alignment with the objectives of our Waste Management and Minimisation Plan.

Roading

Community Outcomes		Progress
Sustaining our environment	To ensure that the district is easy and safe to get around and alternative transport options are available.	Projects included the new Huntly Rail Platform for the Te Huia train service, the Horotiu/River Road Roundabout which was a key safety initiative to try and reduce the number of vehicle incidents at this intersection. The new road construction at Annebrook Road was essentially completed, providing safe connection for residents once the Waikato Expressway is finished.
Providing value for money	To ensure that transport infrastructure is planned at a rate to consider growth and demand in a cost effective manner.	We re-surfaced 118 kilometres of sealed roads and rehabilitated 7 kilometres of roading pavement, completed an intensive programme of grading our unsealed roads (approximately 12,000 kilometres) and repaired 5,018 potholes.
Supporting our communities	To ensure that the network is well maintained and negative environmental effects are mitigated.	Waikato District Alliance also completed 108,500 m ² of stabilisation repairs to place pre-reseal repairs nine months ahead of schedule, providing much greater flexibility for annual resealing, and ensuring we will achieve the best practice 'year ahead' goal by June 2022.

Stormwater

Community Outcomes		Progress
Sustaining our environment	To ensure that the Council's water infrastructure supports safe and healthy conditions and conforms to established public health standards.	We completed an updated hydraulic model for the Travers Road Catchment in Te Kauwhata to assist with further catchment development whilst ensuring the downstream flooding risk is not increased.
Providing value for money	To ensure that the waters infrastructure networks are managed and maintained to ensure it is both cost effective and reliable, and meets water industry best practice.	We completed an updated hydraulic model for the Travers Road Catchment in Te Kauwhata to assist with further catchment development whilst also ensuring the downstream flooding risk is not increased.
Supporting our communities	To ensure that the water infrastructure network is managed effectively to minimise wastage and ensures that water is sustainably and appropriately collected, treated and disposed of to protect the environment.	We visited facilities in Pokeno, Te Kauwhata, Huntly, Raglan, Onewhero, Horotiu and Matangi that were identified as high risk for contaminating stormwater if not maintained. The main inspection checks were to confirm that oil and water separators were being regularly serviced, chemical storage was designed to stop spills entering the waterways/stormwater network and that spill kits were readily available.

Wastewater

Community Outcomes		Progress
Sustaining our environment	To ensure that the Council's water infrastructure supports safe and healthy conditions and conforms to established public health standards.	In line with our Long Term Plan, we completed a programme of work to upgrade our wastewater systems around the district with a focus on improving compliance.
Providing value for money	To ensure that the waters infrastructure networks are managed and maintained to ensure it is both cost effective and reliable, and meets water industry best practice.	The Council was successful in securing \$11.3 million of the Government's post-COVID-19 stimulus funding package announced with its Three Waters Reform Programme in July 2020. This will enable us to accelerate \$3.4 million of wastewater network renewals and undertake an additional \$4.3 million of wastewater pond de-sludging, among other initiatives.
Supporting our communities	To ensure that the water infrastructure network is managed effectively to minimise wastage and ensures that water is sustainably and appropriately collected, treated and disposed of to protect the environment.	Procurement is underway to upgrade the Te Kauwhata wastewater treatment plant with ultraviolet disinfection, a Membrane Aerated Biofilm reactor (MABR) and ultrafiltration to remove solids.

Water Supply

Community Outcomes		Progress
Providing value for money	To ensure that the Council's water infrastructure supports safe and healthy conditions and conforms to established public health standards.	We secured \$11.3 million Government stimulus funding for three waters infrastructure projects announced with the reform programme. Council is continuing to assess the impact of the Government's proposals on our contract for operational and maintenance services with Watercare Services Limited.
Sustaining our environment	To ensure that the waters infrastructure networks are managed and maintained to ensure it is both cost effective and reliable, and meets water industry best practice.	A draft strategic servicing strategy for water and wastewater from Meremere to Huntly was prepared to assess the impact of growth and level of service improvements.
Working together with you	To ensure that the water infrastructure network is managed effectively to minimise wastage and ensures that water is sustainably and appropriately collected, treated and disposed of to protect the environment.	A new water safety plan for the Te Akau Water Treatment Plant and distribution network was completed and has been approved by the Waikato District Health Board. This plan analyses all risks associated with water supply in the Te Akau supply zone and ensures appropriate mitigation measures are in place.

WHAT YOU GOT FOR \$1

We deliver a broad range of services to our diverse district of residents, business owners and visitors. Here's how we spent every \$1 we received from general rates.*



ANIMAL CONTROL
1.4 CENTS

AREA OFFICES AND OTHER PROPERTIES

 **8.5 CENTS**

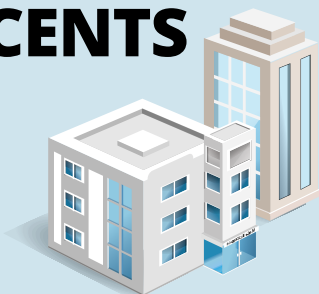
COMMUNITY AND SAFETY



2.3 CENTS

CORPORATE AND COUNCIL LEADERSHIP

21.1 CENTS



ENVIRONMENTAL HEALTH
1.7 CENTS



GRANTS AND DONATIONS
2.7 CENTS



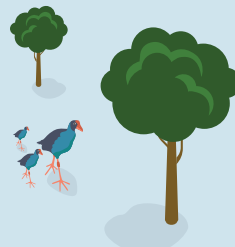
LIBRARIES



2.6 CENTS

PARKS AND RESERVES

18.3 CENTS



RESOURCE MANAGEMENT

6.0 CENTS



ROADING **33.7 CENTS**



SOLID WASTE **0.9 CENTS**

STORM WATER **0.1 CENTS**



WASTE WATER **0.4 CENTS**



WATER SUPPLY
0.3 CENTS



*This does not include targeted rates. A targeted rate funds a specific Council activity or group of activities rather than general Council services. For example, those who receive a refuse collection pay for it through a targeted rate. Those who don't receive it, don't pay for it.



FINANCIAL PATHWAY

TE ARA PUUTEA

- 63 From the Chair of the Strategy and Finance Committee
- 64 Council controlled organisations
- 64 Strada Corporation Limited

- 64 Waikato Regional Airport Limited
- 66 Waikato Local Authority Shared Services Limited
- 69 Waikato District Community Wellbeing Trust

FROM THE CHAIR OF THE STRATEGY & FINANCE COMMITTEE

Despite the uncertainty of the economic outlook resulting from the ongoing coronavirus pandemic around the world, the Council's Annual Report results are extremely pleasing.

The Council has been focused on ensuring service levels have not only been maintained but have been improved while transitioning staff to a new way of working, embedding the new model for the delivery of our Three Waters services ahead of any possible reform in this area, and managing the impacts of higher growth than planned on all areas of our organisation.

The Council's income for this financial year was \$208 million, a positive variance of \$62 million on a budgeted income of \$146 million. Found and vested assets, which are largely unbudgeted, and an unbudgeted gain on the revaluation of interest rate swaps, account for most of the variance, along with a growth in development contributions.

The Council's operational expenditure budget was \$127 million while actual operational expenditure was \$145 million. The amount over budget was largely due to wastewater processing costs that were recovered by customers, maintenance costs funded by a grant from the Department of Internal Affairs relating to the Three Waters Reform, and additional expenditure on the Proposed District Plan. There was also increased expenditure on consultancy costs to provide cover for various employee vacancies throughout the year as well as to meet increased demand for services in areas such as planning and consents. Depreciation and amortisation costs were higher than budget because of higher revaluations in the prior year and pre-purchased wastewater infrastructure growth charges being utilized in Pokeno at a much faster rate than expected.

The Council's operating surplus was \$62 million compared to a budgeted surplus of \$18 million. In addition to items noted above, development and financial contributions of \$13 million, revaluation surpluses of \$6 million and a \$6 million gain on Council's investment in the Waikato Regional Airport have also contributed to the operating surplus.



The Council's capital programme includes 2020/21 projects as well as prior year projects still to be completed. It should be noted, therefore, that the Annual Report depicts actual progress against the 2020/21 budget only.

In real terms, the \$58 million spend delivered 36 per cent of the entire work programme.

Variances in capital work programmes can arise for various reasons: differences in construction prices, timing of subdivision activity within the district, adverse weather resulting in delays, public consultation timeframes, reliance on multi-party funding for some large projects and negotiations over land purchases. In the 2020/21 financial year more capital work was completed than in the previous year.

The Council has carried forward \$69 million of capital works budget to the 2021/22 financial year. Seventy per cent of these projects are underway, 20% relate to development projects which fall outside the direct control of Council in terms of timing, and the balance is made up of works not yet awarded (7%) and grants (3%). Total work in progress, but not completed, amounts to \$46 million. Debt at the end of June 2021 was \$80 million, \$59 million lower than the \$139 million forecast.

Cr. Janet Gibb

Chair Strategy & Finance

COUNCIL-CONTROLLED ORGANISATIONS

The Council operates four Council-Controlled Organisations (CCO's). These organisations independently manage facilities and deliver services, with the exception of Strada Corporation Limited which wound up activities during the 2016/17 financial year. The following information explains what the organisations do and how their performance is measured.

Strada Corporation Limited

Strada Corporation Limited (formerly Tanlaw Corporation prior to 1 July 2009) was established in 1992 as a wholly owned Council-Controlled Organisation (CCO). The Council wished to separate the planning and development of its work programme from the physical works. Strada was established to achieve this and to operate as a profitable business for the Council's benefit, and ultimately Waikato District ratepayers'.

The company generally traded profitably and provided significant dividends that supplemented the council's income.

However, in recent years in a more competitive market Strada had difficulty securing maintenance contract work and when the opportunity arose during 2015/16 to sell Strada's joint venture the decision was made to wind up operations.

The operational assets were sold during 2016/17 and liabilities extinguished.

Strada is no longer trading and an application has been made in to Inland Revenue for non-active status.

Waikato Regional Airport Limited

In December 1995, the Council along with four other local authorities purchased the Crown's 50 per cent shareholding in the Waikato Regional Airport Limited. The purchase increased the Council's shareholding to 15.625 per cent. At the time the Council considered the airport to be a significant infrastructural asset for the region and important to economic growth and development. The Council's shareholding is considered a strategic asset. The airport also operates a tourism subsidiary which aims to promote the region to tourists. The Council contributes separately to this entity.

The Airport has the following core purpose and key objectives for the business:





Core Purpose

1. Enabler of air services to the region.
2. Operate a first class, safe and compliant regional airport.
3. Strategic positioning of the business to enhance capital value.

Key Objectives of the Group (incorporating Titanium Park Limited & Hamilton Waikato Tourism Limited)



1. Operate an efficient and compliant airport.
2. Enhance the traveller experience.
3. Maintain a viable aeronautical business.
4. Maximise revenue diversification through non-aeronautical business opportunities.
5. Develop and optimise the land holdings of the Group to generate a long-term property income from a diversified property portfolio.
6. To promote the Hamilton & Waikato region as an appealing destination to international and domestic visitors.

The group achieved all of the financial targets included in their Statement of Intent. **The performance against the Statement of Intent is summarised in the table below:**

Agreed Measures	Actual 2020/21 \$'000	Target 2020/21 \$'000	Target met
Earnings before interest, taxation and depreciation (EBITDA) excluding land sales	6,931	(500)	
Earnings before interest, taxation and depreciation (EBITDA) including land sales	9,962	300	
Land sales	8,617	4,000	
Net surplus/(deficit) before tax	39,952	(3,700)	
Net surplus/(deficit) after tax	n/a	n/a	n/a

Agreed easures	Actual 2020/21 \$'000	Target 2020/21 \$'000	Target met
Net operating cashflow (excluding land sales)	10,367	(1,500)	
Percentage of non-landing charges revenue to total revenue	77.0%	60.0%	
Shareholders' funds to total assets	1	65%	
Net profit after tax, interest and revaluations to total assets	n/a	n/a	n/a
Net profit after tax, interest and revaluations to total shareholder funds	n/a	n/a	n/a
Net debt (less than)	11,995	30,000	
Interest rate cover	12.4	(4.0)	

The group achieved all but two of the non-financial targets included in their Statement of Intent. The two targets not met are stated below:

Performance Target	Comment	Target met
Titanium Park Limited Develop a masterplan for Titanium Park's Northern Precinct and prepare a private plan change submission to Waipa District Council	The masterplan was completed however the project was halted due to the Group's financial constraints arising from COVID19 and resumed during 2021.	
Jet Park Hotel Hamilton Airport (Waikato Regional Airport Hotel Limited) Implement a recovery plan to enable a steady return to pre-COVID key metrics such as occupancy, room rates and customer satisfaction in line with the expectations underlying the achievement of a Qualmark 4 Star rating	The hotel's contract to operate as a Managed Isolation Facility was continued throughout the financial year so it did not resume operations as a regular trading hotel.	

Waikato Local Authority Shared Services Limited

Local authorities of the Waikato region established the Waikato Local Authority Shared Services (WLASS) Limited during 2005/2006. The 12 local authorities of the region, being Environment Waikato; Hamilton City Council; Hauraki District Council; Matamata – Piako District Council; Otorohanga District Council; Rotorua District Council; South Waikato District Council; Taupo District Council; Thames-Coromandel District Council; Waikato District Council; Waipa District Council and Waitomo District Council, jointly own the company.

These local authorities have worked closely together over the years on mutually beneficial joint projects. The Councils believe the company will generate saving through economies of scale and through additional purchasing power and the ability to recover costs.

The objectives of WLASS are:

- enable the Waikato councils to collectively be more effective as a region on the national stage
- contribute to building central government's confidence in the Waikato region, and to encourage central government investment
- achieve effectiveness and efficiency gains
- reduce duplication of effort and eliminate waste through repetition
- make it easier for customers to engage with councils in the Waikato region
- promote and contribute to the development of best practice
- promote business transformation to improve customers' experiences.

The WLASS transformation

In the 2019 SOI WLASS asked shareholding councils to commit to transforming the company into a service delivery agent to allow it to better serve those councils. That transformation had three key elements:

- Establishing in-house resources: WLASS has since employed a small core team (a Chief Executive, Business Analyst and Executive Assistant);
- Changing the WLASS governance structure: The Board has reduced to six members - an independent Chair and five Council Representative Directors; and
- Thought leadership: By providing these structural changes it will better enable the company to explore ways in which councils can operate better for the benefit of their communities.






Performance reporting



Transforming the company into a service delivery agent and a true strategic partner to councils, means the company has two fundamental roles:

1. It is a laboratory for developing opportunities that create value to councils, either by improving the experience of their communities or by making the councils themselves, collectively, more efficient and effective; and
2. It is a provider of services to councils where a business case to do so has been established (recognising that it may make sense for some services to be provided by someone other than WLASS).

Given the evolution of the company, WLASS has revisited the way that it measures its success to reflect these roles.

A performance framework has been established and the results are as follows:

Priority	Performance measure	Target	Outcome (progress toward target)	Target met
Prioritise and develop business cases for opportunities that, if implemented, add value to councils by achieving one or more of our objectives	Business cases will include measurable benefits linked to one or more of the outcomes sought	Projected savings to councils of \$300k+	<p>The WLASS Water Services Business Case was delivered in September 2020. The benefits are linked to all three of the outcomes sought. In particular, KPI's will measure improvements in trade waste management, water usage and regulatory compliance. Although these will provide a measure of the realized benefits, it is difficult to readily quantify this in dollar terms.</p> <p>The business case for WLASS Learning & Development Shared Services (LDSS) was approved by the Board in June 2021. Collectively, the projected savings (including monetised time savings), to Waikato councils from the opportunity are ~\$2.4m over the first three years.</p> <p>Other projects are at various stages of development. While indicatively, on some, the quantifiable benefits to councils are potentially significant, further work is required before the company can confidently state a projected saving.</p>	
	Opportunity assessments are supported by councils (evidenced by Board minutes)	75% of councils	<p>Following consultation with council CEs and GMs in April, the BCSS project has progressed under an increased scope and changed focus.</p> <p>9 of 10 councils have engaged WLASS to undertake one or more of the service offerings contained in the WLASS Water Services business case.</p> <p>The opportunity assessment for LDSS was presented to the Board in June 2021. The project was approved to progress to the next stage on the back of 9 councils indicating they wish to participate.</p>	
Develop opportunities and deliver projects within agreed budgets and timelines	Opportunities / projects are developed / delivered within agreed timelines	80%	<p>63%: Three of the eight projects under development that had a milestone during the year, had some delays in their progress. The most significant delay was a three-month lag in relation to the Building Consent Shared Services project, for which the Board agreed to extend beyond the original timeframe to allow greater time to engage with councils.</p> <p>The transition of all councils across to the new waters services has taken three months longer than anticipated. While most councils had transitioned, some had to be deferred as HCC recruited the required resources to meet expected service delivery levels.</p>	
	Opportunities / projects are developed / delivered, within approved budget	90%	100%: The five completed projects all came within budget.	
Ensure projects realise their expected benefits	Measurable benefits are actively monitored and reported against	Six-monthly	<p>Project benefit assessments are now being presented to the Audit & Risk Committee. These assessments report on whether the benefits noted in project business cases have been realised. They also contain 'lessons learnt' to take forward to future projects.</p> <p>The first such assessment related to the Waikato Data Portal (WDP) and was considered by the Committee in June 2021.</p> <p>As these assessments are completed the measurable benefits will then be monitored ongoing.</p>	
	Audit & Risk Committee undertake an assessment of projects following implementation (which will include an assessment of whether projected benefits have been realised)	<p>For \$200k+ Projects (based on cost of opportunity development and ongoing investment) within 15 months</p> <p>90% of projected quantifiable benefits are realised</p>	<p>Project benefit assessments are now being undertaken at each Audit & Risk Committee meeting. The first of these, which considered the WDP, took place in June 2021.</p> <p>10 of the 15 stated benefits of the WDP are assessed as having been realised. A further 4 are considered difficult to measure, and 1 has not been achieved.</p> <p>The original business case did not include projected quantifiable benefits, or at least baselines for these to measure against. For that reason, we are unable to attribute a percentage to the extent to which the benefits have been achieved, although evidence shows that there have been time and cost savings for councils because of the WDP.</p>	<p>Unable to currently measure</p>

Priority	Performance measure	Target	Outcome (progress toward target)	Target met
Ensure existing services are meeting the needs of councils	<p>The services we provide (below) are considered by councils who use that service to meet or exceed their expectations (evidenced by an annual survey):</p> <ul style="list-style-type: none"> - RATA – roading & waters - Waikato Building Cluster - Regional Infrastructure Technical Specifications - Energy & Carbon Management - Professional Services Panel - Health & Safety pre-qualification 	80% of councils	<p>A stakeholder survey was undertaken in May 2021. The survey was sent to 220 council staff with 68 responses (~31%).</p> <p>81% of respondents said that the services they received either met or exceeded their expectations.</p> <p>The 80% target was also met for each of the services individually, other than the Waikato Building Consent Group.</p> <p>While the result for that service offering was disappointing, it was not unexpected. The prospect of change from the Building Consent Shared Services project has been unsettling for some council staff and this is reflected in the feedback on Waikato Building Consent Group.</p>	
Foster and promote cross-council collaboration and networking to share ideas on improving efficiencies and best practice	<p>Across these groups, ideas for future consideration and/or initiatives are identified each year</p>	Six per annum	<p>Initiatives have arisen during the year from the Shared Services Working Party (SSWP), Waikato IT Managers, Procurement Managers and Legal Services groups.</p> <p>Discussion at the SSWP led to the priority project “Customer Digital Enablement”.</p> <p>The Procurement Managers group have commenced a review of the Professional Services Panel, and the tender for the data, print and mailhouse contract (awarded in August 2021).</p> <p>The performance measure was established to ensure that the working groups:</p> <ol style="list-style-type: none"> 1) were action-orientated; and 2) acted as a feeder for WLASS priority projects. <p>Various other smaller initiatives have also come from the working parties (e.g. critical roles stocktake, development of a psychological wellbeing best practice document).</p> <p>The working groups fill an important role of helping WLASS develop opportunities, through providing resource, acting as a sounding board for ideas and helping manage the potential for change within their councils.</p> <p>Meetings of the groups also play an important role in fostering relationships and learning from the experience of their colleagues at other councils. They are therefore fulfilling the priority area of ‘fostering and promoting cross-council collaboration and networking’</p>	





Waikato District Community Wellbeing Trust

In 2010, the Waikato Foundation Trust proposed to distribute its capital fund to projects or trusts to fund projects of a community nature which will result in long term benefits to as many people as possible within the geographical area of the three constituent territorial authorities namely the Hamilton City Council, the Waikato District Council and the Waipa District Council. The Waikato District Community Wellbeing Trust was established to receive funds from the Waikato Foundation Trust which wound up in 2010. \$2.56 million was transferred to the Waikato District Community Wellbeing Trust during 2011/12.







The Trust distributes fund that:

- Promote the social, environmental and cultural wellbeing of the Waikato district and its communities; and
- Deliver on the aspirations and community outcomes of the Waikato district identified and promoted by the community and endorsed by the Waikato District Council

The performance against the Statement of Intent is provided in the table below:

Agreed Measures	Statement of Intent	Target met
Governance: To comply with the terms of the Trust Deed and in particular with the duties of the Trust as set out in clause 11 of the Deed.	Undertake an annual legal review of compliance with the Trust Deed no later than two months after the end of each financial year.	
Investment: To adhere to the Trust's <i>Management of Investment Portfolio and Distribution Policy</i> . To review on an annual basis the investment mandate and the performance of the portfolio manager.	At each quarterly meeting review compliance with the Trust's <i>Management of Investment Portfolio and Distribution Policy</i> during that quarter.	
Fund disbursement: As per the <i>Management of Investment Portfolio and Distribution Policy</i> , to distribute a total grant disbursement that does not exceed 50% of the accumulated retained net income after allowing for accumulated expenses, inflation movements and prior year distributions.	A distribution process is undertaken that distributes the annual fund to eligible recipients in accordance with funding targets set by the Trustees in accordance with the <i>Management of Investment Portfolio and Distribution Policy</i> for the current year.	
	Six-monthly reports are received from all successful applicants within the required timeframe.	

Council's Financial returns

Returns on Investment	Expected return	2020/21 Results	Our performance
Financial	5.55%	8.70%	
Property	11.00%	7.37%	
Equity as follows:			
Waikato Regional Airport Ltd	0%	0%	
Civic Financial Services Ltd	0%	0%	
Local Authority Shared Services Ltd	0%	0%	
Waikato District Community Wellbeing Trust	0%	0%	



FINANCIAL STATEMENTS

NGA RAARANGI PUUTEA

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STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

for the year ended 30 June 2021

	Note	Council			Group	
		2020/21 Actual \$'000	2020/21 Budget \$'000	2019/20 Actual \$'000	2020/21 Actual \$'000	2019/20 Actual \$'000
Revenue						
Rates	2	97,504	98,039	91,373	97,504	91,373
Development and financial contributions		13,158	6,393	15,101	13,158	15,101
Subsidies and grants		28,206	21,670	21,574	28,206	21,574
Finance revenue	3	60	130	85	60	95
Other revenue	4	69,539	19,665	47,086	70,254	47,399
Total revenue		208,467	145,897	175,219	209,182	175,542
Expenses						
Employee costs	6	33,165	36,041	32,377	33,165	32,377
Depreciation and amortisation expense	7	33,899	26,702	27,749	33,899	27,749
Finance costs	3	4,714	5,497	4,570	4,714	4,570
Other expenses and losses	8	74,001	59,441	80,900	74,162	80,957
Total operating expenses		145,779	127,681	145,596	145,940	145,653
Surplus(deficit) before tax		62,688	18,216	29,623	63,242	29,889
Income tax expense	9	-	-	-	-	-
Surplus(deficit) after tax wholly attributable to Waikato District Council		62,688	18,216	29,623	63,242	29,889
Other comprehensive revenue and expense						
Gain(loss) on property revaluations	15	39,200	37,964	(128,907)	39,200	(128,907)
Revaluation reserve – landfill		567	-	-	567	-
Gain (loss) on cessation of joint venture		-	-	-	-	(17)
Financial assets at fair value through other comprehensive revenue		6,323	-	1,540	6,323	1,540
Other comprehensive revenue and expense (net of tax)		46,090	37,964	(127,367)	46,090	(127,384)
Total comprehensive revenue and expense for the year		108,778	56,180	(97,744)	109,332	(97,495)

The accompanying notes form part of these financial statements
 Explanations of major variances against budget are provided in note 34

STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

	Note	Council			Group	
		2020/21 Actual \$'000	2020/21 Budget \$'000	2019/20 Actual \$'000	2020/21 Actual \$'000	2019/20 Actual \$'000
Assets						
Current assets						
Cash and cash equivalents	10	19,037	9,940	27,076	19,038	27,113
Receivables from exchange transactions	11	12,157	7,198	14,602	11,889	14,416
Recoverables from non-exchange transactions	11	3,436	6,935	4,203	3,436	4,203
Prepayments		1,503	870	1,018	1,501	1,016
Other financial assets	13	1,141	45	1,115	6,315	5,564
Cattle	12	107	94	103	107	103
Non-current assets held for sale	14	-	-	1,256	-	1,256
Total current assets		37,381	25,082	49,373	42,286	53,671
Non-current assets						
Investment in CCO's and other similar entities	13	23,984	16,095	17,663	23,284	16,963
Investments in other entities	13	1,079	3,307	1,362	1,079	1,362
Property, plant and equipment	15	1,838,296	2,060,125	1,739,270	1,838,296	1,739,270
Intangible assets	16	2,392	6,129	4,506	2,392	4,506
Investment property	17	600	560	560	600	560
Total non-current assets		1,866,351	2,086,216	1,763,361	1,865,651	1,762,661
Total assets		1,903,732	2,111,298	1,812,734	1,907,937	1,816,332
Liabilities						
Current liabilities						
Payables under exchange transactions	18	28,285	17,177	22,416	27,307	21,384
Taxes and transfers payable	18	3,435	1,050	2,649	3,435	2,649
Derivative financial instruments	22	133	-	137	133	137
Borrowing	20	15,000	12,989	15,000	15,000	15,000
Employee entitlements	19	4,184	3,845	3,846	4,184	3,846
Provisions	21	120	187	97	120	97
Total current liabilities		51,157	35,248	44,145	50,179	43,113
Non-current liabilities						
Derivative financial instruments	22	12,435	15,667	21,478	12,435	21,478
Borrowing	20	65,000	126,472	80,000	65,000	80,000
Employee entitlements	19	181	193	192	181	192
Provisions	21	2,341	1,261	3,078	2,341	3,078
Total non-current liabilities		79,957	143,593	104,748	79,957	104,748
Total liabilities		131,114	178,841	148,893	130,136	147,861
Net assets		1,772,618	1,932,457	1,663,841	1,777,801	1,668,471
Net assets/ equity						
Accumulated comprehensive revenue and expense		1,146,219	1,211,908	1,090,189	1,148,173	1,091,674
Other reserves		626,399	720,549	573,652	629,628	576,796
Total net assets/equity		1,772,618	1,932,457	1,663,841	1,777,801	1,668,471

The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 34

STATEMENT OF CHANGES IN NET ASSETS / EQUITY

for the year ended 30 June 2021

	Council			Group	
	2020/21 Actual \$'000	2020/21 Budget \$'000	2019/20 Actual \$'000	2020/21 Actual \$'000	2019/20 Actual \$'000
Balance at the beginning of the year					
Accumulated comprehensive revenue and expense	1,090,189	1,191,632	1,062,038	1,091,674	1,063,353
Other reserves					
Revaluation	557,786	744,196	688,564	557,786	688,564
Restricted	201	194	194	3,345	3,259
Council-created	23,534	22,989	30,521	23,534	30,521
Special rates and user pays	(12,398)	(14,281)	(6,833)	(12,398)	(6,833)
Capital replacement fund	24,887	8,805	19,118	24,887	19,118
Development contributions	(34,485)	(89,845)	(44,604)	(34,485)	(44,604)
Fair value through other comprehensive revenue and expense	14,127	12,587	12,587	14,127	12,587
Balance at 1 July as previously reported	1,663,841	1,876,277	1,761,585	1,668,470	1,765,965
Comprehensive revenue and expense for the year					
Accumulated comprehensive revenue and expense					
Loss in cessation of joint venture	-	-	-	-	(17)
Surplus(deficit) after tax	62,687	18,216	29,623	63,241	29,889
Other reserves					
Revaluation	39,200	37,964	(128,907)	39,200	(128,907)
Revaluation – landfill	567	-	-	567	-
Fair value through other comprehensive revenue and expense	6,323	-	1,540	6,323	1,540
Total comprehensive revenue for the year wholly attributable to Waikato District Council	108,777	56,180	(97,744)	109,331	(97,495)
Transfers to(from) accumulated comprehensive revenue and expense					
Accumulated comprehensive revenue and expense	(6,657)	2,060	(1,472)	(6,742)	(1,551)
Other reserves					
Revaluation	(845)	-	(1,871)	(845)	(1,871)
Restricted	7	-	7	92	86
Council-created	1,121	1,627	(6,987)	1,121	(6,987)
Special rates and user pays	1,096	93	(5,565)	1,096	(5,565)
Capital replacement fund	(313)	(560)	5,769	(313)	5,769
Development contributions	5,591	(3,220)	10,119	5,591	10,119
Total transfers to(from) accumulated comprehensive revenue and expense	-	-	-	-	-
Balance at 30 June wholly attributable to Waikato District Council	1,772,618	1,932,457	1,663,841	1,777,801	1,668,471
Represented by net assets/equity at the end of the year					

The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 34

STATEMENT OF CHANGES IN NET ASSETS / EQUITY (continued)

for the year ended 30 June 2021

Accumulated comprehensive revenue and expense	1,146,219	1,211,908	1,090,189	1,148,173	1,091,674
Other reserves					
Revaluation	596,708	782,160	557,786	596,708	557,786
Restricted	208	194	201	3,437	3,345
Council-created	24,655	24,616	23,534	24,655	23,534
Special rates and user pays	(11,302)	(14,188)	(12,398)	(11,302)	(12,398)
Capital replacement fund	24,574	8,245	24,887	24,574	24,887
Development contributions	(28,894)	(93,065)	(34,485)	(28,894)	(34,485)
Fair value through other comprehensive revenue and expense	20,450	12,587	14,127	20,450	14,127
Balance at 30 June wholly attributable to Waikato District Council	1,772,618	1,932,457	1,663,841	1,777,801	1,668,471

*The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 34*

STATEMENT OF CASH FLOWS

for the year ended 30 June 2021

	Note	Council			Group	
		2020/21 Actual \$'000	2020/21 Budget \$'000	2019/20 Actual \$'000	2020/21 Actual \$'000	2019/20 Actual \$'000
Cash flows from operating activities						
Receipts						
Receipts from rates revenue		99,318	90,412	91,416	99,318	91,416
Subsidies received		30,150	22,398	21,368	30,150	21,368
Contributions received		9,766	6,384	14,868	9,766	14,868
Receipts from other revenue		30,667	25,570	21,554	30,667	21,839
Interest received		80	130	176	80	186
Dividends received		-	50	81	-	81
Goods and service tax (net)		(484)		356	(484)	356
Payments						
Payments to employees		(32,839)	(36,081)	(31,655)	(32,839)	(31,655)
Payments to suppliers		(77,009)	(60,174)	(62,531)	(77,038)	(63,723)
Interest paid		(4,744)	(5,497)	(4,595)	(4,744)	(4,595)
Net cash flows from (used in) operating activities	24	54,905	43,192	51,038	54,876	50,141
Cash flows from investing activities						
Proceeds from the sale of property, plant and equipment		2,105	522	795	2,105	795
Proceeds from the sale of investments		-	400	-	(9)	-
Community loan repayments received		46	-	48	46	48
Receipts from repayment of advance		-	-	-	-	-
Purchase of intangible assets		(507)	(2,242)	(1)	(507)	(1)
Purchase of property, plant and equipment		(49,720)	(56,918)	(50,109)	(49,720)	(50,109)
Acquisition of investments		132	(598)	(100)	132	(264)
Net cash flow from (used in) investing activities		(47,944)	(58,836)	(49,367)	(47,953)	(49,531)
Cash flows from financing activities						
Proceeds from borrowing		-	40,661	25,000	-	25,000
Repayment of borrowing		(15,000)	(25,000)	(10,000)	(15,000)	(10,000)
Net cash flow from financing activities		(15,000)	15,661	15,000	(15,000)	15,000
Net increase(decrease) in cash, cash equivalents and bank overdrafts		(8,039)	17	16,671	(8,077)	15,610
Cash, cash equivalents and bank overdrafts at the beginning of the year		27,076	9,923	10,405	27,115	11,503
Cash, cash equivalents and bank overdrafts at the end of the year		19,037	9,940	27,076	19,038	27,113

The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 34

STATEMENT OF RESERVE FUNDS

for the year ended 30 June 2021

Reserves showing as negative have a debit balance and are mainly for development contributions and structure plan reserves. These reserves are in place to monitor the revenue and costs associated with development and growth. Often Council must incur the cost of works for base infrastructure before development contributions are received.

Essentially the negative balance for a reserve is the amount borrowed internally to fund the work ahead of revenue being received. A negative reserve is used instead of an internal loan because the amount is repaid by revenue received rather than a loan repayment regime. Like a loan, interest is charged and is added to the reserve balance for repayment from contributions received over time.

Reserve	Purpose	Related activities	Opening balance 1 July 2020 \$'000	Transfers into fund \$'000	Transfers out of fund \$'000	Closing Balance 30 June 2021 \$'000
Conservation fund	To fund expenditure items for conservation purposes.	Sustainable environment	659	982	(1,100)	541
Raglan Harbour reserve	Council took over assets from the Raglan Harbour Board. Any revenue or expenditure on these properties is kept separate from general funds.	Sustainable communities	123	1,678	(683)	1,118
Housing for the elderly	Revenue from housing for the elderly is put aside for use on the properties involved.	Sustainable communities	(274)	328	(496)	(442)
Plant reserve	Reserve used for control of expenditure and sale proceeds for vehicle and other plant running and maintenance costs.	Organisational support	571	1,102	(1,408)	265
Lake Hakanoa Caravan Park reserve	Revenue and expenditure for the Lake Hakanoa Caravan Park at Huntly is kept separate. The camp operation is self-funding.	Sustainable communities	200	206	(182)	224
Raglan Papahua Holiday Park reserve	Revenue and expenditure for the Holiday Park at Raglan is kept separate. The camp operation is self-funding.	Sustainable communities	999	2,232	(1,836)	1,395
Wainui Reserve farm	Revenue and expenditure for Wainui Reserve farm operations is kept separate. The farm operation is self-funding and surpluses are used towards projects at Wainui Reserve.	Sustainable communities	328	190	(168)	350
Hillary Commission grants	These funds are committed to a club development programme for the future	Sustainable communities	22	-	-	22
Creative NZ grant	The balance from Creative Communities New Zealand to be re-distributed as grants to suitable candidates.	Sustainable communities	53	934	(1,002)	(15)
Disaster recovery fund	Fund set aside for use in the event of a disaster.	Organisational support	788	933	(191)	1,530
Hillary Commission loans	Remaining funds and interest credits built up from Council's contribution to match Hillary Commission loans used in the past to assist sporting organisations. All loans have been repaid.	Sustainable communities	62	3	-	65

STATEMENT OF RESERVE FUNDS

(continued)

for the year ended 30 June 2021

Reserve	Purpose	Related activities	Opening balance 1 July 2020 \$'000	Transfers into fund \$'000	Transfers out of fund \$'000	Closing Balance 30 June 2021 \$'000
North Waikato development reserve	Remaining funds (with interest credits) from the Department of Corrections for use to assist the local community.	Sustainable communities	378	16	-	394
Hamilton East property proceeds	Proceeds from the sale of the Hamilton East property held separate for property related purposes.	Organisational support	2,308	-	-	2,308
Hakarimata Restoration Trust	A restricted reserve for Hakarimata Hills Reserve Trust to record all trust operations.	Sustainable environment	17	1	-	18
Landfill aftercare contribution	Reserve created on amalgamation of part of the Franklin District Council with Waikato District Council to assist with aftercare costs for closed landfills transferred.	Sustainable environment	176	15	(58)	133
Structure plan non-growth reserve	Reserve to provide funding for the non-growth element of Structure Plan development.	Organisational support	927	805	1	1,733
Waste minimisation reserve	To manage waste minimisation grants and qualifying expenditure.	Sustainable environment	619	1,009	(956)	672
Huntly College Jubilee Award	A restricted reserve for the interest revenue to be used as educational sponsorship.	Sustainable communities	13	1	(2)	12
Frances Paki Trust	A restricted reserve in memory of Francis Paki of Huntly. Interest revenue to be used as sponsorship for educational purposes.	Sustainable communities	1	-	-	1
Mungall Scholarship Trust	A restricted reserve in memory of Agnes Simpson Mungall. Interest revenue to be used for educational sponsorship.	Sustainable communities	1	-	-	1
Huntly social services	A restricted reserve created by the transfer of funds from the former Huntly Social Services Co-Ordinating Committee Inc when it was wound up in 2015.	Sustainable communities	169	11	(5)	175
Sundry reserves	Sundry reserves for township development and other operational purposes.	Sustainable communities	24,414	9,839	(5,402)	28,851

STATEMENT OF RESERVE FUNDS

(continued)

for the year ended 30 June 2021

Reserve	Purpose	Related activities	Opening balance 1 July 2020 \$'000	Transfers into fund \$'000	Transfers out of fund \$'000	Closing Balance 30 June 2021 \$'000
Targeted rate reserves – operational	Reserves to monitor operational costs in relation to special rates and user pays.	Stormwater, Sustainable communities, Sustainable environment, Wastewater, Water supply	(12,398)	7,881	(6,785)	(11,302)
Replacement funds	Reserves where amounts equivalent to funded depreciation are held for use on capital renewals work.	Roading, Stormwater, Sustainable communities, Sustainable environment, Wastewater, Water supply, Organisational support	24,887	22,713	(23,026)	24,574
Revaluation reserves	These non-cash reserves relate to the revaluation of property, plant and equipment to fair value.	Roading, Stormwater, Sustainable communities, Sustainable environment, Wastewater, Water supply	557,786	39,767	(845)	596,708
Capital rates and contributions	Reserves for structure plans, development contributions, financial contributions and capital targeted rates.	Roading, Stormwater, Sustainable communities, Sustainable environment, Wastewater, Water supply	(29,177)	16,030	(9,782)	(22,929)
Total reserves			573,652	106,676	(53,926)	626,402

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 Statement of accounting policies

Reporting Entity

Waikato District Council (the Council) is a territorial local authority governed by the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing Council's operations includes the LGA and the Local Government (Rating) Act 2002 (LG(R)A).

The Group consists of the ultimate parent Waikato District Council; its 100% owned subsidiary Strada Corporation Limited (Strada) and the Waikato District Community Wellbeing Trust (WBT).

Strada is no longer trading, management have elected to file a non-active declaration with Inland Revenue.

All the companies in which Council has an interest, either directly or through Strada, are incorporated and domiciled in New Zealand.

The principal activity of Council is the provision of local infrastructure, local public services and the performance of regulatory functions to the community. Council does not operate to make financial return.

Council has designated itself and the Group as public benefit entities (PBE's) for financial reporting purposes.

These financial statements of Council and the Group are for the year ended 30 June 2021. The financial statements were authorised for issue by Council on xx October 2021.

Basis of preparation

The financial statements of Council have been prepared on the going concern basis and the accounting policies have been applied consistently throughout the period.

Strada is no longer trading, it remains dormant until the Inland Revenue have completed the non-active declaration process and declared Strada inactive.

Statement of compliance

The financial statements of Council and the Group have been prepared in accordance with the requirements of the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R) which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with and comply with Tier 1 PBE accounting standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000's) except for those within sections of narrative which are rounded to the nearest dollar.

Standards issued and not yet effective which have been early adopted

Financial instruments

The NZASB has issued PBE IPSAS 41 after the IPSASB issued its own financial instruments standard. PBE IPSAS

41 Financial Instruments will supersede PBE IFRS 9 and PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IPSAS 41 establishes requirements for the recognition and measurement of financial instruments for public benefit entities.

PBE IPSAS 41 is effective from 1 January 2022, early adoption permitted.

Council has elected to early adopt PBE IPSAS 41 Financial Instruments.

Accounting policies have been updated to comply with PBE IPSAS 41.

PBE IPSAS 41 provides users of financial statements with more useful information by:

- applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held. There is no change to the measurement of Council's financial instruments, the only amendment being the reclassification from 'Loans and receivables' and 'Held to maturity investments' to 'Financial assets at amortised cost'; and
- applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing. Council has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Council has adopted the new standard in preparing these financial statements; there have been no material effects in doing so.

Standards issued and not yet effective and not early adopted

Standards and amendments issued but not yet effective have not been early adopted, and which are relevant to Council and the Group are:

Amendment to PBE IPSAS 2 Cash Flow Statement

An amendment to PBE IPSAS 2 requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendment is effective for the year ending 30 June 2022, with early application permitted. This amendment will result in additional disclosures. The Council will not early adopt this amendment.

PBE IPSAS 40 PBE Combinations

PBE IPSAS 40 replaces PBE IFRS 3 Business Combinations. PBE IFRS 3 excluded from its scope combinations under common control and combinations arising from local

authority reorganisations. These are now included within the scope of PBE IPSAS 40, through the inclusion of both acquisition and amalgamation accounting. This new standard is effective for the year ending 30 June 2022 and is applied prospectively. The Council will not early adopt this amendment.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 Presentation of Financial Statements and is effective for the year ending 30 June 2023, with early application permitted. The Council has not yet determined how application of PBE FRS 48 will affect its statement of service performance. It does not plan to adopt the standard early.

Other changes in accounting policies

There have been no other changes in accounting policies.

Summary of significant accounting policies

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

Basis of consolidation

The consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, revenue and expenses on a line-by-line basis. All significant intra-group balances, transactions, revenues and expenses are eliminated on consolidation.

Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Infrastructural assets

Note 15 provides information about the estimates and assumptions applied in determining the fair value of infrastructural assets.

Employee entitlement provisions

Note 19 provides information about the estimates and assumptions surrounding the retirement gratuities and long service leave provision.

Landfill aftercare provision

Note 21 provides information about the estimates and assumptions surrounding the landfill aftercare provision.

Goods and services tax

All items in the financial statements are stated exclusive of GST except for payables and receivables, which are presented on a GST inclusive basis. When GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, 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 flows.

Commitments and contingencies are disclosed exclusive of recoverable GST.

Budget figures

The budget figures are those approved by Council at the beginning of the year in its 2021 Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

Foreign currency transactions

Foreign currency transactions are translated into NZ dollars using the spot exchange rate at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Equity

Equity is the community's interest in Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- Accumulated funds;
- Other reserves
 - revaluation
 - restricted
 - council-created
 - special rates and user pays
 - capital replacement fund
 - development contributions
 - fair value through other comprehensive revenue and expense.

Revaluation reserves

These reserves relate to the revaluation of property, plant and equipment to fair value.

Restricted reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council.

Restricted reserves represent funds subject to specific conditions accepted as binding by 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 specified purposes or when certain specified conditions are met.

Council-created reserves

Council-created reserves are reserves established by Council decisions. 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.

Council and the Group's objectives, policies, and processes for managing capital are explained in note 33.

Fair value through other comprehensive revenue

This reserve comprises the cumulative net change in the fair value of financial instruments at fair value through other comprehensive revenue.

Cost allocation policy

Council has derived the cost of service for each significant activity of Council using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs which cannot be identified, in an economically feasible manner, with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

Note 2 Rates

Accounting policy

General rates, targeted rates (excluding those for water-by-meter) and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. Council considers the effect of payment by instalment is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.

Rates arising from late payment penalties are recognised as revenue when the rates become overdue.

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

Rates remissions are recognised as a reduction of rates revenue when Council has received an application that satisfies its rates remission policy.

	Council and Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000
General rates	55,749	52,481
Uniform annual general charge	10,412	9,739
Total general rates revenue	66,161	62,220
Targeted rates		
Community boards	269	244
Community centres and facilities	808	792
Refuse & waste management	5,023	4,651
Stormwater	1,984	1,830
Wastewater	11,956	11,126
Metered water supply	6,642	6,207
Other water rates	3,873	3,463
Total targeted rates	30,555	28,313
plus: Penalties revenue	1,433	1,463
Total rates revenue	98,149	91,996
less: Rate remissions	(645)	(623)
Total net rates	97,504	91,373

Council is required by the LGFA Guarantee and Indemnity Deed to disclose in its financial statements (or notes) its annual rates revenue. That Deed defines annual rates revenue as an amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received by Council from other local authorities for services provided by Council for which those other local authorities rate. Annual rates revenue by this definition is as disclosed in the table above.

Rates remissions

Rates revenue is shown net of rates remissions. Council's rates remission policy allows Council to remit rates on condition of a ratepayer's extreme hardship, land used for community and sporting purposes, land protected for historic or cultural purposes, rating units with a capital valuation (CV) of \$1,500 or less and Maaori freehold land.

	Council and Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Land used for community and sporting purposes	262	253
Land protected for historical or cultural purposes	46	46
CV's under \$1,500	115	129
Rating exclusions	163	138
Maaori freehold land	59	57
Total rates remissions	645	623

Rates remissions are recognised as a reduction of rates revenue when Council has received an application that satisfies its rates remission policy.

Non-rateable land

Under the Local Government (Rating) Act 2002 certain properties cannot be rated for general rates. These properties include schools, places of religious worship, public gardens and reserves. Non-rateable properties may be subject to targeted rates in respect of sewerage, water, refuse and sanitation. Non-rateable land does not constitute a remission under Council's remission policy.

Rating base information

Council's rating base is as follows:

	Council	
	2020/21 Actual	2019/20 Actual
Total number of rating units	35,106	33,987
Total land value	\$21,767m	\$17,615m
Total capital value	\$35,759m	\$29,308m

Note 3 Finance revenue and costs

Accounting policy

Interest revenue is recognised using the effective interest method.

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

	Council		Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000	2020/21 Actual \$'000	2019/20 Actual \$'000
Finance revenue				
Interest - bank deposits	44	55	44	64
Interest - financial assets	1	2	1	2
Interest - community loans	4	7	4	7
Interest - other	-	-	-	1
Interest - LGFA borrower notes	11	21	11	21
Total finance revenue	60	85	60	95
Jess: Finance costs				
Interest - bank borrowing	40	-	40	-
Interest - LGFA borrowing	1,002	1,226	1,002	1,226
Interest - swaps differences	3,664	3,279	3,664	3,279
Provision: discount unwinding	7	65	7	65
Other finance costs	1	-	1	-
Total finance costs	4,714	4,570	4,714	4,570
Net finance costs	(4,654)	(4,485)	(4,654)	(4,475)

Note 4 Other revenue

Accounting policy

Found and vested physical assets are recognised at fair value at the time Council obtains control of the asset. The fair value is recognised as revenue and the amount is determined by reference to the costs of purchase and/or construction. Revenue from the sale or provision of goods is recognised when a product is sold to the customer.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

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

Revenue from traffic and parking infringements is recognised when the infringement notice is issued.

Rental revenue from investment properties is recognised as revenue on a straight-line basis over the term of the lease.

	Council		Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000	2020/21 Actual \$'000	2019/20 Actual \$'000
Found assets	2,410	796	2,410	796
Vested assets	33,092	20,234	33,092	20,234
Dividends	-	81	-	81
Other revenue	11,444	11,096	11,444	11,096
Regulatory revenue	10,205	8,575	10,205	8,575
Fees and charges – Council	2,706	6,009	2,706	6,009
Fair value through surplus (deficit) realised gain	-	-	123	104
Interest rate swaps revaluation gain	9,047	-	9,047	-
Gain on cessation of joint venture	-	-	-	8
Property, plant and equipment gains on disposal	595	295	595	295
Investment property revaluation gain	40	-	40	-
Fair value through surplus (deficit) unrealised gains	-	-	592	201
Total other revenue	69,539	47,086	70,254	47,399

Note 5 Exchange and non-exchange revenue

Accounting policy

Revenue is measured at fair value. For exchange revenue this equals the fair value of the consideration received or receivable. For non-exchange revenue it is the amount of the increase in net assets recognised by the Group.

Council receives government grants from New Zealand Transport Agency (NZTA) which subsidise part of Council's costs in maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Development and financial contributions are recognised as revenue when Council is capable of providing the service for which the contribution is charged.

	Council		Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000	2020/21 Actual \$'000	2019/20 Actual \$'000
Revenue from exchange transactions				
Revenue from metered water supply	6,642	6,207	6,642	6,207
Development and financial contributions	13,158	15,101	13,158	15,101
Other fees and charges – Council	14,038	15,614	14,038	15,614
Finance revenue	60	85	60	95
Dividends received	-	81	-	81
Other exchange revenue	5,864	5,220	6,579	5,533
Total revenue from exchange transactions	39,762	42,308	40,477	42,631
Revenue from non-exchange transactions				
Revenue from rates	90,862	85,166	90,862	85,166
Vested and found assets	35,502	21,030	35,502	21,030
Regulatory revenue	1,923	1,687	1,923	1,687
Infringements and fines	239	274	239	274
NZTA government subsidies	23,988	20,898	23,988	20,898
Petrol tax	594	579	594	579
Three Waters funding from Department of Internal Affairs (DIA)*	2,489	-	2,489	-
Other subsidies and grants	1,729	579	1,729	676
Other fees and charges – Council	2,013	2,316	2,013	2,316
Other non-exchange revenue	9,366	285	9,366	285
Total revenue from non-exchange transactions	168,705	132,911	168,705	132,911
Revenue from exchange transactions	39,762	42,308	40,477	42,631
Revenue from non-exchange transactions	168,705	132,911	168,705	132,911
Total revenue per statement of comprehensive revenue and expense	208,467	175,219	209,182	175,542

*This funding is dependent on the completion of the expenditure programme by 31 March 2022 as per the funding agreement between the Department of Internal Affairs (DIA) and the Council.

There are no unfulfilled conditions or other contingencies attached to subsidies and grants recognised. (2020: \$nil)

Note 6 Employee costs

Accounting policy

Obligations for contributions to defined contribution superannuation schemes such as KiwiSaver are recognised as an expense in the surplus or deficit when incurred.

	Council and Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Salaries and wages	32,044	30,911
Defined contribution plan employer contributions	794	745
Increase (decrease) in employee liabilities	327	721
Total employee costs	33,165	32,377

Employer contributions to defined contribution plans is made up of contributions to KiwiSaver.

Note 7 Depreciation and amortisation expense by group of activity

	Council and Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Water supply	3,016	2,870
Wastewater	5,333	3,222
Stormwater	983	848
Roading	18,192	14,748
Sustainable environment	92	83
Sustainable communities	4,732	4,340
Governance	-	-
Organisational support	1,551	1,638
Total directly attributable depreciation and amortisation	33,899	27,749

Note 8 Other expenses and losses

Accounting policy

Grant expenditure

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

Discretionary grants are those grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of Council's approval.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight line basis over the lease term.

	Council		Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000	2020/21 Actual \$'000	2019/20 Actual \$'000
Audit fees – Annual report	177	172	186	181
Audit fees – Long Term Plan	130	-	130	-
Other payments to Audit New Zealand *	51	27	51	27
Total payments to Audit New Zealand	358	199	367	208
Asset write-off	1,826	2,237	1,826	2,237
Bad debt written off	65	368	65	368
Rates penalty write-offs	515	334	515	334
Other expenditure	59,572	59,383	59,602	59,431
Other personnel expenses	713	829	713	829
Minimum lease payments under operating leases	62	86	62	86
Legal expenses	371	337	371	337
Other professional fees	28	80	28	80
Consultant expenses	9,742	7,997	9,742	7,997
Litigation settlement	5	-	5	-
Grants and sponsorship	718	794	840	794
Fair value loss on cattle	10	24	10	24
Loss on revaluation of landfill	-	1,795	-	1,795
Property, plant & equipment – losses on disposal	16	141	16	141
Impairment of non-current assets held for sale	-	347	-	347
Interest rate swaps revaluation loss	-	5,949	-	5,949
Total other expenses and losses	74,001	80,900	74,162	80,957

* Other payments to Audit New Zealand were for a probity review, assurance services relating to procurement processes; for the audit of the Debenture Trust Deed and for ad hoc support.

In 2020 other payments made to Audit New Zealand were for a probity review; for the audit of the Debenture Trust Deed and for ad hoc support.

Note 9 Income tax

Accounting policy

Income tax expense includes both current and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that a taxable profit will be available against the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and which at the time of the transaction affects neither accounting nor taxable profit.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue or directly in equity.

	Council		Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000	2020/21 Actual \$'000	2019/20 Actual \$'000
Operating surplus before tax expense	62,688	29,623	63,242	29,889
Prima facie tax at 28%	17,553	8,294	17,709	8,369
Non-assessable income (net)	(17,553)	(8,294)	(17,709)	(8,369)
Non-deductible expenditure	-	-	-	-
Total income tax expense	-	-	-	-
Made up of:				
Deferred tax	-	-	-	-
Prior period adjustment	-	-	-	-
Income tax expense	-	-	-	-

Deferred tax (assets) liabilities	Plant and Equipment \$'000	Employee entitlements \$'000	Other provisions \$'000	Total tax loss \$'000	Total \$'000
Balance at 1 July 2019	-	-	-	-	-
Charged to surplus (deficit)	-	-	-	-	-
Charged to other comprehensive revenue	-	-	-	-	-
Balance at 30 June 2020	-	-	-	-	-
Balance at 1 July 2020	-	-	-	-	-
Charged to surplus (deficit)	-	-	-	-	-
Charged to other comprehensive revenue	-	-	-	-	-
Balance at 30 June 2021	-	-	-	-	-

Note 10 Cash and cash equivalents

Accounting policy

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. The carrying value of cash and cash equivalents approximates their fair value.

	Council		Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000	2020/21 Actual \$'000	2019/20 Actual \$'000
Cash at bank and on hand	1,637	876	1,638	877
Short term deposits maturing within three months or less from date of acquisition	17,400	26,200	17,400	26,236
Total cash and cash equivalents per statement of financial position	19,037	27,076	19,038	27,113
Bank overdrafts	-	-	-	-
Cash and cash equivalents per statement of cash flows	19,037	27,076	19,038	27,113

The total value of cash equivalents that can only be used for a specific purpose is \$207,966 (2020: \$200,644).

Note 11 Recoverables and receivables

Accounting policy

Short-term receivables are recorded at the amount due, less an allowance for expected credit losses (ECL).

The Council and group apply the simplified ECL model of recognising lifetime ECL for short-term receivables.

In measuring ECLs, receivables have been grouped into rates receivables, and other receivables, and assessed on a collective basis as they possess shared credit risk characteristics. They have then been grouped based on the days past due. A provision matrix is then established based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Rates are “written-off”:

- when remitted in accordance with the Council’s rates remission policy; and
- in accordance with the write-off criteria of sections 90A (where rates cannot be reasonably recovered) and 90B (in relation to Māori freehold land) of the Local Government (Rating) Act 2002.

Other receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation or the receivable being more than one year overdue.

Previous accounting policy

In the previous year, the allowance for credit losses was based on the incurred credit loss model. An allowance for credit losses was recognised only when there was objective evidence that the amount due would not be fully collected.

Fair value

Receivables are non-interest bearing and receipt is normally on 30-day terms. Therefore, the carrying value of debtors and other receivables approximates their fair value.

	Council		Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000	2020/21 Actual \$'000	2019/20 Actual \$'000
Receivables from exchange transactions				
Receivables from related parties	268	186	-	-
Water rates receivable	229	532	229	532
Other receivables from exchange transactions	11,947	14,303	11,947	14,303
Gross receivables	12,444	15,021	12,176	14,835
Provision for uncollectability	(287)	(419)	(287)	(419)
Net receivables from exchange transactions	12,157	14,602	11,889	14,416
Recoverables from non-exchange transactions				
Rates receivable	3,762	5,051	3,762	5,051
Recoverables from user charges, taxes and other non-exchange revenue	178	413	178	413
GST refund	320	(164)	320	(164)
Gross recoverables	4,260	5,300	4,260	5,300
Provision for uncollectability	(824)	(1,097)	(824)	(1,097)
Net recoverables from non-exchange transactions	3,436	4,203	3,436	4,203
Total gross receivables and recoverables	16,704	20,321	16,436	20,135
Total provision for uncollectability	(1,111)	(1,516)	(1,111)	(1,516)
Total net recoverables and receivables	15,593	18,805	15,325	18,619

Assessment of expected credit loss

Rates receivable

Council provides for ECLs of rates receivable in certain circumstances; when the property is multiple-owned Māori land or when there is no guarantor available. In all other circumstances, Council does not provide for any ECLs on rates receivable as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment.

If payment has not been made within three months of the Court's judgement, then Council is able to apply to the Registrar of the High Court to have the judgement enforced by the sale or lease of the rating unit.

Ratepayers can apply for payment options in special circumstances. Where such repayment plans are in place, debts are discounted to their present value if the effect of discounting is material.

Other receivables

The ECL rates for other receivables at 30 June 2021 and 1 July 2020 are based on the payment profile of revenue on credit over the prior of one year at the measurement date and the corresponding historical credit losses experienced for that period. The historical loss rates are adjusted for current and forward-looking macroeconomic factors that might affect the expected recoverability of receivables. Given the short period of credit risk exposure, the effects of macroeconomic factors are not considered significant.

There have been no changes since 1 July 2020 in the estimation techniques or significant assumptions in measuring the loss allowance.

The allowance for credit losses based on Council and the group's credit loss matrix is as follows:

	Gross \$'000	Uncollectable \$'000	Total \$'000
Council 2021			
Not past due	9,959		9,959
Past due 1 – 60 days	284		284
Past due 61 – 120 days	251		251
Past due > 120 days	6,210	(1,111)	5,099
Total gross recoverables and receivables	16,704	(1,111)	15,593
Council 2020			
Not past due	17,529	-	17,529
Past due 1 – 60 days	703	-	703
Past due 61 – 120 days	205	-	205
Past due > 120 days	1,884	(1,516)	368
Total gross recoverables and receivables	20,321	(1,516)	18,805
Group 2021			
Not past due	9,959		9,959
Past due 1 – 60 days	284		284
Past due 61 – 120 days	251		251
Past due > 120 days	6,210	(1,111)	5,099
Total gross recoverables and receivables	16,704	(1,111)	15,593
Group 2020			
Not past due	17,343	-	17,343
Past due 1 – 60 days	703	-	703
Past due 61 – 120 days	205	-	205
Past due > 120 days	1,884	(1,516)	368
Total gross recoverables and receivables	20,135	(1,516)	18,619

Allowance for expected credit losses (ECL)

The ECL allowance has been calculated based on a review of specific overdue receivables together with a collective assessment.

	Council and Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Individual uncollectability	243	380
Collective uncollectability	868	1,136
Total provision for uncollectability	1,111	1,516

Individually impaired receivables have been determined to be impaired because of the improbability of collection. An analysis of the individually impaired debtors is shown below:

	Council and Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Past due 1 – 60 days	-	-
Past due 61 – 120 days	-	-
Past due > 120 days	243	380
Total individual uncollectability	243	380

Movements in the allowance for credit losses are as follows:

	Council and Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Balance at 1 July	1,516	1,159
Additional provision made during the year	-	357
Provisions reversed during the year	(280)	-
Debts written off during the period	(125)	-
Balance at 30 June	1,111	1,516

In accordance with the write-off criteria of sections 90A and 90B of the Local Government (Rating) Act 2002, Council have written off a total of \$2,698 during the year. (2020: Nil).

Note 12 Cattle

Accounting policy

Cattle on Council's reserves are revalued annually at fair value less estimated costs to sell. Fair value is determined based on market price at balance date.

Gains and losses from a change in fair value less estimated costs to sell are recognised in the surplus or deficit. The costs incurred in relation to the cattle are included in the surplus or deficit.

	Council and Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Balance at 1 July	103	94
Increase through purchases	117	127
Gains (losses) from fair value adjustments	(10)	(24)
Decrease through sales	(103)	(94)
Balance at 30 June	107	103

Council keeps cattle to graze on one of its reserves as part of reserve maintenance. Although a financial gain is achieved in most years it is not Council's primary purpose. The cattle are normally sold within the next twelve months after balance date. The number of cattle at balance date was 107 (2020: 102).

Council has no cattle with restricted title.

Note 13 Other Financial Assets

Accounting policy

Subsidiaries

Council consolidates in the Group financial statements all entities where Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the subsidiary. This power exists where Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by Council or where the determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary.

Council will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. This difference reflects the goodwill to be recognised by Council. If the consideration transferred is lower than the net fair value of Council's interest in the identifiable assets acquired and liabilities assumed, the difference will be recognised immediately in the surplus or deficit.

The investment in subsidiaries is carried at cost in Council's parent entity financial statements.

Other financial assets

Other financial assets (other than shares in subsidiaries) are initially recognised at fair value. They are then classified as, and subsequently measured under, the following categories:

- amortised cost;
- fair value through other comprehensive revenue and expense (FVTOCRE); and
- fair value through surplus and deficit (FVTSD).

Transaction costs are included in the value of the financial asset at initial recognition unless it has been designated at FVTSD, in which case it is recognised in surplus or deficit.

The classification of a financial asset depends on its cash flow characteristics and the Council and group's management model for managing them.

A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal outstanding and is held within a management model whose objective is to collect the contractual cash flows of the asset.

A financial asset is classified and subsequently measured at FVTOCRE if it gives rise to cash flows that are SPPI and held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets that do not meet the criteria to be measured at amortised cost or FVTOCRE are subsequently measured at FVTSD. However, the Council and group may elect at initial recognition to designate an equity investment not held for trading as subsequently measured at FVTOCRE.

Initial recognition of concessionary loans

Loans made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flow, discounted at the current market rate of return for a similar financial instrument. For loans to community organisations, the difference between the loan amount and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as a grant expense.

Subsequent measurement of financial assets at amortised cost

Financial assets classified at amortised cost are subsequently measured at amortised cost using the effective interest method, less any expected credit losses (ECL). Where applicable, interest accrued is added to the investment balance. Instruments in this category include term deposits, community loans, and held to maturity investments.

Subsequent measurement of financial assets at FVTOCRE

Financial assets in this category that are equity instruments designated as FVTOCRE are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense. There is no assessment for impairment when fair value falls below the cost of the investment. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to accumulated funds within equity. The Council and group designate into this category all equity investments that are not held for trading as they are strategic investments that are intended to be held for the medium to long-term.

Subsequent measurement of financial assets at FVTSD

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term and such an asset is classified as a current asset. Council's derivatives are categorised as held for trading unless they are designated into a hedge accounting relationship for which hedge accounting is applied. The current/non-current classification of derivatives is explained in the derivatives accounting policy in note 22. After initial recognition, financial assets in this category are measured at their fair values with gains or losses on re-measurement recognised in the surplus or deficit.

Expected credit loss allowance (ECL)

The Council and group recognise an allowance for ECLs for all debt instruments not classified as FVTSD. ECLs are the probability-weighted estimate of credit losses, measured at the present value of cash shortfalls, which is the difference between the cash flows due to Council and group in accordance with the contract and the cash flows it expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

ECLs are recognised in two stages. ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). However, if there has been a significant increase in credit risk since initial recognition, the loss allowance is based on losses possible for the remaining life of the financial asset (Lifetime ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Council and group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Council and group's historical experience and informed credit assessment and including forward-looking information.

The Council and group consider a financial asset to be in default when the financial asset is more than 90 days past due. The Council and group may determine a default occurs prior to this if internal or external information indicates the entity is unlikely to pay its credit obligations in full.

Council measure ECLs on loan commitments at the date the commitment becomes irrevocable. If the ECL measured exceeds the gross carrying amount of the financial asset, the ECL is recognised as a provision.

Shares in subsidiaries (at cost)

The investment in subsidiaries is carried at cost in the Council's parent entity financial statements.

Previous accounting policy (summarised)

In the previous year, other financial assets were classified into the following categories:

- loans and receivables at amortised cost (included term deposits, related party loans, and community loans);
- held-to-maturity investments at amortised cost (included listed bonds); and
- fair value through other comprehensive revenue and expense (included shares and listed bonds).

The main differences for the prior year policies are:

- Impairment was recorded only when there was objective evidence of impairment. For equity investments, a significant or prolonged decline in the fair value of the investment below its cost was considered objective evidence of impairment. For debt investments, significant financial difficulties of the debtor, probability the debtor would enter into bankruptcy, receivership or liquidation, and default in payments were indicators the asset is impaired.
- Impairment losses on shares were recognised in the surplus or deficit.
- For shares, the cumulative gain or loss previously recognised in other comprehensive revenue and expense was transferred from equity to surplus or deficit on disposal of the investment.

	Council		Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000	2020/21 Actual \$'000	2019/20 Actual \$'000
Current portion				
Term deposits	855	829	855	829
Equity instruments	-	-	2,872	2,449
Fixed interest instruments	-	-	2,302	2,000
LGFA borrower notes	240	240	240	240
Community loans	46	46	46	46
Total current portion	1,141	1,115	6,315	5,564
Non-current portion				
Investments in CCO's and other similar entities				
Waikato Local Authority Shared Services Limited (a)	219	219	219	219
Strada - shares	700	700	-	-
Waikato Regional Airport Limited	23,065	16,744	23,065	16,744
Total investment in CCO's and similar entities	23,984	17,663	23,284	16,963
Investment in other entities				
Community loans	(1)	44	(1)	44
LGFA borrower notes	1,040	1,280	1,040	1,280
Civic Financial Services Limited	40	38	40	38
Total investment in other entities	1,079	1,362	1,079	1,362
Total non-current portion	25,063	19,025	24,363	18,325
Total other financial assets	26,204	20,140	30,678	23,889

(a) Council's investment in Waikato Local Authority Shared Services Limited comprises four distinct classes of share. The numbers held and values of each share class are as follows:

	No. of shares	Value per Share \$	Total Capital \$	Uncalled Capital \$	Paid up Capital \$
Ordinary shares	1	1,000	1,000	1,000	-
Shared Valuation Database Service	106,674	1	106,674	-	106,674
Waikato Regional Photography Service	9,376	1	9,376	9,376	-
Waikato Regional Transport Model	11,250	10	112,500	-	112,500
			229,550	10,376	219,174

Fair value

Term deposits

The carrying amount of term deposits approximates their fair value.

Community loans

Community loans are measured at amortised cost using the effective interest method.

Their fair value is \$44,722 (2020: \$78,186). Fair value has been determined using cash flows discounted at the interest rate (current at 1 July 2021) charged by Council on community loans. The rate used is 5.42% (2020: 5.32%).

The face value of total community loans is \$45,522 (2020: \$92,106).

Unlisted investments and advances

The fair value of Council's shares in Local Authority Shared Services Limited has not been disclosed because the fair value cannot be reliably measured as there is no active market for these instruments; therefore, the shares are held at cost.

Council's investments in Waikato Regional Airport Limited (WRAL) and Civic Financial Services Limited (formerly NZ Local Government Insurance Corporation Limited) are carried at fair value. Those values are based on Council's share of the assets less liabilities of each of the companies and changes in value are taken to fair value through other comprehensive revenue.

The details are:

	Share of net assets	Fair value	
		2020/21	2019/20
Waikato Regional Airport Limited	15.62%	\$23,065,117	\$16,743,390
Civic Financial Services Limited	0.37%	\$39,509	\$38,250

Note 14 Non-current Assets Held for Sale

Accounting policy

Non-current assets no longer required in Council's operations and therefore intended for sale have been measured at the lower of their carrying amount and their fair value, less costs to sell.

Any impairment losses for write-downs of such assets are recognised in the surplus or deficit. Any increases in fair value (less costs to sell) are recognised in the surplus or deficit up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised.

	Council and Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Land	-	748
Buildings	-	508
Total non-current assets for sale	-	1,256

Council holds no Non-Current Assets held for sale as at June 2021. (2020: One property was classified as held for sale.)

Note 15 Property, plant and equipment

Accounting policy

Property, plant, and equipment consists of:

- Operational assets: These include land, buildings, improvements, landfill post closure, library books, plant and equipment, furniture, computers, and motor vehicles.
- Restricted assets: These are parks and reserves owned by Council which provide a benefit or service to the community, and which can only be disposed of after following a rigorous legal and public consultation process.
- Infrastructural assets: These are the fixed utility systems owned by Council. Each asset class includes all items that are required for the network to function. For example, wastewater reticulation includes reticulation piping and wastewater pump stations.

Land (operational and restricted) is measured at fair value; buildings (operational and restricted), and infrastructural assets (except land under roads) are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to Council and the Group and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant and equipment is initially recognised at cost. Where an asset is acquired through a non exchange transaction it is recognised at its fair value as at the date of acquisition.

Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in the asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land. The depreciation rates used will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Description	Useful life (years)	Depreciation rate
Audiovisual materials and electronic games Libraries	5	20%
Buildings	15 – 100	1 – 6.7%
Vehicles / moveable plant	4 – 20	5 – 25%
Library books	8	12.5%
Computers	4 – 7	14 – 25%
Office equipment	3 – 15	6.67 – 33.3%
Furniture and fixtures	10	10%
Water supply	4 – 100	1 – 25%
Wastewater	3 – 100	1 – 33.3%
Urban stormwater	5 – 100	1 – 20%
Roading pavement sealed	2 – 100	1 – 50%
Pavement (basecourse)		
- sealed	65 – 105	0.95 – 1.5%
- unsealed metal	20	5%
Surface water channel	20 – 80	1.25 – 5%
Culverts	50 – 80	1.25 – 2%
Guardrails / barriers	40 – 80	1.25 – 2.5%
Drainage	50 – 80	1.25 – 2%
Retaining walls	50 – 100	1 – 2%

Description	Useful life (years)	Depreciation rate
Footpaths	15 – 80	1.25 – 6.67%
Street lighting	20	5%
Bridges		
- Timber	50	2%
- All others	100	1%
Parks & reserves	1 – 100	1 – 100%
Solid waste		
- refuse transfer stations	10 – 80	1.25 – 10%
- landfills	5 - 90	1.11 - 20%
Signs	20	5%

The residual value, depreciation method and useful life of an asset is reviewed and adjusted if applicable, at each balance date.

Revaluation

Land and buildings (operational and restricted); parks and reserves and infrastructural assets (except land under roads) are revalued on a regular basis (at least every three years) to ensure that their carrying amounts do not differ materially from fair value.

The carrying values of the revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair value. If there is a material difference, the off-cycle asset classes are revalued.

Revaluations of property, plant and equipment are accounted for on a class of asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve, in equity, for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, with any remainder recognised in other comprehensive revenue and expense.

Impairment of property, plant and equipment

Items of property, plant and equipment having a finite useful life are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that 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 its value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount the entire loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

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

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return,

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a series of service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

Work in progress

The total amount of Council property, plant and equipment in the course of construction by class of asset is detailed below:

	Council and Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Buildings - operational	3,968	2,558
Buildings – restricted	662	362
Parks and reserves	8,768	11,388
Wastewater	10,037	4,481
Stormwater	1,302	4,279
Water	4,579	3,935
Solid waste	149	143
Roading	16,521	14,439
Total work in progress	45,986	41,585

Infrastructural assets – further disclosures

Council 2021	Closing book value \$'000	Additions		Estimated replacement cost \$'000
		Constructed by Council \$'000	*Assets transferred to Council \$'000	
Water treatment plants and facilities	8,890	655	-	17,835
Other water assets	141,605	2,013	7,970	199,240
Wastewater treatment plants and facilities	20,192	190	-	32,542
Other wastewater assets	119,384	1,483	8,321	193,580
Stormwater and drainage	85,680	60	9,731	104,720
Roads, footpaths, bridges and culverts	1,043,783	23,766	9,020	1,473,510
Total infrastructural assets	1,419,534	28,167	35,042	2,021,427
Council 2020				
Water treatment plants and facilities	8,162	-	-	16,018
Other water assets	116,481	5,943	2,536	165,118
Wastewater treatment plants and facilities	17,024	879	-	26,807
Other wastewater assets	105,749	3,022	4,007	174,232
Stormwater and drainage	75,255	-	5,024	92,788
Roads, footpaths, bridges and culverts	1,016,380	19,164	5,106	1,427,376
Total infrastructural assets	1,339,051	29,008	16,673	1,902,339

*This includes found assets of \$2,409,598 (2020: \$795,958).

Service concession assets – included in the table on the following pages

Service concession assets are infrastructure assets owned by the Council and operated by Watercare Services Limited (Watercare) for the provision of water, wastewater, and stormwater services in the Waikato district. The agreement stipulates the services Watercare must provide, to whom it must provide them and regulates the price.

Watercare is responsible for upgrading and maintaining the entire network in the district so that at the end of the contract period (term of 29 years ending on 2048. The network must be in the same, or better overall condition than that which existed at the time the contract was commenced in 2019. The Council retains ownership of the infrastructure assets operated by Watercare.

	Council and Group			
	Water supply \$'000	Wastewater \$'000	Stormwater and drainage \$'000	Total \$'000
Balance at 1 July 2020				
Cost	127,467	125,767	76,097	329,331
Accumulated depreciation	(2,824)	(2,994)	(842)	(6,660)
Opening carrying amount	124,643	122,773	75,255	322,671
Year ended 30 June 2021				
Additions	10,785	10,005	11,221	32,011
Revaluation surplus(deficit)	18,240	10,771	210	29,221
Disposal – cost	(175)	(872)	(25)	(1,072)
Disposal – accumulated depreciation	6	51	-	57
Depreciation	(3,002)	(3,152)	(980)	(7,134)
Closing carrying amount	150,497	139,576	85,681	375,754
Balance at 1 July 2021				
Cost	153,493	142,677	86,661	382,831
Accumulated depreciation	(2,996)	(3,101)	(980)	(7,077)
Closing carrying amount	150,497	139,576	85,681	375,754

Council and Group 2020/21	Cost / valuation 1 Jul 2020 \$'000	Accumulated depreciation and impairment charges 1 Jul 2020 \$'000	Carrying amount 1 Jul 2020 \$'000	Current year additions \$'000	Current year Disposals and transfers from WIP \$'000	
Operational assets						
Land	24,792	-	24,792	7,268	-	
Buildings	26,736	-	26,736	323	-	
Library books	6,018	(4,924)	1,094	648	-	
Vehicles / moveable plant	5,500	(3,205)	2,295	662	(614)	
Office equipment	1,404	(1,223)	181	-	-	
Computer equipment	5,570	(5,298)	272	947	(3,870)	
Furniture	1,592	(1,137)	455	166	-	
Total operational assets	71,612	(15,787)	55,825	10,014	(4,484)	
Infrastructural assets						
Wastewater	122,773	-	122,773	10,005	(872)	
Stormwater	72,824	-	72,824	11,221	(23)	
Water	124,643	-	124,643	10,785	(175)	
Drainage	2,431	-	2,431	-	(2)	
Solid waste	1,839	-	1,839	126	(90)	
Roading	764,436	-	764,436	31,000	(211)	
Bridges / culverts / pipes	251,944	-	251,944	2,246	-	
Land under roads	109,101	-	109,101	543	-	
Work in progress	41,585	-	41,585	58,634	(54,233)	
Total infrastructural assets	1,491,576	-	1,491,576	124,560	(55,606)	
Restricted assets						
Land	116,077	-	116,077	8,173	(250)	
Buildings	27,554	-	27,554	172	-	
Parks and reserves	48,238	-	48,238	4,752	(574)	
Total restricted assets	191,869	-	191,869	13,097	(824)	
Total Council and Group	1,755,057	(15,787)	1,739,270	147,671	(60,914)	

	Current year reclassification \$'000	Current year depreciation \$'000	Accumulated depreciation disposed \$'000	Revaluation surplus (deficit) \$'000	Cost / valuation 30 Jun 2021 \$'000	Accumulated depreciation and impairment charges 30 Jun 2021 \$'000	Carrying amount 30 Jun 2021 \$'000
	-	-	-	-	32,060	-	32,060
	-	(1,245)	-	-	25,814	-	25,814
	-	(288)	-	-	6,666	(5,212)	1,454
	-	(525)	395	-	5,548	(3,335)	2,213
	-	(37)	-	-	1,404	(1,260)	144
	-	(162)	3,870	-	2,647	(1,590)	1,057
	-	(114)	-	-	1,758	(1,251)	507
	-	(2,371)	4,265	-	75,897	(12,648)	63,249
	-	(3,152)	51	10,771	139,576	-	139,576
	-	(950)	-	113	83,185	-	83,185
	-	(3,002)	6	18,240	150,497	-	150,497
	-	(30)	-	97	2,496	-	2,496
	-	(79)	5	(29)	1,772	-	1,772
	-	(12,657)	27	5,818	788,413	-	788,413
	-	(5,508)	-	6,691	255,373	-	255,373
	-	-	-	-	109,644	-	109,644
	-	-	-	-	45,986	-	45,986
	-	(25,378)	89	41,701	1,576,942	-	1,576,942
	-	-	-	-	124,000	-	124,000
	-	(1,112)	-	-	26,612	-	26,612
	-	(2,416)	31	(2,537)	47,494	-	47,494
	-	(3,528)	31	(2,537)	198,106	-	198,106
	-	(31,277)	4,385	39,164	1,850,945	(12,648)	1,838,297

Council and Group 2019/20	Cost / valuation 1 Jul 2019 \$'000	Accumulated depreciation and impairment charges 1 Jul 2019 \$'000	Carrying amount 1 Jul 2019 \$'000	Current year additions \$'000	Current year Disposals and transfers from WIP \$'000	
Operational assets						
Land	20,694	-	20,694	300	(80)	
Buildings	28,394	(2,064)	26,330	1,349	(13)	
Library books	6,018	(4,627)	1,391	-	-	
Vehicles / moveable plant	6,068	(3,323)	2,745	605	(1,173)	
Office equipment	1,404	(1,182)	222	-	-	
Computer equipment	5,570	(5,096)	474	-	-	
Furniture	1,557	(1,028)	529	35	-	
Total operational assets	69,705	(17,320)	52,385	2,289	(1,266)	
Infrastructural assets						
Wastewater	114,963	-	114,963	7,908	(802)	
Stormwater	62,717	-	62,717	5,021	(226)	
Water	117,734	-	117,734	8,479	(943)	
Drainage	2,316	-	2,316	3	-	
Solid waste	1,729	-	1,729	-	-	
Roading	1,023,561	-	1,023,561	23,362	(296)	
Bridges / culverts / pipes	144,158	-	144,158	908	-	
Land under roads	108,288	-	108,288	813	-	
Work in progress	33,469	-	33,469	48,251	(40,135)	
Total infrastructural assets	1,608,935	-	1,608,935	94,745	(42,402)	
Restricted assets						
Land	99,307	-	99,307	3,562	-	
Buildings	26,899	(1,964)	24,935	134	(72)	
Parks and reserves	44,920	-	44,920	7,084	(79)	
Total restricted assets	171,126	(1,964)	169,162	10,780	(151)	
Total Council and Group	1,849,766	(19,284)	1,830,482	107,814	(43,819)	

	Current year reclassification \$'000	Current year depreciation \$'000	Accumulated depreciation disposed \$'000	Revaluation surplus (deficit) \$'000	Cost / valuation 30 Jun 2020 \$'000	Accumulated depreciation and impairment charges 30 Jun 2020 \$'000	Carrying amount 30 Jun 2020 \$'000
	-	-	-	3,878	24,792	-	24,792
	-	(1,077)	-	147	26,736	-	26,736
	-	(297)	-	-	6,018	(4,924)	1,094
	-	(547)	665	-	5,500	(3,205)	2,295
	-	(41)	-	-	1,404	(1,223)	181
	-	(202)	-	-	5,570	(5,298)	272
	-	(109)	-	-	1,592	(1,137)	455
	-	(2,273)	665	4,025	71,612	(15,787)	55,825
	-	(3,035)	41	3,698	122,773	-	122,773
	-	(817)	3	6,126	72,824	-	72,824
	-	(2,856)	32	2,197	124,643	-	124,643
	-	(28)	-	140	2,431	-	2,431
	-	(72)	-	182	1,839	-	1,839
	(3,538)	(11,792)	30	(266,891)	764,436	-	764,436
	3,538	(2,931)	-	106,271	251,944	-	251,944
	-	-	-	-	109,101	-	109,101
	-	-	-	-	41,585	-	41,585
	-	(21,531)	106	(148,277)	1,491,576	-	1,491,576
	-	-	-	13,208	116,077	-	116,077
	-	(982)	33	3,506	27,554	-	27,554
	-	(2,321)	2	(1,369)	48,238	-	48,238
	-	(3,303)	35	15,345	191,869	-	191,869
	-	(27,107)	806	(128,907)	1,755,057	(15,787)	1,739,270

Valuation

Operational and restricted land and buildings

Land, buildings, and properties valued by their components have been valued at fair value either as determined by an independent valuer using market-based evidence or by using a replacement cost approach. The most recent valuation was performed by Mairi MacDonald and Maria McHugh of Quotable Value Limited (QV) and dated 30 June 2020.

The fair value of Council's land and buildings has been determined based on the highest and best use in accordance with PBE IPSAS 17 Property, Plant and Equipment

Land

A number of estimates and assumptions must be made when valuing land and buildings. In this instance they include:

- Land valuations have been based on extensive local knowledge, the district rating records, the QV Mapping system and records held by QV and its predecessor Valuation New Zealand.
- Land has been valued as if vacant and incorporates the influences of size, contour, quality, location, zoning, designation and current and potential usage.
- All land is valued on an open market "willing buyer willing seller" scenario. This is effectively the price an informed purchaser would have to spend to acquire a similar property.
- Where there is a designation held against the land, adjustments have been made to reflect that designation.

Buildings

All buildings have been valued on either a fair market or depreciated replacement cost basis (DRC). Where the fair value of an asset can be determined by reference to the price in an active market for the same or similar asset, the fair value of the asset is determined using this information. Where the fair value of the asset is not able to be determined using market-based evidence, depreciated replacement cost is considered to be the most appropriate basis for the determination of fair value.

QV have considered the highest and best use of the property when formulating which approach to undertake the building valuations with. Where market-based evidence exists, structures have been valued on a market basis in relation to a market-based per square metre.

A number of estimates and assumptions must be made when valuing land and buildings. They may differ depending on the degree of specialisation inherent in the purpose or use of each particular building.

For specialised assets which are valued on a depreciated replacement cost basis:

- Replacement cost rates are derived from construction contracts of like assets, reference to publications such as QV Cost Builder (previously the Rawlinson's Construction Handbook), recent costings obtained from construction details and Property Institute of New Zealand's cost information.
- A componentisation approach is taken in most cases. The exceptions are where the cost of a component or the lives do not differ materially to the entire value of the structure to warrant being componentised. In all these cases, the building is reported as a structure only and will generally be under \$50,000 in value. The components are summarised for financial reporting purposes as structure, roof, internal fit-out, services, plant and external works/other improvements.
- The remaining useful life of properties is estimated by determining the effective age of the components within each property and comparing with the economic life of the improvements. A minimum residual life of five years has been adopted for properties nearing the end of their theoretical lives.
- Straight line depreciation has been applied to all DRC valued assets to determine their DRC.
- Optimisation has been considered in the process of determining DRC. Optimisation defines the most efficient set of assets that deliver the required services.

Residential dwellings and commercial properties have been valued in relation to market-based evidence.

- Market rents and capitalisation rates were applied to reflect market value while considering the highest and best use alternatives.
- Optimisation is not considered under a market-derived assessment.

Comparisons of the carrying value of buildings valued using depreciated replacement cost and buildings valued using market-based evidence is as follows:

	Council and Group	
	2019/20 Actual \$'000	2018/19 Actual \$'000
Operational buildings		
Depreciated replacement cost	24,137	24,886
Market-based evidence	1,677	1,850
Total carrying value of operational buildings	25,814	26,736
Restricted buildings		
Depreciated replacement cost	24,870	25,660
Market-based evidence	1,742	1,894
Total carrying value of restricted buildings	26,612	27,554

Classification of property

Council owns a number of properties held to provide housing for the elderly. The receipt of market-based rental from these properties is incidental to holding them. The properties are held for service delivery objectives as part of Council's social housing policy. The properties are therefore accounted for as property, plant and equipment rather than as investment property.

Parks and reserves

Parks and reserves assets include assets associated with cemeteries, public toilets (including toilet buildings); assets such as playgrounds, skate parks, carparks, roading within reserves, bollards, fences, pathways, gardens, rubbish bins, seating, and signage; and reserves-like assets associated with swimming pools.

Parks and reserves assets have been valued at fair value as determined on an optimised depreciated cost basis by an independent valuer. The most recent valuation was performed by Robert Berghuis and approved by Marvin Clough of Beca Limited and is dated 30 June 2021.

A number of estimates and assumptions must be made when valuing parks and reserves assets using the optimised depreciated replacement cost method. In this instance they include:

- The optimised replacement costs assume the use of modern materials, techniques, and designs. They further assume that some assets may be surplus to requirements, technically obsolete or over-designed for their purpose.
- Unit replacement cost rates allowed for modern equivalent asset replacement for known obsolete or redundant assets. For example, in the case of toilet blocks, rural plywood buildings are being replaced with circular concrete buildings, brick or weather-board clad buildings with concrete block buildings.
- Useful (or base) lives are determined from the information provided in the SPM 2021 Datasets and from information gained by Beca during previous assessments of this type. Remaining useful life (RUL) is assessed on useful life less age, with adjustments depending on condition and performance which may vary from one asset to another. Minimum remaining useful life is assumed to be two years.
- Assets are assumed to have zero residual value at the end of their effective useful lives.

Infrastructural asset classes: water, wastewater, stormwater, drainage and solid waste

Utilities have been valued at fair value determined on an optimised depreciated replacement cost basis by an independent valuer. The most recent valuation performed by Stephen Garlick and Luke Elsen and approved by Ian Martin of AECOM and is dated 30 June 2021.

Estimates and assumptions for the revaluation of these assets included:

- Straight-line depreciation was used.
- Waters assets were used in the valuation (land was not included).
- Assets were assumed to have zero residual value.
- Remaining useful life is assessed on useful life less age, with adjustments depending on condition and performance. A minimum remaining useful life of two years was used.
- An optimisation approach was employed. Optimisation seeks to remove excess capacity, redundant assets, inappropriate design practices, old technologies, and conservative design work. No areas of significant optimisation opportunities were identified.
- Asset unit rates have been determined from actual costs where available, rates from comparable local authorities and rates used in previous valuations. This data was cost indexed as appropriate using indices published by Statistics New Zealand and compared with unit rates from other valuations carried out by AECOM. Rates from a study carried out for Council in 2017 by Jacobs into unit rates were also used to ensure valuation rates are a fair representation of actual construction costs in the Waikato area.

Infrastructural asset classes: roading

Roading assets including bridges and culverts have also been valued at fair value as determined using the optimised depreciated replacement cost basis by an independent valuer. The most recent valuation was performed by Shahaanan Arulgnanapragasam of WSP Limited; it was reviewed by Gregg Morrow and approved for release by John Vessey. The valuation is effective at 30 June 2021.

A number of estimates and assumptions must be made when valuing infrastructural assets using the optimised depreciated replacement cost method. In this instance they include:

- Replacement cost is the cost of building the existing infrastructure using present-day technology while maintaining the originally designed level of service.
- A review of unit rates has been undertaken and the results of that review have been factored into the current valuation. The review has resulted in no change to the basecourse rate, a significant decrease (-57%) in the sub-base rate and a smaller increase (+40%) in the overhead rate.
- Unit cost rates are factored to allow for other direct costs such as professional fees. Unit costs represent brown-field costs which reflect increased difficulties and constraints of undertaking construction, maintenance and renewal work simultaneously with continuous operation of infrastructure.
- Overhead factors of 14% (2020:14%) have been applied to allow for all expenses incidental to the asset acquisition and all costs directly attributable to bringing the asset into working condition and location.
- An optimisation approach was employed. Optimisation means provision of the required utility at a minimum overall cost.
- Assets have been valued based on unit costs provided and quantities expressed as length, area or each.
- Useful life has been calculated in accordance with the International Infrastructure Management Manual and further modified if local knowledge and experience suggest it is appropriate. Remaining useful life is then assessed as the difference between useful life and the age of the asset.
- A zero residual value is assumed for all assets.
- Straight line depreciation is used.

Infrastructural asset class: Solid Waste

Solid waste assets were valued by Robert Berghuis and Marvin Clough Beca; the valuation is dated 30 June 2021 and used the optimised approach as described above.

Estimates and assumptions for the revaluation of these assets included:

- Unit costs allow for procurement and / or installation costs.
- SPM base lives were adopted.
- Remaining life of assets is based on the base life with adjustments dependent on age and condition.
- Residual values were not considered.

Land under roads

Land under roads was valued by both the former Franklin District Council (FDC) and Waikato District Council (WDC) before the transition by each to NZ Equivalent International Financial Reporting Standard (NZIFRS). On transition to NZIFRS both Councils elected to use the revaluation amounts for land under roads as the deemed cost. Following the merger of part of the former FDC and WDC, land under roads is stated at deemed cost and is not revalued.

Other comments

There are no items of property, plant and equipment that are not in current use. There have been no restrictions in titles relating to property, plant and equipment or items pledged as security for liabilities.

No impairment losses have been recognised for property, plant and equipment in the current period (2020: \$nil).

There are no items of property, plant and equipment held under finance leases in the current period (2020: nil).

Gains on disposal of property, plant and equipment of \$594,600 (2020: \$295,474) has been recognised in the Statement of comprehensive revenue and expense in the line item Other revenue. Losses on disposal amounting to \$15,982 (2020: \$488,049) have also been recognised in comprehensive revenue and expense in the line item Other expenses and losses.

Note 16 Intangible assets

Accounting policy

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. This asset class, which is amortised on a straight line basis, has a finite useful life of three to seven years and the amortisation rates are between 14% and 33%.

Consents

Consent costs for capital works are recognised at cost and amortised on a straight-line basis over the finite life of the consents (between 10 and 35 years). The amortisation charge for each period is recognised in the surplus or deficit.

Impairment of intangible assets

Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment. Intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in surplus or deficit.

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 for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return,

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a series of service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

	Council and Group		
	Computer software \$'000	Consents \$'000	Total \$'000
Balance at 1 July 2020			
Cost	6,288	5,491	11,779
Accumulated amortisation and impairment	(5,559)	(1,714)	(7,273)
Opening carrying amount	729	3,777	4,506
Year ended 30 June 2021			
Additions	364	335	699
Disposal – cost	(1,987)	-	(1,987)
Disposal – accumulated amortisation	1,987	-	1,987
Impairment losses	-	-	-
Amortisation charge	(600)	(2,213)	(2,813)
Closing carrying amount	493	1,899	2,392
Balance at 30 June 2021			
Cost	4,665	5,826	10,491
Accumulated amortisation and impairment	(4,172)	(3,927)	(8,099)
Closing carrying amount	493	1,899	2,392
Balance at 1 July 2019			
Cost	6,288	5,491	11,779
Accumulated amortisation and impairment	(5,135)	(1,496)	(6,631)
Opening carrying amount	1,153	3,995	5,148
Year ended 30 June 2020			
Additions	-	-	-
Disposal – cost	-	-	-
Disposal – accumulated amortisation	-	-	-
Impairment losses	-	-	-
Amortisation charge	(424)	(218)	(642)
Closing carrying amount	729	3,777	4,506
Balance at 30 June 2020			
Cost	6,288	5,491	11,779
Accumulated amortisation and impairment	(5,559)	(1,714)	(7,273)
Closing carrying amount	729	3,777	4,506

The carrying amount of the assets has been assessed as less than their replacement cost.

There are no restrictions over the title of the Council's intangible assets, nor are any intangible assets pledged as security for liabilities.

There are no intangible assets which have been internally generated.

Note 17 Investment property

Accounting policy

Properties leased to third parties under non-cancellable operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is initially measured at cost, including transaction costs. After initial recognition, all investment properties are measured at fair value effective at 30 June each year. Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

	Council and Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Balance at 1 July	560	560
Fair value gains (losses) on valuation	40	-
Disposals	-	-
Balance at 30 June (at valuation)	600	560

Valuation

At 30 June 2021 the valuation was performed by Mairi Macdonald, an independent valuer from Quotable Value Limited. Quotable Value is an experienced valuer with extensive market knowledge in the types and locations of investment properties owned by Council.

The fair value of Council's investment properties has been determined based on the highest and best use in accordance with PBE IPSAS 16 Investment Property.

A number of estimates and assumptions must be made when valuing investment property. In this instance they include:

- All land is valued on a fair market basis determined from market based evidence and conditions that prevailed at 30 June 2021.
- Land has been valued as if vacant and incorporates the influences of size, contour, quality, location, zoning, designation and current and potential usage.
- Where there is a designation held against the land, adjustments have been made to reflect that designation.
- All buildings have been valued on either a fair market or depreciated replacement cost basis. Where the fair value of an asset can be determined by reference to the price in an active market for the same or similar asset, the fair value of the asset is determined using this information. Where the fair value of the asset is not able to be determined using market-based evidence, depreciated replacement cost is considered to be the most appropriate basis for determination of fair value.

Revenue and expenses relating to investment property

	Council and Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Rental revenue	44	44
Expenses from investment property generating revenue	-	-

Rental revenue from investment properties is recognised as revenue on a straight-line basis over the term of the lease.

Note 18 Payables, taxes and transfers

Accounting policy

Short-term payables are recorded at their face value.

	Council		Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000	2020/21 Actual \$'000	2019/20 Actual \$'000
Payables under exchange transactions				
Trade payables	2,911	8,704	2,914	8,705
Water rates in advance	832	545	832	545
Accrued expenses	19,239	10,355	19,345	10,411
Amounts due to related parties	1,087	1,089	-	-
Revenue in advance	4,216	1,723	4,216	1,723
Total payables under exchange transactions	28,285	22,416	27,307	21,384
Taxes and transfers payable under non-exchange transactions				
Rates in advance	3,092	2,196	3,092	2,196
Deposits and bonds	219	218	219	218
GST and FBT payable	31	46	31	46
Other non-exchange payables	93	189	93	189
Total taxes and transfers payable	3,435	2,649	3,435	2,649
Total payables, taxes and transfers	31,720	25,065	30,742	24,033

Payables are non-interest bearing and are normally settled within 30 days, therefore the carrying value of payables approximates their fair value.

Note 19 Employee entitlements

Accounting policy

Short-term employee entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, 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 absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it will be used by staff to cover those future absences.

Long-term employee entitlements

Entitlements that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculation is based on:

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlement information;
- The present value of the estimated future cash flows; and
- An inflation factor based on the expected longterm increase in remuneration for employees.

	Council and Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Current portion		
Annual leave	2,317	2,256
Long service leave	13	19
Sick leave provision	123	104
Accrued payroll	949	765
Other employee liabilities	782	702
Total current portion	4,184	3,846
Non-current portion		
Long service leave	90	89
Retirement gratuities	91	103
Total non-current portion	181	192
Total employee entitlements	4,365	4,038

Estimating retirement and long service leave obligations

The present values of Council's non-current retirement gratuities and long service leave obligations depend on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any change in these assumptions will affect the carrying amount of the liability. Expected future payments are discounted using forward rates derived from 10 year New Zealand Government bonds. The salary inflation factor has been determined in accordance with the inflation factors forecast by Berl in September 2020 for the years 2021-2031. A discount rate of 1.76% (2020: 0.89%) and an inflation factor of 2.44% (2020: 2.1%) have been used.

Note 20 Borrowing

Accounting policy

All borrowing is initially recognised at cost, being the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless Council or the Group has an unconditional right to defer settlement of the liability at least 12 months after balance date.

	Council and Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Current portion		
LGFA borrowing	15,000	15,000
Total current portion	15,000	15,000
Non-current portion		
LGFA borrowing	65,000	80,000
Total non-current portion	65,000	80,000
Total borrowing (all secured)	80,000	95,000

Council secured debt of \$80,000,000 (2020: \$95,000,000) is either issued at a fixed rate of interest or has been swapped for fixed interest instruments. Council has 28 swap contracts in place (2020: 30). During the year 3 swaps matured (2020: 6) and no contracts were cancelled and replaced by contracts with more suitable terms (2020: none); no outright new contracts (2020: none) were undertaken. Council has 5 (2020: 7) swaps with start dates after 30 June 2021.

Council's committed cash advance facility of \$15,000,000 (2020: \$15,000,000) expires on 31 July 2021.

A fully fluctuating overdraft facility of \$500,000 is also available to Council on demand for Council's working capital requirements. There is a facility fee of 0.04% per month.

At 30 June 2021 total borrowings from Local Government Funding Agency Limited (LGFA) were \$80,000,000 (2020: \$95,000,000). The average rate of interest was 1.11% (2020: 1.19%).

The carrying amounts and the fair values of non-current borrowings are as follows:

	Carrying amount		Fair value	
	2020/21 \$'000	2019/20 \$'000	2020/21 \$'000	2019/20 \$'000
Council and Group				
Secured loans	65,000	80,000	64,915	80,008
Total non-current borrowing	65,000	80,000	64,915	80,008

The fair values are based on cash flows discounted using a weighted average rate based on the borrowing rates which range:

	2020/21	2019/20
From	0.92%	1.02%
To	1.36%	1.39%

Internal loans

Council has a policy to utilise investment funds for internal debt purposes so that external borrowing is minimised, and Council keeps its borrowing costs to a minimum.

Council	Balance at 1 July \$'000	Borrowing \$'000	Repayments \$'000	Balance at 30 June \$'000	Interest paid \$'000
2021					
Water supply	18,680	396	(638)	18,438	860
Wastewater	11,547	4,106	(428)	15,225	531
Stormwater	3,739	370	(158)	3,951	171
Roading	23,286	490	(1,692)	22,084	1,053
Sustainable environment	329	2,902	(35)	3,196	15
Sustainable communities	17,654	4,494	(1,076)	21,072	802
Governance	-	-	-	-	-
Organisational support	1,224	1,993	(46)	3,172	56
Total internal loans (gross)	76,459	14,751	(4,073)	87,138	3,488
2020					
Water supply	17,384	1,882	(586)	18,680	755
Wastewater	10,276	1,652	(381)	11,547	446
Stormwater	3,853	40	(154)	3,739	167
Roading	21,751	3,364	(1,829)	23,286	922
Sustainable environment	363	-	(34)	329	15
Sustainable communities	17,128	1,539	(1,013)	17,654	735
Governance	-	-	-	-	-
Organisational support	1,029	326	(131)	1,224	42
Total internal loans (gross)	71,784	8,803	(4,128)	76,459	3,082

Note 21 Provisions

Accounting policy

A provision is recognised for future expenditure of uncertain amount or timing when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of future economic benefits 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 expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments at the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time (discount unwinding) is recognised as an interest expense and is included in finance costs.

	Council and Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Current portion		
Landfill aftercare	120	97
Total current portion	120	97
Non-current portion		
Landfill aftercare	2,341	3,078
Total non-current portion	2,341	3,078
Total provisions	2,461	3,175

Movements for each class of provision are as follows:

	Landfill aftercare \$'000	Total \$'000
2021		
Balance at 1 July 2020	3,175	3,175
Change in provision made during the year	(567)	(567)
Amounts used	(154)	(154)
Unused amounts reversed	-	-
Discount unwind	7	7
Balance at 30 June 2021	2,461	2,461
2020		
Balance at 1 July 2019	1,447	1,447
Change in provision made during the year	1,795	1,698
Amounts used	(132)	(133)
Unused amounts reversed	-	-
Discount unwind	65	65
Balance at 30 June 2020	3,175	3,077

Weathertightness claims

No claims remain with the Weathertight Homes Resolution Service (WHRS) as at 30 June 2021 (2020: none).

At 30 June 2021, no further claim had been received directly by Council (2020: none).

Landfill aftercare costs

Council has five landfill sites within the District. They are at Te Kauwhata, Ngaruawahia, Huntly, Raglan and Tuakau. Council has responsibility under the resource consents to provide ongoing maintenance and monitoring of the landfills after the sites are closed.

The cash outflows for landfill post-closure are expected to occur over 35 years. The long term nature of the liability means that there are inherent uncertainties in estimating the costs which will be incurred. The provision has been made taking into account existing technology and known changes to legal requirements. The gross provision before discounting is \$4,181,626 (2020: \$4,731,399). A discount rate of 3.2% (2020: 1.8%) and an inflation factor of 2.5% (2020: 2.5%) have been used.

Note 22 Derivative financial instruments

Accounting policy

Council uses derivative financial instruments to manage exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, Council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance date. The associated gains or losses on derivatives are recognised in the surplus or deficit. The portion of the fair value of non-hedge accounted interest rate derivatives that is expected to be realised within 12 months of balance date is classified as current, with the remaining portion of the derivative classified as non-current.

	Council and Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Current liability portion		
Interest rate swaps	133	137
Non-current liability portion		
Interest rate swaps	12,435	21,478
Total derivative financial instruments liabilities	12,568	21,615

The fair values of interest rate swaps are measured against the prevailing market conditions at balance date. Council's interest rate swaps have been independently valued using Hedgebook software designed to capture, value and report interest rate swaps. Hedgebook uses daily rate feeds of floating rate references such as BKBM and NSW from industry benchmark sources.

The notional principal amounts of outstanding interest rate swap contracts for Council and the Group is:

	2020/21 Actual \$'000	No.	2019/20 Actual \$'000	No.
Active swaps	101,500	23	78,500	23
Forward starting swaps	18,000	5	47,000	7
	119,500	28	125,500	30

Note 23 Revaluation reserve – property, plant and equipment

	Council and Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Land	85,743	87,258
Buildings	34,196	34,268
Parks and reserves	18,309	20,928
Wastewater	53,088	42,515
Water	63,799	45,623
Bridges	202,378	195,687
Roading	117,612	111,635
Urban stormwater	20,258	20,151
Rural drainage	254	158
Solid waste	1,071	1,157
Balance at 30 June	596,708	559,380

Note 24 Reconciliation of net surplus (deficit) after tax with net cash flows from operating activities

	Council		Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000	2020/21 Actual \$'000	2019/20 Actual \$'000
Net surplus (deficit) after tax	62,688	29,623	63,242	29,889
Plus (minus) non-cash items				
Depreciation, amortisation and asset write-off	35,725	29,986	35,725	29,986
Vested and found assets	(35,502)	(21,030)	(35,502)	(21,030)
(Gains) losses on fair value of investment property	(40)	-	(40)	-
(Gains) losses on derivative financial instruments	(9,047)	5,949	(9,047)	5,949
Impairment of non current assets held for sale	-	347	-	347
(Gains) losses on cattle	10	24	10	24
Interest revenue on financial assets not at fair value through surplus(deficit)	(1)	(2)	(1)	(2)
Capitalised internal charges	(1,594)	(1,025)	(1,594)	(1,025)
(Gains) losses on revaluation of landfill	-	1,795	-	1,795
Plus (minus) items classified as investing or financing activities				
(Gains) losses on disposal of property, plant and equipment	(579)	(154)	(579)	(154)
(Gains) losses on investments	-	-	(715)	-
Disposal of non-current assets for sale	347	-	347	-
Decrease (increase) in creditors for capital expenditure	(6,735)	2,935	(6,735)	2,935
Plus (minus) movements in working capital items				
Receivables and recoverables	3,291	(5,052)	3,291	(5,080)
Prepayments	(478)	(226)	(478)	(226)
Cattle	(14)	(33)	(14)	(33)
Payables, taxes and transfers	6,654	7,149	6,786	6,014
Changes in provision	(147)	30	(147)	30
Employee entitlements	327	722	327	722
Net cash inflow (outflow) from operating activities	54,905	51,038	54,876	50,141

Note 25 Reconciliation of total comprehensive revenue with net operating funding (per funding impact statement)

	Council	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Total comprehensive revenue wholly attributable to Waikato District Council	108,778	(97,744)
Surplus (deficit) of operating funding per Whole of Council funding impact statement	23,665	18,425
Difference	85,113	(116,169)
The difference comprises:		
Capital revenue	29,792	27,699
Revaluation of assets	39,200	(128,907)
Revaluation reserve - landfill	567	(1,795)
Financial assets at fair value	15,370	1,540
Depreciation and amortisation	(33,899)	(27,749)
Profit (loss) on sale	229	154
Write off of assets	(1,826)	(2,237)
Vested and found assets	35,502	21,030
Change in provisions	147	67
Interest revenue from financial assets	1	2
Unrealised gains	40	-
Unrealised losses	(10)	(5,973)
Total difference	85,113	(116,169)

Note 26 Capital commitments and operating leases

	Council and Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Capital commitments are for expenditure on:		
Water	92,730	35,165
Wastewater	188,018	66,925
Stormwater	21,644	8,127
Parks and reserves	6,132	1,922
Buildings - operational	-	-
Roading	57,874	89,575
Bridges	1,874	244
Library books	-	373
Intangible assets	4,825	1,111
Total capital commitments	373,097	203,442

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

Operating leases as lessee

Council and the Group lease property, plant and equipment in the normal course of business. The lease has a non-cancellable term of one year and three months (2020: between three years three months and two years three months).

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	Council and Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Not later than one year	121	147
Later than one year and not later than five years	30	30
Later than five years	-	-
Total minimum operating lease payments payable	151	177

Council

Council has a contract with Canon NZ for the lease of photocopiers. There are no minimum amounts payable; charges are based on actual volumes of printing. The agreement was renewed with a term of five years from October 2017.

No contingent rent relating to copiers was recognised during the period. (2020: \$nil)

Council's Tuakau office is leased from Young Investors Limited. The current agreement has a three year term effective from October 2017 with one right of renewal for a further three year term.

Other leases may be renewed at Council's option, with rents set by reference to current market rates for items of equivalent age and condition. Council and the Group do not have the option to purchase any assets at the end of the lease term.

Strada

Strada has no leased property.

Operating leases as lessor

Council leases community and investment properties and grazing rights under operating leases. The leases have non-cancellable terms ranging from less than one year up to 30 years.

The future aggregate minimum lease payments to be collected under noncancellable operating leases are as follows:

	Council and Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Not later than one year	503	456
Later than one year and not later than five years	1,033	1,230
Later than five years	450	526
Total minimum operating lease payments receivable	1,986	2,212

Council has recognised no contingent rents during the period (2020: \$nil).

Note 27 Contingencies

Contingent liabilities

Quantifiable contingent liabilities are as follows:

	Council and Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Uncalled share capital (LASS – ordinary shares)	1	1
Uncalled share capital (LASS - WRPS shares)	9	9

Outstanding insurance claims

There are no outstanding claims (2020: none) in progress.

Capital contributions

As disclosed in note 13, Council holds four classes of share in in Waikato Local Authority Shared Services Limited (LASS). There is uncalled capital on two classes of share.

Unquantified claims

Weathertight claims

Council is exposed to potential future weathertightness claims which have not yet been advised. The amount of potential future claims is not able to be reliably measured and is therefore unquantifiable. Claims must be made within ten years of construction or alteration of the dwelling in order for the claim to be eligible under the Weathertight Homes Resolution Services (WHRS) Act 2006, but other statutory limitation periods could also affect claims.

Pakau Trust

The Pakau Trust has served two proceedings on Council; one is an application for a declaratory judgement, the other for damages. Both proceedings are being effectively conducted together and the insurer is covering the costs of the defence 60:40 with Council as Council has no insurance for the declaratory judgement proceedings which were the subject of a two day hearing that commenced on 12 October 2020.

Council received the High Court's judgment on 25 August 2021. The Council was wholly successful in its defence of the Plaintiffs' claims and the Judge declined to grant the declarations and order sought. The High Court also awarded costs in favour of Council, in a sum to be determined. Council is claiming \$75,657.59, to be divided on the same proportion as the costs of defence.

The Trustees of the Pakau Trust have now filed an appeal against the High Court's decision with the Court of Appeal. The Court of Appeal has ordered the Plaintiffs to pay security for costs in the sum of \$7,060.00. A Case Management Conference is scheduled for 22 October 2021 (subject to security for costs being paid, or an application to waive security for costs being determined).

Beets v WDC & Ors

The Beets matter has proceeded to mediation and has been resolved by settlement agreement. The matter will now not proceed to trial, and the settlement sum to be paid by Council of \$75,000.00 will be covered by insurance.

Other claims

At balance date no other claims (2020: none) expose Council or the Group to contingent liabilities. Council's maximum financial exposure is \$nil (2020: \$nil).

NZ Local Government Funding Agency Limited (LGFA)

Waikato District Council is a guarantor of LGFA. The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating from Standard and Poor's of AA+.

Council is one of 54 local authority guarantors - 30 of which are also shareholders of LGFA. The aggregate amount of uncalled shareholder capital (\$20m) is available in the event that an imminent default is identified. Also, together with other guarantors and shareholders, Council is guarantor of all LGFA's borrowings. At 30 June 2021 LGFA had borrowings totalling \$13.61 billion (2020: \$11.91 billion).

Financial reporting standards require Council to recognise the guarantee liability at fair value. However, Council is unable to determine a sufficiently reliable fair value of the guarantee and therefore has not recognised a liability. Council considers the risk of LGFA defaulting on payments of interest or capital to be very low on the basis that:

- We are not aware of any local authority debt default in New Zealand; and
- Local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

Contingent assets

Council is a 35% capital beneficiary of the WEL Energy Trust. The life of the Trust ends in 2073 unless terminated earlier if its purpose is completed. Given the uncertainty surrounding the life of the Trust, Council is unable to accurately establish an appropriate value for the 35% share.

Note 28 Related party transactions

Waikato District Council has a 100% shareholding in Strada Corporation Limited.

All related party transactions and related payments are on normal commercial terms. There was no impairment of any of these transactions (2020: nil).

The following transactions were carried out between related parties:

	Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Between Council and Waikato District Community Wellbeing Trust (WBT)		
Council's accounts receivable from WBT	268	186
Between Council and Strada Corporation Limited (Strada)		
Council's accounts payable to Strada	1,087	1,089
Between Council and Local Authority Shared Services (LASS)		
Services provided to LASS	20	114
Charges from LASS	566	615
Council's accounts payable to LASS	202	135
Council's accounts receivable from LASS	-	-
Between Council and Waikato Regional Airport Limited (WRAL)		
Dividend paid by WRAL	-	46
Regional Tourism funding payment to WRAL	150	150
Between Council and Civic Financial Services Limited (Civic)		
Dividend paid by Civic	-	34
Between Strada and Waikato Quarries Limited (WQL)		
Share of WQL cash received	-	8
Deferred settlement received from WQL	-	-

Key management personnel compensation

Council's key management personnel include the Mayor, Councillors, the Chief Executive, General Managers and other members of the Executive Leadership Team. The Group enters into various transactions such as rates, water charges and the sale of goods or services with key management personnel in the ordinary course of business and on an arm's length basis. No disclosure has been made for these transactions.

	Council	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Remuneration		
Councillors	924	917
Senior management team (including CE)	2,540	2,304
Total key management personnel remuneration	3,464	3,221

	2020/21 Actual	2019/20 Actual
	Full-time equivalent members	
Councillors	14	14
Senior management team (including CE)	11	11
Total full-time equivalent personnel	25	25

Because of the difficulties inherent in estimating the number for full-time equivalent Councillors, the figure used is the number of Councillors. There are close family members of key management personnel employed by Council and the Group. The terms and conditions of these arrangements are no more favourable than they would have been if there were no relationships to key management personnel.

Related party transactions requiring disclosure

There were no other related party transactions requiring disclosure.

Note 29 Remuneration

Remuneration of elected members

	Council	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Councillors		
Cash benefits		
A Sanson, Mayor	151	153
A Bech	79	68
J Church	48	47
C Eyre	48	33
D Fulton	-	34
J Gibb	90	76
S Henderson	48	47
S Lynch	55	55
B Main	-	14
R McGuire	48	47
F McNally	48	47
E Patterson	69	61
J Sedgwick	94	74
N Smith	59	55
L Thomson	48	47
C Woolerton	48	33
Total cash benefits paid to Councillors	933	891
Non-cash benefits		
A Sanson, Mayoral car	23	26
Total non-cash benefits paid to Councillors	23	26
Total remuneration of Councillors	956	917

	Council	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Community board and committee members		
Cash benefits		
D Amooore	4	3
J Ayers	5	4
S Bains	4	3
K Bredenbeck	5	5
B Cameron	-	3
C Conroy	5	5
R Cork	5	4
W Diamond	-	2
R Farrar	-	2
D Firth	5	4
B Green	-	2
P Haworth	-	1

J Henry	2	1
S Jackson	11	9
R Kereopa	-	1
R Kirkwood	5	5
D Lamb	-	2
K Langlands	-	3
J Lovatt	5	4
D Lovell	4	4
H Lovell	2	2
R MacLeod	4	6
G McCutchan	5	4
M Moana-Tuwahangi	-	3
K Morgan	5	5
J Morley	2	2
K Ngataki	5	4
A Oosten	4	4
S Ormsby-Cocup	2	2
G Parson	9	7
J Pecekajus	-	1
L Petersen	-	2
C Rayner	4	3
C Rees	-	2
V Reeve	5	5
V Rice	5	4
B Sherson	-	2
J Stevens	-	2
S Stewart	-	2
R Van Dam	2	2
A Vink	-	1
B Watson	5	5
E Wawatai	5	4
J Whetu	-	3
D Whyte	11	7
G Wiechern	11	7
R Wootton	5	4
Total cash benefits paid to community board and committee members	151	162
Total remuneration of Councillors and other elected representatives	1,107	1,079

Remuneration of Chief Executive

The Chief Executive of Waikato District Council is appointed under section 42 of the Local Government Act 2002. He received a salary of \$327,280 (2020: \$331,731) in terms of his contract. The Chief Executive's total remuneration included other benefits as follows:

	Council	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Salary and other short-term employee benefits	327	332
Vehicle	17	17
Defined contribution plan employer contributions (KiwiSaver)	11	11
Expenses and other allowances	6	10
Other fringe benefits (value of benefit plus FBT)	10	10
Total Chief Executive's remuneration	371	380

Employee numbers

Number of employees (at 30 June)	Council	
	2020/21 Actual	2019/20 Actual
Full-time employees	320	311
Part-time employees (including casual employees)	87	79
Total employees	407	390

A full-time employee works 40 hours per week

Full-time equivalent employees		
Full-time employees	319.89	310.86
Part-time employees (in full-time equivalents)	30.85	32.87
Total full-time equivalent employees	350.74	343.73

Total annual employee remuneration by band

	Council	
	2020/21 Actual \$'000	2019/20 Actual \$'000
\$0 - \$60,000	162	155
\$60,001 - \$80,000	91	80
\$80,001 - \$100,000	60	69
\$100,001 - \$120,000	48	44
\$120,001 - \$140,000	24	21
\$140,001 - \$160,000	8	10
\$160,001 - \$200,000	7	5
\$200,001 - \$300,000	6	5
\$360,000 - \$380,000	1	1
Total employees	407	390

Total remuneration includes non-financial benefits provided to employees.

There are fewer than five employees on each of the bands above \$160,000 therefore the numbers for those bands have been combined into two bands of \$140,001 - \$160,000 and \$160,001 - \$200,000.

Note 30 Severance payments

For the year ended 30 June 2021, Council made three (2020: four) severance payments to employees. The payments totalled \$30,348; they comprised \$22,500, \$5,600 and \$2,248. (2020: Total \$60,414).

Strada had no employees during the year (2020: none).

Note 31 Events after balance date

Waka Kotahi is planning to revoke the Huntly section of SH1 as at 1 July 2021. Waka Kotahi has committed to invest sufficient funds to improve the condition of this road.

For Strada, no material events are expected to occur subsequent to 30 June 2021 which affect the financial position at that date. (2020: none)

Three Waters Reform

The Government proposes via the water reform programme that local authorities will no longer be responsible for delivering wastewater, water and stormwater services. There would be an impact on finances relating to these services such as, but not limited to, operating revenues, direct costs of running the activities, and value of debt incurred to fund the activities. There would likely be second order impacts which Council would assess as part of the analysis of the proposal (once received). The Government has indicated a strong desire for all Councils to opt into the reform. Council has not made any decision in this regard.

Future for Local Government Review Reorganisation

A Ministerial Inquiry into the Future for Local Government has been established. The overall purpose of the review is to identify how our system of local democracy needs to evolve over the next 30 years, to improve the well-being of New Zealand communities and the environment, and actively embody the treaty partnership. The review will focus on roles, functions and partnerships; representation and governance; and funding and financing. The draft report and recommendations are set to be issued for public consultation on 30 September 2022. The final report is expected to be presented to the Minister and Local Government New Zealand on 23 April 2023. Council will continue to pro-actively explore opportunities and participate in shared services to provide such services cost-effectively. Changes within local government that results in a change to the structure and/or services provided by our organisation. While the review could recommend significant change to what local government is and does, there is no information available on the likely direction for the review at this time.

Covid-19

In August 2021, Covid-19 reappeared in the Auckland and subsequently in Wellington. The country was placed in lockdown at Alert Levels 3 and 4 since the outbreak occurred. Most staff continue to work either remotely or on site (for essential services only). All non-urgent maintenance and capital works were suspended. After 7 September 2021 Council resumed most of the operations. There was no significant impact for our essential services during the periods of Levels 4 and 3, and deferred maintenance and capital works programmes have not affected services. No specific measures have been taken. The impact of the Covid-19 lockdown in 2020 was not material and growth across the district since then has been above expectation. Activity levels in the early part of 2021/22 financial year are above plan levels, with many departments having a backlog of work attracting fees and charges. Council does not expect any medium or long term adverse impacts from the latest outbreak.

Note 32 Financial instruments

The Council and group have elected to early adopt PBE IPSAS 41.

In accordance with the transitional provisions in PBE IPSAS 41, the Council and group have elected not to restate the comparative information. The comparative information continues to be reported under PBE IPSAS 29.

The accounting policies for the year ended 30 June 2021 have been updated to comply with PBE IPSAS 41.

The main changes to the Council and group's accounting policies are:

- Note 11 Recoverables and receivables: This policy has been updated to reflect that the impairment of short-term receivables is now determined by applying the simplified expected credit loss model.
- Note 13 Other Financial assets: This policy has been updated to reflect:
 - the new classification categories;
 - the measurement and recognition of loss allowances based on the new expected credit loss (ECL) model; and
 - the removal of impairment loss considerations for equity investments at FVTOCRE.

The derivatives accounting policies in Note 22 Derivative financial instruments remain unchanged as Council has not elected to apply the hedging requirements of PBE IPSAS 41.

PBE IPSAS 41 also significantly amended the financial instruments disclosures of PBE IPSAS 30. This has resulted in new or amended disclosures, mostly in relation to hedge accounting and credit risk.

On the date of initial of application of PBE IPSAS 41, the classification and carrying amounts of financial assets under PBE IPSAS 41 and PBE IPSAS 29 is outlined in the tables below.

	Measurement classification		Council		
	PBE IPSAS 29	PBE IPSAS 41	30-Jun-20 PBE IPSAS 29 \$'000	1-Jul-20 PBE IPSAS 41 \$'000	Adoption Adjustment \$'000
Financial assets					
Cash and cash equivalents	Loans and receivables	Amortised cost	27,076	27,076	-
Recoverables and receivables	Loans and receivables	Amortised cost	18,805	18,805	-
Community loans	Loans and receivables	Amortised cost	90	90	-
Term deposit	Loans and receivables	Amortised cost	829	829	-
LGFA borrower notes	Loans and receivables	Amortised cost	1,520	1,520	-
Fixed interest investments	FVTSD	FVTSD	-	-	-
Equity investments	FVTSD	FVTSD	-	-	-
Unlisted shares in Civic Financial Services Limited	FVTOCRE	FVTOCRE	38	38	-
Waikato Regional Airport Limited	FVTOCRE	FVTOCRE	16,744	16,744	-
Local Authority Shared Services Limited	At cost	At cost	219	219	-
Shares in Strada Corporation Limited (subsidiary)	At cost	At cost	700	700	-

FVTOCRE = Fair value through other comprehensive revenue and expense

FVTSD = Fair value through surplus or deficit

	Measurement classification		Group		
	PBE IPSAS 29	PBE IPSAS 41	30-Jun-20 PBE IPSAS 29 \$'000	1-Jul-20 PBE IPSAS 41 \$'000	Adoption Adjustment \$'000
Financial assets					
Cash and cash equivalents	Loans and receivables	Amortised cost	27,113	27,113	-
Recoverables and receivables	Loans and receivables	Amortised cost	18,619	18,619	-
Community loans	Loans and receivables	Amortised cost	90	90	-
Term deposit	Loans and receivables	Amortised cost	829	829	-
LGFA borrower notes	Loans and receivables	Amortised cost	1,520	1,520	-
Fixed interest investments	FVTSD	FVTSD	2,000	2,000	-
Equity investments	FVTSD	FVTSD	2,449	2,449	-
Unlisted shares in Civic Financial Services Limited	FVTOCRE	FVTOCRE	38	38	-
Waikato Regional Airport Limited	FVTOCRE	FVTOCRE	16,744	16,744	-
Local Authority Shared Services Limited	At cost	At cost	219	219	-
Shares in Strada Corporation Limited (subsidiary)	At cost	At cost	-	-	-

The measurement categories and carrying amounts for financial liabilities have not changed on transition to PBE IPSAS 41.

A: Financial instruments categories

The following tables are comparisons of carrying amounts of the Group's financial assets and liabilities in each of the financial instrument categories:

	Council		Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000	2020/21 Actual \$'000	2019/20 Actual \$'000
Financial assets				
Amortised cost (2020: Loans and receivables)				
Cash and cash equivalents	19,037	27,076	19,038	27,113
Recoverables and receivables	15,593	18,805	15,325	18,619
Community loans	45	90	45	90
Term deposit	855	829	855	829
LGFA borrower notes	1,280	1,520	1,280	1,520
Total amortised cost	36,810	48,320	36,543	48,171
Fair value through surplus (deficit) (FVTSD)				
Fixed interest investments	-	-	2,302	2,000
Equity investments	-	-	2,872	2,449
Total FVTSD	-	-	5,174	4,449
Fair value through other comprehensive revenue (FVTOCRE)				
Unlisted shares in Civic Financial Services Limited	40	38	40	38
Waikato Regional Airport Limited	23,065	16,744	23,065	16,744
Total FVTOCRE	23,105	16,782	23,105	16,782
Financial assets at cost				
Local Authority Shared Services Limited	219	219	219	219
Shares in Strada Corporation Limited (subsidiary)	700	700	-	-
Total financial assets at cost	919	919	219	219
Financial liabilities				
FVTSD (2020: Held for trading)				
Derivative financial instruments liabilities	12,568	21,615	12,568	21,615
Financial liabilities at amortised cost				
Payables, taxes and transfers	31,720	25,065	31,829	25,123
Borrowing -secured loans	80,000	95,000	80,001	95,000
Total financial liabilities at amortised cost	111,720	120,065	111,830	120,123

B: Fair value hierarchy disclosures

For those instruments recognised at fair value in the statement of financial position, 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 inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation technique with significant nonobservable inputs (level 3): financial instruments valued using models where one or more significant inputs are not observable.

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

	Council		Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000	2020/21 Actual \$'000	2019/20 Actual \$'000
Valued at quoted market price (level 1)				
Fixed interest investments	-	-	2,302	2,000
Equity investments	-	-	2,872	2,449
Total financial instruments valued at quoted market price	-	-	5,174	4,449
Valued using observable inputs (level 2)				
Financial liabilities – derivatives	12,568	21,615	12,568	21,615
Valued using significant non-observable inputs (level 3)				
Unlisted shares	23,105	16,782	23,105	16,782

Instruments valued using significant non-observable inputs (level 3)

The table below provides a reconciliation between the opening and closing balances for level 3 financial instruments:

	Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Balance at 1 July	16,782	15,242
Gains and losses recognised in other comprehensive revenue	6,323	1,540
Other movements	-	-
Balance at 30 June	23,105	16,782

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

C: Financial instruments risks

Council has a series of policies to manage the risks associated with financial instruments. Council is risk averse and seeks to minimise exposure from its treasury activities. Council has established and approved a Treasury Risk Management Policy which includes a Liability Management Policy and an Investment Policy. 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 fair value or future cash flows of a financial instrument will fluctuate as a result of change in market prices. Council has no exposure to price risk because it does not hold any listed securities. Equity securities price risk arises on listed equity investments which are held by the Waikato District Community Wellbeing Trust (WBT) and are classified as financial assets held at fair value through surplus or deficit. The price risk arises due to market movements in listed share prices. Kiwi Wealth Limited (KWL), which manages the investment portfolio on behalf of the Trustees, manages price risk via diversification and liquidity of investments.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Council is not exposed to currency risk, as it has minimum foreign currency transactions. WBT holds investments in foreign currencies and is exposed to currency risk. KWL, on behalf of the trustees, enters into forward currency contracts on all fixed interest investments. The default currency exposure for equity investments is 50%.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Borrowings and investments issued at fixed rates of interest expose Council to interest rate risk. Council's Treasury Risk Management Policy sets a range of control limits for the fixed rate proportion of borrowings with different maturities. The range is from a maximum of 100% for debt maturing in the current period through to 55% for debt maturing in ten years.

KWL actively manages the average maturity date of WBT's fixed interest investments in response to changes in KWL's interest rate view.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose Council to cash flow interest rate risk. KWL actively manages the average maturity date of WBT's fixed interest investments in response to changes in KWL's interest rate view.

Generally, Council raises long term borrowing at floating rates and swaps them into fixed rates using interest rate swaps to manage the cash flow interest rate risk. Council enters into interest rate swaps in order to manage the cash flow interest rate risk. Such interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rates that are generally lower than those available if Council borrowed at fixed rates directly. Under the interest rate swaps, Council agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

Credit risk

Credit risk is the risk that a third party will default on its obligation to Council and the Group, causing it to incur a loss.

Council's Treasury Risk Management Policy clearly specifies approved institutions, minimum credit ratings and investment limits. WBT is consolidated into Council's group financial statements and also includes cash and fixed interest securities that are a credit risk. KWL, on behalf of the trustees of WBT invests only in fixed interest investments in liquid securities, which means there is a secondary market available where these assets are readily traded. In addition, KWL invest primarily in investment-grade instruments and has established counterparty limits for fixed interest investments depending on their credit rating.

Council is exposed to credit risk as a guarantor of all of LGFA's borrowings. Information about this exposure is explained in note 27.

Council and the Group have no other collateral or credit enhancements for financial instruments that give rise to credit risk.

Maximum exposure to credit risk

Council's maximum credit risk exposure for each class of financial instrument is as follows:

	Council		Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000	2020/21 Actual \$'000	2019/20 Actual \$'000
Cash and cash equivalents	19,037	27,076	19,038	27,113
Recoverables and receivables	15,593	18,805	15,593	18,619
Term deposits	855	829	855	829
Community loans	45	90	45	90
Fixed interest investments	-	-	2,302	2,000
Equity investments	-	-	2,872	2,449
LGFA borrower notes	1,280	1,520	1,280	1,520
Total credit risk	36,810	48,320	41,985	52,620

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates:

	Council		Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000	2020/21 Actual \$'000	2019/20 Actual \$'000
Counterparties with credit ratings				
Cash and cash equivalents				
AA-	19,037	27,076	19,038	27,113
Term deposits				
AA-	855	829	855	829
Borrower notes				
AA+	1,280	1,520	1,280	1,520
Counterparties without credit ratings				
Community loans with no defaults in the past	45	90	45	90
Unrated equity investments	24,024	17,701	26,896	19,450
Unrated fixed interest investments	-	-	-	2,000

Debtors 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 debtors and other receivables with reference to internal or external credit ratings. Council has no significant concentrations of credit risk in relation to debtors 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 liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Council aims to maintain flexibility in funding by keeping committed credit lines available.

Council manages its liquidity risks including borrowings in accordance with its Treasury Risk Management Policy, which includes a Liability Management Policy. These policies have been adopted as part of Council's Long Term Plan.

Council has a \$500,000 overdraft facility (2020: \$500,000) and a committed cash advance facility of \$15,000,000 (2020: \$15,000,000), of which \$15,000,000 (2020: \$15,000,000) is available to be drawn. Council's committed cash advance facility expires on 31 July 2021.

Council utilises funding through the Local Government Funding Agency Limited (LGFA). As at 30 June 2021 Council had borrowed \$80,000,000 (2020: \$95,000,000) and held borrower notes with a face value of \$1,280,000 (2020: \$1,520,000).

Council is also exposed to liquidity risk as a guarantor of all of LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. Information about this exposure is contained in note 27.

Contractual maturity analysis of financial liabilities, excluding derivatives

The table below analyses Council and the Group's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at balance date. The amounts disclosed are the contractual undiscounted cash flows and include interest payments.

	Council		Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000	2020/21 Actual \$'000	2019/20 Actual \$'000
Carrying amount				
Payables, taxes and transfers	31,720	25,065	24,033	24,033
Secured loans	80,000	95,000	80,000	95,000
Total carrying amount	111,720	120,065	104,033	119,033
Contractual cash flows				
Payables, taxes and transfers	31,720	25,065	24,033	24,033
Secured loans	82,608	98,883	82,608	98,883
Total contractual cash flows	114,328	123,948	106,641	122,916

The following table summarises the pattern of contractual cash flows:

	Less than 1 yr \$'000	1-2 yrs \$'000	2-5 yrs \$'000	More than 5 yrs \$'000
Council 2021				
Payables, taxes and transfers	31,720	-	-	-
Secured loans	15,820	20,707	36,001	10,080
Total	47,540	20,707	36,001	10,080
Council 2020				
Payables, taxes and transfers	25,065	-	-	-
Secured loans	16,108	15,874	51,656	15,245
Total	41,173	15,874	51,656	15,245
Group 2021				
Payables, taxes and transfers	24,033	-	-	-
Secured loans	15,820	20,707	36,001	10,080
Total	39,853	20,707	36,001	10,080
Group 2020				
Payables, taxes and transfers	25,065	-	-	-
Secured loans	16,108	15,874	51,656	15,245
Total	41,173	15,874	51,656	15,245

Contractual maturity analysis of derivative financial instruments

The table below analyses Council and the Group's derivative financial instruments into those that will be settled on a net basis and those that will be settled on a gross basis in relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Council and Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000
Net settled derivative liabilities		
Carrying amount	12,568	21,615
Contractual cash flows	26,303	23,431

	Less than 1 yr \$'000	1-2 yrs \$'000	2-5 yrs \$'000	More than 5 yrs \$'000
Net settled derivative liabilities				
2020/21	3,736	3,491	9,808	5,836
2019/20	3,689	3,691	9,914	6,137

Contractual maturity analysis of financial assets

The table below analyses Council and the Group's financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.

The amounts disclosed are the contractual undiscounted cash flows and include interest receipts.

	Council		Group	
	2020/21 Actual \$'000	2019/20 Actual \$'000	2020/21 Actual \$'000	2019/20 Actual \$'000
Carrying amount				
Cash and cash equivalents	19,037	27,076	19,038	27,113
Recoverables and receivables	15,593	-	-	-
Other financial assets				
- term deposit	829	-	-	-
- community loans	45	90	45	90
- LGFA borrower notes	1,280	1,520	1,280	1,520
Total carrying amount	36,810	48,320	36,588	48,171

Contractual cash flows				
Cash and cash equivalents	19,037	27,076	19,038	27,113
Recoverables and receivables	15,593	18,805	15,593	18,619
Other financial assets				
- term deposit	829	829	829	829
- community loans	47	96	47	97
- LGFA borrower notes	1,309	1,565	1,309	1,565
Total contractual cash flows	36,815	48,371	36,816	49,275

The following table summarises the pattern of contractual cash flows:

	Less than 1 yr \$'000	1-2 yrs \$'000	2-5 yrs \$'000	More than 5 yrs \$'000
Council 2021				
Cash and cash equivalents	19,037	-	-	-
Recoverables and receivables	15,593	-	-	-
Other financial assets				
- term deposit	829	-	-	-
- community loans	47	-	-	-
- LGFA borrower notes	249	328	571	161
Total	35,755	328	571	161

Council 2020				
Cash and cash equivalents	27,076			
Recoverables and receivables	18,805			
Other financial assets				
- term deposit	829			
- community loans	49	47	-	-
- LGFA borrower notes	253	250	819	243
Total	47,012	297	819	243

	Less than 1 yr \$'000	1-2 yrs \$'000	2-5 yrs \$'000	More than 5 yrs \$'000
Group 2021				
Cash and cash equivalents	19,038			
Recoverables and receivables	15,593			
Other financial assets				
- term deposit	829			
- community loans	47	-	-	-
- LGFA borrower notes	249	328	571	161
Total	35,756	328	571	161

Group 2020				
Cash and cash equivalents	27,113			
Recoverables and receivables	18,619			
Other financial assets				
- term deposit	829			
- community loans	49	47	-	-
- LGFA borrower notes	253	250	819	243
Total	46,863	297	819	243

Sensitivity analysis

The tables below illustrate the potential effect on the surplus or deficit and equity (excluding accumulated funds) for reasonably possible market movements, with all other variables held constant, based on Council and the Group's financial instrument exposures at the balance date.

	2020/21		2019/20	
	Actual -100bps \$'000	Actual +100pbs \$'000	Actual -100bps \$'000	Actual +100pbs \$'000
Interest rate risk				
Council				
Financial assets				
Cash and cash equivalents	(191)	191	(271)	271
Term deposits	(20)	20	(8)	8
Financial liabilities				
Derivatives	(18,181)	(7,344)	(28,889)	(14,816)
Group				
Financial assets				
Cash and cash equivalents	10	(10)	14	(14)
Term deposits	(20)	20	(8)	8
Fixed interest investments				
Financial liabilities				
Derivatives	(18,181)	(7,344)	(28,889)	(14,186)

	2020/21		2019/20	
	Actual -100bps \$'000	Actual +100pbs \$'000	Actual -100bps \$'000	Actual +100pbs \$'000
Foreign exchange risk				
Group				
Financial assets				
Cash and equity investments	10	(10)	14	(14)

	2020/21		2019/20	
	Actual -100bps \$'000	Actual +100pbs \$'000	Actual -100bps \$'000	Actual +100pbs \$'000
Equity price risk				
Group				
Financial assets				
Equity investments	29	(29)	24	(24)

Explanations of sensitivity analysis

The interest rate, foreign exchange and equity price sensitivities are based on reasonably possible movements in interest rates, exchange rates and equity market valuations; with all other variables held constant, measured as a basis points (bps) movement. For example, a decrease in 100bps is equivalent to a decrease in interest rates of 1%.

The sensitivity for derivatives (interest rate swaps) has been calculated using a derivative valuation model based on parallel shift in interest rates of -100bps/+100bps (2020: -100bps/+100bps).

Note 33 Capital management

Council's capital is its equity (or ratepayers' funds) which include accumulated funds and other reserves. Equity is represented by net assets.

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

Council has the following Council-created reserves:

- reserves for different areas of benefit;
- self-insurance reserves; and
- trust and bequest reserves.

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

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. The release of these funds generally can be approved only by Council.

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

Note 34 Explanation of major variances against budget

The major variance explanations are set out below and explain the significant differences between actual results for 2020/21 compared to the budget for 2020/21. Please note that the abbreviations used in this note are \$Xm, millions of dollars; \$Xk, thousands of dollars.

Statement of comprehensive revenue and expense

Overall revenue was \$62m more than budgeted. This difference was largely due to vested and found asset revenue of \$34m as well as a gain on the revaluation of interest rate swaps of \$9m not being budgeted. Contribution revenue was also \$7m higher than budget due to growth exceeding budgeted levels throughout the district and in particular for Pokeno. Other variances on revenue include subsidies from the NZTA being \$2m higher than budget and grant income of \$4m which was not budgeted. The levels of activity for various fees and charges were also more than expected which resulted in higher revenue than was budgeted in the annual plan.

Overall expenses were \$18m greater than budget. Significant variances include wastewater processing costs \$5m greater than budget that were recovered from customers. unbudgeted maintenance costs of \$4m funded by a grant from the Department of Internal Affairs relating to Three Waters Reform and \$4m spent on the Proposed District plan, as well as consultant costs being \$5m more than expected. External consultants were engaged to provide cover for various employee vacancies throughout the year as well as to meet increased demand for services in areas such as planning and consents.

Depreciation and amortisation costs were also \$7m higher than budget which is primarily due to the three waters and bridges revaluations in the prior year being much higher than expected. This increase was partially offset by the revaluation on roading assets however the overall impact of the revaluations at 30 June 2020 (based on the useful lives of the assets) was higher depreciation recognised in the current year. Unbudgeted amortisation of \$2m was also recognised in the current year due to pre-purchased wastewater infrastructure growth charges being utilised in Pokeno at a much faster rate than expected. The developers in Pokeno have largely achieved their 30 year growth projection in a much shorter time which has reduced the life of the related asset and resulted in the acceleration of the amortisation expense.

The above movements resulted in a surplus of \$62m at an operating level. (Compared to the budgeted surplus of \$18m).

Total comprehensive revenue and expense was \$101m which was \$45m higher than budget. Majority of the difference is explained by the operating results noted above. Other comprehensive revenue and expense includes revaluation surpluses which were \$6m lower than budgeted. This was off-set by a \$6m gain on Council's investment in the Waikato Regional Airport which was not budgeted in the annual plan.

Statement of financial position

The statement of financial position shows a decrease in overall net assets of \$160m compared to budget. The biggest variance was for property, plant and equipment which was lower than budget due to some asset write-offs and a capital programme which was significantly below budget. This difference is partially offset by lower borrowings compared to budgeted estimates which is consistent with the below budget capital programme. Current assets and liabilities are higher than budgeted and is largely due to cash flow timing differences which resulted in a higher cash and cash equivalents balance compared to budget.

Statement of cash flows

The cash flow statement highlights how the overall operational activities of Council were higher than expected throughout the year. It also highlights that the capital programme was below budget and therefore no additional external borrowings were required. The net impact of this resulted in cash balances being \$9m higher than budget at the end of the year.

Funding impact statements

The whole of Council funding impact statement reports cash or soon to be cash items (such as revenue or expenses in receivables or payables) and does not consider non-cash funded items such as asset write-offs or assets vested in Council. The report analyses separately the surplus or deficit for operating funding and capital funding.

This year the overall operating funding surplus was \$24m and in line with budget. Due to the operational activities of Council being higher than expected – both operating funding (revenue) and operating expenditure were \$9m more than budget.

The increase in operating funding was the result of higher Fees and Charges due to higher than anticipated growth and demand, as well as Subsidies and Grants for operating purposes exceeding budget.

The increase in operating expenditure was primarily due to above budget payments to suppliers partially offset by lower staff costs because several budgeted positions were vacant for a significant period throughout the year. Employee vacancies as well as increased growth and demand resulted in higher payments to external consultants.

Sources of capital funding were \$19m less compared to budget. Borrowings were partially repaid, and additional budgeted borrowings were not required due to lower actual spend on the capital programme. This was partially offset by contribution income which was \$7m higher than budget due to growth exceeding budgeted levels throughout the district.

Note 35 Insurance of assets

The total value of all assets of Council that are covered by insurance contracts as at 30 June 2021 is \$712,826,927 (2020: \$698,579,479) and the maximum amount to which they are insured is \$253,072,970 (2020: \$253,424,033).

Insurance Class	Total Declared Value	Policy Limit
Infrastructure	\$433,120,102	\$10,000,000 per loss (primary layer contracts provide for recovery of 100% of the costs of loss or damage to declared assets) \$100,000,000 per loss (For anything that falls outside primary layer cover, these insurance contracts provide for the recovery of 40 per cent of the costs of loss or damage to declared assets)
Material Damage	\$262,035,344	\$150,000,000 combined limit any one loss or series of losses arising out of any one event in excess of policy deductible \$25,000,000 fire limit
Motor Vehicle	\$2,967,603	\$2,967,603
Other	\$456,430	\$456,430
Total	\$698,579,479	\$253,424,033

In addition to the insurance contracts noted above, the council maintains a disaster recovery reserve to meet the costs of damage that may not be recoverable through insurance. At 30 June 2021 the balance of this reserve was \$1,530,494 (2020: \$788,265).

ANNUAL REPORT DISCLOSURE STATEMENT

for the year ended 30 June 2021

What is the purpose of this statement?

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

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 definition of some of the terms used in this statement.

Council's 2018-28 long-term plan set revised limits for its rates and debt affordability benchmarks. For this reason, results for the previous targets are included for the years ending 2017-2018 together with graphs depicting the results for the revised targets for the 2019-2021 years.

Rates affordability benchmarks

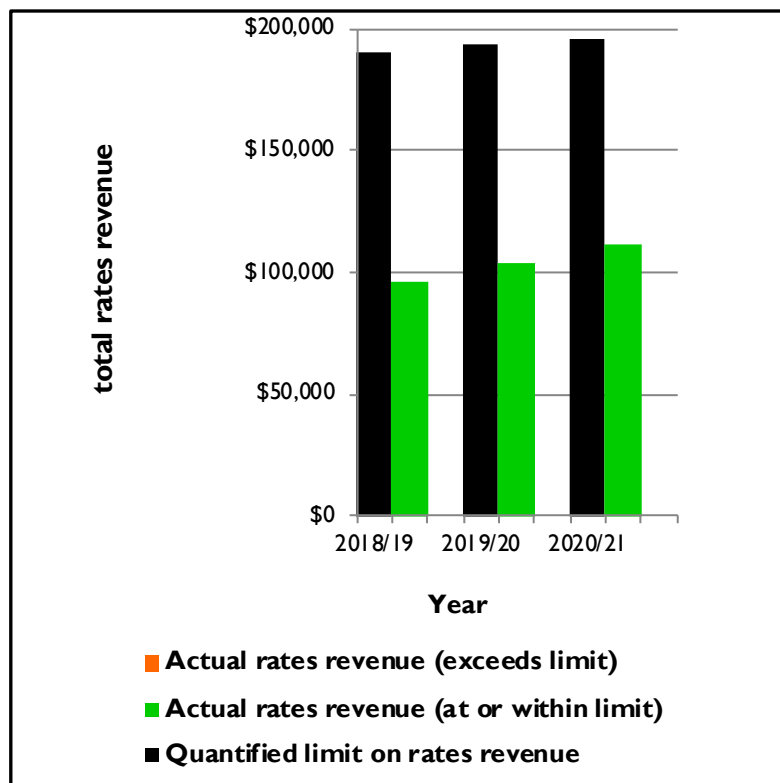
Council meets the rates affordability benchmarks if:

- its actual rates revenue 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.

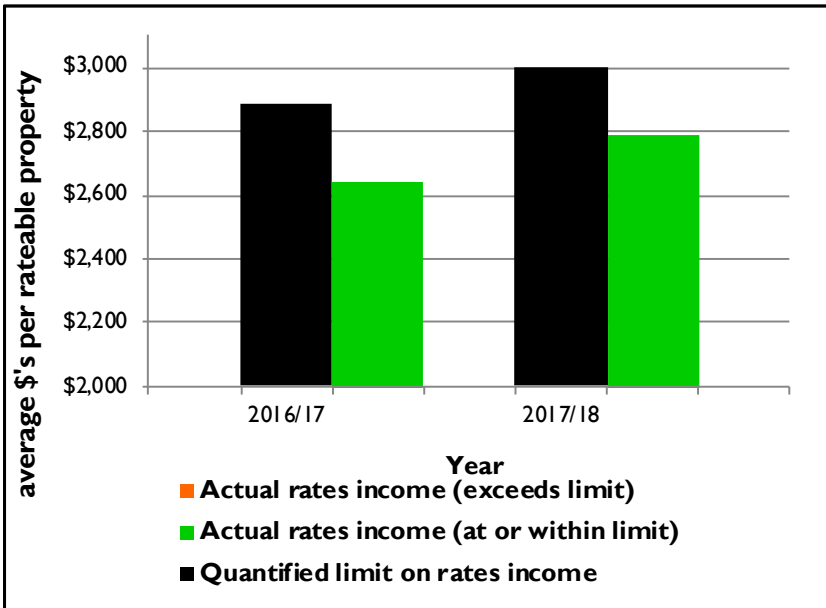
Rates (income) affordability

This graph compares Council's actual rates income with a quantified limit on rates contained in the financial strategy included in Council's 2018-28 long-term plan (pg 10).

The quantified limit for the current year is that total rates revenue will not exceed 0.7% (2020: 0.7%) of the total capital value of the District (based on 2017 rating valuations and inclusive of GST). That limit equates to \$195,930 (2020: \$193,294).



The quantified limit on rates revenue contained in Council's 2015-2025 long-term plan was based on an amount per rateable property. That amount ranged from \$2,888 in 2017 to \$2,999 in 2018

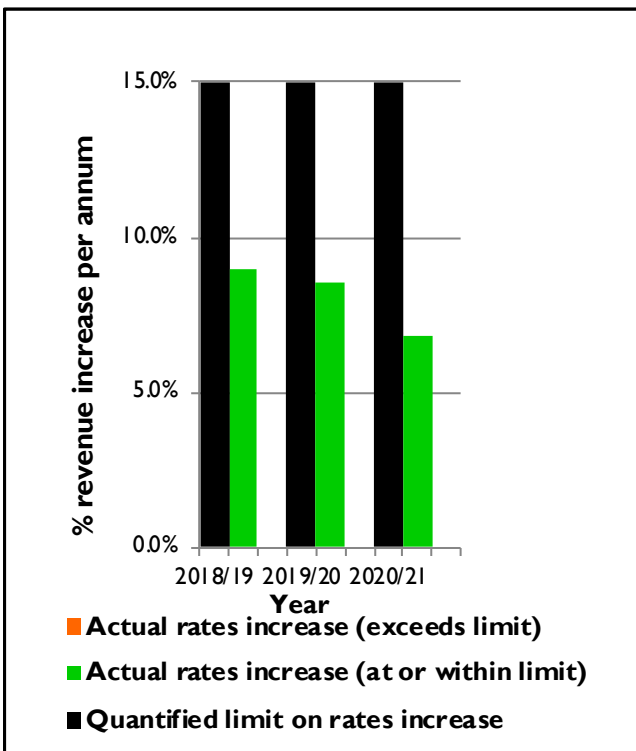


Rates (increases) affordability

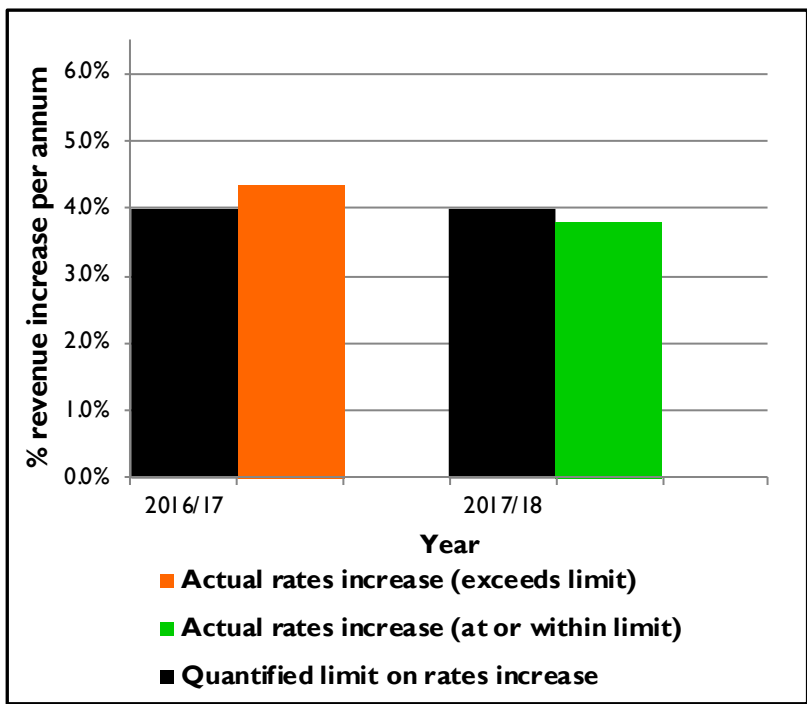
This graph compares Council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in Council's 2018-28 long-term plan (pg 10).

The quantified limit on increases in rates is that average annual rate increases to existing ratepayers* are not to exceed 15 percent in the first three years, reducing to five percent per annum from 2022.

*Based on 2017 rating valuations.



Council's previous limit on rates increases was set at 4% per annum (measured cumulatively from 2016/2016).

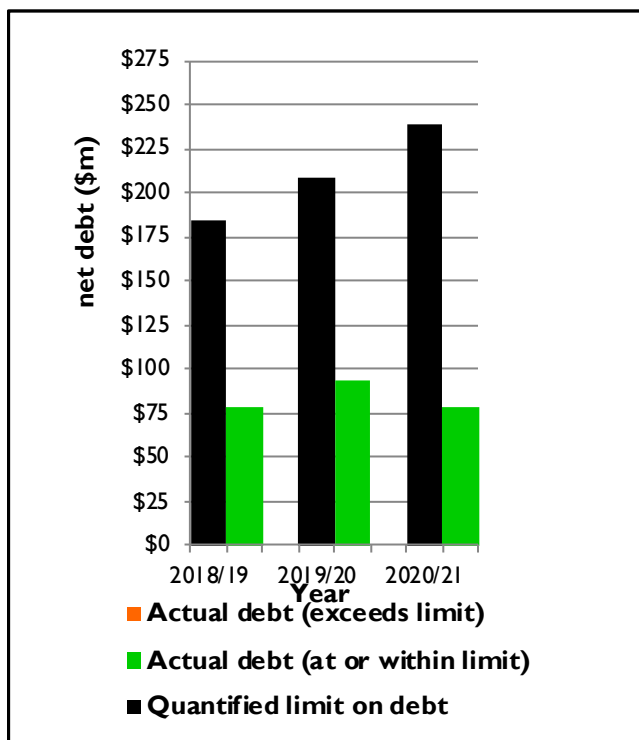


Debt affordability benchmarks

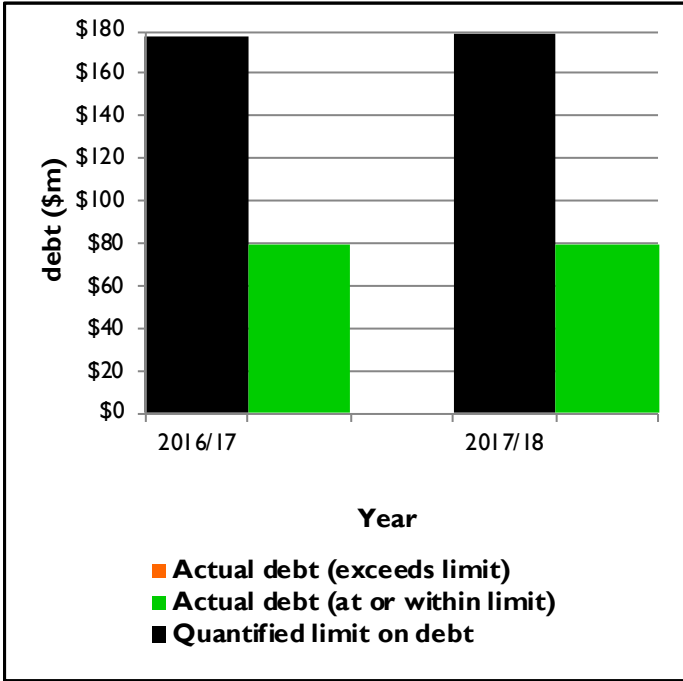
Council meets its debt affordability benchmark if its actual borrowing is within the quantified limit on borrowing. This graph compares Council's actual borrowing with the quantified limit on borrowing stated in the financial strategy included in Council's 2018-28 long-term plan (pg 9).

The quantified limit on net debt¹ is that it does not exceed 150 percent of revenue².

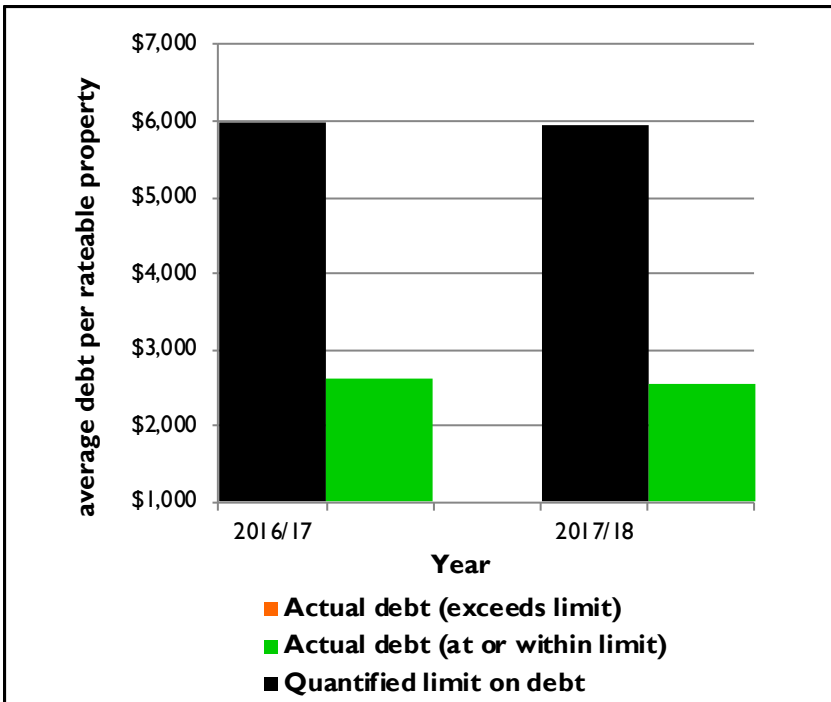
¹ Net debt equals total external debt, net of borrower notes.
² Revenue is net of developer contributions and vested asset



Council's revised financial strategy only contains one debt limit but the previous strategy had two limits on net debt. The first of the previous limits ranged from \$177.0m in 2017 to \$178.9m in 2018.



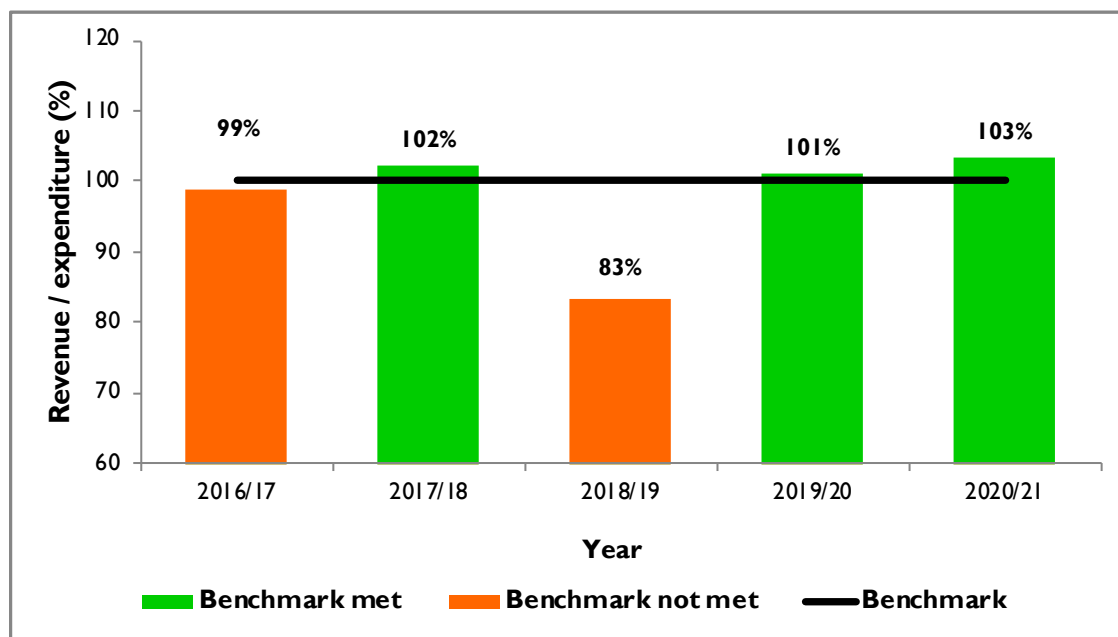
The previous strategy also limited the average net debt per dwelling. That limit ranged from \$5,999 in 2017 to \$5,957 in 2018.



Balanced budget benchmark

This graph displays Council's revenue (excluding development contributions; financial contributions; vested assets; gains on derivative financial instruments and revaluations of property, plant or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant or equipment).

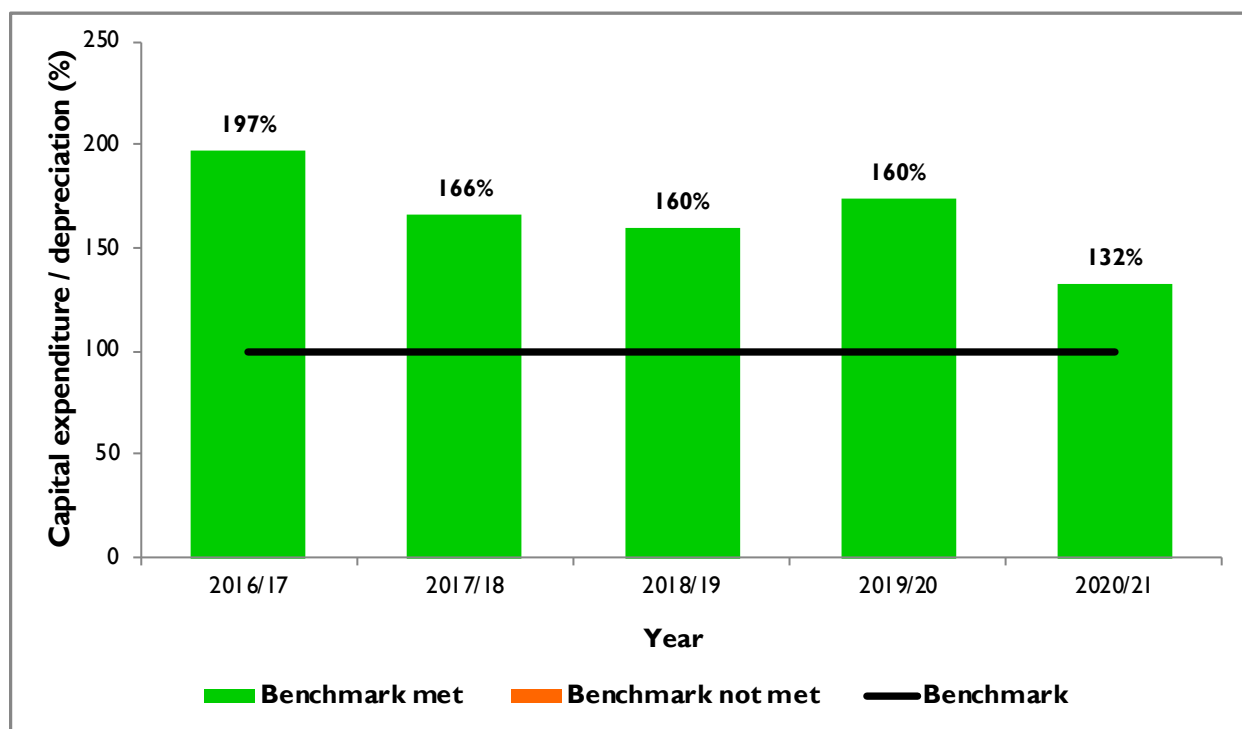
Council meets this benchmark if its revenue equals or is greater than its operating expenses.



Essential services benchmark

This graph displays Council's capital expenditure on network services as a proportion of depreciation on network services.

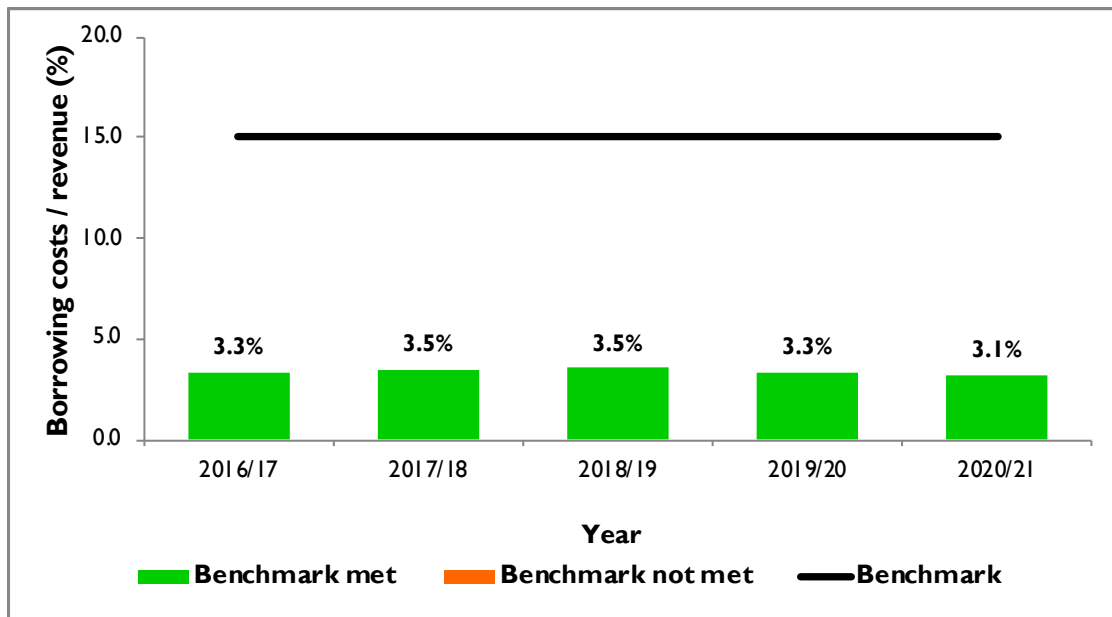
Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



Debt servicing benchmark

This graph displays 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 or equipment).

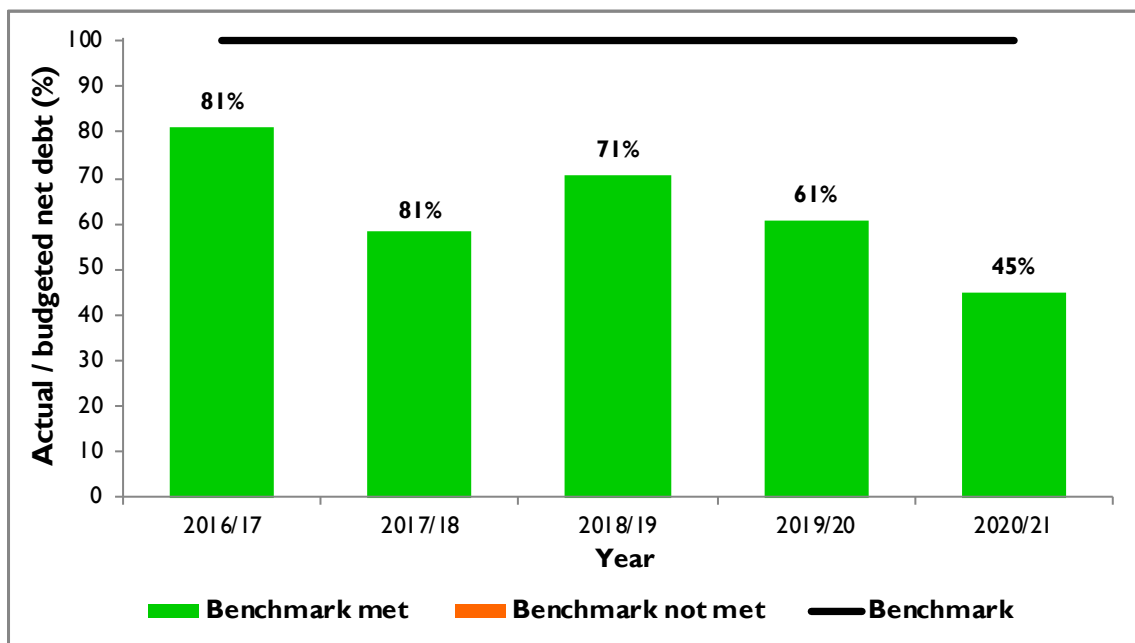
Because Statistics New Zealand projects that Council's population will grow faster than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 15% of its planned revenue.



Debt control benchmark

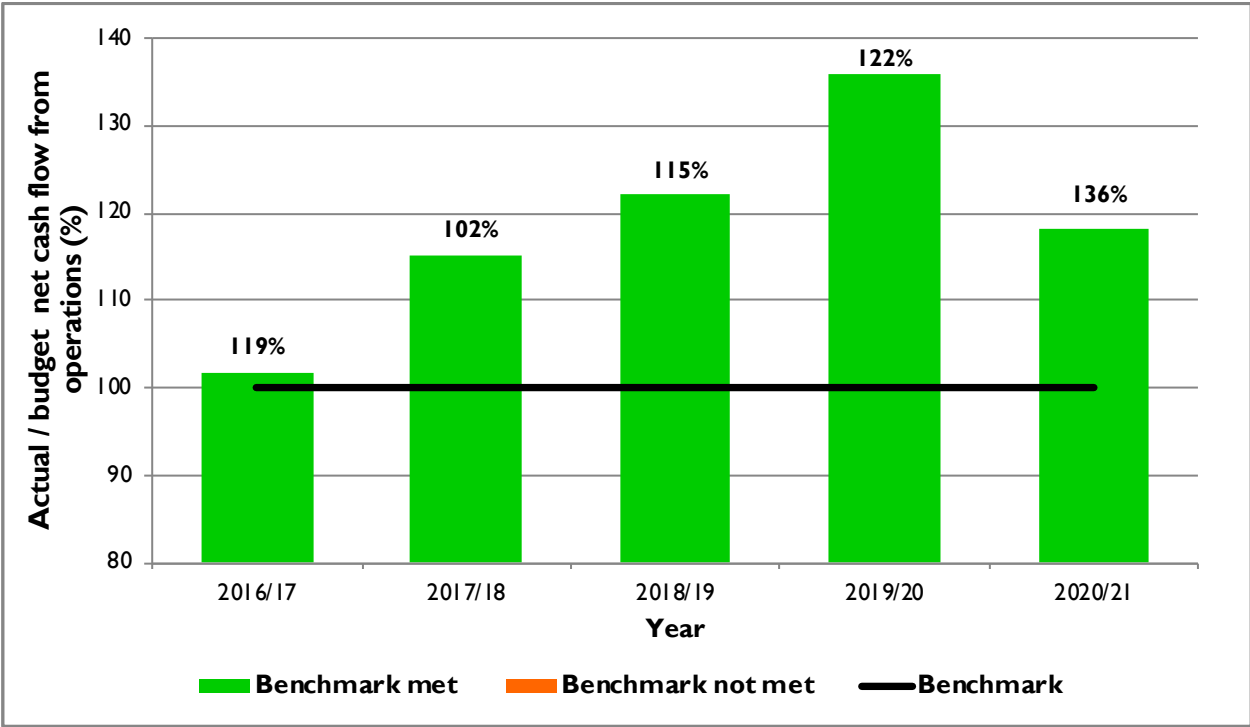
This graph displays Council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables).

Council meets the debt control benchmark if its actual net debt equals or is less than planned net debt.



Operations control benchmark

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



Independent Auditor's Report

To the readers of Waikato District Council's annual report for the year ended 30 June 2021

The Auditor-General is the auditor of Waikato District Council (the District Council) and its subsidiaries and controlled entities (the Group). The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, to report on the information in the District Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

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

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

We completed our work on 19 October 2021. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 72 to 143:
 - present fairly, in all material respects:
 - the District Council and Group's financial position as at 30 June 2021;
 - the results of the operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards;
- the funding impact statement on page 11, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's annual plan;

- the statement of service provision on pages 9 to 56:
 - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2021, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - complies with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities on pages 14 to 56, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council’s Long-term plan; and
- the funding impact statement for each group of activities on pages 14 to 56, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council’s Long-term plan.

Report on the disclosure requirements

We report that the District Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 137 to 143, which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council’s audited information and, where applicable, the District Council’s long-term plan and annual plans.

Basis for our opinion on the audited information

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

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

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

Responsibilities of the Council for the audited information

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

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

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

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

Responsibilities of the auditor for the audited information

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

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

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

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

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

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 1 to 8, 57 to 71 and 144 to 150, but does not include the audited information and the disclosure requirements.

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

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

Independence

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

In addition to our audit and our report on the disclosure requirements, we have performed an audit of the District Council's 2021/31 long term plan, performed a limited assurance engagement related to the District Council's debenture trust deed, and assurance engagements in relation to procurement of significant contracts, which are compatible with those independence requirements. Other than these engagements, we have no relationship with or interests in the District Council or its subsidiaries and controlled entities.

Clarence Susan
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand

STATEMENT OF COMPLIANCE AND RESPONSIBILITY

Statement of Compliance

The Council and management of the Waikato District Council confirm that all the statutory requirements in relation to the Annual Report have been complied with.

Statement of Responsibility

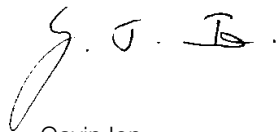
The Council and management of the Waikato District Council accept responsibility for:

- (a) the preparation of the Annual Financial Statements and the judgements used in them, and
- (b) establishing and maintaining internal control systems to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and management of the Waikato District Council, the Annual Financial Statements and Statements of Service Provision for the year ended 30 June 2021 fairly reflect the financial position and operations of the Council.



Allan Sanson
Mayor



Gavin Ion
Chief Executive



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Ngaruawahia, 3720

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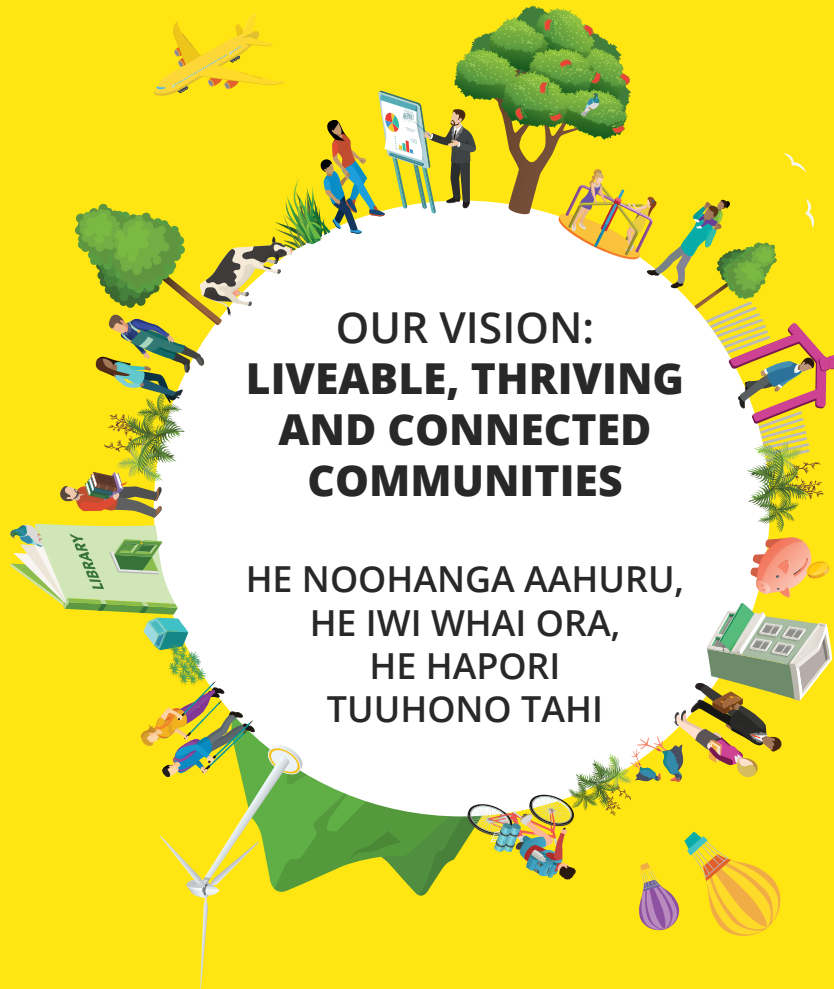
Freephone: 0800 492 452

2020/21



ANNUAL REPORT SUMMARY

Te Riipoata aa-tau me te tuhinga whakaraapopoto



**OUR VISION:
LIVEABLE, THRIVING
AND CONNECTED
COMMUNITIES**

HE NOOHANGA AAHURU,
HE IWI WHAI ORA,
HE HAPORI
TUUHONO TAHI

- 03** Our vision guides how we manage our fast-growing district
- 04** Working together to build our communities
- 04** Funding for local groups
- 04** Developing our economy
- 05** Learning to be 'DogSmart'
- 05** Caring for our environment
- 05** Sustainable delivery of services
- 06** Roding and alternative transport
- 06** Water services for a growing population
- 07** What you got for \$1
- 08** How we did
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- 10** Summary Financial Statements
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WELCOME TO OUR ANNUAL REPORT SUMMARY FOR 2020/21

Every year we produce an Annual Report of our activities and financial performance that compares what we did with what we planned to do when we developed our Long Term Plan (LTP).

This summary provides you with a 'scorecard' so that you can review what we've been doing in the district over the past 12 months.

Our vision guides how we manage our fast-growing district

Despite an uncertain outlook generated by the COVID-19 pandemic, Waikato district continued to experience rapid growth in 2021.

As one of the fastest-growing districts in the country measured by new dwelling consents, this also brought considerable challenges and a heavy workload. We processed 1,125 dwelling consents, up 39.4% on the previous year, and 2,430 building consents overall, up 27% on 2019/20. Our duty planners handled nearly 5,000 enquiries, up 43% on 2019/20.

The year was marked by a series of major initiatives to guide this growth and give effect to our vision of creating 'liveable, thriving and connected communities – he noohanga aahuru, he iwi whai ora, he hāpori tuuhono tahi'.

Planning for people-friendly living

Our new 2021-2031 Long Term Plan (LTP), adopted in June 2021, advances many of the top priorities identified by the community through our District-wide and Local Area Blueprints which plan how to meet the community's social, economic and environmental needs over the next 30 years. These Blueprint priorities were confirmed at a series of public workshops held around the district.

The LTP provides funding for the development of infrastructure over the next 10 years to unlock key 'growth

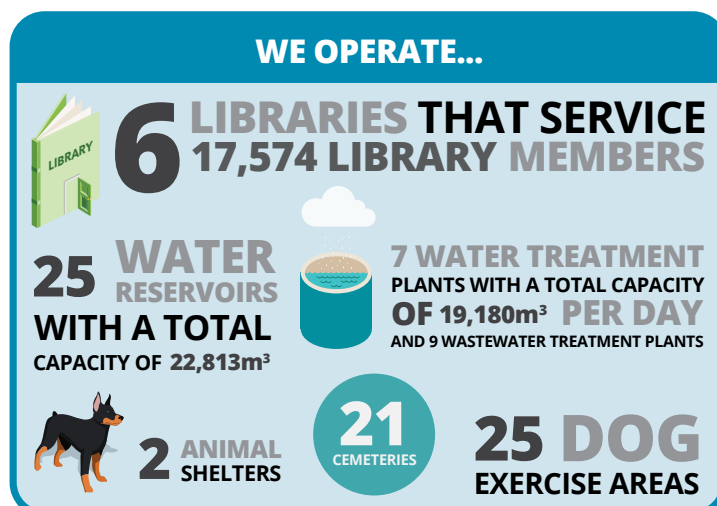
cells' identified by our 'Waikato 2070: District Growth and Economic Development Strategy', which was adopted just before the year under review.

'Waikato 2070' will also be underpinned by our Proposed District Plan which entered its hearings phase in 2021, and which offers a new spatial vision for community development, setting the guidelines for land use and for protecting our environment and heritage. Hearings took place via the innovative use of videoconferencing, making participation easier for submitters.

We worked with our neighbouring councils and other agencies on how to manage growth throughout the 'Hamilton-Auckland corridor' and supported work on the Waikato Housing Initiative to address housing challenges in the region, with a focus on creating sustainable, resilient and connected communities.

Financial Performance

We worked hard to set rates and debt levels that balance affordability with the need to provide for our growing community. Average rates per rateable property were \$3,256.30 for 2020/21 and average debt per rateable property is \$2,720.35. This is 61% below our debt servicing limit, offering capacity for funding services and facilities as needed for the future.



“We are proud that some of our most widely-used services recorded customer satisfaction levels of 80% or more.”

Working together to build our communities

We are working hard to ensure we build our communities as our townships grow.

We're a diverse community. Twenty-six per cent of our 81,473 population identify as Maaori and we welcomed 170 new New Zealand citizens to our growing migrant community in the district in 2020/21.

As a democratically elected Council, our goal is always to involve you in decisions that affect the future of our communities and our district.

We involved you in decisions on subjects ranging from reserve management and keeping of animals, to alcohol and speed limits. Our Long Term Plan 2021-31 sparked more than 600 submissions.

The Council approved the creation of Maaori wards for the 2022 and 2025 local government elections, and we started our six-yearly Representation Review to decide the number of our wards and councillors for the next two Council terms.

We enjoyed a strengthened Maaori voice in our decision-making with the appointment of two Maangai Maaori (Voice of Maaori) positions to our three major Council committees just before the start of the 2020/21 year.

We want to hear what you have to say, and we expanded our efforts to engage with you through a range of media, surveys, face-to-face meetings and online. We attracted nearly 360,000 visitors to our website in the past year (up 13.4% from 2019/20) and we have more than 17,000 followers on Facebook (up 21%). We pioneered the use of videoconferencing technology for hearings on our Proposed District Plan, and continued to use it to bring people together online on issues such as wastewater consent renewals for Raglan and Te Kauwhata.

A focus for community activities

Our libraries, parks and facilities are an important focus for community activities. We work hard to maintain 220 Council-owned buildings across the district, including 6 libraries and 38 community halls. We also manage and maintain 56 playgrounds and neighbourhood reserves, 13 skateparks, three swimming pools, 21 cemeteries, 113 parks and reserves, two animal shelters and 25 dog exercise areas. Among many projects completed were the refurbishment of the Tuakau library and re-roofing of the Huntly Grandstand.

We are proud that some of our most widely-used services recorded customer satisfaction levels of 80% or more including our libraries, parks and reserves, solid waste and recycling services, and wastewater services. Overall, 60% of survey respondents were satisfied with the way rates are spent on the services and facilities we provide, and 81% rated the quality of life in Waikato district as good or very good.

Funding for local groups

To enable our communities to meet some of their own needs we supported the work of 155 organisations and charities throughout the district with grants and donations from Council-owned or administered funds.

From Council-owned funds we committed more than \$569,000 for distribution to 113 local groups.

On behalf of the Creative Communities Scheme Fund we distributed \$70,194 to benefit 37 local groups, and the work of five more groups benefited from \$72,000 we distributed on behalf of an independent trust we administer, the Waikato District Community Wellbeing Trust.

IN 2020/21 WE HAVE SUPPORTED...



Developing our economy

To encourage business growth and employment opportunities for our growing population we continued to promote Waikato district through partnerships with our regional economic development agency, Te Waka, and Hamilton & Waikato Tourism. Local tourism spending grew 5.9% thanks to a resurgence in domestic tourism.

Development and investor demand has increased despite uncertainty due to the ongoing impact of COVID-19. A rezoning application for a \$1.2 billion Sleepyhead manufacturing and residential development at Ōhinewai was approved by a panel of independent commissioners, although parts of the proposed development are subject to appeal in the Environment Court.

We established a Business Pop-Up School to support new business ideas from people who had lost their jobs because of COVID-19, and we supported community-led development training to build community capability and resilience.

WAIKATO SPANS

OVER 450,000
HECTARES OF LAND

The graphic shows a stylized landscape with green hills, a blue sky, and two sheep grazing on the grass.

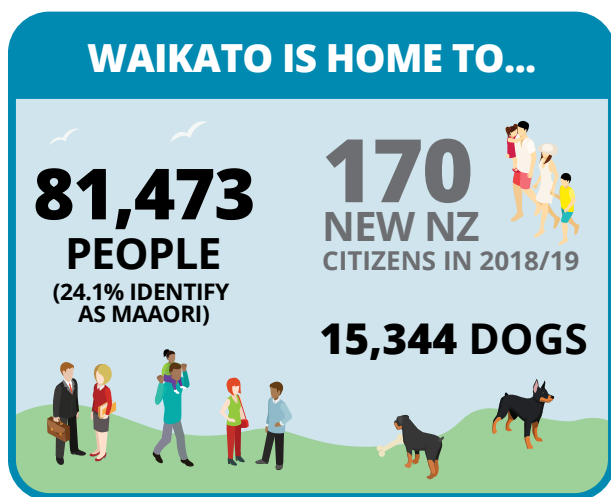
Learning to be 'DogSmart'

Our Animal Control team continued to provide animal safety education for children in our community through 'Dog Smart' sessions in schools and our Dogs in Libraries programme and we've received reports that these have proved extremely valuable.

We held five successful community events, the most notable being our 2021 Dirty Dog Challenge which attracted more than 400 people and 300 dogs to participate.

With an average of six Animal Control officers on the road during the past year, we responded to 2,997 service requests across the Waikato district. Of the service requests received, 1,244 (42%) related to straying dogs, 328 (11%) related to incidents of dog aggression and 274 (9%) were requests to deal with wandering stock. We rehomed 161 dogs.

The number of dogs registered in June 2021 was 14,107, more than 90% of the 15,344 dogs known to be residing in the district.



Caring for our environment

Our aim is to provide sustainable, attractive, affordable and safe options for living, in a way that's in tune with what our ratepayers want and need.

Minimising waste

We amended our kerbside refuse and recycling contracts to align these services with the objectives of our Waste Management and Minimisation Plan which is to set targets to achieve a vision of 'Zero Waste'. We diverted 6,568 tonnes of refuse from landfill, and made the decision to end our inorganic waste kerbside collection because it encouraged the dumping of waste to landfill. Working with Agrecovery and Waikato Regional Council, we hosted a rural chemical collection in Tuakau.

We continued to support waste minimisation education, including classroom sessions for primary and area schools participating in our Zero Waste Education programme, and Para Kore, a waste minimisation education programme delivered from a Maaori perspective. We also engaged in

a range of projects within the Enviroschools programme which empowers young people to plan, design and implement sustainability actions that are important to them.

Environmental Health

Our Environmental Health team responded to a range of issues and multi-agency events including contaminated land and 'P labs', agricultural activities and spillages, and our out-of-hours service operators attended about 1,200 noise complaints.

In partnership with Watercare Services we assigned dedicated expertise to confront some complex stormwater management issues in the district and inspected businesses and facilities that were identified as high risk for contaminating stormwater if not maintained. A major programme of wastewater treatment plant upgrades to support discharge consent renewals will improve compliance and protect the environment. We also sponsored Waikato Rivercare to undertake riparian restoration on the lower Waikato River and associated catchments.

Open Spaces

We updated reserves management plans for Woodlands and for the three main reserves in Raglan, upgraded two cemeteries, and ran daffodil bulb plantings across the district in conjunction with our Community Boards.

Sustainable delivery of services

We successfully continued to identify sustainable ways to deliver the services our growing district needs.

We secured \$11.3 million of the Government's post-COVID-19 stimulus funding package announced with its Three Waters Reform Programme in July 2020. This will enable us to accelerate \$3.4 million of wastewater network renewals and undertake an additional \$4.3 million wastewater pond de-sludging, among other initiatives for our wastewater, stormwater and water supply services.

We are continuing to assess the impact of the Government's reform proposals on our contract for operational and maintenance services with Watercare Services Ltd and will make a firm decision once we have studied the details.

Our roading maintenance partnership with Downer NZ, the Waikato District Alliance, completed the third year of a \$9 million-plus scheme of safety improvements which attracted an enhanced NZTA Waka Kotahi subsidy, saving more than \$2.5 million over the full three years.

We entered a partnership contract with Cushman and Wakefield in October 2020 to maintain the Council's community facilities, which include 220 Council-owned buildings across the district and more than 20 other plant items.

We transformed our project management systems to improve the delivery of business and infrastructure initiatives, and we developed a roadmap to implement best practice in procurement and contracting activity.

Roading and alternative transport

Through our Waikato District Alliance with Downer NZ we undertook projects to enhance road safety, develop alternative transport modes to link our communities, and build infrastructure to support new residential subdivisions. We completed a three-year programme to review and change speed limits in our district and a three-year \$9m scheme of network safety improvements, resurfaced 118 kms of sealed roads and completed 7kms of road strengthening work, built 3.5 kms of new footpaths in townships across the district, enhanced shared walking-cycling paths in Raglan, and continued work on the Cambridge to Hamilton stage of the Te Awa cycleway project.

Major projects supporting the Council's vision of 'liveable, thriving and connected communities' included the Huntly Rail platform upgrade for the Te Huia passenger train service to Auckland, and the Horotiu/River Road roundabout which was a key safety initiative attracting enhanced NZTA Waka Kotahi funding, reducing Council's cost to less than \$1.5m and helping reduce the number of vehicle incidents at this intersection.



Water services for a growing population

We are continuing to assess the impact of the Government's Three Waters Reform proposals on our contract for operational and maintenance services with Watercare Services Ltd and will make a firm decision once we have studied the details.

Water supply

We continued to address the need for a safe and adequate water supply for our district, with a particular focus on our fast-growing communities. Working with Watercare Services we :

- Submitted an updated Waikato District Water Demand Management Plan to Waikato Regional Council, analysing the district's 10 water supply schemes and presenting options for improving future water demand management
- Obtained approval from Waikato District Health Board for a new water safety plan for the Te Akau Water Treatment Plant and distribution network, reflecting a change in water source from bore water to water delivered by tanker from the Raglan Treatment Plant
- Prepared a draft strategic servicing strategy for water and wastewater from Meremere to Huntly to assess the impact of growth and level of service improvements.

Wastewater

Planning is at different stages for wastewater treatment plant upgrades at Meremere, Te Kauwhata and Raglan to support discharge consent renewals. Development of a concept upgrade plan is also underway for Huntly. Other achievements included the following:

- Government funding was secured to de-sludge the Huntly wastewater treatment plan
- The Meremere wastewater discharge consent renewal was secured for 35 years
- Work started with neighbouring Councils to identify a long-term solution for our southern district area.

Stormwater

We assigned dedicated expertise to address stormwater management issues with a focus on consent compliance and reducing risks. We:

- Developed a new Stormwater Bylaw for consultation in June/July 2021 which will enable us to enforce new regulations to protect stormwater assets and waterways
- Updated the Pokeno Catchment Management Plan (CMP) and began work on a new Ngaruawahia CMP
- Produced a draft Stormwater Design Guide for designers and consent approvers
- Resolved all compliance issues, except for minor flooding on two properties, that had led to an Abatement Notice for the Raglan urban area in 2018/19.



WHAT YOU GOT FOR \$1

We deliver a broad range of services to our diverse district of residents, business owners and visitors. Here's how we spent every \$1 we received from general rates.*



ANIMAL CONTROL
1.4 CENTS

AREA OFFICES AND OTHER PROPERTIES

 **8.5 CENTS**

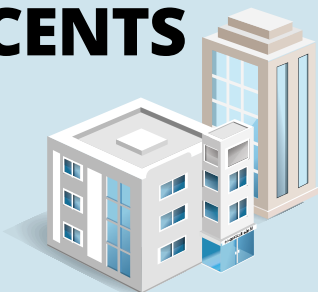
COMMUNITY AND SAFETY



2.3 CENTS

CORPORATE AND COUNCIL LEADERSHIP

21.1 CENTS



ENVIRONMENTAL HEALTH
1.7 CENTS



GRANTS AND DONATIONS
2.7 CENTS



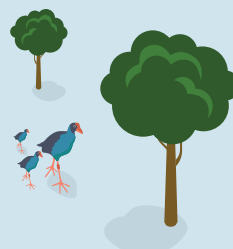
LIBRARIES



2.6 CENTS

PARKS AND RESERVES

18.3 CENTS



RESOURCE MANAGEMENT

6.0 CENTS



ROADING **33.7 CENTS**



SOLID WASTE **0.9 CENTS**

STORM WATER **0.1 CENTS**



WASTE WATER **0.4 CENTS**



WATER SUPPLY
0.3 CENTS



**This does not include targeted rates. A targeted rate funds a specific Council activity or group of activities rather than general Council services. For example, those who receive a refuse collection pay for it through a targeted rate. Those who don't receive it, don't pay for it.*

IN THE PAST 12 MONTHS WE HAVE....

Supported our vision of building 'liveable, thriving and connected communities' through our new Long Term Plan 2021-2031

Pioneered videoconferencing for hearings on our Proposed District Plan, making participation easier for submitters

Approved the creation of Maaori wards for the 2022 and 2025 local government elections

Secured \$11.3 million of the Government's post-COVID-19 stimulus funding package to accelerate work on our wastewater, stormwater and water supply services

Handled nearly 5,000 duty planning inquiries, up 43% on last year

Committed grants totalling more than \$700,000 from Council-owned or administered funds for distribution to 155 organisations in the district

Recorded customer satisfaction levels of 80% or more for some of our most widely-used services

Completed the Huntly railway station platform and park-and-ride for the launch of the Te Huia passenger rail service to Auckland.

HOW WE DID

Our projects and work programmes range across eight groups of activities. For each group of activities we have performance measures that provide us with targets to meet, such as responsiveness, safety, timeliness, meeting statutory requirements and compliance. The graphs on page 9 summarise how we did, where we met expectations and where we need to improve. Please see the full Annual Report to find out more about the targets and how we performed against them.

See the colour coding system below to indicate how well we've done.

- We've achieved
- We're on track towards the target but haven't quite made it (within 5%)
- We've not met the target (variance greater than 5%)



PERFORMANCE TARGET RESULTS

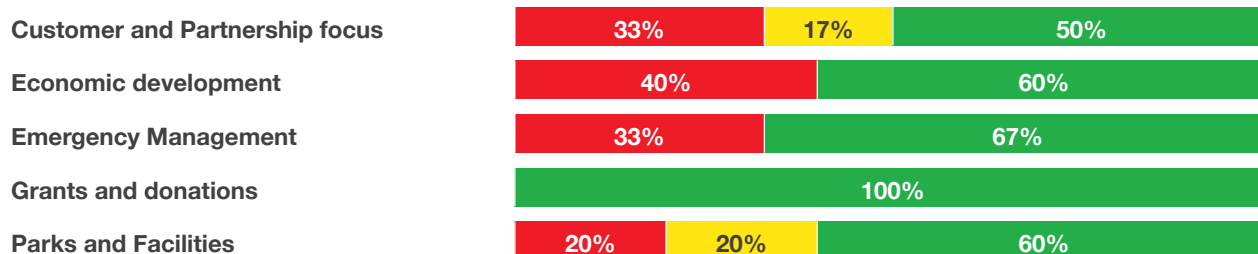
Governance

We've met five of our seven targets for how we make decisions, how we conduct our meetings and make minutes available, and how we consult with our iwi partners. We missed a residents survey satisfaction target for ability to contact councillors, but the margin of error was 21% on this question. We continued to work to strengthen our accountability and transparency to the district's residents and ratepayers.



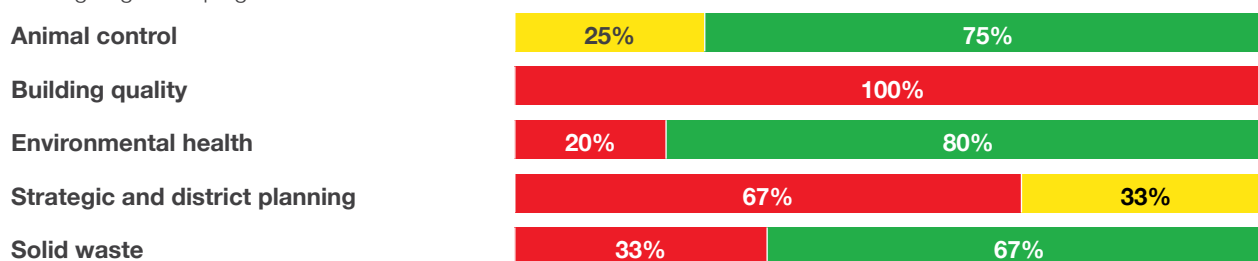
Sustainable Communities

Our customer satisfaction survey recorded satisfaction of 80% or more with some of our largest and most widely-used services. Despite continuous efforts to identify and make improvements, we missed two 'Customer and Partnership focus' residents' satisfaction targets (on engagement and ease of access to information on key community issues) and one Parks and Facilities satisfaction target (on public toilets). Business growth in the district did not meet a target which was set prior to COVID-19, and we only missed an Emergency Management target to participate in a moderated Emergency Operation due to the need to respond to the ongoing effects of a live emergency, COVID-19.



Sustainable Environment

A surge in applications for resource and building consents and related applications (up 27% on last year) affected our ability to deal with audits, inspections and routine monitoring, impacting performance in Building Quality and Strategic and district planning. However, we processed 99.48% of resource consents and 88.21% of building consents within timeframes. Our response to environmental health complaints was slower than our 3-day LTP target, but we met a Council 5-day target. We missed a target for responding to requests to remove solid waste as a result of process changes to improve our efficiency in handling illegal dumping.



Roading

The Waikato District Alliance has met 5 of its 6 targets this year. A rise in fatal and serious injury crashes reflected a nationwide trend. Our road sealing programme followed an evidence-based approach and the need to manage expenditure within an overall budget.



Waters Services

We met all our targets. We continued to address the need for a safe water supply, worked to resolve non-compliances in our wastewater plants, and made improvements to our stormwater systems.



SUMMARY FINANCIAL STATEMENTS

Statement of comprehensive revenue and expense

For the year ended 30 June 2021

	Council			Group	
	2020/21 Actual \$'000	2020/21 Budget \$'000	2019/20 Actual \$'000	2020/21 Actual \$'000	2019/20 Actual \$'000
Total revenue	208,467	145,897	175,219	209,182	175,542
Finance costs	(4,714)	(5,497)	(4,570)	(4,714)	(4,570)
Operating expenditure excluding finance costs	(141,065)	(122,184)	(141,026)	(141,226)	(141,083)
Surplus (deficit) before tax	62,688	18,216	29,623	63,242	29,889
Income tax expense	-	-	-	-	-
Surplus (deficit) after tax wholly attributable to WDC	62,688	18,216	29,623	63,242	29,889
Other comprehensive income					
Gain (loss) on property revaluations	39,200	37,964	(128,907)	39,200	(128,907)
Revaluation reserve - landfill	567	-	-	567	-
Gain (loss) on cessation of joint venture	-	-	-	-	(17)
Financial assets at fair value through other comprehensive income	6,323	-	1,540	6,323	1,540
Total other comprehensive income	46,090	37,964	(127,367)	46,090	(127,384)
Total comprehensive revenue and expense wholly attributable to Waikato District Council	108,778	56,180	(97,744)	109,332	(97,495)

Statement of financial position

As at 30 June 2021

	Council			Group	
	2020/21 Actual \$'000	2020/21 Budget \$'000	2019/20 Actual \$'000	2020/21 Actual \$'000	2019/20 Actual \$'000
Current assets	37,381	25,082	49,373	42,286	53,671
Non-current assets	1,866,351	2,086,216	1,763,361	1,865,651	1,762,661
Total assets	1,903,732	2,111,298	1,812,734	1,907,937	1,816,332
Current liabilities	51,157	35,248	44,145	50,179	43,113
Non-current liabilities	79,957	143,593	104,748	79,957	104,748
Total liabilities	131,114	178,841	148,893	130,136	147,861
Net assets	1,772,618	1,932,457	1,663,841	1,777,801	1,668,471
Total equity	1,772,618	1,932,457	1,663,841	1,777,801	1,668,471

Statement of changes in net assets/equity

For the year ended 30 June 2021

	Council			Group	
	2020/21 Actual \$'000	2020/21 Budget \$'000	2019/20 Actual \$'000	2020/21 Actual \$'000	2019/20 Actual \$'000
Balance at start of year					
Accumulated funds including share of joint venture	1,090,189	1,191,632	1,062,038	1,091,674	1,063,353
Reserves	573,652	684,645	699,547	576,796	702,612
Balance at 1 July as previously reported	1,663,841	1,876,277	1,761,585	1,668,470	1,765,965
Total comprehensive income for the year wholly attributable to Waikato District Council	108,777	56,180	(97,744)	109,331	(97,494)
Other reserve movements	-	-	-	-	-
Balance at 30 June wholly attributable to Waikato District Council	1,772,618	1,932,457	1,663,841	1,777,801	1,668,471
Represented by equity at the end of the year					
Accumulated funds	1,146,219	1,211,908	1,090,189	1,148,173	1,091,674
Other reserves	626,399	720,549	573,652	629,628	576,796
Balance at 30 June wholly attributable to Waikato District Council	1,772,618	1,932,457	1,663,841	1,777,801	1,668,471

Statement of cash flows

For the year ended 30 June 2021

	Council			Group	
	2020/21 Actual \$'000	2020/21 Budget \$'000	2019/20 Actual \$'000	2020/21 Actual \$'000	2019/20 Actual \$'000
Net cash from operating activities	54,905	43,192	51,038	54,876	50,141
Net cash from investing activities	(47,944)	(58,836)	(49,367)	(47,953)	(49,531)
Net cash from financing activities	(15,000)	15,661	15,000	(15,000)	15,000
Net (decrease) increase in cash and cash equivalents	(8,039)	17	16,671	(8,077)	15,610

SUMMARY ACCOUNTING POLICIES

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

The Group consists of the ultimate parent Waikato District Council (Council), its 100% owned subsidiary Strada Corporation Limited (Strada) and the Waikato District Community Wellbeing Trust (WBT).

Strada is no longer trading, management have elected to file a non-active declaration with Inland Revenue.

All the companies in which Council has an interest, directly or through Strada, are incorporated and domiciled in New Zealand.

The principal activity of Council is the provision of local infrastructure, local public services and the performance of regulatory functions to the community. Council does not operate to make a financial return.

Council has designated itself and the Group as public benefit entities (PBE's) for financial reporting purposes.

The full financial statements of Council and the Group have been prepared in accordance with Tier 1 PBE accounting standards, the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R) which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). These summary financial statements have been prepared in accordance with and comply with Tier 1 PBE accounting standards as they relate to summary financial statements. These summary financial statements comply with PBE-FRS 43 Summary financial statements.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000's).

The summary financial statements of Council and the Group are for the year ended 30 June 2021. The full annual report was authorised for issue by Council on 19 October 2021 and the summary financial statements were authorised for issue by Council on 19 October 2021.

SUMMARY ADDITIONAL DISCLOSURES

Contingencies

Contingent liabilities for Council at balance date are \$10,000 (2020: \$10,000) The Group's contingent liabilities at balance date are: \$10,000 (2020: \$10,000). The contingent liabilities are uncalled capital contributions in Waikato Local Authority Shared Services Limited.

Council is a 35 per cent capital beneficiary of the WEL Energy Trust. The life of the Trust ends in 2073 unless terminated earlier if its purpose is completed. Given the uncertainty surrounding the life of the Trust, Council is unable to accurately establish the appropriate value of the 35 per cent share.

Commitments

Council has \$373,097,000 (2020: \$203,442,000) of capital commitments. Strada had no capital commitments at balance date (2020: \$nil).

Events after balance date

Waka Kotahi is planning to revoke the Huntly section of SH1 as at 1 July 2021. Waka Kotahi has committed to invest sufficient funds to improve the condition of this road.

Three Waters Reform

The Government proposes via the water reform programme that local authorities will no longer be responsible for delivering wastewater, water and stormwater services. There would be an impact on finances relating to these services such as, but not limited to, operating revenues, direct costs of running the activities, and value of debt incurred to fund the activities. There would likely be second order impacts which Council would assess as part of the analysis of the proposal (once received). The Government has indicated a strong desire for all Councils to opt into the reform. Council has not made any decision in this regard.

Future for Local Government Review Reorganisation

A Ministerial Inquiry into the Future for Local Government has been established. The overall purpose of the review is to identify how our system of local democracy needs to evolve over the next 30 years, to improve the well-being of New Zealand communities and the environment, and actively embody the treaty partnership. The final report is expected to be presented to the Minister and Local Government New Zealand on 23 April 2023. While the review could recommend significant change to what local government is and does, there is no information available on the likely direction for the review at this time.

Covid-19

In August 2021 Covid-19 reappeared in the Auckland and subsequently in Wellington. The country was placed in lockdown at Alert Levels 3 and 4 since the outbreak occurred. Most staff continue to work either remotely or on site (for essential services only). All non-urgent maintenance and capital works were suspended. After 7 September 2021 Council resumed most of the operations. There was no significant impact for our essential services during the periods of Levels 4 and 3, and deferred maintenance and capital works programmes have not affected services. No specific measures have been taken. The impact of the Covid-19 lockdown in 2020 was not material and growth across the district since then has been above expectation. Activity levels in the early part of 2021/22 financial year are above plan levels, with many departments having a backlog of work attracting fees and charges. Council does not expect any medium or long term adverse impacts from the latest outbreak.

For Strada, no material events are expected to occur subsequent to 30 June 2020 which affect the financial position at that date. (2019: none)

Adjustments to the comparative year financial statements

There have been no adjustments to the comparative year financial statements for the year ended 30 June 2020.

Explanation of major variances

The major variance explanations are set out below and explain the significant differences between actual results for 2020/21 compared to the budget for 2020/21.

- Overall revenue was \$62m more than budgeted. This difference was largely due to vested and found asset revenue of \$34m as well as a gain on the revaluation of interest rate swaps of \$9m not being budgeted. Contribution revenue was also \$7m higher than budget, subsidies from the NZTA being \$2m higher than budget and grant income of \$4m which was not budgeted. The levels of activity for various fees and charges were also more than expected which resulted in higher revenue than was budgeted in the annual plan.
- Overall expenses were \$18m greater than budget. Significant variances include wastewater processing costs \$5m greater than budget. unbudgeted maintenance costs of \$4m funded by a grant from the Department of Internal Affairs relating to Three Waters Reform and \$4m spent on the Proposed District plan, as well as consultant costs being \$5m more than expected. Depreciation and amortisation costs were also \$7m higher than budget.
- The above movements resulted in a surplus of \$62m at an operating level when compared to the budgeted surplus of \$18m.

- Total comprehensive revenue and expense was \$101m which was \$45m higher than budget. Majority of the difference is explained by the operating results noted above. Other comprehensive revenue and expense includes revaluation surpluses which were \$6m lower than budgeted. This was off-set by a \$6m gain on Council's investment in the Waikato Regional Airport which was not budgeted in the annual plan.
- The statement of financial position shows a decrease in overall net assets of \$160m compared to budget. The biggest variance was for property, plant and equipment which was lower than budget due to some asset write-offs and a capital programme which was significantly below budget.
- The cash flow statement highlights how the overall operational activities of Council were higher than expected throughout the year. It also highlights that the capital programme was below budget and therefore no additional external borrowings were required. The net impact of this resulted in cash balances being \$9m higher than budget at the end of the year.

Disclaimer

The specific disclosures included in this summary annual report have been extracted from the full annual report which was authorised for issue on 19 October 2021.

The summary cannot be expected to provide a complete understanding as provided by the full annual report of the financial and service performance, financial position and cash flows of Waikato District Council.

The summary has been examined for consistency with the full annual report and was audited by Audit New Zealand on behalf of the Auditor General. The full annual report and summary received an **unmodified audit opinion on xxx**.

The full annual report can be obtained from any of the Council's offices or can be accessed online at **www.waikatodc.govt.nz**.

Independent Auditor's Report

To the readers of Waikato District Council and group's summary of the annual report for the year ended 30 June 2021

The summary of the annual report was derived from the annual report of the Waikato District Council (the District Council) for the year ended 30 June 2021.

The summary of the annual report comprises the following summary statements on pages 9 to 13:

- the summary statement of financial position as at 30 June 2021;
- the summaries of the statement of comprehensive income, statement of changes in net assets/equity and statement of cash flows for the year ended 30 June 2021;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service provision.

Opinion

In our opinion:

- the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS-43: Summary Financial Statements.

Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2021 in our auditor's report dated 19 October 2021.

Council's responsibility for the summary of the annual report

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: Summary Financial Statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: Summary Financial Statements.

Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit and our report on the disclosure requirements, we have performed an audit of the District Council's 2021/31 long term plan, performed a limited assurance engagement related to the District Council's debenture trust deed, and assurance engagements in relation to procurement of significant contracts, which are compatible with those independence requirements. Other than these engagements, we have no relationship with or interests in the District Council or its subsidiaries and controlled entities.

Clarence Susan
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand
19 October 2021

Open Meeting

To	Strategy & Finance Committee
From	A Diaz Chief Financial Officer
Date	27 September 2021
Chief Executive Approved	Y
Reference/Doc Set #	GOV1318 / 3258703
Report Title	Local Government Funding Agency Annual Report 2021

1. EXECUTIVE SUMMARY

The attached Annual Report for the Local Government Funding Agency provides detail on the agencies performance for the 2020/21 financial year and outlines the key achievements.

2. RECOMMENDATION

THAT the Local Government Funding Agency report be received.

3. ATTACHMENTS

- Cover letter to LGFA Guarantors
- LGFA Annual Report 2021

30 August 2021

Dear Guarantor

LGFA 2021 Annual Report

I have attached our Annual Report for the 12-month period to 30 June 2021 as we thought it might be of interest to you as a guarantor. We are pleased to highlight another strong year for LGFA that included several achievements.

1. We have made longer dated borrowing options available to an increased number of council borrowers

By 30 June 2021, LGFA had loans outstanding of \$12.10 billion. This is an increase over the past year of \$1.20 billion and we added five new council members to bring the number of member councils to seventy-two. Councils and CCOs can now borrow for terms out to sixteen years (2037). For the 12-month period to 30 June 2021, LGFA provided 79% of the sector borrowing and we are appreciative of the support from our borrowing councils.

2. S&P Global Ratings upgraded our credit ratings

Our domestic credit rating was upgraded to the highest possible rating of AAA by S&P Global Ratings while our foreign currency rating was also upgraded by one notch to AA+.

3. New products and increasing focus on sustainability.

LGFA launched standby facilities for councils as a new product during the year and by 30 June 2021 we had \$522 million of facilities in place with seven councils. CCO lending is now in place with our first CCO loan transacted after balance date. A substantial amount of work was undertaken on sustainability, and we have received ZeroCarbon certification from Toitū Envirocare. We are in the process of forming a sustainability committee and launching sustainable loans as a new product for councils in the coming year.

4. A strong financial position.

The financial strength of LGFA has been enhanced with a record Net Operating Profit of \$12.0 million for the 2020/21 year and Shareholder Equity of \$94.7 million as at 30 June 2021. The value of our total assets is \$14.485 billion.

A copy of the Annual Report is attached and is also available on our website www.lgfa.co.nz If you would like a hard copy version, please contact jane.phelan@lgfa.co.nz.

We intend holding our Annual General Meeting (AGM) on Tuesday 23 November 2021 in Wellington and will send a Notice of AGM to you for information only in late September.

Please do not hesitate to contact me if you have any comments or questions.

Kind regards

A handwritten signature in black ink, appearing to read 'Mark Butcher', with a stylized flourish extending to the right.

Mark Butcher
Chief Executive

30 June 2021
ANNUAL REPORT

**Benefiting
communities through
delivering efficient
financing for local
government.**

**Ka whiwhi painga ngā
hapori mā te whakarato
pūtea tōtika ki ngā
kaunihera.**



New Zealand Local
Government Funding Agency
Te Pūtea Kāwanatanga ā-rohe



Whakaora Te Ahuriri project
Environment Canterbury

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LGFA acknowledge the assistance of the Department of Internal Affairs translation service for our Te Reo translations.

Message from the Chair and Chief Executive

He karere mai i te Toihau me te Tumuaki

For the year ended 30 June 2021

2020-21 was a year of achievements with record profitability, record lending and issuance volumes, a credit rating upgrade to 'AAA' and CarbonZero certification. We welcomed new members and launched new products while successfully navigating the financing challenges arising from COVID-19.

On behalf of the directors and management of LGFA, we are pleased to record another period of strong financial and non-financial performance to 30 June 2021 and to highlight the following developments over the past year.

Strong Financial and Operational Performance

LGFA total interest income for the financial year of \$377.2 million was a 1.9% increase over the 2019-20 financial year result of \$370.2 million while net operating profit of \$12.0 million for the financial year was a 13.0% increase over the 2019-20 financial year result of \$10.6 million.

Both net interest income and operating profit were at record levels and exceeded the Statement of Intent (SOI) forecasts due to the larger than expected growth in council loans and the liquid asset portfolio (LAP). Higher interest rates increased income on the LAP and the introduction of standby facilities as a new product for councils generated additional revenue.

Expenses have been managed under the SOI budget over the financial year, primarily due to reduced utilisation of the NZDM standby facility and fewer Approved Issuer Levy (AIL) payments due to lower offshore investor holdings relative to forecast were positive. These savings were offset by higher legal and NZX costs associated with increases in both council lending and LGFA bond issuance.

Credit rating upgraded to AAA

A highlight over the past year was S&P Global Ratings upgrading our long-term credit ratings to 'AAA' (local currency) and 'AA+' (foreign currency) on 22 February 2021. This followed the upgrading of the New Zealand Government long term local currency credit rating to 'AAA'. Fitch Ratings have maintained our local currency credit rating at 'AA+' and our foreign currency credit rating at 'AA' with a positive outlook. Importantly, both rating agencies have LGFA at the same credit rating as the New Zealand Government.

Borrowing activity

LGFA issued a record \$3.27 billion of bonds over the financial year and bonds on issue now total \$13.68 billion (including \$1 billion of treasury stock) across ten maturities from 2022 to 2037. The amount issued during the year was significantly more than the average historical issuance amount of \$1.6 billion per financial year. The average term of our bond issuance during the year at 8.7 years was also longer than the prior year.

LGFA is the largest issuer of New Zealand dollar securities after the New Zealand Government and our bonds are amongst the largest and most liquid New Zealand dollar debt instruments available for investors. It is pleasing to note increased activity in the secondary market in our bonds.

The performance of LGFA bonds over the past year was positive with LGFA bond spreads to NZGB little changed across the yield curve except for a 15 basis points (bps) tightening in the 2033 maturity. LGFA bond spreads to swap did however tighten, reflecting the underlying positive credit market sentiment with spreads narrowing between 19 bps (2022 maturity) to 39 bps (2033 maturity). Outright yields rose between 30 bps (2022 maturity) and 67 bps (2027 maturity) over the year.

Lending to the sector

LGFA was established in December 2011 to provide long-dated borrowing, certainty of access to markets and to reduce the borrowing costs for the local government sector. The original 31 shareholders including the Crown, remain as shareholders. Over the past year, we added five new members with Napier City, Central Otago, Kawerau, South Waikato and Waitaki District Councils joining. Total membership is now 72 out of the 78 councils in New Zealand.

Long-dated lending to councils over the 2020-21 year was a record \$2.86 billion as councils refinanced their May 2021 loans and increased their borrowing to finance infrastructure projects. Our estimated market share of total council borrowing of 79% was slightly lower than the previous year but remained high on an historical basis. The average tenor of long-dated borrowing by councils of 6.9 years over the 12-month period was significantly longer than the prior year's 5.4 years.

Short-dated lending for terms less than 12 months continues to be supported by councils and as at 30 June 2021, LGFA had \$287 million of short-term loans outstanding to 25 councils.

Congratulations Western Bay of Plenty District Council – winner of the coveted LGFA Supreme Award, 2021 LGFA Taituarā Local Government Excellence Awards



LGFA Chair Craig Stobo with Miriam Taris, Chief Executive at Western Bay of Plenty District Council and Gary Allis, Deputy Chief Executive.

The impact from COVID-19 and Three Waters Reform Programme on the sector and LGFA

The local government sector has faced a year of change and uncertainty having to deal with several climate related events, COVID-19 and two Central Government led initiatives relating to the Three Waters Reform Programme and Future for Local Government Review.

The sector has displayed great resilience to the impact from COVID-19. Most councils did not experience a significant reduction in revenue which meant their operational performance was not impacted as much as initially feared. Additional support for the local authority sector has been signalled by the Government through the \$761 million first tranche of the water reform funding and the \$2.6 billion package for 'shovel-ready' infrastructure projects. This enabled councils to plan for an increase in their capital expenditure programmes which in turn acted to boost economic activity within their local economies.

While LGFA has experienced a large increase in borrowing demand from councils over the past year, the debt capital markets have been favourable for borrowers. The lowering of the Official Cash Rate (OCR) by the Reserve Bank of New Zealand (RBNZ) to 0.25% incentivised investors to seek higher yielding fixed income investments such as LGFA bonds. The RBNZ also adopted several quantitative easing tools to provide additional monetary policy stimulus to the economy such as the inclusion of LGFA Bonds into the Large Scale Asset Programme (LSAP). This assisted LGFA in issuing a larger amount of bonds with a longer duration than normal.

LGFA is assisting on an as required basis, both Central Government and our council members as they work through the Three Waters Reform Programme. The Government's proposed Three Water Reform Programme will be the largest change to the local authority sector in 30 years. The Government have proposed that local authorities will be assisted through the transition process and that a support package will be provided to councils to ensure that no council will be left financially worse off following the transfer of their water assets.

LGFA is also assisting the local government sector-led initiative in developing a Ratepayer Financing Scheme that may provide some financial relief to ratepayers.

New products and initiatives

We continue to look to innovate with our products for councils. During the year we launched standby facility agreements for councils and by 30 June 2021 we have \$515 million of agreements in place with seven councils. This has in part led to an increase in the size of the LAP by \$568 million over the past year to a record \$1.82 billion as we support our written standbys with liquid assets.

We sought approval from shareholders to lend to council-controlled organisations (CCOs) last year and this has been more complex than expected due to the unique and more complex nature of CCOs compared to councils. However, we have made good progress and are confident that we will undertake our first loan to a CCO early in the new financial year.

Increasing focus on sustainability

Sustainability plays an important part within the local government sector and at LGFA.

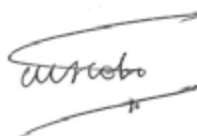
Last year's annual report was our first report prepared to meet the requirements of the Global Reporting Initiative (GRI) Standards (core option) and we have carried this over into this annual report.

We have over the past year continued to increase our focus on sustainability with the appointment of a Head of Sustainability to the LGFA management team. This key position will assist the development of our sustainable lending programme for councils in the coming year and introduce several other sustainability initiatives across the wider organisation.

We are also delighted to have received CarbonZero certification from Toitu Envirocare during the year and as an organisation we are committed to reducing our carbon emissions.

Acknowledgments

LGFA's work cannot be implemented without the support of our staff, fellow directors, Shareholders Council, New Zealand Debt Management (NZDM) and Central Government and it's agencies, all of whose efforts should be acknowledged. We believe our future remains positive and look forward to working with all stakeholders in the year ahead.



Craig Stobo
Chair



Mark Butcher
Chief Executive



LGFA Staff, from left: Nick Howell, Koshick Ranchhod, Andrew Michl, Jane Phelan, Sumitha Kaluarachi, Ariadne Clarke, Mark Butcher, Neil Bain. Absent: Maya Ranzinger



LGFA Board of Directors, from left: Mike Timmer, Linda Robertson, Craig Stobo, Phillip Cory-Wright, John Avery, Anthony Quirk

Performance highlights

Ko ngā tino hua

Bonds issued over the financial year

\$3,270

million

Lending to councils over the financial year

\$2,858

million

Net operating profit

\$12.0

million

13.0%

Increase over 2019-20 year

Total interest income

\$377.2

million

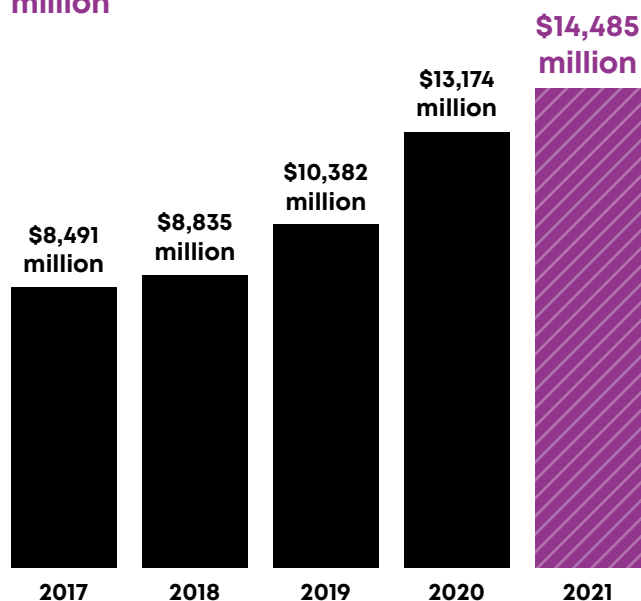
1.9%

Increase over 2019-20 year

Total assets at 30 June 2021

\$14,485

million



Liquidity at 30 June 2021

\$392 million

Cash

\$768 million

Marketable securities

\$655 million

Deposits

\$1,000 million

Treasury stock for repurchase

\$500 million

Government committed liquidity facility

Shareholder funds at 30 June 2021

at 30 June 2021

\$94.7

million

Fully paid shares

\$25.0

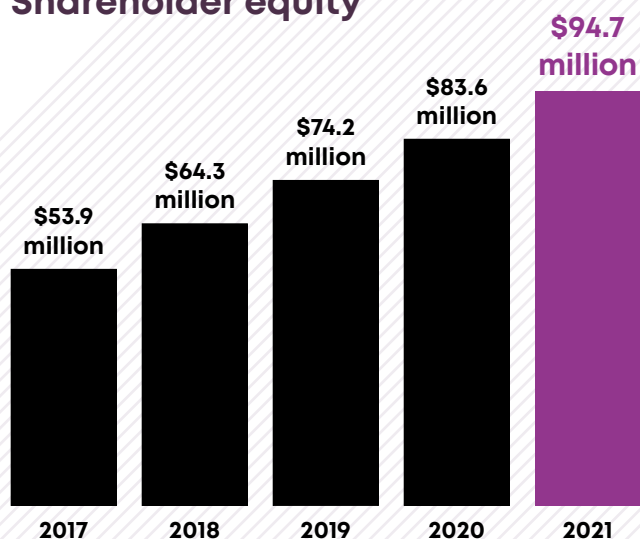
million

Retained earnings

\$69.7

million

Shareholder equity



Borrower notes

\$224

million

Borrower notes are subordinated debt instruments which LGFA may convert into redeemable shares under prescribed circumstances.

Performance against objectives

Ko ngāwhakatutukinga ki ngā whāinga

The statement of service performance details LGFA's performance against the objectives and targets set out in the LGFA Statement of Intent 2020-21 (SOI)

2020-21 performance objectives

The SOI sets out two primary performance objectives and seven additional objectives for the year ended 30 June 2021.

Primary objectives

LGFA will optimise the debt funding terms and conditions for Participating Borrowers. Among other things, this includes:

- Providing interest cost savings relative to alternative sources of financing;
- Offering flexible short and long-term lending products that meet Participating Borrowers' borrowing requirements;
- Delivering operational best practice and efficiency for its lending services;
- Ensuring certainty of access to debt markets, subject always to operating in accordance with sound business practice.

LGFA will ensure its asset book remains at a high standard by ensuring it understands each Participating Borrower's financial position, as well as general issues confronting the Local Government sector. Amongst other things, LGFA will:

- Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies;
- Analyse finances at the Council group level where appropriate and report to shareholders;
- Endeavour to visit each Participating Borrower annually, including meeting with elected officials as required, or if requested; and
- Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.

Additional objectives

LGFA has the following seven measurable and achievable additional objectives which complement the primary objective. Performance against these objectives is reported annually.

LGFA will:

- Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.
- Provide at least 85% of aggregate long-term debt funding to the Local Government sector.
- Achieve the financial forecasts for net interest income and operating expenses, including provision for a shareholder dividend payment in accordance with approved dividend policy.
- Meet or exceed the Performance Targets.
- Comply with the Health and Safety at Work Act 2015.
- Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.
- Assist the local government sector with their COVID-19 response.

Performance against primary objectives

This section sets out LGFA's performance for the year ended 30 June 2021 against the two primary objectives set out in the 2020-21 SOI.

LGFA will optimise the debt funding terms and conditions for Participating Borrowers. Among other things, this includes:

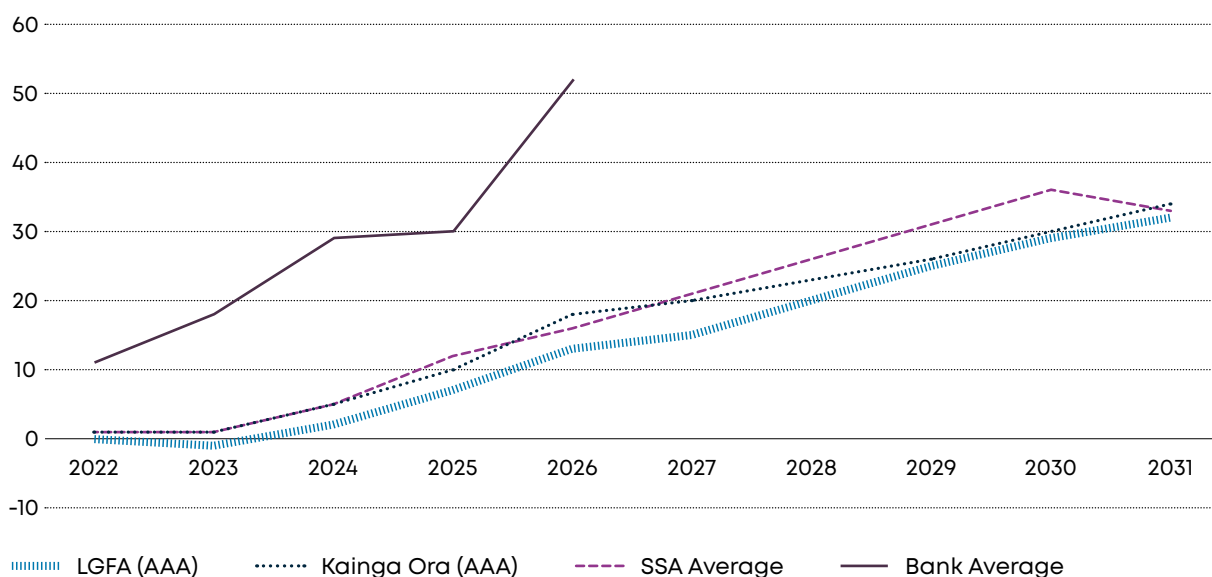
Providing interest cost savings relative to alternative sources of financing;

LGFA continues to borrow at very competitive spreads compared to the AAA rated Supranational, Sovereign and Agency (SSA) issuers (who borrow in the New Zealand debt capital markets), the domestic banks and our closest peer issuer Kainga Ora.

LGFA lending base margin was 20 bps for all borrowing terms for the 2020-21 year, which covers our operating costs and also provides for capital to grow in line with increases in our balance sheet. There is an additional credit margin added to the base margin depending upon whether a council has a credit rating or is a guarantor or non-guarantor of LGFA.

The following chart shows a comparison of LGFA borrowing spreads to swap compared with bank, Kainga Ora and SSA issuers in the New Zealand domestic market.

Bank, SSA, Kainga Ora and LGFA NZD Curves – Spread to Swap (bps)



Offering flexible short and long-term lending products that meet Participating Borrowers' borrowing requirements;

Both short and long-term borrowing have been well supported by member councils:

- As at 30 June 2021 there were \$287 million of short-term loans outstanding to 25 councils, with loan terms ranging between one month and 12 months.
- Over the year ended 30 June 2021, 57 councils borrowed \$2,858 million in 421 new long-term loans, across 62 maturity dates ranging between 2021 and 2037.

In July 2020, LGFA issued a new April 2037 bond providing councils with the opportunity to extend their long-term borrowing. The weighted average borrowing term by councils over the year ended 30 June 2021 (excluding short-dated borrowing) was 6.9 years.

In December 2020, LGFA launched Standby Facility Agreements as a new product that will help reduce overall financing costs for councils. As at 30 June 2021, seven councils had entered into standby agreements with LGFA totalling \$515 million.

Delivering operational best practice and efficiency for its lending services;

Over the 12 months, LGFA operations successfully settled, without error, 1,407 new trades and 11,368 cash flows in excess of \$24 billion.

In the latest stakeholder survey result in August 2020, respondents recorded a 94% satisfaction result to the question "How satisfied are you with the LGFA settlement process?"

Ensuring certainty of access to debt markets, subject always to operating in accordance with sound business practice.

For LGFA to provide certainty of access to markets for our council borrowers we need to have a vibrant primary and secondary market in LGFA bonds. The primary market is the new issuance market and we measure strength with participation by investors at our tenders through bid-coverage ratios and successful issuance yield ranges. The secondary market is the trading of LGFA bonds following issuance and a healthy market implies high turnover.

Over the twelve months, LGFA issued a record \$3,270 million in bonds, through nine tenders and two syndications. There were twelve bill tenders over the year, with \$610 million of bills on issue at 30 June 2021. LGFA uses proceeds from LGFA bills and LGFA bond issuances to fund lending to councils and invests the balance in our liquid asset portfolio.

LGFA maintains an Australian Medium-Term Notes Programme which, to date, has not been used but which provides LGFA with additional flexibility if there is a market disrupting event in the future.

LGFA will ensure its asset book remains at a high standard by ensuring it understands each Participating Borrower's financial position, as well as general issues confronting the Local Government sector. Amongst other things, LGFA will:

Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies;

LGFA reviews all councils' financial statements on an annual basis and the agendas and management reports on an ongoing basis for all councils on the LGFA borrower watch-list.

Participating Borrowers are required to complete annual compliance certificates by the end of November each year. We have received compliance certificates from all Participating Borrowers and all remained compliant as at 30 June 2020.

Analyse finances at the Council group level where appropriate and report to shareholders;

No council has yet to request to LGFA that they be measured on a group basis.

Endeavour to visit each Participating Borrower annually, including meeting with elected officials as required, or if requested; and

Following the lifting of COVID-19 travel restrictions, LGFA commenced council visits in the later months of 2020. Notwithstanding the later start to visits, LGFA met with all council members over the 12 months.

Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.

Over the year, LGFA management met with representatives from Reserve Bank of New Zealand, Department of Internal Affairs, Office of the Auditor General, Taituarā, the New Zealand Debt Management section of the Treasury (NZDM) and members of the Three Waters Reform Group. We held investor conference calls for investors and banks relating to bond issuance and provided updates on the impact on the local government sector from COVID-19 and the proposed water industry reforms.

LGFA continue to assist the sector and the advisers in finding ways for LGFA to play a supporting role in providing solutions to off balance sheet financing for councils and are currently providing technical input into the Cameron Partners proposed Ratepayer Financing Scheme.



West Melton stopbank.
Environment Canterbury

Additional objectives

LGFA has the following seven measurable and achievable additional objectives which complement the primary objective. Performance against these objectives is reported annually.

LGFA will:

Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.

LGFA has an annual review process for our credit ratings from S&P Global Ratings and Fitch Ratings and meets with both agencies at least annually. Formal review meetings were last held in November 2020 with S&P Global Ratings and in October 2020 with Fitch.

- **S&P Global Ratings.** On 22 February 2021, S&P Global Ratings raised their long-term ratings on LGFA to 'AA+' foreign-currency and 'AAA' local-currency and affirmed the short-term ratings at 'A-1+'. Both ratings are on stable outlook and the same as the New Zealand Government.
- **Fitch Ratings (Fitch).** On 4 November 2020, Fitch reaffirmed our long-term local currency credit rating as 'AA+' and classified LGFA as a government related entity (GRE) under its GRE rating criteria. Fitch equalises our ratings with those of the New Zealand Government. Our foreign currency credit rating of 'AA' remains on positive outlook.

Provide at least 85% of aggregate long-term debt funding to the Local Government sector.

LGFA's estimated market share of 79% for the rolling twelve-month period to 30 June 2021 and our market share is strong compared to our global peers.

Over the 12 months, five new councils became members of LGFA, lifting total participating members to 72. Napier City Council, South Waikato, Waitaki and Central Otago District Councils joined as guarantors and Kawerau District Council joined as a non-guarantor.

Achieve the financial forecasts for net interest income and operating expenses, including provision for a shareholder dividend payment in accordance with approved dividend policy.

Net interest income (NII) for the year was \$19.537 million, which was \$0.708 million over budget, while expenses of \$7.714 million were \$0.255 million below budget. Net operating profit of \$12.007 million was \$1.146 million above budget.

Included in the NII is the unrealised mark-to-market movement in fixed rate swaps that are not designated effective for hedge accounting

purposes. These swaps reduce exposure to fixed rate loans made outside of the normal tender process and to reduce mismatches between borrowing and on-lending terms in our balance sheet. Over the year, there was an unrealised gain on these swaps of \$1.12 million.

Operating expenses for the year were \$7.714 million which is \$0.255 million below budget.

- **Issuance and on-lending costs** at \$2.621 million were \$0.090 million below budget. Higher issuance and lending volumes than forecast resulted in higher costs for NZX, legal and registry, offset by lower costs for the NZDM facility fee.
- **Other operating costs** at \$4.038 million were \$0.013 million below budget. Lower travel / accommodation and information technology costs were key drivers for the overall positive variance, offset by higher legal costs than forecast and personnel costs, primarily due the recruitment of new positions which were not included in budget.
- **Approved Issuer Levy (AIL)** payments of \$1.055 million were \$0.152 million below budget. We pay AIL on behalf of offshore investors at the time of semi-annual coupon payment and offshore investor holdings are just below our SOI forecasts.

Comply with the Health and Safety at Work Act 2015.

LGFA has a Health and Safety Staff Committee and reporting on health and safety issues are made to the LGFA board on a regular basis by the Risk and Compliance Manager. There were no health and safety incidents during the year.

Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.

There were no compliance breaches during the year.

Assist the local government sector with their COVID-19 response.

On 30 June 2020, in response to COVID-19, shareholders approved a change to LGFA's Foundation Policy covenants to provide short term relief to councils from any temporary reduction in revenue and to allow councils to coinvest alongside central Government in infrastructure projects. For the financial year ending 30 June 2021, the net debt/total revenue covenant for borrowers with an external credit rating of at least 'A+' has been increased from 250% to 300%.

In addition to this direct response:

- LGFA continues to provide input into the Ratepayer Financing Scheme project that, if successful, could offer temporary financial relief to ratepayers via rates postponement.
- The new Standby Facility Agreement product will provide greater certainty of access to emergency funding for councils at a lower cost than going to the traditional bank provider.
- LGFA has extended the longest dated borrowing maturity for councils from 2033 to 2037 to enable councils to better match assets with liabilities and to benefit from record lows in interest rates and borrowings spreads.

Performance Targets

Performance measure	Result for the 12 month period to 30 June 2021	Outcome
LGFA net interest income for the period to June 2021 will be greater than \$18.8 million	\$19.537 million	✓
Annual issuance and operating expenses (excluding AIL) will be less than \$6.8 million	\$6.659 million	✓
Total nominal lending (short and long term) to participating councils to be at least \$9.79 billion	\$12.039 billion	✓
Conduct an annual survey of councils and achieve 85% satisfaction score as to the value added by LGFA to council borrowing activities	August 2020 survey outcome of 98.8%	✓
Meet all lending requests from PLAs	100%	✓
Achieve 85% market share of all council borrowing in New Zealand	79%	✗
Review each PLA financial position, its headroom under LGFA policies and arrange to meet each PLA at least annually	All councils visited	✓
No breaches of Treasury Policy, any regulatory or legislative requirements including H&S	No breaches	✓
Successfully refinance existing loans to councils and LGFA bond maturities as they fall due	100%	✓
Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating entity	'AA+/AAA'	✓

About us

Mō mātou

Establishment

The New Zealand Local Government Funding Agency Ltd (LGFA) specialises in financing the New Zealand local government sector, the primary purpose being to provide more efficient financing costs and diversified financing sources for New Zealand local authorities. LGFA was established to raise debt on behalf of local authorities on terms that are more favourable to them than if they raised the debt directly.

Incorporated on 1 December 2011
under the Companies Act 1993

.....

Enabled by Local Government
Borrowing Act 2011

.....

Council-controlled organisation
under the Local Government Act 2002

Ownership



20%
New Zealand
Government

80%
30 Councils

Share ownership is restricted
to New Zealand Government
or councils.

Governance overview

New Zealand Government

20%

shareholding

30 Councils

80%

shareholding

31 Shareholders

New Zealand Government shareholding will reduce to 11.1% if a future call is made on the uncalled capital of the 30 council shareholders.

Shareholders' Council

Page 53

The **LGFA Shareholders' Council** comprises five to ten appointees from the Council Shareholders and the New Zealand Government. The role of the Shareholders' Council is to:

- Review and report** performance of LGFA and the Board;
- Recommend** to Shareholders as to the **appointment, removal, replacement and remuneration of directors**;
- Recommend** to Shareholders as to any **changes to policies**, or the Statement of Intent (SOI), requiring their approval;
- Update Shareholders** on LGFA matters and to coordinate Shareholders on governance decisions.

LGFA Board

Page 46

The **LGFA Board** is responsible for the strategic direction and control of LGFA's activities. The Board guides and monitors the business and affairs of LGFA, in accordance with the:

- Local Government Act 2002;
- Local Government Borrowing Act 2011;
- Companies Act 1993;
- LGFA's Constitution;
- LGFA Shareholder Agreement;
- LGFA Annual Statement of Intent.

The Board comprises **five independent** directors and **one non-independent** director.



Bonds listed on NZX Debt Market

Issue of securities to the public under the Financial Markets Conduct Act and regulated by Financial Markets Authority

Supervised by independent trustee

Guarantee structure **Credit rating** at 30 June 2021

All shareholder councils are guarantors as well as councils with total borrowings over \$20 million.

.....

LGFA's securities obligations are guaranteed by council guarantors.

.....

A council's obligations under the guarantee is secured against rates revenue

S&P Global Ratings	Fitch Ratings
Domestic Currency AAA Stable outlook	Domestic Currency AA+ Stable outlook
Foreign Currency AA+ Stable outlook	Foreign Currency AA Positive outlook

Our brand

The 2021 LGFA Annual Report, our milestone 10th annual report since incorporation in 2011, celebrates 10 years of operations and outlines our forward commitment to providing councils with sustainable lending opportunities, having established ourselves as New Zealand's largest financier of council infrastructure. So, as we enter our second decade of operations, LGFA has updated our brand to reflect this commitment.

The fern leaf

The fern leaf, an iconic symbol for New Zealand, has been integral to the LGFA logo since we incorporated in 2011.

Amongst other things, the fern leaf symbolises New Zealand's clean green image as recognised globally and, by such, retaining the fern leaf in our logo not only links to our company's history, but reinforces our strategic commitment to offer future sustainable borrowing and investment opportunities.

The infrastructure cog

LGFA is New Zealand's major financier for local government investment in infrastructure renewal. The symbol of a cog is widely used to represent infrastructure and incorporating this into our logo reflects the significant role LGFA plays in financing New Zealand's infrastructure.

Sustainable borrowing for infrastructure development

Our new logo brings together the fern and cog, symbolising LGFA's commitment to financing sustainable infrastructure development and for providing investors access to sustainable investment.

2011

2014

2021



Our values



We act with integrity

We are honest, transparent and are committed to doing what is best for our customers and our company



We are customer focused

Our customers are our council borrowers, investors, and all other organisations that we deal with. We listen to them and act in their best interests to deliver results that make a positive difference



We strive for excellence

We strive to excel by delivering financial products and services that are highly valued at least cost while seeking continuous improvement in everything we do.

Our purpose

Benefiting local communities through delivering efficient financing for local government.



We provide leadership

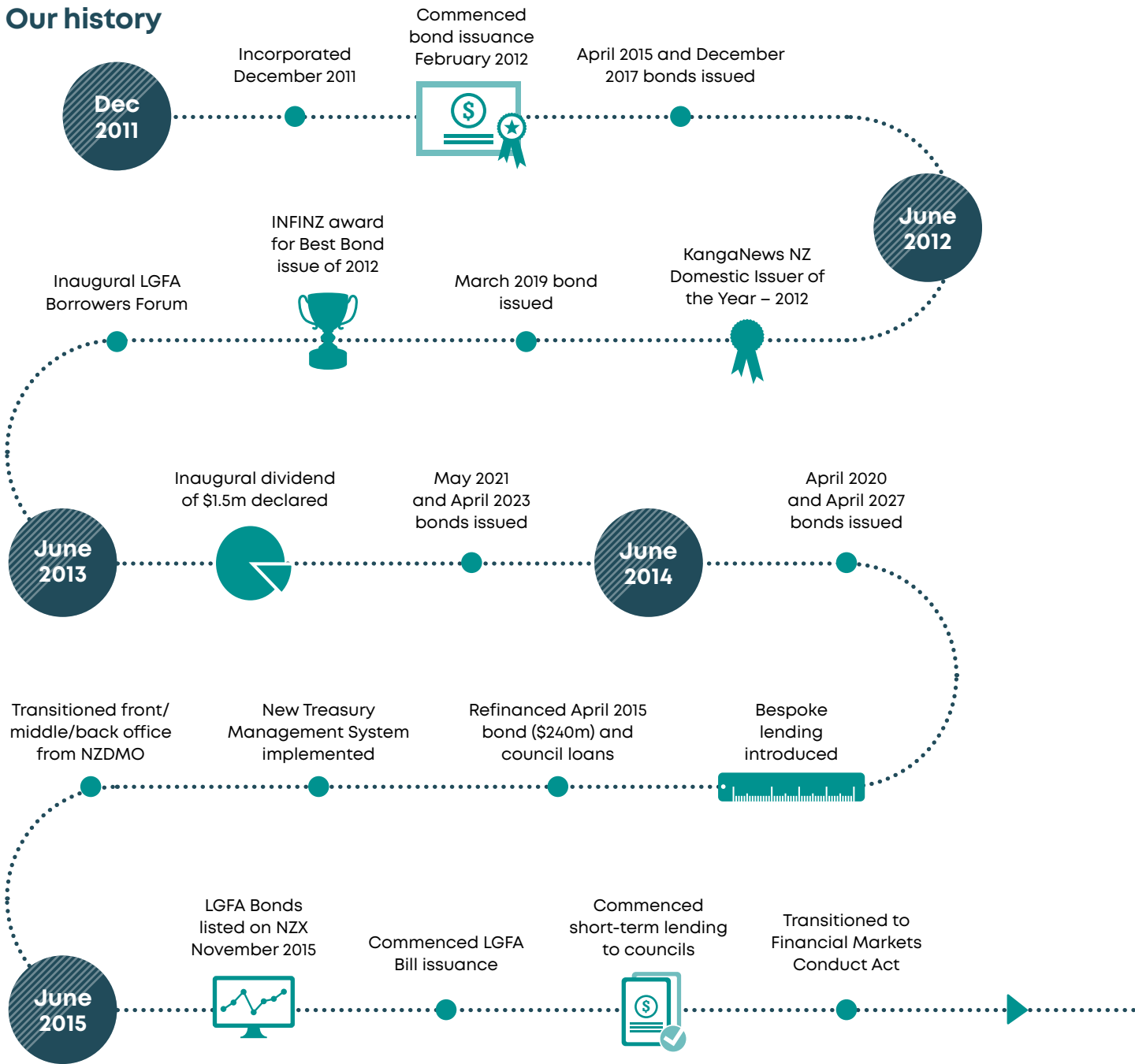
We are here for our stakeholders in being strategically minded, providing resilience and executing our strategy. We embrace a high-performance culture and can be relied upon to deliver results.

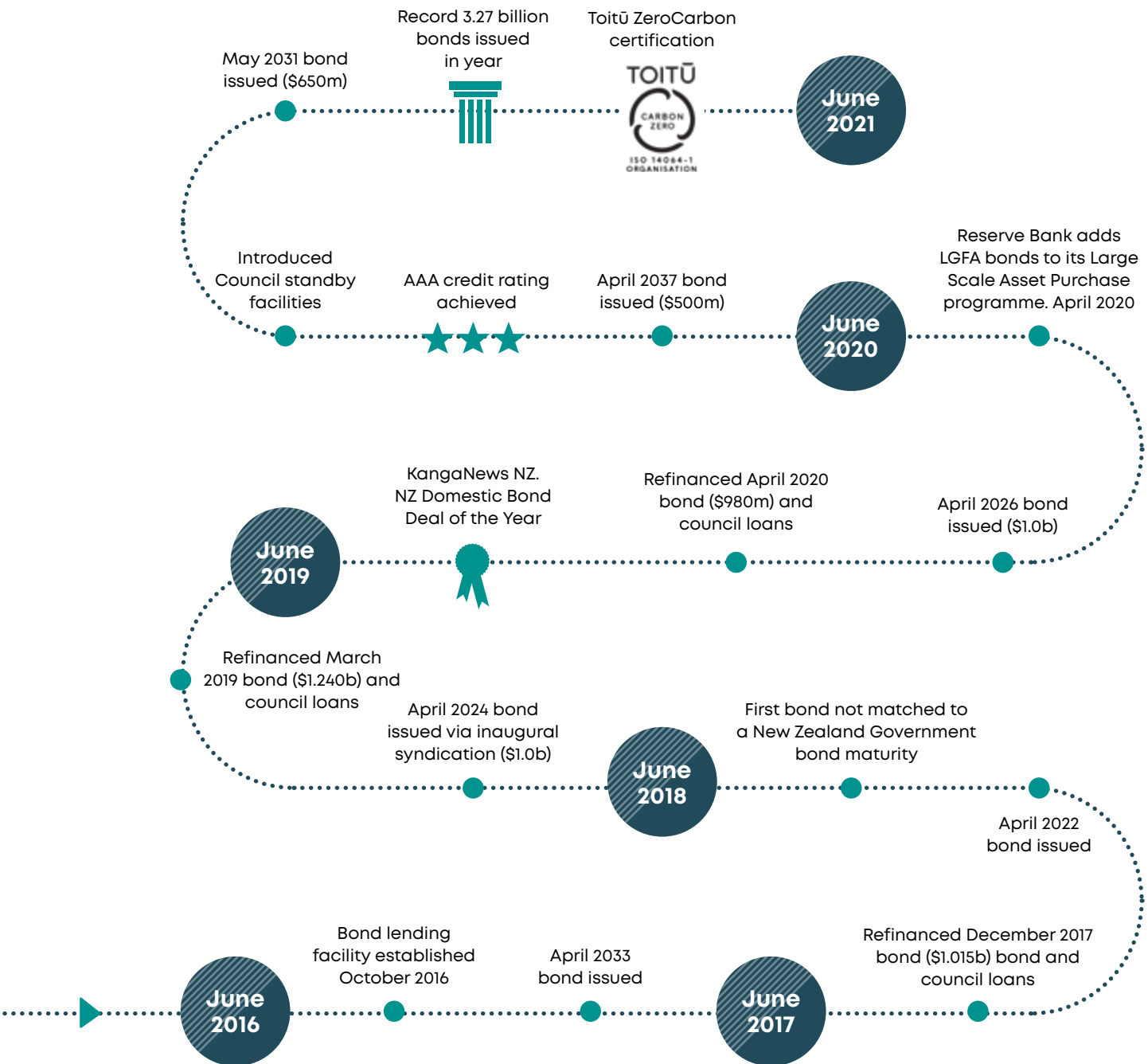


We are innovative

To meet our ever-changing customer requirements, we will encourage innovation and provide a diverse range of financial products and services.

Our history





TRC Riparian established planting on Trevor Hurley's farm Oeo
Taranaki Regional Council

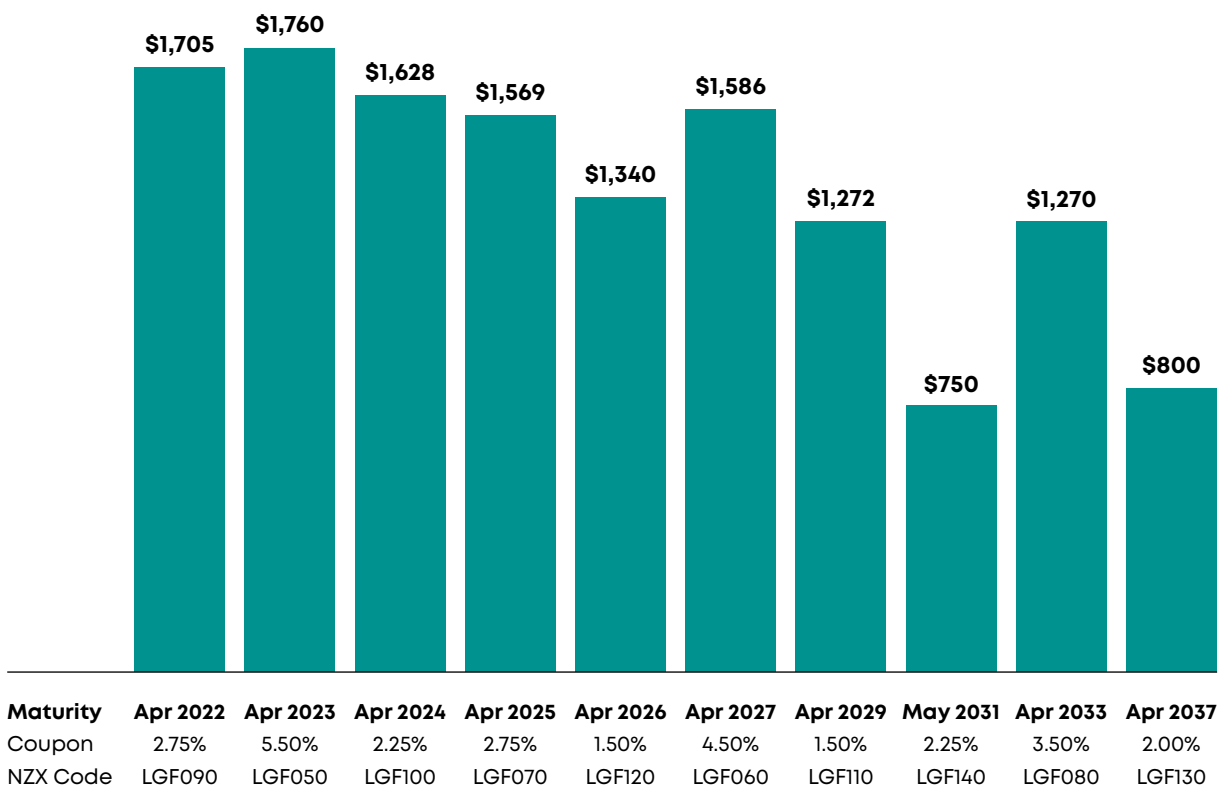
LGFA bonds on issue

Ko ngā pūtea taurewa pūmau kua tukuna e te LGFA

LGFA NZX-listed bonds on issue (NZ\$ million, face value)

As 30 June 2021 : NZ\$13,680 million

Includes NZ\$1,000 million treasury stock (refer note 16, page 73)



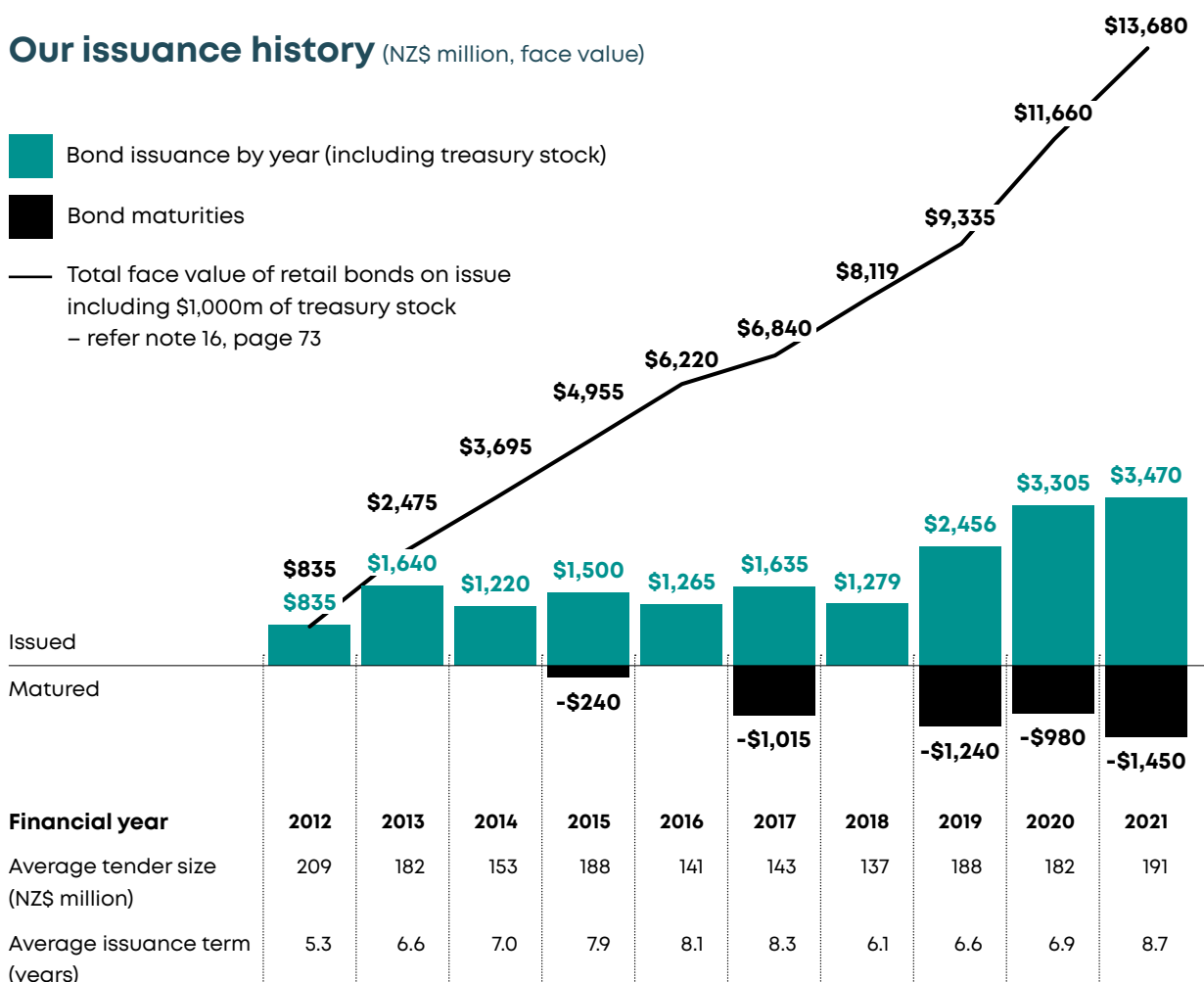
In addition to the retail bonds listed on the NZX, LGFA have \$130 million of wholesale floating rate notes on issue.

How we issue bonds

LGFA typically issues a new bond maturity via an initial syndication and then through ongoing regular scheduled tenders.

- Preferred bond tender sizes are between NZ\$150 million to NZ\$200 million with at least three maturities offered at each tender.
- LGFA bonds match NZ Government Bonds where possible for maturity and coupon.
- Approved Issuer Levy is paid on behalf of offshore holders.
- Target issuance of NZ\$1 billion plus per series over time with a soft cap of \$1.75 billion per series to support market liquidity.
- All bonds have been issued in New Zealand dollar (NZD) to date, but have capability to issue non-NZD bonds if required.
- All LGFA retail bonds are listed on the NZX.

Our issuance history (NZ\$ million, face value)



New bond maturities issued in the year to June 2021

May 2031 : May 2037
2.25% : 2.00%

LGFA is New Zealand's largest...

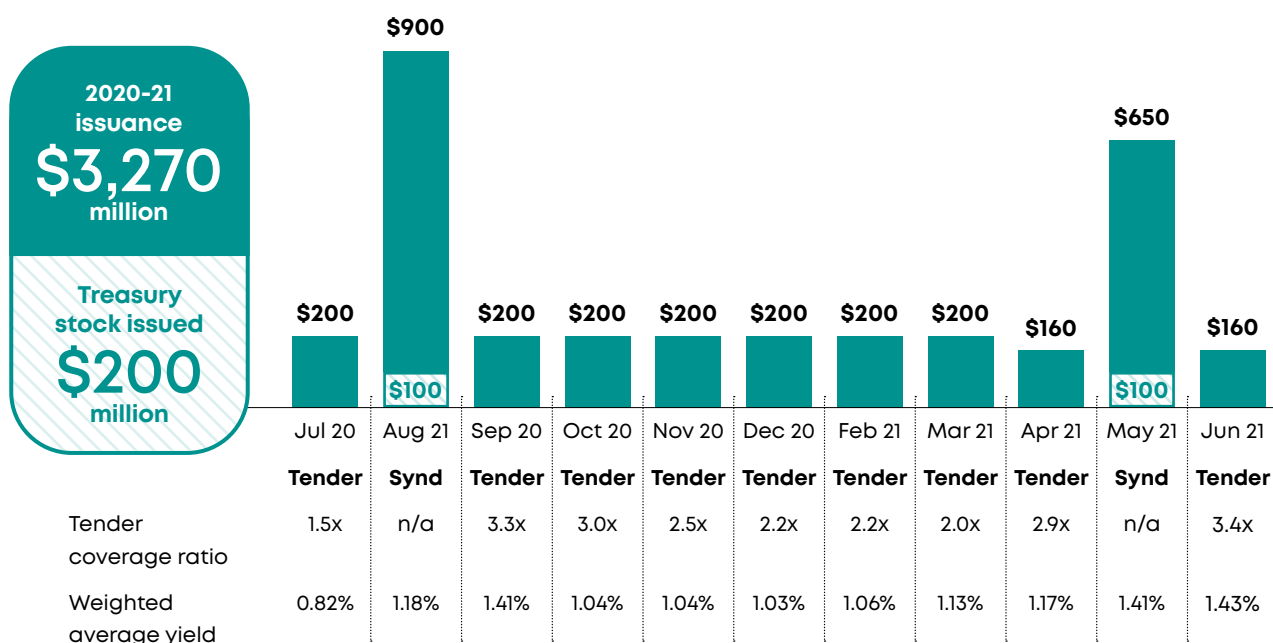
domestic issuer of NZD : issuer of debt
domestic bonds (excluding : listed on the
New Zealand Government) : NZDX

2020-21 issuance by maturity (NZ\$ million, face value)

LGFA bond issuance by bond maturity over the 12-month period to 30 June 2021

Tenders	Apr 22	Apr 23	Apr 24	Apr 25	Apr 26	Apr 27	Apr 29	May 31	Apr 33	Apr 37	Total
8 Jul 20	50	-	50	-	50	-	50	-	-	-	200
9 Sep 20	-	-	50	-	-	50	50	-	50	-	200
7 Oct 20	-	50	-	-	50	-	50	-	50	-	200
12 Nov 20	-	-	-	60	-	50	60	-	-	40	210
16 Dec 20	-	60	-	-	50	-	50	-	-	30	190
3 Feb 21	-	-	60	-	-	60	40	-	-	40	200
10 Mar 21	-	-	40	-	50	-	60	-	-	50	200
15 Apr 21	-	-	40	-	40	-	40	-	-	40	160
9 Jun 21	-	-	40	-	-	-	80	-	40	-	160
2020/21 tender issuance	50	110	280	60	240	160	480	-	140	200	1,720
2020/21 syndication	400	-	-	-	-	-	-	650	-	500	1,550
Total 2020/21 issuance	450	110	280	60	240	160	480	650	140	700	3,270
Prior issuance	1,155	1,550	1,248	1,409	1,000	1,326	692	-	1,030	-	9,410
Total bonds excluding Treasury Stock	1,605	1,660	1,528	1,469	1,240	1,486	1,172	650	1,170	700	12,680
Treasury stock	100	100	100	100	100	100	100	100	100	100	1,000
Total bonds on issue	1,705	1,760	1,628	1,569	1,340	1,586	1,272	750	1,270	800	13,680

2020-21 issuance by month (NZ\$ million, face value)



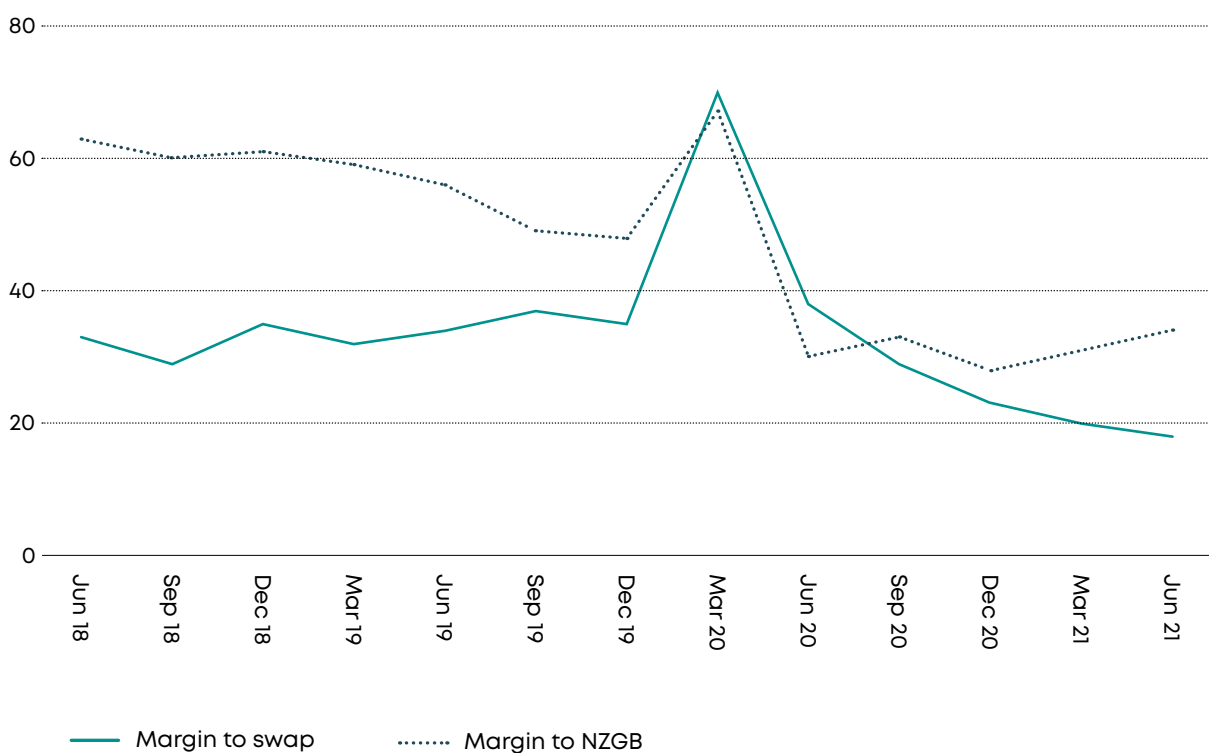
LGFA bond margins (basis points)

LGFA bond margins against swap and New Zealand Government Bonds (NZGB)

Margin to swap	Apr 22	Apr 23	Apr 24	Apr 25	Apr 26	Apr 27	Apr 29	May 31	Apr 33	Apr 37
30 June 2020	18	25	32	40	45	48	57	n/a	69	n/a
30 June 2021	0	(1)	2	7	13	15	25	33	39	51
Annual change	(18)	(26)	(30)	(33)	(32)	(33)	(32)	n/a	(30)	n/a

Margin to NZGB	Apr 22	Apr 23	Apr 24	Apr 25	Apr 26	Apr 27	Apr 29	May 31	Apr 33	Apr 37
30 June 2020	13	18	22	31	34	36	44	n/a	58	n/a
30 June 2021	9	22	26	31	36	40	43	44	43	44
Annual change	(4)	4	4	0	2	4	(1)	n/a	(15)	n/a

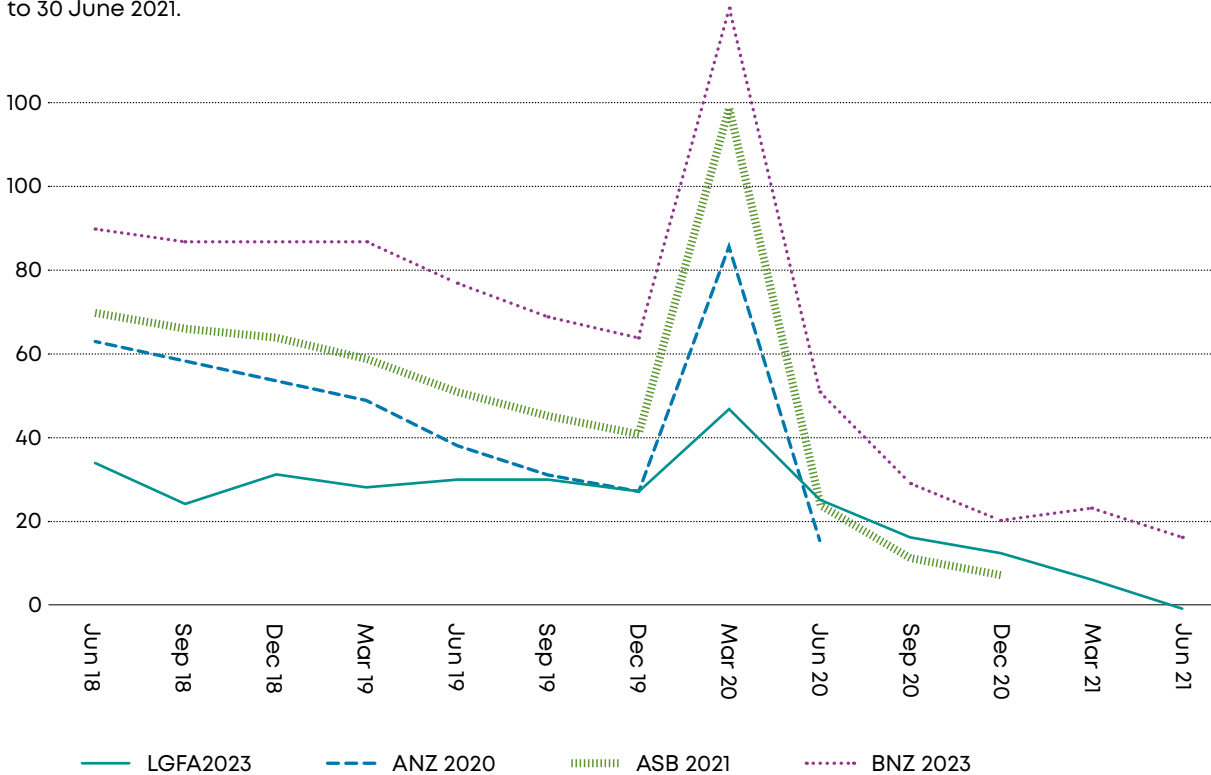
LGFA bond margins to swap over NZGB over the 36 months to 30 June 2021 (basis points)



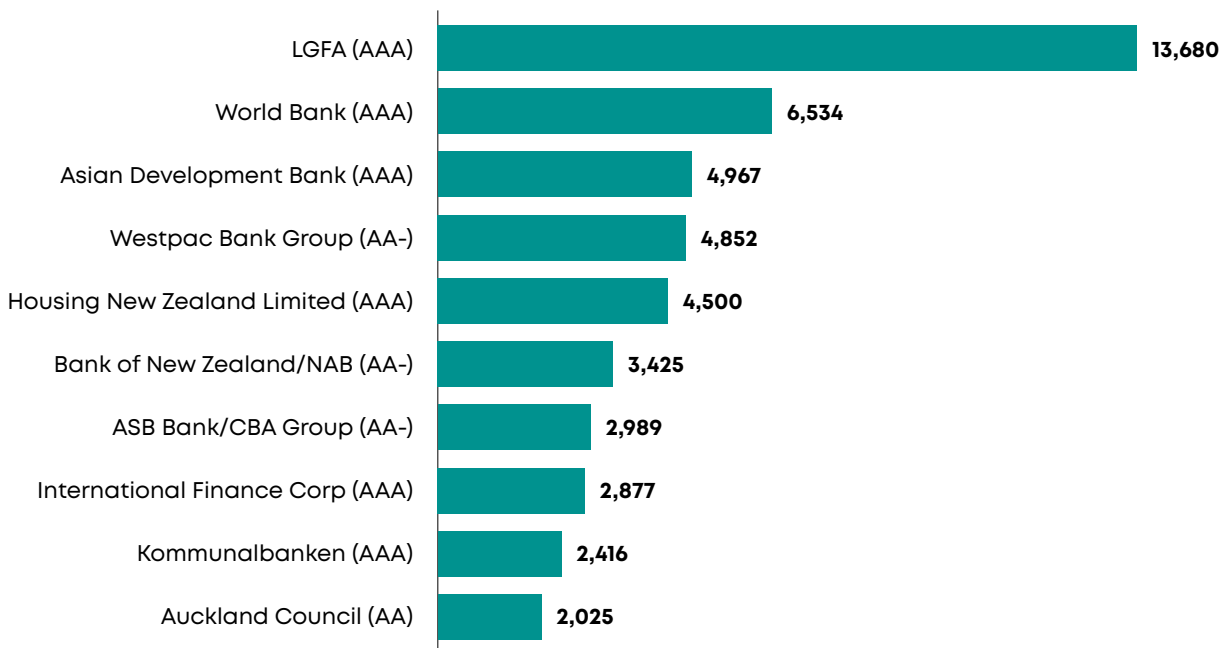
Average of all LGFA bonds outstanding: Secondary market levels as at end of each month taken from end of month closing rate sheets published by NZ banks.

Secondary market credit spread to swap for LGFA and bank bonds (basis points)

Secondary market credit spread for LGFA against New Zealand bank bonds over the 36 months to 30 June 2021.

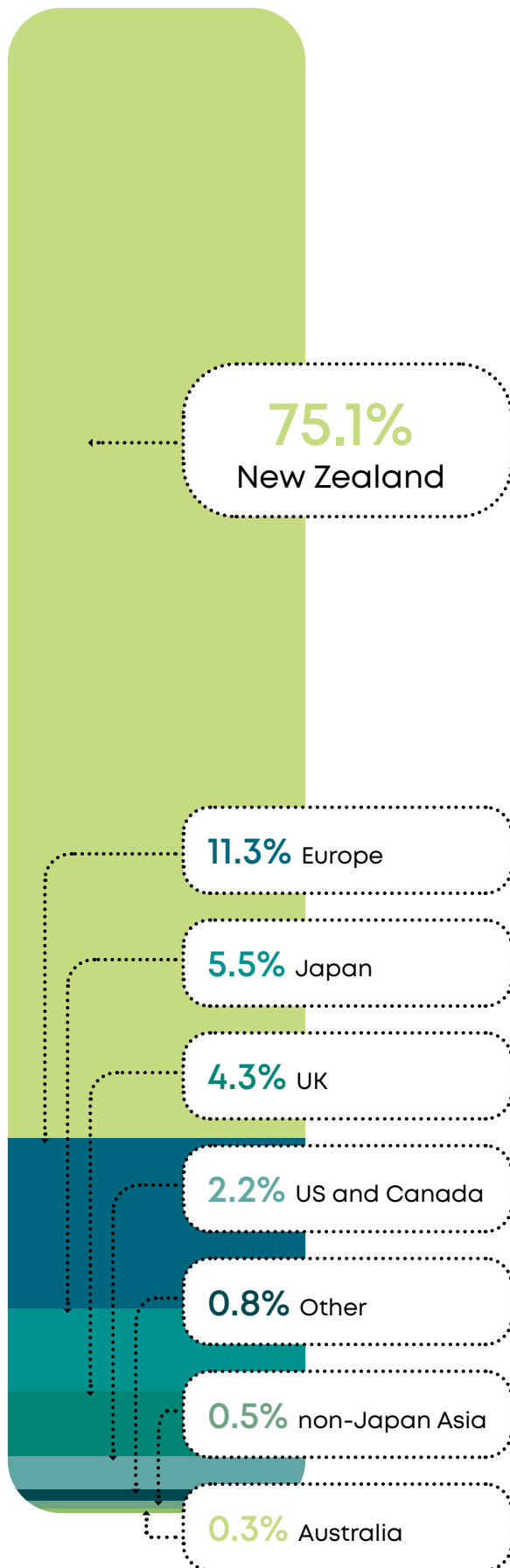


Top 10 issuers of NZD bonds on issue NZD \$billion as at 30 June 2021

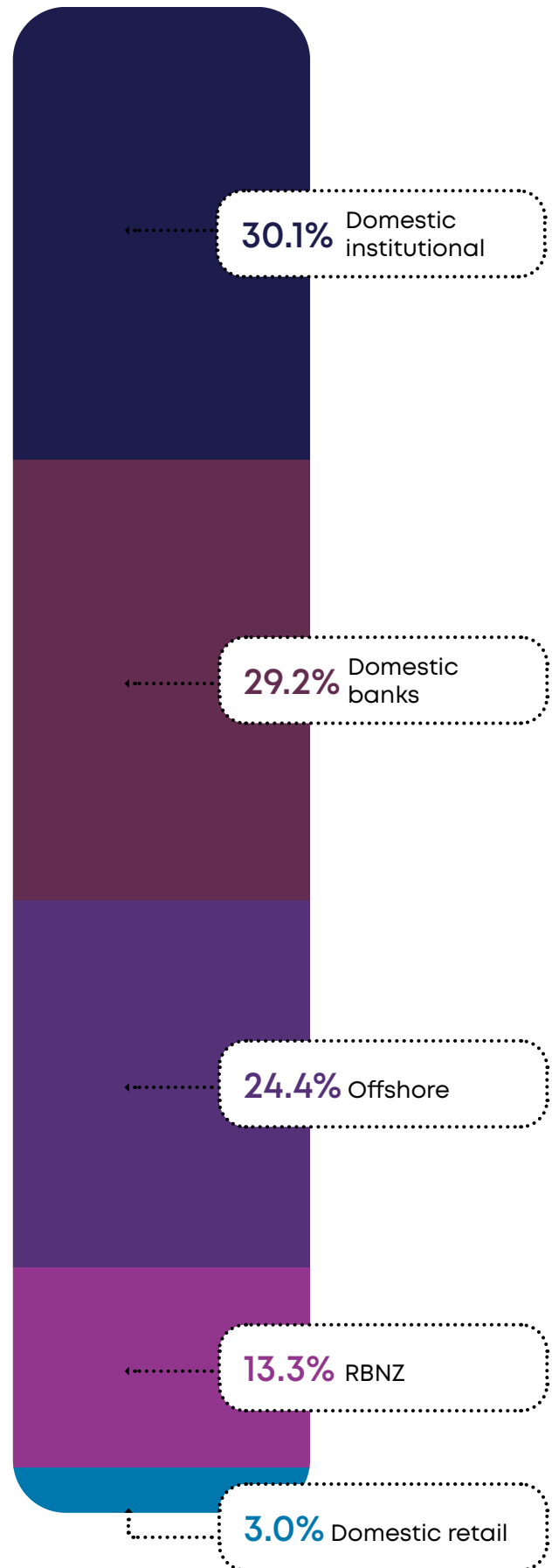


LGFA estimation based on aggregation of Bloomberg data

LGFA bond holders by country of residence as at 31 March 2021



LGFA bond holders by investor group as at 30 June 2021



Member councils

Ko ngā kaunihera e noho mema ana

LGFA operates with the primary objective of optimising the debt funding terms and conditions for its member councils.

Among other things this includes:

- Providing savings in annual interest costs
- Offering short and long-term borrowings with flexible lending terms
- Enhancing the certainty of debt markets
- Being the funder of choice for New Zealand local government.

To become a member council of LGFA, a council is required to complete a formal application. Following an application for membership, LGFA management completes a review of the council's financial position and its ability to comply with LGFA's financial covenants, which is considered by the LGFA Board who approve all council memberships. All member councils are required to complete a compliance certificate each year which certifies that the council has complied with LGFA's financial covenants. In addition, LGFA monitor all member councils' annual reports, annual plans and long term plans on an ongoing basis to ensure that the financial forecasts are consistent with the LGFA financial covenants.

As at 30 June 2021

30

member councils
are shareholders

72

member councils
were eligible to
borrow from LGFA

63

member councils
were guarantors
of LGFA

Total member council borrowings at 30 June 2021

(NZ\$ million)

Member type	Number of councils	Amount borrowed	% of total borrowings
Guarantors	61	12,014	99.6%
Non guarantors	6	53	0.4%
Total	67	12,067	100%

Member	Amount borrowed	% of total borrowings
Auckland Council	3,304	27.4%
Christchurch City Council	1,966	16.3%
Wellington City Council	793	6.6%
Tauranga City Council	517	4.3%
Hamilton City Council	481	4.0%
Greater Wellington Regional Council	451	3.7%
Kapiti Coast District Council	230	1.9%
Rotorua District Council	228	1.9%
Hastings District Council	205	1.7%
Hutt City Council	201	1.7%
Other councils	3,691	30.6%
	12,067	100%

79%

LGFA's estimated market share of local government debt

Loans to Auckland Council are limited to a maximum of

40%

of total loans

THE NUMBERS

Over the 12 months to 30 June 2021

57

member councils

\$2,858

million total borrowed

241

individual term loans

6.9

average borrowing years

At 30 June 2021

\$287











million of short term loans

25

member councils with outstanding loans

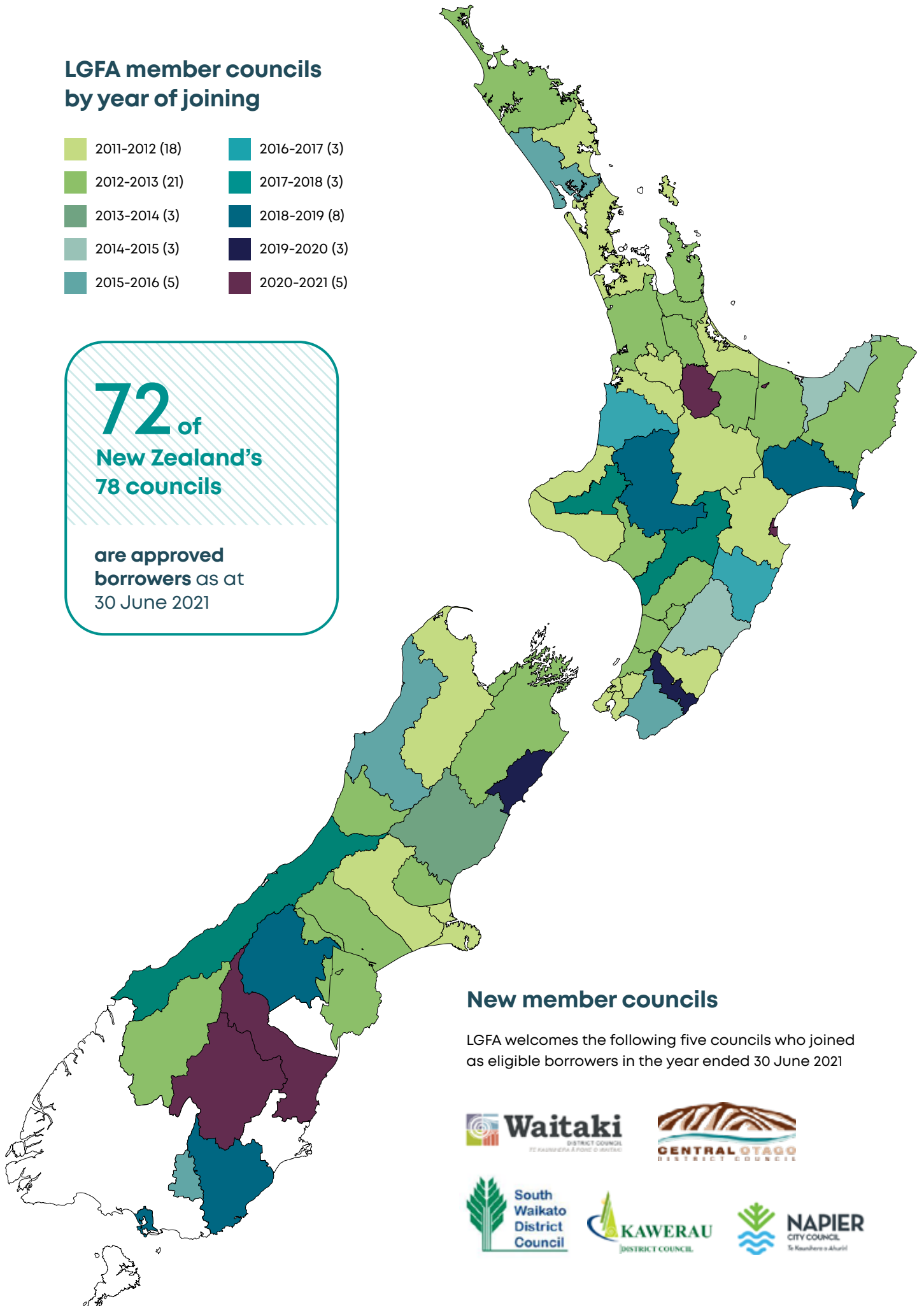
Member councils are required to comply with LGFA financial covenants at all times

LGFA member councils by year of joining

 2011-2012 (18)	 2016-2017 (3)
 2012-2013 (21)	 2017-2018 (3)
 2013-2014 (3)	 2018-2019 (8)
 2014-2015 (3)	 2019-2020 (3)
 2015-2016 (5)	 2020-2021 (5)

72 of
New Zealand's
78 councils

are approved
borrowers as at
30 June 2021



New member councils

LGFA welcomes the following five councils who joined as eligible borrowers in the year ended 30 June 2021



Member councils by year of joining

North Island

2011-12	Auckland Council	Shareholder
2011-12	Bay of Plenty Regional Council	Shareholder
2011-12	Greater Wellington Regional Council	Shareholder
2011-12	Hamilton City Council	Shareholder
2011-12	Hastings District Council	Shareholder
2011-12	Masterton District Council	Shareholder
2011-12	New Plymouth District Council	Shareholder
2011-12	South Taranaki District Council	Shareholder
2011-12	Taupo District Council	Shareholder
2011-12	Tauranga City Council	Shareholder
2011-12	Waipa District Council	Shareholder
2011-12	Wellington City Council	Shareholder
2011-12	Western Bay of Plenty District Council	Shareholder
2011-12	Whangarei District Council	Shareholder
2012-13	Far North District Council	Borrower and Guarantor
2012-13	Gisborne District Council	Shareholder
2012-13	Hauraki District Council	Shareholder
2012-13	Horowhenua District Council	Shareholder
2012-13	Hutt City Council	Shareholder
2012-13	Kapiti Coast District Council	Shareholder
2012-13	Manawatu District Council	Shareholder
2012-13	Matamata-Piako District Council	Borrower and Guarantor
2012-13	Palmerston North City Council	Shareholder
2012-13	Rotorua District Council	Borrower and Guarantor
2012-13	Thames-Coromandel District Council	Shareholder
2012-13	Waikato District Council	Borrower and Guarantor
2012-13	Whakatane District Council	Shareholder
2012-13	Whanganui District Council	Shareholder
2013-14	Horizons District Council	Borrower and Guarantor
2013-14	Upper Hutt City Council	Borrower and Guarantor
2014-15	Opotiki District Council	Borrower
2014-15	Porirua City Council	Borrower and Guarantor
2014-15	Tararua District Council	Borrower

South Island

2015-16	Kaipara District Council	Borrower and Guarantor
2015-16	South Wairarapa District Council	Borrower and Guarantor
2016-17	Central Hawkes Bay District Council	Borrower
2016-17	Northland Regional Council	Borrower
2016-17	Waitomo District Council	Borrower and Guarantor
2017-18	Rangitikei District Council	Borrower
2017-18	Stratford District Council	Borrower
2018-19	Hawkes Bay Regional Council	Borrower and Guarantor
2018-19	Ruapehu District Council	Borrower and Guarantor
2018-19	Waikato Regional Council	Borrower and Guarantor
2018-19	Wairoa District Council	Borrower
2019-20	Taranaki Regional Council	Borrower and Guarantor
2019-20	Carterton District Council	Borrower
2020-21	Central Otago District Council	Borrower and Guarantor
2020-21	Kawerau District Council	Borrower
2020-21	Napier City Council	Borrower and Guarantor
2020-21	South Waikato District Council	Borrower and Guarantor
2020-21	Waitaki District Council	Borrower and Guarantor

86%

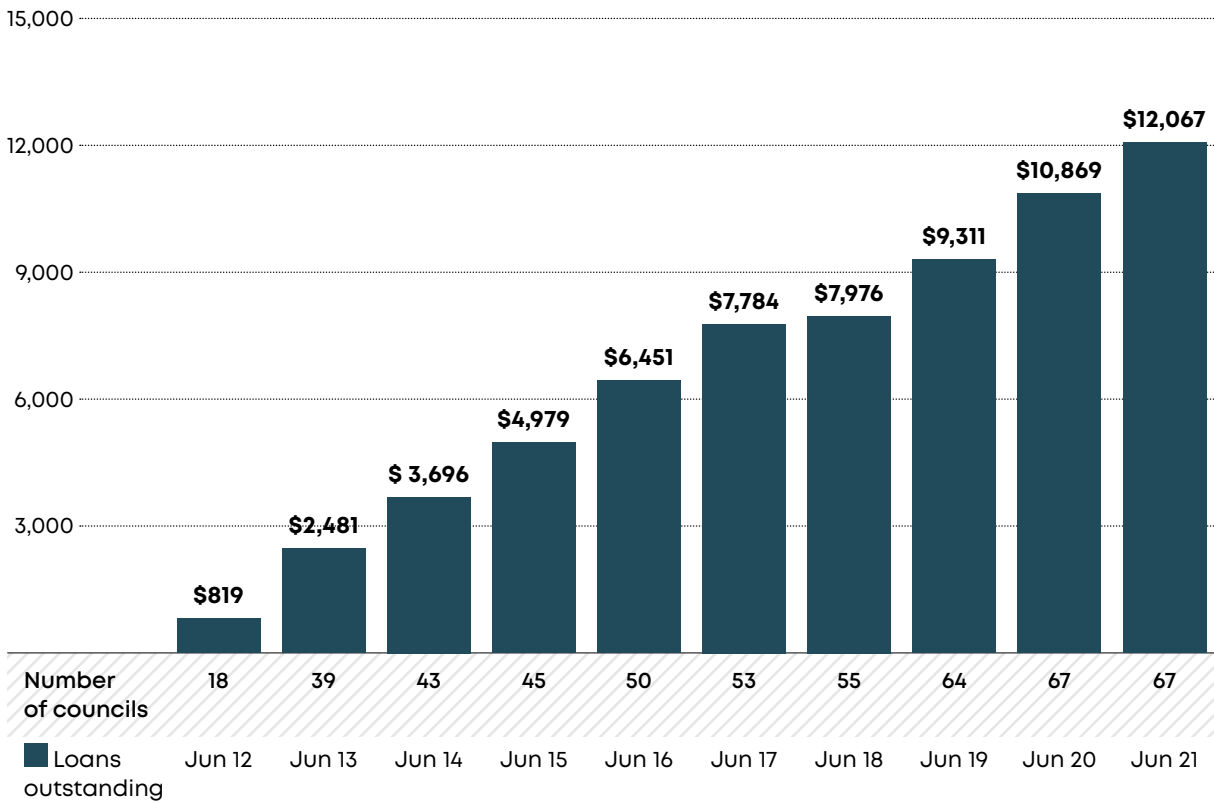
loans to councils with

AA-

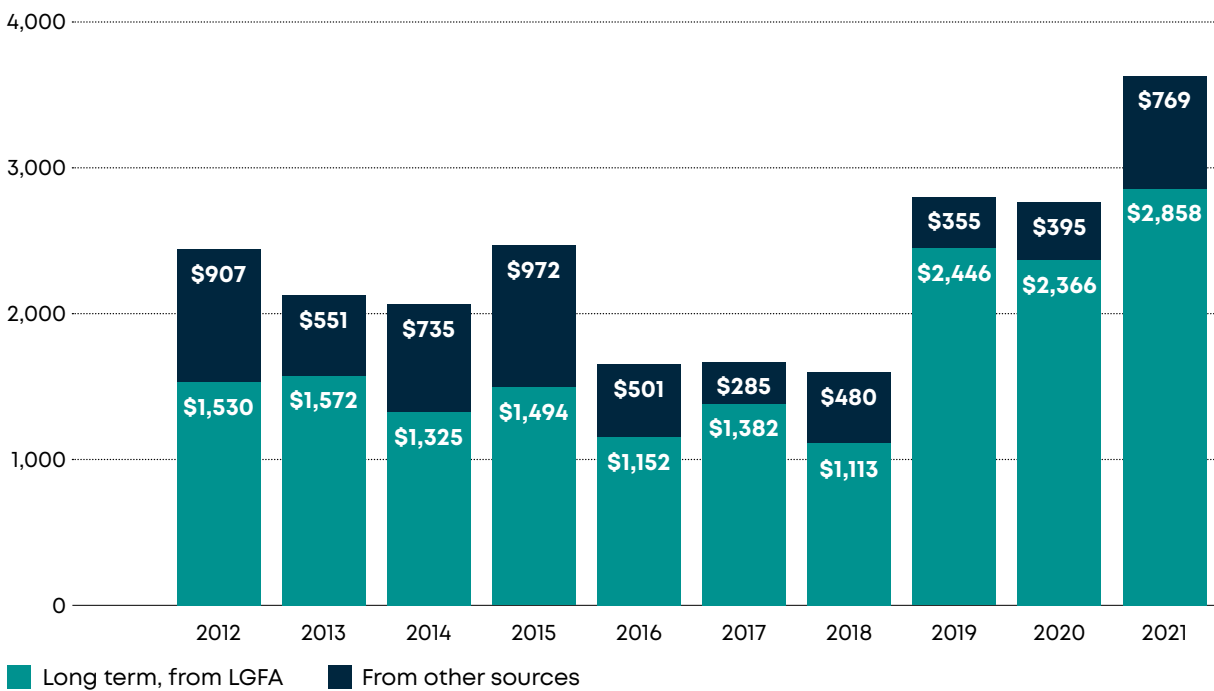
external rating or better

LGFA assign internal credit ratings for all councils, including all councils without external credit ratings.

Nominal loans to councils outstanding (NZ\$ million)



Councils' borrowing (NZ\$ million) financial year





New Zealand's first hydrogen fuel cell bus unveiled by Auckland Transport in March 2021.

Auckland Council

Sustainability at LGFA

Te toitūtanga kei te LGFA

LGFA was established with the primary objective of optimising the debt funding terms and conditions for our member councils. To achieve this objective, it is important that we conduct our affairs in accordance with sound business practice, while having regard to the interests of the community and by exhibiting a sense of social and environmental responsibility, as well as being a good employer.

The Global Reporting Initiative (GRI) sustainability reporting standards are the most widely adopted global standards for sustainability reporting and this year's annual report has been prepared to meet the requirements of the Global Reporting Initiative (GRI) Standards (core option).

LGFA's materiality sustainability topics remain unchanged from 2020. These materiality topics were determined with the assistance of Proxima, an independent sustainability consultancy, who worked with staff and directors in 2019 to undertake an analysis of material sustainability issues relevant to our business and key stakeholders. Material topics are those issues that reflect our significant economic, environmental, and social impacts or that substantively influence the assessments and decisions of our stakeholders.

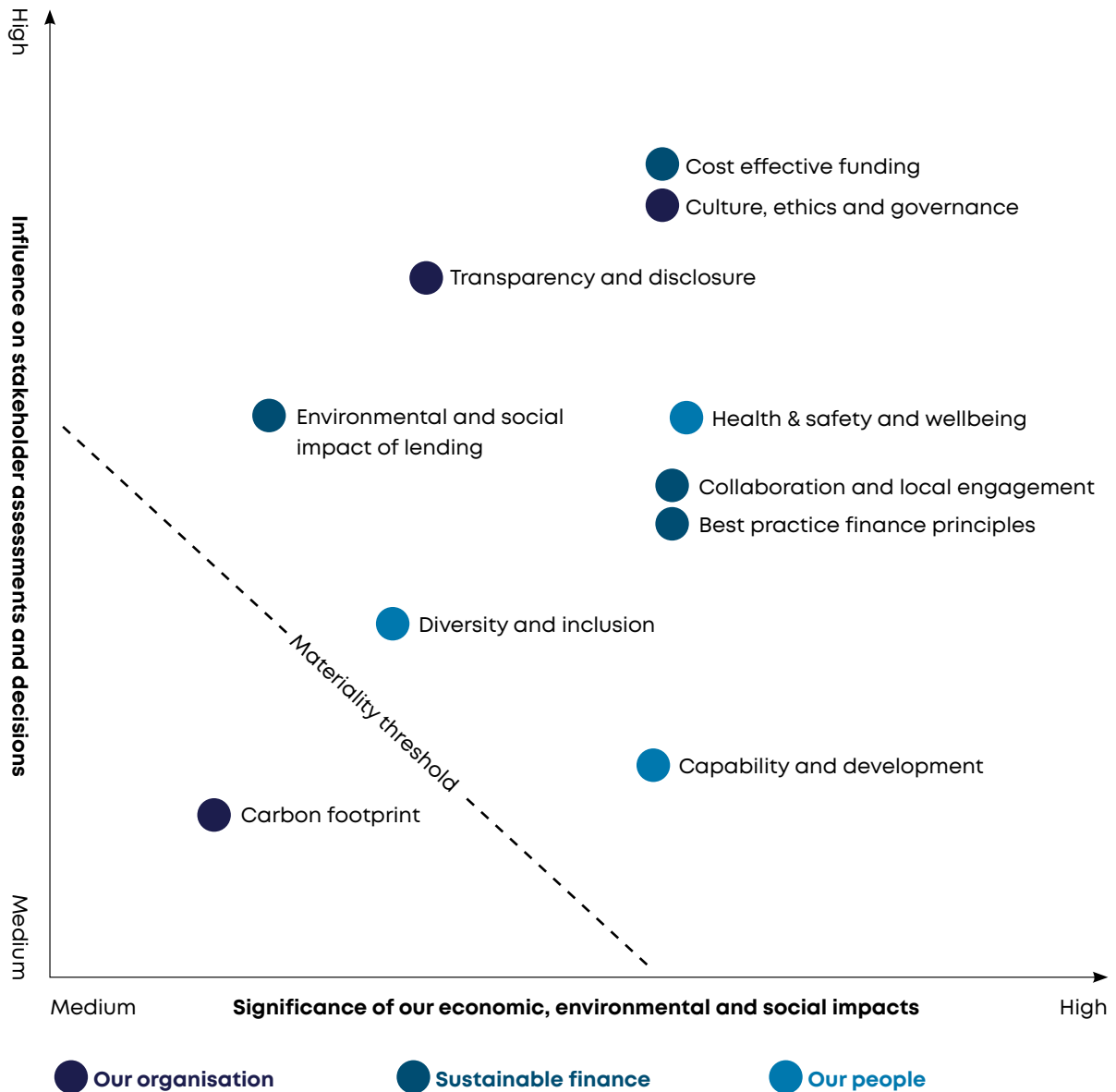
LGFA's ten material topics are grouped under three overarching principles.

Our organisation	Sustainable finance	Our people
Culture, ethics and governance	Cost effective funding	Health & safety and wellbeing
Transparency and disclosure	Environmental and social impact of lending	Diversity and inclusion
Carbon footprint	Collaboration and local engagement	Capability and development
	Best practice finance principles	

LGFA's materiality matrix

LGFA's materiality matrix depicts the outcome of our materiality analysis and is prioritised by stakeholder importance and the estimated impact on our business or on society. The prioritisation of these material topics will assist us to review our management approach and assess where we can improve over time.

Our approach and performance on each material topic can be found in this Annual Report and are referenced in the GRI Index on page 88.



LGFA's material topics

Cost effective funding

- Delivery of lower cost funding
- Access to longer term funding
- Ongoing contribution to NZ Capital Markets
- NZX listing

LGFA was established with the primary purpose of providing more efficient funding costs and diversified funding sources for New Zealand local authorities; a core objective being to raise debt on behalf of local authorities on terms that are more favourable to them than if they raised the debt directly.

LGFA reports on its cost of borrowing relative to other issuers on a quarterly basis to shareholders and in its annual and half year reports. LGFA surveys member councils on its performance annually in relation to business delivery and satisfaction with pricing. A key indicator of satisfaction with service and pricing to councils is LGFA's estimated overall market share for council lending which was estimated to be 79% for the rolling twelve-month period to June 2021.

Culture, ethics and governance

High ethical standards required and codified through:

- NZX Corporate Governance Code
- Code of Ethics
- Code of Conduct
- Board Charter
- Audit and Risk Committee Charter

The LGFA Board is committed to ensuring that the conduct of both directors and staff at all times meets the high standards required to reflect the company's values and to protect its reputation. The required standards are defined in LGFA's Code of Ethics and is reflected throughout the following key governance documents: The LGFA Constitution; Shareholders' Agreement; Board Charter; Audit and Risk Committee Charter; Internal Audit Charter; and the Diversity Policy.

The LGFA Board is committed to ensuring LGFA demonstrates ongoing commitment to strong and sound corporate governance. The Corporate Governance section in this report provides detailed information on LGFA's governance structure and principles, including setting out LGFA's compliance with the eight core principles underpinning the NZX Corporate Governance Code.

Transparency and disclosure

Transparency and disclosure are essential for shareholder, rating agencies and investor confidence and codified through:

- Shareholders' agreement
- NZX listing rules
- Financial accounting standards
- Regulatory compliance

Transparency in how we operate is core to achieving our shareholders' objectives as well as for our wider stakeholders including investors, banks and other financial intermediaries and the credit rating agencies. As such, transparency in how we operate is reflected in operating requirements outlined in our foundation documents, including the LGFA Constitution, Shareholders' Agreement and Board Charter, as well as Company policies on Continuous Disclosure, Financial Products Trading, and Protected Disclosures and Whistle Blowing.

LGFA demonstrates transparency through its annual Statement of Intent (SOI) and quarterly reporting to shareholders on its performance against the objectives set out in the SOI. In addition to financial performance, our annual report details LGFA's non-financial performance against the principles outlined in NZX Corporate Governance Code, as well as compliance in meeting the requirements of the Global Reporting Initiatives (core standards).

Environmental and social impact of lending

Development of green, social and sustainable financing option for councils

- Lower cost financing promotes greater ability for councils to fund green/social/sustainable impact projects

LGFA recognises and supports the shift to an economy that supports sustainable, social, environmental and economic wellbeing and is actively progressing facilities to provide member councils with green, social and sustainability financing for projects that promote environmental and social wellbeing in New Zealand, as well as progress the United Nations Sustainable Development Goals.

The Green, Social and Sustainability lending section in this report provides more information on LGFA's sustainable lending developments.

Health & safety and wellbeing

- Compliance with Health and Safety at Work Act 2015
- Health and safety committee and regular reporting to Board
- Flexible workplace

LGFA is committed to providing a safe and healthy working environment for all employees and a flexible workplace environment that promotes increasing employee engagement, productivity and enhancing recruitment and retention.

LGFA has established a Health and Safety Committee which regularly meets to review LGFA health and safety issues and reports to each Board meeting. LGFA maintains policies on health and safety, flexible working, diversity and employment which encapsulate the company's commitment to health, safety and wellbeing.

LGFA provides staff with access to professional support for general counselling services, individual case management and on-going monitoring of an employee's progress to ensure the assistance and treatment in meeting their needs

Collaboration and local engagement

- Industry sponsor – Kanganews and Taituarā
- Infrastructure funding development liaison with Crown and industry
- Regular engagement with council employees and elected officials

A core objective for LGFA is for the company to take a proactive role in enhancing the financial strength and depth of local government debt market by working with key central government and local government stakeholders on sector and individual council issues.

Contributing to capital markets development to enhance local government sector debt is a key role for LGFA and we regularly meet with key industry stakeholders, including the Reserve Bank of New Zealand, Department of Internal Affairs, Office of the Auditor General, Taituarā, Infrastructure New Zealand and New Zealand Green Investment Finance. The importance of capital investment in infrastructure has been a focus over the past year, with LGFA actively engaging with councils, central Government and investors in relation to the work being progressed on the three waters reform project.

This year, LGFA were proud to be principal sponsor for the 2021 Taituarā LGFA Local Government Excellence Awards.

Financial markets best practice and influence

- Knowledge sharing
- Audit and risk independence
- Best practice risk management framework
- Credit metrics
- External rating / lower margin borrowing
- Operational excellence
- Product and process improvement
 - CCO lending
 - Bills
 - Flexible maturities
 - Standby facilities

Delivering operational best practice and efficiency across our issuance programme and lending services is a key objective for LGFA.

Over recent years, LGFA has invested significant resource in ongoing development of our risk management framework to reflect financial markets best practice, the objective being to ensure that our risks are managed effectively and comply with LGFA's governance and legislative requirements. Managing treasury risks is a critical component of LGFA's market operations and this year we engaged external consultants to assist in providing an independent assessment of our treasury risk management policies. The 'Managing risk' section of this report provides more information on our risk management processes.

Over the course of the reporting year, LGFA operations staff processed over 18,000 transactions with total gross cash flows in excess of \$24 billion without error. Where possible, LGFA employ straight-through processing to minimise operational risk across our treasury operations. Improving our information technology control environment to mitigate emerging risks from cyber threats was another key focus over the past year, with independent consultants assisting us with external penetration testing and advice on enhancing our cyber control environment

Diversity and inclusion

- Diversity policy and reporting
- Equal opportunity
- Māori language plan

Diversity at LGFA involves recognising and valuing the contribution that people can make because of their skills, experience, background and differing perspectives. LGFA values all employees by encouraging participation and providing opportunities for its people to succeed.

These diversity objectives are formalised in the LGFA Diversity Policy. Each year, management complete a diversity review which is reported through to the Board and, when undertaking recruitment, selection panels for interview are split by gender. The Corporate Governance section of this provides more information on diversity, including reporting diversity across staff and directors.

Capability and development

- Regular attendance for staff and directors at industry training and conference events

LGFA actively encourages professional development for directors and staff. LGFA provides funding for opportunities for professional development and membership of professional bodies and directors and staff are regular attendees at industry conferences.

Carbon footprint

- Toitū Carbonzero certification achieved in 2021.
- Increased use of meetings by video reduce need for physical travel
- Paperless office – use electronic where possible for transaction recording/record keeping.
- Physical offices – minimal impact given small size

This year, LGFA directors have committed to reducing our carbon emissions over time. Our first target is cutting per employee emissions by 30% by 2030, compared with a 2018/19 base year.

To further our commitment to sustainability, LGFA have created a new position, Head of Sustainability. A key component of this new position is to promote carbon reduction awareness across all staff, including internal discussions across the organisation on LGFA's annual carbon reduction targets. LGFA has made progress with moving to a paperless environment, achieving a 60% reduction in paper use in the three years to June 2021.

Paper use

We have achieved a

60% Reduction

over the three years to June 2021

Toitū Carbonzero Certification

Toitū Envirocare offer carbon management and carbon neutral certifications for organisations, including tools to measure, reduce and offset greenhouse gas emissions.

Toitū certifications meet and exceed the requirements of ISO standards and ensure consistent and comprehensive reporting, benchmarking and management under international best practice. Toitū carbonzero certification is accredited by the Joint Accreditation System of Australia and New Zealand (JAS-ANZ).

We are very pleased to report that LGFA has achieved Toitū carbonzero certification. The Toitū certification recognises the processes LGFA has put in place to measure our greenhouse gas (GHG) emissions, as well as management plans to reduce our company's emissions. Where LGFA are unable to eliminate emissions, these are offset through the purchase of high-impact carbon credits from a Gold Standard-certified international project.



Kauri 2000

In 2021, LGFA donated \$3,000 to Kauri 2000 to support their efforts in regenerating native trees in the Coromandel region.

Kauri 2000 was established in 1999 as a project to celebrate the start of the new millennium by planting 2000 kauri on the Coromandel Peninsula. To date the Trust has planted over 50,000 trees and continues to plant kauri throughout the Coromandel.





An Archimedes screw pump, installed in the Lower Waikato catchment. The first of its kind in NZ and allows for safe passage of native fish and eels through our flood infrastructure.
Waikato Regional Council

Green, social and sustainability lending

Ko te tuku pūtea taurewa mā te taiao, mā te hapori, mā te toitūtanga

A commitment to assist councils finance projects that promote environmental and social wellbeing in New Zealand.

LGFA recognises the risks inherent in climate change for councils and supports New Zealand's shift to a low-carbon economy.

As a council-controlled organisation under the Local Government Act 2002, LGFA is required to demonstrate social and environmental responsibility. Through its lending to its councils, LGFA acknowledges the importance of providing green, social or sustainability finance to its councils by financing projects that promote environmental and social wellbeing in New Zealand and progress the United Nations Sustainable Development Goals (UN SDGs) and which fund eligible 'green' and/or 'social projects under the principals, guidelines and standards noted below.

In our 2020 Annual Report, LGFA outlined that the development of its green, social and sustainability (GSS) lending programme to councils was underway. We are currently finalising the processes councils will follow in order to apply for Green, Social and Sustainable Loans (GSS Loans) from LGFA. We anticipate that LGFA will launch its GSS lending programme in the 2021/22 year following consultations with councils.

LGFA is also progressing work on the Sustainability Bond Framework (Framework) under which LGFA intends to issue and manage sustainable debt products. The Framework, built in compliance with market guidelines, adopts the following four key pillars:

- Use of Proceeds;
- Process for Project Evaluation and Selection;
- Management of Proceeds; and
- Transparency and Reporting.

LGFA will not initially look to issue GSS bonds from the Framework, preferring to build a portfolio of GSS loans to councils, then retrospectively consider issuing bonds under a GSS banner into the debt capital markets.

The Sustainable Development Goals

The United Nations' Sustainable Development Goals (SDG), which were adopted in 2015 by 193 countries including New Zealand, comprise 17 goals and 169 targets.

As part of our commitment to sustainability, LGFA will look to finance or refinance, indirectly via councils, projects and assets that deliver positive environmental and social outcomes and align with, and contribute towards meeting, the UN SDGs.

LGFA intends to offer GSS Loans across ten green project categories and six social project

categories based on the International Capital Markets Association (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG) as well as other evolving international principles, taxonomies, standards and market practice. ICMA has mapped its GBP and SBP to the UN SDGs to provide a broad frame of reference by which parties can evaluate the financing objectives of a green bond or social bond against the UN SDGs.

LGFA GSS Loan Categories

Green Project Categories (addressing environmental challenges)	Social Project Categories (addressing social issues for target populations)
<p>The International Capital Markets Association (ICMA) June 2021 Green Bond Principles explicitly recognised several broad categories of eligibility for Green Projects, which contribute to environmental objectives such as: climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control.</p>	<p>The ICMA June 2021 Social Bond Principles explicitly recognise several broad categories of eligibility for Social Projects. Social Projects directly aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes especially but not exclusively for a target population(s). A social issue threatens, hinders, or damages the well-being of society or a specific target population. For the avoidance of doubt, it is acknowledged that the definition of target population can vary depending on local contexts and that, in some cases, such target population(s) may also be served by addressing the general public.</p>

The chart on the following page, while indicative, captures the most commonly used types of green projects supported, or expected to be supported by the Green Bond market. Green Projects include assets, investments and other related and supporting expenditures such as research and development that may relate to more than one category and/or environmental objective. Three environmental objectives (pollution prevention and control, biodiversity conservation and climate change adaptation) also serve as project categories in the list. As such, they refer to the projects that are more specifically designed to meet these environmental objectives.

Likewise, the chart outlines the list of social project categories and, while also indicative, captures the most commonly used types of projects supported, or expected to be supported, by the Social Bond market. Social Projects include assets, investment and other related and supporting expenditures, such as research and development that may relate to more than one category.

For each project category in the chart, the associated UN SDGs are labelled.

Green Project Categories and Mapping to UN SDGs

Energy Efficiency

SDGs   

Green buildings

SDGs   

Clean Transportation

SDGs  

Sustainable Water and Wastewater Management

SDGs  

Renewable Energy

SDGs  

Pollution Prevention and Control

SDGs  

Sustainable Management of Living Natural Resources and Land Use

SDGs   

Climate Change Adaptation

SDGs   

Terrestrial and Aquatic Biodiversity Conservation

SDGs  

Circular Economy and Eco-efficient Products

SDGs   

Social Project Categories and Mapping to UN SDGs

Basic Infrastructure – Clean Water, Sewer, Transport

SDGs       

Access to Essential Services – Education, Healthcare

SDGs        

Affordable Housing

SDGs  

Employment Generation

SDGs  

Food Security

SDGs  

Socioeconomic Advancement and Empowerment

SDGs         

United Nations' Sustainable Development Goals





The Ōtakaro Avon River was named one of the most improved waterways in New Zealand recently.
Environment Canterbury

Corporate governance

Ārahitanga ā-rangatōpū

NZX Corporate Governance Best Practice Code

The LGFA Board is committed to ensuring LGFA demonstrates ongoing commitment to strong and sound corporate governance.

LGFA is a listed issuer on the NZX Debt Market and this section sets out LGFA's compliance with the eight core principles underpinning the NZX Corporate Governance Best Practice Code 2020.

LGFA considers that its governance practices have not materially differed from the NZX Code for the year ended 30 June 2021. Areas where LGFA has implemented alternative measures to the Code are as follows:

An issuer should establish a nomination committee to recommend director appointments to the board.

LGFA's process for director appointments to the board is governed by its Constitution, the process for which is outlined on page 48

An issuer should have a remuneration committee which operates under a written charter.

Director remuneration is determined by an Ordinary Resolution of shareholders and executive remuneration is determined by the board, the process for which is outlined on page 51

The following governance documents referred to in this section are available on the LGFA website: lgfa.co.nz/about-lgfa/governance:

- LGFA Constitution
- Shareholders Agreement
- Code of Ethics
- Board Charter
- Audit and Risk Committee Charter
- Internal Audit Charter
- Diversity Policy
- Remuneration Policy
- LGFA Foundation Polices

Principle 1 Code of ethical behaviour

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation

Code of Ethics

LGFA has adopted a formal Code of Ethics, incorporating its Conflicts of Interest and Code of Conduct policies, which sets out the standards and values that directors and employees are expected to follow.

Impartiality and transparency in governance and administration are essential to maintaining the integrity of LGFA. Accordingly, the Conflicts of Interest Policy provides guidance to directors and employees in relation to actual and potential conflicts of interest, including specific guidance on managing potential conflicts that may arise for non-independent directors. Directors and employees are expected to avoid all actions, relationships and other circumstances that may impact on their ability to exercise their professional duties.

The Code of Conduct Policy requires employees and directors to maintain high standards of integrity and conduct by clearly setting out

standards for expected behaviour. In addition, the policy sets out LGFA's commitment to employees to act in a fair and reasonable manner, while providing a fair and safe working environment.

Protected Disclosures and Whistle Blowing

The LGFA Protected Disclosures and Whistle Blowing Policy outlines procedure, support and protection to persons who disclose information which they reasonably believe to be about serious wrong-doing in or by LGFA.

Financial Products Trading Policy

The LGFA Financial Products Trading Policy, which applies to directors, employees and contractors, details the policy and rules for dealing in listed debt securities issued by LGFA and any other LGFA quoted financial products.

Principle 2 Board composition and performance

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

LGFA Board Charter

The LGFA Board Charter sets out the roles and responsibilities of the LGFA Board. The Charter states that role of the Board is to ensure that LGFA achieves its goals. Having regard to its role, the Board will direct, and supervise the management of the business and affairs of LGFA, including:

- ensuring that LGFA's goals are clearly established, and that strategies are in place for achieving them;
- establishing policies for strengthening LGFA's performance;
- ensuring strategies are in place for meeting expectations set out in the current Statement of Intent and monitoring performance against those expectations, in particular LGFA's primary objective of optimising the debt funding terms and conditions for participating local authorities;
- monitoring the performance of management;
- appointing the CEO, setting the terms of the CEO's employment contract and, where necessary, terminating the CEO's employment;

- deciding on whatever steps are necessary to protect LGFA's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- ensuring that LGFA's financial statements are true and fair and otherwise conform with law;
- ensuring that LGFA adheres to high standards of ethics and corporate behaviour; and
- ensuring that LGFA has appropriate risk management/regulatory compliance policies in place. In the normal course of events, day-to-day management of LGFA will be in the hands of management. The Board will satisfy itself that LGFA is achieving its goals, and engaging and communicating with Shareholders Council; and
- engaging and communicating with shareholders.

Board composition

The LGFA Board comprises five independent directors and one non-independent director. An independent director is a director who, within five years prior to appointment, was not an employee of any shareholder, employee of a council-controlled organisation owned by a shareholder, or a councillor of any local authority which is a shareholder.

The directors of LGFA as at 30 June 2021



Craig Stobo Independent Chair

BA (Hons) Economics First Class, Otago; C.F.Inst.D
Associate Member CFA Society New Zealand

Craig has worked as a diplomat, economist, investment banker and Chief Executive Officer of BT Funds Management (NZ) Limited. He has completed the Advanced Management Programme at Wharton Business School in Philadelphia, authored reports to the New Zealand Government on the Taxation of Investment Income (which led to the PIE regime), and the creation of New Zealand as a funds domicile. He currently chairs the listed companies Precinct Properties New Zealand Limited and AIG Insurance (NZ Board). He has directorship and private equity interests in financial services and other businesses.



John Avery Independent Director

LLB, C.F.Inst.D

John was Managing Partner, then Chairman of Hesketh Henry. He was a director of The Warehouse Group Limited, several start-up businesses, a number of CCOs, an industry cooperative 'ITM', Regional Facilities Auckland Limited and Spider Tracks Limited. He is currently a Trustee of the Royal New Zealand Ballet.



Philip Cory-Wright
Independent Director

LLB (Hons), BCA Business Management,
INFINZ (Cert), C.F.Inst.D

Philip is a solicitor of the High Court of New Zealand and Victoria. He has worked as a corporate finance adviser in New Zealand to the corporate sector on debt and equity matters for more than 30 years. He is currently a director of Powerco, Matariki Forests, South Port New Zealand and Papa Rererangi I Puketapu (New Plymouth Airport). Philip is also a strategic adviser to clients in the energy and infrastructure sectors. He was a member of the Local Government Infrastructure Expert Advisory Group tasked with advising the Minister of Local Government on improvements in local government infrastructure efficiency.



Mike Timmer
Non-Independent Director

CA, BBS, BAgSci, INFINZ (Cert), M.Inst.D

Non-Independent Director

CA, BBS, BAgSci, INFINZ (Cert), M.Inst.D

Mike has worked for Citibank in its financial market section and held accountancy and treasury roles in the health sector and at 30 June 2021 was Treasurer at the Greater Wellington Regional Council. He is an independent member Whanganui District Council Audit and Risk Committee and past Deputy Chair of the LGFA Shareholders Council.



Linda Robertson
Independent Director

B.Com, Dip Banking, INFINZ (Distinguished Fellow),
C.F.Inst.D, GAICD

Linda is professional company director with over 20 years governance experience, combined with 30 years senior financial management experience having worked in both the banking and energy sectors in New Zealand.

Linda holds a Bachelor of Commerce Degree and a Diploma in Banking. Linda is a Certified Treasury Professional, a Distinguished Fellow of the Institute of Finance Professionals New Zealand (INFINZ), a Graduate Member of the Australian Institute of Company Directors, a Certified Fellow of the Institute of Directors in New Zealand and a Fellow of Governance NZ.

Linda is currently chair of Crown Irrigation Investments, Central Lakes Trust and Central Otago District Council's Audit and Risk Committee. She is a director of Kiwi Wealth, Dunedin City Holdings and Alpine Energy. Linda is also a member of the Capital Markets Advisory Committee and the Risk and Audit Committee of The Treasury.



Anthony Quirk
Independent Director

BCA Hons (First Class), INFINZ (Fellow), M.Inst.D

Anthony is an experienced financial services sector professional with over thirty years executive experience in the sector. He has a varied portfolio of governance interests with an emphasis on areas that improve or contribute to communities. He is a Fellow of the Institute of Finance Professionals New Zealand (INFINZ) and is a former Chairman of that organisation. He was previously Chair of the Asset Management Advisory Board of the New Zealand Exchange, Deputy Chair and Board member of the New Zealand Society of Investment Analysts and a previous member of the Financial Reporting Standards Board of the New Zealand Society of Accountants.

Director

Craig Stobo (Chair)

Director

AIG Insurance NZ Limited
Appello Services Limited
Precinct Properties New Zealand Limited

Director/Shareholder

Biomarine Group Limited
Elevation Capital Management Limited
Legend Terrace Limited
Saturn Portfolio Management Limited
SouthWest Trustees Limited

Managing Director/Shareholder

Stobo Group Limited

John Avery

Trustee

Royal New Zealand Ballet

Philip Cory-Wright

Director

Matariki Forest Group Limited
Papa Rererangi i Puketapu (New Plymouth Airport)
(Chair)
Powerco Limited
South Port New Zealand Limited

Anthony Quirk

Non-Executive Director/Shareholder

Milford Asset Management Limited (and associated subsidiaries)

Chair

Humanitix, New Zealand
Milford Foundation

Directors did not hold any interests in debt securities (including listed bonds) in the company as at 30 June 2021.

Nomination of Directors

Director nominations can only be made by a shareholder by written notice to LGFA and the Shareholders' Council, with not more than three months, nor less than two months before a meeting of shareholders. All valid nominations are required to be sent by LGFA to all persons entitled to attend the meeting.

Linda Robertson

Chair

Central Lakes Trust and associated subsidiary
Central Otago District Council, Audit & Risk Committee
Crown Irrigation Investments Limited

Director

Alpine Energy Limited
Central Lakes Direct Limited
Dunedin City Holdings Limited
Dunedin City Treasury Limited
Dunedin Railways Limited
Dunedin Stadium Property Limited

Member

Office of the Auditor-General and Audit New Zealand, Audit and Risk Committee
The Treasury, Capital Markets Advisory Committee
The Treasury, Risk and Audit Committee

Mike Timmer

Member

Whanganui District Council Risk & Audit Committee

Staff

Mark Butcher

Chair

New Plymouth PIF Guardians Limited
Waikato-Tainui Group Investment Committee

Member

Guardians of New Zealand Superannuation, Nominating Committee

Neil Bain

Chair

Central Hawkes Bay District Council, Audit & Risk Committee

Retirement and re-election of Directors

Directors are appointed to the Board by an Ordinary Resolution of shareholders. At each Annual General Meeting, two directors must retire, but can offer themselves for re-election. The directors who retire each year are one each of the independent and non-independent, who have been longest in office since their last appointment or, if there are more than one of equal term, those determined by lot, unless the Board resolves otherwise.

Director tenure and meetings of the Board

Director	Date commenced in office	Board meetings held/attended	Audit and Risk Committee held/attended
Craig Stobo (Chair)	1 December 2011	7/7	N/A
John Avery	1 December 2011	7/7	N/A
Philip Cory-Wright	1 December 2011	7/7	4/4
Anthony Quirk	21 November 2017	7/7	4/4
Linda Robertson	24 November 2015	7/7	4/4
Mike Timmer	24 November 2015	7/7	4/4

Board performance review

The Board has an annual formal self-assessment to assess director, board and committee performance. In addition, Board performance is reviewed by external consultants on a periodic basis.

Director and staff capability

LGFA is committed to ongoing education and regularly invites directors and staff to attend relevant industry conferences and training events, as well as organising for industry experts to attend and present to directors at Board meetings.

Diversity

LGFA is committed to promoting a culture that supports both workplace diversity and inclusion within the organisation.

LGFA has formally adopted a Diversity Policy which applies to both LGFA employees and directors. Diversity and inclusiveness at LGFA involves recognising the value of individual differences and managing them in the workplace. Diversity in this context covers gender, age, ethnicity, cultural background, sexual orientation, religious belief, disability, education and family responsibilities.

Appointments to the LGFA Board are made in accordance with LGFA's Constitution and the Shareholders Agreement.

Gender diversity of directors



2021

Female 1, Male 5



2020

Female 1, Male 5

Gender diversity of employees



2021

Female 3, Male 6



2020

Female 2, Male 5

Indemnities and insurance

Under LGFA's constitution, LGFA indemnifies directors for potential liabilities and costs they may incur for acts of omission in their capacity as directors. LGFA has arranged directors' and officers' liability insurance covering directors and management acting on behalf of the company. Cover is for damages, judgements, fines, penalties, legal costs awarded and defence costs arising from wrongful acts committed while acting for LGFA. The types of acts that are not covered are dishonest, fraudulent, malicious acts, or omissions, wilful breach of statute or regulation, or duty to LGFA, improper use of information to the detriment of LGFA, or breach of professional duty.

Principle 3 Board committees

The Board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.

Audit and Risk Committee

The LGFA Audit and Risk Committee is a committee of the Board.

The Audit and Risk Committee is governed by its own Charter which states that the purpose of the Committee is to provide advice, assurance and observations to the Board relating to the effectiveness and adequacy of internal control and risk management systems, processes and activities across LGFA. The Committee assists the Board to fulfil its duties by considering, reviewing and monitoring:

- Risk management framework and processes;
- Internal control environment and mechanisms;
- Operations and effectiveness of the internal audit function;
- Preparation and audit of financial statements;
- Integrity of performance information, including financial reporting;

- Governance framework and process;
- Policies, processes and activities to ensure compliance with legislation, policies and procedures; and
- Statutory/regulatory disclosure and reporting and performance against Statement of Intent targets.

Audit and Risk Committee members are appointed by the Board. Membership comprises at least three directors, the majority of whom must be independent. The members of the Audit and Risk Committee as at the date of this Annual Report are:

- Linda Robertson (Chair)
- Philip Cory-Wright
- Anthony Quirk
- Mike Timmer

Principle 4 Reporting and disclosure

The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

The Board is committed to ensuring the highest standards are maintained in financial reporting and disclosure of all relevant information.

The Audit and Risk Committee has responsibility to provide assurance to the Board that due process has been followed in the preparation and audit of the financial statements and to ensure there are appropriate processes and activities to ensure compliance with relevant regulatory and statutory requirements.

LGFA has adopted a formal Continuous Disclosure Policy, the requirements of which ensure that LGFA

meets the continuous disclosure requirements of the NZX Listing Rules including the disclosure for material environmental, social and governance (ESG) factors.

The GRI sustainability reporting standards are the most widely adopted global standards for sustainability reporting and this year's annual report has been prepared to meet the requirements of the Global Reporting Initiative (GRI) Standards (core option).

Principle 5 Remuneration

The remuneration of directors and executives should be transparent, fair and reasonable.

The remuneration of the Board reflects LGFA's size and complexity and the responsibilities, skills, performance and experience of the directors. A specialist independent adviser is used periodically to ensure the remuneration is appropriate.

Board remuneration is determined by an Ordinary Resolution of shareholders. The current board remuneration was approved by shareholder resolution at the Annual General Meeting on 21 November 2019.

Director annual fee breakdown

Position	Fees per annum	2021	2020
Board Chair		\$102,000	\$102,000
Audit and Risk Committee Chair		\$63,000	\$63,000
Director / ARC Member		\$59,000	\$59,000
Director		\$57,000	\$57,000

Director	2021
Craig Stobo	\$102,000
John Avery	\$57,000
Philip Cory-Wright	\$59,000
Anthony Quirk	\$59,000
Linda Robertson	\$63,000
Mike Timmer	\$59,000
Total	399,000

The remuneration of the CEO is determined by the Board and is reviewed annually taking into consideration the scope and complexity of the position with reference to the remuneration of CEOs of similar organisations. A specialist independent adviser is used periodically to ensure the remuneration is appropriate.

The CEO remuneration package comprises a fixed cash component of \$556,200 per annum as at 30 June 2021 (\$530,000, 2020) and an at-risk short-term incentive of the fixed cash component. The short-term incentive payment is made annually at the Board's discretion subject to the CEO and LGFA meeting a range of specific performance objectives for the respective financial year.

Chief Executive remuneration

Per annum	2021	2020
Salary	\$556,200	\$530,000
Taxable benefits	-	-
Subtotal	\$556,200	\$530,000
Pay for Performance STI	\$83,430	\$79,500
Kiwisaver Employer Contribution	\$25,400	\$24,000
Total remuneration	\$665,030	\$609,500

Staff remuneration

Total remuneration	2021
\$150,000 to \$159,999	1
\$190,000 to \$199,999	1
\$210,000 to \$219,999	1
\$320,000 to \$329,999	1
\$330,000 to \$339,999	1
\$660,000 to \$669,999	1
Total staff receiving \$100,000 or more	6

Principle 6 Risk management

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

LGFA continually reviews its core business risks. This review process includes the identification and assessment of core business risks which are ranked using predetermined criteria for both the likelihood and potential impact of each risk. LGFA maintains a company-wide risk register which records all identified risks, potential impacts and the controls and mitigation strategies used to manage the risks.

The Audit and Risk Committee assists the Board by considering, reviewing and monitoring LGFA's risk management framework and processes, and the internal control environment and mechanisms.

A detailed description of LGFA's risk management processes, including managing treasury exposures, is detailed in the Managing Risk section of this report.

Internal audit

LGFA has an internal audit function to provide assurance that its risk management, governance and internal controls are operating effectively.

The Audit and Risk Committee has responsibility for oversight of the internal audit function, including:

- Reviewing the Internal Audit Charter, the operations of the internal audit and organisational structure of the internal audit function;
- Approving the annual audit plan;
- Reviewing the effectiveness of the internal audit function; and
- Meeting separately with the internal auditor to discuss any matters that the Audit and Risk Committee or Internal Audit considers should be discussed privately.

Health and safety

LGFA is committed to a safe and healthy work environment and has adopted a Health and Safety Policy that clearly sets out the duty of directors and staff under the Health and Safety at Work Act 2015. A staff health and safety committee has been established with responsibility to continuously review health and safety issues and ongoing compliance with the Act, with reporting to the Board on health and safety issues at each Board meeting.

Principle 7 Auditors

The Board should ensure the quality and independence of the external audit process.

External audit

The external audit of LGFA is conducted in accordance with Section 14 of the Public Audit Act 2001, including the appointment of the external auditors of LGFA by the Auditor-General.

The Audit and Risk Committee has responsibility for all processes relating to the audit of financial

statements, including the setting of audit fees and ensuring the independence and objectivity of the auditors.

The external audit of LGFA is conducted in accordance with a formal external audit plan which is reviewed and approved by the Audit and Risk Committee on an annual basis. The external auditor attends LGFA's Annual General Meeting.

Principle 8 Shareholder rights and relations

The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

LGFA has 31 shareholders, comprising the New Zealand Government (20%) and the following 30 councils:

Auckland Council
Bay of Plenty Regional Council
Christchurch City Council
Gisborne District Council
Greater Wellington Regional Council
Hamilton City Council
Hastings District Council
Hauraki District Council
Horowhenua District Council
Hutt City Council
Kapiti Coast District Council
Manawatu District Council
Marlborough District Council
Masterton District Council
New Plymouth District Council
Otorohanga District Council
Palmerston North City Council
Selwyn District Council
South Taranaki District Council
Tasman District Council
Taupo District Council
Tauranga City Council
Thames-Coromandel District Council
Waimakariri District Council
Waipa District Council
Wellington City Council
Western Bay of Plenty District Council
Whakatane District Council
Whanganui District Council
Whangarei District Council.

Foundation documents

The LGFA Constitution and the Shareholders Agreement are foundation documents.

The Constitution defines the rights and the exercise of powers of shareholders, the acquisition and redemption of company shares, proceedings

of shareholder meetings, voting at meetings and the right to demand polls, shareholder proposals and review of management.

The Shareholders Agreement is an agreement between LGFA and its shareholders which clearly defines LGFA's business, its objectives, the role of the Board, the establishment of the Shareholders Council and the approval rights of the shareholders.

LGFA Shareholders Council

The LGFA Shareholders Council comprises five to ten appointees from the Council Shareholders and the New Zealand Government. The role of the Shareholders Council comprises the following:

- Review and report performance of LGFA and the Board;
- Recommendations to shareholders as to the appointment, removal, replacement and remuneration of directors;
- Recommendations to shareholders as to any changes to policies, or the Statement of Intent (SOI), requiring their approval;
- Update shareholders on LGFA matters and to coordinate shareholders on governance decisions.

Members of the Shareholders Council as at 30 June 2021

- Alan Adcock, Whangarei District Council, Chair
- John Bishop, Auckland Council, Deputy Chair
- Mohan de Mel, Tauranga City Council
- David Bryant, Hamilton City Council
- Kumaren Perumal, Western Bay of Plenty District Council
- Debbie Hyland, Bay of Plenty Regional Council
- Martin Read, Wellington City Council
- Mike Drummond, Tasman District Council
- Miles McConway, Christchurch City Council
- Richard Hardie/Oliver Martin, New Zealand Government

Managing risk

Ko te whakahaere tūraru

An effective risk management framework is a critical component of LGFA's business structure for managing the company's exposure to business and treasury risks arising from its business operations of raising and on-lending funds to local councils.

The objective of LGFA's risk management function is to ensure that effective controls and frameworks are implemented to manage risks effectively and in compliance with LGFA's governance and legislative requirements. The risk management function ensures that LGFA can achieve its objectives, as set out in the Statement of Intent, within the risk appetite of the company's shareholders and Board.

The objective of LGFA's risk management framework is to ensure that the organisation operates within shareholder and Board-approved risk limits. LGFA's approach to risk management is based on the following core elements:

- The LGFA Board oversees the risk appetite of the organisation and ensures that it is consistent with the constitution and shareholders agreement.
- The risk appetite is reflected in policies approved by the Board and Audit and Risk Committee.

- LGFA management implements policies and controls to ensure that all relevant risks are identified, monitored, measured and managed effectively.
- The Internal Audit (IA) and risk and compliance function provide assurance to both the Board and the Audit and Risk Committee on the performance of internal controls and risk management systems.

LGFA adopts the three lines of defence model to ensure that essential risk management functions adopt a systematic approach that reflects industry best practice:

- The first line of defence establishes risk ownership within the company and is represented by its operational risk and control processes. LGFA managers are responsible for identifying controls, maintaining effective controls and mitigating risks.
- The second line of defence ensures that the operational risk and control processes are actively and appropriately managed by processes such as the regular review of risk reports and compliance monitoring against the risk management framework.
- The third line of defence is the independent assurance provided by both the internal and external audit functions which review and highlight control weaknesses and inefficiencies to management and the Board.

LGFA risk register

The LGFA risk register is a key component of the company's risk management framework.

The key objective of the LGFA risk register is to ensure that the company assesses the inherent risks faced by the business on an ongoing basis.

The risk register

- Identifies the inherent risks that LGFA is exposed to when conducting its core business activities;
- Assesses the likelihood and potential impact of the inherent risks on the business;
- Describes the internal control framework and management processes for managing and mitigating the identified inherent risks;
- Provides commentary on internal audit coverage of the identified inherent risks; and
- Provides an overall inherent and residual risk assessment and compares these to approved risk appetite settings.

The risk register is reviewed monthly by management and at each meeting of the Audit and Risk Committee.

Treasury risk management

LGFA funds itself through domestic and international wholesale and retail debt capital markets, with the funds raised on-lent to member councils. LGFA activities are governed by the Local Government Borrowing Act 2011, the Local Government Act 2002, and the Companies Act 1993. In addition, the company is required to comply with Foundation Policies outlined in the Shareholders Agreement. Any change to the Foundation Policies require shareholders consent.

LGFA's risk management uses an approved risk identification and assessment framework to actively monitor and manage all treasury and financial risks by applying best practice risk management principles, processes and practices.

LGFA has treasury exposures arising from its normal business activities that principally relate to the raising and on-lending of funds. LGFA manages treasury exposures under a Board-approved Treasury Policy, the objectives for which are to:

- Effectively manage treasury risks, within approved compliance limits, to protect LGFA's capital position and Net Interest Margin over time.
- Fund member councils in the most cost-effective manner and in accordance with LGFA's operating principles, values and objectives.
- Protect LGFA's assets and prevent unauthorised transactions.

- Promote professional expertise of financial and management control to all external parties.
- Minimise operational risk by maintaining adequate internal controls, systems and staffing competencies.
- Provide timely reporting to the Board with meaningful and accurate reporting of interest rate exposures, liquidity, asset and liability maturity, funding, counterparty credit, performance and policy compliance.

Specific treasury exposures relate to liquidity, interest rate/market risk, foreign exchange, counterparty credit, operational and lending risks.

Liquidity risk

Liquidity risk is the potential inability to meet financial obligations when they become due, under normal or abnormal/stressed operating conditions.

Liquidity risk is managed using a forecast cashflow approach measured over 30-day, 90-day and one-year periods. LGFA is required to maintain sufficient liquidity (comprising a government standby facility, and holdings of cash and liquid investments) to support 12 months operating and funding commitments.

Interest rate risk / market risk

Interest rate risk is the risk that financial assets may re-price/mature at a different time and/or by a different amount than financial liabilities.

Interest rate / market risk is managed using Value at Risk (VaR) and Partial Differential Hedge (PDH) limits to mitigate the potential change in value of the balance sheet due to changes in interest rates.

- **Value at Risk** calculates the potential amount a portfolio could be expected to lose, 5% of the time, over a given time period. It is calculated using historical changes in underlying risk variables and applying those changes to the current portfolio.

VaR is measured over a daily time horizon with a 95% confidence interval. A daily 95% VaR exposure of \$1 million means that there is a 5% chance that the portfolio could potentially lose more than \$1 million over the next business day.

- **Partial Differential Hedge** measures the sensitivity of a portfolio to a one basis point change in underlying interest rates. For example, a PDH of NZD\$100,000 means that the portfolio value will increase by NZD\$100,000 for a one basis point fall in interest rates.

In addition, LGFA also undertakes scenario analysis to model the potential effect of changing market environments on the balance sheet.

Counterparty credit risk

Counterparty credit risk is the risk of financial loss arising from a counterparty defaulting on an investment, security and/or financial instrument where LGFA is a holder or party.

Counterparty credit risk is managed through counterparty limits for investments. These limits are determined as a function of the term of investment, liquidity and credit quality of the counterparty (as measured by a recognised credit rating).

Counterparty risk on derivative contracts is mitigated by transacting all derivative trades through the Treasury (New Zealand Debt Management) as the counterparty.

Investment is restricted to approved financial instruments listed in the Treasury Policy.

Foreign currency risk

Foreign currency risk is the risk of an adverse change in the fair value of a financial instrument due to a change in foreign exchange rates.

Exposure to foreign currency risk could exist if LGFA accesses foreign capital markets for funding purposes. To date, all funding has been sourced through the New Zealand domestic currency.

Foreign exchange risk would be managed through a requirement to fully hedge back to floating rate New Zealand dollar the full amount and term of all foreign currency funding and cash flows.

Operational risk

Operational risk, with respect to treasury management, is the risk of financial and/or reputation loss arising from human error, fraud, negligent behaviour, system failures and inadequate procedures and controls.

Operational risk is managed using internal controls and procedures across operational functions. Segregation of duties between staff members who have the authority to enter transactions with external counterparties and the staff who control, check and confirm such transactions is a cornerstone internal control principle.

Financial instruments are not entered into if the systems, operations and internal controls do not satisfactorily support the measurement, management and reporting of the risks associated with the instrument.

Lending risk

Lending risk is the risk of financial loss that could occur from lending funds to councils or council-controlled organisations.

LGFA provides debt funding to New Zealand local government councils and council-controlled organisations, subject to board approval.

The LGFA Board have ultimate discretion on approving member councils or Council controlled organisations which LGFA can then lend to.

All member councils and council controlled organisations that borrow from LGFA:

- Provide debenture security in relation to their borrowing from LGFA and related obligations, and (if relevant), equity commitment liabilities to LGFA and (if relevant) guarantee liabilities to a security trustee approved for LGFA's creditors.

Where LGFA is the only lender to a council-controlled organisation, a general security arrangement (GSA) might be used in place of a debenture security.

- Are required to become a party to a deed of guarantee and an equity commitment deed if the principal amount of their borrowings is at any time equal to, or greater than, NZD 20 million.
- Issue securities (bonds/floating rate notes/commercial paper) to LGFA (ie. not enter into facility arrangements).
- Comply with their own internal borrowing policies.
- Comply with the financial covenants outlined in the table below, provided that:
 - Unrated borrowers or borrowers with a long-term credit rating lower than 'A' equivalent can have bespoke financial covenants that exceed the:
 - Lending policy covenants outlined in the following table only with the approval of the Board;
 - Foundation policy covenants outlined in the following table only with the approval of an Ordinary Resolution of shareholders.
- Borrowers with a long-term credit rating of 'A' equivalent or higher can have bespoke financial covenants that exceed the foundation policy covenants only with the approval of an Ordinary Resolution of shareholders.
- Any Board or Ordinary Resolution approval of bespoke financial covenants will only be provided after a robust credit analysis and any approval must also include bespoke reporting and monitoring arrangements.
- Non-compliance with the financial covenants will either preclude a member council from borrowing from the LGFA or, in the case of existing council borrowers, trigger an event of review. An event of default will occur when (among other things) a council fails to meet an interest or principal payment (subject to grace periods). An event of default will enable the LGFA to accelerate a council's repayment of loans.
- Financial covenants are measured on a parent council only basis, not consolidated group, unless requested by a parent council and approved by the LGFA Board.

Financial covenant	Lending policy covenants Unrated councils	Foundation policy covenants Rated councils
Net debt/ total revenue	<175%	<280%
Net interest / total revenue	<20%	<20%
Net interest/ annual rates income	<25%	<30%
Liquidity	>110%	>110%

On 30 June 2020, a Special General Meeting of Shareholders approved a change to the Net Debt/ Total Revenue covenant contained within the Foundation Policy Covenants. For the financial year ending June 2020 a covenant limit of 250% applied. This increases to 300% for the June 2021 and June 2022 years and then reduces by 5% for each of the subsequent years until 280% applies from the June 2026 year.

- *Net debt* is defined as total consolidated debt less liquid financial assets and investments.
- *Total revenue* is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions, eg. developer contributions and vested assets.
- *Net interest* is defined as the amount equal to all interest and financing costs less interest income for the relevant period.
- *Annual rates income* is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local governments for services provided and for which the other local governments rate.
- *Liquidity* is defined as external debt plus committed loan facilities plus liquid investments divided by external debt.

Financial statements

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Statement of comprehensive income

For the year ended ended 30 June 2021 in \$000s

	Note	2021	2020
Interest income		377,222	370,220
Interest expense		357,685	351,941
Net interest income	4	19,537	18,279
Other operating income	5	184	-
Total operating income		19,721	18,279
Operating expenses	6	7,714	7,657
Net operating profit		12,007	10,623
Total comprehensive income		12,007	10,623

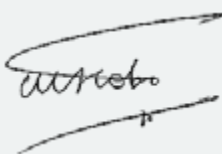
Statement of changes in equity

For the year ended 30 June 2021 in \$000s

	Note	Share capital	Retained earnings	Total equity
Equity as at 30 June 2019		25,000	49,149	74,149
Net operating profit			10,623	10,623
Total comprehensive income for the year			10,623	10,623
Dividend paid on 6 September 2019			(1,155)	(1,155)
Equity as at 30 June 2020		25,000	58,616	83,616
Net operating profit			12,007	12,007
Total comprehensive income for the year			12,007	12,007
Dividend paid on 4 September 2020			(879)	(879)
Equity as at 30 June 2021	28	25,000	69,744	94,744

These statements are to be read in conjunction with the notes to the financial statements.

The Board of Directors of the New Zealand Local Government Funding Agency Limited authorised these statements or issue on 30 August 2021.



Craig Stobo, Director
Board Chair



Linda Robertson, Director
Chair, Audit and Risk Committee

Statement of financial position

As at 30 June 2021 in \$000s

	Note	2021	2020
Assets			
Financial assets			
Receivables	11	43,587	-
Cash and bank balances		391,835	165,826
Marketable securities		768,453	589,124
Deposits		654,961	499,824
Derivatives in gain	10	559,635	1,018,775
Loans	12	12,065,668	10,899,756
Non-financial assets			
Prepayments		683	642
Other assets	13	345	419
Total assets		14,485,167	13,174,365
Equity			
Share capital	27	25,000	25,000
Retained earnings		69,744	58,616
Total equity		94,744	83,616
Liabilities			
Financial liabilities			
Payables and provisions	14	40,900	705
Bills	15	609,624	647,021
Bond repurchases	16	110,220	202,755
Derivatives in loss	10	187,098	19,075
Bonds	17	13,217,759	12,038,468
Borrower notes	18	224,281	182,272
Non-financial liabilities			
Other liabilities	19	539	453
Total liabilities		14,390,422	13,090,748
Total equity and liabilities		14,485,167	13,174,365

Statement of cash flows

For the year ended 30 June 2021 in \$000s

	Note	2021	2020
Cash Flow from Operating Activities			
Cash applied to loans	12	(1,127,002)	(1,556,491)
Interest paid on bonds issued		(437,257)	(381,666)
Interest paid on bills issued		(2,100)	(6,609)
Interest paid on borrower notes		(3,918)	(745)
Interest paid on bond repurchases		(674)	(333)
Interest received from loans		153,340	223,829
Interest received from cash & cash equivalents		909	372
Interest received from marketable securities		12,059	6,729
Interest received from deposits		6,555	5,713
Net interest on derivatives		288,127	171,367
Cash proceeds from provision of standby facilities		184	
Payments to suppliers and employees		(7,470)	(7,452)
Net cash flow from operating activities	31	(1,117,249)	(1,545,287)
Cashflow from Investing Activities			
Purchase of marketable securities		(194,125)	(335,676)
Purchase of deposits		(155,612)	(362,980)
Net Cashflow from Investing Activities		(349,737)	(698,656)
Cashflow from Financing Activities			
Cash proceeds from bonds issued	17	1,951,673	2,146,925
Cash proceeds from bills issued		(37,397)	143,773
Cash proceeds from bond repurchases		(134,838)	177,874
Cash proceeds from borrower notes		42,760	(24,066)
Dividends paid		(878)	(1,155)
Cash applied to derivatives		(128,326)	(89,782)
Net Cashflow from Financing Activities		1,692,994	2,353,570
Net (Decrease) / Increase in Cash		226,009	109,627
Cash, Cash Equivalents and Bank overdraft at beginning of year		165,826	56,198
Cash, Cash Equivalents and Bank overdraft at end of year		391,835	165,826

Notes to the financial statements

1. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating borrowers.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

The financial statements are as at and for the year ended 30 June 2021.

These financial statements were authorised for issue by the Directors on 30 August 2021.

2. Statement of compliance

LGFA is an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). These financial statements have been prepared in accordance with that Act and the Financial Reporting Act 2013. LGFA's bonds are quoted on the NZX Debt Market.

LGFA is a profit orientated entity as defined under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IFRS and other applicable Financial Reporting Standard, as appropriate for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

3. Basis of preparation

Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

Changes in accounting policies

LGFA does not consider any standards or interpretations on issue but not yet effective to have a significant impact on its financial statements.

Financial instruments

Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand; cash in transit and bank accounts and deposits with an original maturity of no more than three months.

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

Other assets

Property, plant and equipment

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

Intangible assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

Other liabilities

Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate

to the principal outstanding to determine interest income each period.

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented 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 IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Segment reporting

LGFA operates in one segment being funding of participating borrowers in New Zealand.

Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts. For example, the fair value of financial instruments depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate.

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 and these estimates and underlying assumptions are reviewed on an ongoing basis. Where these judgements significantly affect the amounts recognised in the financial statements they are described in the following notes.

The financial statements as at 30 June 2021 include estimates and judgements of the potential impact of COVID-19 and the Three

Waters Reform Programme on LGFA's financial position and performance. Whilst there has been no material impact on the estimates and judgements at the date these financial statements are authorised, it is noted that there is significant uncertainty with regards to the medium and long-term effects of COVID-19, as well as the outcome of Three Waters Reform Programme on the local government sector.

Revenue and expenditure

4. Net interest income

For the year ended ended 30 June in \$000s	2021	2020
Interest income		
Cash and cash equivalents	922	394
Marketable securities	4,181	4,462
Deposits	6,080	6,341
Derivatives	212,759	152,621
Loans	153,280	206,402
Fair value hedge ineffectiveness	-	-
Total interest income	377,222	370,220
Interest expense		
Bills	2,100	6,632
Bond repurchase transactions	398	590
Lease liability	13	22
Bonds	353,005	341,783
Borrower notes	2,168	2,914
Total interest expense	357,685	351,941
Net interest income	19,537	18,279

5. Other operating income

As at 30 June 2021, LGFA had committed to provide credit standby facilities totalling \$515 million to selected councils. As at balance date, there were no drawdowns outstanding under the facilities.

For the year ended 30 June in \$000s	2021	2020
Standby facilities fee income	184	-
Total other operating income	184	-

6. Operating expenses

For the year ended 30 June in \$000s	2021	2020
Issuance and on-lending expenses		
Approved issuer levy ¹	1,055	1,396
Rating agency fees	633	609
NZDM facility fee	567	650
Legal fees - issuance	477	499
NZX	637	559
Trustee fees	100	100
Regulatory, registry, other fees	207	157
	3,676	3,971
Other operating expenses		
Information technology	725	689
Consultants	152	127
Directors fees	399	399
Insurance	85	78
Legal fees	185	139
Other expenses	355	354
Auditors' remuneration		
Statutory audit	108	103
Advisory services	-	-
Personnel	2,030	1,798
	4,038	3,685
Total operating expenses	7,714	7,656

1. The amount of Approved Issuer Levy is a function of the number of the offshore holders of certain LGFA bond maturities.

Financial instruments

7. Financial instruments accounting policy

Financial instruments are recognised in the statement of financial position at amortised cost.

Fair values of financial instruments not recognised in the statement of financial position at fair value are determined for note disclosure as follows:

Cash and bank, trade and other receivables, trade and other payables

The carrying value of cash and bank, trade and other receivables, trade and other payables approximate their fair value as they are short-term instruments.

Marketable securities and bonds

The fair value of bonds and marketable securities are determined using the quoted price for the instrument.

Deposits

The fair value for deposits is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on current market interest rates.

Loans

The fair value of loans is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on LGFA bond yields at the reporting date plus an appropriate credit spread to reflect the counterparty's credit risk.

Leases

The lease liability is recognised at the present value of the remaining lease payments, discounted using LGFA's incremental borrowing rate, with the corresponding right-of-use asset recognised as an equal amount.

Borrower notes

The fair value of borrower notes is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on LGFA bond yields at the reporting date.

Fair value of financial assets and financial liabilities

The following table shows the fair value of financial assets and financial liabilities, together with the carrying amounts shown in the statement of financial position.

As at 30 June 2021 in \$000s	Financial liabilities at amortised cost	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZ IFRS 9	Fair value
Financial assets				
Cash and bank balances	-	391,835	-	391,835
Trade and other receivables	-	43,587	-	43,587
Marketable securities	-	768,453	-	777,789
Deposits	-	654,961	-	655,891
Derivatives	-	-	559,635	559,635
Loans	-	12,065,668	-	12,427,742
	-	13,924,504	559,635	14,856,478
Financial liabilities				
Payables and provisions	40,900	-	-	40,900
Bills	609,624	-	-	609,632
Bond repurchases	110,220	-	-	110,220
Derivatives	-	-	187,098	187,098
Bonds	13,217,759	-	-	13,469,218
Borrower notes	224,281	-	-	227,336
	14,202,785	-	187,098	14,644,404

As at 30 June 2020 in \$000s	Financial liabilities at amortised cost	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZ IFRS 9	Fair value
Financial assets				
Cash and bank balances	-	165,826	-	165,826
Trade and other receivables	-	-	-	-
Marketable securities	-	589,124	-	591,617
Deposits	-	499,824	-	501,625
Derivatives	-	-	1,018,775	1,018,775
Loans to local government	-	10,899,756	-	12,713,917
	-	12,154,529	1,018,775	14,991,758
Financial liabilities				
Payables and provisions	705	-	-	705
Bills	647,021	-	-	647,235
Bond repurchases	202,755	-	-	202,879
Derivatives	-	-	19,075	19,075
Bonds	12,038,468	-	-	12,196,826
Borrower notes	182,272	-	-	186,725
	13,071,221	-	19,075	13,253,445

8. Derivative financial instruments

Derivative financial instruments are the only instruments recognised in the statement of financial position at fair value.

Derivative financial instruments are valued under level 2 of the following hierarchy.

Level 1 – Quoted market prices: Fair value based on quoted prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques using observable market inputs: Fair value based on a valuation technique using other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – Valuation techniques using significant non-observable market inputs: Fair value based on a valuation technique using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of derivative financial instruments is determined using a discounted cash flow analysis. Interest rates represent the most significant assumption used in valuing derivative financial instruments. The interest rates used to discount estimated cash flows are based on the New Zealand dollar swap curves at the reporting date.

9. Hedge accounting

LGFA is exposed to interest rate risk from fixed rate borrowing and variable rate lending to councils. LGFA uses interest rate swaps to manage this interest rate risk. For hedge accounting purposes, LGFA has designated these swaps in fair value relationships to its fixed rate borrowings, loans and marketable securities.

The following table shows the gain or loss on the hedging instrument and the hedged item attributable to the hedged risk for fair value hedge relationships.

As at 30 June in \$000s	2021 Gain/(loss)	2020 Gain/(loss)
Hedging instruments – interest rate swaps	(680,122)	319,032
Hedged items attributable to the hedged risk	680,122	(319,032)
Ineffectiveness recognised in profit or loss from fair value hedges	-	-

The gains or losses on the hedging instrument (interest rate swaps) and the hedged item (bonds, loans or marketable securities) are mapped to the same fair value account. For this reason, the statement of comprehensive income will only report any ineffectiveness arising from the fair value hedge.

10. Offsetting

NZ IAS 32: Financial Instruments Presentation allows financial assets and liabilities to be offset only when there is a current legally enforceable right to set off the amounts and there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

LGFA does not offset any amounts.

The following table shows the amounts subject to an enforceable master netting arrangement or similar agreement that are not offset in the statement of financial position.

As at 30 June 2021 in \$000s	Derivative assets	Derivative liabilities
Gross amounts	559,635	187,098
Amounts offset	-	-
Carrying amounts	559,635	187,098
Amounts that don't qualify for offsetting	-	-
Financial assets & liabilities	(187,098)	(187,098)
Collateral	-	-
Net amount	372,536	-

As at 30 June 2020 in \$000s	Derivative assets	Derivative liabilities
Gross amounts	1,018,775	19,075
Amounts offset	-	-
Carrying amounts	1,018,775	19,075
Amounts that don't qualify for offsetting	-	-
Financial assets & liabilities	(19,075)	(19,075)
Collateral	-	-
Net amount	999,700	-

11. Receivables

As at 30 June in \$000s	2021	2020
Unsettled bond repurchases	42,578	-
Unsettled borrower notes	1,000	-
Trade debtors	9	-
Total receivables	43,587	-

12 Loans

As at 30 June in \$000s	2021		2020	
	Short-term loans	Loans	Short-term loans	Loans
Ashburton District Council	10,011	60,723	10,001	32,279
Auckland Council	-	3,303,915	-	2,766,155
Bay of Plenty Regional Council	25,428	155,995	-	192,077
Buller District Council	-	20,005	-	20,005
Canterbury Regional Council	4,003	59,133	6,002	48,129
Central Hawkes Bay District Council	-	20,107	-	20,107
Christchurch City Council	14,533	1,951,017	25,094	1,904,271
Clutha District Council	2,004	16,042	2,003	7,030
Far North District Council	-	51,702	10,001	46,686
Gisborne District Council	-	68,774	-	58,754
Gore District Council	6,011	26,563	6,004	16,538
Greater Wellington Regional Council	-	450,945	-	425,877
Grey District Council	3,995	21,642	3,967	15,196
Hamilton City Council	-	481,019	-	481,064
Hastings District Council	-	205,357	-	150,335
Hauraki District Council	-	44,101	-	44,102
Hawkes Bay Regional Council	-	18,868	-	2,507
Horizons Regional Council	11,991	37,194	6,987	37,199
Horowhenua District Council	16,000	92,178	16,003	90,618
Hurunui District Council	8,002	30,062	8,005	30,065
Hutt City Council	-	201,225	-	216,523
Invercargill City Council	-	68,666	25,013	65,165
Kaikoura District Council	-	5,014	4,007	3,008
Kaipara District Council	-	44,088	-	44,089
Kapiti Coast District Council	-	230,366	-	210,353
Manawatu District Council	11,522	72,681	11,519	65,669
Marlborough District Council	30,226	73,136	27,224	73,157
Masterton District Council	-	48,609	-	51,215
Matamata-Piako District Council	-	26,567	-	26,561
Nelson City Council	-	90,146	-	75,118
New Plymouth District Council	-	169,999	-	139,939
Northland Regional Council	-	14,147	-	9,729
Opotiki District Council	-	8,600	-	8,620
Otorohanga District Council	-	-	-	3,035

12 Loans (cont)

As at 30 June in \$000s	2021		2020	
	Short-term loans	Loans	Short-term loans	Loans
Palmerston North City Council	-	152,314	-	137,267
Porirua City Council	-	141,794	-	131,787
Queenstown Lakes District Council	25,030	130,333	20,027	95,525
Rangitikei District Council	-	3,020	-	3,020
Rotorua District Council	12,823	215,034	22,855	195,105
Ruapehu District Council	8,005	21,474	8,005	17,061
Selwyn District Council	-	60,129	-	35,092
South Taranaki District Council	-	95,210	-	101,232
South Waikato District Council	8,987	15,030	-	-
South Wairarapa District Council	-	24,520	-	22,018
Stratford District Council	-	22,271	-	15,571
Taranaki Regional Council	4,999	-	3,992	-
Tararua District Council	-	44,100	2,006	33,080
Tasman District Council	27,037	152,035	31,143	177,039
Taupo District Council	-	125,177	-	115,177
Tauranga City Council	-	516,688	-	526,768
Thames-Coromandel District Council	-	61,145	-	61,147
Timaru District Council	22,529	117,181	22,577	67,203
Upper Hutt City Council	-	65,153	2,993	46,108
Waikato District Council	-	80,189	-	95,222
Waikato Regional Council	-	32,082	-	32,085
Waimakariri District Council	-	170,506	-	160,550
Waipa District Council	8,000	90,123	13,503	40,053
Wairoa District Council	-	8,041	-	9,045
Waitaki District Council	2,498	12,523	-	-
Waitomo District Council	4,003	30,045	7,022	30,044
Wellington City Council	-	792,505	-	635,684
West Coast Regional Council	2,001	6,610	2,001	6,610
Western Bay Of Plenty District Council	-	70,154	-	90,212
Westland District Council	-	21,858	-	19,652
Whakatane District Council	-	77,203	-	67,178
Whanganui District Council	7,507	94,289	7,510	94,290
Whangarei District Council	9,993	162,296	9,992	142,301
Fair value hedge adjustment	-	(1,091)	-	-
	287,140	11,778,528	315,456	10,584,299

13. Other assets

As at 30 June in \$000s	2021	2020
Intangible assets ¹	154	306
Right-of-use lease asset	190	113
Total other assets	345	419

1. Intangible assets comprise acquired and internally developed software costs incurred on the implementation of LGFA's treasury management system.

14 Payables and provisions

As at 30 June in \$000s	2021	2020
Unsettled loans	40,000	-
Trade creditors	658	561
Credit provision	193	132
Other provisions	49	13
Total payables and provisions	40,900	705

15. Bills

As at 30 June 2021 in \$000's	Face value	Unamortised premium	Accrued interest	Total
7 July 2021	20,000	(1)	-	19,999
15 July 2021	110,000	(13)	-	109,987
5 August 2021	25,000	(8)	-	24,992
11 August 2021	80,000	(29)	-	79,971
10 September 2021	75,000	(46)	-	74,954
17 September 2021	150,000	(95)	-	149,905
6 October 2021	20,000	(20)	-	19,980
14 October 2021	55,000	(57)	-	54,943
10 November 2021	50,000	(73)	-	49,927
8 December 2021	25,000	(34)	-	24,966
	610,000	(376)	-	609,624

As at 30 June 2020 in \$000's	Face value	Unamortised premium	Accrued interest	Total
8 July 2020	110,000	(21)	-	109,979
17 July 2020	58,500	(31)	-	58,469
22 July 2020	12,000	(9)	-	11,991
6 August 2020	225,000	(102)	-	224,898
12 August 2020	75,000	(79)	-	74,921
9 September 2020	50,000	(59)	-	49,941
7 October 2020	17,000	(36)	-	16,964
11 November 2020	50,000	(63)	-	49,937
9 December 2020	25,000	(37)	-	24,963
15 December 2020	25,000	(43)	-	24,957
	647,500	(479)	-	647,021

16. Treasury stock and bond repurchases

Periodically, LGFA subscribes for LGFA bonds as part of its tender process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position. As at 30 June 2021, \$1,000 million of LGFA bonds had been subscribed as treasury stock.

LGFA makes these treasury stock bonds available to banks authorised as its tender counterparties to borrow under short-term repurchase transactions. The objective of the bond lending facility is to assist with improving secondary market liquidity in LGFA bonds. Bonds lent to counterparties are disclosed as a separate stock lending liability on the face of the statement of financial position.

As at 30 June 2021, bond repurchase transactions comprised:

As at 30 June in \$000s	2021	2020
15 May 2021	-	25,970
14 April 2022	-	25,196
15 April 2023	32,887	27,670
15 April 2024	-	25,139
15 April 2025	-	22,135
15 April 2026	-	-
15 April 2027	-	31,145
20 April 2029	33,810	22,899
14 April 2033	38,957	22,600
15 April 2037	4,566	-
	110,220	202,755

17. Bonds

Bonds on issue do not include \$1,000 million face value of issued LGFA bonds subscribed by LGFA and held as treasury stock. Refer Note 16: Treasury stock and bond repurchase transactions.

As at 30 June 2021 in \$000's	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
Fixed interest bonds					
14 April 2022	1,605,000	15,527	9,406		
15 April 2023	1,660,000	46,296	19,208		
15 April 2024	1,528,000	17,466	7,233		
15 April 2025	1,469,000	(20,190)	8,499		
15 April 2026	1,240,000	6,911	3,913		
15 April 2027	1,486,000	82,140	14,068		
20 April 2029	1,172,000	(10,512)	3,458		
15 May 2031	650,000	(4,966)	1,868		
14 April 2033	1,170,000	37,817	8,727		
15 April 2037	700,000	(8,443)	2,945		
Total fixed interest	12,680,000	162,045	79,326	166,138	13,087,509
Floating rate notes					
14 October 2022	130,000	(33)	283	-	130,250
Total	12,810,000	162,012	79,610	166,138	13,217,759

As at 30 June 2020 in \$000's	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
Fixed interest bonds					
15 May 2021	1,450,000	19,259	11,111		
14 April 2022	1,155,000	16,630	6,769		
15 April 2023	1,550,000	55,449	17,935		
15 April 2024	1,248,000	6,717	5,908		
15 April 2025	1,409,000	(31,014)	8,152		
15 April 2026	1,000,000	763	3,156		
15 April 2027	1,326,000	56,918	12,554		
20 April 2029	692,000	(14,904)	2,042		
14 April 2033	1,030,000	8,706	7,683		
Total fixed interest	10,860,000	118,524	75,309	854,268	11,908,100
Floating rate notes					
14 October 2022	130,000	(58)	426	-	130,368
Total	10,990,000	118,465	75,735	854,268	12,038,468

18. Borrower notes

Borrower notes are subordinated debt instruments which are required to be held by each local authority that borrows from LGFA in an amount equal to a fixed percentage of the aggregate borrowings by that local authority. The fixed percentage is 2.5% for loans issued from 1 July 2020. Prior to this date, the fixed percentage was 1.6%.

LGFA may convert borrower notes into redeemable shares if it has made calls for all unpaid capital to be paid in full and the LGFA Board determines it is still at risk of imminent default.

19. Other liabilities

As at 30 June in \$000s	Year ended 2021	Year ended 2020
Lease liability	190	113
Accruals	349	340
Total receivables	539	453

20. Operating leases

As at 30 June in \$000s	2021	2020
Less than one year	111	70
Between one and five years	79	43
Total non-cancellable operating leases	190	113

Risk management

21. Financial risk management

The Board of Directors has overall responsibility for carrying out the business of LGFA in accordance with risk management policies, including those relating to investing, lending, borrowing and treasury activities. The use of financial instruments exposes LGFA to financial risks, the most significant being market risk, credit risk, and liquidity risk.

22. Market risk

Market risk is the risk that changes in market prices will affect LGFA's income or value of financial instruments. The most significant market risk which LGFA is exposed to is interest rate risk. LGFA has no significant exposure to foreign exchange risk.

23. Interest rate risk

Interest rate risk is the risk that future cash flows or the fair value of financial instruments will decrease because of a change in market interest rates. LGFA is exposed to interest rate risk through its interest-bearing financial assets and liabilities.

Interest rate risk is managed using Value at Risk (VaR) and Partial Differential Hedge (PDH) limits

to mitigate the potential change in value of the balance sheet due to changes in interest rates. PDH risk measures the sensitivity of a portfolio to a one basis point change in underlying interest rates, whereas VaR measures the expected loss for a given period with a given confidence.

The table below indicates the earliest period in which the interest-bearing financial instruments reprice.

As at 30 June 2021 in \$000s	Face value	Less than 6 months	6 months - 1 year	1-2 years	2-5 years	Over 5 years
Financial assets						
Cash and bank Balances	391,835	391,835	-	-	-	-
Marketable securities	765,762	317,070	50,272	182,261	216,159	-
Deposits	654,331	509,331	145,000	-	-	-
Loans	11,999,282	10,252,377	138,782	252,500	606,100	749,523
Financial liabilities						
Bills	(610,000)	(610,000)	-	-	-	-
Bond repurchases	(67,640)	(67,640)	-	-	-	-
Derivatives	-	(10,924,750)	1,448,000	1,463,750	3,486,000	4,527,000
Bonds	(12,810,000)	(130,000)	(1,605,000)	(1,660,000)	(4,237,000)	(5,178,000)
Borrower notes	(212,750)	(180,164)	(1,982)	(4,406)	(11,382)	(14,815)
Total	110,820	(441,941)	175,071	234,105	59,877	83,708

As at 30 June 2021 in \$000s	Face value	Less than 6 months	6 months - 1 year	1-2 years	2-5 years	Over 5 years
Financial assets						
Cash and bank Balances	165,826	165,826	-	-	-	-
Marketable securities	576,298	335,758	112,903	18,214	109,423	-
Deposits	497,980	397,980	100,000	-	-	-
Loans	10,868,876	9,118,964	529,990	153,300	532,200	534,423
Financial liabilities						
Bills	(647,500)	(647,500)	-	-	-	-
Bond repurchases	(202,478)	(202,478)	-	-	-	-
Derivatives	-	(9,347,750)	1,014,500	1,065,000	3,735,250	3,533,000
Bonds	(10,990,000)	(130,000)	(1,450,000)	(1,155,000)	(4,207,000)	(4,048,000)
Borrower notes	(168,845)	(141,197)	(8,130)	(2,453)	(8,515)	(8,551)
Total	100,157	(450,397)	299,263	79,061	161,358	10,872

Interest rate sensitivity

Changes in interest rates impact the fair value of fixed rate assets and liabilities, cash flows on floating rate assets and liabilities, and the fair value and cash flows of interest rate swaps. A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown in the following table. This analysis assumes that all other variables remain constant.

For the period ending 30 June in \$000s	2021		2020	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
	\$000s	\$000s	\$000s	\$000s
Fair value sensitivity analysis				
Fixed rate assets	-	-	-	-
Fixed rate liabilities	558,172	(571,857)	484,492	(493,186)
Derivative financial instruments	(557,130)	570,782	(483,279)	491,932
	1,042	(1,075)	1,213	(1,254)
Cash flow sensitivity analysis				
Variable rate assets	100,661	(100,661)	89,636	(89,636)
Variable rate liabilities	(3,093)	3,093	(2,712)	2,712
Derivative financial instruments	(105,568)	105,568	(93,608)	93,608
	(7,999)	7,999	(6,684)	6,684

24. Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. LGFA is exposed to credit risk through its lending and investing activities.

Credit risk associated with lending activities is managed by requiring local authorities that borrow from LGFA to meet specific credit lending criteria and to provide security against the borrowing. The LGFA's credit risk framework restricts credit exposures to specific counterparties.

Credit risk associated with investing activities, excluding on-lending, is managed by only investing with New Zealand Government or counterparties that meet a minimum credit rating of A (S&P Global Ratings equivalent). The LGFA's credit risk framework limits concentrations of credit risk for any single counterparty.

Exposure to credit risk

LGFA monitors the concentration of credit risk by the type of counterparty. The following table shows the carrying value and maximum exposure to credit risk at the reporting date, before taking account of collateral or other credit enhancements, for significant counterparty types.

As at 30 June 2021 in \$000s	NZ government agencies	NZ local authorities	NZ registered banks	Other counter-parties	Fair Value hedge adjustment	Total carrying value
Financial assets						
Cash and bank balances	388,960	-	2,875	-	-	391,836
Trade and other receivables	-	1,000	42,578	9	-	43,587
Marketable securities	-	14,006	159,250	602,115	(6,917)	768,453
Deposits	-	-	524,839	130,122	-	654,961
Derivatives	372,536	-	-	-	-	372,536
Loans	-	12,066,760	-	-	(1,091)	12,065,668
	761,497	12,081,765	729,542	732,246	(8,008)	14,297,042

As at 30 June 2020 in \$000s	NZ government agencies	NZ local authorities	NZ registered banks	Other counter-parties	Fair Value hedge adjustment	Total carrying value
Financial assets						
Cash and bank balances	165,070	-	756	-	-	165,825
Trade and other receivables	-	-	-	-	-	-
Marketable securities	123,615	52,181	89,868	323,460	-	589,124
Deposits	-	-	459,783	40,041	-	499,824
Derivatives	999,700	-	-	-	-	999,700
Loans	-	10,899,756	-	-	-	10,899,756
	1,288,385	10,951,937	550,406	363,501	-	13,154,229

Collateral and credit enhancements

LGFA holds collateral against borrowings from local authorities in the form of debenture securities and guarantees.

Credit quality of financial assets

All financial assets are neither past due nor impaired. The carrying value of the financial assets is expected to be recoverable.

25. Liquidity risk

Liquidity risk is the risk that LGFA will encounter difficulty in meeting the obligations of its financial liabilities. LGFA manages liquidity risk by holding cash and a portfolio of liquid assets to meet

obligations when they fall due. LGFA is required by policy to maintain sufficient liquidity (comprising a committed liquidity facility and holdings of cash and liquid investments) to meet all operating and funding commitments over a rolling 12-month period.

The Treasury (New Zealand Debt Management) provides a committed liquidity facility that LGFA can draw upon to meet any exceptional and temporary liquidity shortfall. As at 30 June 2021, the undrawn committed liquidity facility was \$500 million (2020: \$700 million). The facility is due to expire in December 2031.

26. Contractual cash flows of financial instruments.

The following table shows the contractual cash flows associated with financial assets and liabilities.

As at 30 June 2021 in \$000s	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows	Total carrying value
Financial assets							
Cash and bank balances	391,835	-	-	-	-	391,835	391,835
Trade and other receivables	43,587	-	-	-	-	43,587	43,587
Marketable securities	-	157,779	119,844	515,213	-	792,836	768,453
Deposits	-	249,627	407,175	-	-	656,802	654,961
Loans	-	194,635	1,675,752	6,285,605	4,573,829	12,729,822	12,065,668
Financial liabilities							
Payables and provisions	40,900	-	-	-	-	40,900	40,900
Bills	-	(460,000)	(150,000)	-	-	(610,000)	(609,624)
Bond repurchases	-	(110,222)	-	-	-	(110,222)	(110,220)
Bonds	-	(331)	(1,988,835)	(6,999,417)	(5,811,385)	(14,799,968)	(13,217,759)
Borrower notes	-	(782)	(23,588)	(112,839)	(97,506)	(234,715)	(224,281)
Derivatives	-	(23,311)	266,446	574,114	351,867	1,169,116	372,536
	476,322	7,395	306,794	262,676	(983,195)	69,992	176,056

As at 30 June 2020 in \$000s	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows	Total carrying value
Financial assets							
Cash and bank balances	165,826	-	-	-	-	165,826	165,826
Trade and other receivables	-	-	-	-	-	-	-
Marketable securities	-	194,160	222,916	175,954	-	593,029	589,124
Deposits	-	289,288	212,759	-	-	502,048	499,824
Loans	-	224,293	1,902,829	6,047,790	3,355,153	11,530,065	10,899,756
Financial liabilities							
Payables and provisions	(705)	-	-	-	-	(705)	(705)
Bills	-	(530,500)	(117,000)	-	-	(647,500)	(647,021)
Bond repurchases	-	(102,752)	(100,276)	-	-	(203,028)	(202,755)
Bonds	-	(483)	(1,843,131)	(6,420,275)	(4,512,260)	(12,776,150)	(12,038,468)
Borrower notes	-	(438)	(31,198)	(99,957)	(59,551)	(191,144)	(182,272)
Derivatives	-	(21,309)	266,054	554,255	265,760	1,064,760	999,700
	165,121	52,258	512,953	257,766	(950,898)	37,199	83,008

Capital and dividends

27. Share capital

As at 30 June 2021, LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled.

All ordinary shares rank equally with one vote attached to each ordinary share. Ordinary shares have a face value of \$1 per share.

28. Shareholder information

Registered holders of equity securities as at 30 June	2021		2020	
New Zealand Government	5,000,000	11.1%	5,000,000	11.1%
Auckland Council	3,731,960	8.3%	3,731,960	8.3%
Christchurch City Council	3,731,960	8.3%	3,731,960	8.3%
Hamilton City Council	3,731,960	8.3%	3,731,960	8.3%
Bay of Plenty Regional Council	3,731,958	8.3%	3,731,958	8.3%
Greater Wellington Regional Council	3,731,958	8.3%	3,731,958	8.3%
Tasman District Council	3,731,958	8.3%	3,731,958	8.3%
Tauranga City Council	3,731,958	8.3%	3,731,958	8.3%
Wellington City Council	3,731,958	8.3%	3,731,958	8.3%
Western Bay of Plenty District Council	3,731,958	8.3%	3,731,958	8.3%
Whangarei District Council	1,492,784	3.3%	1,492,784	3.3%
Hastings District Council	746,392	1.7%	746,392	1.7%
Marlborough District Council	400,000	0.9%	400,000	0.9%
Selwyn District Council	373,196	0.8%	373,196	0.8%
Gisborne District Council	200,000	0.4%	200,000	0.4%
Hauraki District Council	200,000	0.4%	200,000	0.4%
Horowhenua District Council	200,000	0.4%	200,000	0.4%
Hutt City Council	200,000	0.4%	200,000	0.4%
Kapiti Coast District Council	200,000	0.4%	200,000	0.4%
Manawatu District Council	200,000	0.4%	200,000	0.4%
Masterton District Council	200,000	0.4%	200,000	0.4%
New Plymouth District Council	200,000	0.4%	200,000	0.4%
Otorohanga District Council	200,000	0.4%	200,000	0.4%
Palmerston North District Council	200,000	0.4%	200,000	0.4%
South Taranaki District Council	200,000	0.4%	200,000	0.4%
Taupo District Council	200,000	0.4%	200,000	0.4%
Thames-Coromandel District Council	200,000	0.4%	200,000	0.4%
Waimakariri District Council	200,000	0.4%	200,000	0.4%
Waipa District Council	200,000	0.4%	200,000	0.4%
Whakatane District Council	200,000	0.4%	200,000	0.4%
Whanganui District Council	200,000	0.4%	200,000	0.4%
	45,000,000	100%	45,000,000	100%

29. Capital management

LGFA's capital is equity, which comprises share capital and retained earnings. The objective of managing LGFA's equity is to ensure LGFA achieves its goals and objectives for which it has been established, whilst remaining a going concern.

30. Dividend

LGFA paid a dividend of \$878,500 on 4 September 2020, being \$0.03514 per paid up share (2019: \$1,285,000 on 6 September 2019, being \$0.0462 per paid up share).

Other Notes

31. Reconciliation of net profit to net cash flow from operating activities

For the year ended 30 June in \$000s	2021	2020
Net profit/(loss) for the period	12,007	10,623
Cash applied to loans	(1,127,002)	(1,556,511)
Non-cash adjustments		
Amortisation and depreciation	(2,347)	528
Working capital movements		
Net change in trade debtors and receivables	105	87
Net change in prepayments	(41)	(72)
Net change in accruals	29	58
Net Cash From Operating Activities	(1,117,249)	(1,545,287)

32. Capital commitments

As at 30 June 2021, there are no capital commitments.

33. Contingencies

There are no contingent liabilities at balance date.

34. Related parties

Identity of related parties

LGFA is related to the local authorities set out in the Shareholder Information in note 28.

LGFA operates under an annual Statement of Intent with the respective local authorities that sets out the intentions and expectations for LGFA's operations and lending to participating borrowers. Shareholding local authorities, and non-shareholder local authorities who borrow more than \$20 million, are required to enter into a guarantee when they join or participate in LGFA. The guarantee is in respect of the payment obligations of other guaranteeing local authorities to the LGFA (cross guarantee) and of the LGFA itself.

Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to participating borrowers. The lending to individual councils is disclosed in note 12, and interest income recognised on this lending is shown in the statement of comprehensive income.

The purchase of LGFA borrower notes by participating borrowers Refer note 18.

As at 30 June 2021, Mike Timmer was a non-independent director of LGFA and was also employed by Greater Wellington Regional Council (GWRC) as Treasurer. GWRC borrowed from LGFA during the financial year on the same terms and conditions as any other council borrower.

The Treasury (New Zealand Debt Management) provides LGFA with a committed credit facility and is LGFA's derivatives counterparty.

Key management personnel:

Salaries \$989,100 (2020: \$951,900)

Fees paid to directors are disclosed in operating expenses in Note 6.

35. Subsequent events

On 24 August 2021, the Directors of LGFA declared a dividend of \$856,500 (\$0.03426 per paid up share).

COVID-19 pandemic update. On 17 August 2021, New Zealand moved to Alert Level 4. LGFA has processes in place to manage the day-to-day impacts and the changing risk levels within each lockdown Alert Level. Management have considered the implications of COVID-19 on all aspects of our business and note there no events which require adjustment to or disclosure in these financial statements.

Subsequent to balance date, LGFA has issued \$485 million in bonds.



INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2021

The Auditor-General is the auditor of New Zealand Local Government Funding Agency Limited (the company). The Auditor-General has appointed me, Brent Manning, using the staff and resources of KPMG, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 59 to 82, that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 10 to 15.

In our opinion:

- the financial statements of the company on pages 59 to 82:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2021; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS); and
- the performance information of the company on pages 10 to 15 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2021.

Our audit was completed on 30 August 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

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

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

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

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$110 million determined with reference to a benchmark of company Total Assets. We chose the benchmark because, in our view, this is a key measure of the company's performance. In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of a reasonably knowledgeable person ('qualitative' materiality).

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the readers as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter	How the matter was addressed in our audit
<i>Existence and impairment of loans</i>	
<p>Refer to Note 12 to the Financial Statements.</p> <p>The loans LGFA has provided to local government make up over 83% of total assets. The loans are recognised at amortised cost and the nature of the counterparties is such that we do not consider these loans to be at high risk of significant misstatement. However, based on their materiality, and the judgement involved in assessing the credit worthiness of counterparties they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> - understanding the processes in place to assess borrowers and to record loan transactions. This included evaluating the control environment in place at LGFA. - agreeing the 30 June 2021 loan balances to external confirmations received from NZ Clear. - assessing the borrowers' compliance with financial covenants. <p>We did not identify any material differences in relation to the existence or impairment of loans.</p>
<i>Application of hedge accounting</i>	
<p>Refer to Note 9 of the Financial Statements.</p> <p>LGFA enters into derivatives (interest rate swaps) to manage interest rate risk related to issuing fixed rate bonds. Fair value hedge accounting is applied where specific requirements are met around documentation of the hedge relationship and the relationship is demonstrated as being an effective hedge. Hedge accounting is complex, particularly in the area of whether the requirements (both initial and ongoing) for its application are met. Should the requirements for hedge accounting not be met, LGFA could experience significant volatility in the Statement of Comprehensive Income from changes in the fair value of the derivatives.</p> <p>Due to the size of the derivative positions and the complexity of hedge accounting we consider this to be a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> - reviewing LGFA's accounting policies related to financial instruments. - agreeing the terms of the derivatives to the confirmation provided by the derivative counterparty. - using our treasury valuation specialists we independently recalculated the fair value of all of the derivatives recorded by LGFA. - ensuring the hedge documentation supporting the application of hedge accounting was in accordance with NZ IFRS 9 and the disclosures made in the financial statements were appropriate. - determining that management's hedge effectiveness calculations were correctly performed using appropriate source information. <p>We did not identify any material differences in relation to the application of hedge accounting.</p>

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand in accordance with NZ IFRS and IFRS. The Board of Directors is also responsible for preparing the performance information for the company.



The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Markets Conduct Act 2013.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.



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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 4 to 9, 16 to 58 and 87 to 91, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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

Independence

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

Other than the audit, we have no relationship with, or interests in, the company.

Brent Manning
KPMG
On behalf of the Auditor-General
Wellington, New Zealand

Other disclosures

He whākitanga anō

Donations

A donation of \$3,000 was made to Kauri 2000 for the year ended 30 June 2021.

Earnings per security

Earnings per \$1,000 of bonds on issue as at 30 June 2021 is \$0.87 (2020: \$0.90).

Net Tangible Assets

Net tangible assets per \$1,000 of listed bonds as at 30 June 2021 is \$6.86 (2020: \$7.09).

Amount per security of final dividends

Not applicable

Spread of Quoted Security holders

Holding Range	Holder Count	Holder Count %	Holding Quantity	Holding Quantity %
10,000 to 49,999	426	45.61	\$ 10,381,000	0.08
50,000 to 99,999	187	20.02	\$13,111,000	0.1
100,000 to 499,999	212	22.7	\$42,439,000	0.31
500,000 to 999,999	25	2.68	\$17,352,000	0.13
1,000,000 to 9,999,999,999,999	84	8.99	\$13,596,717,000	99.39
Total	934	100.0	\$13,680,000,000	100.01

GRI Index

Tāpiritanga GRI

The GRI Standards are the world's most widely used sustainability reporting standard.

This is the second year LGFA has prepared its annual report in compliance with the GRI Standards.

The following index is based on the GRI core option.

Disclosure title	Reference/Disclosure
102-1. Name of the organisation	Page 16
102-2. Activities, brands, products and services	Pages 16-27
102-3. Location of headquarters	Page 91
102-4. Location of operations	Page 91
102-5. Ownership and legal form	Pages 16,62
102-6. Markets served	Pages 4-6, 10-15, 16-27, New Zealand
102-7. Scale of the organisation	Pages 4-6, 16-32, 60
102-8. Information on employees and other workers	Pages 49, 51, 81
102-9. Supply chain	Pages 16-27
102-10. Significant changes to the organization and its supply chain	None
102-11. Precautionary Principle or approach	Page 40
102-12. External initiatives	Page 44
102-13. Membership of Associations	Financial Service Providers Register
102-14. Statement from senior decision-maker	Pages 4-6
102-16. Values, principles, standards, and norms of behaviour	Pages 44-53
102-18. Overview of Governance Structure	Page 17
102-40. List of stakeholder groups	Pages 4-7, 10-15, 28-32, 53
102-41. Collective bargaining agreements	None
102-42. Identifying and selecting stakeholders	Page 34
102-43. Approach to stakeholder engagement	Pages 34-38

102-44. Key topics and concerns raised	Page 34
102-45. Entities included in the consolidated financial statements	Page 62
102-46. Defining report content and topic Boundaries	Page 34
102-47. List of material topics	Pages 34-38
102-48. Restatements of information	None
102-49. Changes in reporting	None
102-50. Reporting period	1 July 2020 to 30 June 2021
102-51. Date of most recent report	2020 Annual Report
102-52. Reporting cycle	Annual
102-53. Contact point for questions regarding the report	lgfa@lgfa.org.nz
102-54. Claims of reporting in accordance with the GRI Standards	The report has been prepared in accordance with the GRI standards : core option
102-55. GRI content index	Page 88
102-56. External assurance	None
Cost effective funding	Pages 4-6, 10-15, 28
Culture, ethics and governance	Pages 34-38, 44-53
Transparency and disclosure	Pages 4-6, 34-38, 44-53, 54-57
Environmental and social impact of lending	Pages 4-6, 34-38, 40-42
Health & safety and wellbeing	Pages 11, 14-15, 34-38, 52
Collaboration and local engagement	Pages 4-6, 12, 34-36
Financial markets best practice and influence	Pages 4-6, 10-15, 44-57
Diversity and inclusion	Pages 4-6, 49
Capability and development	Pages 4-6, 49
Carbon footprint	Pages 34-38
Health and Safety and Wellbeing	
403-1 Occupational health and safety management system	Page 52
403-9 Work-related injuries	Page 14
403-10 Work-related ill health	Page 14
Diversity and Inclusion	
405-1 Diversity of governance bodies and employees	Page 49
405-2 Ratio of basic salary and remuneration of women to men	Page 51
Capability and Development	
404-2 Programs for upgrading employee skills and transition assistance programs	Page 49



Construction of Renwick Reservoir.
Marlborough District Council



Wharf Street upgrade in the central city has transformed a one-way street to a pedestrian area with gardens and al fresco dining.

Tauranga City Council

Directory

Rārangi tauwaea

Postal address

P.O. Box 5704
Lambton Quay
Wellington 6145

Office Hours

Monday through Friday,
09.00-17.00 hrs
Except Public Holidays

Main Phone

+64 4 974 6530

General Enquiries

lgfa@lgfa.co.nz

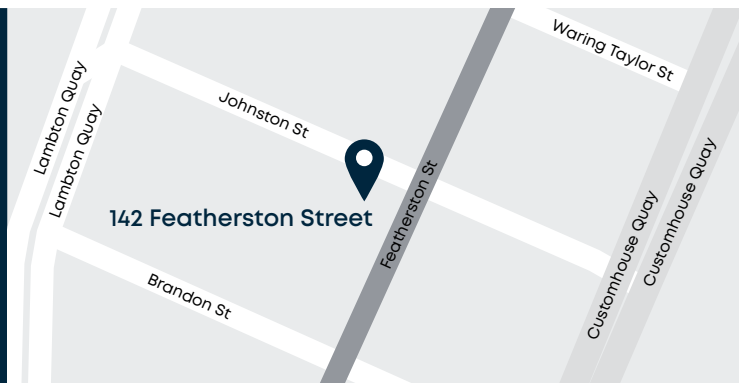
Staff E-Mail Addresses

firstname.lastname@lgfa.co.nz

Wellington

Registered office

Level 8
City Chambers
142 Featherston Street
Wellington 6011
(entrance on Johnston Street)



Auckland

Level 5
Walker Wayland Centre
53 Fort Street
Auckland 1010



lgfa.co.nz

Open Meeting

To	Strategy & Finance Committee
From	A Diaz Chief Financial Officer
Date	27 September 2021
Chief Executive Approved	Y
Reference/Doc Set #	GOV1318 / 3258697
Report Title	Civic Financial Services Limited Half Yearly Accounts

1. EXECUTIVE SUMMARY

Civil Financial Services Limited is owned by Local Government and supplies a range of financial services. Council's investment in Civic Financial Services Limited is \$40,000 as at 30 June 2021. Pre-tax profit for the first six months of 2021 was approximately \$399,000, which is tracking above expected levels.

2. RECOMMENDATION

THAT the Civic Financial Services Limited Half Yearly Accounts be received.

3. ATTACHMENTS

Civic Financial Services limited Half Yearly Accounts to 30 June 2021
(with introductory letter from the Chief Executive)

Gavin Ion
Chief Executive
Waikato District Council
Private Bag 544
NGARUAWAHIA 3742

21 September 2021

Dear Gavin,

New Appointments and Half-Yearly Accounts to 30 June 2021

Board Chair: I have been elected Chair of Civic Financial Services Limited, having been a director of the company and chair of the Risk and Audit Committee for several years. I feel privileged to take over this position from Tony Marryatt who continues to serve as a director. During his time as Chairman Tony successfully led Civic as the company settled claims relating to the Canterbury earthquakes, restructured and rebranded the company and sold Civic Assurance House to allow payment of the net proceeds to shareholders. I look forward to continuing the Board's work for you and the sector.

Chief Executive Officer: The Board has received notice from Ian Brown about his intention to retire from Civic. Following a rigorous process, the Board has appointed Charlie Howe to the position of Civic CEO from 1 September 2021, with Ian taking the role of Executive Consultant until his retirement early next year. Charlie brings to Civic a wealth of experience in leadership roles at the Ministry of Social Development following extensive business and retail banking experience with ANZ Bank. The Board has acknowledged Ian's service to the company and is pleased to welcome Charlie to the role of CEO. Charlie is looking forward to meeting with you in person when lock-down conditions ease.

Half-Yearly Accounts to 30 June 2021: Enclosed is your copy of the half-yearly accounts for Civic Financial Services Limited to 30 June 2021. As reflected in the accounts, Civic's income is derived from administration services and investment income. In addition to administering Riskpool, Civic Liability Pool and the LAPP Fund, Civic administers the SuperEasy and SuperEasy KiwiSaver Superannuation Schemes which are offered to local government on an exclusive basis. I am pleased to note that the company is tracking above budget and has returned an (unaudited) pre-tax profit of \$0.399 million for the first half of 2021 while continuing to maintain a strong financial position.

Civic provides superannuation services to 76 councils, through administration of the SuperEasy and the SuperEasy KiwiSaver Schemes, which have some \$530 million funds under management. Over 11,000 members use those superannuation services, and it is noteworthy that 69 Councils have appointed Civic as their preferred KiwiSaver provider. The Board policies are aimed at continuing to improve those services to members, councils and the local government sector.

Yours sincerely



John Melville
Chair

CIVIC FINANCIAL SERVICES LTD

**STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	Six Months		Full Year	
	Note	2021 \$000	2020 \$000	2020 \$000
REVENUE				
Administration Fees		1,533	1,469	2,973
Income from Investments		55	75	141
TOTAL REVENUE		<u>1,587</u>	<u>1,543</u>	<u>3,115</u>
EXPENDITURE				
Depreciation & Amortisation		9	9	16
Employee Remuneration		340	348	746
Other Expenses		839	872	1,872
TOTAL EXPENDITURE		<u>1,188</u>	<u>1,229</u>	<u>2,635</u>
NET SURPLUS BEFORE TAXATION		<u>399</u>	<u>315</u>	<u>480</u>
Less Taxation Expense	6	88	88	136
NET SURPLUS AFTER TAXATION		<u>311</u>	<u>227</u>	<u>345</u>

**STATEMENT OF MOVEMENTS IN EQUITY (Unaudited)
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	Six Months		Full Year	
		2021 \$000	2020 \$000	2020 \$000
Equity as at 1 January		10,822	10,477	10,477
Net Surplus After Taxation		311	227	345
EQUITY AS AT 30 JUNE		<u>11,133</u>	<u>10,704</u>	<u>10,822</u>

**STATEMENT OF FINANCIAL POSITION (Unaudited)
AS AT 30 JUNE 2020**

	2021 \$000	2020 \$000	2020 \$000
EQUITY			
Capital	10,764	10,764	10,764
Retained Earnings	369	(60)	58
TOTAL EQUITY	<u>11,133</u>	<u>10,704</u>	<u>10,822</u>
Represented By:			
Current Assets			
Bank & Cash Equivalents	975	124	897
Term Deposits	5,335	4,935	4,735
Receivables	497	457	526
Loans	7 2,119	2,877	2,588
TOTAL CURRENT ASSETS	<u>8,925</u>	<u>8,393</u>	<u>8,747</u>
Non-Current Assets			
Property, Plant & Equipment & Intangible Assets	202	155	200
Deferred Tax Asset	2,262	2,398	2,350
TOTAL NON CURRENT ASSETS	<u>2,465</u>	<u>2,553</u>	<u>2,550</u>
TOTAL ASSETS	<u>11,390</u>	<u>10,946</u>	<u>11,297</u>
Current Liabilities			
Sundry Creditors & Accrued Charges	241	226	449
TOTAL CURRENT LIABILITIES	<u>241</u>	<u>226</u>	<u>449</u>
Non Current Liabilities			
CLP/ Riskpool Admin Fee Reserve	16	16	26
TOTAL NON-CURRENT LIABILITIES	<u>16</u>	<u>16</u>	<u>26</u>
TOTAL LIABILITIES	<u>258</u>	<u>242</u>	<u>475</u>
EXCESS OF ASSETS OVER LIABILITIES	<u>11,133</u>	<u>10,704</u>	<u>10,822</u>

The notes to the accounts on page 3 form part of and are to be read in conjunction with these Statements.

CIVIC FINANCIAL SERVICES LTD
STATEMENT OF CASH FLOWS (Unaudited)
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six Months		FULL YEAR	
	Notes	2021 \$000	2020 \$000	2020 \$000
Cash Flows from Operating Activities				
Cash from operating activities:		1,522	1,525	2,971
Cash applied to operating activities:		1,346	1,185	2,361
Net Cashflow from Operating Activities	5	178	341	611
Cash Flows from Investing Activities				
Cash provided from investing activities:		(577)	409	4,068
Cash applied to investing activities:		(459)	921	4,056
Net Cashflow from Investing Activities		(118)	(512)	12
Cash Flows from Financing Activities				
Cash was provided from financing activities:		31	21	-
Cash applied to financing activities:		12	-	-
Net Cashflow from Financing Activities		19	21	-
Net Decrease in Cash Held		78	(150)	623
Opening Cash Balance as at 1 January		897	274	274
Closing Cash Balance as at 30 June		975	124	897
Being:				
Bank & Cash Equivalents		975	124	897

The notes to the accounts on page 3 form part of and are to be read in conjunction with this statement.

CIVIC FINANCIAL SERVICES LTD
FOR THE SIX MONTHS ENDED 30 JUNE 2021

Notes to the Financial Statements

1 Statement of Compliance

The Group is a Tier 1 Public Sector Public Benefit Entity and the financial statements have been prepared in accordance with and comply with Tier 1 Public Sector Public Benefit Entity (PBE) Standards.

2 Accounting policies

The accounting policies applied in the preparation of the half year financial statements are consistent with those disclosed in the 2020 annual report.

3 Basis of Preparation

These interim financial statements have been prepared in accordance with PBE IAS 34 - Interim Financial Reporting, and should be read in conjunction with the Company's annual financial report for the year ended 31 December 2020. Disclosures in these interim financial statements are less extensive than those in the annual financial report.

4 Comparative figures.

The comparative figures are for the six months ended 30 June 2020 and the year ended 31 December 2020.

5 Reconciliation of net surplus after tax with cash flow from operating activity.

	Six Months		Full Year
	2021 \$000	2020 \$000	2020 \$000
Reported Surplus After Taxation	311	227	345
Add/(less) non cash items			
Loan Interest	(30)	(20)	(51)
Depreciation	10	10	16
Deferred Tax Liability	88	88	136
Movement in CLP/ Riskpool Admin Fee Reserve	(10)	(10)	(19)
	<u>58</u>	<u>68</u>	<u>82</u>
Add/(less) movements in other working capital items			
Accounts Receivable	28	96	28
Accounts Payable	(208)	4	246
	<u>(180)</u>	<u>100</u>	<u>274</u>
Less Items Classified as investing activity	(23)	(54)	(90)
Less Items Classified as financing activity	12	-	-
	<u>178</u>	<u>341</u>	<u>611</u>
Net Cash Outflow from Operating Activities	<u>178</u>	<u>341</u>	<u>611</u>

6 Income Tax

The income tax liability for June 2021 is nil as the Company has unused tax credits with which it will use to offset any income tax expense .

7 Secured loan agreements between the Company and Local Government Mutual Funds Trustee Limited on behalf of New Zealand Mutual Liability Riskpool ("Riskpool") were entered into in February 2017 and August 2017 for \$2,250,0000 each to assist with Riskpool's cashflow. Both loans are arm's length and on commercial terms. Any loan may be repaid by Riskpool at any time without penalty and the agreement terminated by either party with six months' notice.

8 Contingent liabilities.

The contingent liabilities are:

- i) 100,000 uncalled shares in the wholly owned subsidiary, Local Government Superannuation Trustee Limited.
- ii) 1,000 uncalled shares in the wholly owned subsidiary, Local Government Mutual Funds Trustee Limited.
- iii) 100 uncalled shares in the wholly owned subsidiary, SuperEasy Limited.
- iv) 100 uncalled shares in the wholly owned subsidiary, Local Government Finance Corporation Limited.

9 Events occurring after reporting date

- ii) There have been no significant events since the reporting date that affect the results disclosed in the half year financial statements.

Open Meeting

To Strategy and Finance Committee Meeting
From Clive Morgan
General Manager Community Growth
Date 6 October 2021
Prepared by Nick Johnston
Funding and Partnership Manager
Julie Dolan
Economic and Community Development Manager
Gaylene Kanawa
Democracy Team Leader
Reviewed by Tony Whittaker
Chief Operating Officer
Chief Executive Approved Y
Reference # GOV1318 / 3266924
Report Title Discretionary Funding Review

I. EXECUTIVE SUMMARY

A Funding Review Steering Group (the Steering Group) was established to conduct a review of discretionary funding that the Council distributes to community organisations. The scope of the review also covered the Waikato District Community Wellbeing Trust, which will be presented to elected members in an upcoming briefing.

During the review process, the current funding model was reviewed, a set of new funding principles were developed, and the Steering Group assessed different funding models that respond to the principles.

The Steering Group's proposed funding approach was included in the Long Term Plan consultation document. At the 28 June 2021 Council meeting, based on feedback received through the consultation process, the Council resolved to support the proposed funding approach.

Details on the implementation of the funding approach were presented to elected members and community board/committee representatives in a briefing on 1 September 2021. The recommendations include establishment of a new Community Aspirations and Blueprints budget to support high priority community projects, many of which are identified in the Waikato District Blueprint and respective Local Area Blueprints. Other recommendations include the retention of some existing funds (including community board, community committee, and the Rural Ward Fund for 2021/22), establishment of an ANZAC Day budget, and several funds to operate with a sinking-lid approach.

The adoption of all recommendations from the Steering Group (Option 1) is recommended. This approach is consistent with the funding principles adopted by the Council and with the proposed funding approach that was consulted on through the 2021-31 LTP.

2. RECOMMENDATION

THAT the Strategy & Finance Committee confirms that:

- a) the community board targeted-rate discretionary funding, community committee general-rate discretionary funding, and Rural Ward general-rate discretionary funding continue in its current state for 2021/22;**
- b) the Mayoral Fund be increased to \$15,000 per annum;**
- c) an ANZAC Day budget be established, with \$25,000 per annum from the overall discretionary funding budget to support ANZAC Day commemorations;**
- d) no new funding to be allocated to the Event Fund;**
- e) no new funding to be allocated to the Heritage Project Fund, the Heritage Assistance Fund, and the Conservation Fund, with the current carry-forward total being distributed as sinking-lid funds;**
- f) multi-year funding grants to museums continue in 2021/22, with a review of multi-year funding grants to be completed by 31 March 2022;**
- g) the balance of all remaining discretionary funding be realigned to the Community Aspirations and Blueprints budget.**
- h) the amended Discretionary Funding Guidelines be adopted.**

3. BACKGROUND

3.1 FUNDING REVIEW STEERING GROUP

Council's Discretionary Funding programme, primarily delivered by the Economic and Community Development Unit, was reviewed in 2019. Evidence was collected over several months to build up an evidence base for any future Council decision-making.

The review found the current funding programme to be inefficient in delivering community outcomes, resource-intensive to Council relative to the size of the average funding allocated, and with little or no alignment to Council's vision for Liveable, Thriving, and Connected Communities. Notably, the review found that the administration cost associated with each application was 38% of the average funding grant given out to community organisations, with current processes requiring applications to be handled at least 11 times by different staff and community board members.

Following the 2019 local government elections, a Funding Review Steering Group (the Steering Group) was established to conduct a review of discretionary funding processes and its outcomes. The Steering Group members are the Deputy Mayor - Cr Bech, Cr Lynch, Cr Sedgwick, and Cr Smith, and staff supporting the review process are Julie Dolan – Economic and Community Development Manager, Nick Johnston – Funding and Partnership Manager, Alison Diaz – Chief Financial Officer and Gaylene Kanawa – Democracy Team Leader.

The scope of the review covered all discretionary funding that Council distributes to community organisations, including the Waikato District Community Wellbeing Trust. Recommendations from the Steering Group regarding the Waikato District Community Wellbeing Trust are not covered in this report and will be presented to elected members in an upcoming briefing.

The Steering Group initially conducted a series of workshop sessions to define the principles for a redesigned funding system, and then to assess different funding models that respond to the principles.

The Steering Group defined that the following principles that must be factored into the future funding model:

- Wider community benefit needing to be demonstrated for funding eligibility,
- Supportive of seed funding and co-funding initiatives,
- Achieving maximum productivity with minimum waste or administrative expense,
- Needing to balance risk with opportunity (in relation to accountability requirements for funding recipients vs efficiency and trust),
- Supportive of match funding initiatives, where Council can leverage its funding commitment to attract additional investment,
- Stronger demonstrated links to Council’s vision for Liveable, Thriving, and Connected Communities.

3.2 2021-31 LONG TERM PLAN CONSULTATION DOCUMENT

The Steering Group assessed different funding models and presented a recommended model to elected members in a March 2021 workshop as part of the Long-Term Plan (LTP) process. Following this workshop, the following recommendations were included in the 2021-2031 LTP consultation document:

- Council’s funding budget will be re-aligned to focus on community and blueprint initiatives to drive our vision for liveable, thriving and connected communities.
- Council’s funding budget to remain the same as previous years – no more money is being requested.
- The new community and blueprint initiatives budget will enable the Council to seek match funding to increase the budget allocated to each community.
- The larger we can grow the community and blueprint budget, the more money can be spent in our communities.

- Existing budgets will remain with community boards or groups, and a sinking-lid approach will be taken until the budget has been spent.
- The staff involved in supporting the community and blueprint initiatives will work directly with community boards, committees, and community groups to deliver the initiatives.

Community feedback was sought through the LTP consultation document and the community feedback was reported to Council in the LTP deliberations and hearings.

252 LTP submissions were received that provided feedback on the funding recommendations. 52% of submitters supported the proposed changes, 37% opposed the changes, and 12% did not select a preferred option but provided feedback.

Common themes from the feedback in support of the recommendations were:

- Frees up resources and makes funding decisions quicker.
- Would be able to leverage opportunities to partnership with philanthropic organisations and individuals to secure additional funding.
- More money for communities and community groups.
- Repurpose, particularly if funds are not used.

Common themes in opposition to the recommendations were:

- Keep as is – retain current state.
- Further consultation required with communities and individuals where funding is being removed from.
- Allocating money to projects that are match funded will divert money away from local priorities.

Common themes from the feedback that was neither in support nor in opposition to the recommendations included:

- Concern about the potential for funding allocations to be monopolised by a few groups/individuals rather than a more homogenous spread across the district.
- Support for the approach would be dependent on whether the community has the final say in decision making.

The staff recommendation in the LTP deliberations remained in support of the proposed approach to funding as described in the LTP consultation document. Staff noted that some of the concerns raised by some submitters would be addressed in the implementation planning.

At the 28 June 2021 Council meeting, based on the feedback obtained through the consultation in the Long-Term Plan 2021-31, the Council resolved to support the proposed funding approach.

4. DISCUSSION AND ANALYSIS OF OPTIONS

4.1 DISCUSSION

Details on the implementation of the funding approach supported at the June Council meeting was presented to elected members and community board/committee representatives, in a briefing on 1 September 2021. The briefing focused on the development of a Community Aspirations and Blueprints Budget (CAB), presented the following recommendations:

1. **Community board discretionary funding (collected through targeted rates) and community committee discretionary funding (collected through general rates) to continue in its current state for 2021/22.**

The Steering Group recommends that community boards consider opportunities to:

- i) support seed funding and match funding initiatives for high priority projects and events in their respective communities;
- ii) support for community events;
- iii) prioritise funding commitments that have strong demonstrated links to Blueprints and/or high priority community initiatives that link to the Council's vision for liveable, thriving and connected communities.

This is a recommendation only and the final decision-making on the distribution of targeted-rate discretionary funding remains with community boards.

A funding process has been designed to support community boards to administer funding. Support will be provided by the Economic and Community Development; Finance and Democracy teams.

2. **Rural Ward Fund to continue in 2021/22, with funding decisions to continue with the Discretionary and Funding Committee.**

The Steering Group recommends that the Discretionary and Funding Committee approaches funding decision-making in the same way as community boards:

- i) considering seed funding and match funding opportunities for high priority projects and events;
- ii) prioritise projects that link to the Council's vision, with have evidence of wider community benefit and support (including Blueprint identified projects in rural communities that have a Local Area Blueprint).

3. **Mayoral Fund to be increased to \$15,000 per annum.**

The Steering Group recommends an increase to the Mayoral Fund from \$8,000 to \$15,000 per annum because it is an agile approach to small-scale funding, as commitments are not required to be made during specific funding rounds or at specific committee meetings and it is a district-wide fund.

As the reallocation is proposed within existing general-rate funded discretionary funding, the recommendation can be made by a resolution of the committee as the funding approach was supported and included in the 2021-2031 LTP, therefore does not trigger the Significance and Engagement Policy requirements for further consultation.

4. \$25,000 from the discretionary funding budget to be allocated to support district-wide ANZAC Day commemorations.

The Steering Group recommends that ANZAC Day commemoration funding is delivered as a budget rather than a contestable funding round for administrative efficiencies – both for Council and for local community organisers.

5. No new funding to be allocated to the Event Fund.

The Steering Group recommends that new funding commitments are realigned as CAB funding, with funding applications for local community events being considered by community boards, community committees, and the Discretionary and Funding Committee (for distribution of the Rural Ward Fund). Event projects are eligible for CAB funding in communities where an event project has been identified as a high priority (for example, a listed project in a Local Area Blueprint).

6. No new funding to be allocated to the Heritage Project Fund, the Heritage Assistance Fund, and the Conservation Fund, with the current carry-forward total being distributed as sinking-lid funds.

The Steering Group recommends that new funding commitments are realigned as CAB funding. Heritage and conservation projects are eligible for CAB funding in communities where a heritage or conservation project has been considered a high priority.

The Steering Group preference is for the remaining balance of the Heritage Assistance Fund and the Conservation Fund to prioritise projects on private property where there is evidence of public benefit (e.g. public access, prominent public structures), demonstrating alignment to the current fund criteria as well as the funding principles adopted by the Council in June 2021.

Legal entities seeking support for heritage funding will be eligible for support through the Community Led Development model, delivered by the Economic and Community Development team.

7. Multi-year funding grants to museums to continue in 2021/22, with a review of multi-year funding grants to be completed by 31 March 2022.

The Steering Group recommends that a review into the Council's multi-year grants to museums be completed by 31 March 2022, so any potential recommendations can be considered as part of the 2022/23 Annual Plan. This timeframe will also allow the Council to consider any review recommendations alongside the work that the Heritage Review Steering Group is currently undertaking.

Staff note that training and support will be provided to museums in the district as part of the Community Led Development model, including support for securing funding or income sources that may be available to museums directly but not to local government.

Museum projects will be eligible for CAB funding where communities have identified a project involving museums as a high priority, either as a project listed in the Blueprints or if there is evidence of wider community support for the project (in particular, for communities without a local blueprint).

8. All remaining discretionary funding to be directed towards the new Community Aspirations and Blueprints (CAB) budget.

The Steering Group recommends that all remaining funding be realigned and allocated to the CAB budget, allowing for match-funding at source wherever possible to increase investment in our communities.

CAB projects are defined as high priority local projects that have demonstrated community support, either identified in a Local Area Blueprint, or projects with evidence of wider community support in communities that do not have Local Area Blueprints. The CAB budget is a district-wide budget to support CAB projects, ensuring that discretionary funding is aligned with the principles and approach that the Council endorsed in June 2021.

Staff will support community boards, committees, and organisations in the district through the Community Led Development model to achieve their high priority CAB projects.

The Steering Group recommends that approximately 70% of the CAB budget is allocated towards projects in communities covered by Local Area Blueprints, and 30% for the rest of the district (communities without a Local Area Blueprint). This split is based on current and projected population to ensure that there is adequate funding for smaller rural communities that do not have a Local Area Blueprint).

The Steering Group also recommends that funding within the CAB budget is not ring-fenced for individual communities, as there are multiple factors that need to be considered to align all decision-making with the funding principles. However, breakdowns by each community will be provided for reporting purposes so elected members are able to see what and where funding is allocated.

Despite the recommendation not to have a rigid ring-fenced funding approach, the objective remains to ensure a fair approach to funding across the district, and a commitment to work with all communities that want to actively partner with the Council to achieve CAB projects.

9. Amendments to the Discretionary Funding Guidelines

Staff have amended the Discretionary Funding Guidelines to enable support the implementation of Recommendations 1 and 2. The proposed Discretionary Funding Guidelines document is attached for approval.

4.2 OPTIONS

The following options are available to the committee:

Option 1 - Adopt all recommendations from the Steering Group

Option 1 is recommended, which will confirm the proposed funding approach as detailed above. This approach is consistent with the funding principles adopted by the Council and with the proposed funding approach that was consulted on through the 2021-31 LTP.

Feedback from some submissions opposed to the funding approach in the LTP consultation document have been factored into the recommendations to provide necessary safeguards to avoid scenarios where funding is prioritised towards specific communities at the expense of others, and retaining local community board decision-making for targeted-rate discretionary funding.

Option 2 - Adopt some of the recommendations from the Steering Group

Option 2 is not recommended because the overall funding approach has been designed to deliver on all of the funding principles that the Council adopted in June 2021. Any substantial amendments to some of the recommendations in this report may result in a funding model that may not be consistent with the funding principles.

Retention of current funds that are proposed to be realigned to the CAB budget will also have an impact on Council's ability to support the implementation of high priority community projects, many of which are identified in the Waikato District Blueprint and Local Area Blueprints. Substantial amendments to the recommendations may require further public consultation.

Option 3 – Do not adopt Steering Group recommendations

Option 3 is not recommended, as any continuation of the current funding approach is not consistent with the funding principles that the Council adopted in June 2021. The Council would need to rescind that resolution on funding principles and the proposed funding approach that was made in the 2021-31 LTP deliberations.

4.3 FINANCIAL

As there are no recommended changes to the overall discretionary funding budget as set in the 2021-31 LTP, realignment of funding within this budget can be made through a resolution of the Strategy and Finance Committee and does not require approval through a subsequent Annual Plan or LTP.

Discretionary Funds – Option 1	2021/22 total budget (including carry forward from 20/21)
Huntly Community Board	67,994.96
Meremere Community Committee	16,297.00
Ngaruawahia Community Board	101,534.22
Onewhero Tuakau Community Board	87,055.12
Raglan Community Board	22,990.82
Taupiri Community Board	6,150.82
Tamahere Community Committee	15,411.00
Te Kauwhata Community Committee	36,849.73
Rural Ward Fund	56,506.50
Mayoral Fund	18,779.04
Community Aspirations & Blueprints (CAB) budget	1,340,858.37
ANZAC Day budget	25,000.00
Heritage Project Fund (sinking-lid)	189,980.75
Heritage Assistance Fund (sinking-lid)	88,779.45
Conservation Fund (sinking-lid)	144,880.13

The CAB budget total is higher in 2021/22 due to realignment of remaining funds, including the District-wide Minor Improvement Fund. The CAB budget for 2022/23 will be determined through the Annual Plan process, following the review of current multi-year grant arrangements.

4.4 LEGAL

There are no legal implications to consider with the recommendations in this report.

ASSESSMENT OF SIGNIFICANCE AND ENGAGEMENT POLICY AND OF EXTERNAL STAKEHOLDERS

Council has undertaken public consultation for the LTP in accordance with Section 93A of the LGA.

Highest levels of engagement	Inform	Consult	Involve	Collaborate	Empower
	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	The funding principles and proposed funding approach were consulted through the LTP process, and community boards, community committees and community representative groups will continue to be involved in the decision-making on discretionary funding commitments.				

5. CONCLUSION

If the recommendations of this report are adopted by the Committee, staff will work with community boards, committees, and representative groups across the district to support community-led development and community-led delivery of high priority projects and initiatives, including many projects identified in the Waikato District Blueprint and the Local Area Blueprints.

The proposed CAB budget will not only focus Council’s discretionary funding investment into high priority projects – it is funding that the Council and communities will be able to leverage for additional investment from other funding sources. For many Blueprint projects, investment from other funding sources will be crucial for a project to proceed, and the proposed CAB budget puts our communities in a better position to advocate effectively for this investment.

6. ATTACHMENT

Proposed Discretionary Funding Guidelines

DISCRETIONARY FUNDING GUIDELINES

How to make a funding application

Waikato District Council provides discretionary funding to assist community groups, non-commercial groups and voluntary organisations operating within the council's rural wards, community boards and the Te Kauwhata and Meremere Community Committees areas.

Funding Mechanisms

1. Waikato District Council Community Boards / Community Committees
2. Waikato District Council Discretionary and Funding Committee

Who can apply?

Any community group, non-commercial group or voluntary organisation can apply for a grant. Specific criteria for each fund are as follows:

1. Waikato District Council Community Boards and the Te Kauwhata and Meremere Community Committees
Community boards and the Te Kauwhata and Meremere Community Committees allocate grants for events and projects in their areas. Applicants must outline how their event or project will contribute to the community board area and wider community. The relevant community board or committee has responsibility for determining grant applications in their area.
2. Waikato District Council Discretionary & Funding Committee
The Discretionary & Funding Committee allocates grants from the Rural Ward Fund. Rural grants are available for events and projects in rural areas and areas that are not served by Community Boards or the Te Kauwhata and Meremere Community Committees. Applicants must outline how their event or project will contribute to the community Rural area and wider community. The Discretionary & Funding Committee has responsibility for determining grant applications in the Rural area.

3. Criteria for grants

Applications are required to meet the following criteria:

- a) Applications will be accepted from community groups, non-commercial groups and voluntary organisations. Applications from individuals will not be accepted.
- b) Applications will need to be made to the relevant community board or committee, or to Council's Discretionary & Funding Committee.

- c) Applications for Christmas parade/events will need to be made to the relevant community board or community committee.
- d) Applicants need to describe in their application why the event or project is important to the community and how the wider community will benefit by the event or project.
- e) Applicants can have in-kind contributions recognised in terms of the non-grant funding component provided they demonstrate good community engagement.
- f) Applications must detail how the monies sought will specifically be used and how the balance of the monies required for the event or project will be obtained.
- g) Capital expenditure items may be considered for grant applications.
- h) Applicants can make more than one application for a grant within a 12-month period provided that the grant being sought is for a different project or event and an accountability statement has been completed.
- i) Applications may be considered from schools where the Ministry of Education will not fully fund the project and the benefits are for the wider community.
- j) Grants will not be considered for events or projects that have already occurred / projects completed (i.e. no retrospective funding).
- k) Grants will not be given to oppose consent decisions, attend conferences or to contest legal cases.
- l) Applications from commercial entities will not be considered.
- m) All applications will need to provide the relevant template describing the event/project, budget and relevant quotes.
- n) The project or event must take place in the Waikato District Council area of jurisdiction.
- o) Council-owned property i.e. halls managed by hall committees and who receive a targeted rate are not eligible for funding.

Eligibility Criteria

Applications are required to meet the following criteria:

- a) Applicants must be either a community groups, non-commercial groups and voluntary organisations
- b) Successful applicants must complete a project accountability report within 2 months of the completion of the project before being eligible for further funding. This is essential for auditing requirements.
- c) Applicants may be required to attend the community board / community committee and the Discretionary & Funding Committee to present their application.

Funding Rounds

Applications to be presented to the boards/committee's chair or funding representative two weeks prior to the next scheduled meeting.

Applications for Waikato District Council funds close on the First Friday of February, April, July, and October.

Presenting your application

Applicants are advised in writing by the community board/committee of the outcome of the funding.

DISCRETIONARY FUNDING APPLICATION FORM

Important notes for applicant:

- Prior to submitting your application, please contact the Waikato District Council's community development advisor, on 0800 492 452 Ext 5732, to discuss your application requirements and confirm that your application meets the eligibility criteria.
- Have you discussed your application with the Waikato District Council community development advisor
Yes No
- Application form must be completed in full and emailed to Funding funding@waidc.govt.nz
- Please ensure you have read the **Guidelines** on [Waikato District Council Discretionary Grants Fund](#) prior to completing the application form (these are updated from time to time).
- I have read and understood the guidelines for funding application form
Yes No
- All parts of the application need to be completed and all supporting information supplied.

PLEASE NOTE: Incomplete applications WILL NOT be considered and will be returned.

Contact email: (Correspondence will be emailed from funding@waidc.govt.nz)

Which of the 2 funds are you applying for: (please tick one appropriate box.)

1. Discretionary and Funding Committee Project Fund (Rural Ward Areas) Event Fund

OR

2. Community Board / Committee Discretionary Fund for local Town / Village, Projects / Events

Raglan Taupiri Onewhero-Tuakau

Ngaruawahia Huntly Te Kauwhata Meremere

Section I – Your details

1. Name of your organisation and contact person

Ngaruawahia Community House contact- Anne Ramsay

2. What is your organisation's purpose/background (who are you? what do you do?)

We provide a facility that caters to the social and welfare needs of our community by providing programmes, classes, events, information, meals on wheels, foodbank, kaivoluntion, budgeting, counselling.

3. Phone number/s

Community House [REDACTED]

4. Email / Address

[REDACTED]

5. If you are a Registered Charity (we require your registration number & confirmation that your organization registration is current)

CC21923

Section 2 – Your event / project

1. What is your event / project, including date and location? (please describe in full the project details)

We are holding a Christmas Market in Martin Street on Sunday the 5th of December 2021 from 9am till 1pm. there will be stilt walkers, food and craft stalls as well as entertainment.

2. How many volunteers and who else is involved in the project?

We have 14 volunteers who help set up and pack down , keep the site clean throughout the day, assist stall holders if needed.
Our MC for the day. Kaumatua for opening and closing blessings.

3. How will the wider community benefit from this event/project?

Events such as this provide opportunities for communities to participate, connect and shows Ngaruawahia in a very positive way.. Local food stalls and craft people have a local opportunity to share their skills , entertainers are locals who have the chance to show case their talents.
There is no cost to attend and is within walking distance for participants.

Are you GST registered? No Yes GST Number 089/ 537/ 796 / _ _ _ _

PLEASE NOTE: The following documentation MUST be supplied with your application:

- A copy of the last reviewed or audited accounts (whichever applies) for your organisation/group/club
- A copy of any documentation verifying your organisation's legal status
- Include copies of written quotes ([these must match the Funding Requirements in section 4.](#))

Section 3 – Funding requirements

1. NOTE: Please provide full details for the following:

- How much your event/project will cost,
- How much you are seeking from the Waikato District Council,
- How much you are seeking from other providers,
- Details of other funding and donated materials/resources being sourced, and
- Current funds in hand to cover the costs of the event/project.

IMPORTANT: Please ensure all quotes supplied are clearly itemised and match the "Project Breakdown" (Total B)

Please complete all of the following sections	GST Inclusive Costs (use this column if you are NOT GST registered)	GST Exclusive Costs (use this column if you are GST registered)
What is the <u>total</u> cost of your project/event	\$	\$ 3622.00
Existing funds available for the project. Include any projected income i.e. ticket sales, merchandise etc.		
Total A	\$	\$ 800.00

2. Only include the Funding being sought from Waikato District Council below:

Project Breakdown (itemised costs of funding being sought)	GST Inclusive Costs (use this column if you are NOT GST registered)	GST Exclusive Costs (use this column if you are GST registered)
Traffic Management NZ	\$	\$ 1752.00
Free LunchLtd - Stilit Walkers	\$	\$ 360.00
Andrew Nimmo - Animal Balloons	\$	\$ 300.00
Entertainers	\$	\$ 500.00
	\$	\$
	\$	\$
Total Funds being sought from WDC Total B	\$	\$ 2912.00

3. Has / will funding been sought from other funders? Yes No

If 'Yes', please list the funding organisation(s) and the amount of funding sought

a)	\$	\$
b)	\$	\$
c)	\$	\$
d)	\$	\$
Total of other funds being sought Total C	\$	\$

4. Describe any donated material / resources provided for the event/project:

Radio Tainui - sound system Village Church - Nativity scene and photo opportunity in period costume All of our Christmas decorations and costumes are donated.
--

Section 4 – Community wellbeing and outcomes

1. Which community wellbeing will your project contribute to?

(See the guidelines sheet for more information on this section).

Social Economic Cultural Environmental

2. Which of the five community outcomes for the Waikato district does this project contribute to?

(See the guidelines sheet for more information on this section).

Accessible Safe Sustainable Healthy Vibrant

Section 5 – Previous Funding Received from Waikato District Council

1. If you have received funding from or through the Waikato District Council for any project/event in the past two years, please list below:

What Board / Committee	Type of Project / Event	Date received	Amount
Ngaruawahia Community Board	Christmas Market	December 2020	\$1,000
Road Safety Education	Drivers licences	October 2020	\$2000
Mayoral Fund	Rangi Moanaroa - Book launch Wellington	December 2020	\$350

2. Please confirm that a 'Funding Project Accountability' form has been completed and returned to Waikato District Council for the funds listed above.

NOTE: This will be checked and confirmed by council staff.


I confirm that an accountability statement has been completed and returned for previous funding received.

Name: Anne Ramsay Date: 29th September 2021

I certify that the funding information provided in this application is correct.

Name: Anne Ramsay Date: 29th September 2021

Position in organisation (tick which applies) Chairman Secretary Treasurer *Manager*

Signature:  Date: 29th September 2021

**Incomplete applications will not be accepted and will be returned*

QUOTE

Ngaruawahia Community House 13 Galileo Street, Ngaruawahia
PO Box 96, Ngaruawahia 3742 P;07 8248340

Date
07 Aug 2021

Free Lunch Limited
PO Box 380
Hamilton

Expiry

Account Number

Quote Number
QU-0057

Reference
xmas event

GST Number
75040547

Description	Quantity	Unit Price	GST	Amount NZD
Stilt walkers x2 x2 hrs	4.00	90.00	15%	360.00
			Subtotal	360.00
			Total GST 15%	54.00
			TOTAL NZD	414.00

Terms

Registered Office: PO Box 380, Hamilton

Anne Ramsay

From: Andrew Nimmo [REDACTED]
Sent: Tuesday, 28 September 2021 4:02 p.m.
To: Anne Ramsay
Subject: That's fine - RE: Balloons for Ngaruawahia Christmas market

Hi Anne

The girls are happy to make balloons. The charge is \$300.

Cheers
Andrew

From: Anne Ramsay [REDACTED]
Sent: Monday, 27 September 2021 10:45 am
To: Andrew Nimmo [REDACTED]
Subject: Balloons for Ngaruawahia Christmas market

Good morning, Andrew,

I am hoping that you are still doing balloons and would be available on the 5th December for the Community House Christmas Market, we are starting at 9am and will finish at 1pm. I look forward to hearing from you.

Regards
Anne



Ngaruawahia Community Board

Further information to accompany Ngaruawahia Community House funding application.

Entertainment costs \$500 this is used to pay koha on the day.

Kaumatua for opening and closing the event we aim for about \$50.

Koha to those who perform on the day at present we have a list of ten who are keen to perform, and we aim for about \$40 per performer. If we get more than ten performers this will be reduced

Koha for the MC for the day again we aim for \$50

Providing a small koha is a way of thanking those who support the event with their time and enthusiasm.

Andrew Nimmo from WDC and his family have been making balloon animals for the Community House Christmas event since we started in about 2015 and has always just provided an email confirmation with cost attached again this year this is \$300. Andrew is not a business his family just do this for community events hence the email rather than a quote.

These are the miscellaneous cost that we do not have quotes for total \$800



Christmas Market on Martin 5th December 2021 9am - 1pm

Expenditure	GST exclusive	
Andrew Nimmo - Animal balloons		300.00
Free Lunch - Stilt Walkers		360.00
Free Lunch - Face Painters		360.00
Road closure advertising		200.00
Traffic Management Plan		1752.00
Entertainment		500.00
Volunteer costs		150.00
		3622.00
Income		
Stall holders		400.00
Community House		400.00
		800.00

2021

Civil Traffic Management

Event Traffic Management

Equipment Hire

NZTA Approved Training

Over fourteen Years Experience

Branches New Zealand Wide

Ngaruawahia Christmas Market 5th December 2021

Traffic Management NZ

Traffic Management Estimation and breakdown of services

John Leonhardt
Traffic Management NZ
24/09/2021



The following pages consist of:

- Introduction
- Thank you and break down of Estimate
- Description of daily activities for Event days
- Prior to the Event
- Price and closing statement

Introduction:

Traffic Management NZ is a New Zealand owned and operated company that was first formed in Hamilton in June 2001 to do exactly that, Manage Traffic. Since then we have grown to be what we believe is New Zealand's largest independent traffic management supplier.

Our aim is to provide the safest and most comprehensive traffic management for not only you, our client, but for the general public of New Zealand and all the visitors that travel throughout this magnificent country we call home.

We understand that when there is a need for traffic management, those affected by it will usually take more notice of the Event Organiser carrying out the work rather than the sub-contractor providing the traffic management. Therefore we always aim to ensure a smooth, courteous and safe journey through affected areas so as to reflect good impressions for all concerned.

We are a company that is proud to promote itself. We are proud of the fact that we have an outstanding safety record and that on a daily basis we are working around the clock (literally) to not only maintain, but to continually learn and improve within ourselves. We are committed to growth, not only as a company but as an industry leader. We endeavour in continuing to be the company other company's aspire to be.

As you progress through this document, I am sure you will come to realise that Traffic Management NZ have more than got what it takes to provide you with the excellence you expect when paying for a service that reflects your own good name.

Traffic Management NZ is New Zealand's only independently owned national traffic management supplier. We have at least one Event specialist in each of our six branches. What this means for you is that, on the day of your event and prior to, you can rest assured that under any circumstances there will be an event traffic management specialist only a short drive or last minute plane ride away to look after your event on the day. We are a company that will invest our own money in ensuring your event goes as smooth as possible.

Dear Anne,

Thank you for the opportunity to supply you with a price for the traffic management portion of your upcoming Christmas Market 2021

The price we are submitting covers the following, as per original request for pricing received from you.

- Preparation and submission of fully compliant temporary traffic management plan to Waikato District Council. If there is a processing fee it does not form part of this Estimate.
- Supply all necessary equipment to fully comply and safely execute Temporary Traffic Management of the event.
- Full set out of the site required throughout the entire Day within agreed time frames.
- Manage all relevant sites.
- Supply 1 x fully qualified Site Traffic Management Supervisor (STMS) and 2 x Traffic Controllers (TCS) and all necessary vehicles to manage all traffic management site for the duration of the event.
- Break down of sites and restoration of roads at completion of the event.

Traffic Management NZ \$1,752.00 plus GST

Total \$1,752.00 plus GST

Our price is based on what we believe to be the most cost effective way to set up/dismantle and run your site without compromising the public, or staff in any way whilst adhering to the guidelines of the Code of Practice for Temporary Traffic Management.

John Leonhardt
Civil & Events designer & Co-Ordinator
Traffic Management NZ
Hamilton

Dear Anne,

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John Leonhardt
Civil & Events designer & Co-Ordinator
Traffic Management NZ
Hamilton

I look forward to discussing any portion of this Estimation you may have any queries about.

I, Anne Ramsay, have read, understand and have been informed of the contents of this document and am happy to accept the price as submitted.

Signed

A large black rectangular redaction box covers the signature area. A small handwritten mark, possibly a '1', is visible to the right of the redaction.

Ngaruawahia Community House Inc

Financial Statements

For The Year Ended 31 March 2021

Schedule of Contents

Statement of Financial Performance

Statement of Financial Position

Fixed Asset and Depreciation Schedule

Notes to the Accounts

Audit Report

Ngaruawahia Community House Inc
Statement of Financial Performance
For the Year Ended 31 March 2021

Community House	2021	2020
Expenses		
ACC Levies	788	1,153
Advertising	0	97
Audit Fees	98	652
Bank Charges	227	296
Cleaning/Hygiene	1,448	2,874
Computer Expenses	3,003	5,476
Event Expenses	1,897	6,758
Fruit & Vege Co-op Payments	34,068	10,341
Food Parcels - Covid-19	2,278	0
Consumables	2,602	1,297
Community Support	862	622
Community Newsletter	1,658	762
Fundraising Expenses	1,317	185
Class Expenses	2,835	0
Grounds Maintenance	3,748	637
For Frocks Sake expenses	2,450	608
General Expenses	5,449	2,496
Insurance	7,790	7,092
InterCity Expenses	1,147	0
Lease - Photocopier	2,459	1,152
Canon Meter	12,422	0
Light, Heat & Power	3,047	2,922
Meals on Wheels Expenses	4,588	882
Printing, Stamps & Stationery	2,698	2,618
Repairs & Maintenance	586	1,335
Security	836	4,041
Supervised Access Expenses	108	109
Telephone, Tolls & Fax	2,242	2,476
Volunteer & Staff Expenses	5,550	3,529
Wages/Salaries	215,608	175,922
Website	0	1,238
Rates	1,846	1,729
Interest	11	850
Depreciation	8,223	6,497
	333,889	246,646
Net Surplus/(Deficit) For Community House	25,369	7,391



Ngaruawahia Community House Inc
Statement of Financial Performance
For the Year Ended 31 March 2021

Community House	2021	2020
Income		
Umbrella Programme	0	100
Fruit & Vege - Receipts	28,958	11,849
Fundraising Income	1,482	2,590
Grants - COGS	8,000	10,000
Grants - N [REDACTED]	40,000	45,000
Grants - T [REDACTED]	35,000	35,000
Grants - V [REDACTED]	0	20,000
Grants - V [REDACTED]	42,320	40,160
Grants - M [REDACTED]	124,583	58,840
Rent Received	29,303	37,523
Koha Donations	5,576	5,203
Grants - V [REDACTED]	3,288	0
Grants - G [REDACTED]	9,672	0
Grants - T [REDACTED]	2,000	500
Miscellaneous	0	320
MSD Covid-19 Wage Subsidy	51,948	0
Covid-19 Support	5,500	0
Community Classes - Sign Language	1,795	0
Driver Licence Course	1,240	0
Community Support Other	635	0
InterCity Ticketing	1,084	0
Events & Functions	1,205	1,972
Information/Document Centre	0	1,202
Supervised Access Income	6,602	6,325
Interest Received	34	18
For Frocks Sake	8,786	886
Flexi Wage Subsidy	5,600	0
Volunteer Driver - Donations	244	140
Meals on Wheels	17,185	2,456
News Letter	4,433	953
Income Received for Next Year	(144,215)	(67,000)
Income Received from Last Year	67,000	40,000
	359,258	254,037



Ngaruawahia Community House Inc
Statement of Financial Performance
For the Year Ended 31 March 2021

Post Shop Plus	2021	2020
Income		
Post Shop Plus - Income	126,032	115,819
Expenses		
Post Shop Plus - Expenses	51,100	45,171
Post Shop Wages	75,519	91,231
	<u>126,619</u>	<u>136,402</u>
Net Surplus/(Deficit) on Post Shop Plus	<u>(587)</u>	<u>(20,583)</u>



Ngaruawahia Community House Inc
Statement of Financial Position
As at 31 March 2021

	2021	2020
Current Assets		
ANZ -01	1,170	0
ANZ -05	789	1,150
ANZ -07	5,288	3,931
ANZ -08	109,104	1,762
ANZ -09	373	92
ANZ - 10	7,338	7,423
ANZ -11	699	699
ANZ -12	1,910	7,386
Sundry Debtors	15,052	15,505
Stock on Hand Post Shop	6,465	11,095
Taxation Refund Due	20	20
	148,208	49,063
Current Liabilities		
Sundry Creditors/Accruals	4,473	4,473
ANZ -01	0	13,062
Grants In Advance	144,215	67,000
GST Payable	19,211	6,777
	167,899	91,312
Working Capital	(19,691)	(42,249)
Non Current Assets		
Fixed Assets - as per schedule	528,841	526,617
NZ Post Centre Plus Fee	20,000	20,000
	548,841	546,617
Net Assets	529,150	504,368
Represented By:		
Equity		
Opening Balance Equity	504,368	517,560
Net Surplus/(Deficit) - Community House	25,369	7,391
Net Surplus/(Deficit) - Post Shop	(587)	(20,583)
Closing Balance Equity	529,150	504,368



AUDITORS REPORT

NGARUAWAHIA COMMUNITY HOUSE INC FOR THE YEAR ENDED 31 March 2021

I have audited the attached financial statements for Ngaruawahia Community House Inc. The financial statements provide information about the past financial performance of the Society and its financial position as at 31 March 2021. This information is stated in accordance with the accounting policies set out with these statements.

Auditor's responsibilities

It is my responsibility to express an independent opinion for the financial statements presented by the Society and report my opinion.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- The significant estimates and judgement made by the Society in the preparation of the financial statements; and
- Whether the accounting policies are appropriate to the circumstances, consistently applied and adequately disclosed.

I conducted an audit in accordance with generally accepted auditing standards in New Zealand, except that my work was limited as explained below. I planned and performed my audit so as to obtain all the information and explanations which I considered necessary. I obtained sufficient evidence to give a reasonable assurance that the financial statements are free from material mis-statements, whether caused by fraud or error. In forming my opinion, I also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in my capacity as Auditor, I have no relationship with or interest in the Society.

In my opinion, except for the limited control over income, the financial statements fairly reflect the results of the activities and the financial position of the Society as at 31 March 2021.

My audit report was completed on 24 September 2021 and my unqualified opinion is expressed as at that date.



Graham Haines ACCM, DipMgtSt





Charity Summary

Registration Number: CC21923
Registration Date: 17/03/2008
Charity Name: Ngaruawahia Community House Incorporated

Charity Details

Trading Name

Registration Details

Registration Status: Registered
Balance Date: March 31
IRD Number: Restricted
NZBN Number: 9429043140176

Address for Service:

Charity's Postal Address: PO Box 96
Ngaruawahia 3742

Charity's Street Address: 13 Galileo Street
Ngaruawahia 3720

Charity's other details

Phone: (07)8248340
Fax: (07)8245209
Email: anner@ngacomhouse.org.nz
Website: www.ngacomhouse.org.nz
Facebook: Ngaruawahia Community House
Twitter:
Social Network Name:

Open Meeting

To	Strategy & Finance Committee
From	Alison Diaz Chief Financial Officer
Date	06 October 2021
Prepared by	Christine Pidduck Legal Counsel
Chief Executive Approved	Y
Reference #	GOV1318
Report Title	Transfer of funds received from Hakarimata Restoration Trust to Waikato Environmental Protection Charitable Trust

I. EXECUTIVE SUMMARY

Council has received a request from a former Trustee of the Hakarimata Restoration Trust (“the Trust”) in relation to the distribution of residual Trust funds held on trust by Council. The Trust funds came to Council following a final meeting of the Trust held on 24 August 2011 resolving to wind up the Trust and to vest the remaining Trust funds with Council on trust.

The request is to transfer the Trust funds held by Council to the Waikato Environmental Protection Charitable Trust.

2. RECOMMENDATION

THAT the Strategy & Finance Committee recommends to Council that the \$18,000.00 held by Council on trust from the Hakarimata Restoration Trust be transferred to the Waikato Environmental Protection Charitable Trust.

3. BACKGROUND

The Hararimata Restoration Trust is a charitable trust settled by deed on 24 October 2002, and incorporated as a Charitable Trust Board on 14 November 2002. The original Trustees of the Trust were Mayor Allan Sanson acting as Trustee for Waikato District Council, Bruce Clarkson acting as Trustee for University of Waikato, Moengaroa Soloman and Brice Berryman for Raupatu Lands Trust, Christopher Dawson, Wayne Bennett and John Gumbley.

The Trust Deed records that the Trustees wished to advocate, support and undertake programmes that provide for the protection and maintenance of those portions of the Hakarimata Ranges considered to be of important natural conservation value. The Trustees objective was articulated in the Trust Deed as to enable the restoration of the ecology of Hakarimata to a condition as close as possible to its natural state and to maintain it in that stage for public enjoyment and education and for scientific and intrinsic values including landscape values.

The charitable purpose of the Trust was set out at clause 3 of the Trust Deed, and recorded the following:

3.1 Purposes

The Trustees shall pay and apply the Trust Fund and income arising from the Trust for any one or more for any one or more of the following Charitable Purposes -

- a) To assist and co-operate with the Department of Conservation, the Waikato Regional Council, the Waikato District Council, and other groups, landowners or persons, to restore and protect the ecology of Hakarimata to a condition as close as feasible to its natural state and to maintain it in that state for the purposes of public enjoyment and recreation, cultural interest, education and scientific research, by creating a natural ecosystem not significantly affected by plant and animal pests bracket including predators closed bracket and such other threats that impact on the functioning of natural ecosystems, and at the same time respecting the rights of affected landowner.*
- b) To consult with tangata whenua about the appropriate management of the natural values of Hakarimata.*
- c) To liaise with and involve all interested parties including the community, local government, government agencies, research agencies and business organisations, to achieve a cooperative approach in order to enable the restoration and protection of the natural ecology of Hakarimata.*
- d) To support selected projects on Hakarimata and to take such steps as are necessary to achieve the creation of a natural ecosystem that is not significantly affected by animal and plant pests packet including aquatic this, and which provides for the introduction of indigenous flora and fauna that could once be expected to have inhabited the ecological district.*
- e) To ensure the long term protection of indigenous flora and fauna by undertaking ongoing pest management including the advocacy of such practices.*
- f) To promote the education and understanding of Hakarimata's unique and natural values.*
- g) To foster public membership of the Trust to further the aims of the Trust.*
- h) To carry out any other purposes within NZ which relate to the advancement of conservation bracket as defined in the conservation act 1987 which are charitable according to the law of New Zealand.*

Clause 23 of the Trust Deed provided in relation to winding up of the Trust as follows:

23 *Winding Up of Trust*

23.1 *If at any time the Trustees decide that for any reason it is no longer practicable or desirable to carry out the purposes of the Trust, the Trustees may by a resolution decide to wind up the Trust, and any surplus assets of the Trust shall be given to a charitable trust or incorporated society within the Waikato district with purpose is similar to the Trust, or vested in the Waikato District Council on trust.*

On Wednesday 24 August 2011 the Trust held its Annual General Meeting. The Trustees held a discussion on the future of the Trust and determined that the Trust was no longer needed. The Trustees passed the following resolution:

Resolution to wind up the trust

The organisation Trustees (the Mayor of Waikato District and representative of University of Waikato) present resolve to wind up the Hakarimata Restoration Trust pursuant to Trust Deed clause 23.1 (winding up of trust) with funds to be vested in the Waikato District Council on trust.

Despite the Trustee resolution the Trust still appears on the Charitable Trust Register.

On 23 July 2021 Council received a request from John Gumbley to transfer the Trust funds held by Council to Waikato Environmental Protection Charitable Trust.

Mr Gumbley outlined the following background to the Trust funds held by Council and previous work undertaken by the Trust:

Background to Hakarimata Restoration Trust funds:

The residual funds form the balance of a sum bequeathed to Trust from the Feeney Estate. The Feeney family were long standing residents of Ngaruawahia and when Mr Feeney (who resided in Egypt) learnt from his brother of the work of the Trust he decided to include in his will \$25,000 to support Hakarimata restoration.

Conservation work in the Hakarimata:

The Trust undertook a wide range of restoration initiatives in Hakarimata. Works include vegetation, bat and bird monitoring plus pest control (pigs, possums and rodents). These works continue today and recently a small coordinated community work has been re-established amongst landowners conducting intensive pest control.

Waikato Environmental Protection Charitable Trust (“WEPECT”)

The WEPECT was settled by Deed dated 21 October 2002 and incorporated on 08 November 2002.

The WEPCT Trust Deed charitable purposes include:

- a. Taking all reasonable steps within the power of the Trust for the preservation and protection of the indigenous flora and fauna and natural features of New Zealand for the benefit of the public including future generations.
- b. To spread knowledge and encourage appreciation of our native flora and fauna, their aesthetic, scientific, cultural, and recreational values.
- c. To educate the public of all age groups regarding the importance and urgent need for protection of these natural resources.
- d. To meet the vital need to conserve the environment free from pollution.
- e. To advocate the protection of indigenous species, their habitats and ecosystems.
- f. To advocate the creation and the preservation of protected natural areas, reserves and national parks and public ownership and/or control.
- g. To establish and administer reserves and sanctuaries for the preservation of New Zealand's indigenous ecosystems.
- h. To advocate the destruction of introduced species harmful to New Zealand's flora and fauna.

The charitable purposes of WEPCT are aligned to those of the Trust, in that they are focused on the preservation and protection of New Zealand's native flora and fauna, to ensure the preservation and protection for the benefit of current and future generations. The charitable purposes of the Trust would continue to be upheld if Council resolved to transfer the funds held by Council to WEPCT.

4. DISCUSSION AND ANALYSIS OF OPTIONS

4.1 OPTIONS

The Council could decide to:

- A. Transfer the Trust funds to Waikato Environmental Protection Charitable Trust.
- B. Decline the request to transfer the Trust funds to Waikato Environmental Protection Charitable Trust.

Option A is preferred.

5. CONSIDERATION

5.1 FINANCIAL

The Trust funds are held in Council's general fund as a reserve balance. The funds are available to transfer to WEPCT as sought.

5.2 LEGAL

The funds are held by Council on trust following distribution from the Trust. The stated charitable purpose of the proposed recipient trust is consistent with the charitable purposes and objectives of the Trust. There is no legal constraint on the requested Trust fund transfer.

5.3 STRATEGY, PLANS, POLICY AND PARTNERSHIP ALIGNMENT

Transfer of the Trust funds from being held with Council to WEPCT would ensure that the funds will be deployed for the furtherment of the Trust's charitable purposes and aspirations around the protection and preservation of native flora and fauna, and environmental initiatives such as weed and pest control in bush areas. This will in turn have benefits for the community and the environment.

5.4 ASSESSMENT OF SIGNIFICANCE AND ENGAGEMENT POLICY AND OF EXTERNAL STAKEHOLDERS

The proposed transfer of Trust funds does not trigger the Significance and Engagement policy. The community and environment will likely benefit from the transfer of the Trust funds beyond the current benefit of the funds being held on trust by Council.

6. CONCLUSION

Council has received a request to transfer funds held on trust Council, following a resolution in 2011 that the Hakarimata Restoration Trust be wound up. The proposed recipient trust, the Waikato Environmental Protection Charitable Trust has charitable purposes aligned with the Trust, and will deploy the funds in furtherment of similar environmental objectives and charitable purposes.

7. ATTACHMENTS

Correspondence received from John Gumbley



21 July 2021

Gavin Ions,
Waikato District Council

The Waikato Environmental Protection Charitable Trust supports the transfer of funds (\$18000) from the Hakarimata Restoration Trust to its account as requested by John Gumbley.

The Trust will, to the best of its ability, ensure the funds are spent on projects to enhance the biodiversity of the Hakarimata Forest. The Trust already has a funding mechanism through the Valder Grants which can be used to distribute funding to suitable projects annually.

If you have any questions regarding this please contact me.

Katherine Hay
Secretary
WEPCT

0212672773

From: [Gavin J. Ion](#)
To: [Christine Pidduck](#)
Subject: FW: Trust Funds
Date: Wednesday, 29 September 2021 9:29:10 am
Attachments: [WEPCT.jpg](#)
[Hakarimata letter.pdf](#)

FYI

From: John Gumbley <gumbleyjohnw@gmail.com>
Sent: Friday, 23 July 2021 12:22 pm
To: Gavin J. Ion <Gavin.Ion@waidc.govt.nz>
Subject: Trust Funds

Hi Gavin

I wish to provide an update to our emails of early May with respect to the residual funds of community groups **Ngaruawahia Action Group (NAG)** and **Hakarimata Restoration Trust (HRT)**.

NAG members earlier this month met to close the Society, after 21 years of existence. Members decided that the \$1800 held in its account would be donated in full to the Waikato Branch of the Forest & Bird Society (F&B). The transfer of funds has occurred and in discussion with F&B it was agreed that in preference funds would be granted to individuals or groups with an active interest in conservation initiatives in the Hakarimata Range. That may be for research purposes, pest control or education activities. In my email to you I had suggested these funds be transferred to the former HRT Trust account managed by WDC. That request is now withdrawn. **No action required**

The former **HRT** funds (\$18,000 approx.) are managed by WDC. I discussed with Waikato F&B whether or not they would like to receive, manage and allocate these funds in the same manner as the NAG funds. F&B confirm they are agreeable with funds to be deposited in the Waikato Environmental Protection Trust (WEPCT) -refer letter attached. I also attach a Deposit Slip for WEPCT.

We hope you are agreeable to the **transfer of the HRT funds to WEPCT**.

I would be pleased to discuss further if required. F&B, DOC and myself will keep in contact with each other about financially supporting Hakarimata restoration initiatives.

Kind regards

John

027 249 2119

Open Meeting

To	Strategy & Finance Committee
From	Gavin Ion Chief Executive
Date	Friday, 8 October 2021
Prepared by	Matthew Horsfield Democracy Advisor
Chief Executive Approved	Y
Reference #	GOV1318
Report Title	Exclusion of the Public

I. RECOMMENDATION

THAT the public be excluded from the following parts of the proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Item number 1 – Confirmation of Public Excluded Minutes	Good reason to withhold exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
Item 3.1 Board Appointments – Waikato Regional Airport Limited (WRAL)	Good reason to withhold exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
Item 3.2 2004-2021- Uncollected overdue library fees - write-off	Good reason to withhold exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)

Item 3.3 Mana Whenua Forums	Good reason to withhold exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
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This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item No.	Section	Interest
Item 1 Confirmation of Minutes		Refer to the previous Public Excluded reason in the agenda for this meeting.
Item 3.1 Board Appointments – Waikato Regional Airport Limited (WRAL)	7 (2) (a)	Protect the privacy of natural persons, including that of deceased natural persons.
Item 3.2 2004-2021- Uncollected overdue library fees - write-off	7 (2) (g)	Maintain legal professional privilege.
Item 3.3 Mana Whenua Forums	7 (2) (b)	Protect information where the making available of the information:
	7 (2) (b) (i)	Would disclose a trade secret, or;
	7 (2) (b) (ii)	Would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information; or

7 (2) (h) Enable any local authority holding the information to carry out holding the information to carry out, without prejudice or disadvantage commercial activities; or

7 (2) (l) enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

7 (2) (j) prevent the disclosure or use of official information for improper gain or improper advantage.