

Agenda for a meeting of the Strategy & Finance Committee to be held in the Council Chambers, District Office, 15 Galileo Street, Ngaruawahia on **WEDNESDAY 28 NOVEMBER 2018** commencing at **9.00am**.

Information and recommendations are included in the reports to assist the Committee in the decision making process and may not constitute Council's decision or policy until considered by the Committee.

- 1. APOLOGIES AND LEAVE OF ABSENCE**
- 2. CONFIRMATION OF STATUS OF AGENDA**
- 3. DISCLOSURES OF INTEREST**
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GJ Ion
CHIEF EXECUTIVE

Open Meeting

To	Strategy & Finance Committee
From	Gavin Ion Chief Executive
Date	3 October 2018
Prepared by	Lynette Wainwright Committee Secretary
Chief Executive Approved	Y
Reference #	GOV1318
Report Title	Confirmation of Minutes

1. EXECUTIVE SUMMARY

To confirm the minutes of the Strategy & Finance Committee meeting held on Wednesday 26 September 2018.

2. RECOMMENDATION

THAT the minutes of the meeting of the Strategy & Finance Committee held on Wednesday 26 September 2018 be confirmed as a true and correct record of that meeting.

3. ATTACHMENTS

S&F minutes 26 September 2018

MINUTES for a meeting of the Strategy & Finance Committee of the Waikato District Council held in the Council Chambers, District Office, 15 Galileo Street, Ngaruawahia on **WEDNESDAY 26 SEPTEMBER 2018** commencing at **9.01am** and continuing on **TUESDAY 2 OCTOBER 2018** at **1.00pm**.

Present:

Cr JM Gibb (Chairperson) *[until 12.35pm]*
 Cr A Bech
 Cr JA Church
 Cr DW Fulton *[until 12.35pm]*
 Cr SD Lynch
 Cr FM McNally *[until 11.54am]*
 Cr BL Main
 Cr EM Patterson
 Cr JD Sedgwick *[until 12.35pm]*
 Cr NMD Smith *[until 9.06am and from 9.11am]*

Attending:

Mr B MacLeod (Raglan Community Board Chair)
 Mr G Ion (Chief Executive)
 Mr I Cathcart (General Manager Service Delivery)
 Mrs S O’Gorman (General Manager Customer Support)
 Mr T Whittaker (Chief Operating Officer)
 Mrs LM Wainwright (Committee Secretary)
 Mr V Ramduny (Planning & Strategy Manager)
 Ms A Diaz (Finance Manager)
 Mr C Morgan (General Manager Community Growth)
 Ms G Jones (Legal Counsel)
 Ms D Dalbeth (Business Analyst)
 Mr G Boundry (Senior Environmental Planner)
 Ms M Russo (Corporate Planner)
 Mr J Dawson (Chief Executive, Hamilton & Waikato Tourism)
 Mr E Zollner (Ministry of Business, Innovation & Employment)
 Ms M Tepia (Waikato/Tainui)
 Mr B Bowcott (Executive Director of Special Projects, Hamilton City Council)
 Mr K Tremaine (Future Proof Implementation Advisor)
 Ms M Kettle (Principal Planning Advisor, NZTA)

APOLOGIES AND LEAVE OF ABSENCE

Resolved: (Crs Sedgwick/Main)

THAT an apology be received from His Worship the Mayor Mr Sanson, Cr Henderson, Cr McGuire and Cr Thomson.

CARRIED on the voices

S&F1809/01

CONFIRMATION OF STATUS OF AGENDA ITEMS

Resolved: (Crs Lynch/Bech)

THAT the agenda for a meeting of the Strategy & Finance Committee held on Wednesday 26 September 2018 be confirmed and all items therein be considered in open meeting with the exception of those items detailed at agenda item 6 which shall be considered with the public excluded;

AND THAT the Committee resolves that the following items be deferred to the Waikato District Council meeting scheduled for Monday 8 October 2018:

- **Item No. 5.8 Waitakaruru Sculpture Park;**

AND FURTHER THAT all reports be received;

AND FURTHER THAT in accordance with Standing Order 9.4 the order of business be changed with agenda item PEX 2.1 [*Update on Hamilton to Auckland Corridor Plan*] being considered the first item and that other items be considered as appropriate during the course of the meeting;

AND FURTHER THAT the Chair of the Raglan Community Board be given speaking rights for the duration of the open section of this meeting.

CARRIED on the voices

S&F1809/02

DISCLOSURES OF INTEREST

Cr Gibb advised members of the Committee that she would declare a non financial conflict of interest in items 5.5 [*Update on District Plan Review Project Expenditure*], 5.10 [*Council Submission on Proposed District Plan*] and 5.11 [*Minor Changes to the Proposed District Plan*].

Cr Fulton advised members of the Committee that he would declare a non financial conflict of interest in item 5.5 [*Update on District Plan Review Project Expenditure*], 5.10 [*Council Submission on Proposed District Plan*] and 5.11 [*Minor Changes to the Proposed District Plan*].

Cr Sedgwick advised members of the Committee that she would declare a non financial conflict of interest in item 5.5 [*Update on District Plan Review Project Expenditure*], 5.10 [*Council Submission on Proposed District Plan*] and 5.11 [*Minor Changes to the Proposed District Plan*].

Cr Smith withdrew from the meeting at 9.06am during discussion on the above item.

CONFIRMATION OF MINUTES

Resolved: (Crs McNally/Church)

THAT the minutes of a meeting of the Strategy & Finance Committee held on Wednesday 28 August 2018 be confirmed as a true and correct record of that meeting subject to the editing of Resolution No. S&F1808/07 [Agenda Item 5.5 - Financial Review of Key Projects] from:

THAT progress on the following list of projects for 2018/19 be reported to this committee for the coming year:

- **Mangawara Bridge construction (Taupiri)**
- **Raglan wastewater treatment plant upgrade**
- **Raglan wastewater rising main renewals**
- **Te Kauwhata water supply reservoir extensions**
- **Te Kauwhata wastewater reticulation extensions**
- **Tamahere Recreation Reserve Project**
- **Tamahere sports ground**
- **Ngaruawahia library**
- **Tuakau cemetery**
- **Pokeno parks and reserves.**

to read:

THAT progress on the following list of projects for 2018/19 be reported to this committee for the coming year:

- **Mangawara Bridge construction (Taupiri)**
- **Raglan wastewater treatment plant upgrade**
- **Raglan wastewater rising main renewals**
- **Te Kauwhata water supply reservoir extensions**
- **Te Kauwhata wastewater reticulation extensions**
- **Tamahere Recreation Reserve Project**
- **Tamahere sports ground**
- **Ngaruawahia library**
- **Tuakau cemetery**
- **Pokeno parks and reserves**
- **Tuakau Dog Pound.**

CARRIED on the voices

S&F1809/03

REPORTS

Hamilton & Waikato Tourism – 2017-2018 Annual Report to Waikato District Council Agenda Item 5.1

The report was received [*S&F/809/02 refers*] and discussion was held. The Chief Executive, Hamilton & Waikato Tourism, gave a powerpoint presentation and answered questions of the committee.

Cr Smith re-entered the meeting at 9.11am during discussion on the above item.

Cr Smith raised a point of order 25.2(e) regarding the deferral of agenda item 5.8 [*Waitakaruru Sculpture Park*]. The Chair ruled that the Chief Executive had requested the deferral as per standing order 9.9 [*Withdrawal of Agenda Items*].

EXCLUSION OF THE PUBLIC

Agenda Item 6

Resolved: (Crs Main/Bech)

THAT the report of the Chief Executive be received;

AND THAT the public be excluded from the meeting to enable Council to deliberate and make decisions on the following items of business:

Confirmation of Minutes dated Wednesday 22 August 2018

REPORTS

a. Update on Hamilton to Auckland Corridor Plan

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

Reason for passing this resolution to withhold exists under: Ground(s) under section 48(1) for the passing of this resolution is:

Section 7(2)(f)(i)(h)(i)(j)

Section 48(1)(a)(3)(a)(d)

b. Rates Penalties Write-off: Pompey – Mangatangi Road, Mangatangi

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

Reason for passing this resolution to Ground(s) under section 48(1) for the withhold exists under: passing of this resolution is:

Section 7(2)(a)

Section 48(1)(3)(a)(i)

c. Economic Development Verbal Update

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

Reason for passing this resolution to Ground(s) under section 48(1) for the withhold exists under: passing of this resolution is:

Section 7(2)(f)(i)(h)(i)(j)

Section 48(1)(3)(a)(d)

AND FURTHER THAT Mr Zollner, Ms Tepia, Mr Bowcott, Mr Tremaine and Ms Kettle be permitted to remain in the meeting, after the public has been excluded, because of their knowledge of the Hamilton to Auckland Corridor Plan. This knowledge will be of assistance in relation to the matter to be discussed.

CARRIED on the voices

S&F1809/04

Resolutions S&F1809/05 – S&F1809/07 are contained in the public excluded section of these minutes.

Having resumed open meeting the following reports were considered.

REPORTS (continued)

Financial Review of Key Projects
Agenda Item 5.2

The report was received [*S&F1809/02 refers*] and discussion was held.

2017/2018 End of Year Non-Financial Performance Report
Agenda Item 5.3

The report was received [S&F1809/02 refers] and discussion was held. The Business Analyst answered questions of the committee.

Audit & Risk Committee Key Achievements
Agenda Item 5.4

The report was received [S&F1809/02 refers].

Consideration of Conservation Fund Applications
Agenda Item 5.6

The report was received [S&F1809/02 refers] and discussion was held. The Senior Environmental Planner gave a verbal update and answered questions of the committee.

Resolved: (Crs Bech/Patterson)

THAT the Strategy & Finance Committee recommends to Council that the following Conservation Fund applications be approved in full:

- **M ter Beek – \$4,825.00,**
- **A & M Underwood – \$6,500.00,**
- **G & D McBride – \$2,405.41, and**
- **R Gedye – \$6,260.77.**

CARRIED on the voices

S&F1809/08

Presentation of the Annual Report 2017/18 and Summary
Agenda Item 5.7

The report was received [S&F1809/02 refers] and discussion was held. The Finance Manager gave a verbal update and answered questions of the committee.

Resolved: (Crs Sedgwick/Church)

THAT the final audited Annual Report 2017/18 and Summary, as amended, be recommended to Council for adoption.

CARRIED on the voices

S&F1809/09

Waitakaruru Sculpture Park
Agenda Item 5.8

This item was deferred to the Waikato District Council meeting scheduled for Monday 8 October 2018.

Consultation on the Proposed Port Waikato Community Hub
Agenda Item 5.9

The report was received [*S&F1809/02 refers*] and discussion was held. The Corporate Planner gave a verbal update and answered questions of the committee.

Resolved: (Crs Smith/Sedgwick)

THAT the Strategy & Finance Committee recommend to Council to implement a targeted rate as at 1 June 2019 to support the construction of the Proposed Port Waikato Community Hub;

AND THAT Council's support to implement a targeted rate for the construction of the Proposed Port Waikato Community Hub be conditional on a Memorandum of Understanding being signed and Council's satisfaction with due diligence on the impacts of climate change on the land.

CARRIED on the voices

S&F1809/10

Cr Gibb declared a conflict of interest in items 5.5 [*Update on District Plan Review Project Expenditure*], 5.10 [*Council Submission on Proposed District Plan*] and 5.11 [*Minor Changes to the Proposed District Plan*] and retired from the meeting at 12.35pm.

Cr Fulton declared a conflict of interest in items 5.5 [*Update on District Plan Review Project Expenditure*], 5.10 [*Council Submission on Proposed District Plan*] and 5.11 [*Minor Changes to the Proposed District Plan*] and retired from the meeting at 12.35pm.

Cr Sedgwick declared a conflict of interest in items 5.5 [*Update on District Plan Review Project Expenditure*], 5.10 [*Council Submission on Proposed District Plan*] and 5.11 [*Minor Changes to the Proposed District Plan*] and retired from the meeting at 12.35pm.

The meeting was adjourned at 12.47pm and was reconvened on Tuesday 2 October 2018 at 1.00pm.

Present:

Cr RC McGuire (Chairperson)
 His Worship the Mayor Mr AM Sanson
 Cr JA Church
 Cr S Henderson
 Cr SD Lynch
 Cr BL Main
 Cr EM Patterson

Attending:

Mr T Whittaker (Chief Operating Officer)
 Mrs RJ Gray (Council Support Manager)
 Mr V Ramduny (Planning & Strategy Manager)
 Mr C Morgan (General Manager Community Growth)
 Ms K Overwater (Senior Policy Planner)
 4 Members of Staff

ELECTION OF CHAIRPERSON

The Council Support Manager called for nominations for a Chairperson for this reconvened meeting owing to the apologies received from the Chairperson and the Deputy Chairperson.

Resolved: (Crs Church/Main)

THAT Cr McGuire be appointed as Chairperson for the reconvened section of the meeting of this committee.

CARRIED on the voices

S&F1809/11

APOLOGIES AND LEAVE OF ABSENCE**Resolved: (Crs Church/His Worship the Mayor)**

THAT an apology be received from Cr Bech, Cr Fulton, Cr Gibb, Cr McNally, Cr Sedgwick, Cr Thomson and Cr Smith.

CARRIED on the voices

S&F1809/12

Update on District Plan Review Project Expenditure
Agenda Item 5.5

The report was received [*S&F1809/02 refers*] and discussion was held. The Chief Operating Officer gave an overview and answered questions of the committee.

Council Submission on the Proposed District Plan
Agenda Item 5.10

The report was received [*S&F1809/02 refers*] and discussion was held. The Senior Policy Planner gave a powerpoint presentation and answered questions of the committee. The Policy Planner was applauded for her contribution to the Plan.

Resolved: (Crs Church/Lynch)

THAT the Strategy & Finance Committee recommends to Council that the submission to the Proposed District Plan be approved.

AND THAT the covering letter of the Council submission be amended by adding the following:

Council acknowledges that there are a series of strategic planning processes currently underway (e.g thinking on how best to manage growth and development along the Hamilton to Auckland corridor, the Future Development Strategy (Phase 2 of Future Proof Review) and the development of Local Area and District-Wide Blueprints). Council acknowledges that, in time, the district plan may need to be amended to reflect the outcomes of these strategic planning processes and to implement these strategic plans. This can best be done once the outcomes of these strategic planning processes are known and once the required technical information is available to support an amendment to the district plan. The appropriate mechanism to achieve this is through a change and/or variation to the district plan at the appropriate time.

CARRIED on the voices

S&F1809/13

Minor Changes to the Proposed District Plan
Agenda Item 5.11

The report was received [*S&F1809/02 refers*] and discussion was held. The Senior Policy Planner gave a verbal update and answered questions of the committee.

Resolved: (Crs Patterson/Lynch)

THAT staff continue to collate a summary of clause 16 minor changes on the Proposed Waikato District Plan.

CARRIED on the voices

S&F1809/14

There being no further business the meeting was declared closed at 2.18pm.

Minutes approved and confirmed this day of 2018.

JM Gibb
CHAIRPERSON

Open Meeting

To	Strategy & Finance Committee
From	Gavin Ion Chief Executive
Date	20 September 2018
Prepared by	Rose Gray Council Support Manager
Chief Executive Approved	Y
Reference #	GOV1318
Report Title	Receipt of Minutes – Audit & Risk Committee

1. EXECUTIVE SUMMARY

To receive the minutes of the Audit & Risk Committee meeting held on Monday 17 September 2018.

2. RECOMMENDATION

THAT the minutes of a meeting of the Audit & Risk Committee held on Monday 17 September 2018 be received.

3. ATTACHMENTS

A&R minutes

MINUTES of a meeting of the Audit & Risk Committee of the Waikato District Council held in the Committee Rooms 1 and 2, District Office, 15 Galileo Street, Ngaruawahia held on **MONDAY 17 SEPTEMBER 2018** commencing at **9.01am**.

Present:

Ms M Devlin (Chairperson)
Cr AD Bech
Cr JM Gibb
Cr BL Main
Cr JD Sedgwick

Attending:

Cr SD Lynch
Mr GJ Ion (Chief Executive)
Mr TG Whittaker (Chief Operating Officer)
Mrs S O’Gorman (General Manager Customer Delivery)
Mrs RJ Gray (Council Support Manager)
Ms A Diaz (Finance Manager)
Mr K Abbott (Organisational Planning & Project Support Manager)
Mrs K Jenkins (Project Management Advisor)
Ms M Russo (Acting Corporate Planning Team Leader)
Mr L Pieterse (Director Audit New Zealand)
Mrs L Shirley (Zero Harm Manager)
Mr M Ali (KPMG)
Mr A Siew (KPMG)
Mr T Pipe (Regulatory Manager)
Mr C Birkett (Monitoring Tam Leader)
Ms S Quinn (Acting Procurement Manager)

APOLOGIES AND LEAVE OF ABSENCE

Resolved: (Crs Main/Sedgwick)

THAT an apology be received from His Worship the Mayor Mr AM Sanson.

CARRIED on the voices

A&R1809/01

It was noted that Ms Proctor, (Audit Manager Audit New Zealand) was unable to attend this meeting.

CONFIRMATION OF STATUS OF AGENDA ITEMS

Resolved: (Crs Gibb/Main)

THAT the agenda for a meeting of the **Audit & Risk Committee** held on **Monday 17 September 2018** be confirmed and all items therein be considered in open meeting with the exception of those items detailed at agenda item 6 which shall be discussed with the public excluded;

AND THAT all reports be received;

AND FURTHER THAT the committee resolves that the following item be added to the public excluded agenda and considered as appropriate during the course of the meeting:

- **Staff Survey;**

AND FURTHER THAT in accordance with **Standing Order 9.4** the order of business be changed with agenda item 5.3.1 [*Waikato District Council Zero Harm Safety Management System*] to be considered following agenda item 5.1.4 [*Zero Harm Strategic Risk Deep Dive Report*] and agenda item 5.2.1 [*Draft 2017/2018 Annual Report*] be considered following agenda item 5.2.2. [*2017/2018 Annual Report Audit*].

CARRIED on the voices

A&R1809/02

DISCLOSURES OF INTEREST

The Chair, Ms Devlin, advised members of the committee that there were references to Watercare and WINTEC in reports in the agenda. She declared an interest as a Director of Watercare and Councillor for WINTEC. It was also noted that there were no decisions required in respect of Watercare nor of WINTEC.

CONFIRMATION OF MINUTES

Resolved: (Crs Bech/Sedgwick)

THAT the minutes of a meeting of the **Audit & Risk Committee** held on **Tuesday 12 June 2018** be confirmed as a true and correct record of that meeting

CARRIED on the voices

A&R1809/03

REPORTS

Strategic Risk Register September 2018

Agenda Item 5.1.1

The report was taken as read [*A&R1809/02 refers*].

It was agreed a report will be provided to the December 2018 meeting with an update against the Gearing for Growth and Greatness Plan. The report will include a review of the current risk status against the Council's risk appetite.

It was also agreed that an update on the Corporate Plan would be provided at the December 2018 committee meeting.

Mitigations are currently being reviewed with the Chief Operating Officer.

Resolved: (Crs Gibb/Bech)

THAT the Audit & Risk Committee approves the inclusion of the following risk to the Strategic Register: District Growth - Waikato District experiences significant business and community disruption due to district growth exceeding planned growth forecasts.

CARRIED

A&R1809/04

Risk Framework September 2018

Agenda Item 5.1.2

The report was taken as read [*A&R1809/02 refers*]. In speaking to the report the Project Management Advisor provided an overview on the calculating risk scores tables, technical aspects, political and environmental portfolios.

Emerging Risks

Agenda Item 5.1.3

The report was taken as read [*A&R1809/02 refers*]. In speaking to the report, the Project Management Advisor provided a brief overview and agreed to include the Regional Council initiative on healthy rivers. The issue of social/more affordable housing was raised in the context of the growth agenda and potential social issues including neglect.

Zero Harm Strategic Risk Deep Dive Report

Agenda Item 5.1.4

The report was taken as read, [*A&R1809/02 refers*], and in speaking to the report, the Zero Harm Manager highlighted the following points indicating this is the first of this type of report for this meeting:

- a change of focus is required with a greater level of detail and understanding of the causes, threats of the risk manifesting and how other risks are treated, ensuring

treatments in place are the right treatments for risk. A more methodical process will be workshopped with the Councillors on mitigations with greater focus around critical risks.

- agreed to include harassment and bullying in the development of the Bowties.
- the Zero Harm team shares bulletins, zero harm moments etc with staff and the safety action team includes representatives across Council. Success is recognised and celebrated across the organisation.
- agreed to capture issues raised by staff with the safety action team to show trends.

Waikato District Council Zero Harm Safety Management System Agenda Item 5.3.1

The report was taken as read, [A&R1809/02 refers], and in speaking to the report, the Zero Harm Manager highlighted the following points:

- safety engagement conversation data.
- agreed to look at critical risk, and if the risk can be eliminated.

Risk Conversations - Monitoring Agenda Item 5.1.5

The report was taken as read, [A&R1809/02 refers], and the Monitoring Team Leader and Regulatory Manager were in attendance to provide an overview of the hazards and risks identified, legislation requirements, and answered questions of the committee.

2017/2018 Annual Report Audit Agenda Item 5.2.2

The report was taken as read, [A&R1809/02 refers], and in speaking to the report, the Finance Manager highlighted the following points:

- roading valuation issue.
- lease receivables note 6, added to a statement schedule.
- risk review not adjusted because of a timing issue around business as usual and change of approach in the sector.
- Holiday Pay Act liability – higher duties allowance.

The Chief Executive agreed to discuss a potential joint regional response to the Holiday Act consultation, which would be coordinated by LASS.

Draft 2017/2018 Annual Report
Agenda Item 5.2.1

Tabled: Financial Statements

The report was taken as read, [A&R1809/02 refers], and in speaking to the report, the Finance Manager noted that the draft financials are still a work in progress.

Observations from a risk perspective were raised as follows:

- reputational risk.
- rates remissions detail analysis trend.
- cattle – financial and reputational risk.
- wastewater supply – impact on depreciation.
- landfill aftercare costs.
- property plant maintenance – roading.
- vested and finding assets.

It was agreed that an update will be provided to the December 2018 meeting.

Audit & Risk Committee Key Achievements
Agenda Item 5.2.3

The report was taken as read [A&R1809/02 refers].

Insurance Renewal Process 2018
Agenda Item 5.2.4

The report was taken as read, [A&R1809/02 refers], and in speaking to the report, the Chief Operating Officer highlighted the following points:

- increase in premiums.
- new area of liability could impact on Councils with whole building counterfeit sign offs becoming an emerging trend. The General Manager Customer Delivery agreed to review and ensure the correct processes are in place around certification.
- to investigate what level of due diligence can be done and what does it mean for the risk profile.

Update on Process, Audit and Quality Improvement
Agenda Item 5.3.2

The report was taken as read [A&R1809/02 refers]. A request was made by the Committee to include the Sexual Harassment Policy in the Harassment and Bullying Policy and be considered as a priority policy.

Update on Progress Against Audit Issues – September 2018
Agenda Item 5.3.3

The report was taken as read [A&R1809/02 refers].

Audit & Risk Committee Annual Self Review
Agenda Item 5.3.4

The report was taken as read, [A&R1809/02 refers], and in speaking to the report, the Committee Chair provided feedback from the self-review questionnaire highlighting the following key themes:

- how can we be more proactive, not being in receive mode.
- using external advisors.
- focus for 2018/19 procurement contract.
- Consultants versus employees.
- Health and Safety.
- Staff turnover.
- Internal accountability.
- Timelines.
- Exit interviews and learnings.

Updated Future Work plan

Agenda Item 5.3.5

The report was taken as read [A&R1809/02 refers]. Risk appetite is to be the priority review at the December 2018 meeting.

EXCLUSION OF THE PUBLIC

Agenda Item 6

Resolved: (Crs Gibb/Bech)

THAT the public be excluded from the meeting to enable the Audit & Risk Committee to deliberate and make decisions on the following items of business:

Confirmation of Minutes dated Tuesday 12 June 2018

Open Meeting

To	Strategy & Finance Committee
From	Clive Morgan General Manager Community Growth
Date	12 November 2018
Prepared by	Will Gauntlet, RM Policy Team Leader Sandra Kelly, District Plan Administrator
Reviewed by	Vishal Ramduny, Strategic Projects Manager Bridget Parham, External Legal Advisor
Chief Executive Approved	Y
Reference #	GOV1318 / 2120782
Report Title	Hearings for Proposed Waikato District Plan - Appointment of external independent hearings commissioners and delegation of powers to Hearings Panel to make decisions on submissions on Proposed Waikato District Plan (Stages 1 and 2)

I. EXECUTIVE SUMMARY

The hearings on submissions on the Proposed Waikato District Plan are planned to commence in the second half of 2019.

Council appointed Councillors Jan Sedgwick, Janet Gibb and Dynes Fulton as independent commissioners to the Hearings Panel for the Proposed Waikato District Plan in September 2018. The report recommending the appointment of the Councillors indicated that further external independent commissioners, including a Chair, would be appointed at a later date.

The purpose of this report is to seek approval to establish a pool of at least six independent commissioners to make up the Hearings Panel for the Proposed Waikato District Plan (“PDP”) Stages 1 and 2. It is recommended the pool includes the three Councillors already appointed, two external independent hearings commissioners and at least one further commissioner with an understanding of tikanga Maaori and of the perspectives of local iwi or hapuu.

This report also seeks to delegate to the Hearings Panel the authority to make decisions on the PDP.

2. RECOMMENDATIONS

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

AND THAT the Strategy & Finance Committee recommends to Council that two external independent commissioners be appointed to the pool to make up the Hearings Panel of the Proposed Waikato District Plan, Stages 1 and 2;

AND FURTHER THAT the Strategy & Finance Committee recommends to Council that, subject to staff discussions with iwi, Dr Phil Mitchell be appointed as Chair and Mr Alan Watson be appointed as Deputy Chair of the Hearings Panel of the Proposed Waikato District Plan, Stages 1 and 2;

AND FURTHER THAT the Strategy & Finance Committee recommends to Council that, following engagement with tangata whenua, at least one further independent commissioner with an understanding of tikanga Maaori and of the perspectives of local iwi or hapuu, be appointed to the pool to make-up the Hearings Panel of the Proposed Waikato District Plan, Stages 1 and 2;

AND FURTHER THAT the Strategy & Finance Committee recommends to Council that it delegates to the Chair of the Hearings Panel the power to determine the composition of the Hearings Panel for specific topics and/or individual hearings of submissions on the Proposed Waikato District Plan, Stages 1 and 2;

AND FURTHER THAT the Strategy & Finance Committee recommends to Council that it delegates to the Hearings Panel all powers, duties and functions under the Resource Management Act 1991 to consider, hear, deliberate and decide on all submissions and further submissions received on the Proposed Waikato District Plan Stages 1 and 2;

AND FURTHER THAT the Strategy & Finance Committee recommends to Council it adopts the Terms of Reference for the Proposed Waikato District Plan Hearings Panel as set out in Attachment 1 to this report.

3. BACKGROUND

The District Plan Review is Council's response to the statutory requirements of the Resource Management Act 1991 ("RMA") and will result in a toolbox of provisions to comprehensively manage the natural and physical resources of the Waikato district, including growth across the whole of the district.

The District Plan Review has been separated into two stages. Stage 2 covers natural hazards and climate change. Stage 1 covers all other topics of the District Plan.

Stage 1 was notified on 18 July 2018 and submissions closed on 09 October 2018. Council received over 900 submissions on Stage 1. Stage 2 is planned to be notified in late April 2019. After the closing of submissions for each stage, there will be the opportunity for further submissions in support or in opposition to the submissions already made.

Once all submissions and further submissions on each stage have been received, and after any matters have been resolved in pre-hearing meetings, a Hearings Panel will be required to

convene to consider the submissions received, hear those submitters who wish to be heard, and make recommendations or decisions on the matters raised in the submissions.

The RMA requires a decision on submissions on the PDP to be given no later than two years after notifying the proposed plan. The hearings for the PDP are planned to start in the second half of 2019 to achieve decisions before 18 July 2020.

Council has already appointed the following Councillors as independent commissioners to the Hearings Panel:

- Cr Dynes Fulton
- Cr Janet Gibb
- Cr Jan Sedgwick

Appointing these Councillors early was intended to avoid any conflicts during the semi-judicial and judicial stages of the review.

Also, should the hearings and decision-making process not be completed prior to the Local Body Elections in October 2019, the appointment of the three Councillors as *independent* hearings commissioners enables them to continue serving in this capacity beyond the elections. A report is being presented to the Policy & Regulatory Committee seeking the establishment of a Memorandum of Understanding with these Councillors in regard to remuneration for the hearings.

The report recommending the appointment of these three Councillors indicated that further external independent commissioners, including a Chair, would be appointed at a later date.

4. DISCUSSION AND ANALYSIS OF OPTIONS

4.1 DISCUSSION

The role of a Hearings Panel is to consider all submissions received, hear the evidence of those submitters who wish to be heard and make recommendations or decisions (depending on the delegation given to the panel). For the PDP, it is proposed to establish a pool of at least six commissioners to be available to make up the Hearings Panel to consider, hear, deliberate and make the decisions on submissions.

It is proposed that the hearings of submissions will be programmed into different topics, with at least three pool members (but up to a maximum of five) sitting on each hearing topic. This will help contain the deliberations and manage costs. The hearing topics for the strategic chapters may require more panel members than other hearing topics.

It is prudent that, wherever possible, the pool be composed of a mixture of elected members of Council and independent commissioners including some with an understanding of tikanga Maaori and of the perspectives of local iwi or hapuu. Such a pool will provide both expertise and local knowledge to ensure that decisions on the PDP are robust and appropriately informed.

To provide for the efficient administration of the hearing topics, including determining the number of topics and the selection of an appropriate mix of skills on each panel, it is proposed that the Chair of the Hearings Panel be delegated the power to determine the numbers and the make-up of each hearing topic panel. It is considered that having a combination of independent commissioners and elected members of Council across the topics, wherever possible, will provide the necessary robustness and impartiality to the process.

It is advisable that external independent commissioners be appointed as the Chair and Deputy Chair of the Hearings Panel. For hearings on a PDP, the roles of the Chair and Deputy Chair are crucial and these commissioners need to be experts in the field of resource management and experienced in leading both complex hearings and the production of defensible decisions.

Conflicts of interest will be managed and recorded through a risk register. Conflicts of interest can be managed, in part, through the composition of the Hearings Panel for any one hearing topic. The appointment of a Deputy Chair will allow the Chair to stand aside for a particular hearing topic if a real or perceived conflict exists that cannot be managed.

It is recommended that a pool of at least six commissioners is established comprising:

- The three elected members of Council - as independent commissioners who will continue in this role should they not stand or be re-elected in 2019;
- Two external independent commissioners - in the role of Chair and Deputy Chair; and
- At least one further independent commissioner with an understanding of tikanga Maaori and of the perspectives of local iwi or hapuu – identified through discussions with iwi.

Council has already resolved to appoint three Councillors as independent commissioners.

The following independent expert RMA commissioners had been shortlisted by staff to serve as external independent commissioners (listed in order of priority based on skills, experience and understanding of the District Plan):

1. Dr Phil Mitchell
2. Alan Watson
3. Paul Cooney
4. David Hill

It is recommended that, subject to discussions with iwi, Council staff seek to engage Dr Phil Mitchell as the Chairperson of the Hearings Panel and Alan Watson as Deputy Chair. If one or either of these commissioners is not able to be secured, it is recommended staff be empowered to engage other commissioners of similar calibre and experience in these roles.

Council has used both Dr Mitchell and Mr Watson on a number of complex plan changes including the Rangitahi Peninsula, the Tamahere structure plan, and the Ngaruawahia and surrounds structure plan, to name a few. They were also appointed to the Lakeside Development Private Plan Change earlier this year. The preference is for Dr Mitchell to be appointed as Chair and Mr Watson be appointed as Deputy Chair.

Council needs to engage with iwi to discuss participation in decision making on the PDP. There are obligations to do so under Schedule C of the Joint Management Agreement (“JMA”) with Waikato Tainui and section 34A of the RMA. This engagement needs to include discussion on whether it is appropriate to appoint a commissioner who understands tikanga Maaori and the perspectives of local iwi and hapuu.

Following that, if Council considers it appropriate, it needs to appoint at least one commissioner who understands these matters, in consultation with iwi. These conversations are about to get underway. It is recommended that Council staff be empowered to discuss with iwi their participation in decision making and, if considered appropriate, to secure onto the pool one or more commissioners with an understanding of tikanga Maaori and of the perspectives of local iwi or hapuu.

There are two options required to be considered when delegating authority to a Hearings Panel: to make recommendations; or to make decisions on the submissions.

Option 1 - Delegate to the Hearings Panel the authority to make decisions:

- **Advantages:** Delegating the authority to the Hearings Panel to make decisions on submissions will help streamline the planning process. All members of the Hearings Panel will have the necessary skills and experience to make such decisions. Having heard the submitters and weighed up the evidence, the Hearings Panel is best placed to make the decisions on submissions. Councillor-commissioners will be involved in making decision on those topics they sit on. Delegating the authority to the Hearings Panel will give a stronger voice to tikanga Maaori and of the perspectives of local iwi and hapuu. The power to approve the Proposed Waikato District Plan, pursuant to clause 17(1) of Schedule 1 of the RMA, once the submissions and any subsequent appeals are addressed, will remain with the Council. This power cannot be delegated.
- **Disadvantages:** Council will not have the ability to make decisions on individual submissions and further submissions on the Proposed Waikato District Plan.

Option 2 - Delegate to the Hearings Panel the authority to make recommendations:

- **Advantages:** The full Council will retain the power to make decisions on all individual submissions and further submissions on the Proposed Waikato District Plan.
- **Disadvantages:** Upon receiving the recommendations from the Hearings Panel the Council will be required to make final decisions on all submissions. However, without hearing the evidence presented in the hearings, Council cannot review the recommendations of the Hearings Panel or seek to make a different decision to that contained in the recommendation without re-hearing the particular submissions and evidence on those submissions. To do otherwise would be contrary to the principles of natural justice. Any required rehearing of submissions and evidence will be procedurally inefficient and will not enable the Council to meet the timeframes it is working towards. Significantly, there is a risk decisions will not be made within the two year statutory period if certain hearing topics are required to be reheard by Council in order for Council to make a different decision from the Hearings Panel.

It is recommended that the Council elects Option 1 and delegates to the Hearings Panel all the necessary powers, duties and functions under the RMA to consider, hear, deliberate and make decisions on all submissions and further submissions on the PDP.

5. CONSIDERATION

5.1 FINANCIAL

Some funding for the PDP is provided for in the Long Term Plan. The total cost for the post-notification phase is however subject to the number, nature and complexity of the submissions, technical experts that may be required to support the hearings, and the number of appeals received once decisions are made. This will become clearer over the coming months. Detailed project planning is currently underway for the remaining phases of the District Plan Review.

As per the financial update provided to the Strategy & Finance Committee on 26 September 2018, further work will be done with regards to funding solutions through the 2019/20 Annual Plan process. Staff will present a further financial report in this regard to the Strategy & Finance Committee in February 2019.

A report will be presented to the Policy & Regulatory Committee seeking the establishment of a Memorandum of Understanding with the Councillor-members of the pool in regard to remuneration for the hearings should they not stand or be re-elected in 2019. This has the benefit of ensuring the cost of these panel members is consistent with what it would be if they were replaced with elected councillors.

5.2 LEGAL

Development of the PDP must follow the Schedule 1 process of the Resource Management Act 1991. Council's external legal advisor, Tompkins Wake, has been advising on the PDP to ensure that legal matters are appropriately considered.

5.3 STRATEGY, PLANS, POLICY AND PARTNERSHIP ALIGNMENT

The PDP has been reviewed to address the management of the natural and physical resources in the Waikato district including the management of growth in the district, along with combining the Franklin and Waikato sections of the Operative District Plan into one plan.

There are several strategic planning processes underway concurrently with the PDP, including the Hamilton to Auckland Corridor Plan, Blueprints and Phase 2 of the Future Proof review. The District Plan may well need to be amended to reflect the outcomes of these processes. This can best be done once the outcomes of these processes are known. Dependent on the timing, the appropriate mechanism to achieve this will either be through a variation to the proposed plan or a plan change to the operative plan at the appropriate time.

5.4 ASSESSMENT OF SIGNIFICANCE AND ENGAGEMENT POLICY AND OF EXTERNAL STAKEHOLDERS

The PDP project triggered the significance and engagement policy and Council has involved the community in a number of ways to date. There has been no community input in terms of the recommended make-up of the hearing panel pool. There is engagement regarding the hearing panel planned with Waikato Tainui, as per the JMA, and with other hapuu/iwi representatives through the Iwi Reference Group.

Highest levels of engagement	Inform <input type="checkbox"/>	Consult <input type="checkbox"/>	Involve <input checked="" type="checkbox"/>	Collaborate <input type="checkbox"/>	Empower <input type="checkbox"/>
	<p>Stage 1 of the PDP was notified for consultation on 18 July 2018. A number of open days and discussions were had with the community leading up to notification. Submissions on Stage 1 closed on 09 October 2019. A summary of the submissions will be released in the first part of 2019 along with the opportunity to make further submissions. Following that, hearings will be held to allow submitters to speak to their submissions. Stage 2 will follow a similar process.</p> <p>Tangata whenua have been involved in the plan making process through an Iwi Reference Group.</p> <p>Council has an obligation to engage with Waikato Tainui as per Schedule C of the Joint Management Agreement (JMA) throughout the plan making process and in particular in regard to participation in decision making.</p> <p>Council has a statutory obligation to consult with tangata whenua through relevant iwi authorities on whether it is appropriate to appoint a commissioner with an understanding of tikanga Maaori and of the perspectives of local iwi or hapuu.</p>				

The following stakeholders will be engaged with as part of the process to determine the pool of commissioners to make up the Hearings Panel:

Planned	In Progress	Complete	
		✓	Internal
✓			Waikato-Tainui
✓			Iwi authorities (including Waikato-Tainui)
✓			Iwi Reference Group

6. CONCLUSION

This report seeks support to appoint external hearings commissioners to the Hearings Panel for the duration of the PDP hearing process (Stages 1 and 2).

The purpose of this report is to seek approval to establish a pool of at least six independent commissioners to make up the Hearings Panel for the Proposed Waikato District Plan (“PDP”) Stages 1 and 2. It is recommended the pool includes the three Councillors already appointed, two external independent hearings commissioners and at least one further commissioner with an understanding of tikanga Maaori and of the perspectives of local iwi or hapuu.

This report also seeks to delegate to the Hearings Panel the authority to make decisions on the PDP.

7. ATTACHMENTS

Attachment 1 –Terms of Reference for the Proposed Waikato District Plan Hearing Panel

Attachment I

Terms of Reference for the Proposed Waikato District Plan Hearings Panel (Stages I and 2)

1. Hearing Panel pool membership

The membership of the Proposed Waikato District Plan Hearing Panel pool shall comprise at least six persons. Each member shall hold a current certification under the RMA Making Good Decisions Programme. There shall be a designated Chair and Deputy Chair of the Hearings Panel pool who shall both hold a current chair certification under the RMA Making Good Decisions Programme.

2. Hearing Panel composition

The quorum is three members for a Hearing Panel on an individual topic. Hearing Panels for individual topics shall have an odd number of commissioners. Each Hearing Panel for an individual topic shall be chaired by either the Chair or Deputy Chair unless a conflict requires a substitute.

3. Hearing Procedures

All members of the Hearing Panel for an individual topic have equal speaking rights. The panels shall endeavour to reach decisions by consensus. In the event that a consensus is unable to be reached then decisions shall be made via a majority vote by those commissioners who heard the topic. Each member has a deliberative vote. The Chair of the topic panel does not have a casting vote.

4. Powers

The Proposed Waikato District Plan Hearing Panel is delegated all powers, duties and functions under the Resource Management Act 1991 to consider, hear and decide on submissions on the Proposed Waikato District Plan Stage I and 2.

The Chair of the Hearings Panel is delegated all powers, duties and functions under the Resource Management Act 1991 to determine the composition of the Hearings Panel for specific topics and/or individual hearings of submissions on the Proposed Waikato District Plan Stage I and 2.

5. Responsibilities

The Proposed Waikato District Plan Hearings Panel shall ensure that:

- The hearing and evaluation process is carried out in a way that is effective and timely;
- Submitters are provided with the best possible opportunity to be heard in support of their submission;
- Panel members receive submissions with an open mind and give due consideration to each submission;

- The principles of natural justice are followed; and
- The decision-making process is robust and transparent.

6. Reporting

Council reserves the right to have staff draft decisions or parts of decisions to assist in the efficiency of the hearings process.

7. Duration

The Proposed Waikato District Plan Hearing Panel is deemed to be dissolved at the end of the decision-making process on the submissions received on the Proposed Waikato District Plan Stage 1 and 2.

Open Meeting

To	Strategy & Finance Committee
From	Clive Morgan General Manager Community Growth
Date	16 November 2018
Prepared by	Kelly Nicolson Senior Policy Planner
Chief Executive Approved	Y
Reference #	GOV1318 / 2119312
Report Title	District Plan Review – Stage 2 Update

I. EXECUTIVE SUMMARY

The purpose of this report is to provide an update on Stage 2 of the District Plan Review (“DPR”). The report will provide a broad summary of the Stage 2 project, provide an update on the key project milestones including the indicative timeframes for each milestone, and provide an update on the consultation schedule.

2. DISCUSSION

Stage 2 of the DPR is limited to the review of provisions relating to natural hazard risk and the projected effects of climate change. The project broadly involves: gathering technical information relating to hazards; consulting on that information with key stakeholders, iwi and the affected communities; drafting district plan provisions; releasing a draft for public feedback; considering feedback; and finalising the Stage 2 provisions for notification. There is also a chance that proposed Stage 2 provisions will require variations to Stage 1 provisions. If this is the case the variations will need to be notified along with Stage 2. A detailed project plan including the key milestones and indicative dates is provided in Attachment 1.

There are a number of technical assessments / modelling underway that are in varying stages of completion. In summary these include: assessments for coastal inundation and erosion; river flooding and residual risk areas (where land would flood were it not for flood protection works); ponding areas; and mine subsidence. Other hazards that are not able to be mapped with certainty such as liquefaction will likely be addressed through assessment criteria. Details on technical assessments and modelling are provided in Attachment 2.

The effects of climate change are factored into some technical assessments and are provided for through multiple temperature increase scenarios as a way to deal with uncertainty. Incorporation of climate change scenarios has been limited to weather related hazards and sea level rise as these are the hazards where climate change has the most direct impact.

All technical assessments will include varying methods of consultation and engagement with key stakeholders, iwi and community, and this will be ongoing throughout the project. The specific groups to be consulted with for each hazard, the method of consultation / engagement and the indicative dates are detailed in Attachment 3.

Once assessments and modelling are completed, the level of risk associated with each hazard will be assessed. Risk is a product of the probability of a hazard occurring and what its adverse consequences of that hazard are. The consequences are determined by the values that are exposed to the hazard (e.g. people and property versus vacant land).

Identifying levels of risk will help inform the development of a suite of objectives, policies, rules and assessment criteria that focus on reducing risk to acceptable or tolerable levels. Risk reduction may be achieved through rules such as: activity and development setbacks; rules requiring minimum floor levels; or rules requiring development to be relocatable.

3. RECOMMENDATION

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

4. ATTACHMENTS

- A Detailed Project Plan and Key Milestones
- B Technical Assessments and Modelling
- C Consultation schedule

Attachment 1

Detailed Project Plan and Key Milestones

Number	Key Milestones	Comment	Indicative Dates for Completion
1	Background research		October 2018
	-Review higher order docs and all other relevant information & existing hazard extents; gap analysis and experts required.	Completed	2017
	-Field visits – LWS stopbanks and other components of the flood scheme, residual risk areas, subsidence zone, high flood risk areas, coastal settlements subject to coastal erosion and inundation, areas subject to land instability	Completed	October 2018
	-Internal discussions WDC including asset staff, resource consent team etc	Ongoing	
	-Discussions with WRC, Mercury and CDEM on approach	Ongoing	
2	Natural Hazards and Climate Change Technical reports, assessments and modelling		January 2019
	1% AEP 1d Flood extents –	Modelling completed	December 2016
	1% AEP 2d Flood extents including 2 separate climate change scenarios – 2 degree and 4 degree rise	Modelling completed	November 2018
	High risk flood areas	Identified through 2d modelling.	November 2018
	Residual risk areas	Identified through WRC's direct benefit areas. More discussions required with WRC to confirm which direct benefit areas to use.	November 2018

Ponding areas	Identified through stormwater catchment management plans	TBC
Coastal hazard assessment to determine location of high coastal hazard risk areas (Raglan and Port Waikato)	This work is currently being carried out by Jim Dahm (Eco Nomos Ltd) and Bronwen Gibberd (4D Environmental Ltd).	December 2018
Coastal hazard assessment to determine location of high coastal hazard risk areas (Broad desktop assessment for the rest of coastline)	To be carried out by Jim Dahm (Eco Nomos Ltd) and Bronwen Gibberd (4D Environmental Ltd).	December 2018
Huntly Mine Subsidence Areas	Final report by Ian Brown (Ian R Brown Associates) now completed.	October 2018
Mine subsidence report peer review	Contract work underway.	November 2018
Slope instability- Raglan	Review existing geotechnical Report. Review of relevant provisions as part of development of rules and assessment matters.	November 2018
Fault lines	Possible information only layer in GIS if information available.	November 2018
Tsunami Assessment – West Coast	Tsunami Report completed by e-Coast for the West Coast. No information for Miranda (West Coast). Policy/assessment provisions only.	February 2016
Liquefaction	MBIE/EQC/MfE Liquefaction Guidance now available. Relevant provisions reviewed as part of development of rules and assessment matters.	November 2018

3	Council workshop - Stage 2 project update		November 2018
	Short presentation on progress including stage 2 project plan, key milestones, indicative timeline and technical assessments	Regular updates on progress through to notification.	November 2018
4	GIS Mapping Hazard Areas and Residual Risk Areas		January 2019
	Hazard extents and other Information	Following completion of all technical assessments and modelling.	January 2019
5	Public Consultation on the Findings and Recommendations of the Huntly Mine Closure Hazard Report and Peer Review		January 2019
	Hold public open day(s) in Huntly for land owners/occupiers in the Huntly Subsidence Risk Area	This is contingent on the completion date for the peer review of the Huntly Mine Closure Hazard Report.	January 2019
6	Objectives and policies drafted		November 2018
	Review objectives and policies already drafted and amend as required through process of drafting rules	Completed draft obs and pols.	October 2017
	Finalise objectives and policies	This is an iterative process so will relook at the obs and pols following the completion of the rules.	November / December 2018
7	Development of Rules, Assessment Matters and Definitions		November 2018
	<p><i>Development of provisions relating to Climate Change:</i></p> <p>Drought – policies/assessment matters, linked with climate change</p> <p>Wild fire - policies/assessment matters, linked with climate change</p> <p>Migration inland – coastal biodiversity</p> <p>Continued access to coast</p> <p>Review stormwater provisions related to climate change</p>	<p>MfE Climate Change and Coastal Hazard Guidance now available. The guidance recommends an adaptive management approach based on different climate change scenarios to deal with the uncertainty.</p> <p>Note: The adaptive management approach does not sit in the plan, with the exception perhaps of assessment matters or matters</p>	November/ December 2018

		<p>for discretion. Outside of the district plan we can identify a strategy, which identifies the triggers for a plan change to the district plan (i.e. work thorough with the council/community commitments when certain triggers are approaching, to adopt a new pathway.</p> <p>Coastal hazards, sea level rise, inland migration and access to coast issues are to be addressed through coastal hazard assessment – consultation currently underway.</p>	
	<p><i>Development of Hazard provisions for:</i></p> <p>1% AEP Flooding (plus climate change)</p> <p>Residual Risk zones based on 1% AEP stopbank or other LWS (defence)</p> <p>SW Ponding areas</p> <p>Coastal hazards</p> <p>Tsunami</p> <p>Mine subsidence</p> <p>Slope stability</p> <p>Fault lines?</p> <p>Liquefaction</p>	Note: Draft provisions will be finalised following internal and public feedback on draft in 2019.	November/December 2018
8	Circulate provisions for internal review and discussion		January 2019
	Presentation to drafting team and key internal stakeholders	May require changes to draft provisions.	Mid-January 2019
9	Circulate provisions for external key stakeholder review and discussion		January 2019

	Presentation to key external stakeholders	May require changes to draft provisions.	Mid-January 2019
10	Circulate provisions with Iwi for review and discussion		January 2019
	Presentation to Iwi Reference Group	May require changes to draft provisions.	Late January 2019
11	Councillor Workshop on Draft Proposed Provisions - Stage 2		February 2019
	Workshop new provisions with councillors	Report back on all feedback where changes are made and provide explanation when feedback is not considered appropriate.	February 2019
12	Prepare Draft Proposed District Plan – Stage 2		February 2019
	Finalise all stage 2 content including maps into e-plan and intramaps. Prepare variation to Stage 1 Proposed District Plan if required	The Stage 2 review will likely require some changes to Stage 1 Proposed District Plan. Changes will be by way of a variation to Stage 1.	February 2019
13	Present draft provisions to Council (workshop)		March 2019
	Presenting draft prior to public release Council approval to draft stage 2 release		March 2019
14	Public Release of Draft Proposed District Plan – Stage 2		March 2019
	Provide the draft DP to public for feedback for a 4 week period		March 2019
15	Community engagement		March 2019
	Public open days to support the release of the draft		March 2019
16	Changes/amendments to draft provisions incorporated		April 2019
	Community feedback on draft collated and redraft as required		April 2019
17	Technical information and appendices for section 32 collated		January 2019
	All technical assessments, modelling		January 2019

	methodologies, consultation/ engagement, meeting notes etc.		
18	Section 32 Reports completed		March 2019
	Draft section 32 reports – Natural hazards and climate change		March 2019
19	Technical and Legal Reviews		April 2019
	Check for legal and technical robustness		April 2019
20	Council Workshop on Final Draft		April 2019
	Present the final draft and Section 32 reports to Councillors		April 2019
21	Council Meeting for Approval to Notify		April 2019
	Approval to notify		April 2019
22	Prepare Draft Proposed District Plan – Stage 2 for Notification		April 2019
	Comms GIS Admin (letters)	Confirm process used in Stage 1 with Sandra and Teresa.	April 2019
23	Notification of Proposed District Plan - Stage 2		

Attachment 2

Technical Assessments and Modelling

Assessment	Assessed / modelled by	Progress to date	Work Progress in	Expected Date of Completion
1% AEP Flood Extents for the Waikato and Waipa Rivers.	Waikato Regional Council	Modelling Completed	N/A	December 2016
1% AEP 2d Flood Model – Horotiu to Ohinewai	DHI and Waikato Regional Council	Model completed for Huntly urban area	Currently working through some glitches with the extension of the model north to Ohinewai and south to Horotiu	Final model anticipated before 30 November 2018
Report on hazards following mine closure, Huntly East	Ian Brown & Associates	Report Completed	N/A	18 October 2018
Peer Review of the Report on Hazards following mine closure Huntly East	Not yet known	Expressions of interest received. Proposals for this work are to be received by Council by 19 November	N/A	Peer review to be completed by 30 November 2018
Coastal Hazard Assessment – Raglan and Port Waikato	Jim Dahm (Eco Nomos Ltd) and Bronwen Gibberd (4D Environmental)	Community open days in December 2017 to collection coastal hazard information Information gathering ongoing throughout 2018 Community open day presentation and workshop in November 2018	Consultation with iwi in Raglan and Port Waikato; Additional consultation with severely affected land owners in Raglan; Collate information and recommendations into final report	Final report anticipated by Friday 21 December 2018
Broad Scale Coastal Hazard Assessment – Entire coastline	Jim Dahm (Eco Nomos Ltd) and Bronwen Gibberd (4D Environmental)	Not started	N/A	TBA
Assessment of ponding risk - Huntly South	Beca	Not Started	N/A	TBA

Attachment 3

Indicative Consultation Schedule

Hazard Type	Stakeholders	Method of Consultation and/or Engagement	Indicative Date
Coastal Erosion and Inundation – Technical Assessment	Raglan and Port Waikato Communities	Public workshops on coastal inundation and erosion held in Port Waikato (3-11-2018) and Raglan (4-11-2018). Follow up targeted consultation maybe require with affected land owners in Whale Bay and Lorenzen Bay.	December 2017 and November 2018
Coastal Hazard Assessment and Flood Modelling	Iwi	Regular engagement with iwi reference group prior to Stage 1 Notification. Consultation on coastal hazard assessment still to be carried out. Consultation on flood modelling to be arranged once modelling is complete.	TBC
Hazards following Mine Closure – Huntly East	Affected land owners	Inform land owners within the identified hazard area of potential hazards and draft district plan provisions. Requires completion of peer review and possible mitigation plan.	TBC
Huntly South Ponding Area	Affected land owners and Waikato Regional Council	Currently in discussion with WDC Service Delivery Team and Beca Consultant with regards to reviewing the ponding hazard in this area. Consultation will depend on the outcome of the assessment. Land owners likely to be informed by way of a letter prior to releasing the draft.	TBC
All Hazards	Waikato Regional Council	Ongoing engagement through targeted meetings. WRC provides continuous technical support to the Stage 2 review but also administer the Waikato Regional Policy Statement and will require new provisions to give effect to this.	Ongoing
River Flooding	Mercury	Ongoing engagement with Mercury through targeted meetings. Mercury have a specific interest in the flood modelling and related	Ongoing

		provisions as they manage the Waikato River Hydro Scheme and assist with flood management along the Waikato River.	
Hazard and Climate Change Draft Objectives and Policies	Whole of District	Consultation will include land owner letters prior to the release of Draft Proposed District Plan – Stage 1. Will allow a 4 week feedback period.	March 2019
Coastal Hazard Assessment and Flood Modelling	Affected land owners	Targeted engagement through letters to affected land owners prior to the release of the Draft Proposed District Plan Stage 2.	March 2019

Open Meeting

To	Strategy & Finance Committee
From	Clive Morgan General Manager Community Growth
Date	15 November 2018
Prepared by	Donna Tracey Strategic Planner
Chief Executive Approved	Y
Reference #	GOV1318 / 2120883
Report Title	National Policy Statement on Urban Development Capacity Minimum Housing Targets

I. EXECUTIVE SUMMARY

The National Policy Statement on Urban Development Capacity 2016 (NPS-UDC) came into effect on 1 December 2016. Waikato District Council (“Council”) is considered as part of a High Growth Urban Area jointly with Hamilton City Council and Waipa District Council.

The NPS-UDC directs Council to incorporate minimum targets for sufficient, feasible development capacity for housing into the district plan by 31 December 2018. This change will be made without using the process in schedule 1 of the Resource Management Act 1991 (“RMA”).

In accordance with section 55(2A)(b) of the RMA, the Waikato District Plan will be updated prior to 21st December 2018 to meet this mandatory requirement. A public notice will be issued within 5 working days of making the changes.

2. RECOMMENDATION

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

AND THAT the recommended mandatory changes to the Operative Waikato District Plan (Waikato and Franklin Sections) and the Proposed District Plan are approved;

AND FURTHER THAT these changes take place prior to 21 December 2018 with public notice issued within 5 working days of implementation.

3. BACKGROUND

The NPS-UDC provides direction to councils on planning positively for growth and change in urban environments, and places new requirements on local authorities with a high-growth urban area within their district or region.

The NPS-UDC requires all local authorities in New Zealand which have been identified as having a high-growth urban area to:

- a) Complete a Housing and Business Development Capacity Assessment (“HBA”) by 31 December 2017, and update these on an at least three-yearly basis. The HBA is to estimate the demand and supply for dwellings, business land and floor area for businesses in the short, medium and long terms, and assess interactions between housing and business activities.

The HBA for the Future Proof sub-region was completed and submitted to the Ministry of Business Innovation and Employment (“MBIE”) and the Ministry for the Environment (“MfE”) on 22 December 2017.

The reports and a summary document are available at:

http://www.futureproof.org.nz/file/future-proof-hba-summary-report-2017_10-august-2018-final.pdf

http://www.futureproof.org.nz/file/market-economics-business-development-capacity-assessment-2017_16-july-2017-final.pdf

http://www.futureproof.org.nz/file/market-economics-housing-development-capacity-assessment-2017_17-july-2018-final.pdf

- b) Set minimum targets for the medium and long term, for sufficient, feasible development capacity for housing in accordance with the Housing Business Assessment. The NPS-UDC requires the set housing targets to be inserted as an objective in the relevant district plans and the regional policy statement by 31 December 2018. This requires amendments to the Waikato District Plans (Operative Waikato and Franklin sections and the Proposed Waikato District Plan), as well as to the Hamilton City District Plan (“HDP”), Waikato Regional Policy Statement (“WRPS”) and Waipa District Plan (“WaiDP”) to include the new objective. The NPS-UDC provides for insertion of the objective in plans without the usual public submissions and hearing process required under Schedule 1 of the Resource Management Act (“RMA”).

Future Proof partners are reporting this requirement to their respective council’s to change their respective district plans by 31 December 2018, in accordance with the NPS-UDC’s requirements.

- c) Monitor, on a quarterly basis, a range of indicators that assess development capacity in the short, medium and long term.

This monitoring is ongoing through the Future Proof partnership, and the quarterly reports can be viewed at:

<http://www.futureproof.org.nz/page/13-background-reports>

- d) Produce a Future Development Strategy (“FDS”) by 31 December 2018 that demonstrates sufficient, feasible development capacity in the medium and long term.

It is anticipated that the FDS for the Future Proof area will be incorporated into an updated Future Proof Growth Strategy document. Completion of the FDS/Future Proof Growth Strategy has been delayed, awaiting completion of central government's Hamilton to Auckland Corridor Plan initiative; however a draft Future Development Strategy will be submitted to MIBE / MfE by December 2018 to still meet our requirements.

4. DISCUSSION AND ANALYSIS OF OPTIONS

4.1 DISCUSSION

The new objective to be inserted into the Operative Waikato District Plan (Waikato and Franklins Sections) and the Proposed Waikato District Plan is as follows:

The minimum targets for sufficient, feasible development capacity for housing in the Waikato District area are met, in accordance with the requirements of the National Policy Statement on Urban Development Capacity ("NPS-UDC") 2016.

Area	Minimum Targets (number of dwellings)		
	Short to Medium 1-10 years (2017-2026)	Long term 11-30 years (2027-2046)	Total
Waikato District	7,100	12,300	19,400

The minimum targets have been developed and agreed through the work of the future proof partnership with each partner also undertaking the insertion of the minimum targets in their respective plans.

4.2 OPTIONS

The NPS-UDC's direction in respect of the insertion of the minimum targets objective is consistent with the RMA, and is mandatory and therefore cannot be avoided.

Council can choose not to include these targets into the district plan but doing this will mean that we will not be meeting our compliance obligations as required by the NPS-UDC.

5. CONSIDERATION

5.1 FINANCIAL

The financial cost to Council relates to the issuing of a public notice. This is covered by existing corporate budgets.

5.2 LEGAL

Inserting the minimum dwelling targets into the district plan meets Council's obligations as per the NPS-UDC. The insertion of the new objective satisfies the requirements of the Resource Management Act 1991 in accordance with section 55(2A)(b).

5.3 STRATEGY, PLANS, POLICY AND PARTNERSHIP ALIGNMENT

The minimum targets that will be inserted into the district plans of partner Future Proof councils will be consistent with the targets that will be inserted into the Waikato Regional Policy Statement. The targets ensure we meet our statutory requirements under the RMA and the NPS-UDC.

5.4 ASSESSMENT OF SIGNIFICANCE AND ENGAGEMENT POLICY AND OF EXTERNAL STAKEHOLDERS

Highest levels of engagement	Inform	Consult	Involve	Collaborate	Empower
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	The National Policy Statement on Urban Development Capacity 2016 directs the council to incorporate minimum targets for sufficient, feasible development capacity for housing in the district plan by 31 December 2018. This change will be made without using the process in schedule 1 of the Resource Management Act 1991 (RMA).				

State below which external stakeholders have been or will be engaged with:

Planned	In Progress	Complete	
		✓	Internal
			Community Boards/Community Committees
			Waikato-Tainui/Local iwi
			Households
			Business
		✓	Future Proof Partners - Waikato Regional Council - Hamilton City Council - Waipa District Council - Tangata Whenua

6. CONCLUSION

The insertion of the new Objective in the Operative and Proposed Waikato District Plans is a requirement of the NPS-UDC 2016 that must be completed by 31 December 2018. The new objective sets out minimum targets for sufficient, feasible development capacity for housing for the high-growth areas of Hamilton City, Waikato and Waipa Districts. The minimum targets for each of these areas will also be reflected in the new objective that the NPS-UDC directs be included in the Waikato Regional Policy Statement and Future Proof partner Councils district plans for each of the respective areas, within the same timeframe.

7. ATTACHMENTS

NIL

Open Meeting

To	Strategy & Finance Committee
From	Clive Morgan General Manager Community Growth
Date	10 September 2018
Prepared by	Giles Boundy Senior Environmental Planner
Chief Executive Approved	Y
Reference #	GOV1318 / 2116669
Report Title	Consideration of Conservation Fund Application

1. EXECUTIVE SUMMARY

The purpose of this report is to present:

1. A recently approved Conservation Fund application for the Strategy & Finance Committee's ("the Committee") information; and
2. A Conservation Fund application (above \$1,500) for the Committee's consideration and recommendation to Council for approval.

2. RECOMMENDATION

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

AND THAT the Strategy & Finance Committee recommends to Council that the Conservation Fund application from B Carsons for \$5,000 be approved in full.

3. BACKGROUND

Waikato District Council has a dedicated fund established through the Conservation Strategy (2004) ("the Strategy") to contribute to conservation efforts on private land in the district. The criteria for determining applications for funding are contained in the Strategy.

Staff can approve applications up to \$1,500. Approved applications are reported to Council. As per the Strategy, applications over \$1,500 require Council consideration and approval. Any applications of \$5,000 require a form of protective covenant (e.g. QEII or Waikato District Council Reserves Act 1977 covenant).

There is \$88,203.01 in the Conservation Fund available for distribution after commitments. See attached.

4. DISCUSSION, ANALYSIS OF OPTIONS AND RECOMMENDATIONS

4.1 DISCUSSION

Mr Carson has applied to the Conservation Fund for \$5,000 for part of the costs of fencing a Significant Natural Areas (“SNA”) bush area on the site to exclude stock. The full cost of the fencing project has been quoted at \$7,500. Beyond covering the remaining portion of fencing costs, Mr Carson plans on carrying out possum control using traps.

4.2 OPTIONS

Option 1: To approve funding for the applications in full

This is the preferred option as the project aligns with the Strategy (refer 5.3).

Option 2: To approve funding for the applications in part

This is not recommended as Option 2 would limit the conservation gains associated with the works proposed by the applicant, and likely delay the ongoing restoration efforts.

Option 3: To decline funding for the applications

This is not recommended as Option 3 would mean Council would not support the efforts of the landowner.

5. CONSIDERATION

5.1 FINANCIAL

Staff can approve applications up to \$1,500. Approved applications are reported to Council. As per the Strategy applications over \$1,500 require Council consideration and approval.

There is \$88,203.01 in the Conservation Fund available for distribution after commitments.

5.2 LEGAL

There are no legal implications of awarding the funds.

5.3 STRATEGY, PLANS, POLICY AND PARTNERSHIP ALIGNMENT

The recommendation to grant the proposed funding applications aligns, in particular with the Conservation Strategy and following criteria contained therein:

(a) The ecological significance of the site, the degree of threat to it and the likelihood of restoration success;”

The area for proposed fencing is identified as a SNA. Throughout the district such areas are particularly threatened from pest plant and animal incursion, as well as stock browse. Excluding stock and ongoing weed and pest control will improve the biodiversity values of the SNA.

(b) The priority the Council is giving to the habitat type on the site as determined through an assessment of habitat types requiring the greatest assistance and the assistance for various habitat types available from other agencies;

Low land podocarp forest remnants such as this are threatened and underrepresented in the Waikato district and region. The area for fencing is identified and assessed as SNA's for recognition in the proposed Waikato District Plan.

(c) The extent to which the benefits to private landowners is matched or exceeded by wider community and ecological benefits (e.g. through connecting isolated habitat areas);

Isolated fragments of lowland podocarp forest remnants such as this are vital stepping stones given the considerable native vegetation cleared on private land throughout the district in the past. Stock exclusion, along with ongoing pest control and management of any future pest plant incursions enhance this fragment which will enhance the broader ecological benefits such as seed dispersal.

(d) Landowner willingness including the degree of long-term commitment and the existence of any legal mechanism securing that commitment;

The proposed 8 wire post (at 3.6 centres) and batten; along with the possum control proposed is demonstrative of a long term commitment to exclude stock from the bush.

(e) The long-term financial implications of managing the site properly;

Mr Carson has carried out significant fencing to date and is proposing to carry out the pest control without further assistance from Council.

(f) The degree of biodiversity improvement relative to the financial commitment required;

The fencing proposed by the applicant will stock exclusion of the SNA area and will provide a considerable buffer to the stream therein.

The pest control proposed will supplement the fencing. Possum browse was evident in the bush block. Pests such as possums threaten natural regeneration, canopy health and predate on fauna.

5.4 ASSESSMENT OF SIGNIFICANCE AND ENGAGEMENT POLICY AND OF EXTERNAL STAKEHOLDERS

Awarding the Conservation Fund does not require engagement with external parties.

6. CONCLUSION

Staff have approved one application of \$1,500 since last reporting to the Committee (26 September 2018). This was for native plants to contribute to the ongoing restoration and enhancement of a gully area (J Holden).

There is one application over \$1,500 that requires Council consideration and approval as per the Conservation Strategy (2004). There is \$88,203.01 in the Conservation Fund available for distribution after commitments.

7. ATTACHMENTS

Conservation Fund as at 16 November 2018

CONSERVATION FUND GRANT

		GL I-502-I410
2018/2019 Annual Plan		32,402.00
Carry forward from 2017/2018		83,517.00
Total Funding		<u><u>115,919.00</u></u>
Expenditure		
17-Aug-18 Forest Flora - plants for Cathererine Bircher, Pokeno		434.81
8-Oct-18 Honiss Farming Partnership - 427 Bruntwood Road		1,500.00
17-Oct-18 A & M Underwood - Plants, Weed & Pest Control		788.51
29-Oct-18 A & M Underwood - Plants Supplied		323.48
Total Expenditure		<u>3,046.80</u>
Income		
Total Income		<u>-</u>
Net Expenditure		<u>3,046.80</u>
Net Funding Remaining (Excluding commitments)		<u><u>112,872.20</u></u>
Commitments		
24-May-16 Robert Hos - restoration project at 457 Marychurch Road, Tauwhare	4,000.00	
Less: Expenses		
Tamahere Gully Care Nursery	(1,000.00)	
Forest Flora	(1,500.00)	1,500.00
24-May-16 Shane and Kathy Gold - enhancement project at 821 Waitetuna Valley Road, Raglan		4,290.00
26-Sep-18 M ter Beek (S&F1809/08)		4,825.00
26-Sep-18 A & M Underwood (S&F1809/08)	6,500.00	
Less: Expenses	(1,111.99)	5,388.01
26-Sep-18 G & D McBride (S&F1809/08)		2,405.41
26-Sep-18 R Gedye (S&F1809/08)		6,260.77
Total Commitments		<u><u>24,669.19</u></u>
Net Funding Remaining (Including commitments) as of 16 November 2018		<u><u>88,203.01</u></u>

Open Meeting

To	Strategy & Finance Committee
From	Clive Morgan General Manager Community Growth
Date	25 October 2018
Prepared by	Betty Connolly Senior Planner Community Development
Chief Executive Approved	Y
Reference #	GOV1318 / 2121252
Report Title	Update on Waikato District Heritage Forum

I. EXECUTIVE SUMMARY

The purpose of the Waikato District Heritage Forum (“the Forum”) is to bring together like-minded groups who have a focus on protecting heritage and promoting heritage activities around the district. The Forum has met regularly during 2017/18 with groups covering a variety of areas and aspects of heritage. The Forum meetings provide a valuable insight into what is happening in the area of heritage around the district and examples of activities / events which have been undertaken by groups are:

- Representatives from other heritage areas have attended Forum meetings and provided information on how their areas work – Waikato Museum, Waikato Tainui, Hamilton City Council (“HCC”).
- Heritage booklets published and heritage signage erected.
- Pioneer Fun Day at Woodlands.
- Bush Tramway Club activities and line extension.
- Ngaruawahia group Ngaruawahia Motel research project.
- Franklin Heritage Group advocating for the protection of the Pukekohe train station, and writing the history of the local women who were on the 1893 electoral role.
- Franklin Heritage Group Suffrage project for 15 September 2018.
- Huntly group RSA 100 year research project.

The one issue that has been at the forefront of Forum meetings has been the provision of archiving services and in particular digitisation and storage. A number of options have been reviewed and discussed including utilising Waikato District Council (“Council”) facilities and the use of online publishing software.

The Forum considers that neither of these options are viable for reasons discussed below and has passed the following resolution:

- 1) *The Heritage Forum strongly recommends that the Waikato District Council make immediate steps to work with the Waikato Regional Council and any other concerned Local Authorities to establish a Waikato Regional Archival Repository.*
- 2) *Until this facility is established the Heritage Forum strongly recommends that Waikato district residents utilise the service provided by Hamilton City Council, sharing their established and staffed archival facilities.*

The Forum based the resolution on the following discussion points:

1. Council cannot provide adequate storage facilities or the qualified, trained staff to deal with the historic materials which need archiving.
2. Council cannot afford:
 - a. to provide a specialist archival facility;
 - b. the cost of professionally training an archivist; or
 - c. the on-going costs to maintain staffing and the running expenses.
3. Any charge that the HCC Library Service may make for the use of their facility would be affordable, whereas establishing a new Heritage Facility by Waikato District Council is not.
4. The facility is needed now before too much material is lost.

Council staff do not have any voting rights on this Forum.

HCC staff attended the Waikato District Heritage Forum meeting as guests on 24 July 2018 to provide an outline of how they manage archives in their collection. During these discussions, HCC staff advised that they have a mandate that the area within which they accept archives for their heritage collection extends outside the city boundaries and encompasses the wider Waikato region. No detail was provided as to how this mandate came into being. While they have a number of staff working in this area they are not dedicated to working on archives full time. No further discussions have been undertaken with HCC staff on this issue.

It is to be noted that the resolution in regard to a regional facility has been raised previously at the Waikato Regional Heritage Forum (“WRHF”) by staff. This will again be raised at the next WRHF meeting and it is likely that a project will be added into one of the work streams for this group to investigate at a later date.

Council staff support the option of a regional approach as opposed to a Hamilton focus and consider that the facility made available in the Ngaruawahia Office will sufficient in the interim while we transition to a potential HCC arrangement and ultimately the possibility of a regional facility.

2. RECOMMENDATION

THAT the report from the **General Manager Community Growth** be received.

3. ATTACHMENTS

NIL

Open Meeting

To	Strategy & Finance Committee
From	Ian Cathcart General Manager Service Delivery
Date	14 November 2018
Prepared by	Melissa Russo Acting Corporate Planning Team Leader
Chief Executive Approved	Y
Reference #	GOV1318 / 2110553
Report Title	Consultation on the proposed Raglan Food Waste Targeted Rate

I. EXECUTIVE SUMMARY

Since August 2017 Council has partnered with Raglan refuse contractor Xtreme Zero Waste, to trial a kerbside food waste collection in Raglan.

The service was established when Council received funding from the Ministry for the Environment (“MfE”) to go towards the setup of a food waste collection service and the infrastructure required to compost the collection. Construction was completed in August 2017 and the collection began shortly after.

The food waste collection service has been running as a trial since late 2017 at no direct cost to the ratepayer. If the service is to continue, a targeted rate of \$79.29 would be required.

Staff are seeking approval to consult with the Raglan community about whether or not they wish for the service to continue and if they would be prepared to pay for it, through a targeted rate.

2. RECOMMENDATION

THAT the report from the General Manager Service Delivery be received;

AND THAT the Strategy & Finance Committee recommend to Council to approve to consult with the Raglan community on the proposed targeted rate to continue the kerbside food waste collection service for Raglan.

3. BACKGROUND

In November 2015 Council secured a 55% funding grant from the MfE to go towards the setup of a food waste collection for the Raglan community and the infrastructure required to compost the collection onsite at the Raglan Resource Recovery Centre (“RRRC”).

A number of issues surfaced post the securing of the MfE funding, including time delays, procurement issues and budget overruns associated with the planning and construction. These culminated in a shortfall of approximately \$120,000. This shortfall was funded by the following:

- Te Kauwhata Resource Recovery Centre, 2017/18 budget (\$15,775)
- Raglan Refuse Targeted Rate Reserve (\$25,410)
- Waste Minimisation Reserve (balance of shortfall).

The project is unique, in that it is one of the first operational food waste collection services in New Zealand and has received positive feedback from the community and widespread acknowledgment in the media.

4. DISCUSSION AND ANALYSIS OF OPTIONS

4.1 DISCUSSION

Staff are seeking approval from Council to consult with the Raglan community on the continuation of a kerbside food waste collection beyond 30 June 2019. The collection would require funding through a targeted rate of \$79.29.

The consultation period will be open from 21 January until 01 March 2019.

Attached to this report is a map showing the area that is currently receiving the kerbside food waste collection service. Should the service continue, the same area will be covered.

At this time there are no plans to offer other parts of the district a kerbside food waste collection.

The results of the consultation will be presented to the Strategy & Finance Committee at their meeting in March 2019.

4.2 RISKS

Failure of the kerbside food waste collection carries a number of risks to Council.

Through the development of the Horizontal Composting Unit (“HCU”), Council has established a specialist piece of infrastructure. Should the kerbside food waste service end, Council would be left with a piece of stranded infrastructure and would need to consider if it would continue to depreciate this asset or disestablish. Both of these options would result in a targeted rate cost that would be funded into the future, beyond the life of the service.

As noted above, the Raglan kerbside food waste collection project has attracted attention both locally and nationally. Failure of this service could expose Council to criticism from the Raglan community and the wider solid waste industry.

Finally, as noted, construction of the HCU was funded through an MfE grant; the Waste Minimisation Fund (“WMF”). Failure of the kerbside food waste service could impact Council’s ability to access WMF in the future.

4.3 OPTIONS

Option 1: Council approve to consult on the proposed targeted rate of \$79.29 to cover the costs of a kerbside food waste collection service.

This option **is** recommended.

In order for the service to continue past the trial period (30 June 2019) consultation with the Raglan community is required as per Council’s Significance and Engagement Policy as the proposed targeted rate would be new.

Option 2: Continue the service until the end of financial year only and terminate the service.

This option is **not** recommended.

The infrastructure to deliver the service is already in place and the Raglan community are already receiving this service through a trial. It would not be logical to discontinue the service without seeking views from the public first.

5. CONSIDERATION

5.1 FINANCIAL

The financial implication to deliver this service will be \$79.29 on the targeted rate.

5.2 LEGAL

Consultation will occur under section 82 of the Local Government Act.

5.3 STRATEGY, PLANS, POLICY AND PARTNERSHIP ALIGNMENT

The proposal to consult on a kerbside food waste collection service aligns with Council’s Waste Minimisation Management Plan and also Council’s Significance and Engagement Policy based on the section 3.

The Council will take into account the following matters when assessing the degree of significance of proposals and decisions, and the appropriate level of engagement:

- *The degree to which the issue has a financial impact on Council or the rating levels of its communities:*
 - *Decisions or proposals which would result in a new or increased targeted rate of more than 10% of existing rates per property.*

5.4 ASSESSMENT OF SIGNIFICANCE AND ENGAGEMENT POLICY AND OF EXTERNAL STAKEHOLDERS

Highest levels of	Inform	Consult	Involve	Collaborate	Empower
	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

engagement					
<i>Tick the appropriate box/boxes and specify what it involves by providing a brief explanation of the tools which will be used to engage (refer to the project engagement plan if applicable).</i>	<p>If consultation is to proceed Council will address a letter to all those ratepayers who would be affected by the proposed targeted rate.</p> <p>A public notice would also be placed in the Raglan Chronicle and the consultation would be promoted through social media and Council's website.</p>				

State below which external stakeholders have been or will be engaged with:

Planned	In Progress	Complete	
✓			Internal
✓			Community Boards/Community Committees
			Waikato-Tainui/Local iwi (provide evidence / description of engagement and response)
✓			Households
			Business
✓			Other: Xtreme Zero Waste

6. CONCLUSION

Staff are seeking Council's approval to consult with the Raglan community on a proposed targeted rate to continue the kerbside food waste collection service.

7. ATTACHMENTS

NIL

Open Meeting

To	Strategy & Finance Committee
From	Clive Morgan General Manager Community Growth
Date	13 November 2018
Prepared by	Karen Cousins Economic Development Marketing Officer
Chief Executive Approved	Y
Reference/Doc Set #	GOV1318 / 2121317
Report Title	Economic Development Update November 2018

I. EXECUTIVE SUMMARY

The purpose of this report is to update Council on the various economic development projects and other economic development activity. The key items:

- The Economic Development Work Programme for 2018/19 has been developed.
- Open Waikato continues to grow its organic traffic and has reached a high of 2921 users this quarter.
- Industrial-zoned land is in short supply with only 4 hectares available in Gateway Business Park and 95% of Northgate Business Park (stages 1 & 2) under contract or sold.
- Rural Broadband Initiative 2 and Mobile Black Spot Initiative will be underway shortly, providing broadband and mobile coverage to some of our most remote communities.
- Blueprint Workshops have been undertaken in three rounds with more facilitated sessions coming up for Councillors and staff in December. The Blueprint project has required extensive resources from Councillors and staff and Kobus Mentz from UrbanismPlus has been complementary of the efforts put forward by both.
- Waikato District's Youth to Employment coordinator position has received verbal confirmation from Ministry of Social Development, Waikato District Health Board and Waikato-Tainui. Staff are in the early stages of formalising a co-funding model.
- Staff attended the 2018 Economic Summit which announced Te Waka as the regional economic development agency name. The Summit was also attended by Minister Shane Jones who encouraged Te Waka to make application to the Provincial Growth Fund for funding economic development opportunities that benefit the wider region.
- Staff are in early stages of preparing to tender for the provision of Raglan i-SITE visitor services following the adoption of the Section 17A review recommendations.

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received;

AND THAT the Strategy & Finance Committee supports and recommends to Council to adopt the Economic Development Work Programme for 2018/19.

3. REPORT

BACKGROUND

The purpose of this report is to update Council on the various economic development projects and activity.

ECONOMIC DEVELOPMENT STRATEGY WORK PROGRAMME

The Economic Development Strategy (“EDS”) and associated Implementation Plan were adopted by Council in December 2015 and March 2016 respectively.

The EDS actions sit under seven strategic focus areas:

- Sector development
- Business recruitment
- Business start up
- Spend attraction
- Population attraction
- Skills development and attraction
- Excellence in Council service delivery

Work Programme 2018-19

The Economic Development Work Programme for 2018/19 is below:

EDS Strategic Fit	Project		Budget	Deadline
Spend attraction	Hampton Downs Industry Cluster	1) Investigate options for Hampton downs High-Performance Automotive Industry Training Cluster opportunity.	\$ 10,000	31 March 2019
	Raglan i-SITE	2) Request for proposal and tender services contract for Raglan i-SITE.	\$ 10,000	1 March 2019
Build Skills	Huntly business network	3) Establish Huntly business network with Waikato Innovation Park.	\$ 2,000	31 March 2019
	Youth to employment role	4) Gain support and establish goals with key stakeholders for Youth to Employment role with Smart Waikato (Includes application to Provisional Growth Fund.	\$ (30,000) <i>(external budget to ED)</i>	1 May 2019
	Mayoral Community & business awards	5) Establish business division in the Mayoral Community Awards – bi-annual event.	\$ 1,000	1 June 2019
Sector Development	International Exposure Campaign	6) Create new co-branded promotional video for international promotion for Open Waikato and Yashili.	\$ 10,000	31 October 2018
Marcomms Implementation	OW Marketing & Communications Plan	7) Review Open Waikato Marketing and Comms Plan for 2018/21. Include website redevelopment and education programme.	\$ 8,000	31 March 2019
Excellence in service delivery	Economic Development Strategy	8) Develop new Economic and Community Development Strategy.	\$ 35,000	30 June 2019
	<i>Social Development Strategy</i>	<i>9) Create Social Development strategy (deferred – prioritised Economic Development Strategy refresh).</i>	\$ -	<i>30 June 2020</i>
	Political engagement plan	10) Implement Political Engagement Plan.	\$ 20,000	30 November 2018
	Digital Enablement Plan	11) Revise plan outcomes and determine budget allocation.	\$ -	31 December 2018
	Te Waka - Regional Economic Development Agency	12) Participate in economic development activities in collaboration with Te Waka.	\$ 5,000	30 June 2019
	Blueprint project	13) Project manage the Waikato district-wide and Local Area Blueprints process <i>(To transfer to new planning and policy team).</i>	<i>Separate budget through LTP</i>	30 June 2019
TOTAL		<i>To be confirmed Youth Empowerment funding source</i>	\$ 136,000	
Budget			\$ 136,000	

The Economic Development Work Programme for 2018/19 has been developed with consideration given to the business unit resourcing. The Economic Development team has been the project sponsor for the Blueprint project and is actively involved in the workshop engagement process. The intention is that the Blueprint project will transition to the new Planning and Policy Team over the coming months. The Work Programme for this year focuses on reviewing the Economic Development Strategy and direction under the new Community Growth Group. Two projects have been continued through last year's Work Programme (I and IO) and the Raglan i-SITE tender process is the next step from last year's Section 17A review of the Waikato District i-SITE contract recommendation.

Reducing the projects from 29 in 2017/18 to 13 in 2018/19 will enable the Economic Development team to achieve a manageable workload and will aid in the integration of community and youth development into the new Economic and Community Development team.

The Economic Development team seek support from the Strategy & Finance Committee for the Economic Development Work Programme for 2018/19.

Open Waikato

Website statistics over the three months ending the month shown:

Measure	Year	Sessions	Users	New Visitors	Average Session Duration	Bounce Rate*
Feb	2016	21904	21109	96.20%	0:00:20	84.53%
	2017	2385	1895	77.53%	0:02:33	65.03%
	2018	8313	7593	93.60%	0:00:30	86.41%
May	2016	2043	1666	78.70%	00:01.5	69.90%
	2017	3383	2819	81.79%	0:01:47	71.30%
	2018	2631	2336	91.20%	0:01:15	75.60%
Aug	2016	1987	1712	83.60%	0:01:14	67.89%
	2017	2805	2298	90.50%	0:01:34	71.76%
	2018	5057	4507	92.00%	0:00:58	81.57%
Nov	2016	2705	2186	79.45%	0:02:03	64.29%
	2017	3029	2560	91.50%	0:01:25	75.93%
	2018	3437	2921	90.80%	0:01:11	75.79%

*This refers to the percentage of visits that go to only one page before leaving the site.

Bold figures represent months that targeted campaigns ran.

The Open Waikato website traffic is steadily building and had its highest organic traffic volume (2921) this quarter since the website started. This is encouraging considering no paid campaigns were run during this time and indicates that search engine optimisation is working effectively.

Our top three highest visited pages for the three month period 01 August to 31 October 2018 were:

1. Home
2. Live – Our Towns
3. Visit – Climate

The Open Waikato Facebook page is currently sitting at 971 likes and 1,008 followers, Twitter at 132 followers and Instagram at 154 followers.

Tata Valley Ltd

Staff have been advised to expect the Resource Consent application for a hotel within the next four weeks.

Synlait

Land Use Consent and Resource Consent for earthworks has been granted.

Ports of Auckland

Ports of Auckland announced Open Country Dairy as their first tenant for the Waikato Freight Hub. The over bridge is currently under construction.

Industrial Land Update

Gateway Business Park now has only 4 hectares of industrial land available and Northgate Business Park (Stages 1 and 2) is 95% sold or under contract. Tuakau has 17 hectares of industrial-zoned land for sale, currently being marketed by Bayleys, LJ Hooker and other Real Estate companies (10.4ha at Lot 1, Bollard Road and 7ha at Seddon Saleyards Road).

Staff have met with developers seeking large footprint industrial land outside of our zoned industrial land. Sub-regionally there are parcels of industrial land available, however it's becoming more challenging to satisfy demand for large footprint industrial land.

Rural Connectivity Group

On the back of Rural Broadband Initiative 2 (“RBI2”) and Mobile Black Spot coverage (“MBS”), staff have met with representatives of the Rural Connectivity Group to discuss infrastructure requirements. Staff are assisting the Rural Connectivity Group with location data and information to assist identification of suitable locations for the installation of telecommunications equipment. This will benefit properties within our most remote communities in the following locations: Onewhero South; Waikaretu; Waingaro; Karioi; Cogswell Road; Waitetuna; Tauwhare; Otatau West; Waerenga; Mangatangi; Te Akau East; Te Kohanga; Matira; Whale Bay; and Tauhei West.

KEY PROJECTS

Blueprint Project

The Local Area Blueprint Workshops concluded in October and were attended by community members across 13 townships. Feedback has been generally positive from attendees and staff have found the process has provided a good snapshot of our communities priorities.

Kobus Mentz from Urbanismplus, has been highly complementary of Councillors for their involvement in leading and participating in the process. He has also commended staff on the quality of the communication and organisation of the workshops.

The District-Wide Blueprint Workshops were held with Cr Noel Smith, staff and key stakeholders between 05 and 09 November 2018.

The Chief Executive acknowledges that Councillors and staff have invested significant personal time in participating in and / or organising workshops, which has contributed to the success of the Blueprint project to date.

OTHER ACTIVITY

Youth to Employment Coordinator

Waikato Tainui, Ministry for Social Development, Waikato District Health Board, and Smart Waikato have verbally agreed to support the Waikato District Youth to Employment Coordinator role. Staff have drafted a partnership agreement to formalise their support. This will be presented to parties at a meeting scheduled for later in November.

Staff have also met with Michelle Paki, Waikato regional representative for the Provincial Growth Fund (“PGF”) and it was indicated that this initiative may have merit for the PGF. Staff were encouraged to make an application to the PGF with letters of support from partner agencies.

Economic Summit 2018

Staff attended the inaugural Waikato Regional Economic Development Agency Summit (“the Summit”) where the new name was announced, Te Waka. The new Chief Executive, Michael Bassett-Foss and Chief Operating Officer, Harvey Brookes were also announced. Minister for Regional Economic Development, Shane Jones presented his thoughts on the Waikato region and support for Te Waka. Minister Jones encouraged the region to actively participate in the PGF and anticipated a significant number of quality applications.

The key outcome of the Summit will be a prioritised list of strategic regional projects which are currently being worked through. Staff will be meeting with Harvey Brookes in November and Michael Bassett-Foss has requested a meeting with the Mayor and staff prior to the end of the year.

Waikato Tourism Monthly statistics – October 2018

Hamilton & Waikato Tourism provide monthly statistics for New Zealand, Waikato region and Waikato district. Tourism expenditure in the Waikato region reached \$1.560B in the year to October 2018. The Waikato district reached a new high of \$136M, of which the full breakdown is in Appendix One.

Staff have recently been made aware Ministry of Business, Innovation and Employment are reviewing Tourism Expenditure statistics due to growing industry concern that these statistics may not be accurately capturing expenditure. Staff are following up with the regional tourism organisation.

Waikato District Visitor Information Provision

Adopted in June 2018, staff have agreed a renewed 9 month contract with Waikato Enterprise Agency for the operation of visitor services for Huntly i-SITE and Raglan i-SITE from 01 July 2018, terminating 31 March 2019. Following this date, the Huntly i-SITE located on State Highway 1, Huntly will cease operations. Visitors will be able to access independent visitor information services at Hampton-i, located in Hampton Downs Motorsport Park.

In order to continue services beyond 31 March 2019 for Raglan i-SITE services, staff are currently preparing to tender the Raglan i-SITE service, and have engaged Rob McIntyre of Destination Planning Ltd to prepare the required tender documents. Staff will be assessing how much additional funding will be required to offer an attractive and viable contract to take to market.

Following this, any request for additional funding will be brought to the Strategy & Finance Committee for consideration.

The Raglan Museum Committee contacted staff requesting an update on the status of the Raglan i-SITE. Staff confirmed the intention was to tender for the Raglan i-SITE contract.

4. ATTACHMENTS

Appendix One: Hamilton & Waikato Tourism – Waikato Monthly Stats – October 2018

NATIONAL Visitor Statistics

October 2018

**Visitor Expenditure in
NEW ZEALAND
\$29.083b**

Domestic \$17.32b
International visitors \$11.76b

3,803,605

International visitors to NZ (+3.6%)

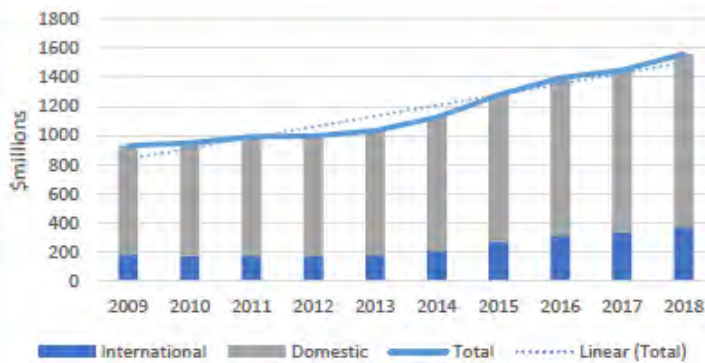
Australia	1,474,464	+0.5%	HOLIDAY	2,001,504	+4.3%
China	452,944	+11.1%	Visit Friend/Relative	1,092,144	+3%
USA	340,864	+6.7%	Business	301,888	+0.8%
UK	233,440	-5.1%	Education	68,416	+5.2%
Japan	101,424	-0.2%	Conference	76,752	+8.6%
Germany	101,456	-2.6%	Other	127,344	-1.5%
			Not Stated	133,024	+7.8%

Visitor Statistics - how's the REGION doing?



**Visitor Expenditure
in the REGION
\$1.560b**
5th highest in NZ

Domestic visitors - \$1.192b
International visitors - \$368m



Commercial Accommodation Monitor
(hotel, motel, holiday parks, backpackers)



1,422,417
commercial guest nights

1.91 nights
average stay

Estimated Visitor Nights
(AA Traveller)

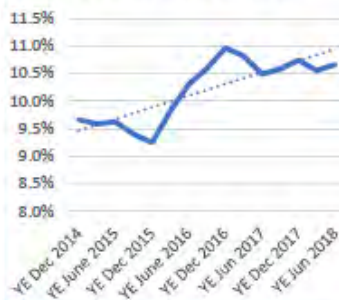
4,736,669
6.1% share



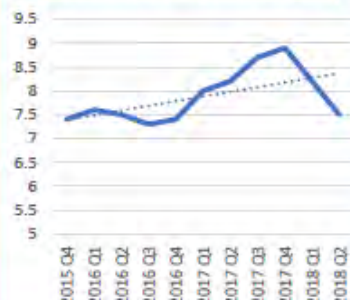
Business Events
10.7%
market share of events

7.5%
Market share of delegate days

% Market Share of Events



% Market Share of Delegate Days

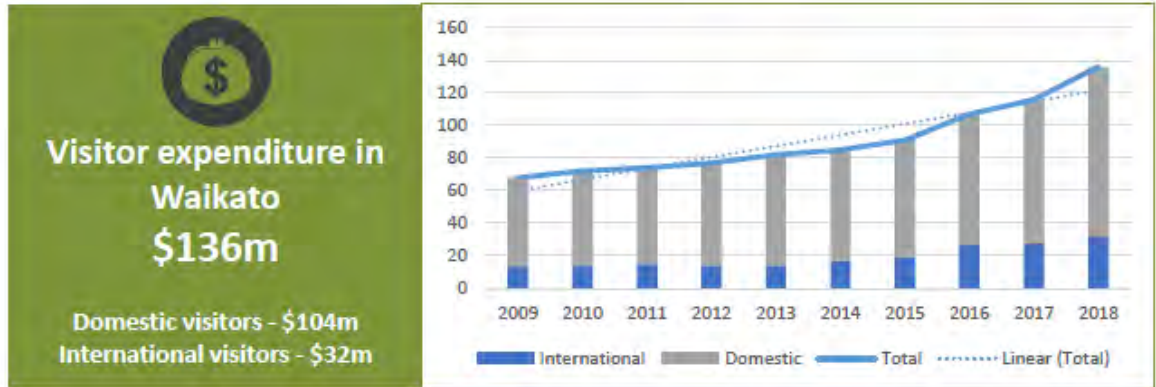



AA Traveller Monitor (YE August 2018)
MBIE: International Visitor Arrivals (YE August 2018)
MBIE: Business Events Activity Survey (Q2 July 2018)

MBIE: Monthly Regional Tourism Estimates (YE September 2018)
MBIE: Commercial Accommodation Monitor (YE August 2018)

Visitor Statistics WAIKATO District
October 2018

73,600 Population Estimate (2017) **\$100,700** Avg Household Income (2017)





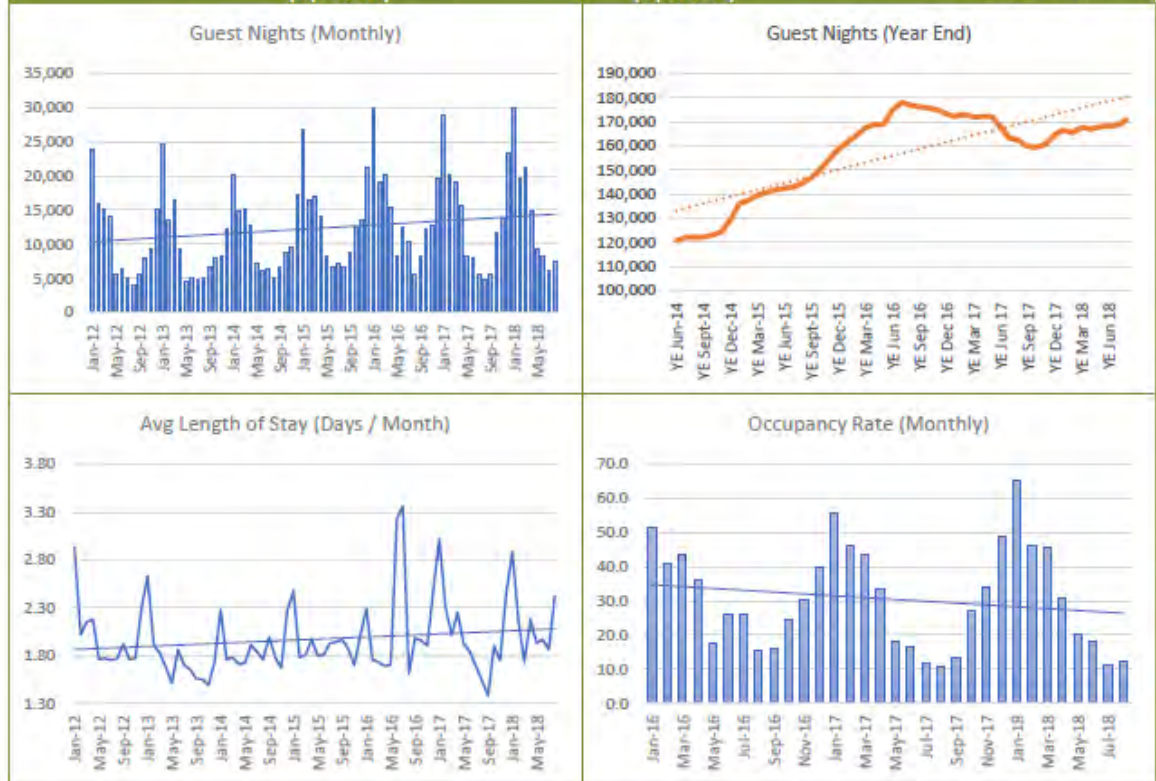
Commercial Accommodation Monitor
(hotel, motel, holiday parks, backpackers)

171,104
commercial guest nights
(up 5.3%)

31%
YE Occupancy Rate
(up 7.6%)

2.42 nights
average stay

HIGHER AVG STAY
than NATIONAL (2)!!

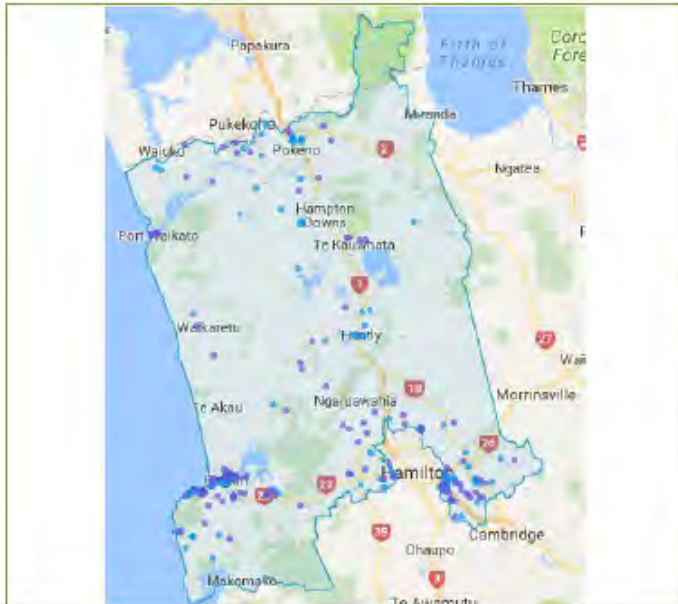


MBIE: Monthly Regional Tourism Estimates (YE July 2018)
MBIE: Regional Economic Activity Web Tool

MBIE: Commercial Accommodation Monitor (YE September 2018)

470 Active Rentals

55% "Entire Home" Rentals



Average Daily Rate



Occupancy Rate



Revenue

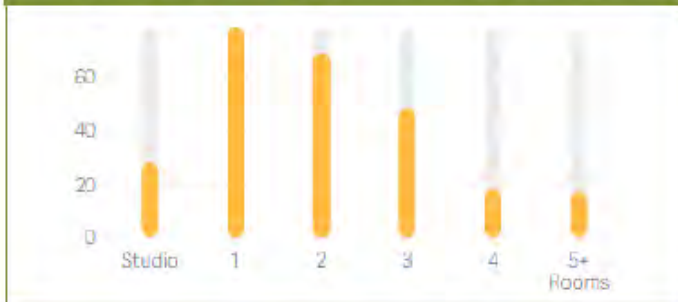
The total nightly rate + cleaning fee earned in the last month. Does not include taxes or service fees.



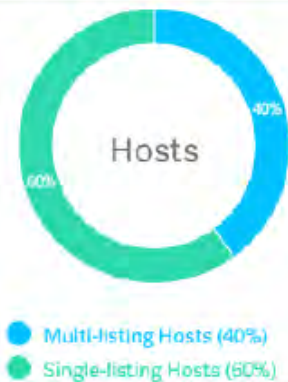
Rental Growth 92%



Rental Size – Avg 2 Bedrooms / 4.7 Guests



Professional Hosts



www.AirDNA.co/market-data

Data and graphs show information/averages for month of Sept 2018

Open Meeting

To	Strategy & Finance Committee
From	Tony Whittaker Chief Operating Officer
Date	15 November 2018
Chief Executive Approved	Y
Ref #	GOV1318 / 2120849
Report Title	Financial Review of Key Projects

1. EXECUTIVE SUMMARY

To update the Strategy & Finance Committee on the monitoring and process that has been undertaken during 2017/2018 to ensure that the financial implications of projects are known at an early stage and to agree a list of projects for the 2018/19 financial year.

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received.

3. BACKGROUND

The Chief Executive, on an annual basis, provides details on a range of projects to be monitored and reported to the Strategy & Finance Committee. The Chief Operating Officer will now be delivering this report. The projects are selected based on value, level of risk and other factors. A series of projects were identified for particular scrutiny during 2018/2019. Regular reports are provided on progress.

4. DISCUSSION AND ANALYSIS OF OPTIONS

4.1 DISCUSSION

Council has been kept fully informed of the financial consequences of the key projects that were identified at the start of the financial year. This is an interim report for the 2018/2019 financial year and supplements monthly reports to the Infrastructure Committee on the detailed projects.

The table attached to this report gives an update on the specific projects that Council wished to be given special consideration. The list was based on the major non-roading projects which Council planned to undertake for 2018/2019, including carry forwards.

Council has historically chosen not to reduce the upfront risk. This could have been done by investing in advance design work or other scoping work in advance of setting budgets.

It should also be noted that the nature of a number of these projects is that problems are only uncovered when Council undertakes the project. Reticulation issues, for example, are hidden until the pipes are exposed. Topographical and geotechnical issues can also arise in relation to a number of projects.

Some of the projects are delayed for strategic reasons or are developer led and consequently timing from a council perspective is uncertain. An example is where we were awaiting a final decision on our Housing Infrastructure Fund application. This impacted the upgrade of our Huntly Wastewater Plant.

Councillors should also note that the purpose of this report is to identify progress with key projects from a financial perspective. This simply means that issues are identified earlier so that Council can make decisions before committing Council funds. It does not give certainty around the tender process as this is driven often by market forces, not by the project itself.

Councillors have now indicated their willingness to review the risk management approach on some key projects. This will be worked through in the next year.

4.2 OPTIONS

This report is largely for information only. It is to update Councillors on progress with the financial implications of the key projects identified for the 2018/2019 financial year.

The report contains the latest forecast cost and a comparison to the budget allocation.

Council may consider that other actions should be taken to control costs. The emphasis of the report and the requirement was to identify potential issues and to advise Council so that cost implications could be considered before work proceeds.

Any technical questions about the projects or infrastructure requirements should be addressed at the Infrastructure Committee meeting, not as part of this report.

The following is the list of projects agreed for the new financial year:

- Mangawara Bridge construction (Taupiri)
- Raglan wastewater treatment plant upgrade
- Raglan wastewater rising main renewals
- Te Kauwhata water supply reservoir extensions
- Te Kauwhata wastewater reticulation extensions
- Tamahere Recreation Reserve Project
- Tamahere sports ground
- Ngaruawahia library
- Tuakau cemetery
- Pokeno parks and reserves
- Tuakau dog pound

It should be noted that some of the projects are contingent on the speed of development and are controlled by developers rather than Council.

5. CONSIDERATION

5.1 FINANCIAL

All of the projects included in the list form part of the Annual Plan for 2018/2019 or are carry forwards.

5.2 LEGAL

As part of undertaking the work, Council needs to ensure that the approach taken is consistent with the Purpose of Local Government.

Under this Act, good quality in relation to local infrastructure, local public services and performance of regulatory functions means infrastructure, services and performance that are efficient, effective and appropriate to present and anticipated future circumstances.

In other words, to meet the current and future needs of communities for good quality local infrastructure, local public services and performance of regulatory functions in a way that is most cost-effective for households and businesses.

5.3 STRATEGY, PLANS, POLICY AND PARTNERSHIP ALIGNMENT

The report is concerned with delivering the Council vision of Liveable, Thriving and Connected Communities.

Projects such as water and wastewater schemes that impact on the Waikato River are of particular significance to Tangata Whenua. For example, discussions are ongoing with Iwi around wastewater and reservoir projects.

5.4 ASSESSMENT OF SIGNIFICANCE AND ENGAGEMENT POLICY AND OF EXTERNAL STAKEHOLDERS

Councillors will review the list of key projects and identify any change in significance, where appropriate.

Highest levels of engagement	Inform	Consult	Involve	Collaborate	Empower
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	This report is an update on progress. It is to inform.				

State below which external stakeholders have been or will be engaged with:

Planned	In Progress	Complete	
		✓	Internal
	✓		Community Boards/Community Committees
	✓		Waikato-Tainui/Local iwi
	✓		Households
	✓		Business
			Other Please Specify

6. CONCLUSION

Staff believe that appropriate systems are in place to identify the cost implications of the various key projects that Council wished to ensure were given additional monitoring during the year. Council has been kept informed of cost implications as they arise. This report provides an update on progress with the key projects for 2018/2019.

7. ATTACHMENTS

Financial Review of Key Projects

KEY PROJECTS

Project Description	Full Year Budget	YTD Actual	Remaining Budget	Full Year Forecast	Expected Completion Date	Progress & Risk Comment
Mangawara Bridge construction (Taupiri)	2,995,408	0	2,995,408	1,350,000	Mar-20	The NZTA have approved the requested increase in subsidy. Detailed design by Emmetts is underway. Council has secured additional funding of \$250K from the Waikato River Authority to support the project.
Raglan wastewater treatment plant upgrade	1,156,861	12,481	1,144,380	200,000	Sep-19	Advancement of tertiary membrane procurement documentation and design is occurring via Beca. Tendering to be undertaken early in 2019 with an anticipated four month construction period starting late in 2018/19.
Raglan wastewater high risk rising main renewals	645,373	12,812	632,561	645,373	Mar-19	Establishment and compulsory preliminary tasks are/have been performed prior to the rising main construction at the Raglan Campground to Marine Parade sites (separable portion B). The submission of the first methodology plan for the manhole replacement has been declined and is to be resubmitted for approval.
Te Kauwhata water supply reservoir extensions	1,010,213	0	1,010,213	200,000	Jun-21	Land secured. Scoping Instruction for Service for concept design and Implementation Plan is complete and paper being submitted to the Infrastructure Committee in November for further direction.
Te Kauwhata wastewater reticulation extensions	4,376,888	0	4,376,888	200,000	Jun-23	A report has been presented to Council in September to update the Housing Infrastructure Fund Detailed Business Case with an alternative option for wastewater treatment.
Ngaruawahia Library	750,000	3,875	746,125	750,000	Jun-19	Approximately \$400k is to be used for the Ngaruawahia Memorial Hall renewal work, once tender prices are back and the contract awarded. The remaining amount will be for the Ngaruawahia Library which will require a full feasibility study. Ngaruawahia Memorial Hall intrusive investigation undertaken has identified possibility of additional works will be required to be completed with the refurbishment. Confirmation of NBS being prepared with options going forward.
Pokeno parks and reserves	3,285,632	0	3,285,632	3,285,632	Feb-19	Developer led - as per the Dines Fulton Hogan schedule received May 2018.
Tamahere recreation reserve	2,530,793	440,752	2,090,041	2,530,793	Jun-19	Preparation for concrete pour within Piazza has begun with expected completion date end of January 2019, excluding lighting and other soft landscaping. Draft programme shows the carpark, skate park and playground starting at the end of November 2018 and completed at the start of July 2019, including long lead playground items. Earthworks has begun and is ahead of the draft programme.
Tamahere sports ground	550,000	17,052	532,948	550,000	Feb-19	Final costs received, 90k over budget, design approved, works has now been let following Council resolution to increase the overall approved contract sum.
Tuakau cemetery	750,000	3,875	746,125	750,000	May-19	Initial detailed design is complete and consent application has been lodged. BECA will provide drawings for the construction. The works will be completed in two separate packages. One package is for widening the road and the entranceway upgrade which will be completed by The Waikato District Alliance (WDA). The other package is for the bulk earthworks, pavement construction, and stormwater construction on private property outside of the road reserve, which will go out to tender. Jacobs New Zealand Limited has been engaged to separate the two packages of work, provide a schedule of quantities for pricing and agree a maximum cost contribution to the WDA as the works will be carried out in conjunction with programmed pavement rehabilitation work on Whangarata Road. Designation consent needs to be obtained to operate this land as a cemetery. Further planning and possible consultation will be required. This will affect the timing of the works to be carried out within the property boundaries however works to be done by WDA can commence concurrently with consultation.
Tuakau dog pound	350,000	0	350,000	350,000		Investigating land options.

Open Meeting

To	Strategy & Finance Committee
From	Tony Whittaker Chief Operating Officer
Date	16 November 2018
Prepared by	Julienne Calambuhay Management Accountant
Chief Executive Approved	Y
DWS Document Set #	GOV1318
Report Title	Summary of Movements in Discretionary Funds to 31 October 2018

1. EXECUTIVE SUMMARY

To provide the Strategy & Finance Committee with a summarised report giving balances of all the discretionary funds including commitments as at 31 October 2018.

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received.

3. ATTACHMENTS

A Summary of Movements in Discretionary Funds
B Rural Ward Discretionary Fund 2018/2019
C Events Management Fund

**Summary of Movements in Discretionary Funds
As of 31 October 2018**

	Carry Forward 2017/18	Annual Plan Budget 2018/19	Plus Income / Grants 2018/19	Less Expenditure 2018/19	Net Funding Remaining 2018/19	Less Commitments 2018/19	Funding Remaining after Commitments
Rural Ward	6,846.00	30,963.00	-	11,103.86	26,705.14	595.00	26,110.14
Huntly	24,523.00	24,026.00	1,757.95	4,135.59	46,171.36	19,850.39	26,320.97
Meremere	11,763.00	6,499.00	-	-	18,262.00	3,260.72	15,001.28
Ngaruawahia	35,234.00	20,999.00	-	20.00	56,213.00	14,520.00	41,693.00
Onewhero Tuakau	38,618.00	28,878.00	-	3,707.05	63,788.95	7,903.06	55,885.89
Raglan	5,826.00	14,271.00	-	5,072.28	15,024.72	5,690.00	9,334.72
Taupiri	2,572.00	1,624.00	-	-	4,196.00	1,079.09	3,116.91
Te Kauwhata	43,641.00	11,391.00	-	19,315.21	35,716.79	24,388.55	11,328.24
Mayoral	4,734.00	8,000.00	-	1,203.90	11,530.10	500.00	11,030.10

RURAL WARD DISCRETIONARY FUND 2018/2019

	GL	1.202.1704
2018/19 Annual Plan		30,963.00
Carry forward from 2017/18		6,846.00
Total Funding		<u>37,809.00</u>
Expenditure		
01-Aug-18 Mangatawhiri Netball Club - thirty new uniform jackets		1,000.00
15-Aug-18 Waikato Rowing Club Committee - 2018 Waikato Event (partially funded from Rural Ward \$3,000 partially funded from Events Fund)		2,250.91
24-Aug-18 Bush Tramway Club Inc - extension of carriage shelter		3,104.35
27-Aug-18 Orini Hall Committee - stage one to replace the original hall building windows and surrounding frame work		3,000.00
04-Aug-18 Environmental Education for Resource Sustainability Trust - Paper4trees programme		1,748.60
Total Expenditure		<u>11,103.86</u>
Net Funding Remaining (Excluding commitments)		<u>26,705.14</u>
Commitments		
28-Nov-17 Pokeno Community Committee - annual servicing fee for the AED machine (D&F1711/17)		595.00
Total Commitments		<u>595.00</u>
Net Funding Remaining (Including commitments) as of 31 October 2018		<u><u>26,110.14</u></u>

EVENTS MANAGEMENT FUND

	PR	2CE21000
2018/2019 Annual Plan		38,286.00
Carry forward from 2017/2018		16,975.00
Total Funding		<u><u>55,261.00</u></u>
Expenditure		
15-Aug-18 Waikato Rowing Club Committee - 2018 Waikato Event (partially funded from Rural Ward \$3,000 partially funded from RWDF \$2,250.91)		749.09
21-Aug-18 Dynamo Cycling & Sports Club - road cycling event		4,000.00
22-Aug-18 Crossroads Charitable Trust - towards cost of a "Light Party"		2,000.00
22-Aug-18 Crossroads Charitable Trust - towards cost of a Christmas Eve party		800.00
30-Aug-18 Ngaruawahia United Associated Football Club - 50th anniversary celebrations for the club		7,624.00
Total Expenditure		<u>15,173.09</u>
Net Funding Remaining (Excluding commitments)		<u><u>40,087.91</u></u>
Commitments		
28-Nov-17 Onewhero-Tuakau Community Board - Anzac Day ceremony in April 2018 (D&F1711/18)		625.00
14-May-18 Couples for Christ (NZ) Global Mission Inc - towards transporting participants during its bi-annual Youth for Christ National Conference (D&F1805/07)		5,000.00
13-Aug-18 Te Kauwhata Agricultural & Pastoral Asso - 2018 A&P Show (D&F1808/07)		6,293.00
13-Aug-18 Waikato Rocks Trust - Raglan Music and Dance Festival 2018 (D&F1808/09)		3,000.00
Total Commitments		<u>14,918.00</u>
Net Funding Remaining (Including commitments) as of 31 October 2018		<u><u>25,169.91</u></u>

Open Meeting

To	Strategy & Finance Committee
From	Tony Whittaker Chief Operating Officer
Date	24 October 2018
Prepared by	Mairi Davis Financial Accountant
Chief Executive Approved	Y
Reference #	GOV1318 / 2119825
Report Title	Treasury Risk Management Report 30 September 2018

I. EXECUTIVE SUMMARY

The purpose of this report is to inform the Strategy & Finance Committee of compliance with Treasury Risk Management Policy.

All areas of Treasury risk management are in within policy limits except for total counterparty credit risk as shown in item 21 of the attached report.

The counterparty credit risk which ensures our financial instruments (SWAPs, item 9) and investments (item 20) are spread across various institutions is broken into two sub-limits of \$30 million and \$20 million respectively.

The individual counterparty credit risk policy limits are compliant but there is an administrative error in the combined total limit of \$30 million stipulated in our policy (should be \$50 million). An adjustment will be made as part of the broader policy review process.

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received.

3. ATTACHMENTS

Treasury Risk Management Policy – Compliance Report at 30 September 2018

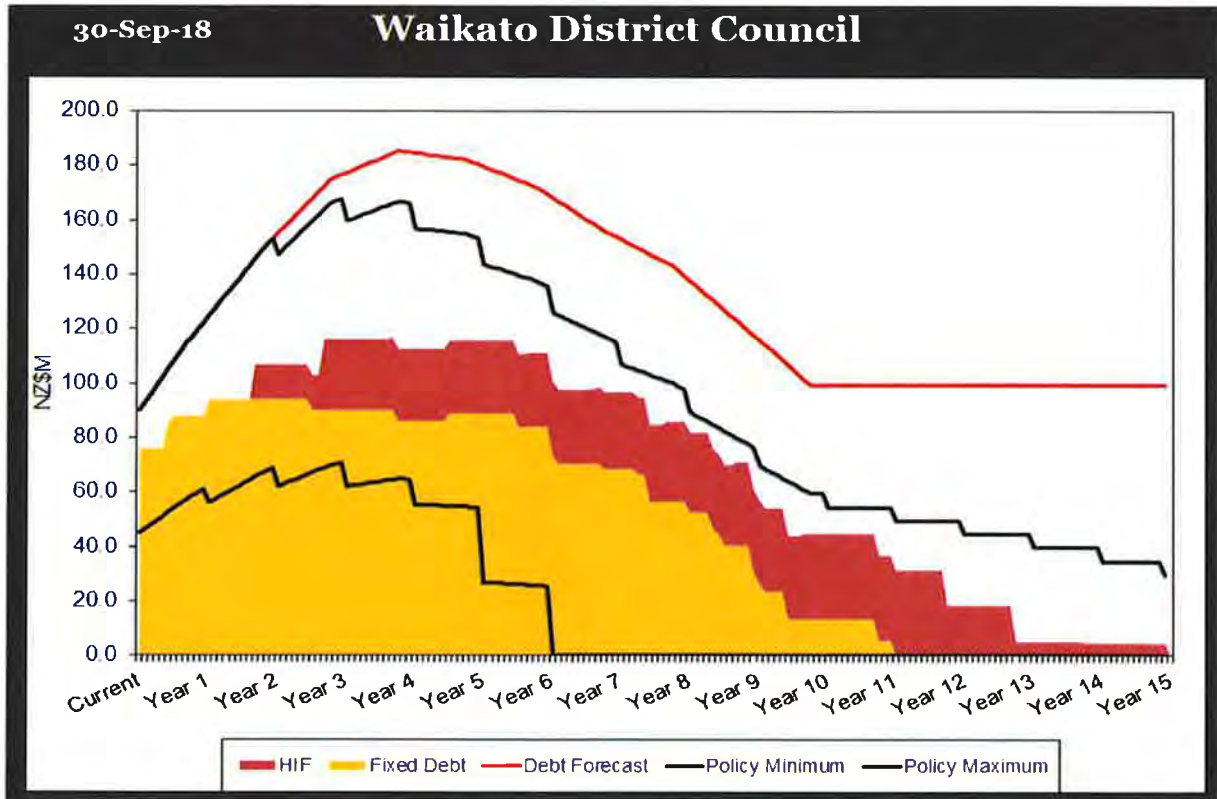
Waikato District Council
Treasury risk management policy - Compliance report
As at 30 September 2018

Policy criteria	Policy limit	Actual	Within policy?
<p>1 The percentage of net external debt to annual revenue Net external debt = Total annual revenue =</p>	<p><150%</p> <p>total external debt (net of related borrower notes) less term deposits and available cash / cash equivalents</p> <p>earnings from rates, government grants & subsidies, user charges, interest, dividends, financial and other revenue excluding non-government capital contributions (eg developer contributions and vested assets)</p>	<p>47.9%</p>	<p>✓</p>
<p>2 Net interest expense on net external debt as a percentage of total annual revenue Net interest expense =</p>	<p><20%</p> <p>total interest and financing costs less interest income</p>	<p>3.0%</p>	<p>✓</p>
<p>3 Net interest expense on net external debt as a percentage of annual rates</p>	<p><25%</p>	<p>4.4%</p>	<p>✓</p>
<p>4 Liquidity ratio Liquidity =</p>	<p>>110%</p> <p>external term debt plus committed bank facilities plus available liquid investments as a percentage of external term debt</p>	<p>156%</p>	<p>✓</p>
<p>5 <u>Interest rate benchmark chart</u> Comparison of actual monthly and year-to-date accrued returns vs investing the entire treasury portfolio at the combined average of the 90-day bill rate and the five-year investor swap rate over the last two years.</p> <p style="text-align: center;">— Benchmark (incl margin)</p>			
<p>6 Actual borrowing costs are <= budgeted borrowing costs Current month Year to date</p>	<p style="text-align: center;"><u>Budget</u></p> <p style="text-align: center;">\$355,551 \$1,066,652</p>	<p style="text-align: center;"><u>Actual</u></p> <p style="text-align: center;">\$353,322 \$1,036,778</p>	<p>✓ ✓</p>

7 Current interest rate swaps (including forward starts)	<u>Amount</u>	<u>Effective date</u>	<u>Termination date</u>	<u>Fixed rate</u>
	\$			(if effective)
	3,000,000	20-Jul-12	20-Oct-20	5.59%
	2,000,000	2-Mar-09	1-Mar-19	6.45%
	2,000,000	19-Jun-12	22-Mar-21	5.23%
	2,000,000	19-Jun-13	19-Mar-21	5.95%
	3,000,000	22-Jun-13	22-Mar-23	4.00%
	4,000,000	22-Jun-13	22-Jun-22	3.83%
	4,000,000	22-Jun-13	23-Mar-20	3.64%
	4,000,000	22-Jun-13	23-Sep-19	3.58%
	2,000,000	21-Mar-16	21-Mar-24	4.94%
	2,000,000	15-Mar-18	16-Sep-19	4.53%
	2,000,000	23-Sep-15	23-Sep-19	4.41%
	3,000,000	23-Mar-15	25-Mar-24	4.64%
	4,000,000	23-Mar-20	25-Mar-24	
	3,000,000	23-Mar-15	23-Sep-24	4.53%
	4,500,000	23-Dec-15	23-Sep-24	4.59%
	4,000,000	22-Jun-16	23-Sep-24	4.62%
	3,000,000	20-Oct-20	21-Oct-24	
	3,000,000	22-Sep-17	23-Sep-24	4.78%
	4,000,000	23-Mar-20	25-Mar-24	
	3,000,000	20-Oct-20	21-Oct-24	
	4,000,000	23-Sep-19	23-Mar-20	
	5,000,000	15-Mar-18	30-Jun-20	4.06%
	3,000,000	15-Mar-18	20-Oct-20	4.22%
	6,000,000	31-Oct-17	29-Jan-27	3.67%
	2,000,000	1-Mar-19	1-Dec-25	
	2,000,000	25-Sep-17	25-Feb-27	3.67%
	2,000,000	22-Jun-17	23-Jun-25	3.52%
	3,000,000	22-Mar-23	22-Jun-29	
	4,000,000	25-Mar-24	25-Sep-26	
	4,000,000	25-Mar-24	25-Mar-27	
	4,000,000	23-Sep-24	23-Sep-27	
	3,000,000	21-Oct-24	21-Oct-27	
	10,000,000	30-Sep-19	28-Sep-29	
	5,000,000	30-Jun-20	29-Jun-29	
	10,000,000	28-Feb-19	27-Feb-26	
	10,000,000	28-Aug-18	30-Aug-27	3.37%
	10,000,000	28-Feb-18	28-Feb-28	3.33%
	85,500,000	Total "live" swaps		
		Average interest rate of live swaps		4.13%
8 Forward start period to be no more than 24 months <u>unless</u> there is a match with the expiry date of an existing swap of the same notional amount			7 swaps with start periods > 24 months forward all but one are matched with existing swaps	
9 Counterparty credit risk - swaps				
NZ registered banks (each)	\$30m			
- ANZ / National			\$0m	✓
- ASB			\$0m	✓
- BNZ			\$28.55m	✓
- HSBC			\$0m	✓
- Westpac			\$0m	✓

10 Council's net external debt should be within the following fixed/floating interest rate risk control limits.:

Debt period ending	\$m	Policy criteria	Actual	Within policy
Current	90	50% - 100%	84.5%	✓
Year 1	125	45% - 100%	75.3%	✓
Year 2	155	40% - 95%	68.9%	✓
Year 3	177	35% - 90%	65.5%	✓
Year 4	185	30% - 85%	61.1%	✓
Year 5	180	15% - 80%	64.5%	✓
Year 6	168	0% - 75%	59.9%	✓
Year 7	153	0% - 70%	63.4%	✓
Year 8	138	0% - 65%	59.5%	✓
Year 9	116	0% - 60%	49.3%	✓
Year 10	99	0% - 55%	45.2%	✓

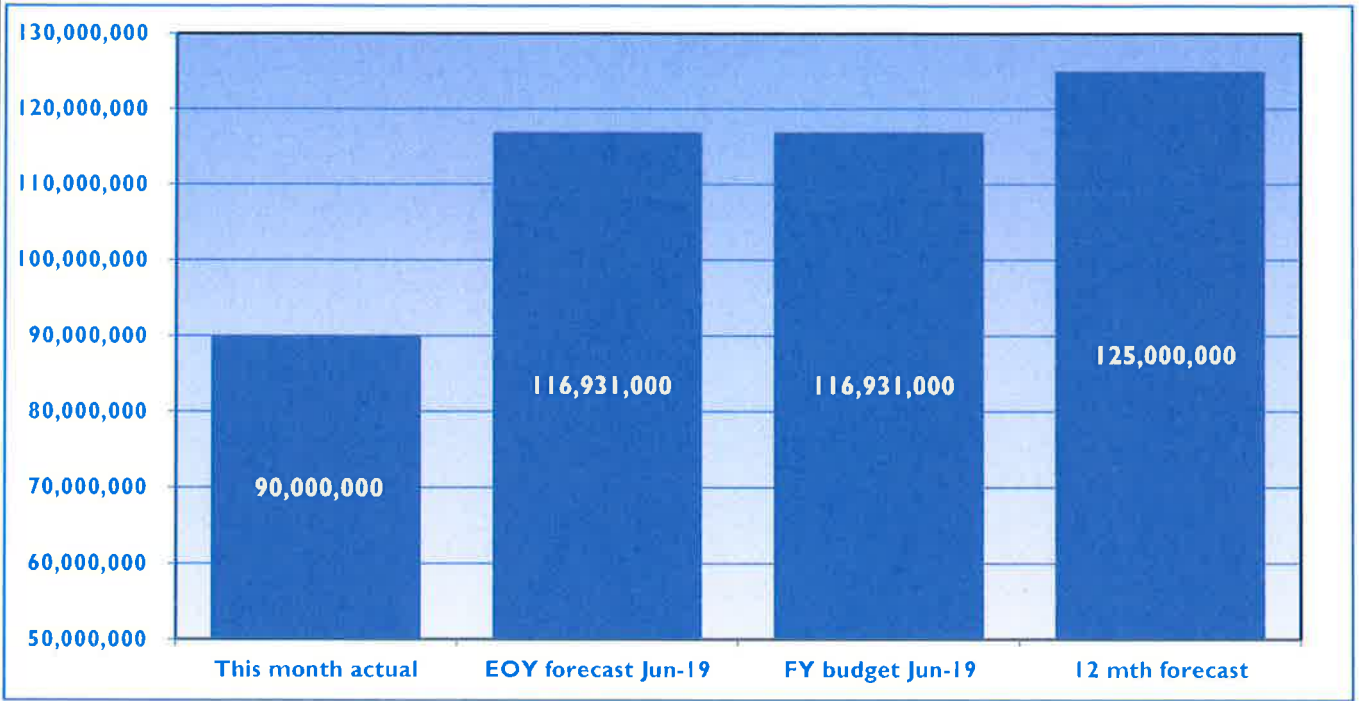


	Policy criteria	Policy limit	Actual	Within policy?
11	Debt affordability benchmark - limit on debt (actual debt <= limit on debt)	<= \$185.5m	\$90m	✓
12	Balanced budget benchmark (revenue / expenses)	>=100%	108%	✓
13	Essential services benchmark (CAPEX / dep'n - infrastructure)	>=100%	113%	✓
14	Debt servicing benchmark (borrowing costs / revenue) borrowing costs =	<15%	3.4%	✓

finance expenses per statement of comprehensive revenue and expense

15 Borrowing at September 2018

This graph depicts actual borrowing - LGFA plus bank (BNZ).



16	Actual monthly (gross) borrowing is within end-of-year budget	\$116,931,000	\$90,000,000	✓
17	The maturity profile of the total committed funding in respect of all loans and committed facilities			
	0 to 3 years	15% - 60%	43%	✓
	3 to 5 years	15% - 60%	24%	✓
	5 years plus	10% - 40%	33%	✓

30-Sep-18 Waikato District Council

Committed Loan/Stock/Facilities/Investments \$132.9m
 Current External Debt \$88.6m
 Current Net Debt (ex pre-funding) \$49.4m

Policy Liquidity Ratio >= 110%
 Current Liquidity Ratio 156%
 12 month Peak Net \$124.9m

Maturity Profile	0 - 3 years	3 - 5 years	5 years plus
Range	15% - 60%	15% - 60%	10% - 40%
Percentage	43%	24%	33%

Maturity Date Bucket	Drawn Loans (NZDm)	Commercial Paper (NZDm)	Available (NZDm)	Linked Deposits (NZDm)
0-1	10	0	0	-10
1-2	5	0	0	0
2-3	15	0	15	0
3-4	15	0	0	0
4-5	10	0	0	0
5-6	10	0	0	0
6-7	10	0	0	0
7-8	5	0	0	0
8-9	10	0	0	0
9-10	0	0	0	0
10-11	0	0	0	0

18	Financial assets	\$'000		
	<i>Share investments held for strategic purposes</i>			
	Local Authority Shared Services Limited			219
	Waikato Regional Airport Limited			13,267
	Strada Corporation Limited			700
	Civic Financial Services Limited			62
	<i>Investments held to reduce the current ratepayer burden</i>			
	Community loans as below			182
	<i>Short-term investments held for liquidity & working capital requirements</i>			
	Bank & cash balances			1,488
	Short-term bank deposits			19,500
	Total investments			19,918
	For treasury purposes, LGFA borrower notes are netted off against related borrowing			
19	Community loans	Current balance \$\$	Maturity date	Interest rate
	Tamahere Hall Committee	148,338	Jun-22	
	Woodlands #2	13,633	Jun-19	all at 5.49%
	Tauhei Hall Committee	9,522	Jun-20	
	Opuatia Community Centre	4,200	Dec-20	ex Franklin loans @ 0%
	Glen Murray Community Centre	5,000	Dec-18	
	Onewhero Society of Performing Arts	1,100	Dec-18	
		181,792		
	Policy criteria	Policy limit	Actual	Within policy?
20	Counterparty credit risk - investments			
	NZ Government	unlimited	\$0m	✓
	NZD registered supranationals	\$20m	\$0m	✓
	LGFA	\$20m	\$1.44m	✓
	NZ registered banks (each)	\$20m		
	- ANZ / National		\$4.88m	✓
	- ASB		\$4.88m	✓
	- BNZ		\$14.72m	✓
	- HSBC		\$0m	✓
	- Westpac		\$4.88m	✓
21	Counterparty credit risk - total			
	NZ registered banks (each)	\$30m		
	- ANZ / National		\$4.88m	✓
	- ASB		\$4.88m	✓
	- BNZ		\$43.27m	x
	- HSBC		\$0m	✓
	- Westpac		\$4.88m	✓

Open Meeting

To	Strategy & Finance Committee
From	Tony Whittaker Chief Operating Officer
Date	02 November 2018
Prepared by	Debra Dalbeth Business Analyst
Chief Executive Approved	Y
Document Set #	GOV1318 / 2112107
Report Title	2019 First Quarter Non-Financial Performance Report

I. EXECUTIVE SUMMARY

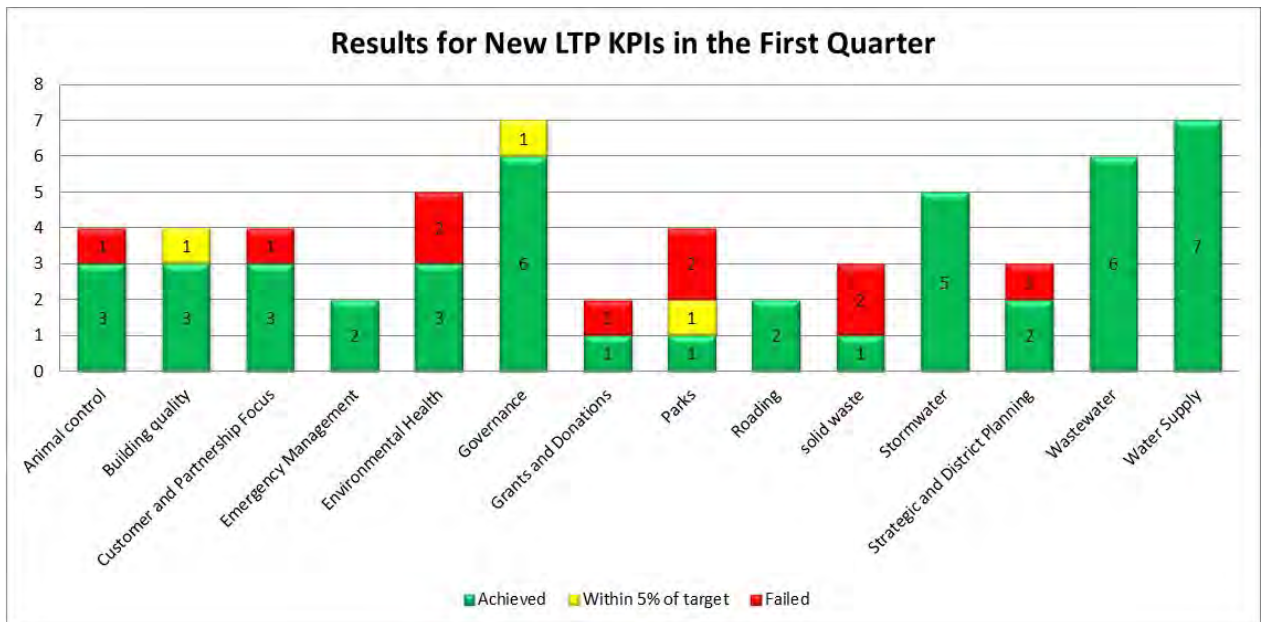
The purpose of this report is to provide the Strategy & Finance Committee with the first quarter non-financial performance results. This includes the 2018/19 Long Term Plan (“LTP”) Key Performance Indicators (“KPIs”) and the Resident Satisfaction survey.

This is the first year of the new Long Term Plan and the results will be used to inform the Annual Report.

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received.

3. LTP KPIs



Achieved	With 5% of target	Failed
78%	5%	17%

There are seventy eight KPIs that are reported in the Annual Report. Currently 20 can only be measured at the half year or end of year mark which leaves 58 to be measured monthly or quarterly. The above graph shows the number of KPIs that were achieved, came close or did not achieve, grouped by category.

The below chart shows while results improved considerably in the first year of the last Long Term Plan, performance gradually decreased over the three years. The first quarter of the new Long Term Plan shows an improvement.

	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019 1st quarter
Achieved	27 (41%)	67 (68%)	65 (66%)	57 (58%)	45 (78%)
On track	7 (11%)	8 (8%)	4 (4%)	6 (6%)	3 (5%)
Not achieved	32 (48%)	23 (24%)	29 (30%)	35 (36%)	10 (17%)
TOTAL MEASURES	66	98	98	98	58

Attached to this report is *Appendix 1 - 2019 1st quarter LTP KPI report*.

4. RESIDENTS SATISFACTION SURVEY

The National Research Bureau (“NRB”) surveyed Waikato District Council residents at approximately 10 residents per week over the last year. At the end of each quarter, after 100 residents were surveyed, we received interim data that was used to inform Council. This approach is optimal to mitigate seasonal bias or ‘moment in time’ events from slanting Councils annual results. The survey summary is attached. *Appendix 2 - 2019 1st Quarter Satisfaction Survey Summary.*

Increasing / Decreasing Trends

Trend graphs are attached for questions that have been asked in previous years. Attached *Appendix 3 – Survey Trend Graphs.*

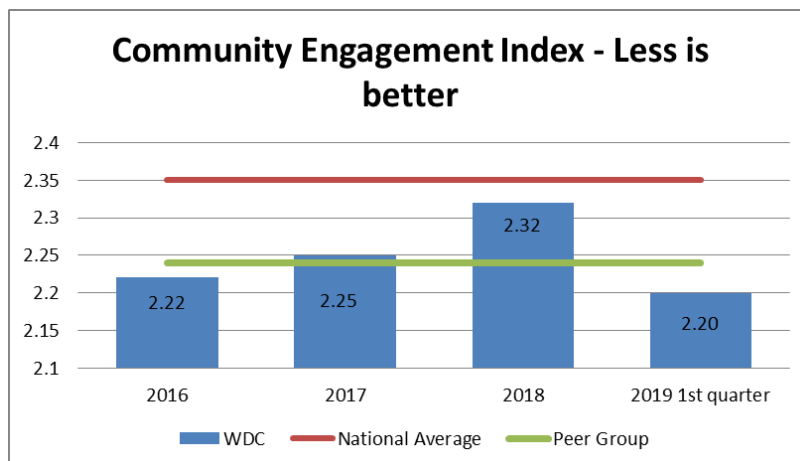
5. ENGAGEMENT

Engagement is measured from five key questions in our Residents Survey. These were chosen as they are also asked in the NRB’s Communitrak survey which gives us benchmarking data against other Councils and aids in the measuring of the 2020 challenge to have the most engaged community in New Zealand.

1. Satisfaction with the way council involves the public in the decisions it makes
2. Satisfaction with Rates Spending
3. Satisfaction with Community Spirit
4. Satisfaction with Quality of Life
5. Satisfaction that Council makes decisions that meet the needs and aspirations of their residents

Residents are asked for their satisfaction on a scale of 1 to 5 and the results from these five questions form an engagement index, the target we have set for ourselves is to have 2.25 or less.

Our peer group of Councils have an index of 2.24 and we have an engagement index of 2.20, which is considerably better than previous results.

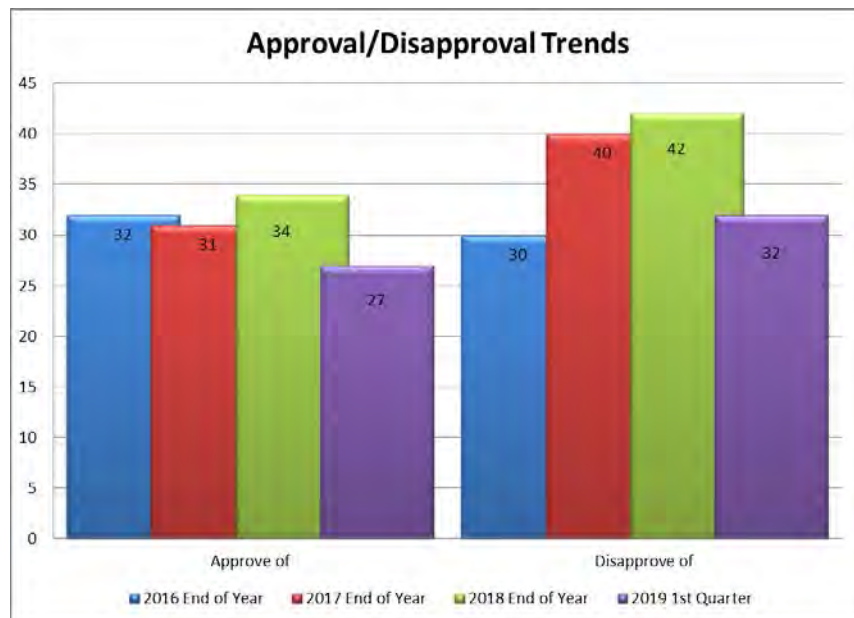


6. OUTCOMES - COUNCILLORS ASKED FOR 2 QUESTIONS TO BE ADDED TO THIS SURVEY

1. Is there any one thing about the Council's actions, decisions or management in the last few months that comes to mind as something you do like or approve of?
2. Is there any one thing that comes to mind with regard to the Council's actions, decisions or management in the last few months that you dislike or disapprove of?

This is asked to gauge the level of support residents had for Council's actions and decisions. This quarter 27% of residents say there is a Council action/decision/management they like or approve of compared to 34% at the end of last year. This is below our peer group average of 42% and the national average of 46%.

32% of residents say there is a Council action/decision/management they dislike or disapprove of which is below last year's result of 42%. This is below our peer group average of 41% and the national average of 46%.



7. CONCLUSION

This is an early indication on how we are progressing in the first quarter of the new LTP.

8. ATTACHMENTS

Appendix A - 2019 1st quarter LTP KPI report

Appendix B - 2019 1st Quarter Satisfaction Survey Summary

Appendix C - Survey Trend Graphs



Waikato District Council

Scorecard Report

Period: Jul-18 - Sep-18

Scorecard Name

2019-21 Service Delivery

Date From

01-Jul-2018

Date To

30-Sep-2018

LINKED ITEMS

UNIT

TARGET

ACTUAL

INDICATOR

2019-21 LTP Parks

Percentage of Customers who are satisfied with Parks And Reserves, including sports fields and playgrounds overall

%

90.00

83.00



COMMENTS: Result from survey, comments from Duncan

Percentage of customers who are satisfied with the presentation of WDC cemeteries

%

95.00

94.00



COMMENTS: Council have received a number of positive comments from customers about the presentation of WDC cemeteries.

“Chris Herbert wanted to pass on his feedback around the Whatawhata Cemetry

Deidre MacDonald has done a great job since she has come on board

The cemetery looks great and is kept in great condition

Chris wanted to make sure the feedback was passed on”

The indication is that people are very happy with the service and presentation of cemeteries around the district.

Percentage of new playgrounds built to New Zealand Standard - Playground Equipment and Surfacing (NZS 5828:2015)

%

100.00

0.00



COMMENTS: Unknown. No result entered.

Percentage of customers who are satisfied with Public toilets in the residents satisfaction survey

%

75.00

48.00



COMMENTS: Result from survey, comments from Duncan

Percentage of new public toilets built to NZS 4241:1999

%

N/A

N/A

Annually

COMMENTS: New KPI

2019-21 LTP Property and Facilities

Percentage of buildings that require a warrant of fitness that comply

%

N/A

N/A

Annually

COMMENTS: 2017-18 Comment: All Builds which require a BWoF comply

Percentage of customers who are satisfied with the service provided at the Raglan campground

%

90.00

0.00



COMMENTS: Unknown. No result entered.

Percentage of customers who are satisfied with the service provided at the Huntly campground

%

90.00

0.00



COMMENTS: Unknown. No result entered.

Percentage of visitors that find the facilities clean, accessible and welcoming (pools)

%

90.00

0.00



COMMENTS: Unknown. No result entered.

Percentage of WDC Aquatic Centres that are operated under NZ Pool Safe Accreditation

%

N/A

N/A

Annually

COMMENTS: New KPI

2019-21 LTP Roading

The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number. # N/A N/A Half Yearly

COMMENTS: 2017-18 Comment: For the year under review, 49 fatal and serious injury crashes are recorded in the NZTA crash database compared with 46 for 2016/17. (Note: This measure is based on crash data, not the number of casualties.)

The average quality of ride on a sealed local road network, measured by smooth travel exposure. % N/A N/A Annually

COMMENTS: 2017-18 Comment: The result of 97% comfortably achieves the target of 91% across both rural and urban sealed roads.

The percentage of footpaths that fall within the level of service or service standard that is set out in the LTP. % N/A N/A Annually

COMMENTS: 2017-18 Comment: All the District footpaths were surveyed in January/February 2016 and graded from 1 - Excellent to 5 -Very Poor. 99.67% of the total length of footpath was rated as 3 Fair or better. This is reflective of the proactive approach taken by the Alliance and responsiveness to customer requests. A new footpath rating survey will take place in 2018/19.

The percentage of the sealed local road network that is resurfaced. % N/A N/A Annually

COMMENTS: 2017-18 Comment: 110.36 km of the road network was sealed during 2017/18 which equates to 6.0% of the length of sealed road. In addition a further 17.30 km or 0.9% of road was rehabilitated which resulted in the road getting a new surface. This gives a total of 6.9% of the network that received a new surface.

The percentage of customer service requests relating to roads to which we respond within the timeframes specified. % 80.00 97.98

COMMENTS: 164 service requests were received for the month of September. 159 were responded to on time giving a 96.95% result for September. 744 service requests have been received with 729 being responded to on time providing a YTD result of 97.98%.

The percentage of customer service requests relating to footpaths responded to within the timeframe specified in LTP. % 80.00 95.74

COMMENTS: 17 service requests were received for the month of September. 16 requests were responded to on time giving a 94.12% response for September. 47 service requests have been received since 01 July with 45 being responded to on time providing a 95.74% YTD result.

2019-21 LTP Solid Waste

The percentage of schools in the district that receive solid waste education. % 0.00 0.00

COMMENTS: Unknown. No result entered.

The percentage of kerbside collection complaints that are resolved within agreed timeframes. % 97.00 0.00

COMMENTS: Unknown. No result entered.

The % of time a contractor was engaged within 5 days from receiving the service request to to remove rubbish to resolution. % 95.00 0.00

COMMENTS: Unknown. No result entered.

2019-21 LTP Stormwater

The number of flooding events that occurred throughout the district	#	5.00	0.00	
---	---	------	------	--

COMMENTS: On track for meeting this target, no flood events.

The number of habitable floors affected in a stormwater flooding event expressed per 1000 properties connected to the councils stormwater system per event	#	0.30	0.00	
--	---	------	------	--

COMMENTS: On track for meeting this target, no flood events.

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.	m	120.00	0.00	
---	---	--------	------	--

COMMENTS: On track for meeting this target, no flood events

The number of complaints received by Council about the performance of its stormwater system, expressed per 1000 properties connected to the stormwater system	#	6.00	0.63	
---	---	------	------	--

COMMENTS: On track.

Council's level of compliance with resource consents for discharge from its stormwater system, measured by the number of abatement notices, infringement notices, enforcement orders and convictions received in relation those resource consents.	#	0.00	0.00	
--	---	------	------	--

COMMENTS: Unknown. No result entered.

2019-21 LTP Wastewater

The number of dry weather sewerage overflows from Council's sewerage system, expressed per 1000 sewerage connections to that sewerage system	#	3.00	0.35	
--	---	------	------	--

COMMENTS: On track YTD.

4 dry weather overflows this quarter.

The median attendance time where Council attends to sewage overflows resulting from a blockage or other fault in its sewerage system, from the time that Council receives notification to the time that service personnel reach the site.	m	60.00	44.00	
---	---	-------	-------	--

COMMENTS: Target met with a median of 44 minutes YTD.

12 from 12 calls met the target time frame this quarter. More blockages are being recorded due to Fast Fibre installation strikes on mains and laterals.

The median resolution time where Council attends to sewage overflows resulting from a blockage or other fault in its sewerage system, from the time Council receives notification to the time personnel confirm resolution of the blockage or other fault.	m	240.00	163.00	
--	---	--------	--------	--

COMMENTS: Target met with a median of 163 minutes.

11 out of 12 calls resolved within required time frame of 240 minutes this quarter. More blockages are being recorded due to Fast Fibre installation strikes on mains and laterals.

The total number of complaints received by Council about odour, system faults, blockages, response to issues with its sewerage system.(expressed per 1000 connections to the sewerage system):

#

25.00

3.35



COMMENTS: On track YTD.

38 complaints this quarter. More blockages are being recorded due to Fast Fibre installation strikes on mains and laterals.

Council's level of Compliance with resource consents for discharge from its wastewater system, measured by the number of abatement notices, infringement notices and enforcement orders

#

2.00

0.00



COMMENTS: Unknown. No result entered.

Council's level of Compliance with resource consents, measured by the number of Convictions for discharge from its wastewater system,

#

0.00

0.00



COMMENTS: Unknown. No result entered.

2019-21 LTP Water Supply

The extent to which Councils drinking water supply complies with part 4 of the drinking water standards (bacteria compliance criteria)

#

18.00

0.00



COMMENTS: Unknown. No result entered.

The extent to which Councils drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)

#

4.00

0.00



COMMENTS: Unknown. No result entered.

The median on site attendance time for an urgent call out where Council attends a call-out in response to a fault or unplanned interruption to its networked reticulation system

m

60.00

37.00



COMMENTS: On track YTD with a median of 37 minutes.

45 of 47 calls met the 60 minute time frame this quarter.

The median resolution time for an urgent call out where Council attends a call-out in response to a fault or unplanned interruption to its networked reticulation system

m

240.00

107.00



COMMENTS: On track YTD with a median of 107 minutes.

45 out of 47 calls met the required time frame this quarter.

The median on site attendance time for a non-urgent call out, where Council attends a call-out in response to a fault or unplanned interruption to its networked reticulation system

Days

5.00

1.00



COMMENTS: On track YTD with a median of 1 day.

90 out of 91 complaints met the 5 day time frame this quarter.

The median resolution time for a non-urgent call out where Council attends a call-out in response to a fault or unplanned interruption to its networked reticulation system	Days	5.00	1.00	
<i>COMMENTS:</i> On track YTD with a median of 1 day.				
90 out of 91 calls met the 5 day time frame this quarter.				
The total number of complaints received by Council about drinking water clarity, taste, odour, water pressure or flow, continuity of supply and response to any of these issues (expressed per 1000 connections to the water system)	#	25.00	4.24	
<i>COMMENTS:</i> On track YTD with a total of 65 calls this quarter. There seems to have been a big drop in dirty water complaints in Huntly, the flushing program does appear to be helping.				
The average consumption of drinking water per day per resident within the Waikato district	L	N/A	N/A	Annually
<i>COMMENTS:</i> 2017-18 Comment: Target Met				
The percentage of real water loss from Council's networked reticulation system	%	N/A	N/A	Annually
<i>COMMENTS:</i> New KPI				
Overall Performance	%	0.00	0.00	

**NATIONAL RESEARCH BUREAU LTD**

PO Box 10118, Dominion Road, Auckland 1446, New Zealand

Tel: (09) 6300-655, Web: www.nrb.co.nz

To: Debbie Dalbeth

From: Ken Sutton and Janette Simpson

Of: Waikato District Council

Date: 26 September 2018

Dear Debbie,

**QUARTERLY SUMMARY OF
ONGOING SATISFACTION SURVEY RESULTS**

The following is a quarterly summary of your Ongoing Satisfaction survey results for the period: Friday 13th July - Sunday 23rd September, based on 100 respondents.

If you have any queries, please give one of us a call.

Kind regards,

Ken Sutton

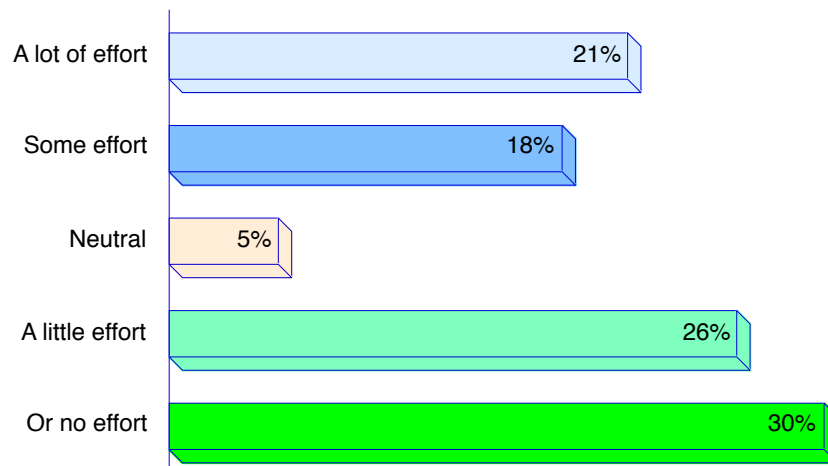
Janette Simpson

NATIONAL RESEARCH BUREAU LTD

CONTACT WITH COUNCIL

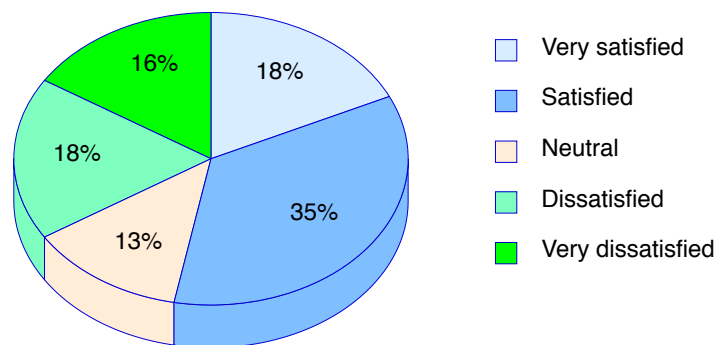
52% of residents have contacted Council staff at the Council offices or service centres by phone, in person and/or by email, in the last 12 months.

How Much Effort Did It Take To Conduct Business With Council ...



Base = 51[†]

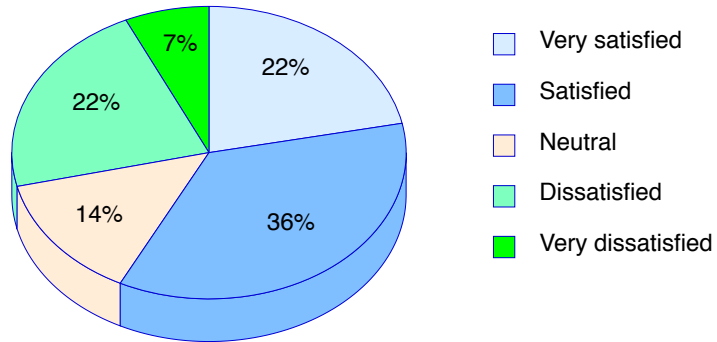
Satisfaction With How Issue Was Resolved



Base = 51[†]

[†] those residents who say they have contacted Council in last 12 months

Satisfaction With Overall Service Received



Base = 51[†]

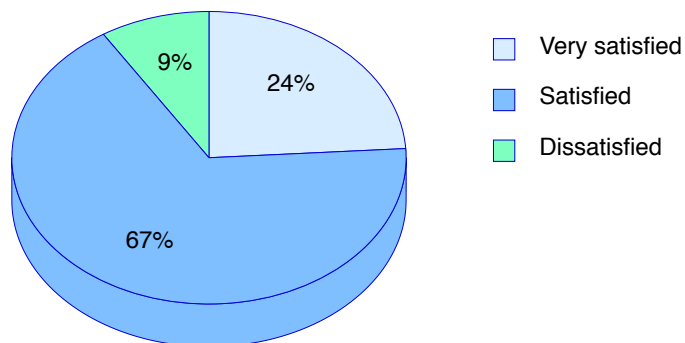
(Does not add to 100% due to rounding)

[†] those residents who say they have contacted Council in last 12 months

Contact With Councillors/Mayor

In the last 12 months 7% of residents have contacted, or attempted to contact, a Councillor (including the Mayor).

Satisfaction That They Are Able To Contact Them Should The Need Arise ...



Base = 8[†]

Caution: small base

[†] those residents who say they have contacted or attempted to contact a Councillor in last 12 months

SATISFACTION WITH SERVICES AND FACILITIES - OVERALL

	Very satisfied/ Satisfied %	Neutral %	Dissatisfied/ Very dissatisfied %	Don't know %
Standard of Council's roads overall (excluding State Highways)	43	20	37	-
Stormwater services [†]	45	24	9	23

[†] does not add to 100% due to rounding

SATISFACTION WITH COUNCIL SERVICES/FACILITIES - USERS

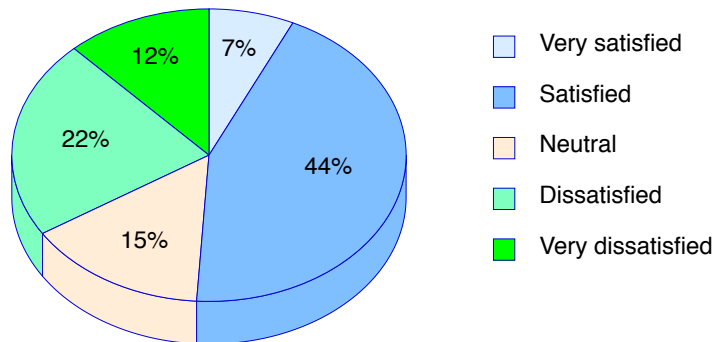
	Base	Very satisfied/ Satisfied %	Neutral %	Dissatisfied/ Very dissatisfied %	Don't know %
Cemeteries	40	94	5	1	-
Public libraries	50	91	3	6	-
Recycling services [†]	92	90	5	4	-
Parks and reserves, including sports fields and playgrounds	67	83	3	11	3
Building and inspection services	*16	73	13	14	-
Footpaths [†]	82	67	17	15	2
Animal control, ie, stock and dog control	*16	57	19	24	-
Public toilets	40	48	29	19	4

* caution: small base

[†] does not add to 100% due to rounding

Satisfaction With The Standard Of Council's Unsealed Roads

*Driven On An **Unsealed** Council Road*

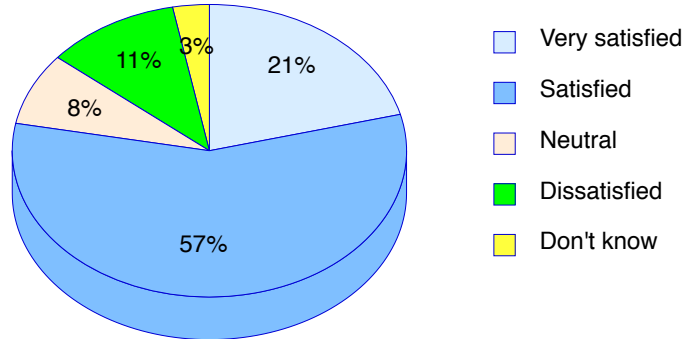


Base = 39

SATISFACTION WITH SERVICES PROVIDED BY COUNCIL

Water Supply

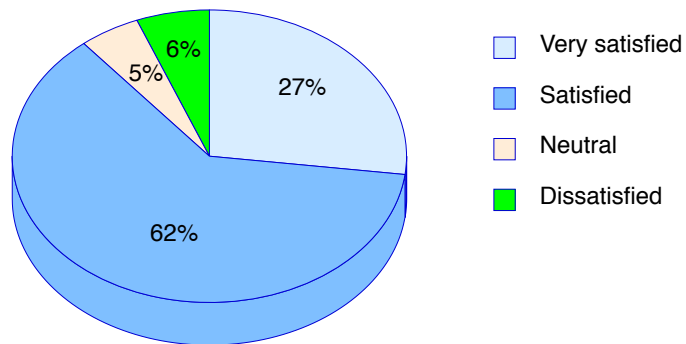
Council Provided Piped Water Supply



Base = 55
(Does not add to 100% due to rounding)

Wastewater Services

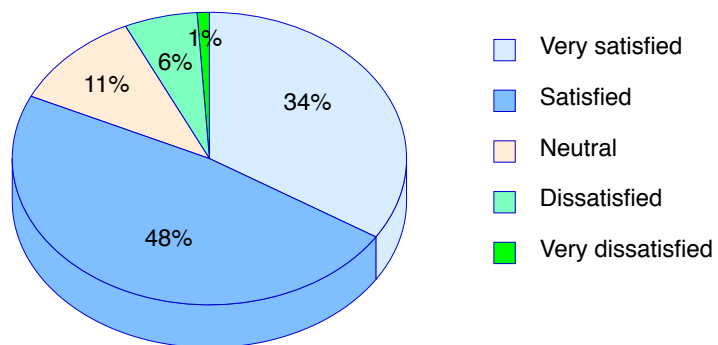
Council Provided Sewerage System



Base = 37

Rubbish Collection Service

Council Provided Regular Rubbish Collection Service



Base = 91

LOCAL ISSUES

Governance/Democracy

75% of residents feel that as a ratepayer or resident they have the opportunity to be involved and to participate in the way the Council makes decisions, while 25% say they don't.

30% of residents have tried to participate in Council's decision making process.

Level Of Satisfaction

	Very satisfied/ Satisfied %	Neutral %	Dissatisfied/ Very dissatisfied %	Don't know %
The public are consulted about the right issues [†]	69	18	14	-
There is sufficient time and opportunity available to provide feedback	65	20	13	2
Information about key community issues is easily accessible	54	12	34	-
There is a suitable range of consultation options available	52	30	18	-
Information available on these issues is clear and instructive [†]	45	29	25	2

Base = 30

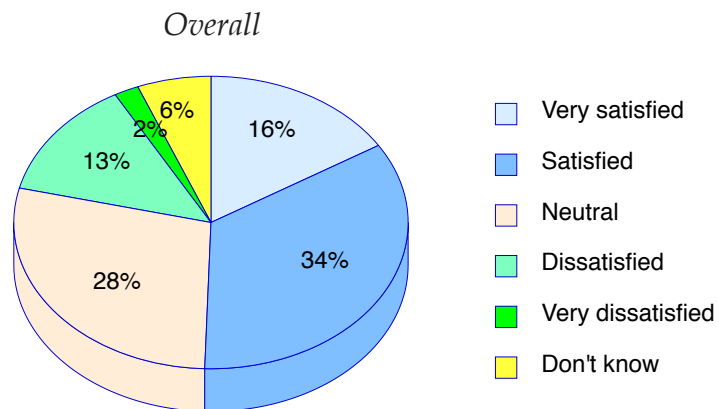
Caution: small base

(those residents who say they have tried to participate in Council's decision making process)

% read across

[†] does not add to 100% due to rounding

Overall Satisfaction With The Way Council Involves The Public In The Decisions It Makes



(Does not add to 100% due to rounding)

Participation In Decision Making Process

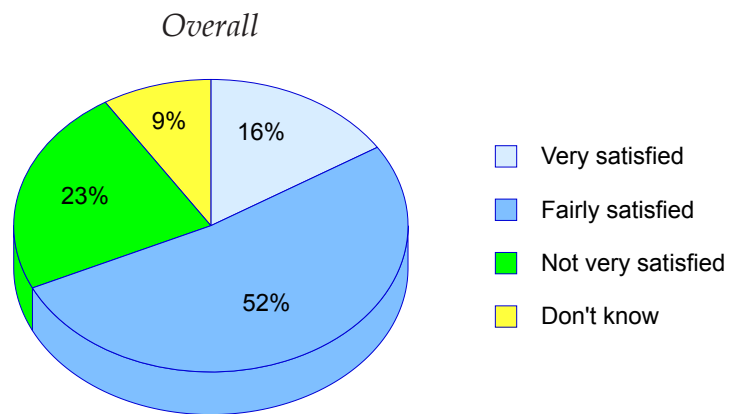
In general 17% of residents are interested in participating in Council's decision making process, 40% say they are not, while 42% say it depends on the issue. 1% of residents are unable to comment.

Outcomes

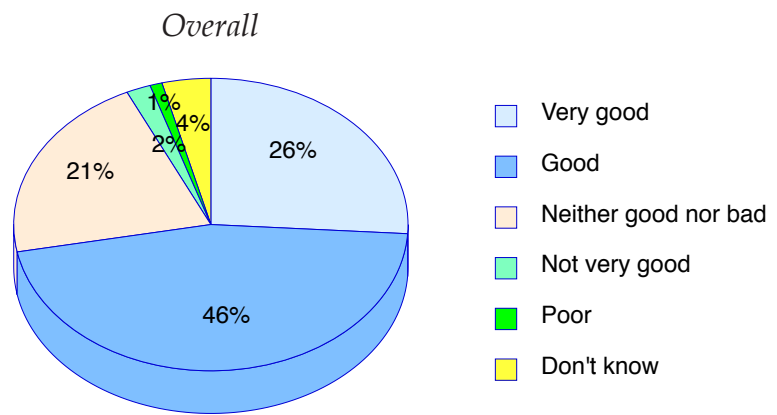
32% of residents say there is a Council action/ decision/ management they **dislike or disapprove** of, while 27% say there is a Council action/ decision/ management they **like or approve** of.

Community Engagement

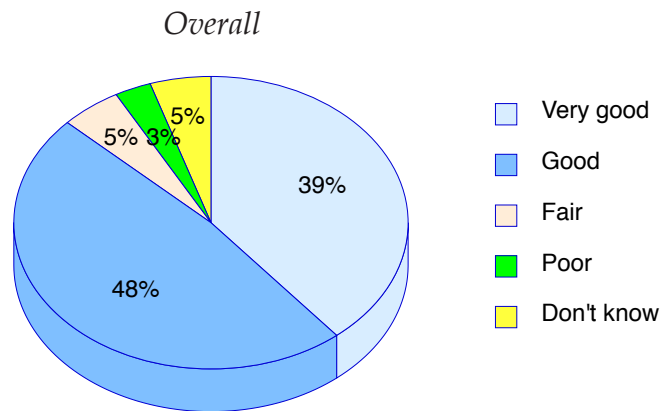
Satisfaction With Rates Spending



Community Spirit

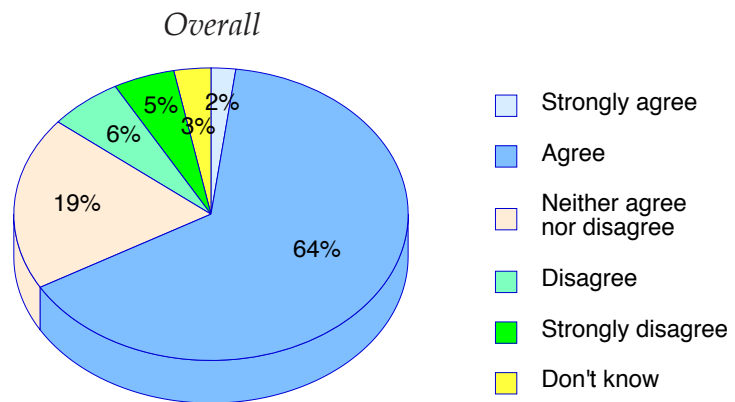


Quality Of Life



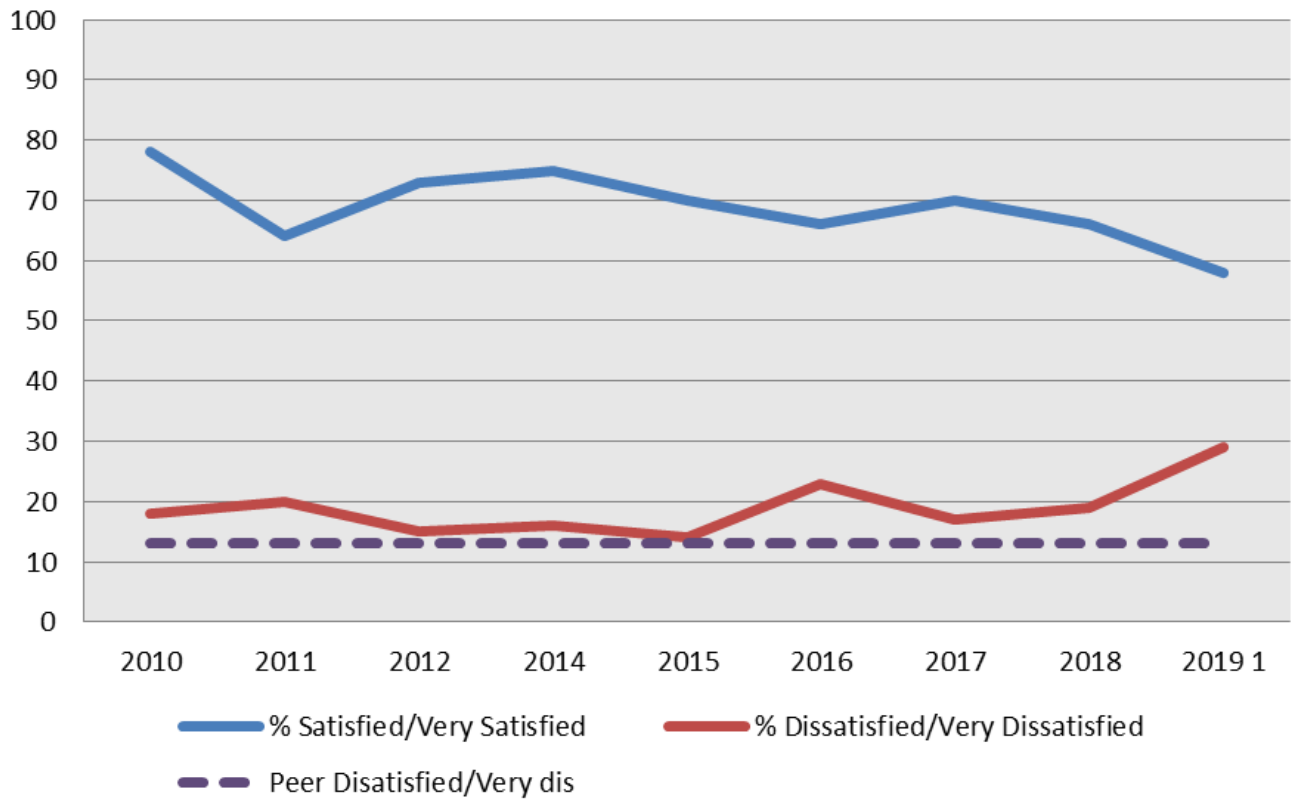
Council Consultation And Community Involvement

Council Makes Decisions That Meet The Needs And Aspirations Of Their Residents?

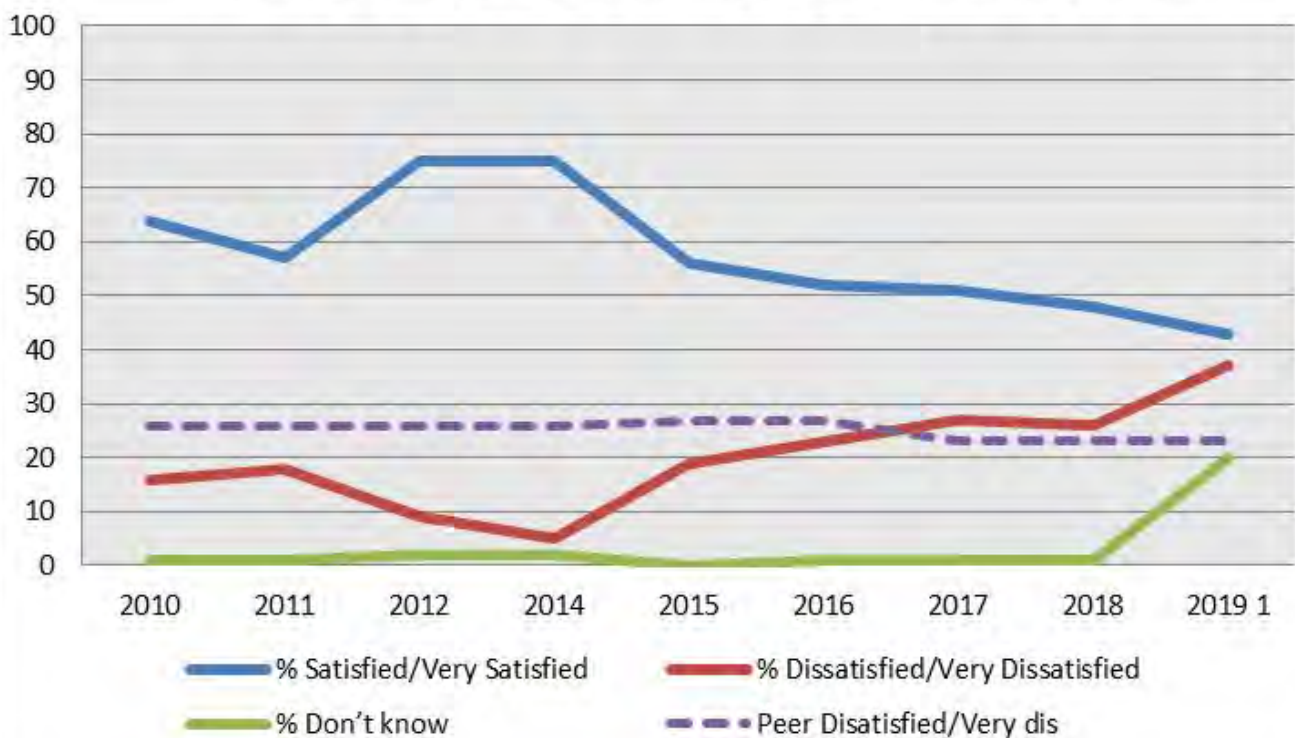


(Does not add to 100% due to rounding)

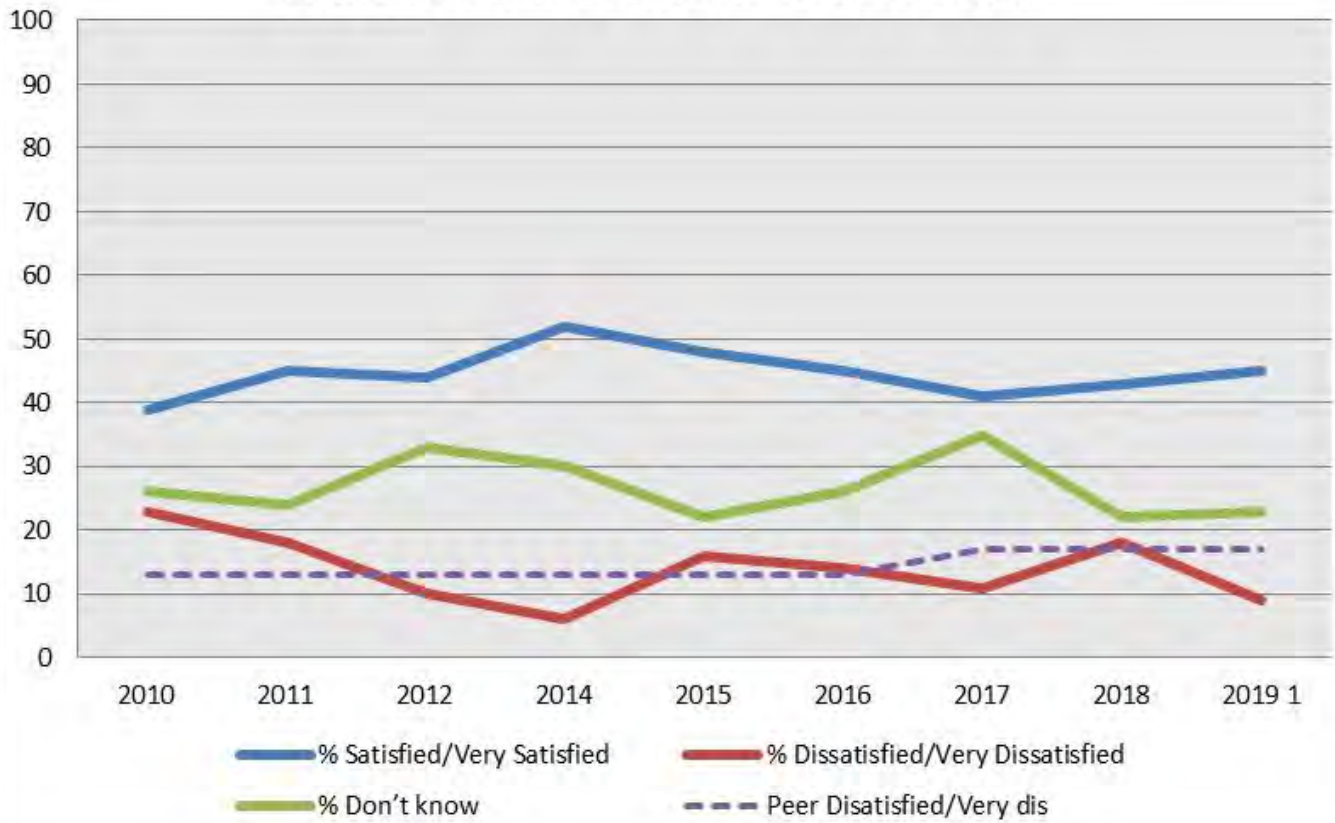
Overall Satisfaction With The Service Received When Contacting The Council Offices



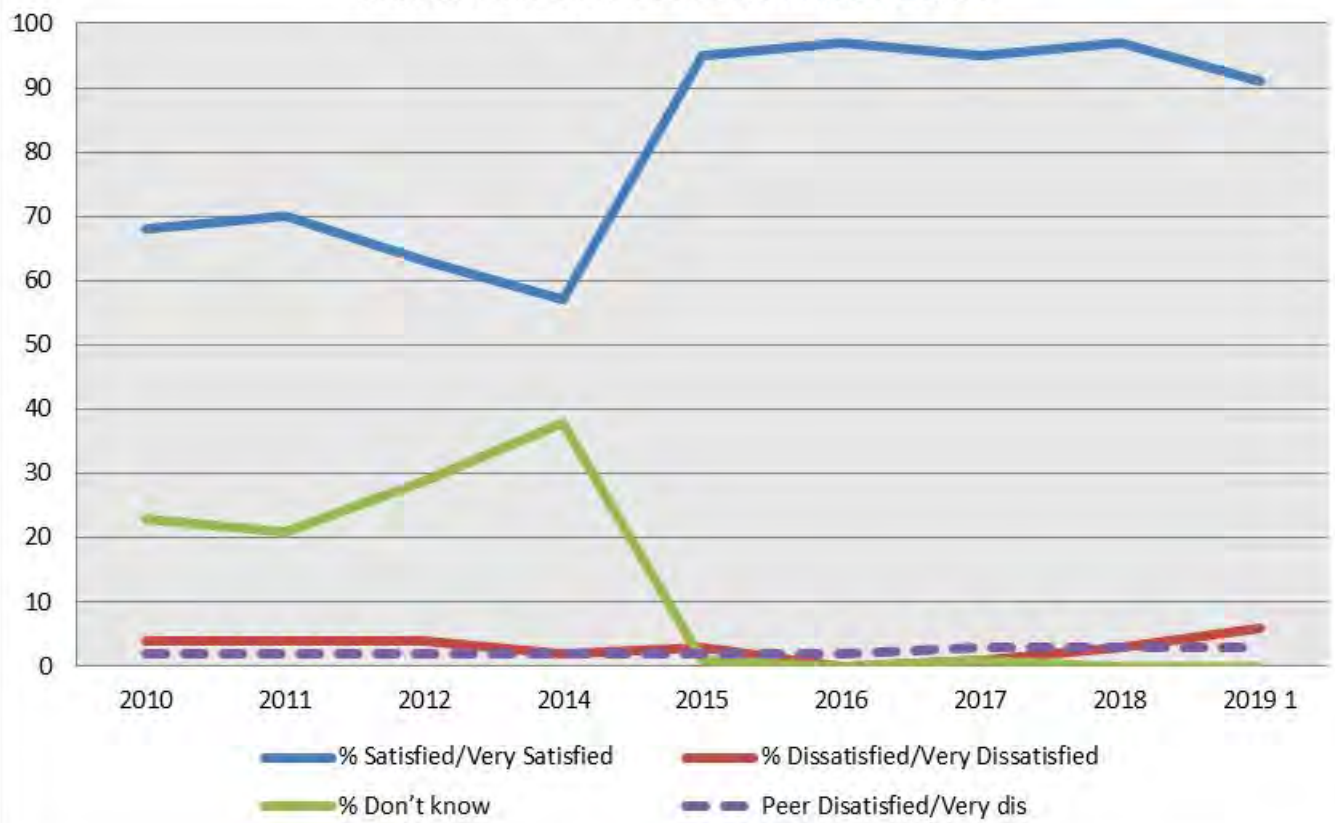
Satisfaction With The Standard Of Council Roads Overall



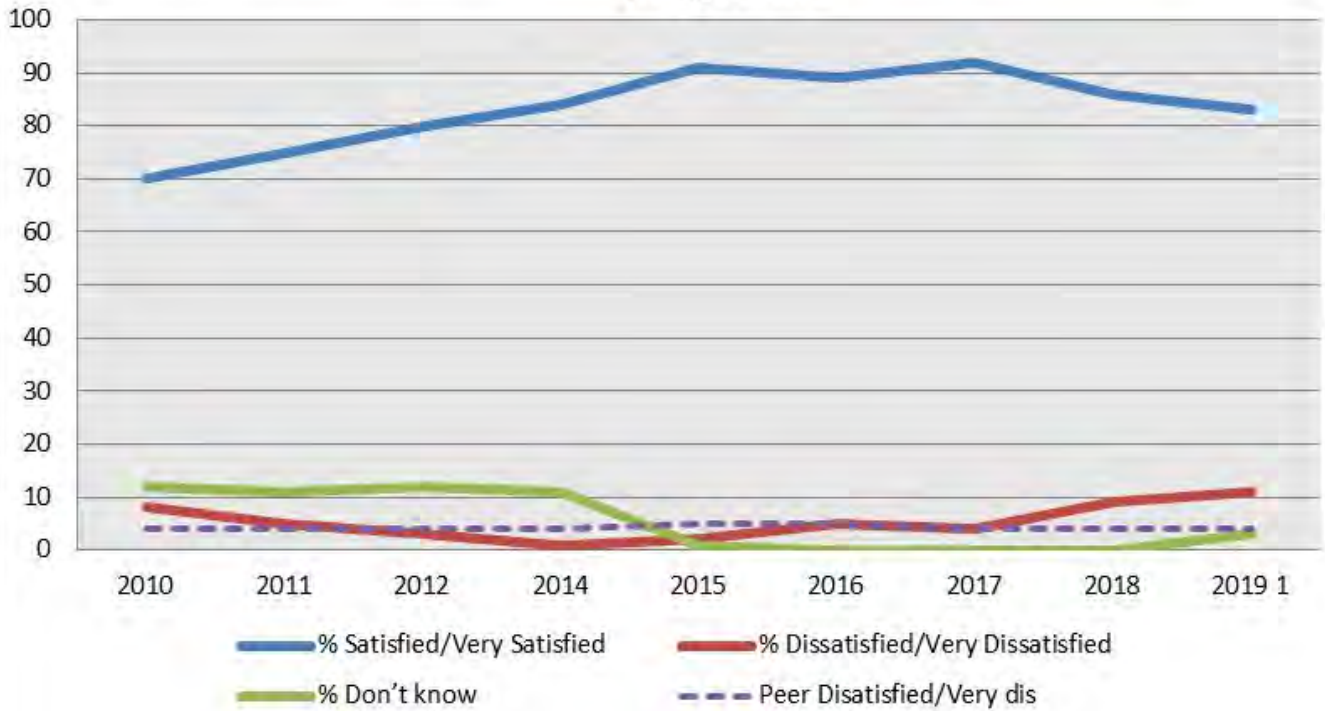
Satisfaction With Stormwater Services Overall



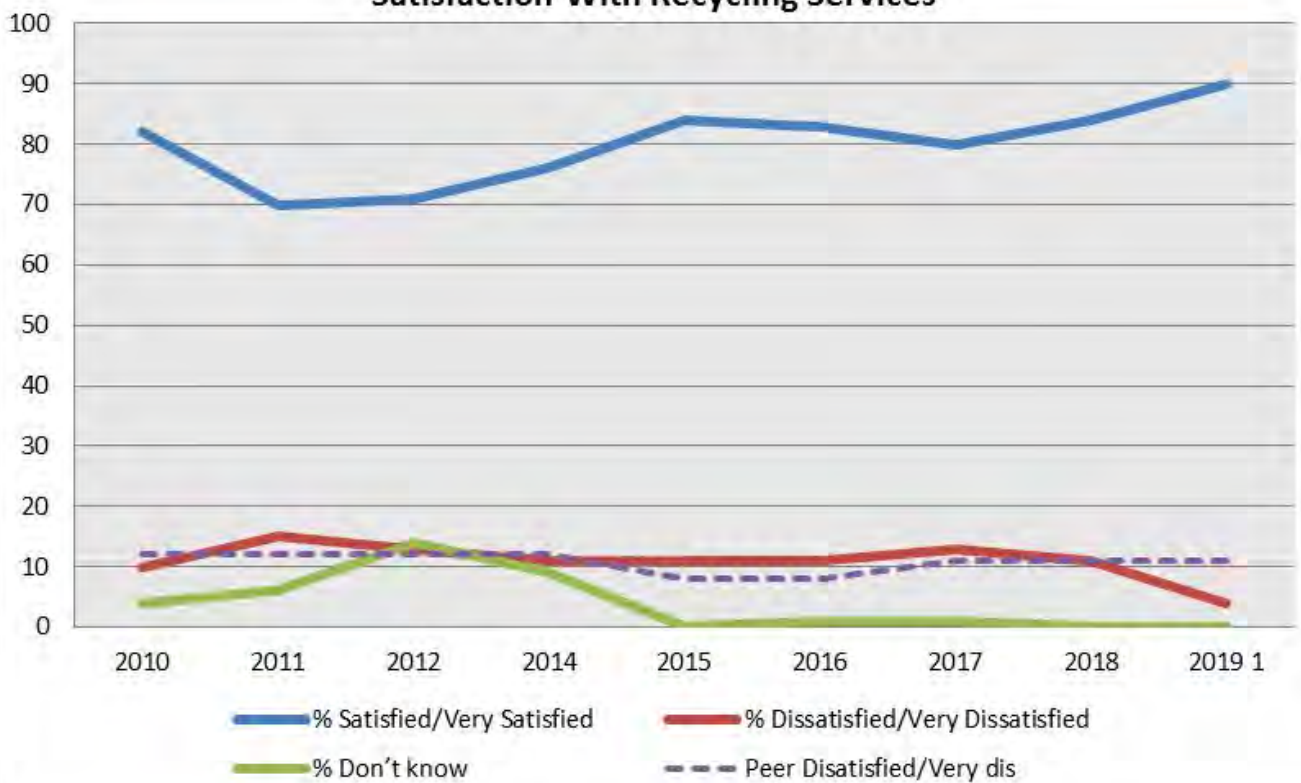
Satisfaction With Public Libraries Overall

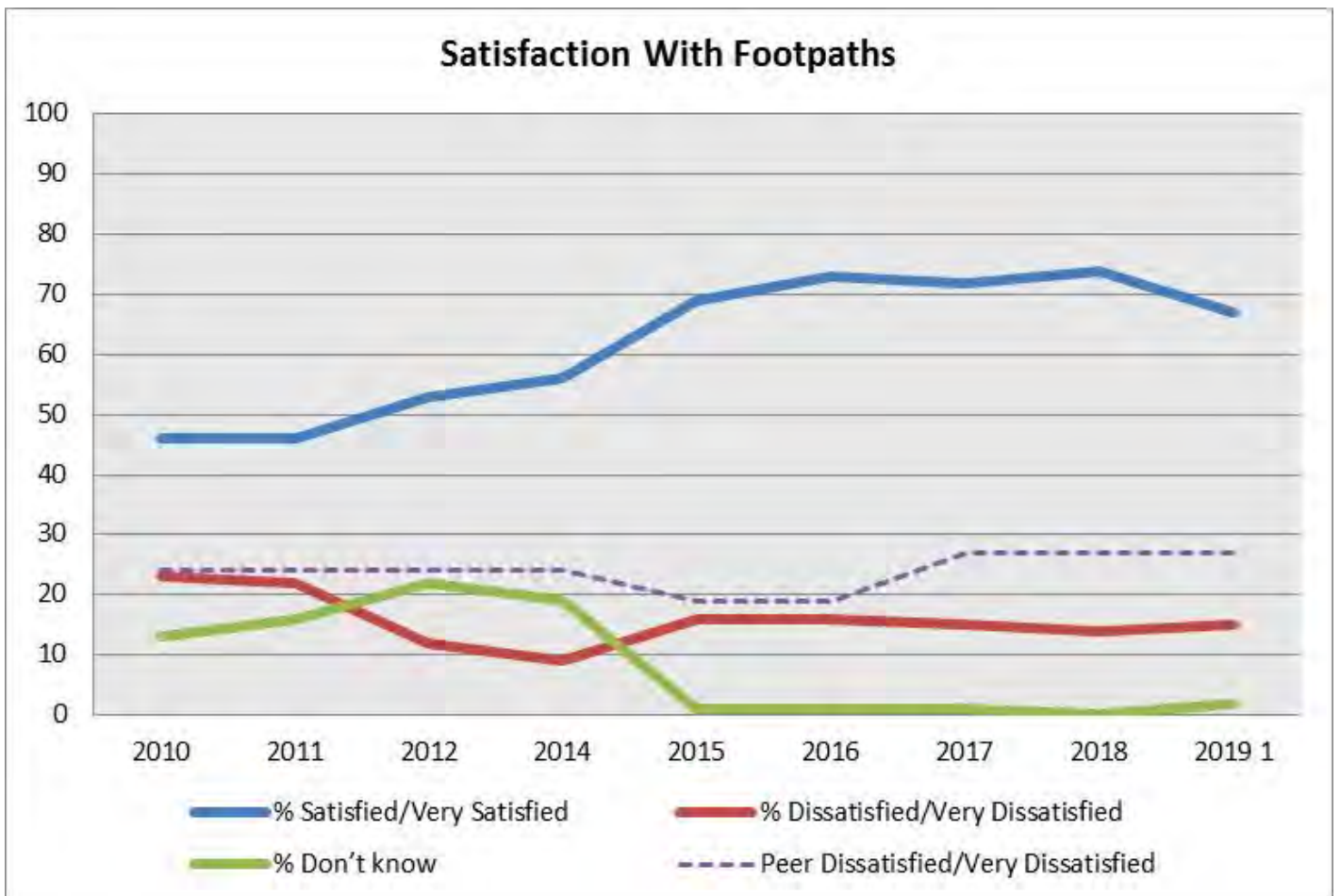
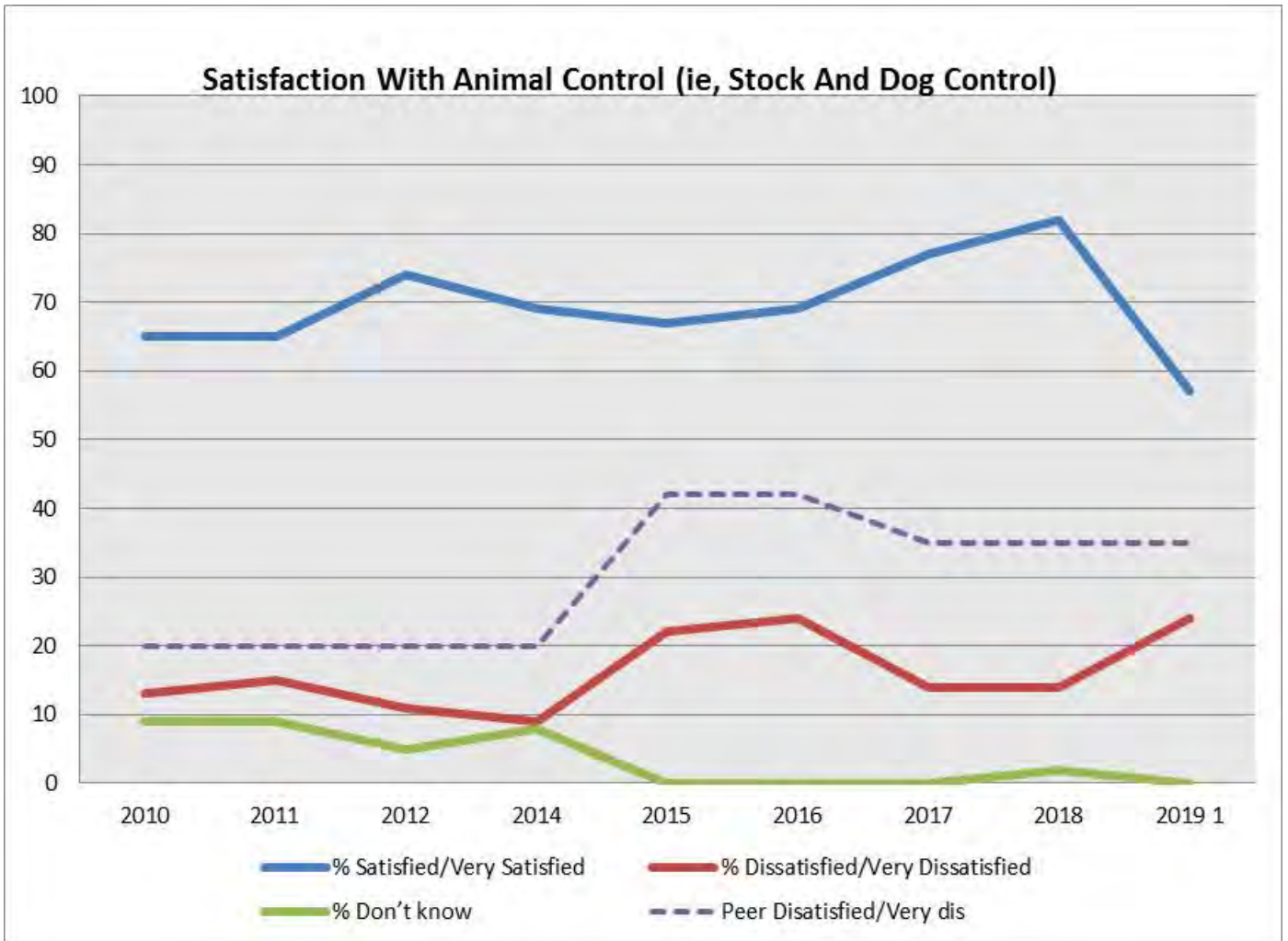


Satisfaction With Parks And Reserves, including sports fields and playgrounds

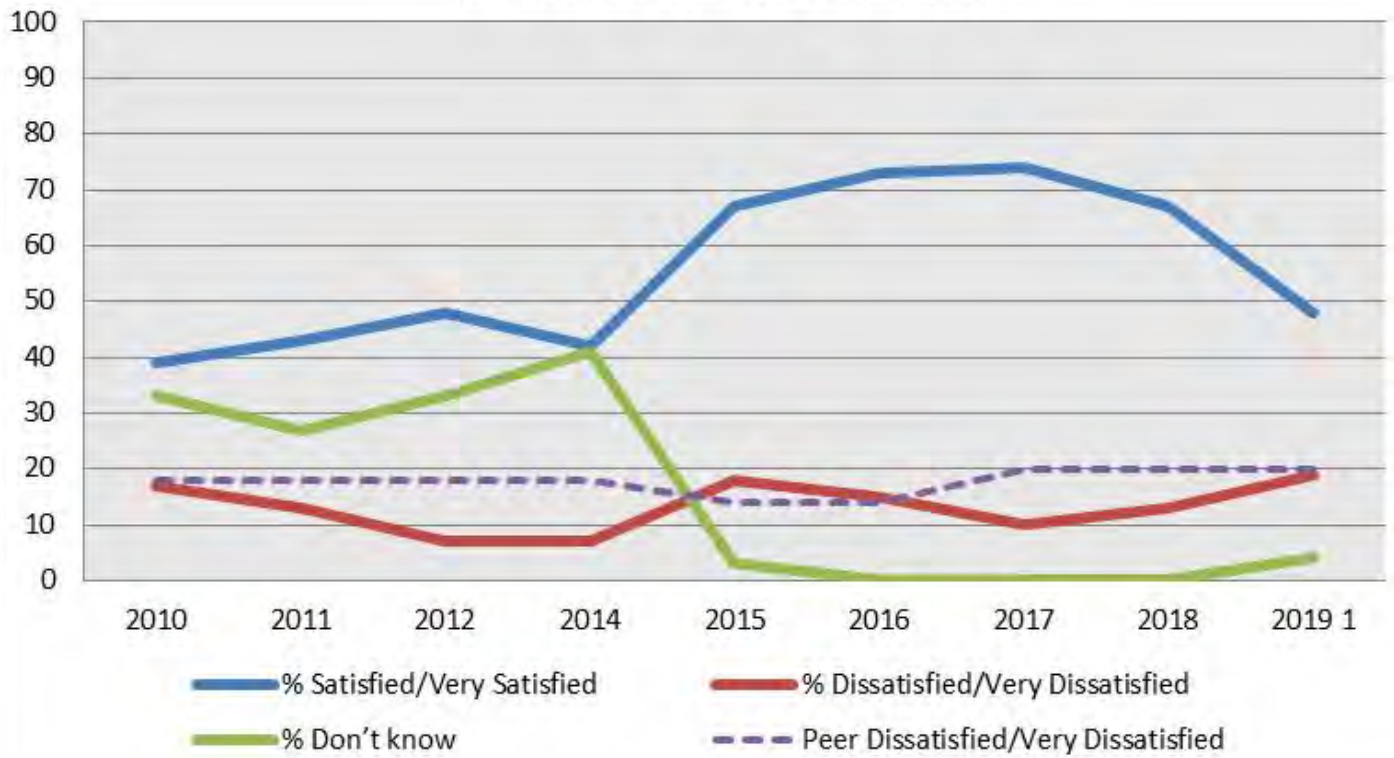


Satisfaction With Recycling Services

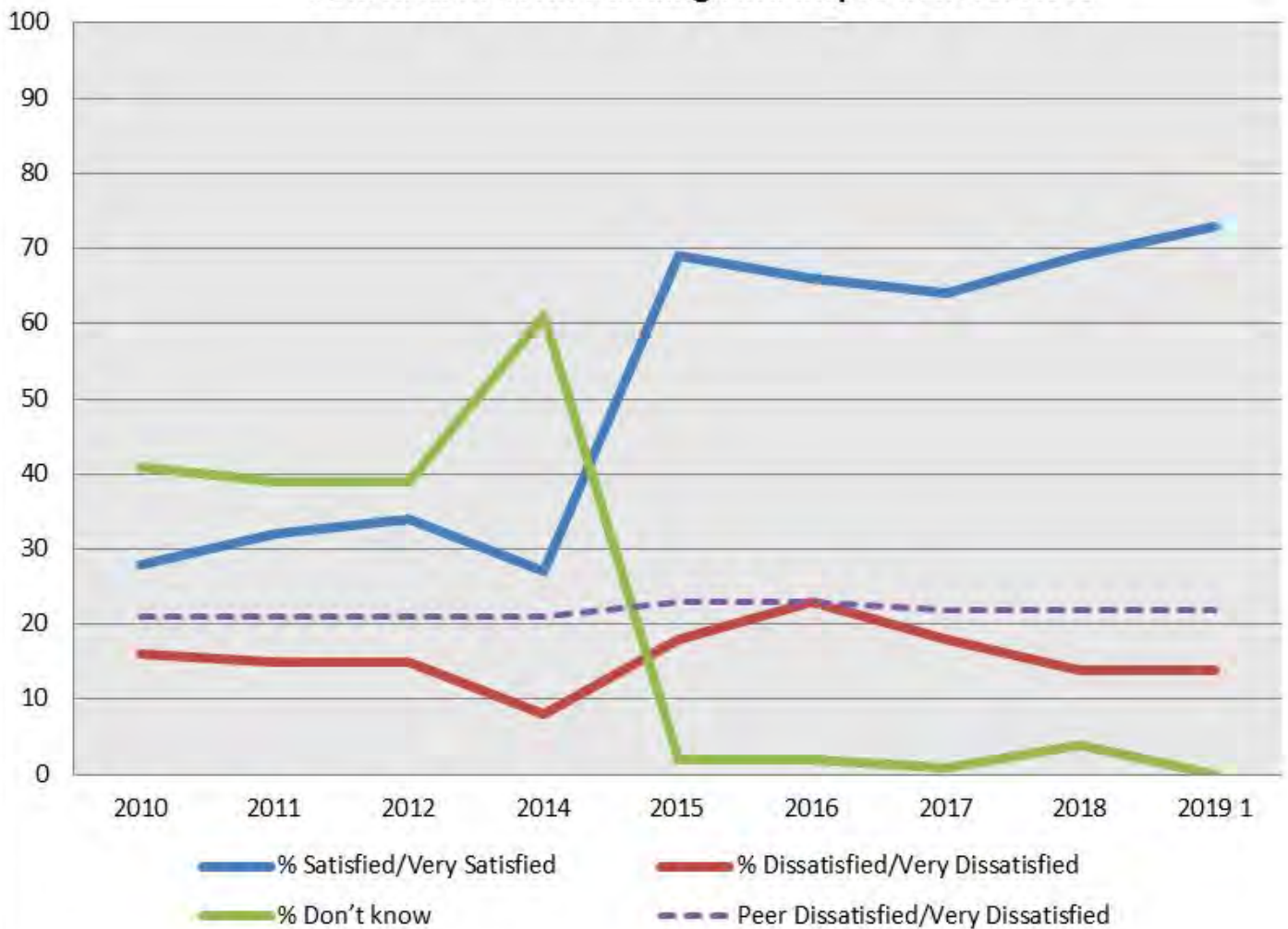




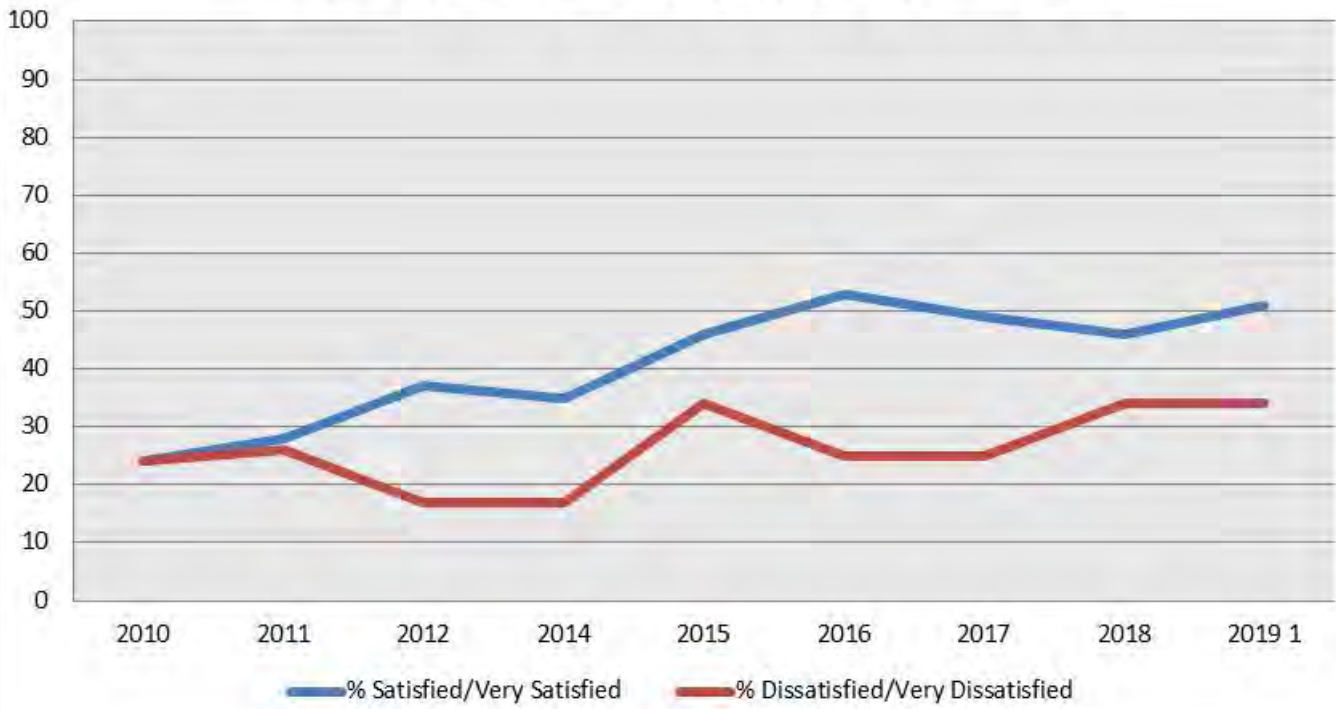
Satisfaction With Public Toilets



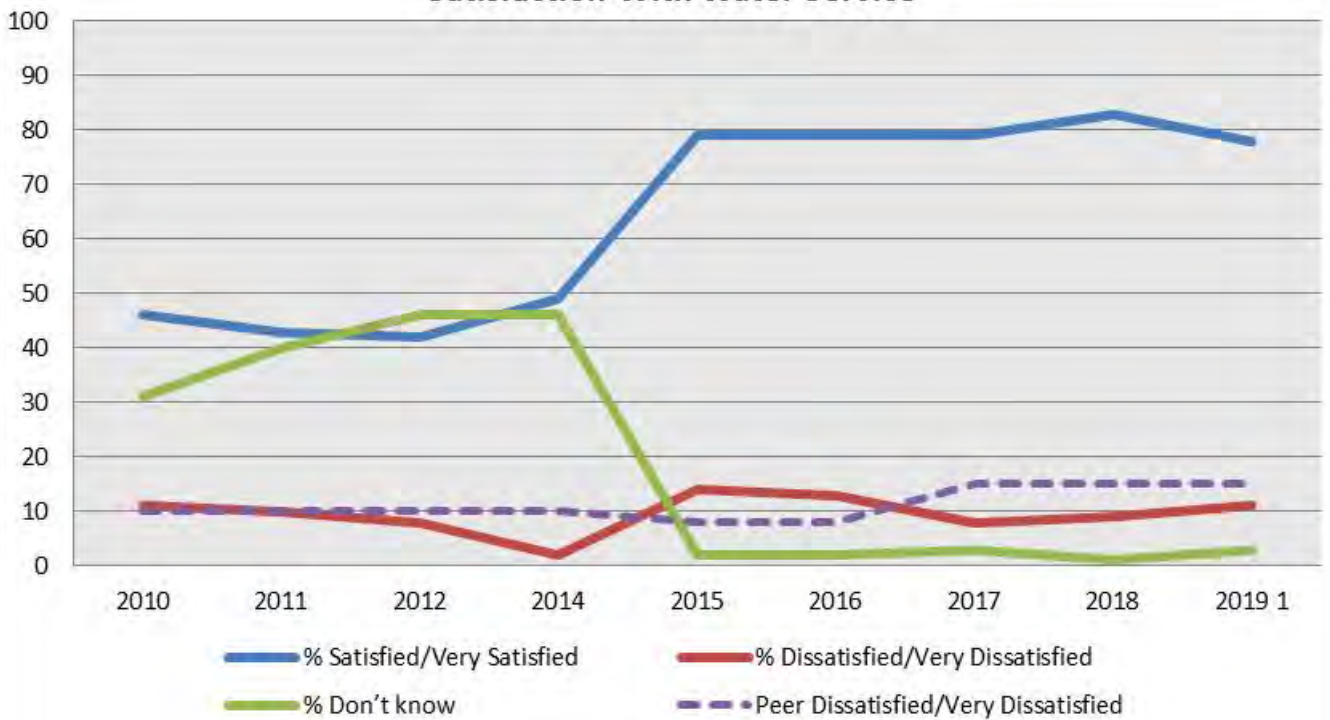
Satisfaction With Building And Inspection Services



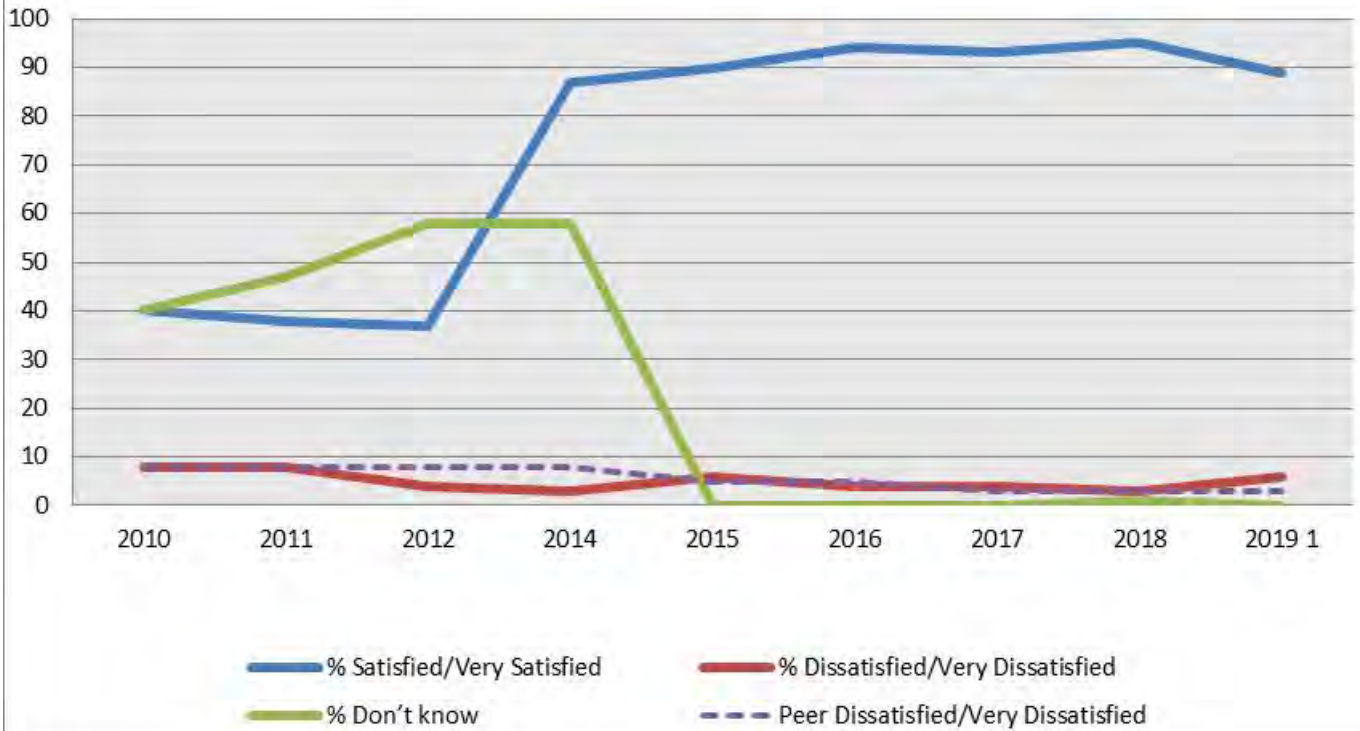
Satisfaction With Standard Of Council's Unsealed Roads



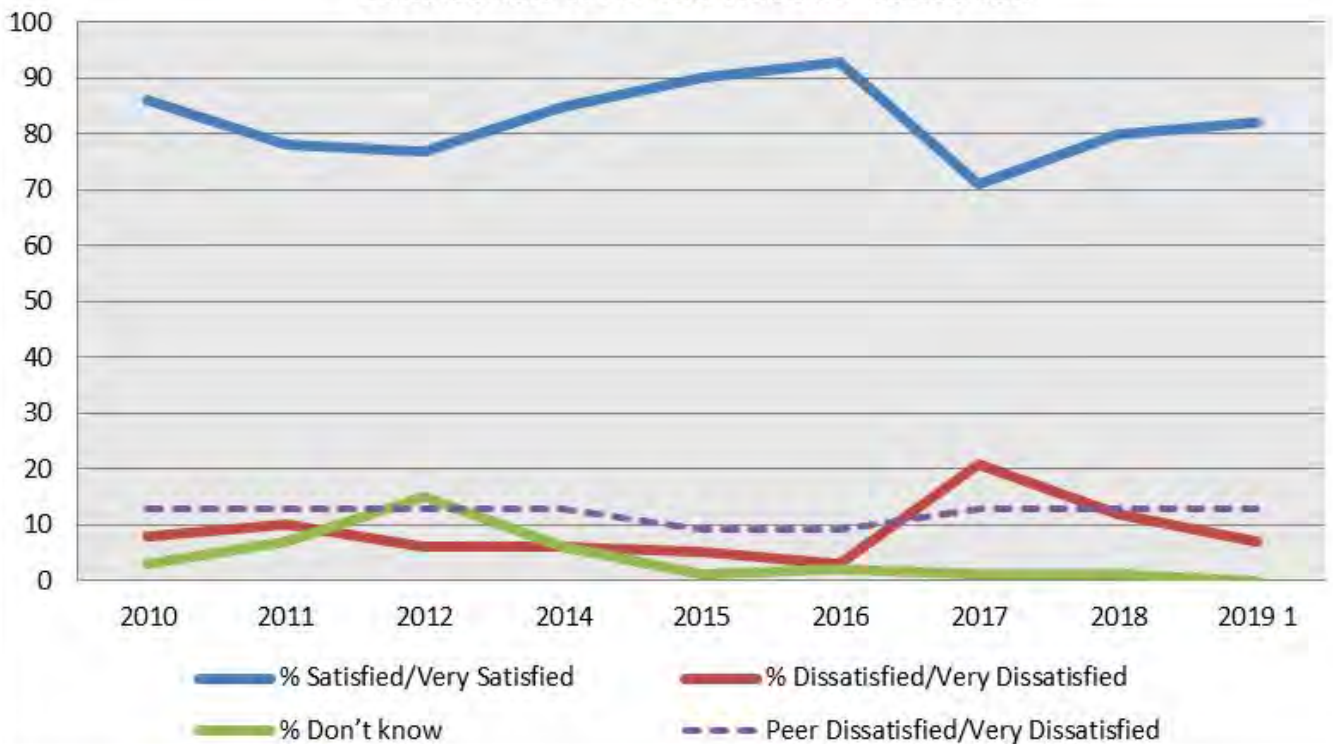
Satisfaction With Water Service



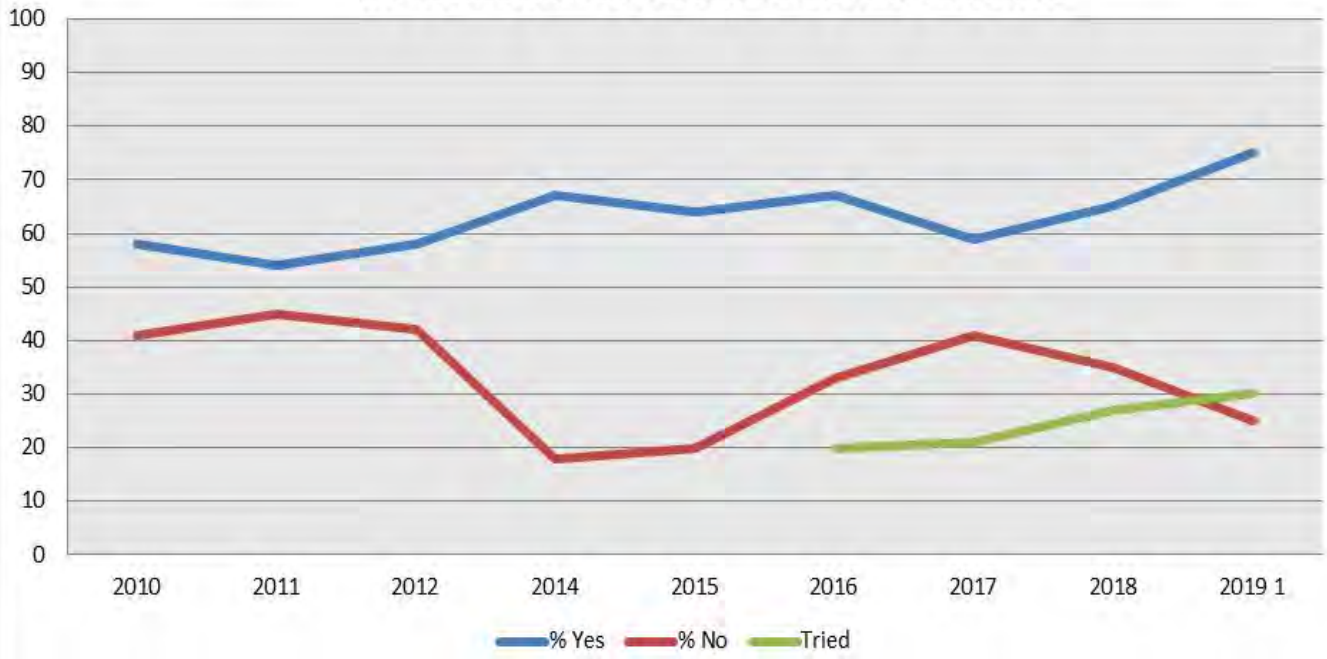
Satisfaction With The Wastewater Services (ie, sewerage system)



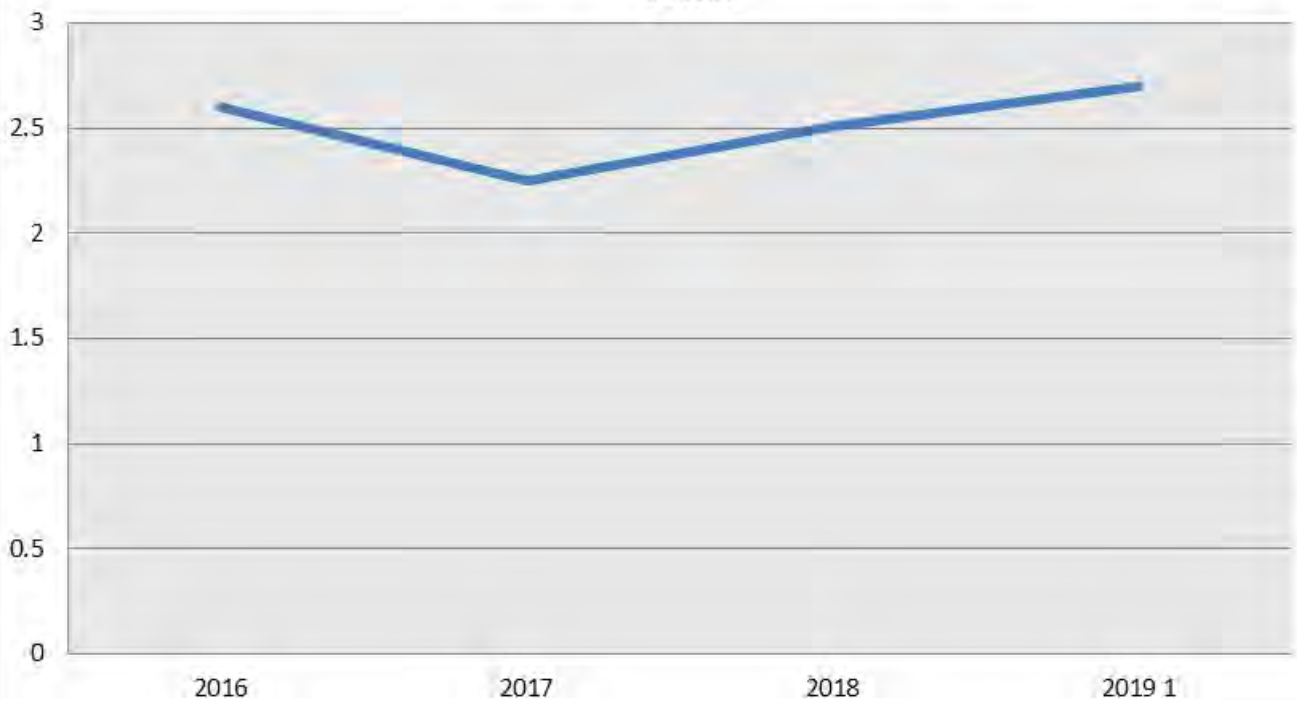
Satisfaction With The Rubbish Collection



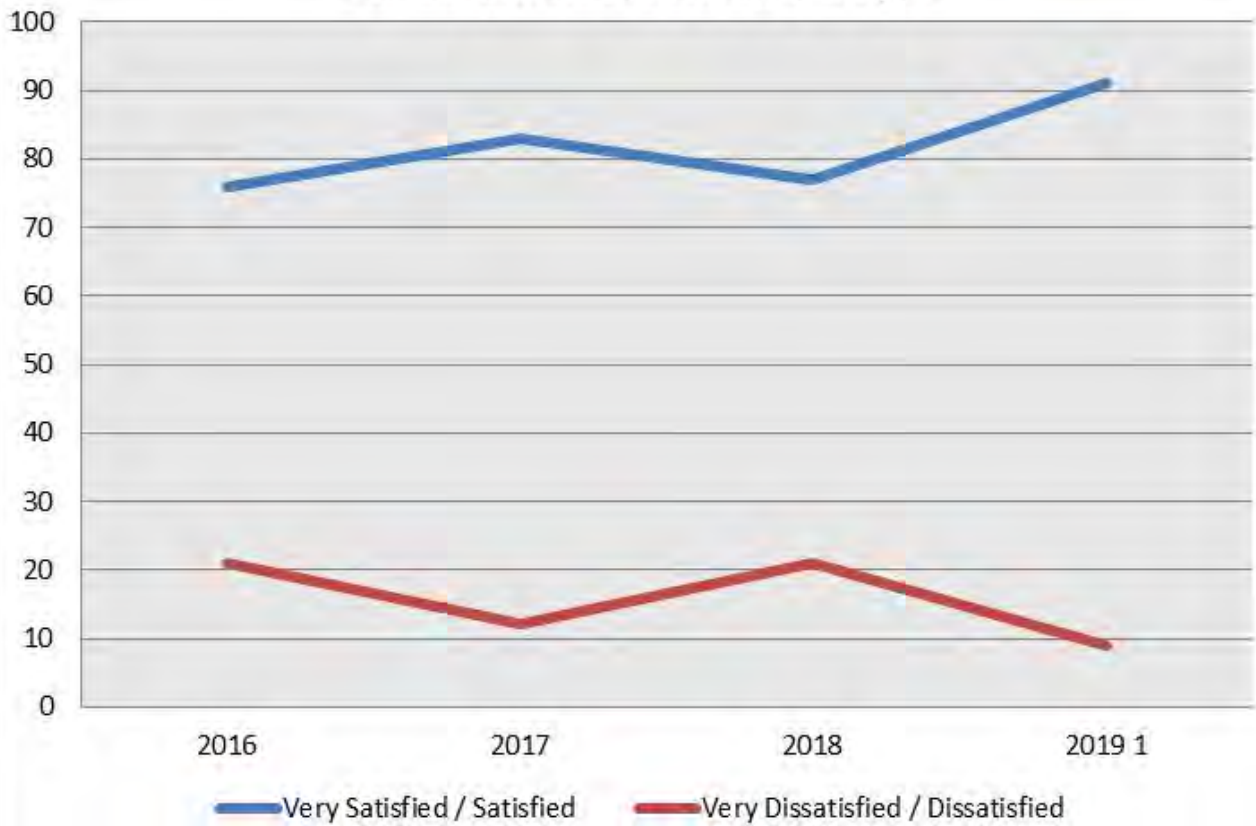
**Residents Who Feel They Have The Opportunity To Participate In The Way
The Council Makes Decisions and % Who Have Tried**



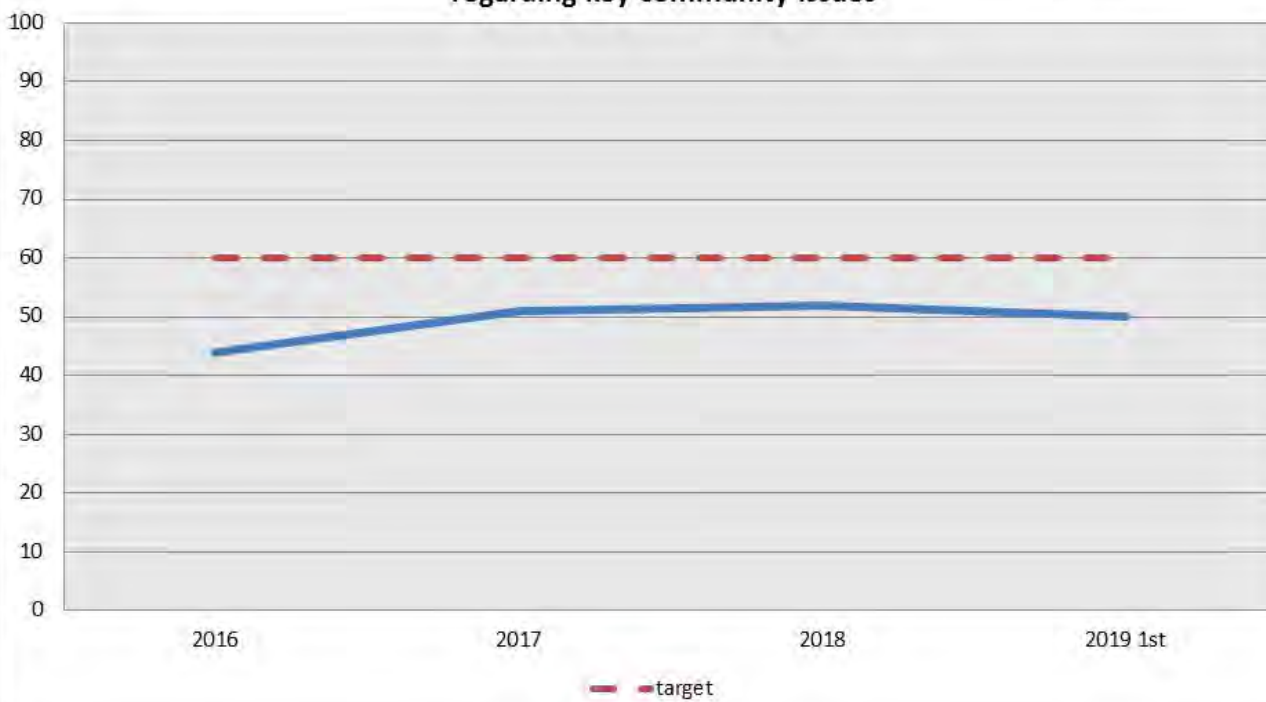
Average level of effort to conduct business with Council - less is better

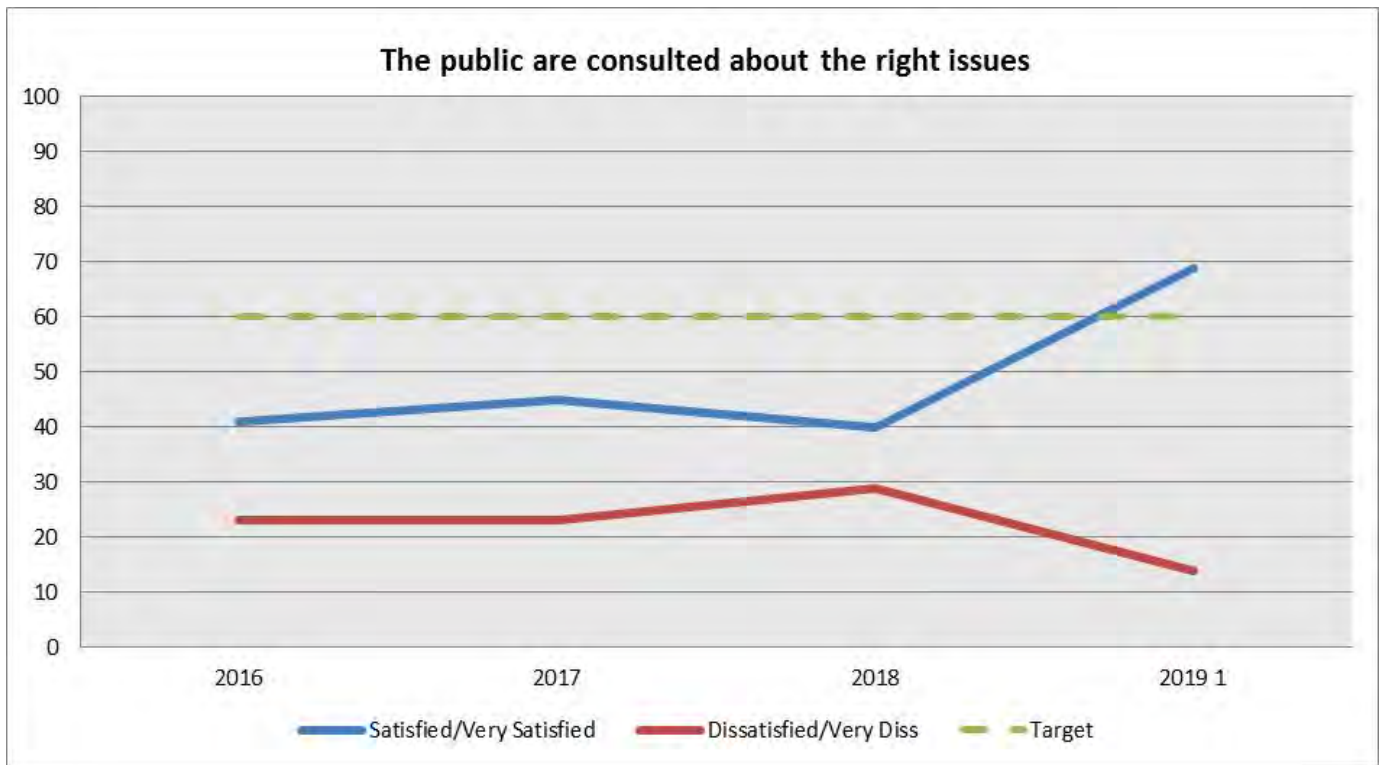


Contact with Councillors / Mayor



% of Customers satisfied with ease of access and clarity of information regarding key community issues





Open Meeting

To	Strategy & Finance Committee
From	Tony Whittaker Chief Operating Officer
Date	16 November 2018
Prepared by	Rates Team
Chief Executive Approved	Y
Reference #	GOV1318 / 2122184
Report Title	Summary of rates and water-by-meter debt

I. EXECUTIVE SUMMARY

This report summarises Council's arrears position for all rates and water-by-meter income charged before 1 July 2018 that remains unpaid as at 16 November 2018.

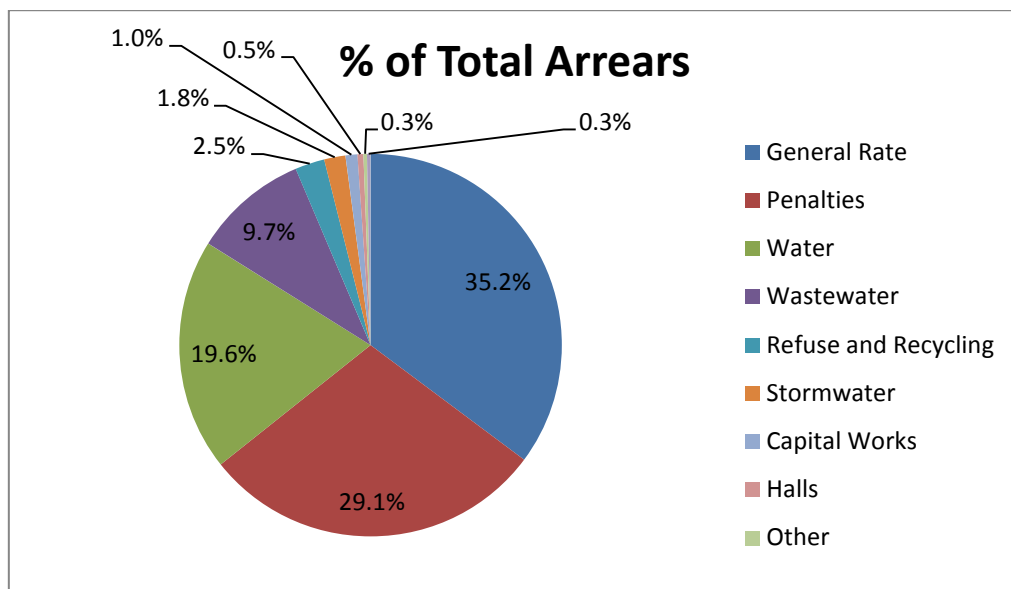
Total arrears amount to \$3,366,811 of which \$976,000 is provided for as uncollectible in Council's balance sheet.

The total outstanding arrears for the last 6 rating years is analysed in the tables below:

a) By Year

Rating Year	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13 and prior
\$	1,813,529	648,796	336,100	265,970	187,762	114,652
% of Total Arrears	54%	19%	10%	8%	6%	3%
% of Rates	2.3%	0.9%	0.5%	0.4%	0.3%	0.2%

b) By Rates Type



c) By Team Responsibility

Classification	Total Arrears	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13 and prior
Credit Recoveries	1,047,262	772,725	147,418	67,677	34,945	15,394	9,102
Council Legal Team	1,031,912	274,013	231,951	189,574	153,015	111,715	71,645
Council Credit Control	756,444	451,371	150,857	37,211	52,335	46,438	18,231
Work in progress	531,194	315,420	118,569	41,639	25,676	14,215	15,675
Total	3,366,811	1,813,529	648,796	336,101	265,970	187,762	114,653

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received.

3. ATTACHMENTS

NIL

Open Meeting

To	Strategy & Finance Committee
From	Tony Whittaker Chief Operating Officer
Date	09 November 2018
Prepared by	Alison Diaz Finance Manager
Chief Executive Approved	Y
Reference #	GOV1318 / 2121463
Report Title	Treasury Risk Management Policy Minor Updates

I. EXECUTIVE SUMMARY

Council's Treasury Risk Management Policy is required to be reviewed by the end of June 2019.

Recent organisational structure changes will require global position replacements for any key policies. The Treasury Risk Management Policy contains reference to roles and responsibilities which will require immediate updates from the effective date of 03 December 2018 to ensure we continue to satisfy counterparty arrangements.

As well as addressing these global position updates, there is an error in the total counterparty credit risk limit which will be corrected from \$30 million to \$50 million, to reflect the combined total of the SWAPs and investment counterparty limits.

The policy has not been reviewed for changes in best practice, and will still need to be reviewed in full before the end of this financial year.

The Strategy & Finance Committee is being asked to approve the minor amendments to the policy as allowed for under section 102(5) of the Local Government Act 2002.

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received;

AND THAT the Strategy & Finance Committee approves the minor amendments to the Treasury Risk Management Policy.

3. ATTACHMENTS

Marked up version of the Treasury Risk Management Policy

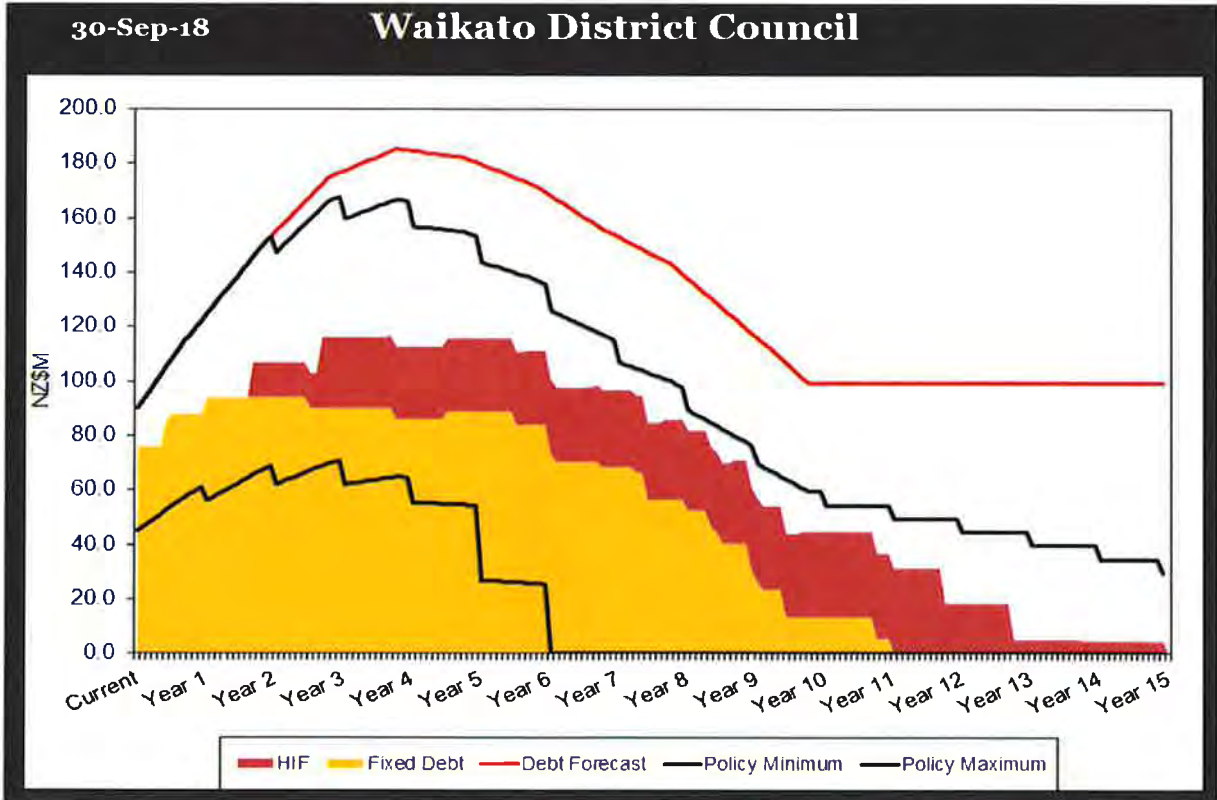
Waikato District Council
Treasury risk management policy - Compliance report
As at 30 September 2018

Policy criteria	Policy limit	Actual	Within policy?												
1 The percentage of net external debt to annual revenue Net external debt = Total annual revenue =	<150% total external debt (net of related borrower notes) less term deposits and available cash / cash equivalents earnings from rates, government grants & subsidies, user charges, interest, dividends, financial and other revenue excluding non-government capital contributions (eg developer contributions and vested assets)	47.9%	✓												
2 Net interest expense on net external debt as a percentage of total annual revenue Net interest expense =	<20% total interest and financing costs less interest income	3.0%	✓												
3 Net interest expense on net external debt as a percentage of annual rates	<25%	4.4%	✓												
4 Liquidity ratio Liquidity =	>110% external term debt plus committed bank facilities plus available liquid investments as a percentage of external term debt	156%	✓												
5 Interest rate benchmark chart Comparison of actual monthly and year-to-date accrued returns vs investing the entire treasury portfolio at the combined average of the 90-day bill rate and the five-year investor swap rate over the last two years. <div style="text-align: center;"> <p>The chart displays two data series: a blue line for the 'Benchmark (incl margin)' and a green line for 'Actual' returns. The Y-axis is 'Interest Rate (%)' ranging from 3.50% to 5.50% in 0.25% increments. The X-axis shows dates from Sep-16 to Sep-18. The benchmark line fluctuates between approximately 4.25% and 4.75%. The actual returns line starts at about 5.25% in Sep-16, peaks at 5.45% in Dec-16, then drops significantly to 3.55% in Sep-17, before recovering to 4.85% in Mar-18. A pink line segment appears from Jun-18 to Sep-18, showing a sharp decline from 5.35% to 4.50%.</p> </div>															
6 Actual borrowing costs are <= budgeted borrowing costs Current month Year to date	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;"></th> <th style="text-align: center;">Budget</th> </tr> </thead> <tbody> <tr> <td>Current month</td> <td style="text-align: right;">\$355,551</td> </tr> <tr> <td>Year to date</td> <td style="text-align: right;">\$1,066,652</td> </tr> </tbody> </table>		Budget	Current month	\$355,551	Year to date	\$1,066,652	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;"></th> <th style="text-align: center;">Actual</th> </tr> </thead> <tbody> <tr> <td>Current month</td> <td style="text-align: right;">\$353,322</td> </tr> <tr> <td>Year to date</td> <td style="text-align: right;">\$1,036,778</td> </tr> </tbody> </table>		Actual	Current month	\$353,322	Year to date	\$1,036,778	✓ ✓
	Budget														
Current month	\$355,551														
Year to date	\$1,066,652														
	Actual														
Current month	\$353,322														
Year to date	\$1,036,778														

7 Current interest rate swaps (including forward starts)	<u>Amount</u>	<u>Effective date</u>	<u>Termination date</u>	<u>Fixed rate</u>
	\$			(if effective)
	3,000,000	20-Jul-12	20-Oct-20	5.59%
	2,000,000	2-Mar-09	1-Mar-19	6.45%
	2,000,000	19-Jun-12	22-Mar-21	5.23%
	2,000,000	19-Jun-13	19-Mar-21	5.95%
	3,000,000	22-Jun-13	22-Mar-23	4.00%
	4,000,000	22-Jun-13	22-Jun-22	3.83%
	4,000,000	22-Jun-13	23-Mar-20	3.64%
	4,000,000	22-Jun-13	23-Sep-19	3.58%
	2,000,000	21-Mar-16	21-Mar-24	4.94%
	2,000,000	15-Mar-18	16-Sep-19	4.53%
	2,000,000	23-Sep-15	23-Sep-19	4.41%
	3,000,000	23-Mar-15	25-Mar-24	4.64%
	4,000,000	23-Mar-20	25-Mar-24	
	3,000,000	23-Mar-15	23-Sep-24	4.53%
	4,500,000	23-Dec-15	23-Sep-24	4.59%
	4,000,000	22-Jun-16	23-Sep-24	4.62%
	3,000,000	20-Oct-20	21-Oct-24	
	3,000,000	22-Sep-17	23-Sep-24	4.78%
	4,000,000	23-Mar-20	25-Mar-24	
	3,000,000	20-Oct-20	21-Oct-24	
	4,000,000	23-Sep-19	23-Mar-20	
	5,000,000	15-Mar-18	30-Jun-20	4.06%
	3,000,000	15-Mar-18	20-Oct-20	4.22%
	6,000,000	31-Oct-17	29-Jan-27	3.67%
	2,000,000	1-Mar-19	1-Dec-25	
	2,000,000	25-Sep-17	25-Feb-27	3.67%
	2,000,000	22-Jun-17	23-Jun-25	3.52%
	3,000,000	22-Mar-23	22-Jun-29	
	4,000,000	25-Mar-24	25-Sep-26	
	4,000,000	25-Mar-24	25-Mar-27	
	4,000,000	23-Sep-24	23-Sep-27	
	3,000,000	21-Oct-24	21-Oct-27	
	10,000,000	30-Sep-19	28-Sep-29	
	5,000,000	30-Jun-20	29-Jun-29	
	10,000,000	28-Feb-19	27-Feb-26	
	10,000,000	28-Aug-18	30-Aug-27	3.37%
	10,000,000	28-Feb-18	28-Feb-28	3.33%
	85,500,000	Total "live" swaps		
		Average interest rate of live swaps		4.13%
8 Forward start period to be no more than 24 months <u>unless</u> there is a match with the expiry date of an existing swap of the same notional amount			7 swaps with start periods > 24 months forward all but one are matched with existing swaps	
9 <u>Counterparty credit risk - swaps</u>				
NZ registered banks (each)	\$30m			
- ANZ / National			\$0m	✓
- ASB			\$0m	✓
- BNZ			\$28.55m	✓
- HSBC			\$0m	✓
- Westpac			\$0m	✓

10 Council's net external debt should be within the following fixed/floating interest rate risk control limits.:

Debt period ending	\$m	Policy criteria	Actual	Within policy
Current	90	50% - 100%	84.5%	✓
Year 1	125	45% - 100%	75.3%	✓
Year 2	155	40% - 95%	68.9%	✓
Year 3	177	35% - 90%	65.5%	✓
Year 4	185	30% - 85%	61.1%	✓
Year 5	180	15% - 80%	64.5%	✓
Year 6	168	0% - 75%	59.9%	✓
Year 7	153	0% - 70%	63.4%	✓
Year 8	138	0% - 65%	59.5%	✓
Year 9	116	0% - 60%	49.3%	✓
Year 10	99	0% - 55%	45.2%	✓

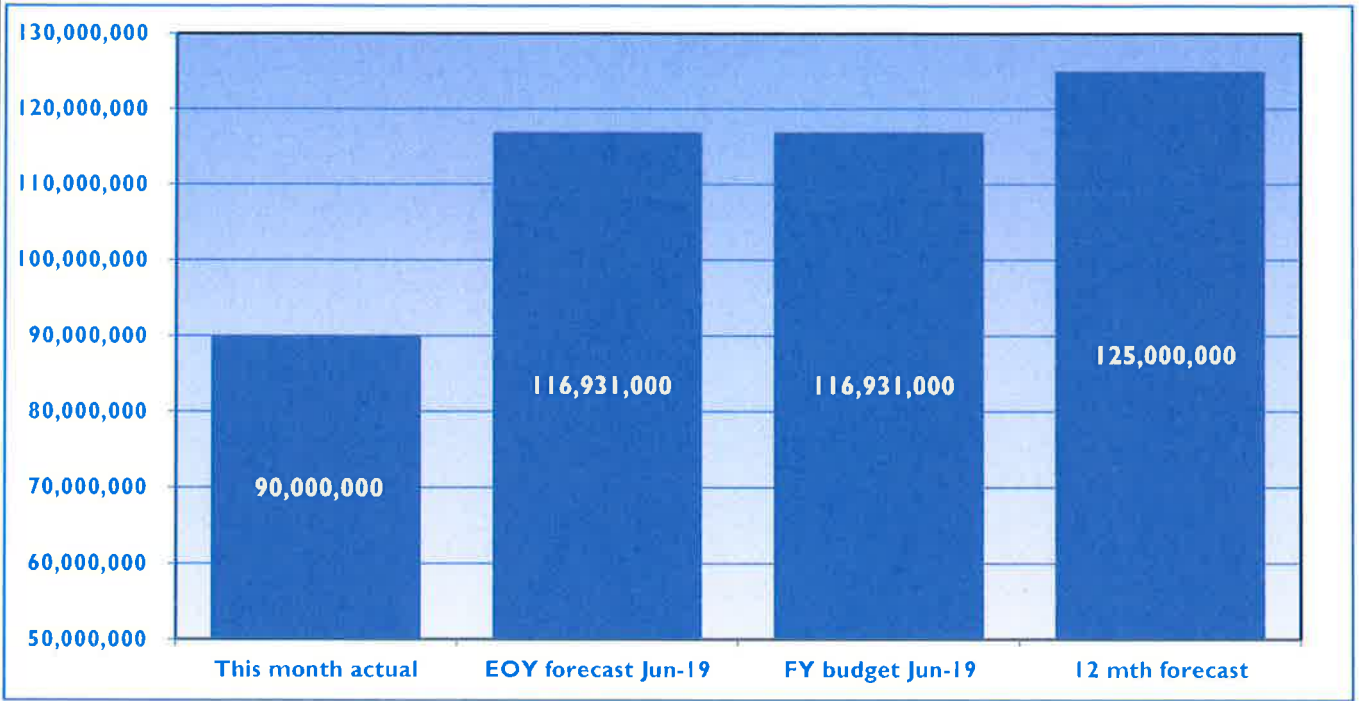


	Policy criteria	Policy limit	Actual	Within policy?
11	Debt affordability benchmark - limit on debt (actual debt <= limit on debt)	<= \$185.5m	\$90m	✓
12	Balanced budget benchmark (revenue / expenses)	>=100%	108%	✓
13	Essential services benchmark (CAPEX / dep'n - infrastructure)	>=100%	113%	✓
14	Debt servicing benchmark (borrowing costs / revenue) borrowing costs =	<15%	3.4%	✓

finance expenses per statement of comprehensive revenue and expense

15 Borrowing at September 2018

This graph depicts actual borrowing - LGFA plus bank (BNZ).



16	Actual monthly (gross) borrowing is within end-of-year budget	\$116,931,000	\$90,000,000	✓
17	The maturity profile of the total committed funding in respect of all loans and committed facilities			
	0 to 3 years	15% - 60%	43%	✓
	3 to 5 years	15% - 60%	24%	✓
	5 years plus	10% - 40%	33%	✓

30-Sep-18 Waikato District Council

Committed Loan/Stock/Facilities/Investments \$132.9m
 Current External Debt \$88.6m
 Current Net Debt (ex pre-funding) \$49.4m

Policy Liquidity Ratio >= 110%
 Current Liquidity Ratio 156%
 12 month Peak Net \$124.9m

Maturity Profile	0 - 3 years	3 - 5 years	5 years plus
Range	15% - 60%	15% - 60%	10% - 40%
Percentage	43%	24%	33%

Maturity Date Bucket

Legend: Drawn Loans (Dark Red), Commercial Paper (Orange), Available (Yellow), Linked Deposits (Red)

Maturity Date Bucket	Drawn Loans (NZDm)	Commercial Paper (NZDm)	Available (NZDm)	Linked Deposits (NZDm)
0-1	10	0	0	-10
1-2	5	0	0	0
2-3	15	0	15	0
3-4	15	0	0	0
4-5	10	0	0	0
5-6	10	0	0	0
6-7	10	0	0	0
7-8	5	0	0	0
8-9	10	0	0	0
9-10	0	0	0	0
10-11	0	0	0	0

18	Financial assets	\$'000		
	<i>Share investments held for strategic purposes</i>			
	Local Authority Shared Services Limited			219
	Waikato Regional Airport Limited			13,267
	Strada Corporation Limited			700
	Civic Financial Services Limited			62
	<i>Investments held to reduce the current ratepayer burden</i>			
	Community loans as below			182
	<i>Short-term investments held for liquidity & working capital requirements</i>			
	Bank & cash balances			1,488
	Short-term bank deposits			19,500
	Total investments			\$15,918
	For treasury purposes, LGFA borrower notes are netted off against related borrowing			
19	Community loans	Current balance \$\$	Maturity date	Interest rate
	Tamahere Hall Committee	148,338	Jun-22	
	Woodlands #2	13,633	Jun-19	all at
	Tauhei Hall Committee	9,522	Jun-20	5.49%
	Opuatia Community Centre	4,200	Dec-20	
	Glen Murray Community Centre	5,000	Dec-18	ex Franklin
	Onewhero Society of Performing Arts	1,100	Dec-18	loans @ 0%
		<u>\$181,792</u>		
	Policy criteria	Policy limit	Actual	Within policy?
20	Counterparty credit risk - investments			
	NZ Government	unlimited	\$0m	✓
	NZD resistered supranationals	\$20m	\$0m	✓
	LGFA	\$20m	\$1.44m	✓
	NZ registered banks (each)	\$20m		
	- ANZ / National		\$4.88m	✓
	- ASB		\$4.88m	✓
	- BNZ		\$14.72m	✓
	- HSBC		\$0m	✓
	- Westpac		\$4.88m	✓
21	Counterparty credit risk - total			
	NZ registered banks (each)	\$30m		
	- ANZ / National		\$4.88m	✓
	- ASB		\$4.88m	✓
	- BNZ		\$43.27m	x
	- HSBC		\$0m	✓
	- Westpac		\$4.88m	✓

Open Meeting

To	Strategy & Finance Committee
From	Tony Whittaker Chief Operating Officer
Date	14 November 2018
Prepared by	Alison Diaz Finance Manager
Chief Executive Approved	Y
Reference #	GOV1318 / 2121501
Report Title	Council Controlled Organisations Annual Reports

I. EXECUTIVE SUMMARY

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.

Council’s Annual Report contains information on why each investment is held and details of the expected returns if any. This report summarises the performance of each CCO against the Statement of Intent objectives, and supplements the full Annual Reports for 2017/18 of each entity as attached.

Strada Corporation Limited

Following the decision to wind up the company, the operational assets were sold and liabilities extinguished in 2016/17. The company will remain active until the warranty requirements under the sale of the joint venture are satisfied. Strada no longer prepares a Statement of Intent, and is not required to have their Annual Report audited. The attached Annual Report was prepared by Council staff based on data provided by Strada staff.

Waikato Regional Airport Limited

Council has a 15.625 per cent shareholding in the airport, which is considered a strategic asset. The airport also operates a tourism subsidiary which aims to promote the region to tourists. Council contributes separately to this entity.

The core purpose and key objective for the year has been to operate the airport in an efficient and compliant manner whilst maintaining a viable aeronautical business.

The group had an operating surplus of \$2.6 million before tax during the 2017/18 year due to increased revenue from increased passenger numbers, commercial landing charges, car-parking fees and land sales. The group achieved most of the financial targets and all of the non-financial targets included in their Statement of Intent. The strong financial position

enabled a dividend to be distributed to the five shareholding councils. The presentation to shareholders on the year's results has been attached in addition to their Annual Report.

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

Agreed Measures	Statement of Intent	Actual 2017/18	Target met
Earnings before interest, taxation and depreciation (EBITDA)	\$2.374M	\$3.023M	
Net surplus/(deficit) after tax	(\$366K)	(\$36K)	
Shareholders' funds to total assets	76.00%	79.00%	
Percentage of non-landing charges revenue to total revenue	76.00%	85.00%	
Total liabilities/shareholders' funds: (debt/equity ratio)	35:65	26:74	
Net operating cashflow	\$1.700M	\$2.760M	
Net investing cashflow	(\$1.500M)	(\$4.710M)	
Funding Titanium Park Limited	\$0	\$0	
Net cashflow (operating & investing)	\$200K	(\$1.950M)	
Net debt	\$13.000M	\$13.145M	
Interest rate cover	5.0	6.0	

Waikato Local Authority Shared Services Limited ("WLASS")

The 12 local authorities have worked closely together over the years on mutually beneficial joint projects. The company generates saving through economies of scale, additional purchasing power and the ability to recover costs.

WLASS is in operation to:

- Enable Waikato councils to collectively be more effective as a region on the national stage;
- To encourage central government investment;
- Achieve effectiveness and efficiency gains;
- Reduce duplication of effort and eliminate waste;
- Make it easier for customers to engage with councils in the region;
- Promote and contribute to the development of best practice; and
- Promote business transformation to improve customer experience.

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

Agreed Measures	Statement of Intent	Target met
Joint procurement initiatives will be investigated and implemented	Implement the recommendations of the Procurement review New suppliers are awarded contracts through a competitive tender process	
Agreed Measures	Statement of Intent	Target met
Priorities for collaboration are developed and high priority projects implemented	Minimum of three collaborative projects identified Business cases of value are developed for approval and implemented	
Existing contracts are managed and renegotiated as required	Contracts register is maintained Contracts for renewal are tested for competitiveness and renegotiated or tendered through a competitive process	
The company shall maintain a positive cash flow position	The WLASS board will review the financial statements quarterly	
Administration expenditure shall be managed and monitored	Administration expenditure shall not exceed budget by more than 5% without board approval	
Six monthly reports are provided to shareholders	A written report on the business operations and financial position to be provided every six months Every second report is the annual report with statutory requirements adhered to	
The company shall provide administrative support to the Mayoral forum	Approved invoices for mayoral forum projects are paid by the 20th of the month following receipt	
The shared valuation data services is reliable, well maintained and available	SVDS is available to users at least 99% of normal working hours SVDS advisory group meets at least six monthly All capital enhancement work is supported by a business case	
Key performance indicators of the insurance brokerage contract are achieved	Strategic advice received is assessed as satisfactory in the annual shareholder survey Day-to-day service is assessed as satisfactory in the annual shareholder survey	

All stakeholders are informed about the roading accord technical alliance (RATA) projects and achievements	Reports are provided six monthly Reports include a summary of savings	
Annual forward works programme tours are completed to share knowledge and experience	Councils participate in the Annual Forward Works Programme tour Report provided on tour outcomes	
Agreed Measures	Statement of Intent	Target met
Sub-regional data collection contracts deliver good quality data on roading assets	Contracts for renewal are tested for competitiveness and renegotiated or tendered through a competitive process Any data issues are identified, resolved and reported to stakeholders	
Waikato regional transport model is reliable, well maintained and available	Modelling reports requested are actioned by the supplier within the agreed scope, time and budget A status report from RATA on the model status is provided six monthly The quality complies with NZTA guidelines and is independently reviewed when updated	
Waikato Building consent group actively pursue improvements	Internal audits are completed annually for each group member	
	Provide a joint quality assurance system that meets statutory requirements	
	Report six monthly on the group's activities	
Stakeholders are kept informed about FutureProof projects and achievements	Six monthly reports provided	
Shareholders are satisfied with the performance of WCLASS	A shareholder survey is conducted and reported on annually	In progress
Shareholders are informed of the benefits being provided	Information on non-financial and financial benefits are reported on six monthly	
	The "Collaboration in Action" document is complete and circulated to shareholders	

Waikato District Community Wellbeing Trust ("the Trust")

The Trust distributes funds 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 Trust's Annual Report will be adopted at their December Annual General Meeting, subject to final sign-off from Audit New Zealand. The on-site audit is complete but due to the ongoing timing delay between Council's financial year end and the delivery of audit reports from KiwiWealth the opinion cannot be issued within statutory timeframes. A breach of section 67 of the Local Government Act 2002 is noted in the Trust's Annual Report.

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

Agreed Measures	Statement of Intent	Target met
<p>Governance:</p> <p>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.</p>	<p>Undertake an annual legal review of compliance with the Trust Deed no later than two months after the end of each financial year.</p>	
<p>Investment:</p> <p>To adhere to the Trust's <i>Management of Investment Portfolio and Distribution Policy</i>.</p> <p>To review on an annual basis the investment mandate and the performance of the portfolio manager.</p>	<p>At each quarterly meeting review compliance with the Trust's <i>Management of Investment Portfolio and Distribution Policy</i> during that quarter.</p>	
<p>Fund disbursement:</p> <p>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.</p>	<p>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.</p>	
	<p>Six-monthly reports are received from all successful applicants within the required timeframe.</p>	

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received.

3. ATTACHMENTS

Annual Reports:

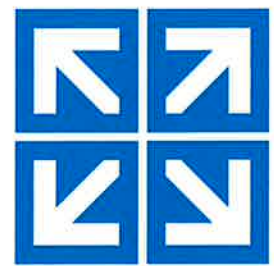
A Waikato Regional Airport Limited

B Waikato Regional Airport Limited shareholders presentation

C Waikato Local Authority Shared Services

D Waikato District Community Wellbeing Trust

E Strada *(to be circulated separately)*

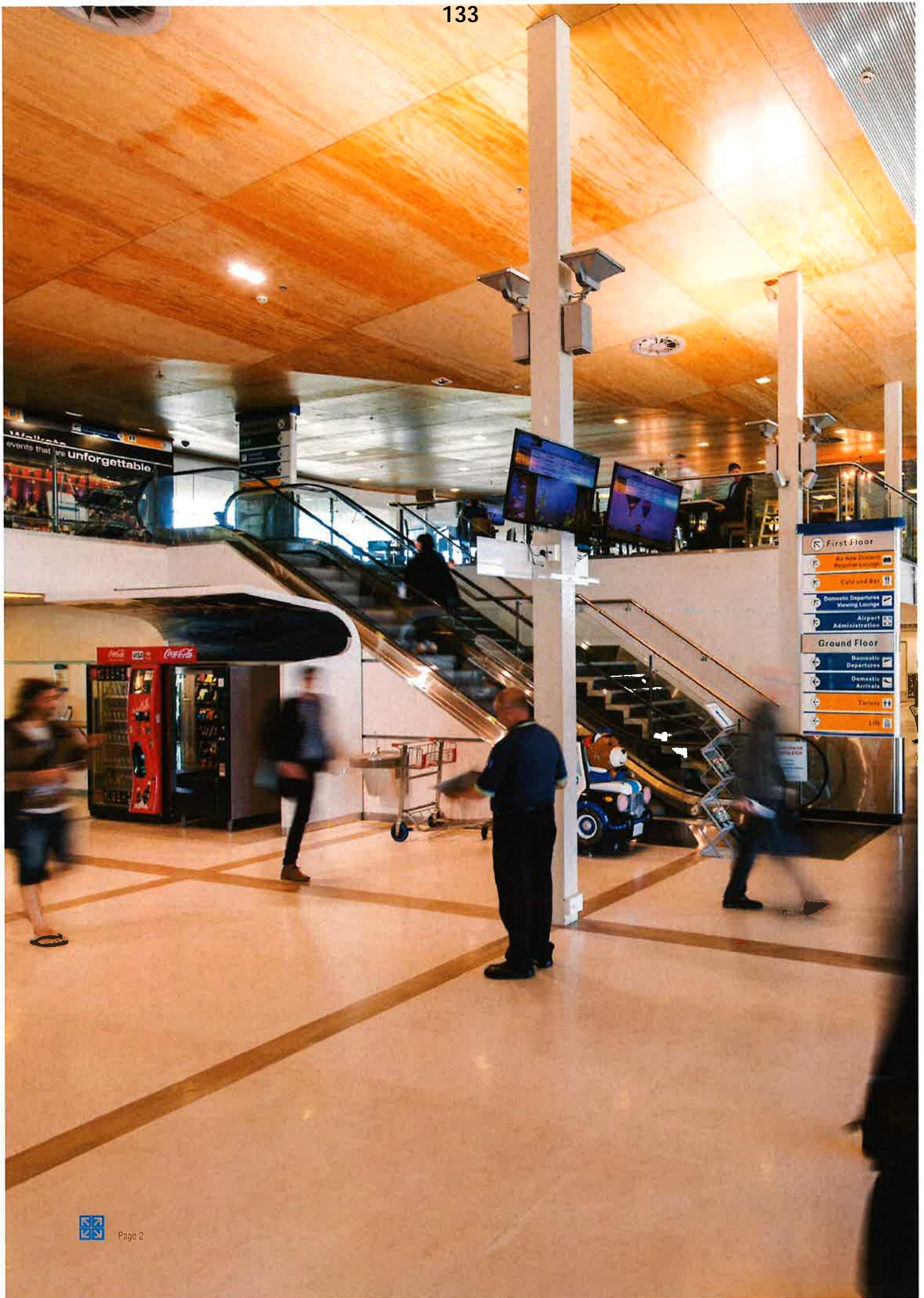


ANNUAL REPORT
2018

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Chair's introduction

The Board of Directors has pleasure in presenting the annual report of Waikato Regional Airport Limited Group and its subsidiaries ('the Group'), incorporating the financial statements and the auditors' report, for the year ended 30 June 2018. Hamilton & Waikato Tourism Limited (HWT) and Titanium Park Limited (TPL) are wholly owned subsidiaries.

The Board of Directors of Waikato Regional Airport Limited authorised these financial statements presented on pages 10 to 41 for issue on 6 September 2018.

For and on behalf of the Board.

John Spencer
CNZM, Chair

6 September 2018

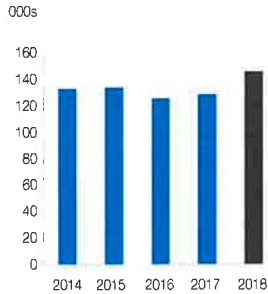


2018 Results at a glance

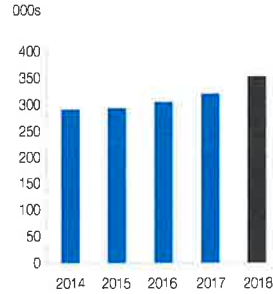
Key facts

- Operating Revenue \$8.6m*; up \$1.0m
- Surplus from operations \$2.8m (up \$0.4m)
- Investment Property \$21.5m;
 - up \$6.1m (\$2.9m Hotel purchase, \$1.6m land purchase, \$1.6m valuation gain)
- 353,000 passengers; up 35,000 and 11%
- 145,520 aircraft movements; up 16,900 and 13%

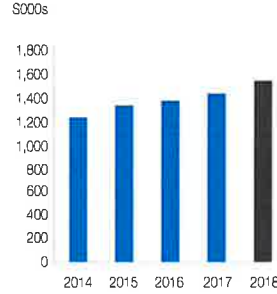
Aircraft Movements



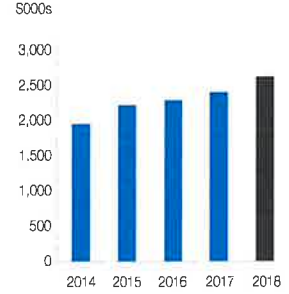
Passenger Numbers



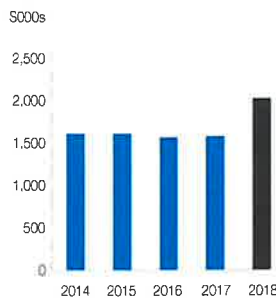
Landing Charges



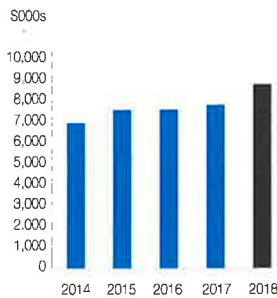
Aeronautical Revenue



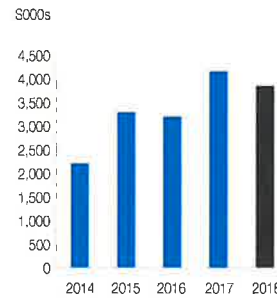
Lease Rental Income



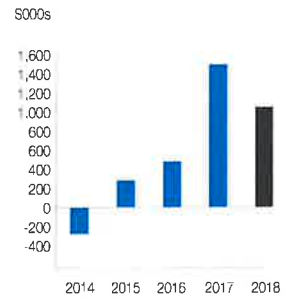
Operating Revenue



EBITDA

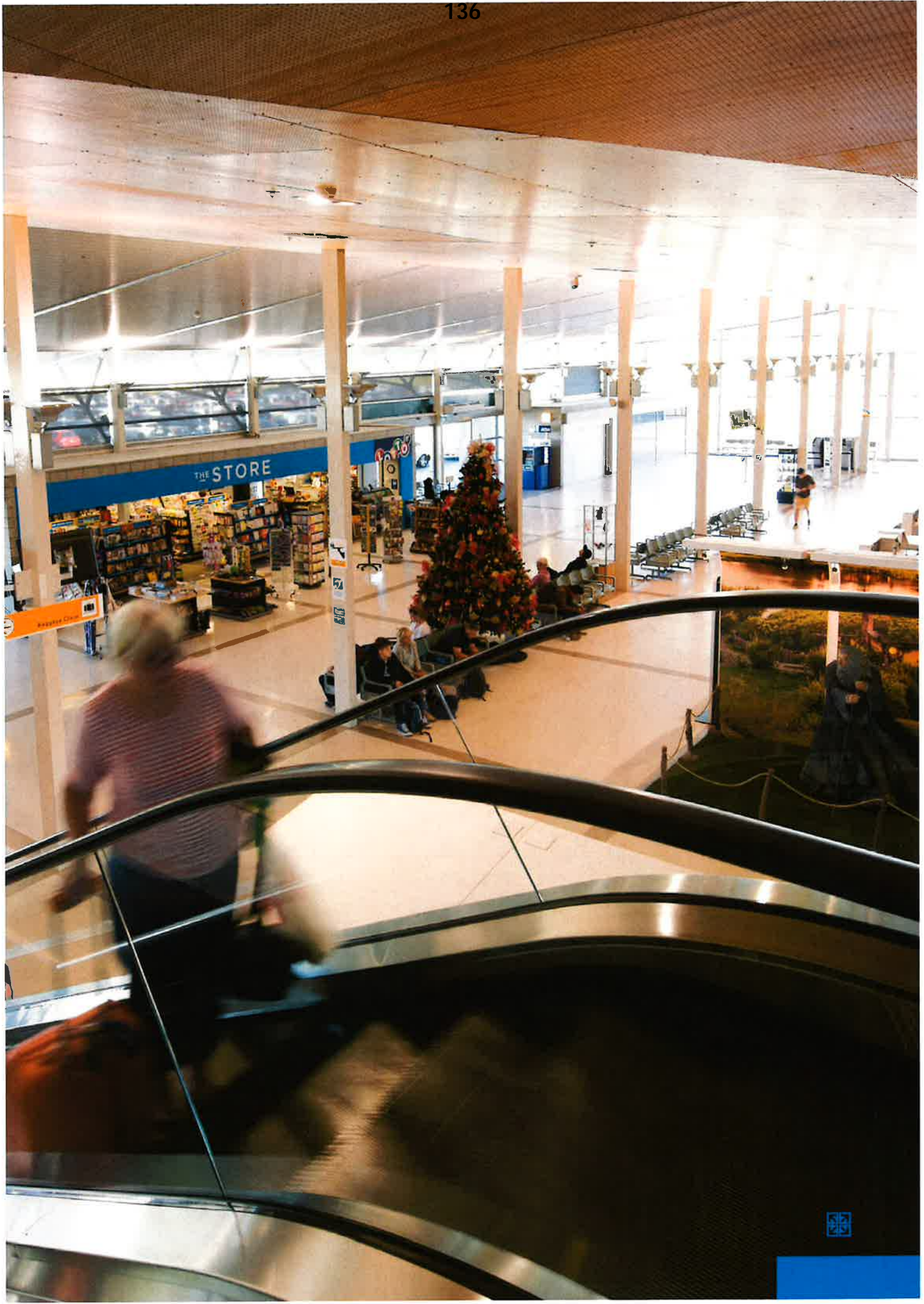


Net Profit Before Tax



* normalised to exclude investment property valuations





Chair and Chief Executives' 2018 Annual Report

The Board and Management of Waikato Regional Airport Limited (WRAL) Group are pleased to report a strong operational and financial performance for the 2017/2018 financial year. The Group's surplus before tax for the year was \$2.6m.

WRAL paid its first dividend to shareholders on the back of improved profitability and forecast indicators pointing towards continued growth.

The Group investment property portfolio increased in value by \$1.6m following an end of year valuation. This movement, on the back of a \$3.3m gain in the previous financial year, was primarily driven by the continued growth of the regional economy and strong levels of land sales in both the immediate airport vicinity and wider Waikato region.

A 10-year strategic plan has been developed for the wider Group and will guide activities for the 2018/2019 financial year and beyond. The plan provides a framework for current and future Directors and Management to ensure the activities of our diverse operations; Airport, Property and Tourism, are all aligned to our core purpose of enabling air services to the Waikato region. Key themes include growing aeronautical revenue, development and optimisation of land holdings while protecting the core aviation business and a focus on the growth of regional tourism volume and value.

Major projects included the development of a significant terminal refresh set to take place during 2018/2019 as well as the first stages of a car park extension project required to accommodate current and forecasted levels of passenger growth. The launch of social media has provided new channels for customer engagement which has gained excellent traction within the market.

In January 2018 the Group purchased Hamilton Airport Hotel & Conference Centre. The purchase included all buildings and the ground lease as well as the existing hotel and conference business. Current operators, Hamilton Airport Hotel Limited, will continue to lease back and operate the hotel and conference centre until 2019.

The Group's third entity, Hamilton & Waikato Tourism Limited, the official Regional Tourism Organisation of the Waikato has continued to deliver on its Tourism Opportunities plan. The Waikato has seen a 6% growth in visitor expenditure and a 10% growth in business tourism events over the last year to cement Waikato as the third largest convention and business events destination in the country.

The Board and Management's continued focus on health, safety and wellbeing resulted in another year free of notifiable workplace incidents. Based on feedback from regulatory bodies, the Group's quality management and compliance systems remain at the forefront of the industry.

Group performance

The Group's operating revenue for the 2017/2018 financial year was \$8.6m, up on the prior year by \$1.0m. This was primarily driven by an 11% growth in passenger numbers resulting in increased revenue from commercial landing charges, carparking and concessions. Land sales of \$2.2m also made a significant contribution to operating revenue for the Group.

Group operating expenditure of \$5.7m, was \$0.5m up on the prior year. Increased consultancy costs contributed to the differential. Consultants were engaged on several initiatives during the year to provide expertise and resourcing to facilitate future investment projects and opportunities.

The net cash flow from operating activities generated a surplus of \$2.8m offset by net investment of \$4.7m underpinned by the purchase of the Hamilton Airport Hotel & Conference Centre and \$0.8m in aeronautical capital projects. The airport's current core debt of \$13.1m increased from the prior year by \$2.0m due to expansion of the group's investment property portfolio.

	2018 \$000	2017 \$000 Restated	Variance \$000
Operating revenue	8,594	7,635	959
Operating expenses	(5,722)	(5,199)	523
Surplus from operations	2,872	2,436	436
Land sales	2,242	4,177	(1,935)
Cost of land sales	(1,279)	(2,462)	(1,183)
Gross profit from land sales	963	1,715	(752)
EBITDA	3,835	4,151	(316)
Depreciation & Amortisation	(2,438)	(2,371)	67
Interest Costs	(503)	(298)	205
Other Gains/(Losses)	1,746	3,306	(1,560)
Operating Profit before Tax	2,640	4,788	(2,148)
Net Cash Flow from Operating Activities	2,760	5,247	(2,487)
Net Cash Flow from Investment Activities	(4,710)	(9,292)	(4,582)
Net Cash Flow from Operating & Investment Activities	(1,950)	(4,045)	2,095

The WRAL Group Balance Sheet remains strong and shows Shareholders' Equity of \$84.9m, up \$2.2m on the prior year. This can be attributed to a valuation-based increase in the Group's investment property holdings.

The annual Statement of Intent, approved by Shareholders, incorporates financial and performance measures for the year. This year's performance against financial and non-financial targets is shown in Note 27 Performance Targets and Results.

Airport operations

Airport operating revenue of \$6.9m was up on the prior year by \$0.9m driven by growth in landing charges from increased flight traffic (both commercial and general aviation). An increase in passenger numbers lead to growth in terminal levies, car park and concession revenue. Growth in lease revenue from tenancies, driven by underlying growth in investment property values, has also made a notable contribution.

Airport operating expenditure of \$4.1m was up on the prior year by \$0.6m due to several one-off consultancy projects and additional investment in repairs and maintenance required to preserve the quality of our airport infrastructure.

Hamilton Airport continues to meet Civil Aviation Authority of New Zealand's (CAA) certification obligations regarding safety and security. A routine aerodrome security audit was conducted by the civil aviation authority in November 2017 with no adverse findings. Hamilton Airport remains New Zealand's second busiest Civil Aviation Part 139 certified airport in terms of aircraft movements. Total aircraft movements for the 2017/2018 financial year exceeded 145,000, up 13.1% on the previous year. The influencing factor has been a successful year for L3 CTS Airline Academy's increased aircraft movements in response to a growing worldwide demand for commercial pilot training.

Major capital projects for the year to 30 June 2018 included development and completion of 6 conference and meeting rooms within the terminal building and the initiation of a car park expansion project to deliver 85 additional car parks to accommodate current and forecast passenger growth. The car park upgrade will also include new barriers, control equipment and payment facilities expected to be operational by December 2018.

In accordance with WRALs 10-year Airside Pavement Asset Management Plan, programmed maintenance on the terminal apron area and general aviation taxiways has been undertaken. Other capital works projects have included the, upgrade of car park CCTV, components of the terminal air-conditioning system and the initial planned and programmed refurbishment of a rescue firefighting tender.

Airline and passenger numbers

Time was invested in the continued growth and strengthening of working relationships with Air New Zealand resulting in effective communication and collaboration across operational, marketing and strategic functions and improved joint understanding of the Waikato passenger base.

Air New Zealand, Hamilton Airport's primary airline operator, increased seat capacity by 5% delivering an average of 150 scheduled services each week. Strong regional population growth and a narrowing of the historic price differential between airline ticket prices ex Hamilton compared to ex Auckland has led to an 11.1% growth in passenger numbers with 353,000 passenger sectors flown to/from Hamilton in the 2017/2018 year.

Property

During the year progress was made towards delivering a sustainable and recurring surplus from property holdings. Revenue from new and existing leases and concessions increased by \$0.4m in alignment with improved property values across the portfolio.

Momentum from the prior year continued in 2017/2018 with sales and development remaining buoyant around Titanium Park. The Group developed a further 3 hectares of property on Ossie James Drive in the Central Precinct, of which only 0.5 hectares remained unsold at year end. Purchasers cite the business park's location, easy connectivity to roading networks and flexibility of lot sizes as the key selling points. Titanium Park is well positioned to capitalise on the continued and rapid growth in the surrounding areas of Te Awamutu and Cambridge, as well as plans for growth in southern suburbs of Hamilton. The completion of the Waikato Expressway within the next two years, just five kilometres from the airport, will further enhance the strategic location of Titanium Park and improve accessibility to other golden triangle cities Auckland and Tauranga.

The strength of the commercial precinct as a place of business and employment has been buoyed by the development of the large-scale VISY Board plant on the Western Precinct as well as several mid-sized developments on the Western and Central Precincts. Hamilton City Council's planned development of a residential growth cell, Peacockes, adjacent to the airport precinct has given further strength to the Titanium Park proposition. Market demand for industrial sites over 1 hectare in land size has grown driving increased enquiry. The Group has responded to this by developing a masterplan for the Titanium Park Southern Precinct.

In addition, settlement of 3 hectares of land sales took place during the year and a further 5 hectares are under contract as at 30 June 2018.

Hamilton & Waikato Tourism

Combined investment of \$1.7 million from local councils and partnering tourism operators in the region allowed Hamilton & Waikato Tourism to continue to deliver on its Tourism Opportunities Plan that aims to supercharge growth in the local tourism industry. Game changing opportunities include engagement with the Waikato River and the rich heritage of local Kingitanga, enhancing our international reputation as a major events hub and building one strong regional brand.

The 2017/2018 year saw a 6% growth in visitor expenditure in the Waikato region in a regional industry estimated to be worth \$2.6 billion.

Across our region we have seen activation of the Waikato River plan commence with extension of facilities such as cycleways, improved accessibility to the river and opening of the Victoria on the River precinct in central Hamilton. New cultural experiences have been developed at Waireinga (Bridal Veil Falls), Ngaruawahia, Rangiriri, Cambridge, Tuakau and Pureora

Hamilton & Waikato Tourism continues to work hard to make the Waikato a year-round destination for major events and to develop a programme that smooths seasonal fluctuations that will enable development of accommodation, hospitality and attractions while providing more reliable employment. The current year focus was on attracting shoulder season events, with hosting of the HSBC World Rugby Sevens being a significant milestone.

Health & safety

The annual independent Health & Safety audit was completed confirming a compliant and proactive framework is in place. A Safety Committee comprising WRAL staff and an independent safety consultant meet regularly. The 2017/2018 financial year was once again free of notifiable events.

Investment in health and safety this year included commencement of a two-year refurbishment project across the fleet of three firefighting appliances. The refurbishment is expected to extend the life of the current vehicles for at least another decade, ensuring we maintain an emergency response capability commensurate with the requirements of the CAA.

As a certified aerodrome, Hamilton Airport is required to have a fully certified and approved Safety Management System (SMS) in place and operational by no later than February 2021 to ensure Civil Aviation requirements are met. Hamilton Airport's SMS plan was formally submitted to CAA and approved. The plan will be progressively implemented to ensure completion prior to the Feb 2021 deadline.

Community engagement

The airport maintains a structured Noise Management Plan (NMP) as a requirement of the District Plan. The Airport Community Liaison Group met regularly throughout the year with the objective of addressing any aircraft noise issues raised by the community. In response to growing residential housing around the airport and below take-off and landing paths, noise monitoring stations have been acquired and will be used to collect more robust information regarding noise levels. This will assist with community liaison and ensuring the minimisation of noise should aeronautical activity increase.

Board and directors

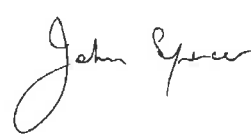
In April 2018, John Spencer announced his intention to step down as WRAL Chair. The announcement was not unexpected and is a part of the Director rotation policy introduced during 2017. Mr Spencer was appointed to the Board in December 2013. Mr Spencer's replacement is expected to take office during 2019.

In addition, Malcolm Phillips announced his resignation from the HWT Board in May 2018.

Conclusion

The WRAL Board would like to thank our five council Shareholders for their support. It also acknowledges the support from the wider group of councils who participate in the support of the regional tourism organisation. Thanks is also extended to staff across the WRAL Group for their contribution.

The Group's focus remains to deliver its key objectives to operate an efficient and compliant airport, maximise revenue through diversification to protect the core aeronautical business and enhance tourism growth within the region.



John Spencer
Chair



Mark Morgan
Chief Executive

6 September 2018

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2018

	Note	Actual 2018 \$'000	Actual 2017 \$'000 (Restated)
REVENUE			
Operating revenue	4	8,594	7,635
Land sales		2,242	4,177
Other gains/(losses)	5	1,746	3,306
Total Revenue		12,582	15,118
EXPENSES			
Cost of land sales		1,279	2,462
Employee benefit expenses		2,265	2,135
Depreciation and amortisation expense	15,25	2,438	2,371
Operating expenses		3,109	2,765
Directors' fees	6	259	210
Audit fees	7	89	89
Finance costs		503	298
Total Expenses		9,942	10,330
Surplus Before Tax		2,640	4,788
Income tax expense	21	260	293
Surplus After Tax		2,380	4,495
Other Comprehensive Revenue			
Gain on property revaluation	17	-	13,856
Total Other Comprehensive Revenue and Expense		-	13,856
Total Comprehensive Revenue and Expense		2,380	18,351

The accompanying notes form part of these financial statements.

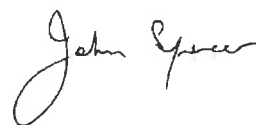


Statement of Financial Position

As at 30 June 2018

	Note	Actual 2018 \$'000	Actual 2017 \$'000 (Restated)		Note	Actual 2018 \$'000	Actual 2017 \$'000 (Restated)
ASSETS				LIABILITIES			
Current Assets				Current Liabilities			
Cash and cash equivalents	13	22	58	Payables and accruals	9	1,680	1,503
Receivables	10	491	431	Interest bearing liabilities	16	96	91
Inventories		92	91	Employee benefits liabilities	23	322	298
Prepayments		140	75	Current tax liabilities		232	195
Development property	14	9,157	9,219	Revenue in advance		26	79
Total Current Assets		9,902	9,874	Total Current Liabilities		2,356	2,166
Non Current Assets				Non Current Liabilities			
Property, plant and equipment	15	75,397	77,349	Interest bearing liabilities	16	13,071	10,962
Intangible assets	25	897	1,062	Deferred tax liabilities	22	7,353	7,781
Investment property	24	21,456	15,307	Total Non Current Liabilities		20,424	18,743
Other non current assets		65	74	Total Liabilities		22,780	20,909
Total Non Current Assets		97,815	93,792	Net Assets		84,937	82,757
Total Assets		107,717	103,666	EQUITY			
				Share capital	17	14,860	14,860
				Retained earnings	17	23,192	20,963
				Other reserves	17	46,885	46,934
				Total Equity		84,937	82,757

The accompanying notes form part of these financial statements.



John Spencer
Chair

6 September 2018



Annabel Cotton
Director

6 September 2018

Statement of Changes of Equity

For the year ended 30 June 2018

	Note	Actual 2018 \$'000	Actual 2017 \$'000 (Restated)
BALANCE AT 1 JULY		82,757	64,406
Total comprehensive revenue and expense for the year		2,380	18,351
Total comprehensive income		2,380	18,351
TRANSACTIONS WITH OWNERS			
Dividends paid		(200)	-
Balance at 30 June	17	84,937	82,757
Total comprehensive revenue and expense attributable to:			
Equity holders of the parent		2,380	18,351

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2018

	Note	Actual 2018 \$'000	Actual 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating revenue		10,857	12,064
Payments to suppliers and employees		(5,563)	(5,185)
Interest paid		(502)	(298)
Income tax paid		(662)	(705)
GST (net)		(141)	(51)
Cost of development property		(1,229)	(578)
Net Cash Flow from Operating Activities		2,760	5,247
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts from sale of property, plant and equipment		721	24
Purchase of property, plant and equipment		(877)	(1,059)
Purchase of investment property		(4,554)	(8,257)
Net Cash Flow from Investing Activities		(4,710)	(9,292)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		2,210	3,756
Repayment of borrowings		(96)	(86)
Dividends paid		(200)	-
Net Cash Flow from Financing Activities		1,914	3,670
Net (Decrease) in cash and cash equivalents		(36)	(375)
Cash and cash equivalents at the beginning of the year		58	433
Cash and cash equivalents at the end of the year	13	22	58

The accompanying notes form part of these financial statements.

1. Statement of Accounting Policies

For the year ended 30 June 2018

1.1 Reporting entity

The Waikato Regional Airport Limited Group consists of the Waikato Regional Airport Limited, Titanium Park Limited (100% owned) and Hamilton & Waikato Tourism Limited (100% owned). The Waikato Regional Airport Limited Group has designated itself as a public benefit entity (PBE) for financial reporting purposes. The financial statements of Waikato Regional Airport Limited (the Company) and Group are for the year ended 30 June 2018. The financial statements were authorised for issue by the Board of Directors on 6 September 2018.

2. Summary of Significant Accounting Policies

2.1 Basis of preparation

The Company and Group have prepared the Consolidated Financial Statements in accordance with the Companies Act 1993, the Local Government Act 2002 and the Airport Authorities Act 1966.

These financial statements have been prepared on the going concern basis and are in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR) and authoritative notices that are applicable to entities that apply PBE Standards.

The Company is eligible and has elected to report in accordance with Tier 2 PBE Standards RDR on the basis that the Company has no public accountability and is not large as defined in XRB A1.

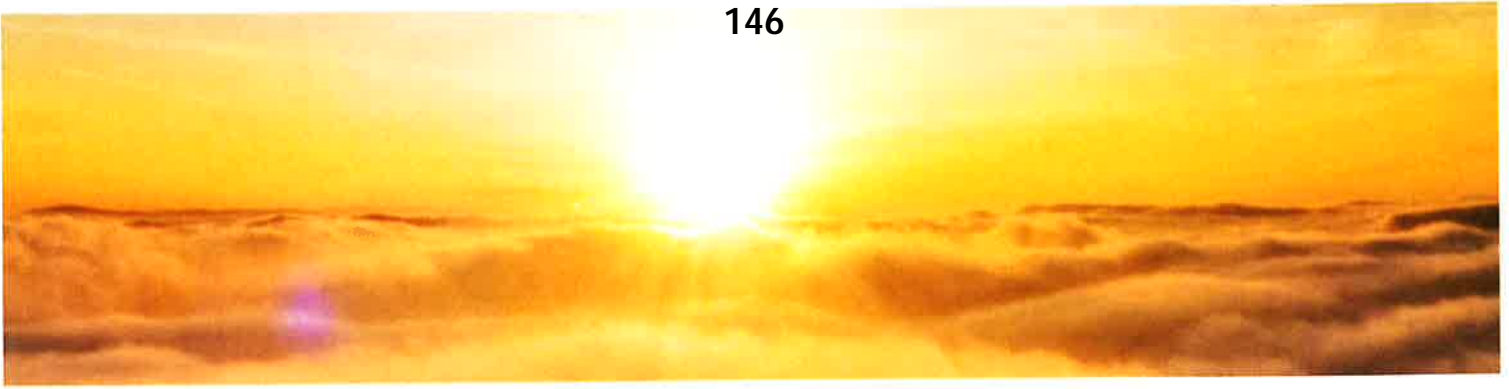
Presentation currency and rounding

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

2.2 Basis of consolidation

The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, revenue and expenses of entities in the group on a line by line basis. All significant intragroup balances, transactions, revenues and expenses are eliminated on consolidation.

In preparing the consolidated financial statements of the group, accounting policies are applied consistently to all entities in the group.



2.3 Inventory

Stock on hand has been valued at the lower of cost and net realisable value on a weighted average cost basis, after due allowance for damaged and obsolete stock. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.4 Goods and services tax

All items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as 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 GST.

2.5 Investments

Investments in bank deposits are initially measured at fair value plus transaction costs.

After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest method less any provision for impairment.

2.6 Statement of cash flows

Operating activities include cash received from all income sources of the Group and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non current assets.

Financing activities comprise the change in equity and debt capital structure of the Group.

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis,

as the gross amounts do not provide meaningful information for financial statement purposes.

2.7 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed.

2.8 Impairment of non financial assets

Non financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. 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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised 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/(deficit).

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus/(deficit).

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

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

2.9 Non current assets held for sale

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. On classification as 'Held for Sale', non current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as 'Held for Sale' are included in the surplus/(deficit).

2.10 Cost of land sales

When development property is sold, the carrying amount of the development property is recognised as an expense in the period in which the related income is recognised. The purchase price of the land is recognised as an expense based on the actual cost of the land and the proportion of the land area sold. This expense also includes a proportion of the capitalised interest which is based on the costs incurred for the development properties. Costs of conversion are recognised as an expense based on the proportion of land area sold. Further work on the property that has already been delivered to the buyer is recognised as a liability and an expense.

2.11 Land sales

Income from the sale of property is recognised where the sale contract is unconditional and the significant risks and rewards of ownership have been transferred to the buyer.

2.12 Changes in accounting policies

There have been no changes to accounting policies during the year.

3. Critical Accounting Estimates and Judgements

(a) Critical accounting estimates and assumptions

In preparing these financial statements Directors and Management have made estimates and assumptions 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:

Property, plant and equipment useful lives and residual values

At each balance date the Directors and Management review the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires Directors and Management to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Directors and Management, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the Statement of Comprehensive Revenue and Expense, and carrying amount of the asset in the Statement of Financial Position. Directors and Management minimise the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programmes;
- review of second hand market prices for similar assets; and
- analysis of prior asset sales.

No significant changes have been made to assumptions concerning useful lives and residual values. The carrying amounts of land, property, plant and equipment (including those assets that were revalued this year) are disclosed in note 15.

The net realisable value of development property is evaluated after forecasting future sales and development expenses. All known factors are included in the evaluation.

(b) Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies for the year ended 30 June 2018:

- classification and valuation of investment property – see note 24



4. Operating Revenue

Accounting policy

Revenue is measured at fair value.

Revenue from exchange transactions

Operating revenue

Operating revenue is recognised when earned.

Interest revenue

Interest revenue is recognised using the effective interest method.

Rental revenue

Rental revenue arising on property owned by the Group is accounted for on a straight line basis over the lease term.

Revenue from non exchange transactions

Council funding

Hamilton & Waikato Tourism Limited receives council funding and it is recognised as revenue when it becomes receivable unless there is an obligation to return the funds if conditions of the grant are not met. If there is such an obligation, the funding is initially recorded as revenue received in advance and recognised as revenue when conditions of the funding are satisfied.

Note	Actual 2018 \$'000	Actual 2017 \$'000
Exchange		
Car park	1,951	1,718
Landing charges and departure charges	2,595	2,367
Rentals and concessions	2,014	1,574
Shop trading and other	337	352
Total exchange	6,897	6,011
Non Exchange		
Other	1,697	1,626
Service income	-	(2)
Total non exchange	1,697	1,624
Total exchange and non exchange	8,594	7,635



5. Other Gains/(Losses)

	Note	Actual 2018 \$'000	Actual 2017 \$'000
Other gains			
Gain on revaluation of investment property	24	1,595	3,300
Gain/(loss) on sale of property, plant and equipment		151	6
Total other gains/(losses)		1,746	3,306

6. Directors' Fees

	Actual 2018 \$'000	Actual 2017 \$'000
Waikato Regional Airport Limited Board of Directors	140	108
Hamilton & Waikato Tourism Limited Board of Directors	65	48
Titanium Park Limited Board of Directors	54	54
Total Directors' fees	259	210

7. Audit fees

The Company's audit fees per the Audit Proposal Letter is \$55,960 (2017: \$62,996).

Hamilton & Waikato Tourism Limited's audit fees per the Audit Proposal letter is \$11,348 (2017: \$11,187).

Titanium Park Limited's audit fee per the Audit Proposal letter is \$22,040 (2017: \$15,235).



8. Donations

During the year the Company made donations to charities totaling \$1,007 (2017: \$857).

9. Payables and Accruals

Accounting policy

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days.

Short term creditors and other payables are recorded at their face value.

	Actual 2018 \$'000	Actual 2017 \$'000
Payables	806	659
Accrued expenses	874	844
Total payables and accruals	1,680	1,503

10. Receivables

Accounting policy

Receivables are generally short term and non interest bearing. Therefore, the carrying value of the receivables approximates their fair value.

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of sale of the receivable.

	Actual 2018 \$'000	Actual 2017 \$'000
Receivables	491	431
Gross Receivables	491	431

The carrying amount of receivables that are past due date, but not impaired, whose terms have been renegotiated is nil (2017: nil).

At balance date, all overdue receivables have been assessed for impairment and no provisions are required. As at 30 June 2018, the Company has identified no debtors that are insolvent.

11. Commitments

Accounting policy

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

There are no non cancellable operating leases.

Capital commitments

The Group had capital commitments totalling \$738,000 as at 30 June 2018 (2017: nil).

12. Contingent Liabilities

The Group has two contingent liabilities at 30 June 2018.

Firstly, in respect of the Water Supply Upgrade Agreement between Waipa District Council, Waikato Regional Airport Limited, Titanium Park Limited and Titanium Park Development Limited that provides for the parties to upgrade the current water supply. The cost of the upgrade is \$845k with 59.4% payable jointly by Waikato Regional Airport Limited and Titanium Park Limited, and 40.6% payable by Titanium Park Development Limited. The Board of Directors cannot reasonably estimate the timing of the water upgrade as this is contingent on future land development.

Secondly, in respect of the Memorandum of Agreement between New Zealand Transport Agency, Waikato Regional Airport Limited, Titanium Park Limited and Titanium Park Development Limited for the construction of a roundabout and an intersection upgrade on the adjacent State Highway 21 that is triggered by traffic volumes. Should the liability be triggered TPL would be liable for a proportionate share of the cost. The Board of Directors cannot reasonably estimate the cost and timing of the liability due to New Zealand Transport Agency's long term planning for developing and managing its State Highway network and the contingent timing and traffic volumes associated with the liability.

13. 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.

	Actual 2018 \$'000	Actual 2017 \$'000
Cash on hand	9	9
Cash at bank	13	49
Total cash and cash equivalents	22	58

14. Development Property

Accounting policy

Development property is stated at the lower of cost and net realisable value. Development property comprises land, infrastructure and other costs incurred that are directly related to the development activity. Net realisable value is the discounted value of forecast sales less estimated costs of completion and the estimated selling expenses. Development property is not depreciated. Holding costs (e.g. interest) are capitalised against the carrying value of the development property as incurred or accrued. Marketing and administration expenses related to development property are expensed when incurred.

	Actual 2018 \$'000	Restated 2017 \$'000
Development property	9,157	9,219
	9,157	9,219

Waikato Regional Airport Limited's subsidiary Titanium Park Limited has 27.5 hectares of land (2017: 29.8 hectares) available for development and sale

15. Property, Plant and Equipment

Accounting policy

Property, plant and equipment consists of:

- Operational Assets – These include land, buildings, security fences, furniture and fittings, computer equipment, motor vehicles and plant and equipment.
- Infrastructure Assets – These include runways, aprons and taxiways, other paved areas and underground reticulated systems.

(i) 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 the Company and 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 its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

(ii) Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus/(deficit).

When revalued assets are sold, the amounts included in the asset revaluation reserves in respect of those assets are transferred to retained earnings.

(iii) Subsequent Costs

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

The costs of day to day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

(iv) Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment at rates that will write off the cost of the

assets over their estimated useful lives. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

The estimated useful lives of the major classes of assets are:

Class of asset depreciated	Estimated useful life
Buildings	4 - 59 years
Runways, aprons and taxiways	5 - 79 years
Other paved areas	5 - 17 years
Motor vehicles	5 - 15 years
Furniture and fittings	3 - 50 years
Plant and equipment	2 - 50 years
Computer equipment	2 - 6 years
Fencing	4 - 17 years
Reticulated systems	4 - 74 years

(v) Revaluation

Valuations are performed when there has been a material difference in carrying amount compared to fair value, which is assessed and determined on an annual basis. Valuations take account of observable prices in active markets. Where estimates are made, they are made on the basis of appropriate valuation techniques.

(vi) Operational Land and Buildings

The valuation is fair value determined from market based evidence. All valuations are undertaken or reviewed by an independent, professional registered valuers with experience in valuing other similar assets and are performed when there is a material difference in carrying amount.

(vii) Infrastructure Assets

At fair value determined on a depreciated replacement cost basis by an independent registered valuer and performed when there is a material difference in carrying amount.



Asset Class	Valuation Approach	Valuer	Fair Value \$'000
Land	Fair market, highest and best use basis determined from prevailing market based evidence and conditions	Telfer Young Ltd	36,670
Buildings and security fencing	Fair market or, where appropriate, depreciated replacement cost	Beca Valuations Ltd	18,949
Runways, taxiways, aprons and other paved areas	Optimised depreciated replacement cost	Beca Valuations Ltd	20,412
Reticulated systems	Optimised depreciated replacement cost	Beca Valuations Ltd	1,217
Plant and equipment	Cost less depreciation		
Furniture and fittings	Cost less depreciation		
Motor vehicles	Cost less depreciation	Not applicable – these assets are not revalued	
Computer equipment	Cost less depreciation		

The effective date of buildings and security fencing, runways, taxiways, aprons and other paved areas and reticulated systems valuations (excluding land) is 30 June 2016.

All land was revalued with an effective date of 30 June 2017 (\$36,670,000).

Neither valuer has an interest or relationship with any party that would impair its objectivity or independence.

2018	Land \$'000	Buildings \$'000	Runways, aprons and taxiways \$'000	Plant and equipment \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Other paved areas \$'000	Fencing \$'000	Reticulated systems \$'000	Computer equipment \$'000	WIP \$'000	Total \$'000
Cost / valuation												
Balance as at 1 July 2017	36,670	18,786	19,135	1,785	1,293	1,242	1,927	198	1,217	246	36	82,535
Year ended 30 June 2018												
Additions	-	48	2	276	90	-	44	-	64	60	259	843
Disposals	(518)	-	-	(75)	(35)	-	-	-	-	(63)	-	(691)
Balance as at 30 June 2018	36,152	18,834	19,137	1,986	1,348	1,242	1,971	198	1,281	243	295	82,687
2017												
Cost / valuation												
Balance as at 1 July 2016	22,814	18,751	18,586	1,586	1,261	1,190	1,826	198	1,217	249	67	67,745
Year ended 30 June 2017												
Additions	-	35	648	199	32	107	4	-	-	64	(30)	1,059
Disposals	-	-	(2)	-	-	(55)	-	-	-	(67)	(1)	(125)
Revaluation	13,856	-	-	-	-	-	-	-	-	-	-	13,856
Transfers	-	-	(97)	-	-	-	97	-	-	-	-	-
Balance as at 30 June 2017	36,670	18,786	19,135	1,785	1,293	1,242	1,927	198	1,217	246	36	82,535



	Land \$'000	Buildings \$'000	Runways, aprons and taxiways \$'000	Plant and equipment \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Other paved areas \$'000	Fencing \$'000	Reticulated systems \$'000	Computer equipment \$'000	WIP \$'000	Total \$'000
2018												
Accumulated depreciation												
Balance as at 1 July 2017	-	(393)	(1,132)	(1,367)	(1,114)	(668)	(280)	(34)	(45)	(153)	-	(5,186)
Year ended 30 June 2018												
Disposals	-	-	-	71	33	-	-	-	-	63	-	167
Depreciation charge	-	(395)	(1,165)	(103)	(97)	(93)	(281)	(35)	(46)	(56)	-	(2,271)
Balance as at 30 June 2018	-	(788)	(2,297)	(1,399)	(1,178)	(761)	(561)	(69)	(91)	(146)	-	(7,290)
2017												
Accumulated depreciation												
Balance as at 1 July 2016	-	-	-	(1,272)	(1,014)	(624)	-	-	-	(177)	-	(3,087)
Year ended 30 June 2017												
Revaluation surplus	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	42	-	-	-	63	-	105
Depreciation charge	-	(393)	(1,132)	(95)	(100)	(86)	(280)	(34)	(45)	(89)	-	(2,204)
Balance as at 30 June 2017	-	(393)	(1,132)	(1,367)	(1,114)	(668)	(280)	(34)	(45)	(153)	-	(5,186)
Net book value												
As at 30 June 2018	36,152	18,046	16,840	587	170	481	1,410	129	1,190	97	295	75,397
As at 30 June 2017	36,670	18,393	18,003	418	179	574	1,647	164	1,172	93	36	77,349

16. Interest Bearing Term Liabilities

Accounting policy

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

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

BNZ bank loan Facilities

At 30 June 2018 the Group had the following facilities with the BNZ Bank:

- (i) An overdraft facility of \$1,050,000 repayable on demand (2017: \$1,000,000). The interest rate on this facility is the BNZ Bank's market connect overdraft base rate plus a margin.
- (ii) A Customised Average Rate Loan (CARL) of up to \$10,000,000 that matures on 30 November 2020. The amount outstanding on this facility at 30 June 2018 was \$7,415,000 (2017: \$8,060,000).
- (iii) A second CARL of \$1,253,425 that matures on 30 November 2020. The amount outstanding on this facility at 30 June 2018 was \$1,162,570 (2017: \$1,253,425).
- (iv) A third CARL of up to \$1,739,100 matures on 17 May 2022. The amount outstanding on this facility at 30 June 2018 was \$1,739,100 (2017: \$1,739,100).
- (v) A fourth CARL of up to \$3,000,000 matures on 19 January 2021. The amount outstanding on this facility at 30 June 2018 was \$2,850,000 (2017: nil).
- (vi) A fifth CARL of up to \$1,985,000 matures in May 2021. The amount outstanding on this facility at 30 June 2018 was \$0 (2017: nil).

All borrowings are secured by way of mortgages over the airport land and certain investment properties as well as a general security agreement.



17. Equity

Accounting policy

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

	Actual 2018 No. 000's	Actual 2017 No. 000's	Actual 2018 \$'000	Actual 2017 \$'000
Ordinary shares issued				
Balance of shares as at 1 July	4,974	4,974	14,860	14,860
Issued paid shares at 30 June	4,974	4,974	14,860	14,860

All ordinary shares carry equal voting rights and the right to share in any surplus on winding up. None of the shares carry fixed dividend rights. The shares have no par value.

The shareholding of the Company is as follows:

Shareholder	No of shares	Percentage
Hamilton City Council	2,486,752	50.0%
Waipa District Council	777,110	15.6%
Matamata Piako District Council	777,110	15.6%
Waikato District Council	777,110	15.6%
Otorohanga District Council	155,422	3.2%
	4,973,504	100.0%

	Actual 2018 \$'000	Restated 2017 \$'000
Retained Earnings		
Balance at 1 July	20,963	16,468
Property revaluation reserve transfer on disposal	49	-
Surplus for the year	2,380	4,495
Dividends paid	(200)	-
Balance 30 June	23,192	20,963

	Actual 2018 \$'000	Actual 2017 \$'000
Asset Revaluation Reserve		
Balance at 1 July	46,934	33,078
Revaluation gains	-	13,856
Transfer to retained earnings on disposal of property	(49)	-
Balance at 30 June	46,885	46,934

	Actual 2018 \$'000	Actual 2017 \$'000
Asset revaluation reserves for each asset class consist of:		
Land	28,235	28,284
Buildings	4,092	4,092
Fencing	232	232
Reticulated systems	777	777
Runways, aprons and taxiways	12,388	12,388
Other paved areas	1,161	1,161
Total	46,885	46,934

18. Related Party Transactions

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that are reasonable to expect that the Company and Group would have adopted in dealing with the party at arm's length in the same circumstances. Related party disclosures have also not been made for transactions with entities within the Group (such as funding financial flows) where the transactions are consistent with normal operating relationships between the entities and are on normal terms and conditions for such group transactions.

The following transactions carried out with related parties were not on normal commercial terms:

- Titanium Park Limited was not charged interest during the year on the \$2.273m advance provided to it by the Company.
- Titanium Park Limited was not charged rent on four property lots that it leased from the Company during the year.

	Actual 2018 \$'000	Actual 2017 \$'000
Key management personal remuneration		
Directors		
Remuneration	259	210
Full time equivalent members	12	13
Senior management		
Remuneration	831	766
Full time equivalent members	5	4
Total key management personnel remuneration	1,090	976
Total full time equivalent personnel	17	17

Due to the difficulty in determining the full time equivalent for Directors, the full time equivalent figure is taken as the number of Directors.

Key management personnel comprises Directors and the Group's management team.

19. Events After The Balance Date

Subsequent to balance date, the parent entered into an agreement to acquire land adjacent to the airport for \$1.25m.

20. Financial Instruments

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The financial risks relate to the following financial instruments: receivables, cash and cash equivalents, payables and borrowings.

Risk management is carried out by the Company's Board of Directors. The Board identifies and evaluates financial risks and provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and investing excess liquidity.

	Actual 2018 \$'000	Actual 2017 \$'000
Loans and receivables		
Cash and cash equivalents	22	58
Receivables	393	431
	415	489
Financial liabilities measured at amortised cost		
Payables	1,680	1,503
Interest bearing liabilities	13,167	11,053
	14,847	12,556



21. Income Tax

Accounting policy

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by 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 financial statements and the corresponding tax bases used in the computation of taxable profit.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the statement of comprehensive revenue and expense, except when it relates to transactions recognised in other comprehensive revenue and expense or directly in equity.

	Actual 2018 \$'000	Actual 2017 \$'000
Components of tax expense		
Current year	692	650
Prior period adjustment	(4)	–
Movement in temporary differences	(428)	(357)
Total Tax Expense	260	293

	%	2018 \$'000	%	2017 \$'000 (Restated)
Reconciliation of effective tax rate				
Surplus for the period excluding income tax		2,640		4,788
Prima facie income tax based on domestic tax rate	28.00%	739	28.00%	1,340
Effect of non-deductible expenses	0.45%	12	1.64%	79
Effect of tax exempt income	(18.67)%	(493)	(23.54)%	(1,127)
Effect of tax depreciation	(0.68)%	(18)	–	–
Prior period adjustment	0.75%	20	–	–
	9.85%	260	6.12%	293



22. Deferred Tax Liabilities

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

\$'000	Property, plant and equipment	Employee entitlements	Other	Total
Balance as at 1 July 2016	8,174	(25)	(11)	8,138
Charged to surplus and deficit	(360)	(1)	4	(357)
Balance as at 30 June 2017	7,814	(26)	(7)	7,781
Balance as at 1 July 2017	7,814	(26)	(7)	7,781
Charged to surplus and deficit	(421)	(2)	(2)	(425)
Tax loss recognised	-	-	(3)	(3)
Charged to equity	-	-	-	-
Balance as at 30 June 2018	7,393	(28)	(12)	7,353

 WAIKATO REGIONAL AIRPORT
Shareholder update
October 2018





GROUP PERFORMANCE

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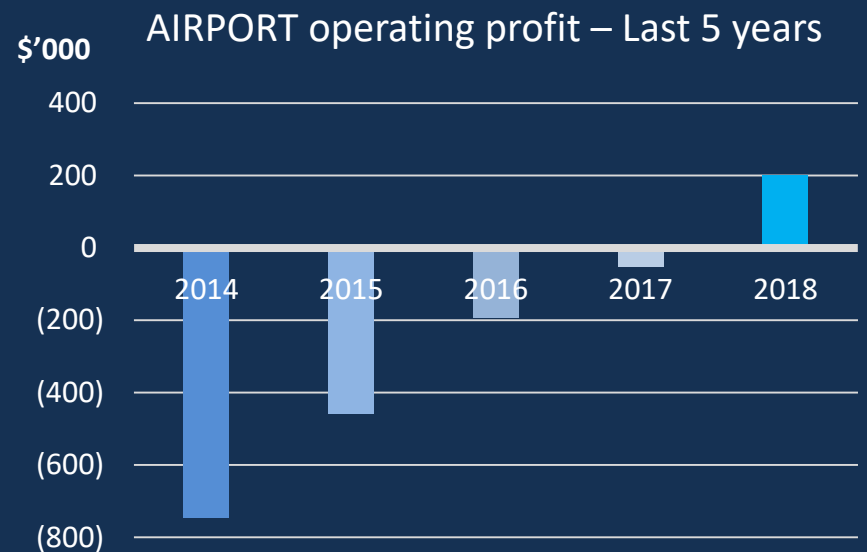
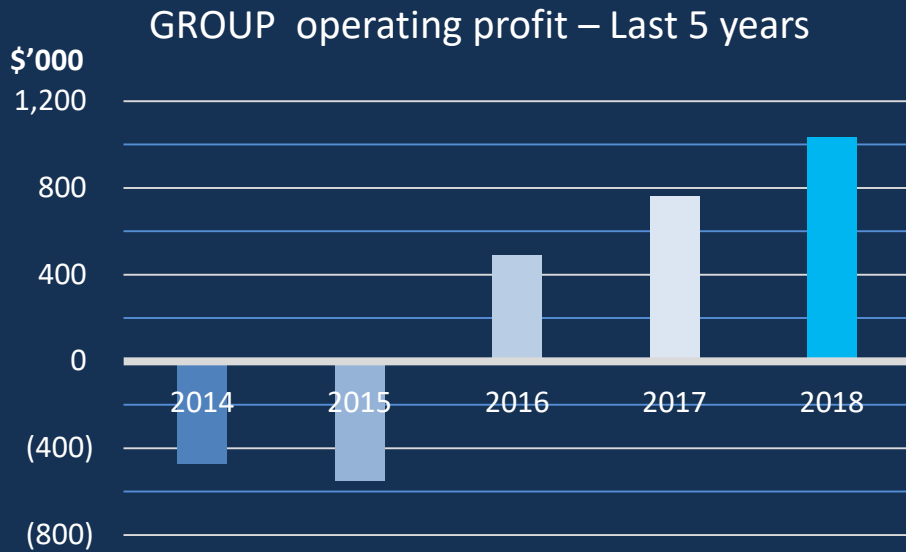
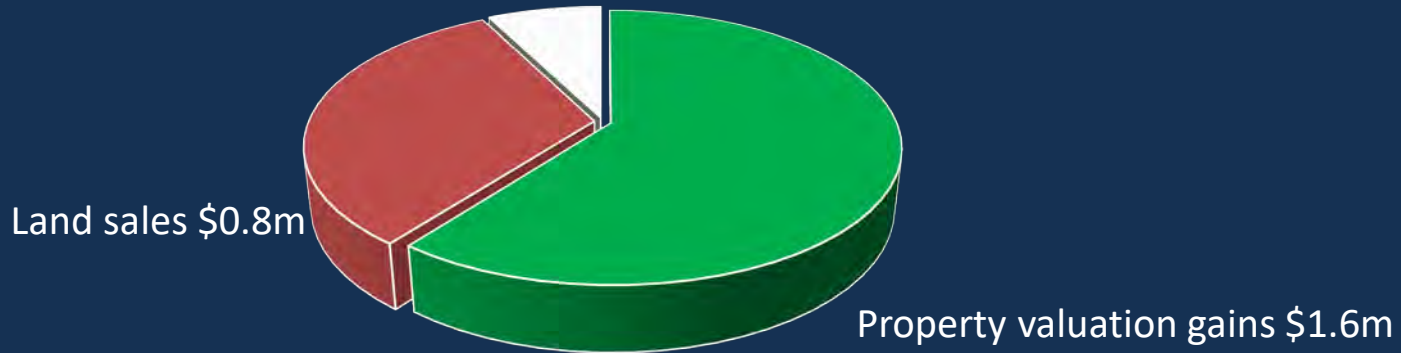
FINANCIALS AT A GLANCE

Operating Revenue \$8.6m

EBITDA \$3.8m

Profit \$1.0m (pre tax & revaluation)

Dividend of \$250k



HOW WE PERFORMED



All operational targets met



All financial earnings targets met

Civil Aviation compliance ✓

Health & Safety ✓

Noise management ✓

Profitability metrics ✓



Some balance sheet and investment metrics not met
Due to strategic, unbudgeted hotel acquisition



Overall: Shareholder Funds ratio moved from 80% → 79%



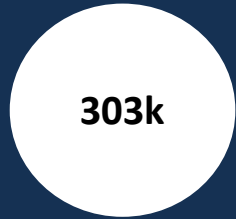
AIRPORT



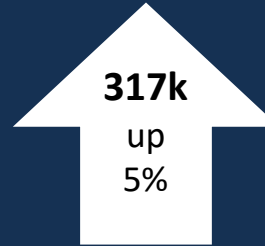
PASSENGER NUMBERS UP 11%



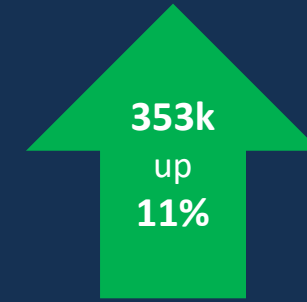
Passengers



YE 30 June 2016



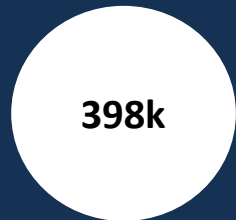
YE 30 June 2017



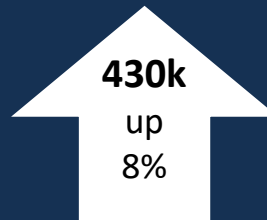
YE 30 June 2018



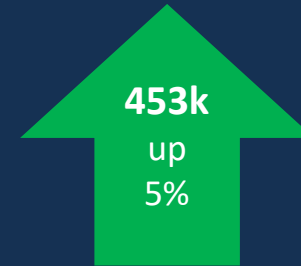
Seats



YE 30 June 2016



YE 30 June 2017



YE 30 June 2018

Average
load
factor
78%



Route
performance

Passengers

WLG

up 7%

192k

CHC

up 18%

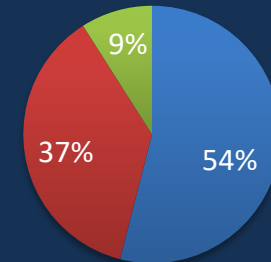
129k

PMR

up 17%

31k

- WLG
- CHC
- PMR



AIRPORT REVENUE GROWTH



\$0.8m increase in Airport operating revenues from 2017



Aeronautical Charges

+10%
+\$0.2m



Aircraft Movements
145,520

+13%
+16k



Airport Property & Concessions

+20%
+0.3m



Carparking

+20%
+0.2m

INVESTMENT IN OUR AIRPORT

Fire Protection



- Fire appliance upgrade
- Replace 1960s reticulation infrastructure

\$1.3m

Carparking



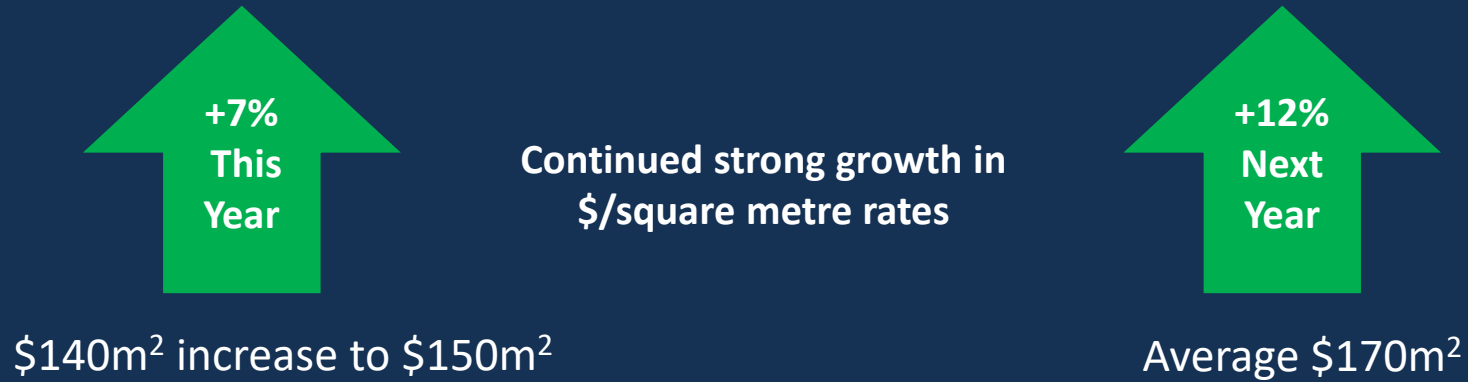
- Replace 12-18 year old barriers and pay stations
- 85 new parks to accommodate growth

\$1.0m



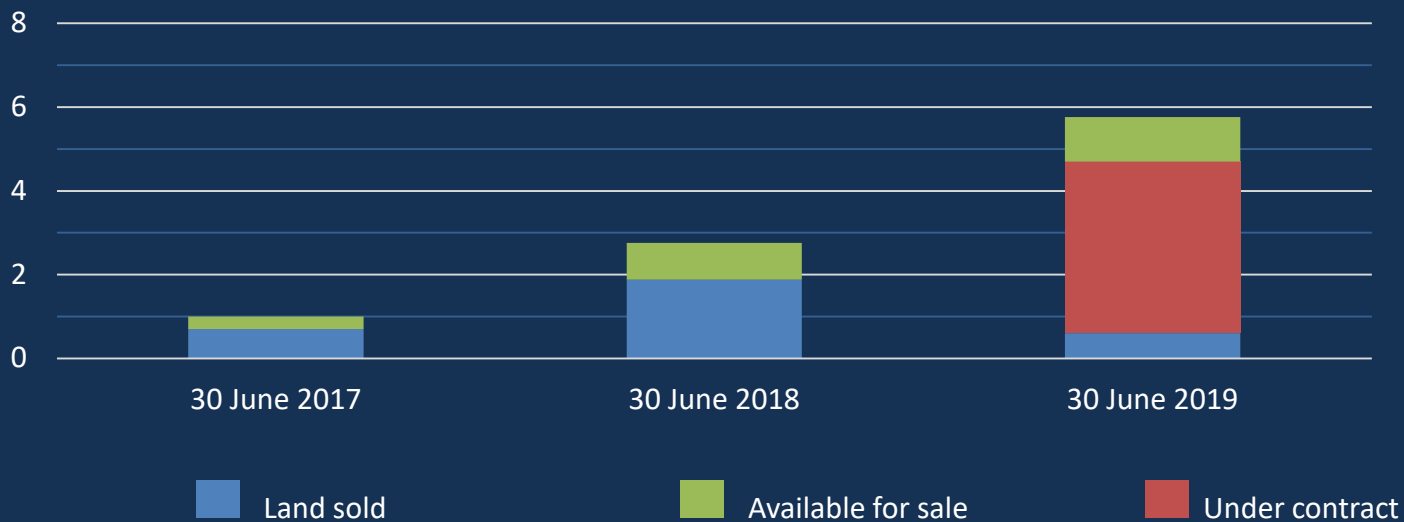
LAND SALES

Price growth



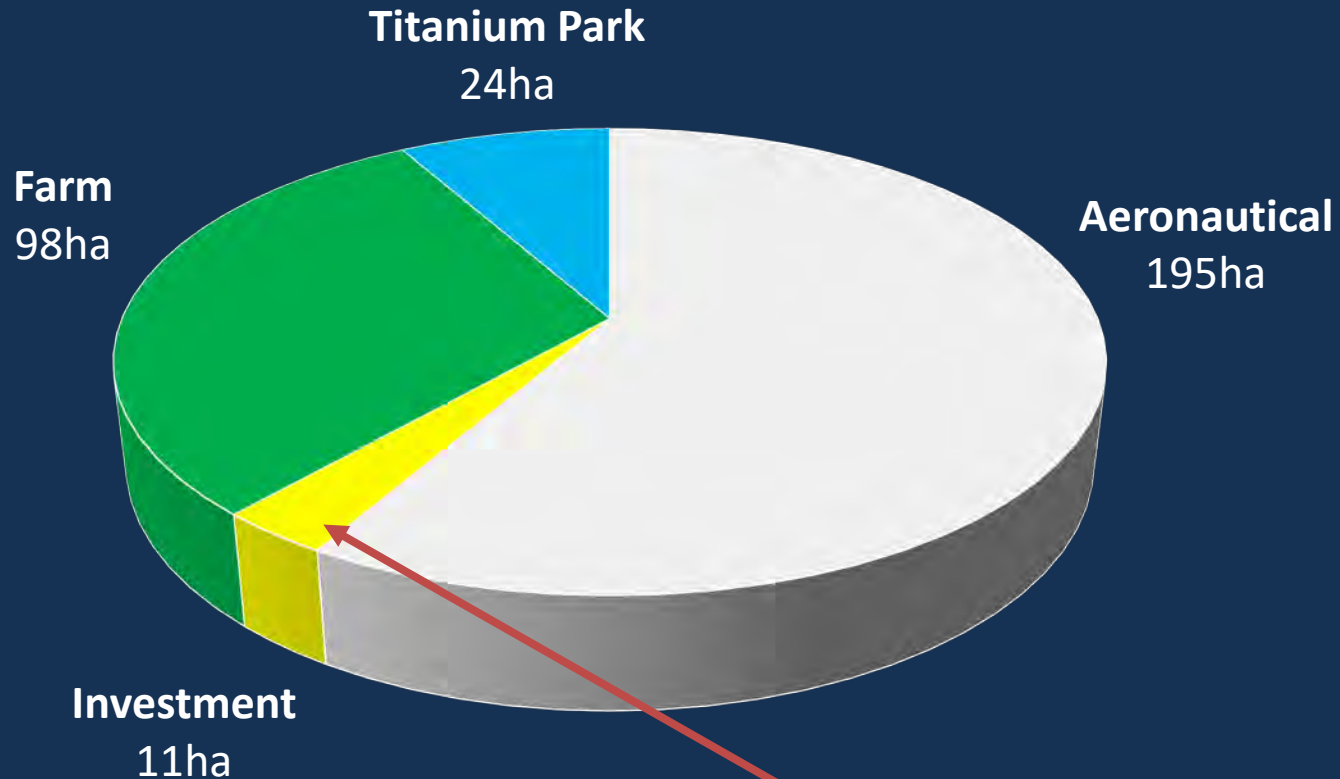
Activity

Land area (ha)



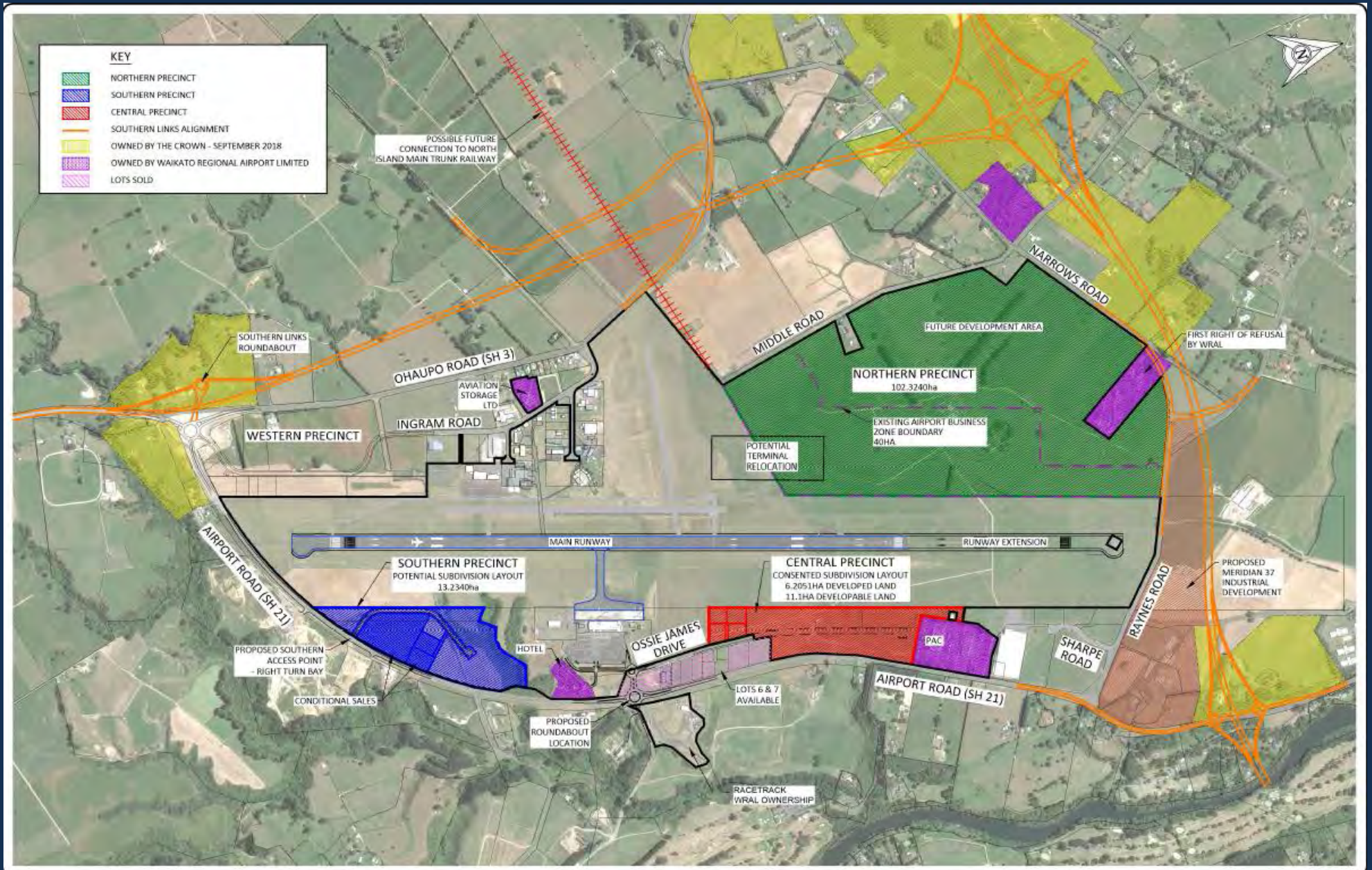
LAND HOLDINGS

A total of 334ha of land holdings



- Investment land includes:
- ✓ Pacific Aerospace - 5ha
 - ✓ Aviation Storage - 1ha
 - ✓ Hotel - 2ha
 - ✓ Lifestyle Block - 3ha

GROUP LAND HOLDINGS





TOURISM



HAMILTON & WAIKATO TOURISM



\$1.532b

Visitor expenditure
5th highest in NZ

Domestic visitors

\$1.167b

International visitors

\$365m

Regional Tourism Estimates (Y/E June 2018)



1.405m

commercial guest nights

Commercial Accommodation Monitor (Y/E June 2018)

2.7m

unpaid domestic
guest nights

AA Traveller (Y/E June 2018)

International
visitor arrivals

3.8m

for New Zealand

International Visitor Arrivals (Y/E June 2018)

6.3%

share of domestic
guest nights

AA Traveller Monitor
(Y/E June 2018)



OUR PERFORMANCE TARGETS



Visitor nights

5% increase of total visitor guest nights vs national



Result: -1.1%

2.4% national growth

(Commercial Accommodation Monitor Y/E June 2018)



Visitor spend

5% increase in visitor spend across the region



Result: 6%

Annual \$1.532 billion

(Monthly Regional Tourism Estimates MBIE, Y/E June 18)



Conventions & business events

Grow market share of business events from 9% to 10%



Result: 10.6%

(Convention Activity Survey Y/E June 2018)



Visitor awareness & perceptions

Improve by 3 points, including Waikato residents



Result: 7.24 /10

Likelihood to recommend as place to visit

(Fresh Info & AA Traveller)



Website & social media: Hamilton Waikato

5% digital engagement on previous year



Result: 10.64%

engagement rate (10.4% 16/17)



Industry investment

\$400,000 of industry contributions towards activities



Result: \$437,914



Return on investment

Total visitor spend per dollar of HWT spend



Result: \$1,261

per dollar of council funding





LOOKING FORWARD





10 YEAR STRATEGY

Connecting the Mighty Waikato to New Zealand

Locally supported. Regionally significant. Nationally connected.

PURPOSE

Enabler of air services to the region

A first class, safe and compliant airport Financially self-sustaining, paying a dividend to shareholders

ACTIVITIES



- Regionally significant aeronautical facilities and services
- Promote and market as an aeronautical and industrial precinct



- Develop and optimise land holdings
- Generate long-term property income from a diversified property portfolio



- Provide regional tourism marketing and development to grow the visitor economy
- Deliver Tourism Opportunities Plan

Operationally reliable. Financially sound. Connected to stakeholders. Dynamic/opportunistic.

STRATEGIC THEMES

Grow Aeronautical Revenue

- Recover fair value from aero investments
- Realise potential passenger growth

Protect The Core

- Set aside land for Aero
- Asset Management Plan
- Quality service offering

Means To An End

- Develop property for sale
- Realise \$265psm
- Develop property for lease
- Sustainable earnings
- Grow Hotel & Conference

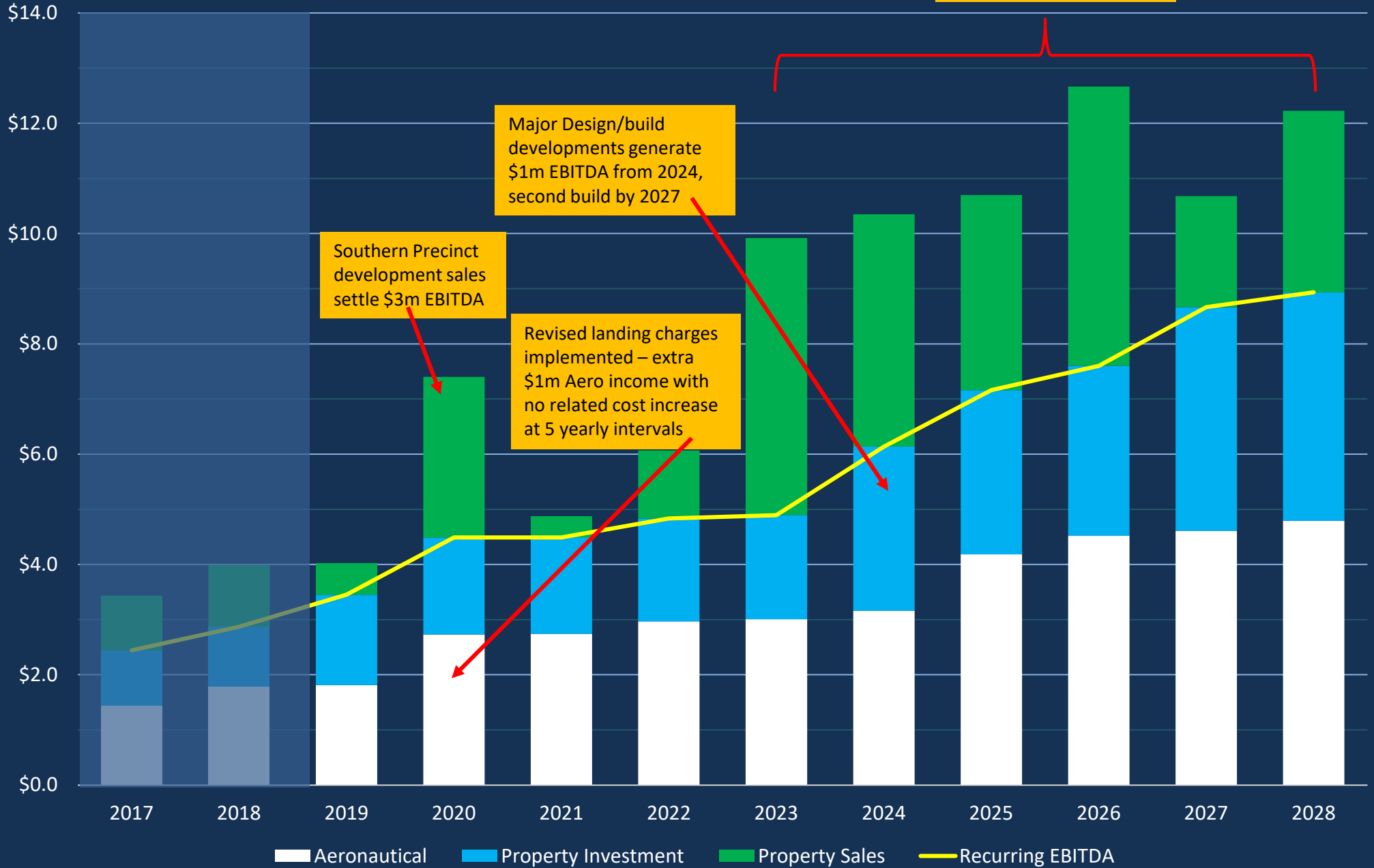
Tactical Thinking Dynamic Response

- Be competitive
- Optimise geographic position
- Continuous improvement
- Leverage the assets

10 YEAR EARNINGS

Rising property prices will see ~3ha land sales generating \$4m-\$5m margin p.a.

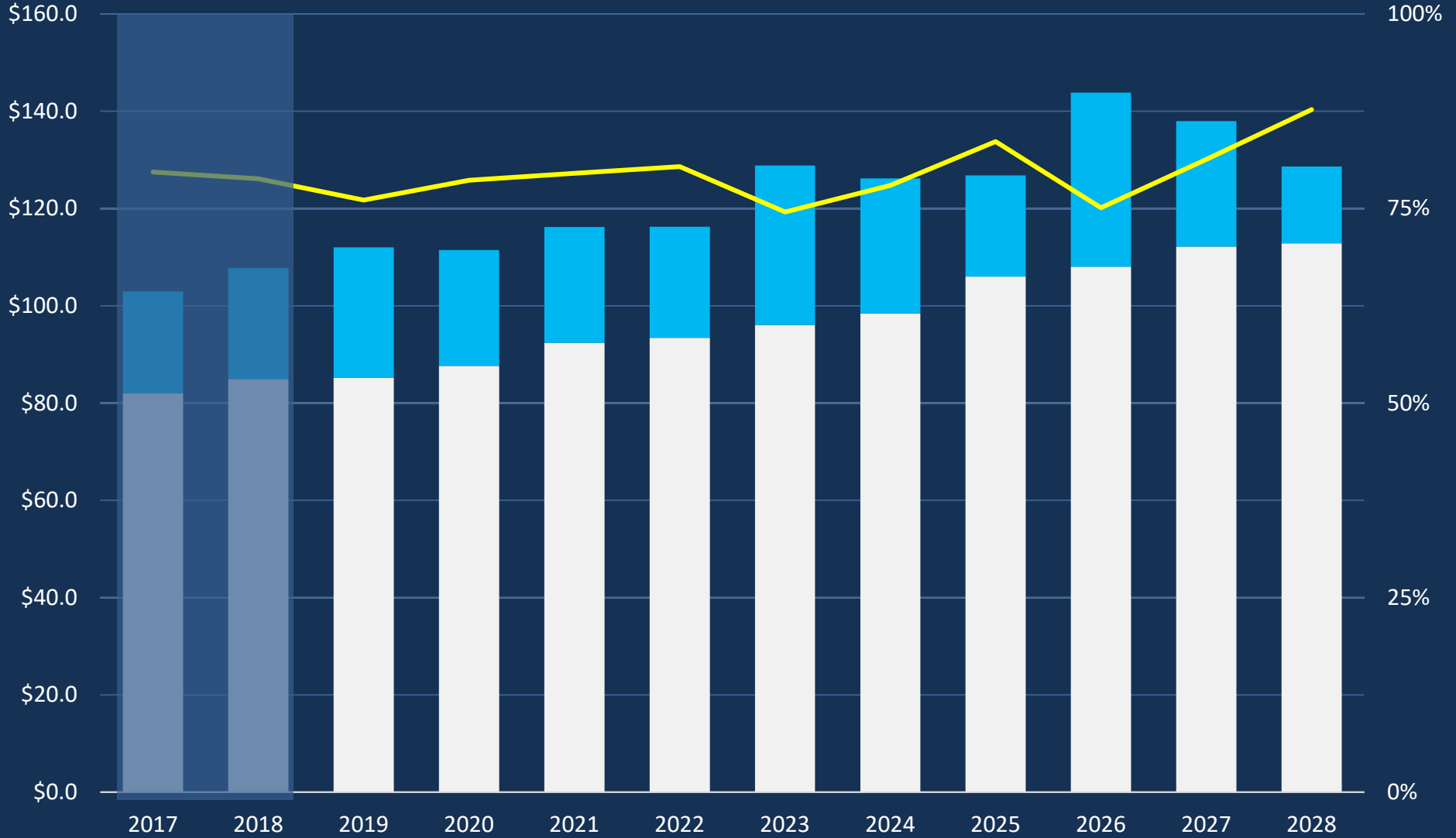
EBITDA \$m



10 YEAR STRENGTH

Total assets
\$m

Shareholder
Funds Ratio



Shareholder Funds Liabilities Equity Ratio

3 YEAR PLAN

Strategic Themes



Drivers of Value

Passenger number growth

- 390,000 PAX
- 79% average load factor
- 10 additional flights per week
- Second tier operator
- Progress with JQ

Improved recovery from landing charges

- Increase of at least \$3.00 per passenger from 1 January 2019

Returns from property initiatives

- \$8m property sales
- Long term lease
- Optimise airside land
- Stage 4 Central
- Stage 2 Southern
- Hotel operator

Implementation of tourism opportunities plan

- Activating the river
- Regional brand strategy
- Hamilton City river front
- Home of Kiingitanga
- Major events strategy



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AIRPORT INITIATIVES



CURRENT AIRPORT FOCUS



Passenger growth

- Investment in market research to identify new route potential
- Advocate for capacity increases with Air New Zealand
- Active pursuit of second airline



Landing charge review

- Increase of at least \$3.00 per passenger from January 2019
- Currently in consultation with Air New Zealand and with General Aviation community



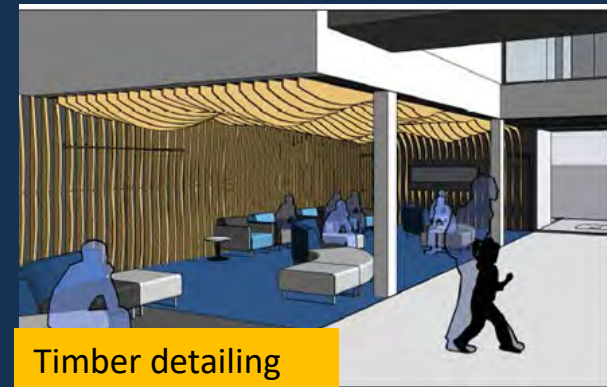
- Optimise carpark layout and customer experience
- Pricing review

TERMINAL REFRESH PROJECT

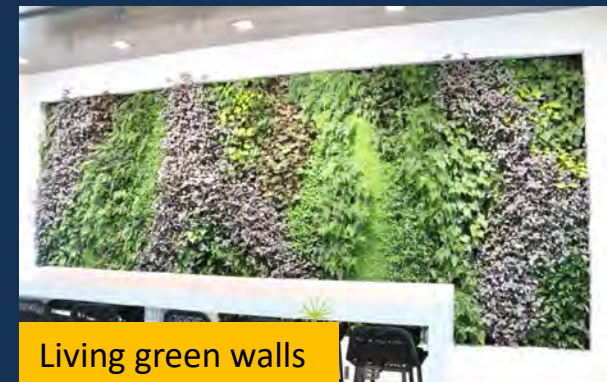
- ❑ Keep pace with other modernised regional airports & pair cities
- ❑ Upgrades to flooring, walls and some ceilings, replacement of all furniture, the creation of a business hub, technology upgrade
- ❑ The adoption of strong Waikato themes creating a place of identity and local pride.



Modern seating.



Timber detailing



Living green walls



PROPERTY INITIATIVES



CURRENT PROPERTY FOCUS



Private Plan Change



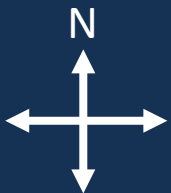
Southern Precinct subdivision (\$4m in land Sales)



Central Precinct (Stage 4) subdivision



Sales and marketing plans for design build opportunities



Northern Precinct Planning

HOTEL TRANSITION



2018

Purchase of Airport Hotel & Conference Centre
New operator appointment

2019 - 2020

4 Star upgrade & refurbishment
\$5m

Investment

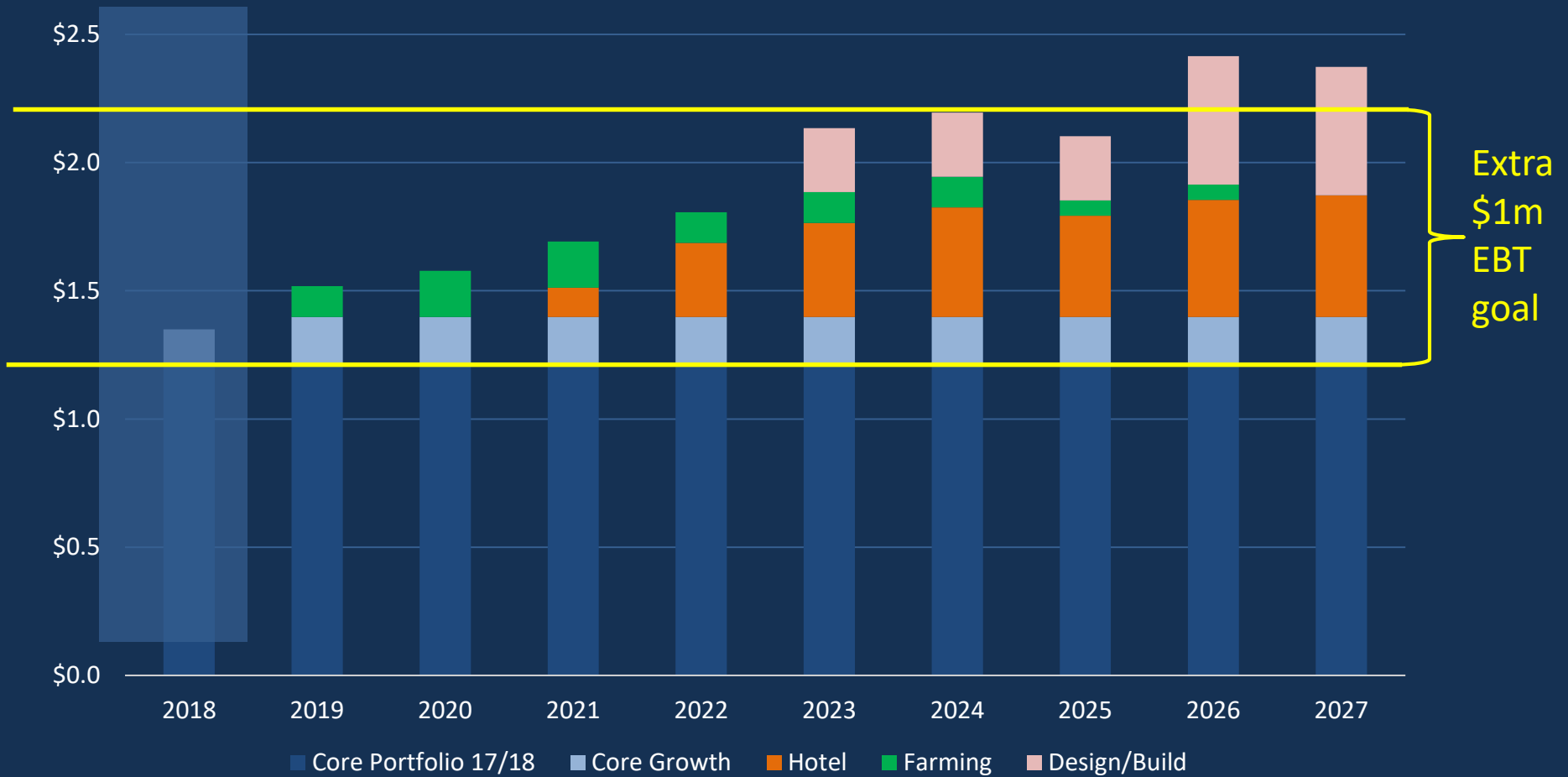
Delivering \$0.6m EBT p.a. in 5 years
\$1m free cash flow p.a. in 5 years



PROPERTY EARNINGS GROWTH

- ☐ \$1m additional annualised property earnings within 10 year timeframe
- ☐ Currently ahead of cumulative target
- ☐ Caution that assumptions are predicated on:
 - ☐ Reasonable Property Cycles
 - ☐ Economic stability
 - ☐ Growth of residential and commercial developments

Property EBT \$m





TOURISM MAJOR PROJECTS



FIVE GAME CHANGERS

1

Activating the Waikato River

Development of the Waikato River Festival, Google 360 filming



2

Development of a Regional Brand Strategy

New visitor story and brand developed – ‘The Mighty Waikato – where magic runs deep’. Design execution underway



3

Hamilton City Riverfront

Support Hamilton City Council & tourism partners to activate the riverfront, jetty infrastructure, events, etc



4

Telling the Kiingitanga story

Four new cultural products supported & developed, advisory support for Discovery Centre in Te Awamutu



5

Development of a Major Events Strategy

Major Events Strategy developed and adopted, funding for new bid, prospect and development role being sought, major events fund proposed for FY2019/2020.

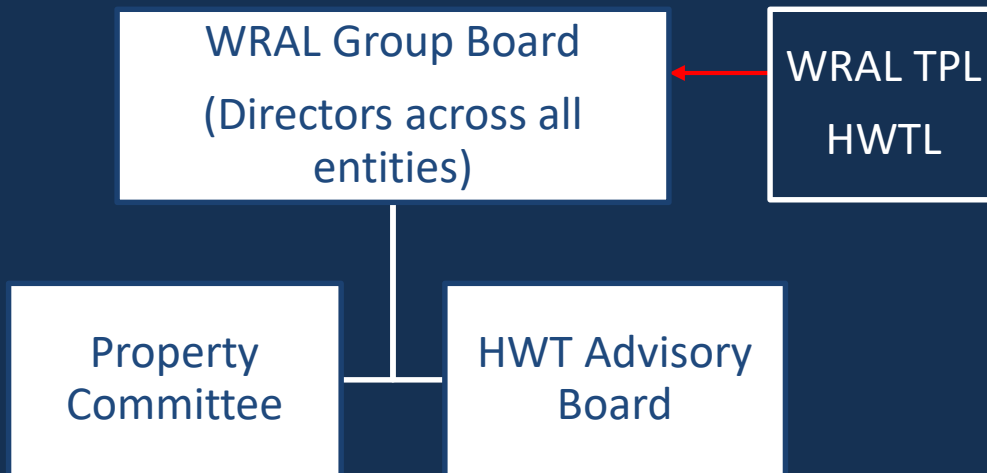




GROUP STRUCTURE



GOVERNANCE



Current

WRAL Group Directors = 4

HWT Directors = 5

TPL Directors = 3

Total:

12

November 2018

WRAL Group Directors = 4

HWT Advisors = 4

Property Advisor = 1

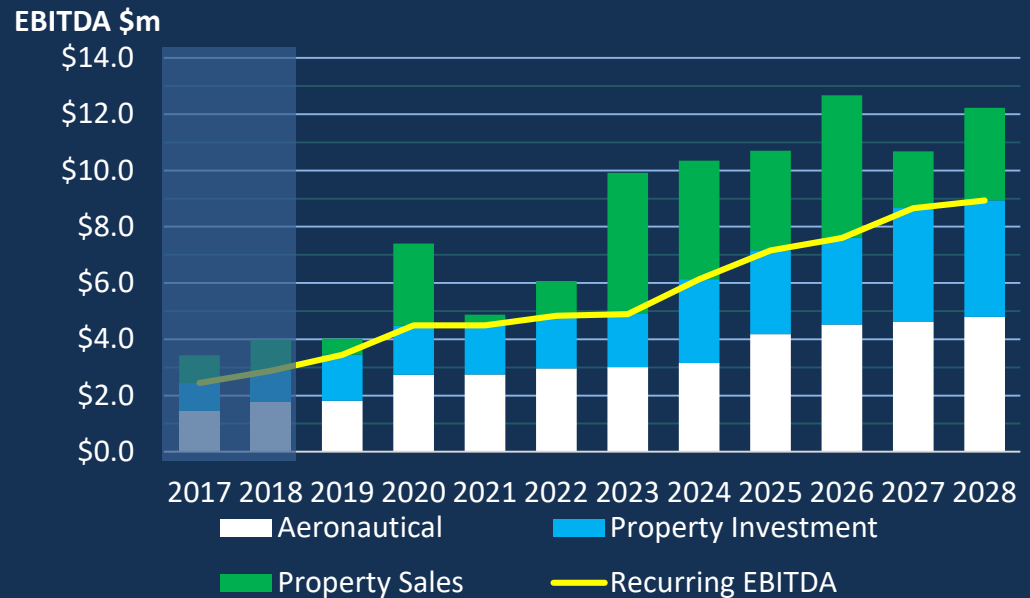
Total:

9

- WRAL Directors become Directors of all 3 entities
- WRAL Directors to Chair Property Committee and HWT Advisory Board
- Governance structure effective 1 November 2018
- Consideration of a 5th Director for WRAL Group Board

A BRIGHT FUTURE

- A
P
T
strategic clarity
- Forecast strong aeronautical growth & earnings
- Property land sales and annuity earnings on track
- Self sustaining and Self funding
- Caution that assumptions are predicated on:
 - Consistent aeronautical growth
 - Reasonable Property Cycles
 - Economic stability
 - Growth of residential and commercial developments



THANK YOU



**Financial statements
for the year ended 30 June 2018**

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Nz ~~18~~ 18

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Annual Directors' Report to Shareholders

Local Authority Shared Services Limited (LASS) was incorporated in December 2005. On 4 April 2016, the name registered with the Companies Office was changed to Waikato Local Authority Shared Services Ltd (WLASS), to distinguish it from other local authority shared services companies around New Zealand.

This annual report covers the period 1 July 2017 to 30 June 2018.

Chair and CEO report

It has been an exciting year for WLASS with significant achievements being made across the company's workstreams.

The aligned resource consenting project was largely completed. The project makes business in the Waikato region easier by aligning resource consent process documentation so that the consent process is more efficient and user friendly. The toolkit for users is now live.

In collaboration with the Energy Efficiency Conservation Authority (EECA), WLASS has facilitated the implementation of energy management best practice in the Councils. Now in its second year the programme has continued to deliver savings to Councils.

The business case to develop a Waikato Data Portal was approved. The portal will provide a single location for customers to access spatial and non-spatial data held by Councils in the region and is the first phase in a programme of work that moves toward a centralised Geographic Information Systems platform that is managed by one regional team.

Regional Infrastructure Technical Specifications (RITS) were established. RITS set out the specifications and standards to be applied to the design and construction of transportation, water supply, wastewater, stormwater and landscaping infrastructure. Contractors now have certainty about the products they can use and the standards they must meet, regardless of council boundaries, and this will facilitate the consenting process.

A working group was established to identify opportunities for regional collaboration on digital initiatives with the focus being on improving customer experiences, improving transactional processes and providing value for money. Employing additional resource to develop a digital strategy roadmap and deliver on initiatives will be a key part of the WLASS Transformation project.

The WLASS Transformation project follows a report commissioned by the Board to look at the strategic direction of WLASS. The project sees the transformation of WLASS into a service delivery agent. When implemented, WLASS's operating model will fundamentally change, with inhouse capacity and capability to deliver services to Councils.

Financially, WLASS remains in a strong position with cash reserves on hand to fund the workstreams currently underway and meet the cost of the transformation.

Finally, Sally Davis stepped down as CEO in April having served WLASS for the past four years. We extend our sincere thanks to Sally for steering the company through a period that has seen many new initiatives developed and WLASS create real value for its shareholding Councils. Those achievements have been set out in the WLASS Collaboration in Action document updated this year.



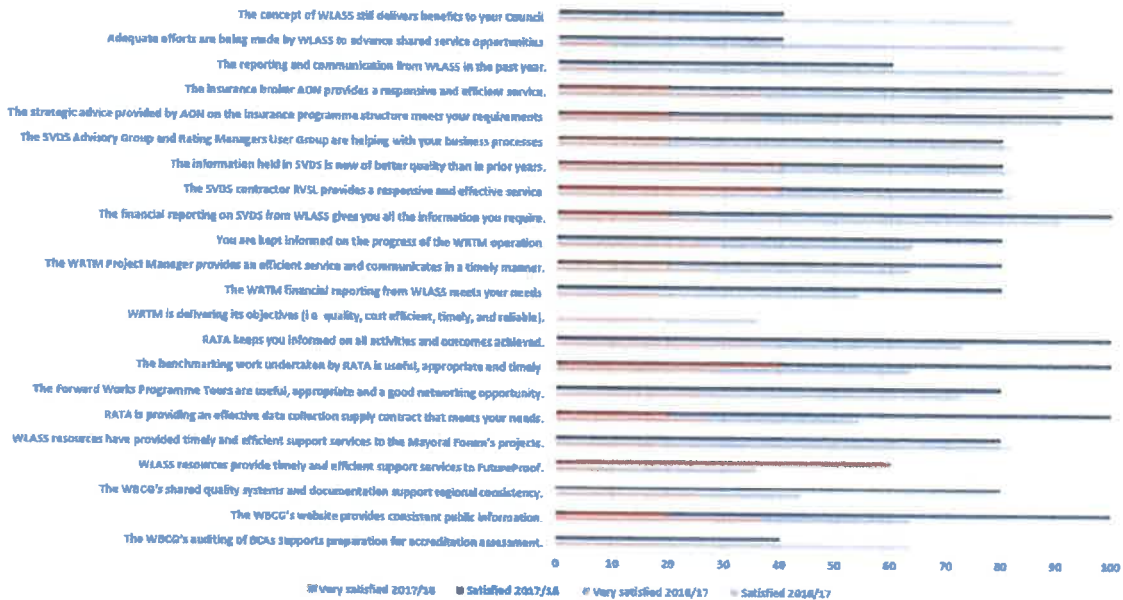
Gavin Ion
Chairperson
28 September 2018



Kelvin French
Chief Executive
28 September 2018

Annual Shareholder Survey For the year 2017/18 Survey Results

The figures below are inclusive of both 'very satisfied' and 'satisfied' results.
5 councils are represented in the 2017/18 results, while 11 councils are represented in the 2016/17 results.







WCLASS Objectives

The objectives of WCLASS are to:

- 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 business transformation to improve customers' experiences.






Handwritten initials and a signature in blue ink.

Waikato Local Authority Shared Services Limited
Annual Directors' Report to Shareholders
30 June 2018
(continued)

TARGET	METHOD	MEASURE	OUTCOME	
PROCUREMENT Joint procurement initiatives for goods and services for WLASS councils will be investigated and implemented.	Procurement is from sources offering best value, service, continuity of supply, and/or opportunities for integration.	Implement the recommendations of the Procurement review, as approved by the Board.	Achieved In line with the recommendations: - a procurement specialist has been engaged to assist Councils; and - work has commenced on developing a standard procurement framework, policies, templates and supporting tools which will be applied across Councils.	
		New suppliers are awarded contracts through a competitive tender process.	Achieved New shared service contracts were procured following competitive tender processes for On-line Driver Assessment and Training Services and Occupational Health Services, and Vehicle Fleet Management and Maintenance (where WLASS agreed to exercise the contract right of renewal).	
COLLABORATIVE PROJECTS Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented.	The focus is on shared services which will benefit all councils.	A minimum of three priority projects for collaboration are identified per annum. If considered of value, business cases are developed for approval by the Board, and the projects are implemented.	Achieved Board approved business cases to: - develop the Waikato Data Portal - execute the digital strategy - transform WLASS into a service delivery agent - establish a new platform for shared valuation data A single suite of resource consent applications was developed. Regional Infrastructure Technical Specifications relating to the design and construction of infrastructure assets was completed.	
WLASS CONTRACTS Existing contracts are managed and renegotiated as required.	Appointed vendors deliver on the terms of their contracts and deliver value to the shareholders.	The WLASS Contracts Register is maintained and managed.	Achieved Contracts risk register is maintained.	









Waikato Local Authority Shared Services Limited
Annual Directors' Report to Shareholders
30 June 2018
(continued)

		Contracts which are due for renewal are tested for competitiveness and either renegotiated or re-tendered through a competitive process.	Achieved Throughout the period 18 contracts due for renewal were reviewed and where appropriate renegotiated prior to extension.	
CASHFLOW The company shall maintain a positive cashflow position.	The Financial Accountant reviews cashflow monthly.	The WLASS Board reviews the financial statements quarterly.	Achieved The cash surplus for the period was ~ \$616k, although this is largely a result of revenue being invoiced in advance. The Board received management accounts at each Board meeting.	
COST CONTROL Administration expenditure shall be managed and monitored.	The Financial Accountant and Chief Executive review expenditure monthly. The WLASS Board reviews the financial statements quarterly.	Administration expenditure shall not exceed budget by more than 5%, unless prior approval is obtained from the Board.	Achieved Company administration costs were ~ \$54k less than budgeted – 83% of the budgeted amount. Specific line items materially greater than budget were approved by the Board in advance.	
REPORTING Six monthly reports provided to Shareholders.	The Chief Executive prepares a written report for the WLASS Board every meeting. One 6-monthly and one Annual Report are prepared for shareholders.	The Board shall provide a written report on the business operations and financial position of WLASS to the shareholders every six months.	Achieved Completed via Half and Full-year report prepared and circulated to shareholding Councils.	
		Every second report shall be the Annual Report, which includes a report that all of the statutory requirements of the WLASS are being adhered to.	Achieved Completed as set out in this annual report.	









Waikato Local Authority Shared Services Limited
Annual Directors' Report to Shareholders
30 June 2018
(continued)

<p>WAIKATO MAYORAL FORUM</p> <p>The company shall provide administrative support to the Mayoral Forum work streams and to the Mayoral Forum.</p>	<p>Mayoral Forum projects shall be managed financially through the WLASS.</p>	<p>Approved invoices for Mayoral Forum projects are paid by the 20th of the month following their receipt.</p>	<p>Achieved</p>	
<p>SHARED VALUATION DATA SERVICES (SVDS)</p> <p>The SVDS is reliable, well maintained and available to all users.</p>	<p>A Contract Manager is appointed for SVDS.</p>	<p>The SVDS is available to users at least 99% of normal working hours.</p>	<p>Achieved</p> <p>The SVDS was available 99.84% of business hours during the year.</p>	
	<p>The Contract Manager monitors performance of the contractors and reports quarterly to the SVDS Advisory Group.</p>	<p>All capital enhancement work is supported by a business case and approved by the SVDS Advisory Group.</p>	<p>N/A</p> <p>There were no capital enhancements during the period.</p>	
		<p>The SVDS Advisory Group meets at least 6-monthly.</p>	<p>Achieved</p> <p>The Advisory Group had four scheduled meetings throughout the year. There was an additional meeting in April 2018 to discuss the business case for the SVDS replacement.</p>	
<p>INSURANCE</p> <p>Achieve the relevant KPIs in Appendix 4 of the Insurance Brokerage contract with Aon.</p>	<p>The Insurance Broker delivers on the terms of their contract and provides value to the participating councils.</p>	<p>Strategic advice provided by Aon on the insurance programme structure is assessed as satisfactory in the annual WLASS Shareholders' survey by the participating councils.</p>	<p>Achieved</p> <p>Based on the shareholders' survey undertaken in March 2018, all respondents regarded the advice as either satisfactory or very satisfactory.</p>	
		<p>The day-to-day service provided by Aon is assessed as satisfactory in the annual WLASS Shareholders' survey by the participating councils.</p>	<p>Achieved</p> <p>All respondents regarded the advice as either satisfactory or very satisfactory.</p>	








Waikato Local Authority Shared Services Limited
Annual Directors' Report to Shareholders
30 June 2018
(continued)

<p>Road Asset Technical Accord (RATA)</p> <p>All stakeholders are kept informed about RATA's projects and achievements.</p>	<p>Six monthly and annual reports are provided to all stakeholders.</p>	<p>Reports presented to WLASS Board as at 30 December and 30 June, and circulated to stakeholders.</p>	<p>Achieved</p> <p>Half and full-year reporting presented to Board (half year reporting on 13 April 2018 and final report on 28 September 2018 as part of year end reporting).</p>	
		<p>Reports include a summary of savings and achievements.</p>	<p>Achieved</p> <p>Reports presented savings to Councils.</p>	
	<p>Annual Forward Works Programme tours are completed, to provide opportunities for councils' roading staff to share their knowledge and experience.</p>	<p>All RATA councils participate in the tour.</p>	<p>Achieved</p> <p>The tours were undertaken in August/September 2017.</p>	
		<p>Report on tour outcomes prepared by 31 December each year and circulated to stakeholders.</p>	<p>Partially achieved</p> <p>Report on outcomes completed and shared but in January 2018.</p>	
	<p>Data collection contracts (minimum of two across the region) are managed in accordance with best practice.</p>	<p>Contracts which are due for renewal are tested for competitiveness and either renegotiated or tendered through a competitive process.</p>	<p>Achieved</p> <p>The three RATA contracts related to High Speed Data Collection, Condition Rating Surveys and Traffic Counting awarded during the year follow tender process and contract renewals were reviewed and renegotiated. All suppliers are operating in accordance with contract requirements.</p>	
<p>Sub-regional data collection contracts deliver good quality data on roading assets.</p>	<p>Data supplied by contractors is of good quality and meets all councils' requirements.</p>	<p>Any data issues are identified and resolved, with any incidents reported to stakeholders.</p>	<p>Achieved</p> <p>All performance criteria met with no data issues identified.</p>	









Waikato Local Authority Shared Services Limited
Annual Directors' Report to Shareholders
30 June 2018
(continued)

<p>Waikato Regional Transportation Model (WRTM)</p> <p>The WRTM is reliable, well maintained and available to all users.</p>	<p>RATA manages the WRTM on behalf of the participating councils, and monitors the performance of the model supplier (currently Traffic Design Group).</p>	<p>All modelling reports requested from the model supplier are actioned within the agreed timeframe, scope and budget.</p>	<p>Achieved</p> <p>Stantec (previously the known as the Traffic Design Group) provide to customers under contract to WRTM all modelling reports requested. The WRTM commercial manager oversees this contract and establishes a schedule at the beginning of each financial year. Further, there are meetings held with Stantec every six weeks that review performance plus formal quarterly reporting.</p> <p>During the year 22 reports have been completed.</p>	
	<p>RATA reports quarterly to the WRTM Project Advisory Group.</p>	<p>A report from RATA on any new developments and on the status of the model is provided to the WLASS Board at least every six months.</p>	<p>Achieved</p> <p>Land use and low population projections included in the model.</p> <p>Half and full-year reporting presented to Board (half year reporting on 13 April 2018 and final report on 28 September 2018 as part of year end reporting).</p>	
	<p>The quality of the base model complies with NZTA guidelines (as set out in the NZTA's Economic Evaluation Manual), and is independently peer reviewed each time the model is updated.</p>	<p>Achieved</p> <p>The model has been developed in accordance with an agreed approach with the NZTA, and it has been peer reviewed by an independent traffic modelling consultant. NZTA have received the peer review and have endorsed the model.</p>		
<p>WAIKATO BUILDING CONSENT GROUP</p> <p>Provide strategic direction and actively pursue improvements in Building Control across the Waikato region.</p>	<p>Develop and maintain a quality assurance system for building consents, that meets statutory compliance and supports excellence and consistency in customer service and business practice.</p>	<p>Internal audits are completed annually for each Group member.</p>	<p>Not Achieved</p> <p>Lack of resource has compromised the audit programme. This issue is being addressed as part of the WBCG strategy for FY19.</p>	



Waikato Local Authority Shared Services Limited
Annual Directors' Report to Shareholders
30 June 2018
(continued)

		Group members are provided with a joint quality assurance system that meets statutory compliance.	Achieved QA manual, standard documents and public information on www.Buildwaikato.co.nz has been signed off by IANZ at 6 assessments since 1 July 2017. Only minor changes required.	
		Report at least six monthly to the WLASS Board on the Group's activities.	Achieved Reporting to WLASS Board provided in January 2018 and September 2018 as part of the year end process.	
FUTURE PROOF All stakeholders are kept informed about Future Proof's projects and achievements.	Six monthly and annual reports are provided to all stakeholders.	Reports presented to WLASS Board as at 30 December and 30 June and circulated to stakeholders.	Achieved Six monthly reports presented at the December 2017 and July 2018 Board meetings	
SHAREHOLDER SURVEY Shareholders are satisfied with the performance of WLASS.	An annual survey of shareholders is undertaken to assess satisfaction levels with WLASS.	A survey of shareholders is undertaken each year, and the results are reported to all shareholders.	In Progress The survey has been completed although the response rate was low, at 42%. Results are being reported to shareholders as part of this annual report.	
REVIEW OF BENEFITS Shareholders are informed of the benefits being provided to shareholding councils by WLASS.	The benefits of WLASS (including financial and non-financial achievements) are regularly analysed and reported to shareholders.	Information on the financial and non-financial benefits being achieved by WLASS are included in the 6-monthly and Annual Report to shareholders.	Achieved Benefits are set out in the Statement of Intent.	
		The "Collaboration in Action" document, which summarises the achievements of WLASS, is updated and circulated to shareholders by 31 December 2017.	Partially achieved The Collaboration in Action document is complete and included on WLASS's website, with shareholding Council's being notified, although this occurred in the first half of 2018.	



WLASS Achievements

Regional Infrastructure Technical Specifications (RITS)

The RITS project was completed in the current year. The document sets out how to design and construct transportation, water supply, wastewater, storm water and landscaping infrastructure in the participating councils' areas. Developers are required to provide infrastructure in subdivisions and can use the RITS as a means of complying with the conditions set by councils as part of the resource consenting process. If contractors, and their consultants and subcontractors use the RITS, the process to meet resource consent conditions will usually be quicker and therefore less costly.

Collaboration Agreement with the Energy Efficiency Conservation Authority (EECA)

In February 2016, WLASS entered into a 3-year Collaboration Agreement with EECA to promote the development, implementation and communication of energy efficiency and renewable opportunities across the Waikato councils, and for each of the councils to implement energy management best practice. Having completed the second year, participating councils have achieved savings estimated at \$150,000 per annum.

Road Asset Technical Accord (RATA)

RATA provides roading asset management services to enable and facilitate effective, strategic roading investment decision-making. The NZ Transport Agency fully supports the work of RATA and considers the RATA model to be the national benchmark for best practice. Council savings as a result of RATA initiatives are estimated at over \$1.7m, through joint procurement, training support, the deferral of physical works due to better data analysis and decision-making processes, and more appropriate asset lives being used in depreciation calculations.

Aligned resource consent planning

This project was largely completed this year with the documentation going live in early August. Processing resource consents is now more efficient, effective and user friendly, and makes business in the Waikato easier by:

- delivering better services to customers;
- creating more efficient and effective 'best practice' processes for the administration of resource consenting; and
- ensuring regional consistency in the administration of resource consenting.

Collaborating on digital transformation

The WLASS Board approved a business case to develop a strategy focused on finding opportunities for collaboration on digital initiatives between Waikato councils. More particularly, its objectives are to:

- build closer connections between WLASS working parties to ensure opportunities for digital collaboration are more readily recognised, captured and actioned;
- enable and promote increased business information sharing between councils;
- identify and recommend joint initiatives that will inform and advance digital collaboration;
- promote business transformation to improve customer experiences; and
- achieve effectiveness and efficiency gains through collaboration.

The Waikato Data Portal

A WLASS working party has established a roadmap toward Regional GIS. Ultimately, this reflects a centralised and distributed GIS platform that is managed by one regional team, involves the collaboration of regional resources and ensures consistency of data and services.

The WLASS Board earlier this year approved the business case to implement Phase 1 of the roadmap, which will provide a single centralised Data Portal where customers will experience consistent processes for data discovery and access, and improved channels for communicating their data needs.

For council's customers the benefits are that:

- it supports a consistent customer experience;
- it supports economic growth for the Waikato;
- it provides data that is easily discoverable and centralised through an Open Data Platform in accessible formats that promote its reuse; and
- it supports innovation, economic, environmental and social benefits.

For the councils the benefits are that:

- it reduces manual data supply process and transaction costs;
- it supports more responsive council services by providing a channel for feedback and requests;
- it standardises processes that will lead to more efficient council services;
- it provides access to authoritative data, increasing the councils' profile and enabling faster, more confident decision making;
- there is improved collaboration and shared services for all councils;
- there will be lower licensing costs through leveraging collective buying power;
- it will enable leveraging information from other LASS organisations e.g. BOPLASS Data Standards; and
- it will enable improved collaboration with CDEM initiatives.

Shared Valuation Data Services (SVDS)

SVDS is a real-time, on-line, property database containing the District Valuation Rolls and associated registers of the participating councils. A review of the options for future provision of the service is nearing completion and is expected to be implemented in 2019.

SVDS enables greater competition in the delivery of property valuation services and provides accurate and timely valuation data. In the last three years, member charges have reduced by 52% while external revenue from data sales has increased by 213%.

Local Historic Aerial Photos

The Land Information New Zealand (LINZ) Crown archive contains over 500,000 historic aerial photo negatives captured by surveys flown over New Zealand between 1936 and 2005. In 2015, WLASS entered a Memorandum of Understanding with LINZ to scan the archive over a period of four years. The project was completed in 2018. The scanned photos are publicly available via the Retrolens website. Councils use the images for a variety of purposes, including detecting vegetation and land use changes, hazardous and contaminated land identification, and to locate changes to coastal accretion and erosion. Members of the public have said how valuable it is to be able to freely access these photos, which were previously costly and difficult to find. Being able to access the images 24x7 means an increase in effectiveness and eliminating the need for council staff to retrieve and provide the images.

Local Government Health & Safety Pre-qualification scheme

This scheme ensures that consistent health and safety management systems are in place for all contractors pre-qualified to work for council. Enrolling in this scheme makes contractors compliant to work for any of the participating councils and removes the need for them to supply separate details to each council.

Waikato Local Authority Shared Services Limited
Annual Directors' Report to Shareholders
30 June 2018
 (continued)

The project has transformed pre-qualification practices in the participating councils and is making a positive contribution to WorkSafe New Zealand's goal of reducing workplace accidents by 25% by 2020.

Improved safety performance from local authority contractors, eliminated duplication of local authority resources and cost savings for local authorities, contractors and ratepayers have flowed from the scheme.

Approximately 1,600 contractors are pre-qualified with another 250 pending.

Waikato Building Consent Group (WBCG)

The Board is giving priority to the WBCG in order to advance unrealised potential.

The WLASS Transformation project

The WLASS Transformation project delivers on the recommendations of a strategic review undertaken in late 2017 recommending the transformation of WLASS into a service delivery agent, with the capability, capacity and skills to physically deliver services on behalf of the shareholding councils.

Transformation of WLASS will be undertaken in a staged approach with an initial focus on areas of Geographic Information System development and developing and delivering digital transformation. Ultimately the intention is that WLASS becomes a transformation partner by designing and delivering transformational change in the way Councils operate.

Transforming WLASS into a service delivery agent has the potential to substantially increase the benefits to councils with improved efficiencies in the delivery of services.

By the numbers

Summary financial results for the year:

	2018 \$	2017 \$	Change
Total income	4,470	4,549	-2 %
Net surplus before tax	227	128	77 %
Cash on hand	1,570	954	65 %

The WLASS administration costs for this period were \$263,763 against a budget of \$317,788.

All WLASS service costs are shown per activity in the financial statements.

The current activities undertaken by WLASS are: Company Administration, Procurement, Information Technology (IT), Energy Management, Shared Valuation Data Services (SVDS), Road Asset Technical Accord (RATA), Waikato Regional Transport Model (WRTM), Waikato Building consent Group (WBCG), Future Proof and Waikato Mayoral Forum.

Waikato Local Authority Shared Services Limited
Annual Directors' Report to Shareholders
30 June 2018
 (continued)

Directors

The Directors appointed for the period that this annual report covers are included below together with attendance:

Director	Position	Director Appointed By	Meetings Attended
Gavin Ion(Chair)	Chief Executive Waikato District Council	Waikato District Council	7
Blair Bowcott	Executive Director, Hamilton City Council	Hamilton City Council	7
Chris Ryan	CEO Waitomo District Council	Waitomo District Councils	4
Craig Hobbs	Chief Executive South Waikato District Council	South Waikato District Council	5
Dave Clibbery	Chief Executive Otorohanga District Council	Otorohanga District Council	5
Don McLeod	Chief Executive Matamata-Piako District Council	Matamata-Piako District Council	6
Gareth Green	Chief Executive Taupo District Council	Taupo District Council	4
Garry Dyet	Chief Executive Waipa District Council	Waipa District Council	5
Geoff Williams	Chief Executive Rotorua District Council	Rotorua District Council	2
Langley Cavers	Chief Executive Hauraki District Council	Hauraki District Council	7
Rob Williams	Chief Executive Thames-Coromandel District Council	Thames-Coromandel District Council	5
Vaughan Payne	Chief Executive Waikato Regional Council	Waikato Regional Council	6

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**Waikato Local Authority Shared Services Limited
Audit Report
30 June 2018
(continued)**

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Waikato Local Authority Shared Services Limited
Audit Report
30 June 2018
(continued)



Waikato Local Authority Shared Services Limited
Statement of comprehensive revenue and expense
For the year ended 30 June 2018

Statement of comprehensive revenue and expense

For the year ended 30 June 2018

	Actual 2018 \$	Budget 2018 \$	Actual 2017 \$
Note			
Revenue			
SVDS Data Sales	408,244	352,065	386,760
Interest	21,958	10,000	6,215
Other revenue	4,039,889	3,680,243	4,155,643
Total revenue	4,470,091	4,042,308	4,548,618
Expenditure			
Depreciation and amortisation expense	163,816	164,310	164,286
Other expenses	4,079,619	4,087,500	4,255,952
Total operating expenditure	4,243,235	4,251,810	4,420,238
Surplus/(deficit) before tax	226,856	(209,502)	128,380
Income tax expense	-	-	-
Surplus/(deficit) after tax	226,856	(209,502)	128,380
Total comprehensive income	226,856	(209,502)	128,380

The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 19

Waikato Local Authority Shared Services Limited
Statement of changes in equity
For the year ended 30 June 2018

Statement of changes in equity

For the year ended 30 June 2018

	Actual 2018 \$	Budget 2018 \$	Actual 2017 \$
Note			
Balance at 1 July	799,673	589,829	671,293
Total comprehensive revenue and expense	<u>226,856</u>	<u>(209,502)</u>	<u>128,381</u>
Balance at 30 June	<u>1,026,530</u>	<u>380,327</u>	<u>799,673</u>
	12		
Total equity attributable to:			
Equity holders of Waikato Local Authority Shared Services Limited	<u>1,026,530</u>	<u>380,327</u>	<u>799,673</u>
Balance at 30 June	<u>1,026,530</u>	<u>380,327</u>	<u>799,673</u>

The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 19

Waikato Local Authority Shared Services Limited
Statement of Financial Position
As at 30 June 2018

Statement of financial position

As at 30 June 2018

	Note	Actual 2018 \$	Budget 2018 \$	Actual 2017 \$
ASSETS				
Current assets				
Cash and cash equivalents	7	1,570,003	630,820	953,945
Exchange trade and other receivables	8	407,156	-	409,363
Non-exchange trade and other receivables	8	157,057	(15,545)	75,021
Other financial assets	10	81,000	-	-
Prepayments		149,905	1,523	147,500
Total current assets		2,365,121	616,798	1,585,829
Non-current assets				
Intangible assets	9	163,592	178,146	327,208
Other financial assets	10	-	-	81,000
Total non-current assets		163,592	178,146	408,208
Total assets		2,528,713	794,944	1,994,037
LIABILITIES				
Current liabilities				
Payables and deferred revenue	11	1,502,183	414,617	1,194,364
Total current liabilities		1,502,183	414,617	1,194,364
Non-current liabilities				
Total non-current liabilities		-	-	-
Total liabilities		1,502,183	414,617	1,194,364
Net assets		1,026,530	380,327	799,673
EQUITY				
Contributed capital	12	2,967,001	2,967,001	2,957,001
Retained earnings	12	(1,930,471)	(2,576,674)	(2,157,328)
Total equity		1,026,530	380,327	799,673

These financial statements have been authorised for issue by the Board of Directors on 28 September 2018.



Director
28 September 2018



Director
28 September 2018

The accompanying notes form part of these financial statements
 Explanations of major variances against budget are provided in note 19



Waikato Local Authority Shared Services Limited
Cash flow statement
For the year ended 30 June 2018

Cash flow statement

For the year ended 30 June 2018

Note	Actual 2018 \$	Budget 2018 \$	Actual 2017 \$
Cash flows from operating activities			
Interest Received	19,075	10,000	6,215
Receipts from other revenue	4,680,206	4,077,839	4,425,573
Payments to suppliers and employees	(4,032,901)	(4,085,276)	(4,101,152)
Income tax received / (paid)	(6,426)	(1,280)	2,509
Goods and services tax received / (paid)	(43,897)	6,679	19,130
Net cash flow from operating activities	<u>616,057</u>	<u>7,982</u>	<u>352,275</u>
Purchase of intangible assets	-	(10,384)	-
Purchase of term deposits with maturities greater than 3 months	-	-	(81,000)
Net cash flow from investing activities	<u>-</u>	<u>(10,384)</u>	<u>(81,000)</u>
Net (decrease)/increase in cash and cash equivalents	616,057	(2,402)	271,275
Cash and cash equivalents at the beginning of the year	<u>953,948</u>	<u>633,221</u>	<u>682,673</u>
Cash and cash equivalents at the end of the year	<u>7</u> <u>1,570,005</u>	<u>630,819</u>	<u>953,948</u>

*The accompanying notes form part of these financial statements
 Explanations of major variances against budget are provided in note 19*

1 Statement of accounting policies

1.1 Reporting entity

Waikato Local Authority Shared Services Limited ("the Company") is a Company incorporated in New Zealand under the Companies Act 1993 and is domiciled in New Zealand. The Company is controlled by the councils listed on the directory page of these accounts. The company is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002 (LGA), by virtue of each of the shareholding Council's right to appoint the Board of Directors.

The primary objective of the Company is to provide the Waikato region's local authorities with a vehicle to develop shared services that demonstrate a benefit to the ratepayers and provide those services to local authorities.

The Company has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements of the Company are for the year ended 30 June 2018. The financial statements were authorised for issue by the Board of Directors on the 28 September 2018.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

Statement of Compliance

The financial statements of the Company have been prepared in accordance with the requirements of the LGA, 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 2 PBE Standards reduced disclosure regime (RDR).

WLASS is eligible to report in accordance with the Tier 2 PBE accounting standards RDR as it:

- is not publicly accountable;
- has expenses more than \$2 million, but less than \$30 million.

The accounting policies set out below are consistent with the prior year.

Measurement base

The financial statements have been prepared on a historical cost basis.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar unless otherwise stated. The functional currency of the Company is New Zealand dollars.

Budget figures

The budget figures are those approved by the Board of Directors in the 2017/18 Statement of Intent. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Company in preparing the financial statements.

2 Summary of significant accounting policies (continued)

2.2 Goods and services tax

All items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as 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 (IR) 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 cash flow statement.

Commitments and contingencies are disclosed exclusive of GST.

3 Critical accounting estimates and assumptions

In preparing the financial statements the Company has made estimates and assumptions 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 of 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 amount of assets and liabilities within the next financial year have been included below.

INTANGIBLE ASSETS

Useful lives and residual values

At each balance date the Company reviews the useful lives and residual values of its intangible assets. Assessing the appropriateness of useful life and residual value estimates of intangible assets requires the Company to consider a number of factors such as the expected period of use of the asset by the Company, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact the amortisation expense recognised in the income statement, and carrying amount of the asset in balance sheet. The Company minimises the risk of this estimation uncertainty by reviewing that the asset technology is still relevant and there is no alternative options to recreate the asset at a lower price.

Impairment of intangible assets

Intangible assets measured at cost 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.

An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use.

If an assets 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 the surplus or deficit.



4 Revenue

Accounting policy

(i) Revenue

Revenue comprises the fair value of the considerations received or receivable for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts and after eliminating sales within the Company. No provisions have been recorded as all revenue and trade receivables are expected to be received.

(ii) Other Revenue

User charges for all activities are recognised when invoiced to the user, ie. Councils. The recorded revenue is the net amounts of the member charges payable for the transaction. Contributions received for projects that were not completed in a financial year are recognised when the Company provides, or is able to provide, the service for which the contribution was charged. Until such time, contributions are recognised as liabilities.

	Actual 2018 \$	Actual 2017 \$
<u>Non-exchange revenue</u>		
User Charges	1,970,549	1,203,182
Other	-	316,131
Total non-exchange revenue	<u>1,970,549</u>	<u>1,519,313</u>
<u>Exchange revenue</u>		
Procurement	717,960	794,505
Information Technology	93,453	53,600
Energy Management	207,914	116,184
Shared Valuation Data Services	80,189	78,463
Road Asset Technical Accord	584,087	1,107,320
Waikato Regional Transport Model	5,136	3,348
Waikato Building Consent Group	79,852	20,502
Future Proof	66,470	-
Waikato Mayoral Forum	234,279	462,408
Total exchange revenue	<u>2,069,340</u>	<u>2,636,330</u>
Total other revenue	<u>4,039,889</u>	<u>4,155,643</u>

5 Other expenses

	Actual 2018 \$	Actual 2017 \$
Audit fees for financial statement audit (current year)	20,910	20,600
Company Administration	242,853	199,053
Procurement	749,153	782,513
Information Technology	93,131	63,075
Energy Management	119,474	96,822
Shared Valuation Data Services	522,267	543,163
Road Asset Technical Accord	1,245,925	1,168,385
Waikato Regional Transport Model	46,378	82,187
Waikato Building Consent Group	297,370	265,326
Future Proof	507,880	572,421
Waikato Mayoral Forum	234,278	462,407
Total other expenses	<u>4,079,619</u>	<u>4,255,952</u>

6 Income tax

Accounting policy

Income tax expense includes components relating to both current tax 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 substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity 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 taxable surpluses will be available against which 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 at the time of the transaction, affects neither accounting profit 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 income or directly in equity.

	Actual 2018 \$	Actual 2017 \$
Components of income tax expense:		
Current tax expense	-	-
Adjustments to current tax in prior years	-	-
Deferred tax expense	-	-
Tax expense	<u>-</u>	<u>-</u>
Relationship between tax expense and accounting profit:		
Net surplus (deficit) before tax	226,856	128,380
Tax at 28%	<u>63,520</u>	<u>35,946</u>
Non-taxable in calculating taxable income		
Other timing adjustments	45,812	44,432
Non-taxable income	-	-
Prior year adjustment	-	-
Deferred tax adjustment	(45,806)	(44,433)
Tax losses not recognised	<u>(63,526)</u>	<u>(35,946)</u>
Tax expense	<u>-</u>	<u>-</u>

Deferred tax asset (liability)	Intangible assets \$	Other provisions \$	Tax losses \$	Total \$
Balance at 1 July 2016	(136,051)	-	136,051	-
Charged to surplus or deficit	<u>44,433</u>	-	<u>(44,433)</u>	-
Balance at 30 June 2017	<u>(91,618)</u>	-	<u>91,618</u>	-
Charged to surplus or deficit	45,806	-	(45,806)	-
Balance at 30 June 2018	<u>(45,812)</u>	-	<u>45,812</u>	-

A deferred tax asset has not been recognised in relation to tax losses of \$2,074,000 (2017: 2,301,000).

6 Income tax (continued)

7 Cash and cash equivalents

Accounting policy

Cash and cash equivalents include cash on hand, deposits held at call with banks, with original maturities of three months or less, and bank overdrafts.

	Actual 2018 \$	Actual 2017 \$
Cash at bank	1,570,003	903,945
Short term deposit maturing three months or less from date of inception	-	50,000
Net Cash and Cash Equivalents for the purposes of the Statement of Cashflows	<u>1,570,003</u>	<u>953,945</u>

The carrying value of cash at bank, call deposits, and term deposits with maturities less than three months approximates their fair value.

8 Receivables

Accounting policy

Short-term receivables are recorded at the amount due, less any provision for uncollectability.

Receivables are initially measured at nominal or face value. Receivables are subsequently adjusted for penalties and interest as they are charged and impairment losses. Non-current receivables are measured at the present value of the expected future cash inflows.

Debtors are amounts due from customers. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

	Actual 2018 \$	Actual 2017 \$
Gross trade and other receivables	88,729	59,900
Related Party Receivables (note 15)	407,156	409,363
Accrued Interest on Short Term Deposits and Call Accounts	2,980	97
GST Refund Due	58,604	14,706
IRD - RWT Tax	6,744	318
Total debtors and other receivables	<u>564,213</u>	<u>484,384</u>
Exchange		
Receivables from exchange transactions	<u>407,156</u>	<u>409,363</u>
Non-exchange		
Receivables from non-exchange transactions	<u>157,057</u>	<u>75,021</u>
Total debtors and other receivables	<u>564,213</u>	<u>484,384</u>

9 Intangible assets

Accounting policy

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software are recognised as an intangible asset.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life.

Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

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

Computer Software 5 to 7 years 14 to 20%

	Actual 2018 \$	Actual 2017 \$
Computer Software		
Balance at 1 July	5,363,366	5,363,366
Disposals	-	-
Balance at 30 June	<u>5,363,366</u>	<u>5,363,366</u>
Accumulated amortisation and impairment losses		
Balance at 1 July	5,036,158	4,871,872
Amortisation as per Income statement	163,616	164,286
Impairment losses	-	-
Balance at 30 June	<u>5,199,774</u>	<u>5,036,158</u>
Carrying Amounts		
Balance at 1 July	327,208	491,494
Balance at 30 June	163,592	327,208

Intangible assets include the Shared Value Data Services (SVDS) computer software, the Waikato Regional Transport Model (WRTM) and MoneyWorks computer software.

The carrying amount of the SVDS asset as at 30 June 2018 is \$90,421 (2017: \$180,864).

The carrying amount of the WRTM asset as at 30 June 2018 is \$72,916 (2017: \$145,832).

The carrying amount of the MoneyWorks asset as at 30 June 2018 is \$256 (2017: \$512).

The Board of Directors consider that there is no requirement to impair assets as at 30 June 2018.

10 Other financial assets

Accounting policy

Investments in bank deposits are measured at fair value plus transaction costs.

At each balance sheet date the Company assesses whether there is any objective evidence that an investment is impaired. Any impairment losses are recognised in the income statement.

Waikato Local Authority Shared Services Limited
Notes to the financial statements
30 June 2018
(continued)

10 Other financial assets (continued)

	Actual 2018 \$	Actual 2017 \$
Current		
Term deposits with maturities greater than 3 months	81,000	-
Non-Current		
Term deposits with maturities greater than 3 months	-	81,000
Balance as at 30 June	<u>81,000</u>	<u>81,000</u>

11 Payables and deferred revenue**Accounting policy**

Short-term creditors and other payables are recorded at their face value.

	Actual 2018 \$	Actual 2017 \$
Current		
Trade payables and accrued expenses	511,579	461,460
Related party payables (note 15)	248,994	249,990
Deferred revenue	741,610	482,914
Total creditors and other payables	<u>1,502,183</u>	<u>1,194,364</u>
Exchange		
Trade payables	659,338	447,492
Accrued expenses	101,235	263,958
Total creditors and other payables from exchange transactions	<u>760,573</u>	<u>711,450</u>
Non-exchange		
Deferred revenue	741,610	482,914
Total creditors and other payables from non-exchange transactions	<u>741,610</u>	<u>482,914</u>
Total payables and deferred revenue	<u>1,502,183</u>	<u>1,194,364</u>

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payable approximates their fair value.

Contributions received for projects that were not completed in a financial year are recognised as deferred revenue until the Company provides, or is able to provide, the service for which the contribution was charged.

12 Reconciliation of equity**Accounting policy**

Equity is the shareholders interest in WLASS and is measure as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

Contributed equity

Contributed equity is the net asset and liability position at the time the company was formed. The allocation of capital amongst shareholders is explained in this note.

Waikato Local Authority Shared Services Limited
Notes to the financial statements
30 June 2018
(continued)

12 Reconciliation of equity (continued)

Retained earnings

Retained earnings is the company's accumulated surplus or deficit since formation.

	Actual 2018 \$	Actual 2017 \$
Total equity		
Contributed equity	2,957,001	2,957,001
Retained earnings	<u>(1,930,471)</u>	<u>(2,157,328)</u>
Balance at 30 June 2018	<u>1,026,530</u>	<u>799,673</u>
(a) Contributed equity		
Shares on Issue	3,413,569	3,413,569
Uncalled capital	<u>(456,568)</u>	<u>(456,568)</u>
Balance 30 June 2018	<u>2,957,001</u>	<u>2,957,001</u>
Balance at 1 July 2017	2,957,001	2,957,001
Shares Issued	<u>-</u>	<u>-</u>
Balance 30 June 2018	<u>2,957,001</u>	<u>2,957,001</u>
(b) Retained earnings		
Balance at 1 July 2017	(2,157,327)	(2,285,708)
Surplus/(deficit) for the year	<u>226,858</u>	<u>128,380</u>
Balance 30 June 2018	<u>(1,930,471)</u>	<u>(2,157,328)</u>

The Company has issued 2,186,581 (2017 - 2,186,581) shares. The SVDS shares have been fully called and paid for at \$1.00 per share. The WRTM shares have been fully called and paid for at \$10.00 per share. The table below details the different types of shares and their value per share.

Shares are called when notice is given to shareholders by the Board of Directors.

Income	Ordinary Shares	SVDS Shares	WRAPS Shares	WRTM Shares
Hamilton City Council	1	220,514	79,152	50,625
Hauraki District Council	1	40,215	2,864	-
Matamata Piako District Council	1	56,380	4,708	4,500
Otorohanga District Council	1	-	5,716	-
Rotorua Lakes Council	1	126,703	7,516	-
South Waikato District Council	1	42,571	4,916	-
Taupo District Council	1	-	21,652	4,500
Thames Coromandel District Council	1	108,015	6,476	2,250
Waikato District Council	1	106,674	9,376	11,250
Waikato Regional Council	1	803,500	287,872	50,625
Waipa District Council	1	78,748	3,780	11,250
Waitomo District Council	1	23,681	10,540	-
	<u>12</u>	<u>1,607,001</u>	<u>444,568</u>	<u>135,000</u>
	<u>1,000</u>	<u>1</u>	<u>1</u>	<u>10</u>
Uncalled capital	<u>12,000</u>	<u>1,607,001</u>	<u>444,568</u>	<u>1,350,000</u>
Total contributed equity	<u>(12,000)</u>	<u>1,607,001</u>	<u>(444,568)</u>	<u>-</u>

12 Reconciliation of equity (continued)

General Rights of Ordinary, SVDS, and WRAPS Shares

The rights conferred by section 36(1) of the Companies Act 1993 on holders of shares in the Company are altered as set out below:

- (a) For Ordinary, SVDS and WRAPS shares the holders are entitled to participate in certain services to be provided by the Company, in terms that reflect their investment.
- (b) Service shares (SVDS and WRAPS) do not have any right to share in the distribution of the surplus assets of the Company except to the extent provided for in Schedule 1 of the Company's constitution or in accordance with the terms of issue of those shares pursuant to Clause 6 of the Company's constitution.
- (c) Except as provided in section 177 of the Act and Clause 6.1 of the Company's constitution, no class of service shares shall have any voting rights.

General Rights of WRTM shares

The following rights and obligations are hereby conferred on each WRTM shareholder:

- (a) A right to one vote prior to further WRTM service shares being issued.
- (b) A right to one vote on the application of any surpluses arising from the WRTM service (after NZTA have been allocated 40 per cent [or a portion based on NZTA's proportion of the total cost at the time] of any surpluses.)
- (c) The right to receive monetary benefits that the Company generates through the sale of outputs of the WRTM service in proportion to the apportionment of the development costs as at that time after 40 per cent (or a portion based on NZTA's proportion of the development cost at the time) of the monetary benefits have been allocated to NZTA.
- (d) No right to share in the distribution of the surplus assets of the Company except to the extent provided for in (c) above.
- (e) No right to share in dividends authorised by the Company except to the extent provided for in (c) above.

13 Commitments

Non-cancellable operating expenses

	Actual 2018 \$	Actual 2017 \$
Not later than one year	291,667	474,615
Later than one year and not later than five years	-	291,667
Total non-cancellable operating leases	<u>291,667</u>	<u>766,282</u>

14 Contingencies

As at 30 June 2018 the Company had no contingent liabilities or assets (2017 - \$0)

15 Related party transactions

The Company is controlled by the councils listed on the directory page.

Transactions with key management personnel

Key management personnel include the Chief Executive and directors. Directors receive no remuneration. Expenditure paid to the Chief Executive(s) was for the provision of Chief Executive services.

	Actual 2018 \$	Actual 2017 \$
KRF Consulting - WLASS Chief Executive (June 2018)	9,825	-
Jowett Consulting - WLASS Chief Executive (July 2017 - April 2018)	<u>134,133</u>	<u>137,548</u>
Total key management personnel compensation	<u>143,958</u>	<u>137,548</u>

Related party disclosures have been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances.

Related parties have been limited to the directors, shareholders and company related roles. The following transactions were carried out with related parties:

	Actual 2018 \$	Actual 2017 \$
Income		
Hamilton City Council	696,771	594,842
Hauraki District Council	262,921	227,880
Matamata Piako District Council	303,686	383,458
Otorohanga District Council	218,981	166,709
Rotorua Lakes Council	79,150	55,743
South Waikato District Council	169,688	183,802
Taupo District Council	64,888	97,680
Thames Coromandel District Council	315,616	236,910
Waikato District Council	550,926	403,453
Waikato Regional Council	496,952	647,216
Waipa District Council	661,908	394,253
Waitomo District Council	<u>242,298</u>	<u>201,434</u>
	<u>4,063,785</u>	<u>3,593,380</u>

The income disclosed above includes revenue received relating to the 2017/18 financial year and revenue received which has been transferred to deferred revenue for 2018/19.

	Actual 2018 \$	Actual 2017 \$
Expenses		
Hamilton City Council	64,320	69,675
Taupo District Council	-	2,628
Waikato District Council	264,363	226,793
Waikato Regional Council	87,846	52,845
Waipa District Council	601,384	467,434
Waitomo District Council	<u>2,356</u>	<u>-</u>
	<u>1,020,069</u>	<u>819,375</u>

Expenses are related to services provided by the related parties.

The figures above exclude invoices from Councils that relate to bills paid on behalf of WLASS; Hamilton City Council \$16,500, Waikato District Council \$3,678 and Waikato Regional Council \$12,942 (2017 - \$83,609).

15 Related party transactions (continued)

	Note	Actual 2018 \$	Actual 2017 \$
Balance Sheet			
<i>Trade & Other Receivables</i>	8	-	-
Hamilton City Council		90,672	48,965
Hauraki District Council		24,463	39,057
Matamata Piako District Council		41,919	122,168
Otorohanga District Council		34,763	22,713
Rotorua Lakes Council		-	539
South Waikato District Council		18,867	21,180
Taupo District Council		13,766	13,692
Thames Coromandel District Council		20,842	40,698
Waikato District Council		46,330	14,663
Waikato Regional Council		9,378	10,491
Waipa District Council		85,097	28,579
Waitomo District Council		21,269	46,619
		<u>407,156</u>	<u>409,364</u>
<i>Payables outstanding at year end:</i>			
Hamilton City Council	11	13,970	5,750
Jowett Consulting - Chief Executive		-	13,949
KFRConsulting Ltd - Chief Executive		11,299	-
Waikato District Council		42,130	29,661
Waikato Regional Council		10,111	17,950
Waipa District Council		171,484	182,680
		<u>248,994</u>	<u>249,990</u>

16 Director and executive disclosures

No Directors fees or other remuneration was paid to Directors during the year. (2017: \$0).

17 Events occurring after the balance date

There have been no events after balance date.

18 Financial instruments

The Company has policies to manage the risks associated with financial instruments. The Company is risk averse and seeks to minimise exposure from its treasury activities.

(a) Market risk

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. The Company's exposure to fair value interest rate risk is limited to short-term bank deposits.

Cash flow interest rate risk

18 Financial instruments (continued)

(a) Market risk (continued)

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 the Company to cashflow interest rate risk.

The Company currently has no variable interest rate debt or investments.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to currency risk, as it does not enter into foreign currency transactions.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to fair value interest rate risk is limited to short-term bank deposits.

(b) Credit risk

Credit risk is the risk that a third party will default on its obligation to the Company, causing the Company to incur a loss.

Due to the timing of its cash inflows and outflows, the Company invests surplus cash with registered banks.

The Company has processes in place to review the credit quality of customers prior to the granting of credit.

The Company's maximum credit exposure for each class of financial instruments is represented by the total carrying amount of cash equivalents (note 7), investments (note 10), and trade receivables (note 8). There is no collateral held as security against these financial instruments, including these instruments that are overdue or impaired.

The Company has no significant concentrations of credit risk, as it has a large number of credit customers and only invests funds with registered banks with specified credit ratings.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty raising funds to meet commitments as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash and liquid assets, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Company maintains a target level of investments that must mature within specified timeframe's.

The maturity profiles of the Company's interest bearing investments and borrowings would be disclosed in the notes, if the Company had any.

(d) Financial instrument categories

	Note	2018 \$	2017 \$
FINANCIAL ASSETS			
Loans and receivables			
Cash and cash equivalents	7	1,570,003	953,946
Receivables	8	564,213	469,360
Other financial assets	10	81,000	81,000
Total loans and receivables		2,215,216	1,504,306
FINANCIAL LIABILITIES			
Financial liabilities at amortised cost			
Payables and deferred revenue	11	1,502,183	1,194,364
Total financial liabilities at amortised cost		1,502,183	1,194,364

19 Explanation of major variances against budget

Explanations for major variations from the Company's budget figures in the statement of intent to 30 June 2018 are as follows:

Statement of comprehensive revenue and expense

The Company administration cost centre expenditure was \$54k less than budgeted with less spend than anticipated on contractor services.

Revenue from procurement activity was greater than budget by \$138k as a result of increased invoicing relating to WRAPS, although this was offset by a corresponding increase in costs of \$176k.

Energy management revenue was greater than budgeted by \$84k as a result of advanced funding from the EECA for year 3 of the programme.

SVDS expenditure was less than budgeted by \$142k, largely as a result of reduced spend related to the Intergen contracts.

Revenue from the Road Asset Technical Accord was in excess of budget by \$358k as a result of increased data collection activity, although this was largely offset by a corresponding increased spend of \$315k, related to data collection services and staff and contractor costs.

Spend associated with the Waikato Mayoral forum workstream was less than budgeted by \$245k as a result of less than anticipated activity throughout the year.

Statement of Changes in Equity

The items as noted above have meant that the Company has made a gain of \$226,856 against a budgeted loss of \$209,503.

Statement of Financial Position

The current assets are higher due to the cash balance being \$939,184 higher than the budgeted \$630,820 due to income received being higher than budgeted.

WLASS does not budget for having end of year receivables.

Current liabilities are higher than budgeted due to deferred revenue not being budgeted for.

Prepayments are higher due to an unbudgeted invoice for \$147,500 – prepayment of Insurance Broking and Service Fee.

Statement of Cash Flows

Deferred revenue is not budgeted for as it results from revenue received not yet spent on expenses. 2017/18: \$741,610.

**Waikato Local Authority Shared Services Limited
Directory
30 June 2018**

Directory**Company Number**

1730380

Registered office

Waikato District Council
15 Galileo Street
Ngaruawahia

Directors

ION, Gavin John
BOWCOTT, Blair
CAVERS, Langley David
CLIBBERY, Dave
DYET, Garry
GREEN, Gareth
HOBBS, Craig
MCLEOD, Don
PAYNE, Vaughan
RYAN, Chris
WILLIAMS, Geoff
WILLIAMS, Rob

Bankers

Bank of New Zealand
Hamilton Banking Centre
Victoria Street
Hamilton

Auditors

Audit New Zealand on behalf of the Auditor-General



Independent Auditor's Report

To the readers of Waikato Local Authority Shared Services Limited's financial statements and performance information for the year ended 30 June 2018

The Auditor-General is the auditor of Waikato Local Authority Shared Services Limited (the company). The Auditor-General has appointed me, David Walker, using the staff and resources of Audit New Zealand, 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 18 to 34, that comprise the statement of financial position as at 30 June 2018, 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 4 to 9.

In our opinion:

- the financial statements of the company on pages 18 to 34:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; 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 Public Benefit Entity Standards with reduced disclosure requirements; and
- the performance information of the company on pages 4 to 9 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 2018.

Our audit was completed on 28 September 2018. 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, 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.

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. 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.

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 2 to 3; 10 to 13 and 35, 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.



David Walker
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

Waikato District Community Wellbeing Trust
Performance Report
For the year ended 30 June 2018

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Entity information**Legal name**

Waikato District Community Wellbeing Trust (the Trust).

Type of entity and legal basis

The Trust was incorporated on 1 November 2010 under the Charitable Trust Act 1957 and is domiciled in New Zealand. On the same date the Trust was registered in accordance with the Charities Act 2005 to give it charitable status. (Registration number: CC45642)

The Trust is controlled by Waikato District Council (Council) and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002, by virtue of Council's right to appoint the Trustees.

Objectives of the Trust

1. 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 *;
2. To develop an investment mandate seeking for the portfolio both income and growth from suitably diversified investments having a moderate investment risk.

* Clause 11 of the Deed lists the Trust's objectives as:

- a) To consider and approve projects submitted by Waikato District Council (Council);
- b) To publicise the projects and activities of the Trust;
- c) To actively promote the work of the Trust with a view to ensuring the long term operations of the Trust;
- d) To ensure information about the Trust's activities and objectives is available to people within the area and fosters a sense of community achievement and betterment;
- e) To develop appropriate funding allocation mechanisms; and,
- f) To be guided by a clearly defined set of principles.

The principal activities of the Trust are undertaken to:

- Promote the social, environmental and cultural wellbeing of the Waikato district and its communities;
- Deliver on the aspirations and community outcomes of the Waikato district as identified and promoted by the community; and,
- Fund projects identified by Council's planning documents.

Waikato District Community Wellbeing Trust**Performance report****For the year ended 30 June 2018****Structure of the Trust's operations, including governance arrangements**

The Trust comprises a Board of five Trustees who oversee the governance of the Trust.

The operation and administration of the Trust are undertaken by staff of Council. Those staff members are: Finance Manager, PA to the General Manager-Strategy & Support, Community Development Coordinator and Financial Accountant.

The Trustees are:

Mayor	Allan Sanson
Councillor	Jacqui Church (Chairperson)
Councillor	Rob McGuire
Council appointee	Eileen Bateup
Council appointee	Judi Muru

Main sources of the Trust's cash and resources

The Trust's introductory fund was provided by distribution of the capital fund of the Waikato Foundation Trust.

The proceeds of that distribution are invested in a portfolio of financial assets managed by Kiwi Wealth Limited. The returns from the portfolio are the Trust's source of continuing revenue.

Statement of service performance

The following performance measures were incorporated into the Statement of Intent for the year ended 30 June 2018.

Objective	Performance Measures	2017/18 Result	2016/17 Result
<p>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.</p>	Undertake an annual legal review of compliance with the Trust Deed no later than two months after the end of each financial year.	Review completed 28 August 2018.	Achieved. Legal review completed on 31 August 2017.
<p>Investment: To adhere to the Trust's <i>Management of Investment Portfolio and Distribution Policy</i>.</p> <p>To review on an annual basis the investment mandate and the performance of the portfolio manager.</p>	At each quarterly meeting review compliance with the Trust's <i>Management of Investment Portfolio and Distribution Policy</i> during that quarter.	Achieved. Quarterly compliance certificates have been provided to each meeting of trustees. The certificates are reviewed and adopted by the Trust Board.	Achieved. Quarterly compliance certificates have been provided to each meeting of trustees. The certificates are reviewed and adopted by the Trust Board.
<p>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.</p>	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.	Achieved. Grant approvals equate to 13.5% of the accumulated retained net income after allowing for accumulated expenses and inflation movements.	Achieved. Grant approvals equate to 14% of the accumulated retained net income after allowing for accumulated expenses and inflation movements. Actual grants paid included \$50,548 approved in previous years.

Waikato District Community Wellbeing Trust**Performance report****For the year ended 30 June 2018**

Objective	Performance Measures	2017/18 Result	2016/17 Result
Fund disbursement (cont)	Six-monthly reports are received from all successful applicants within the required timeframe.	Achieved. All required reports were received	Achieved. All required reports were received.

Portfolio and distribution policy compliance

Agreed targets	Actual Outcome 2017/18	Actual Outcome 2016/17
Ensure that the real (inflation adjusted) value of the fund is protected.	Achieved. The capital maintenance fund has been increased by 2% of opening capital while the annual Consumer Price Index increased by only 1.5% over the year.	Achieved. The capital maintenance fund has been increased by 2% of opening capital while the annual Consumer Price Index increased by only 1.7% over the year.
Ensure that no more than 10% of the capital is distributed in any one year.	Achieved. Grants approved of \$125,529 equal 3.2% of total capital.	Achieved. Grants approved of \$88,250 equal 2.6% of total capital.
Ensure there is diversification of investments with a 2% (increased to 7.5% from 1 July 2017) cap on the value of any single investment in the portfolio.	Achieved.	Mostly achieved. The instances where the cap was exceeded related to the PIE investment; they are not considered high risk.
The portfolio investment manager will report regularly to the Trustees.	Achieved. The portfolio investment reports are provided to the Trustees at each meeting.	Achieved. The portfolio investment reports are provided to the Trustees at each meeting.
The Trustees will annually review the performance of the portfolio manager.	Achieved. The performance of the portfolio manager was reviewed in February 2018.	Achieved. The performance of the portfolio manager has been reviewed. The Trustees have always acknowledged the need for a long-term view of portfolio management performance.

Waikato District Community Wellbeing Trust**Performance report****For the year ended 30 June 2018****Declaration by Board of Trustees**

The Board of Trustees is responsible for the preparation of the financial statements and performance information in accordance with the financial reporting standards.

The Board of Trustees is responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting and service performance results. In the opinion of the Board of Trustees, these financial statements fairly reflect or give a true and fair view of the financial position, operations and service performance of the Waikato District Community Wellbeing Trust for the year ended 30 June 2018.

Trustee: _____

Trustee: _____

Date: _____

Date: _____

Waikato District Community Wellbeing Trust
Performance report
For the year ended 30 June 2018

Statement of financial performance

	Note	2017/18		2016/17
		Actual	Budget	Actual
		\$	\$	\$
Revenue				
Finance income	1	2,694	52,582	4,543
Dividend income from portfolio of investments managed by Kiwi Wealth		16,467	25,340	34,454
Realised gains on investments		343,229	175,481	115,374
Unrealised gains on investments		39,408	-	202,342
Total revenue		401,798	253,403	356,713
Expenses				
Audit fees		7,628	7,500	7,628
Other expenditure	2	25,401	25,711	22,825
Grants	3	55,528	75,842	178,798
Unrealised losses on investments			-	-
Total expenses		88,557	109,053	209,251
Surplus (deficit) for the year		313,241	144,350	147,462

Waikato District Community Wellbeing Trust
Performance report
For the year ended 30 June 2018

Statement of financial position

	Note	2017/18		2016/17
		Actual	Budget	Actual
		\$	\$	\$
Assets				
Current assets				
Bank accounts and cash	4	139,800	308,564	137,494
Investments	5	4,037,842	3,354,531	3,662,173
Prepayments		366	-	-
Accrued interest		-	-	1
Total current assets		4,178,008	3,663,095	3,799,668
Total assets		4,178,008	3,663,094	3,799,668
Liabilities				
Current liabilities				
Creditors and other payables	6	233,108	85,784	128,149
Accrued expenses	7	27,928	7,540	67,788
Total current liabilities		261,036	93,324	195,937
Total liabilities		261,036	93,324	195,937
Total assets less total liabilities (net assets)		3,916,972	3,569,771	3,603,731
Trust equity				
	8			
Introductory fund		2,579,899	2,579,899	2,579,899
Capital maintenance fund		406,932	403,364	334,857
Accumulated funds		930,141	586,508	688,975
Total Trust equity		3,916,972	3,569,771	3,603,731

Waikato District Community Wellbeing Trust
Performance report
For the year ended 30 June 2018

Statement of cash flows

	Note	2017/18		2016/17
		Actual	Budget	Actual
		\$	\$	\$
Cash flows from operating activities				
Cash was received from:				
Interest receipts		2,694	52,582	4,544
Dividends received		16,455	25,340	34,449
Cash was applied to:				
Payment to donees		-	(241,297)	(51,048)
Payment to suppliers		(24,108)	(33,162)	(29,921)
Net cash flows from operating activities		(4,959)	(196,537)	(41,976)
Cash flows from investing and financing activities				
Cash was received from:				
Sale of investments		4,545,988	194,728	2,309,402
Cash was applied to:				
Acquisition of investments		(4,538,737)	-	(2,410,862)
Net cash flows from investing and financing activities		7,251	194,728	(101,460)
Foreign exchange translation differences		14	-	(759)
Net increase (decrease) in cash for the year		2,306	(1,809)	(144,195)
Add opening bank accounts and cash	4	137,494	310,373	281,689
Closing bank accounts and cash	4	139,800	308,564	137,494

Statement of accounting policies**Basis of preparation**

The Trustees have elected to apply PBE SFR-A (PS) *Public Benefit Entity Simple Format Reporting – Accrual (Public Sector)* for Tier 3 entities on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

Notwithstanding the comments above, the following Tier 2 PBE accounting standards have been used:

PBE IPSAS 4 The effects of changes in foreign exchange rates; and,
PBE IPSAS 29 Financial instruments: recognition and measurement.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future.

Goods and services tax (GST)

The Trust is not registered for GST. All amounts in the performance report are inclusive of GST.

Significant accounting policies**Interest and dividend revenue**

Interest revenue is recognised as it is earned during the year.

Dividend revenue is recognised when the dividend is declared.

Foreign currency transactions

Foreign currency transactions are translated into New Zealand Dollars using the exchange rate prevailing at the dates 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 surplus (deficit) for the year.

Grant expenditure

All grants made by the Trust are classified as discretionary.

Discretionary grants are those grants where the Trust has no obligation to award on receipt of the grant application. Such grants are recognised as expenditure when approved without condition by the Trustees and the approval has been communicated to the applicant. Discretionary grants made subject to conditions are recognised as expenditure when all conditions have been met.

Income tax

The Trust has charitable status and is exempt from income tax.

Bank accounts and cash

Bank accounts and cash includes cash on hand and deposits held at call with financial institutions.

Investment portfolio

Components of the investment portfolio are classified as financial assets at fair value through surplus or deficit. The reason for this classification is that the portfolio is comprised of identified financial instruments that are managed together and for which there is evidence of short-term profit-taking.

All financial assets in the portfolio are classified as current assets.

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(deficit) for the year.

Creditors and accrued expenses

Creditors and accrued expenses are measured at the amount owed.

Budget figures

The budget figures are derived from the statement of intent approved by the Trustees at the beginning of the financial year. The budget figures have been prepared in accordance with Tier 3 standards (with the exceptions noted above), using accounting policies that are consistent with those adopted by the Trustees in preparing these financial statements.

Changes in accounting policies

There have been no changes in accounting policies.

Notes to the performance report

I. Finance income

	2017/18	2016/17
	Actual	Actual
	\$	\$
Interest income from portfolio of investments managed by Kiwi Wealth	2,693	4,541
Interest income from BNZ	1	2
Total finance income	2,694	4,543

All finance income is generated through exchange transactions.

2. Other expenditure

	2017/18	2016/17
	Actual	Actual
	\$	\$
Management fees	23,850	22,380
Insurance	1,063	-
Other expenses	488	445
Total other expenditure	25,401	22,825

Waikato District Community Wellbeing Trust**Performance report****For the year ended 30 June 2018****3. Grants paid**

	Purpose of Grant	2017/18 Actual	2016/17 Actual
		\$	\$
The Bush Tramway Club (Inc)	To complete stage 3 of the extension line on the railway track leading to Glen Afton village	-	15,548
Ngaruawahia United AFC	To upgrade the kitchen of the Club's facility located at Centennial Park Ngaruawahia	-	15,000
Raglan Mountain Bike Club	Contribution towards development of a mountain bike track	-	20,000
Ngaruawahia Community House	Towards cost of replacing original roof	-	13,557
Pukemokemoke Bush Trust	Towards cost of upgrading walking track	-	17,193
Taupiri Rugby Football Club	Towards cost of upgrading communal toilet facilities	-	7,500
Turangawaewae Rugby League Club	Upgrade kitchen facilities	-	15,000
Whitikahu Hall Committee	Towards cost of upgrading tennis courts	-	15,000
Glen Afton Pukemiro Society Incorporated	Construction of a mining memorial in Glen Afton	-	20,000
Te Kauwhata Events Committee Incorporated	For stage I of the Whangamarino Wetland Walkway	-	40,000
Menzshed	Towards cost of building new workshop	10,000	
Ngaruawahia Community Board	Towards cost of installing adult fitness stations in Ngaruawahia	10,000	
Tamahere-Mangtaone Restoration Trust	Stage two: Tamahere Reserve boardwalk project	13,061	
Holy Trinity Church	To replace front-facing hall window	10,017	
St Andrews Presbyterian Church	Stage II Te Kauwhata Youth Centre ramp	12,450	
Total grants paid		55,528	178,798

4. Bank accounts and cash

	2017/18 Actual	2016/17 Actual
	\$	\$
Cash at bank	127,203	994
Cash investments managed by Kiwi Wealth Note 13	12,597	136,500
Total bank accounts and cash	139,800	137,494

The carrying value of cash at bank approximates its fair value.

Waikato District Community Wellbeing Trust
Performance report
For the year ended 30 June 2018

5. Investments

	2017/18	2016/17
	Actual	Actual
	\$	\$
Fixed interest instruments managed by Kiwi Wealth	1,828,064	1,711,457
Equity instruments managed by Kiwi Wealth	2,209,778	1,950,716
Total investments	4,037,842	3,662,173

The Trust has a portfolio of investments which is managed by Kiwi Wealth Limited. The portfolio investments are detailed in note 13.

Accrued interest of \$18,248 (June 2017: \$18,151) is included in the portfolio.

6. Creditors and other payables

	2017/18	2016/17
	Actual	Actual
	\$	\$
- Audit fee 2016	7,399	7,399
- Annual return fees	102	51
- Insurance	1,429	-
- Other expenses	236	-
- Grants	214,326	118,798
<i>Total Council Payable:</i>	<i>223,492</i>	<i>126,248</i>
Management fee	1,988	1,901
Audit fee 2017	7,628	-
Total creditors and other payables	233,108	128,149

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

All payables have arisen from exchange transactions.

Waikato District Community Wellbeing Trust**Performance report****For the year ended 30 June 2018****7. Accrued expenses**

	2017/18	2016/17
	Actual	Actual
	\$	\$
Audit fee – current year	7,628	7,628
Grants	20,000	60,000
Other expenses	300	160
Total accrued expenses	27,928	67,788

8. Equity

	Introductory fund	Capital maintenance fund	Accumulated funds	Total equity
Balance at 1 July 2016	2,579,899	265,731	610,639	3,456,269
Surplus (deficit)	-	-	147,462	147,462
Capital maintenance charge	-	69,126	(69,126)	-
Balance at 30 June 2017	2,579,899	334,857	688,975	3,603,731
Surplus (deficit)	-	-	314,176	314,176
Capital maintenance charge	-	72,075	(72,075)	-
Balance at 30 June 2018	2,579,899	406,932	931,076	3,917,907

Introductory and capital maintenance funds

The Trust was established with an initial contribution resulting from the transfer of 35% of funds previously held by the Waikato Foundation Trust as at 31 January 2012. This was recognised as revenue in that year and transferred to the introductory fund.

The Trust's performance objectives, as listed in the Statement of intent for the year to 30 June 2018, include a requirement to protect the real (inflation adjusted) value of the fund. An adjustment of 2% of opening capital is added to the Capital maintenance fund annually in order to achieve this objective.

Waikato District Community Wellbeing Trust**Performance report****For the year ended 30 June 2018****9. Commitments****Capital commitments**

There are no capital commitments as at 30 June 2018 (June 2017: Nil).

Operational commitments

As at 30 June 2018 the Trust had the following grant commitments:

Donee	Purpose of grant	Amount
Raglan Community Arts Centre Trust	Towards construction of a new theatre and clay shed on the Old School site in Raglan.	20,000
Ngaruawahia RSA Memorial Club Inc	To upgrade building roof.	20,000
Tuakau Youth Sport Trust	To build a new skatepark in Tuakau.	20,000
Waikato District Crime Prevention Technology Trust	To upgrade existing CCTV cameras and monitoring equipment in Huntly.	30,000
Te Kauwhata & Districts Information & Support Centre Inc	(The Community House) To purchase the existing Community House building & land.	40,000
Taupiri Rugby Football Club Inc	To install three Panasonic heating units.	9,000
Ngaruawahia Squash Racquets Club	To upgrade bathroom facilities.	8,000
Bush Tramway Club (Inc)	To extend existing carriage storage shelter.	10,000
Matangi-Hillcrest Sports Club Inc	To remedy water supply issues.	6,162
Waikato District Crime Prevention Technology Trust	To upgrade existing CCTV cameras and monitoring equipment across the Waikato District (excluding Huntly).	25,000
Total outstanding grants		\$188,162

All grants are subject to conditions and are not paid until those conditions are fulfilled.

10. Contingent liabilities

There are no contingent liabilities as at 30 June 2018 (June 2017: Nil).

11. Events after balance date

There are no significant events after the balance date.

12. Related party transactions

The Trust is controlled by Waikato District Council and is a member of the Waikato District Council Group along with Council and Strada Corporation Limited. All transactions with related parties were conducted at arms-length.

During the period Council has paid some expenses on behalf of the Trust and there is an amount payable to Council at balance date. Those transactions comprise expense and grants payments and the balance outstanding at 30 June 2018 is \$223,492 (June 2017: \$126,248). See note 6 for details

13. Managed portfolio

The portfolio of the Trust's investments is managed by Kiwi Wealth Limited.

The portfolio composition is:

	June 2018	June 2017
	\$	\$
Cash investments	12,597	136,500
Fixed interest	1,828,064	1,711,457
Equity investments	2,209,778	1,950,673
Total managed portfolio	4,050,439	3,789,673

14. Explanation of major variances against budget

Explanations for major variances from the Trust's budget figures in the 2017/18 Statement of Intent are as follows:

- Revenue is budgeted on a conservative basis and estimated at a steady return of 7.26% (before expenses) on the opening portfolio balance. This year's actual return is 10.6%.
- Actual grants paid included \$20,000 approved in previous years but did not include \$90,000 of current year grants still outstanding at 30 June; hence the 26.8% variance between the amount budgeted and the total amount paid.
- A delay in processing the payment to Waikato District Council is the reason for the high balance of creditors and other payables as it includes expenditure from last year.

15. Breach of section 67 of the Local Government Act 2002

The Trust did not adopt its audited financial statements within three months of balance date (30 September 2018) as required by section 67 of the Local Government Act 2002.

The reason for the late adoption was that some of the evidence required for audit purposes was not available until after 30 September 2018.

Open Meeting

To	Strategy & Finance Committee				
From	Tony Whittaker Chief Operating Officer				
Date	16 November 2018				
Prepared by	Alison Diaz Finance Manager				
Chief Executive Approved	Y/N				
Reference/Doc Set #	GOV1318 / 2121026				
Report Title	Local Government	Funding	Agency	Annual	Report 2018

1. EXECUTIVE SUMMARY

The attached Annual Report for the Local Government Funding Agency provides detail on the agencies performance for the 2017/18 financial year and outlines the key achievements.

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received.

3. ATTACHMENTS

A Cover letter to LGFA Guarantors

B LGFA Annual Report 2018

28 August 2018

Dear Guarantor

LGFA 2018 Annual Report

I attach our Annual Report for 2018 as required under section 8 of our Statement of Intent (SOI).

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 2018, LGFA had loans outstanding of \$7.96 billion to fifty-six participating councils. This is an increase of \$180 million in loans and we added three new council members over the past year.

2. Market share of 70% of sector borrowing for the year.

For the 12-month period to 30 June 2018, LGFA provided 70% of the sector borrowing and we are appreciative of the support from our borrowing councils.

3. A strong financial position has ensured a dividend payment of 5.14% for shareholders.

The financial strength of LGFA has been enhanced with a Net Operating Profit of \$11.8 million for the 2017/18 year and Shareholder Equity of \$64.29 million as at 30 June 2018.

A copy of the Annual Report is attached, it will also be available on our website www.lgfa.co.nz from today. If you would like a hard copy version, please contact jane.phelan@lgfa.co.nz.

Please do not hesitate to contact me if you have any comments or questions.

Kind regards



Mark Butcher
Chief Executive

Partnering with Councils to finance infrastructure investment

Mā te huruhuru
ka rere te manu

Annual report
30 June 2018



NEW ZEALAND LOCAL
GOVERNMENT FUNDING AGENCY
TE PŪTEA KĀWANATANGA Ā-ROHE

Mā te huruhuru ka rere te manu
is a traditional saying literally meaning
'birds need feathers to fly'.

Its wider meaning is that
'investment is needed for success'.

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About us

Ko ngāi mātou

Establishment

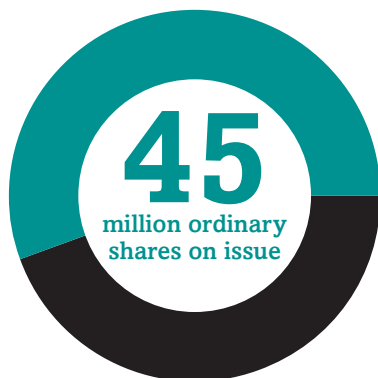
The New Zealand Local Government Funding Agency Ltd (LGFA) specialises in funding the New Zealand local government sector, the primary purpose being to provide more efficient funding costs and diversified funding sources for New Zealand local authorities. LGFA was established to raise debt on behalf 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.

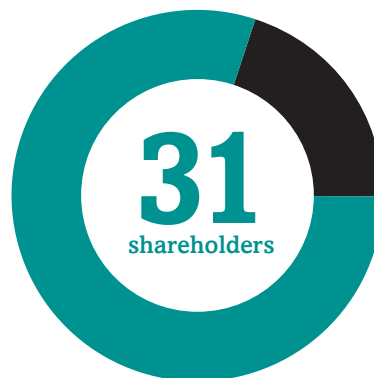
Enabled
by Local
Government
Borrowing
Act 2011

**Council-
controlled
organisation**
under the Local
Government
Act 2002.

Ownership



20 million of which
remain **uncalled**.



20%
New Zealand
Government

80%
30 councils

Share ownership is restricted
to New Zealand Government
or councils.

Guarantee structure

LGFA's securities obligations are guaranteed by the councils that are Guarantors.

LGFA is not guaranteed by the New Zealand Government

All council shareholders must be a Guarantor as well as any council with aggregate borrowings over \$20 million.

Credit rating

as at 30 June 2018

Domestic Currency AA+ / Foreign Currency AA (Stable Outlook)

Standard & Poor's

Domestic Currency AA+ / Foreign Currency AA (Stable Outlook)

Fitch Ratings

These credit ratings are the same as the New Zealand Government ratings.

Face value of bonds on issue

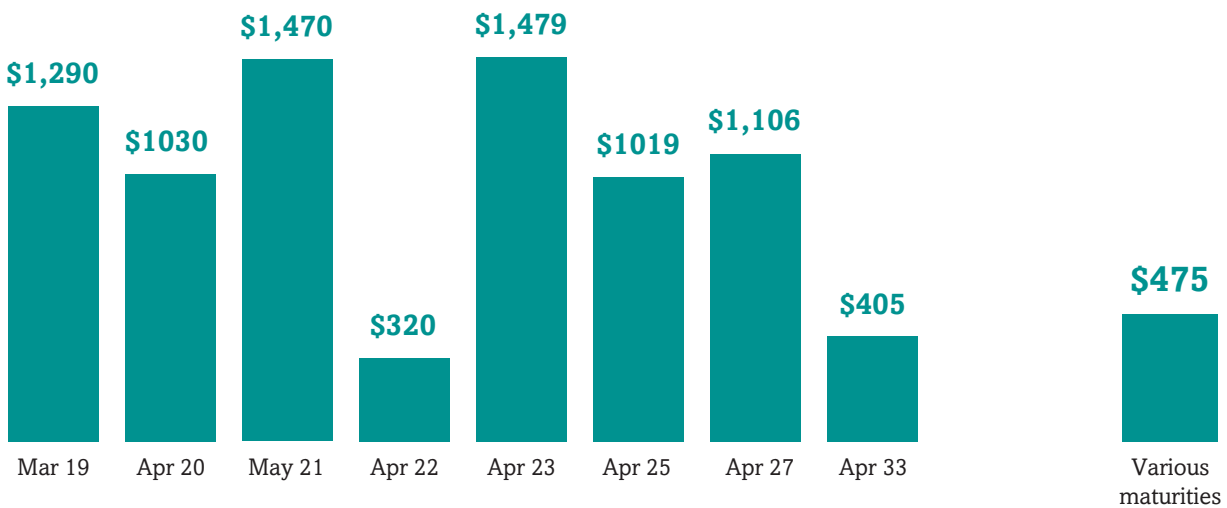
as at 30 June 2018 (NZ\$ million)

\$8,119
million

Bills on issue

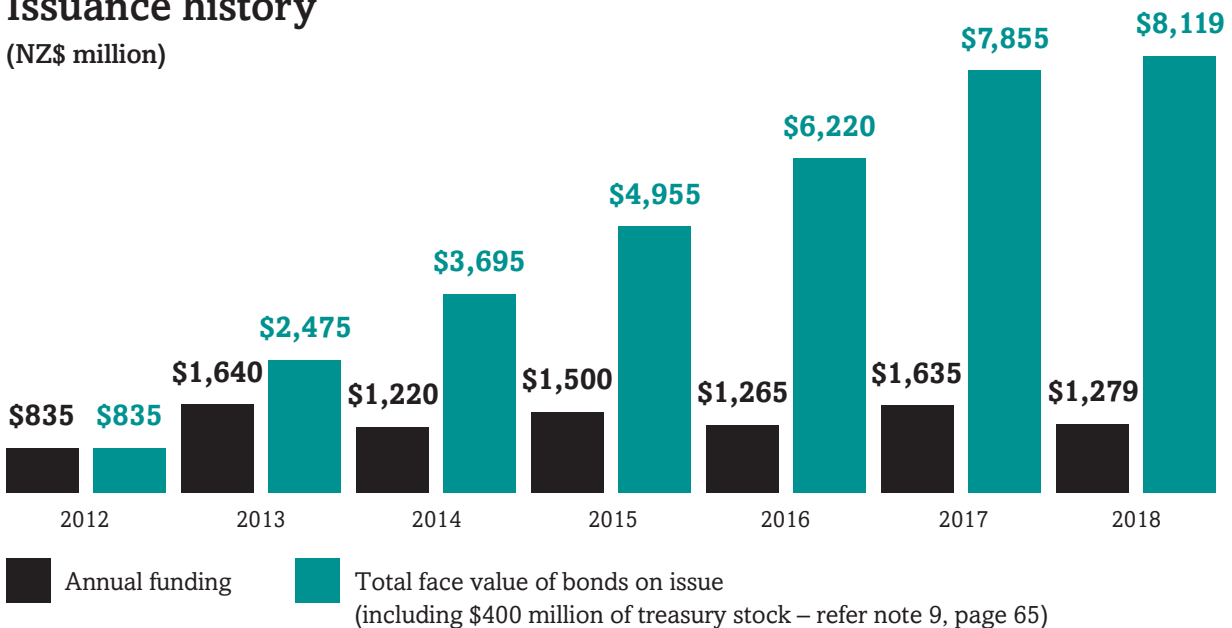
as at 30 June 2018 (NZ\$ million)

\$475
million



Issuance history

(NZ\$ million)

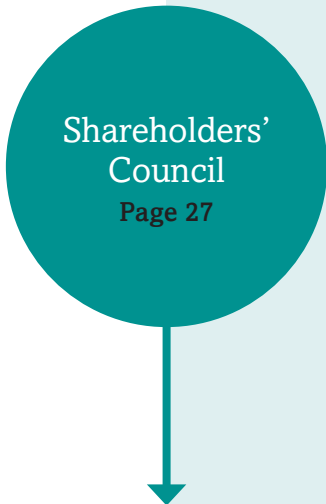


Governance overview



31 Shareholders

New Zealand Government shareholding reduces to 11.1% if a call is made on uncalled capital of the 30 council shareholders.



LGFA Shareholders' Council, comprising five to ten appointees from the Council Shareholders and the New Zealand Government. Role of the Shareholders' Council is to:

- 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 SOI, requiring their approval;
- Update Shareholders** on LGFA matters and to coordinate Shareholders on governance decisions.



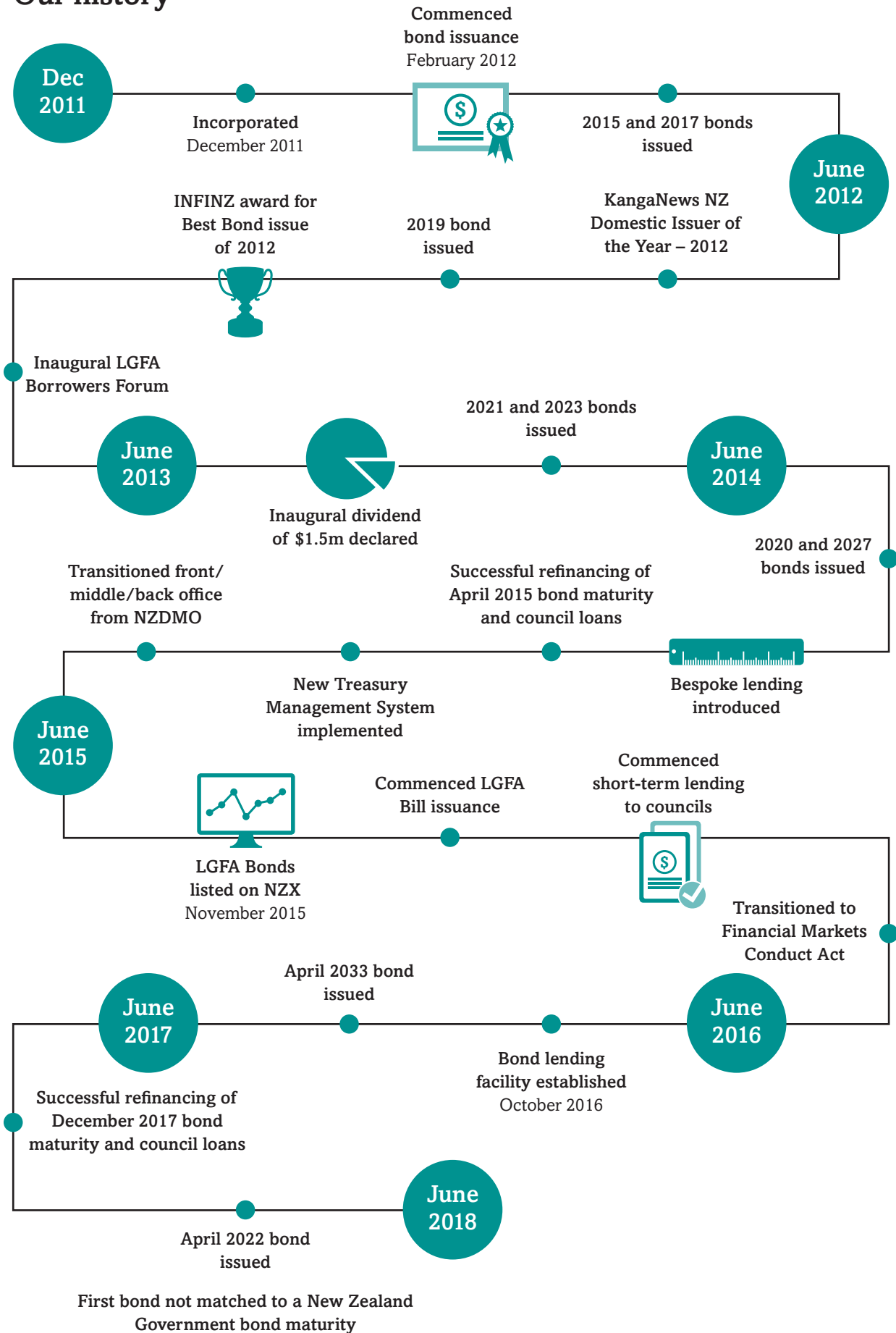
LGFA Board, is responsible for the strategic direction and control of LGFA's activities. The Board guides and monitors the business and affairs of LGFA, in accordance with:

- 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** and **one non-independent** directors appointed by shareholders.



Our history



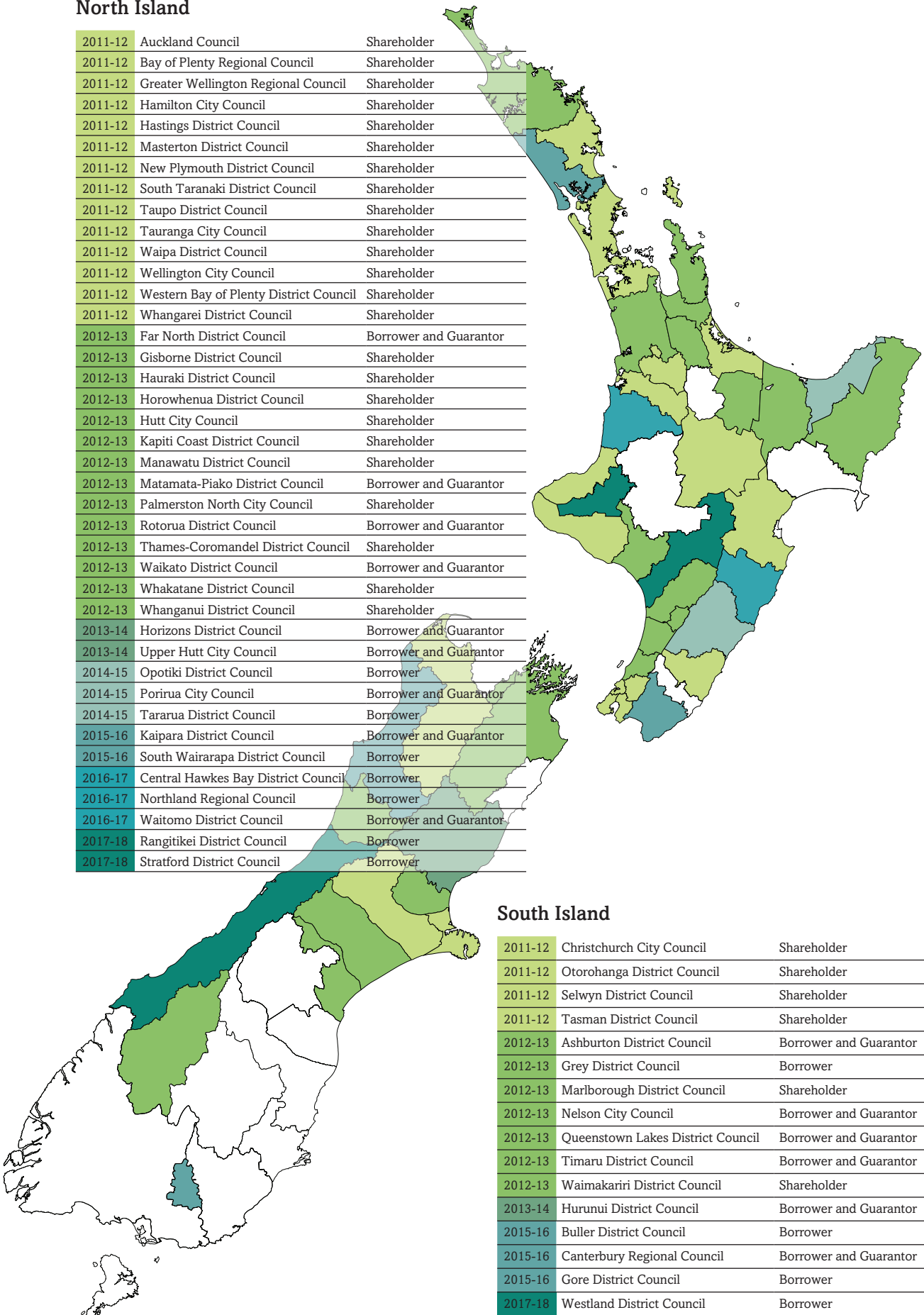
LGFA's 56 participating councils with year of joining

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	Taranaki District Council	Borrower
2015-16	Kaipara District Council	Borrower and Guarantor
2015-16	South Wairarapa District Council	Borrower
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

South Island

2011-12	Christchurch City Council	Shareholder
2011-12	Otorohanga District Council	Shareholder
2011-12	Selwyn District Council	Shareholder
2011-12	Tasman District Council	Shareholder
2012-13	Ashburton District Council	Borrower and Guarantor
2012-13	Grey District Council	Borrower
2012-13	Marlborough District Council	Shareholder
2012-13	Nelson City Council	Borrower and Guarantor
2012-13	Queenstown Lakes District Council	Borrower and Guarantor
2012-13	Timaru District Council	Borrower and Guarantor
2012-13	Waimakariri District Council	Shareholder
2013-14	Hurunui District Council	Borrower and Guarantor
2015-16	Buller District Council	Borrower
2015-16	Canterbury Regional Council	Borrower and Guarantor
2015-16	Gore District Council	Borrower
2017-18	Westland District Council	Borrower

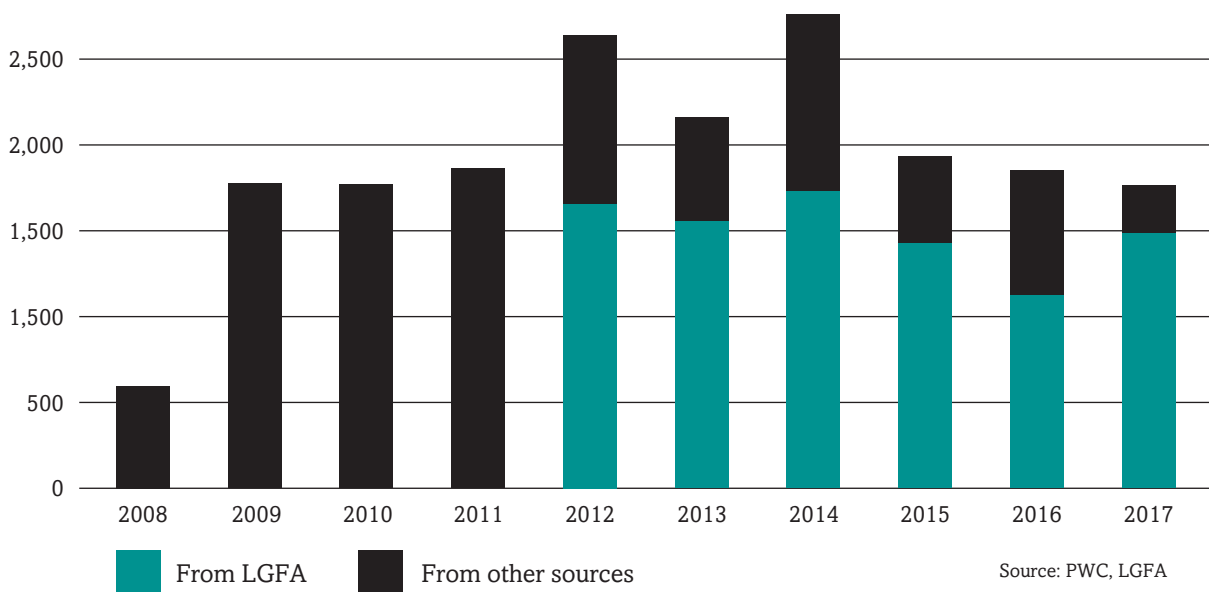


Participating councils

Borrower Type	Number of Councils	Amount Borrowed (NZ\$ million)	Percentage of Total Borrowing
Guarantors	45	7,846	98.6
Non Guarantors	11	130	1.4
Total	56	7,976	100

Councils' borrowing

All councils (NZ\$ million) calendar year



New member Councils

LGFA welcome the following three councils who joined as eligible borrowers in the year-ended 30 June 2018:



Message from the Chair

He karere mai i te Toihau

For the year ended 30 June 2018

“LGFA continues to be the leading provider of cost-effective funding to New Zealand councils while offering investors a highly rated, higher yielding alternative to New Zealand Government Bonds.”

Craig Stobo, Chair LGFA Board



Directors are pleased to record another period of strong financial and non-financial performance to 30 June 2018 and to highlight the following developments over the past year.

Strong financial and operational performance

LGFA total interest income for the financial year of \$342.8 million was a 6.9% increase over the 2016-17 financial year result of \$320.7 million while net operating profit of \$11.80 million for the financial year was a 6.8% increase on the 2016-17 financial year result of \$11.05 million.

Net interest income and operating profit exceeded both the previous year's result and the Statement of Intent (SOI) forecast due to the early refinancing of loans by councils maturing in December 2017 and a higher level of liquid assets held than forecast.

Expenses have been managed under budget over the past year as lower personnel costs and lower fees from a reduced utilisation of the standby facility relative to forecast were offset by higher legal costs from the establishment of an Australian Medium Term Notes Programme and lending activities above budget.

While we achieved strong financial and operating performance and delivered value to stakeholders, we did not meet all SOI specific performance targets outlined on page 43 of this Annual Report. The average margin on loans to councils was higher than the SOI target due to many councils borrowing from LGFA for longer tenors at higher margins. For the coming year, we have adopted a flat margin structure for councils, irrespective of loan tenor. Our lending to councils was lower than expected due to the timing of the March 2019 loan refinancing. This led to LGFA not achieving our target for lending volumes for the first time in six years and we will work closer with councils in the coming year regarding the timing of their borrowing.

LGFA bonds continue to be an attractive investment for investors, while LGFA has also delivered savings in borrowing costs and extended the tenor of lending available to our council borrowers.

The financial strength of LGFA was reaffirmed in late 2017 by credit rating agencies Standard & Poor's and Fitch who both maintained our credit rating at 'AA+', which very importantly is the same as the New Zealand Government. In May 2018, S&P announced the introduction of a new ratings methodology for non-US public sector funding agencies such as LGFA and subsequently affirmed our local currency long term rating as 'AA+' on 13 July 2018.

Borrowing activity

LGFA issued \$1.279 billion of bonds over the financial year and outstandings now total \$8.119 billion (including \$400 million of treasury stock) across eight maturities from 2019 to 2033. A highlight was the debut issuance of an April 2022 bond which provides a new mid curve maturity for investors. The issuance of the April 2022 bond was a change from our previous strategy of issuing into New Zealand Government Bond (NZGB) maturities but, after careful consideration, it was decided to issue the new maturity to help reduce the mismatch between LGFA bond issuance and on-lending to councils.

LGFA is the largest issuer of NZD 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 was pleasing to see our estimated offshore investor holdings grow to 39% from 31% a year ago.

The performance of LGFA bonds over the past year was mixed with LGFA bond spreads to both swap and NZGB tighter on maturities out to 2021, but spreads wider on maturities beyond 2023. Outright yields declined between 28 bps (0.28%) on the 2033 maturity and 55 bps (0.58%) on the 2021 maturity over the year.

LGFA continues to issue short-dated LGFA Bills ranging in maturities from three months to 12 months through a combination of monthly tenders and private placements. Outstandings under the programme have reached \$475 million. These instruments provide a source of funding for short-dated lending to our council borrowers and assist LGFA with liquidity management.

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 New Zealand Government remain as shareholders. Over the past year, we added three new members with Stratford, Rangitikei and Westland District Councils joining as non-guarantors. Total membership is now 56 councils, and this is expected to rise in the coming year as several councils have included joining LGFA in their Long-Term Plans.

Long-dated lending over the 2017-18 year totalled \$1.088 billion with much of the lending activity being the refinancing of council loans maturing on 15 December 2017. The tenor of borrowing by councils shortened slightly to an average term of borrowing of 6.9 years over the 12-month period.

Short-dated lending for terms less than 12 months has been well received by councils and as at 30 June 2018, LGFA had \$236 million of short-term loans outstanding to 19 councils.

The sector outlook and impact on LGFA

The success of LGFA over the past six years has been in part due to its ability to evolve and adapt to meet the needs of the local government sector. This has been apparent with the introduction of short-term lending, bespoke lending and the introduction of long-dated bond maturities allowing councils to undertake long-dated borrowing.

Following the change in central government in October 2017, there has been several policy announcements regarding the need to hasten delivery of housing infrastructure, the establishment of an inquiry by the Productivity Commission into local government funding and financing and the review of the management of drinking water, stormwater and waste water (the Three Waters review). The outcome of these initiatives may have a significant impact on the wider local government sector, so LGFA is assisting where possible both central and local government to work through the issues.

Our council members are also currently in the process of publishing their Long-Term Plans and we would expect both higher infrastructure investment and increased borrowing requirements from the sector over the next 10 years. We are confident that LGFA can meet the needs of our council members.

Acknowledgments

The Agency's work cannot be implemented without the support of our staff, fellow directors, Shareholders' Council and the New Zealand Debt Management Office (NZDMO), whose efforts all should be acknowledged. I would like to also thank Mark Butcher, our Chief Executive, for his leadership of the organisation over the past year. Directors believe the Agency's future remains positive and look forward to working with all stakeholders in the year ahead.



Craig Stobo
Chair, LGFA Board



Award winning
redeveloped
Stratford District
Library.
Stratford District
Council



Stratford water
treatment plant.
The \$7.0m project was
undertaken to meet
the new Drinking
Water Standards.
Stratford District
Council



the more things
you will know.

Performance highlights

Putanga mahi matua

Bonds issued over financial year

\$1.279
billion

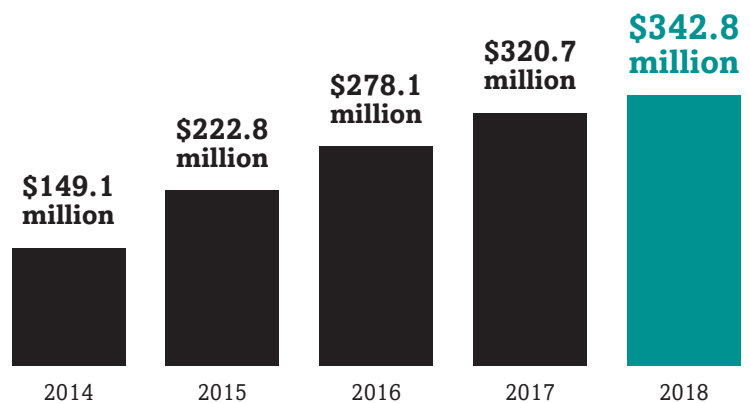
Lending to councils over financial year

\$1.088
billion

Total interest income

\$342.8
million

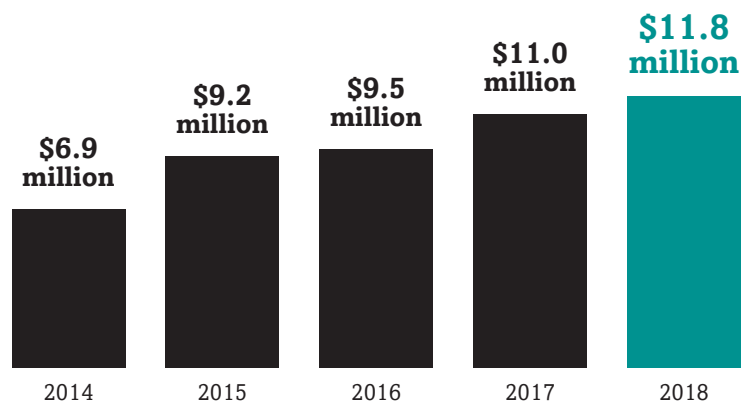
▲ **6.9%**
increase over the 2016-17 financial year



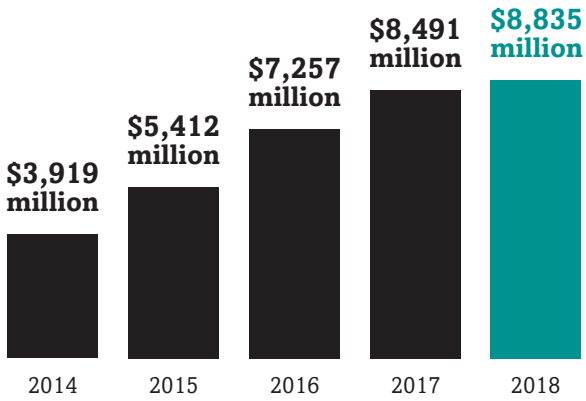
Net operating profit

\$11.8
million

▲ **6.8%**
increase over the 2016-17 financial year



Total assets



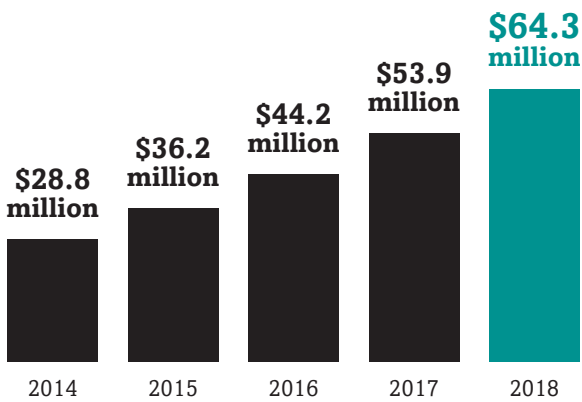
Liquidity as at 30 June 2018



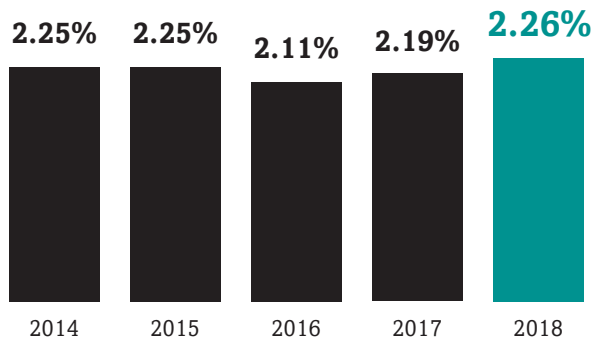
Shareholder funds 30 June 2018



Shareholder equity



Shareholder funds and borrower notes / total assets



Borrower Notes are subordinated convertible debt instruments subscribed for by borrowing councils.

Corporate governance Ārahitanga ā-rangatōpū

NZX Corporate Governance Best Practice Code

The LGFA Board is committed to ensuring the Company demonstrates ongoing commitment to strong and sound corporate governance.

LGFA is a listed issuer on the NZX Main Board and this section sets out the Company's compliance with the eight core principles underpinning the NZX Corporate Governance Best Practice Code 2017.

The Company considers that its governance practices have not materially differed from the NZX Code for the year ended 30 June 2018. Areas where the Company has implemented alternative measures to the Code are as follows:

An Issuer should establish a nomination committee to recommend director appointments to the Board.

An Issuer should establish a remuneration committee to recommend remuneration packages for directors to shareholders.

The process for the nomination and remuneration of directors is documented in the Constitution of New Zealand Local Government Funding Agency Limited and outlined below.

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

Principle 1 Code of ethical behaviour

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for delivering these standards throughout the organisation.

Code of Ethics

LGFA has adopted a formal Code of Ethics, incorporating both our Conflicts of Interest Policy and Code of Conduct Policy, which sets out the standards that both directors and employees of LGFA are expected to follow to reflect the values of LGFA.

The Company recognises impartiality and transparency in governance and administration are essential to maintaining the integrity of LGFA. Accordingly, the Conflicts of Interest Policy formally provides guidance to employees and directors of LGFA in relation to conflicts of interest and potential conflicts of interest, including specific guidance on the process for 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 carry out their roles while maintaining high standards of integrity and conduct by clearly

setting out our standards for expected behaviour. In addition, the policy sets out the Company's commitment to behave in a fair and reasonable manner to employees, while providing a fair and safe working environment.

Protected Disclosures and Whistle Blowing

The Company has adopted a Protected Disclosures and Whistle Blowing Policy which provides 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

LGFA has formally adopted a Financial Products Trading Policy, which applies to all directors, employees and contractors, and details LGFA's policy on, and rules for dealing in, listed debt securities issued by LGFA and any other quoted financial products of LGFA.

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

Principle 2 Board composition and performance

LGFA Board Charter

The LGFA Board has adopted a Board Charter which describes the Board's role and responsibilities and regulates the Board's procedures. The Board Charter states that the role of the Board is to ensure the Company achieves the Company goals. Having

regard to its role the Board will direct, and supervise the management of, the business and affairs of the Company, including:

- ensuring that the Company goals are clearly established, and that strategies are in place for achieving them (such strategies being expected to originate, in the first instance, from management);

- establishing policies for strengthening the performance of the Company;
- ensuring strategies are in place for meeting expectations set out in the current Statement of Intent and monitoring performance against those expectations, in particular the Company'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 with the Company;
- deciding on whatever steps are necessary to protect the Company'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 the Company's financial statements are true and fair and otherwise conform with law;
- ensuring that the Company adheres to high standards of ethics and corporate behaviour; and
- ensuring that the Company has appropriate risk management/regulatory compliance policies in place. In the normal course of events, day-to-day management of the Company will be in the hands of management. The Board will satisfy itself that the Company is achieving the Company goals; and engaging and communicating with Shareholders' Council

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 2018:



Craig Stobo
Independent Chair

BA (Hons) Economics. First Class, Otago

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. He was chair of the Establishment Board and acting Chief Executive of LGFA. He is chair of the Establishment Board of the Local Government Risk Agency.



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 an independent director of Strategic Pay Limited, Fund Managers Auckland Limited and a trustee of the New Zealand School of Dance.



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 25 years. He is currently a director of South Port New Zealand Limited, Papa Rererangi i Puketapu (New Plymouth Airport) and 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.



Linda Robertson
Independent Director

B.Com, Dip Banking, INFINZ (Distinguished Fellow), C.F.Inst.D, GAICD

Linda is a professional director with nearly 20 years governance experience and over 30 years experience in executive finance roles, having worked in the banking and energy sector in New Zealand. She is Chair of Pacific Radiology Group, a director of Auckland Council Investments Limited, Dunedin City Holdings Limited, Dunedin City Treasury Limited, NZPM Group Limited and Crown Irrigation Investments Limited. Linda is also a member of the Audit and Risk Committee for the Ministry of Social Development, a member of the Treasury Advisory Committee of the New Zealand Export Credit Office and Chair of the Audit and Risk Committee for Central Otago District Council.



Mike Timmer
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 is presently Treasurer at the Greater Wellington Regional Council. He is Chairman of the Finance Committee of Physiotherapy New Zealand Incorporated and past Deputy Chair of the LGFA Shareholders' Council.



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, including nine years as Managing Director of Milford Asset Management. 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.

Name of Director	Nature and extent of interest	
Craig Stobo (Chair)	<p>Director</p> <p>Precinct Properties New Zealand Limited</p> <p>Elevation Capital Management Limited</p> <p>Saturn Portfolio Management Limited</p> <p>Stobo Group Limited</p> <p>AIG Insurance NZ Limited</p> <p>Bureau Limited</p> <p>SouthWest Trustees Limited</p> <p>Appello Services Limited</p> <p>Biomarine Group Limited</p> <p>Legend Terrace Limited</p>	<p>General disclosure</p> <p>Chair, Establishment Board, Local Government Risk Agency</p>
John Avery	<p>Director</p> <p>Fund Managers Auckland Limited</p> <p>Strategic Pay Limited</p> <p>Strategic Pay Trustee Service Limited</p>	<p>General disclosure</p> <p>The New Zealand School of Dance (Trustee)</p> <p>New Zealand Dance Advancement Trust (Trustee)</p> <p>Stinger Trust (Trustee)</p>
Philip Cory-Wright	<p>Director</p> <p>South Port New Zealand Limited</p> <p>Papa Rererangi i Puketapu (New Plymouth Airport)</p>	
Anthony Quirk	<p>Director</p> <p>Evolve Education Group</p> <p>Non-Executive Director and Shareholder, Milford Asset Management</p> <p>Deputy Chair, Compass Housing NZ</p>	<p>General disclosure</p> <p>Chairman, New Zealand Water Polo Board member, Graeme Dingle Foundation, Wellington</p>
Linda Robertson	<p>Director</p> <p>RML Consulting Limited</p> <p>Dunedin City Holdings Limited</p> <p>Dunedin City Treasury Limited</p> <p>NZPM Group Limited</p> <p>Auckland Council Investments Limited</p> <p>Crown Irrigation Investments Limited</p> <p>Pacific Radiology Group Limited (Chairman)</p>	<p>General disclosure</p> <p>Central Lakes Trust</p> <p>Audit and Risk Committee, Ministry of Social Development</p> <p>Technical Advisory Committee, NZ Export Credit Office</p> <p>Trustee, Central Otago District Council</p> <p>Chair, Audit and Risk Committee</p>
Mike Timmer		<p>General disclosure</p> <p>Officer, Greater Wellington Regional Council</p> <p>Chairman of Finance Committee, Physiotherapy New Zealand</p>

Nomination of Directors

Director nominations can only be made by a shareholder by written notice to the Company and 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 the Company to all persons entitled to attend the meeting.

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 and, if desired, seek 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

As at 30 June 2018

Director	Originally appointed	Last reappointed/ elected	Tenure
Craig Stobo (Chair)	1 December 2011	19 November 2013	6 years, 7 months
John Avery	1 December 2011	24 November 2015	6 years, 7 months
Philip Cory-Wright	1 December 2011	24 November 2016	6 years, 7 months
Anthony Quirk	21 November 2017	21 November 2017	7 months
Linda Robertson	24 November 2015	24 November 2015	2 years, 7 months
Mike Timmer	24 November 2015	24 November 2016	2 years, 7 months

Abby Foote, Independent Director, retired from the Board on 21 November 2017. Abby was appointed to the LGFA Board on 1 December 2011 and served as a Director for 6 years.

Meetings of the Board

The table below shows attendances at Board, committee and strategy meetings by directors during the year ended 30 June 2018. In addition to the scheduled meetings, additional meetings are convened as necessary to consider specific issues.

Director	Board	Audit and Risk Committee
Craig Stobo (Chair)	6/6	--
John Avery	6/6	--
Philip Cory-Wright	6/6	4/4
Abby Foote ¹	2/2	2/2
Anthony Quirk ²	4/4	2/2
Linda Robertson	6/6	4/4
Mike Timmer	6/6	4/4

1. Abby Foote retired from the Board on 21 November 2017.

2. Anthony Quirk was elected to the Board on 21 November 2017.

Board performance review

The Board has established an annual formal self-assessment procedure to assess director, board and committee performance. In addition, Board performance is reviewed by external consultants on a periodic basis.

Director training

As part of LGFA's commitment to ongoing director education, LGFA regularly invites directors 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

The LGFA is committed to promoting a culture that supports both workplace diversity and inclusion within the organisation.

The Company 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 the Constitution of the Company and the Shareholders Agreement.

Gender diversity of directors



2018
Female 1, Male 5



2017
Female 2, Male 4

Gender diversity of employees



2018
Female 2, Male 4



2017
Female 2, Male 4

Indemnities and insurance

Under the Company's constitution, LGFA has indemnified 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 the Company. The types of acts that are not covered are dishonest, fraudulent, malicious acts, or omissions, wilful breach of statute or regulation, or duty to the Company, improper use of information to the detriment of the Company, 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 an Audit and Risk Committee Charter, which states that the purpose of the Audit and Risk 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. It assists the Board to fulfil its duties by considering, reviewing and monitoring:

- Risk management framework and processes;
- Internal control environment and mechanisms;
- Processes relating to the preparation and audit of financial statements of LGFA;
- The integrity of performance information, including financial reporting;

- The 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

The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

Principle 4 Reporting and disclosure

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 of LGFA and to ensure there

are appropriate processes and activities to ensure compliance with relevant regulatory and statutory requirements.

The Company has adopted a formal Continuous Disclosure Policy, the requirements of which ensure that LGFA meets the continuous disclosure requirements of the NZX Listing Rules.

Principle 5 Remuneration

The remuneration of directors and the CEO should be transparent, fair and reasonable.

The remuneration of the Board reflects the size and complexity of the Company and the responsibilities, skills, performance and experience of the directors. A specialist independent adviser may be used 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 2017.

Approved Director annual fee breakdown

Position	Fees per annum	2018	2017
Board Chair		\$97,000	\$90,000
Audit and Risk Committee Chair		\$60,000	\$54,000
Director		\$55,000	\$51,000

Director remuneration

Director	2018
Craig Stobo	\$97,000
John Avery	\$55,000
Philip Cory-Wright	\$55,000
Abby Foote ¹	\$23,500
Anthony Quirk ²	\$33,611
Linda Robertson ³	\$58,056
Mike Timmer	\$55,000
Total	377,167

1. Abby Foote retired from the Board on 21 November 2017.

2. Anthony Quirk was elected to the Board on 21 November 2017.

3. Linda Robertson was appointed Audit and Risk Committee Chair on 21 November 2017.

The remuneration of the CEO is determined by the Board and is reviewed on an annual basis taking into consideration the scope and complexity of the position with reference to the remuneration of CEOs of similar organisations. A specialist independent adviser may be used to ensure the remuneration is appropriate.

The CEO remuneration package comprises a fixed cash component of \$504,000 per annum as at 30 June 2018 (\$480,000, 2017) and an at-risk short-term incentive of up to 15% of the fixed cash component. The short-term incentive payment is made annually at the Board's discretion subject to the CEO and the Company meeting a range of specific performance objectives for the respective financial year.

Chief Executive remuneration

	2018	2017
Salary	504,000	480,000
Taxable benefits	-	-
Subtotal	504,000	480,000
Pay for Performance STI	75,600	72,000
Total remuneration	579,600	552,000

Staff remuneration

Total remuneration	2018
\$120,000 to \$129,999	2
\$220,000 to \$229,999	1
\$270,000 to \$279,999	1
\$570,000 to \$579,999	1
Total staff receiving \$100,000 or more	5

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.

Principle 6 Risk management

LGFA recognises that an effective risk management framework is a critical part of its business structure. LGFA is exposed to both business and treasury related risks because of its normal business activities that relate to raising and on-lending funds to local councils.

LGFA adopts the three lines of defence model to ensure that essential risk management functions are completed using a systematic approach that reflects industry best practice:

- The first line of defence relates to the operational risk and control within the business. Managers within the business are responsible for identifying controls, maintaining effective controls, assessing the controls and mitigating risks. The first line of defence establishes risk ownership within the business.
- The second line of defence relates to establishing risk control within the organisation. The second line of defence involves reviewing risk reports, checking compliance against the risk management framework and ensuring that risks are actively and appropriately managed.
- The third line of defence establishes risk assurance using both internal and external audit functions to highlight control weaknesses and inefficiencies to management. The audit functions provide independent assurance on the risk governance framework.

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.

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.

LGFA has treasury exposures arising from its normal business activities that principally relate to the raising and on-lending of funds. A detailed description of LGFA's risk management processes for treasury exposures is detailed in the Treasury Risk Management section of this report.

Internal audit

LGFA has established an internal audit function to provide assurance that LGFA's 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;
- Reviewing and 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 believes should be discussed privately.

Health and safety

LGFA is committed to a safe and healthy work environment and has formally adopted a LGFA Health and Safety Policy that clearly sets out the duty of directors, LGFA 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 the Company's Annual General Meeting.

The Board should respect the rights of shareholders and foster relationships with shareholders that encourage them to engage with the issuer.

Principle 8 Shareholder rights and relations

LGFA has 31 Shareholders, comprising the New Zealand Government (20%) and 30 councils (80%).

New Zealand Government

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 of the Company.

The **LGFA 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 the Company and its shareholders which clearly defines the Company'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 2018

- Alan Adcock, Whangarei District Council, Chair
- John Bishop, Auckland Council, Deputy Chair
- David Jensen, Tauranga City Council
- David Bryant, Hamilton City Council
- Kumaren Perumal, Western Bay of Plenty District Council
- Mat Taylor, Bay of Plenty Regional Council
- Martin Read, Wellington City Council
- Mike Drummond, Tasman District Council
- Carol Bellette, Christchurch City Council
- Richard Hardie/David Stanley, New Zealand Government

Treasury risk Management

Whakahaeretanga ā-mōrearea

The Local Government Funding Agency (LGFA) funds itself through domestic and international wholesale and retail debt capital markets, with the funds raised on-lent to participating New Zealand Local Authority borrowers. 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 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 the Treasury Policy are to:

- Effectively manage balance sheet and interest rate risk within the interest rate risk control limits to protect LGFA's capital position and Net Interest Margin over time.
- Fund participating local authorities in the most cost-effective manner and in accordance with the operating principles, values and objectives of the LGFA.
- 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 LGFA 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 refers to the potential inability of LGFA to meet its financial obligations when they become due, under normal or abnormal/stressed operating conditions.

Liquidity risk is managed using a forecasted 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.

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.

- PDH risk measures the sensitivity of a portfolio to a one basis point change in underlying interest rates. For example, a PDH of

NZD\$40,000 means that the portfolio value will increase by NZD \$40,000 for a one basis point fall in interest rates.

- Value at Risk is used to measure market risk. The VaR model calculates the amount LGFA's 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.

LGFA measures VaR over a daily time horizon with a 95% confidence interval. A daily 95% VaR exposure of \$100,000 means that there is a 5% chance that the portfolio will lose more than \$100,000 over the next business day.

Counterparty credit risk

Counterparty credit risk is the risk of financial loss to LGFA (realised or unrealised) 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 are determined as a function of the term of investment, liquidity and credit quality of the counterparty (as measured by credit rating).
- Counterparty risk on derivative contracts is mitigated by utilising the NZDMO as the counterparty to derivative contracts.

Investment is restricted to approved financial investments listed in the Treasury Policy.

Foreign currency risk

Exposure to foreign exchange could exist if LGFA accesses foreign capital markets for funding purposes.

Foreign exchange risk is managed through a requirement for LGFA to fully hedge back to floating rate NZD 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 because of human error (or fraud), negligent behaviour, system failures and inadequate procedures and controls.

Operational risk is managed using internal controls and procedures across LGFA's 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, that is always complied with.

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.

Lending risk

The LGFA provides debt funding solely to New Zealand Local Government ie. the Local Government borrowing counterparty will be the Council itself and will not be any Council Controlled Organisation, Council Controlled Trading Organisation, Council joint venture or partially owned entity.

The LGFA Board will have ultimate discretion on approving term funding to councils.

All Local Authorities that borrow from the Company will:

- Provide debenture security in relation to their borrowing from the Company and related obligations, and (if relevant), equity commitment liabilities to the Company and (if relevant) guarantee liabilities to a security trustee approved for the Company's creditors.
- If the principal amount of a Local Authority's borrowings is at any time equal to, or greater than, NZD 20 million, then it is required to become a party to a deed of guarantee and an equity commitment deed.
- Issue securities (bonds/floating rate notes/commercial paper) to the Company (ie. not enter into facility arrangements).
- Comply with their own internal borrowing policies.
- Comply with the financial covenants outlined in the following table, provided that:
 - Unrated Local Authorities or Local Authorities 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.
 - Local Authorities with a long-term credit rating of 'A' equivalent or higher will not be required to comply with the lending policy covenants in the following table and can have bespoke financial covenants that exceed the foundation policy covenants outlined in the following table 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.

Financial covenant	Lending policy covenants	Foundation policy covenants
Net debt / total revenue	<175%	<250%
Net interest / total revenue	<20%	<20%
Net interest / annual rates income	<25%	<30%
Liquidity	>110%	>110%

- Non-compliance with the financial covenants will either preclude a 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 if (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 all loans to the defaulting council.
- 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 debt is defined as total consolidated debt less liquid financial assets and investments.
- Liquidity is defined as external debt plus committed loan facilities plus liquid investments divided by external debt.
- 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.

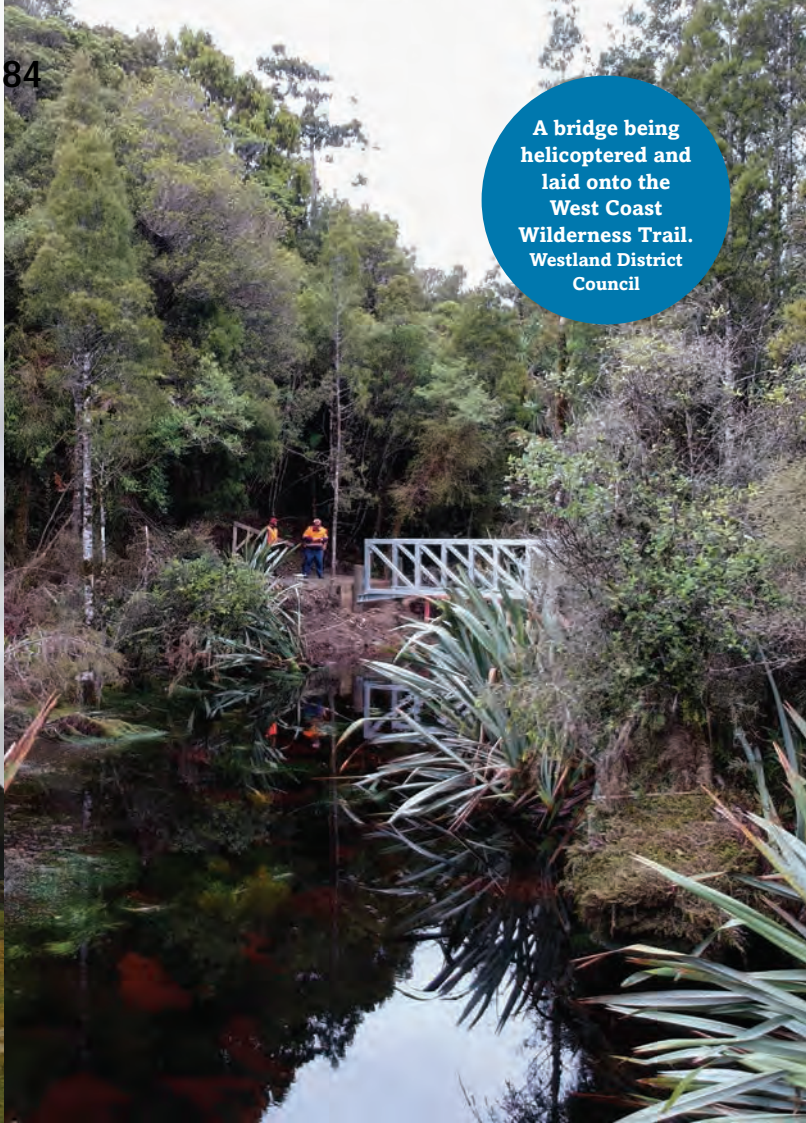
Financial covenants are measured on Council only, not consolidated group.

To minimise concentration risk the LGFA will require that no more than the greater of NZD 100 million or 33% of a Council's borrowings from the LGFA will mature in any 12-month period.

Auckland Council will be limited to a maximum of 40% of the LGFA's total Local Government assets.



A bridge being helicoptered and laid onto the West Coast Wilderness Trail. Westland District Council



Staff oversee work being carried out on the Rangitāiki Floodway Project. Bay of Plenty Regional Council

Performance against objectives

Tutukinga mahi ki ōna whāinga

The statement of service performance details LGFA's performance against the objectives and targets set out in the LGFA Statement of Intent 2017-18 (SOI)

Performance against primary objectives

This section sets out LGFA's performance for the year ended 30 June 2018 against the two primary objectives set out in the 2017-18 SOI.

1. **LGFA will operate with the primary objective of optimising the debt funding terms and conditions for Participating Local Authorities. Among other things this includes:**

- i. **Providing savings in annual interest costs for all Participating Local Authorities on a relative basis to other sources of financing;**

LGFA aims to minimise its issuance margin over swap rates to provide cost-effective funding to councils. The LGFA margin to swap will depend upon several factors including the relative demand and supply of high grade bonds, general credit market conditions, performance of New Zealand Government bonds and swap rates, investor perceptions of LGFA and the issuance volume and tenor of LGFA bonds.

2017-18 performance objectives

The SOI set out two primary performance objectives and eight additional objectives for LGFA for the year ended 30 June 2018:

Primary objectives

1. LGFA will operate with the primary objective of optimising the debt funding terms and conditions for Participating Local Authorities. Among other things this includes:
 - i. Providing savings in annual interest costs for all Participating Local Authorities on a relative basis to other sources of financing;
 - ii. Making longer-term borrowings available to Participating Local Authorities;
 - iii. Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice; and
 - iv. Offering more flexible lending terms to Participating Local Authorities.
2. LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each Participating Local Authority's financial position and the general issues confronting the Local Government sector. This includes:
 - i. LGFA will review each Participating Local Authority's financial position, its financial headroom under LGFA policies and visit each Participating Local Authority on an annual basis;
 - ii. LGFA will analyse finances at the Council group level where appropriate;

- iii. LGFA will work closely with the Department of Internal Affairs (DIA), Office of the Auditor General (OAG) and Local Government New Zealand (LGNZ) on sector and individual council issues; and
- iv. LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market

Additional objectives

1. Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy set out in section 6;
2. Provide at least 50% of aggregate long-term debt funding to the Local Government sector;
3. Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses set out in section 4;
4. Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015;
5. Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency;
6. Achieve the Financial Forecasts (excluding the impact of AIL) set out in section 4;
7. Meet or exceed the Performance Targets outlined in section 5; and
8. Comply with its Treasury Policy, as approved by the Board.

Given that LGFA tends to match fund its on-lending to councils, ie. tends to issue bonds in the same tenor and volume as its on-lending, then LGFA only has influence over investor perception amongst the above factors that determine LGFA spreads to swap.

There will be periods within the interest rate and credit market cycles when LGFA bonds will outperform its benchmarks (spread narrowing) and there will be periods of time when LGFA bonds underperform (spread widening).

LGFA spreads to swap have consistently narrowed since it first began issuing bonds in February 2012 and over the past year, spreads to swap as measured by secondary market levels have narrowed on the shorter LGFA bond maturities and widened on the long-dated maturities.

LGFA bond margin to swap	As at 30 June 2018 (bps)	As at 30 June 2017 (bps)	Spread movement (bps)
15 March 2019	4	12	(8)
15 April 2020	5	15	(10)
15 May 2021	11	20	(9)
14 April 2022*	20	N/A	N/A
15 April 2023	34	27	7
15 April 2025	53	38	15
15 April 2027	54	43	11
14 April 2033	79	72	7

*The first tranche of the 2022 bond was issued in April 2018.

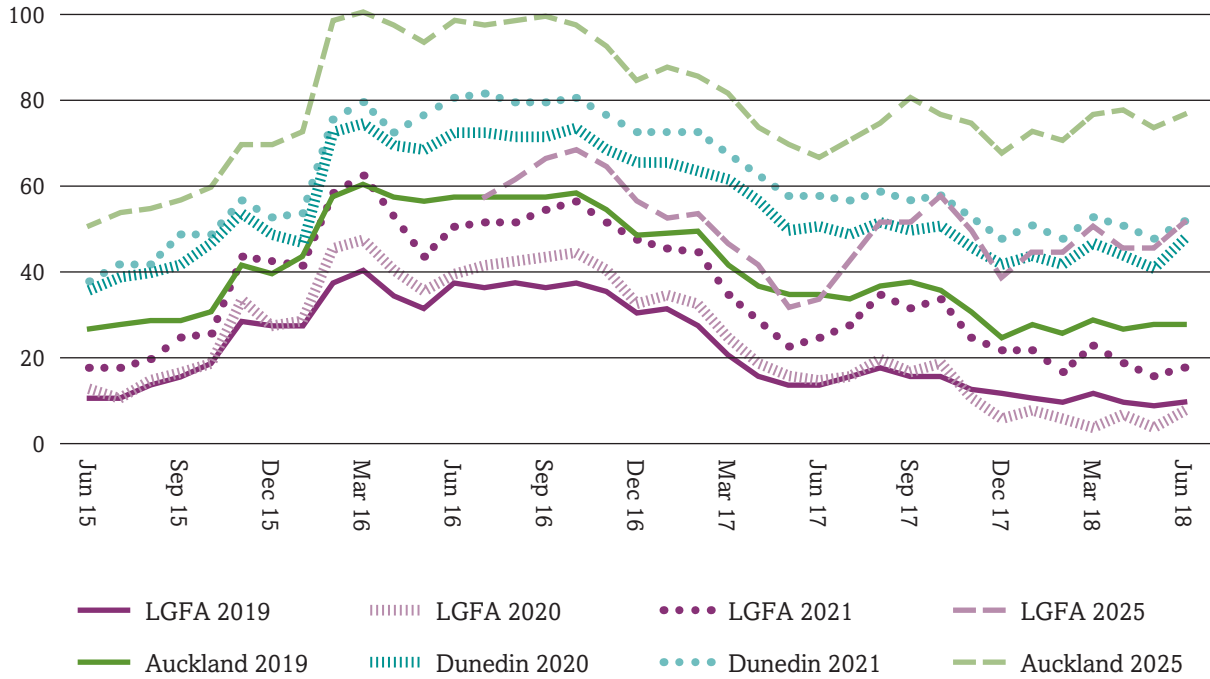
Some of the movement is due to the changes in the spread between swap rates and NZ Government Bond (NZGB) yields as over the same period LGFA spreads to NZGB have narrowed for some maturities.

LGFA bond margin to NZGB	As at 30 June 2018 (bps)	As at 30 June 2017 (bps)	Spread movement (bps)
15 March 2019	30	31	(1)
15 April 2020	37	39	(2)
15 May 2021	44	51	(7)
14 April 2022*	53	N/A	N/A
15 April 2023	69	58	11
15 April 2025	83	71	12
15 April 2027	83	78	5
14 April 2033	104	103	1

*The first tranche of the April 2022 bond was issued in April 2018.

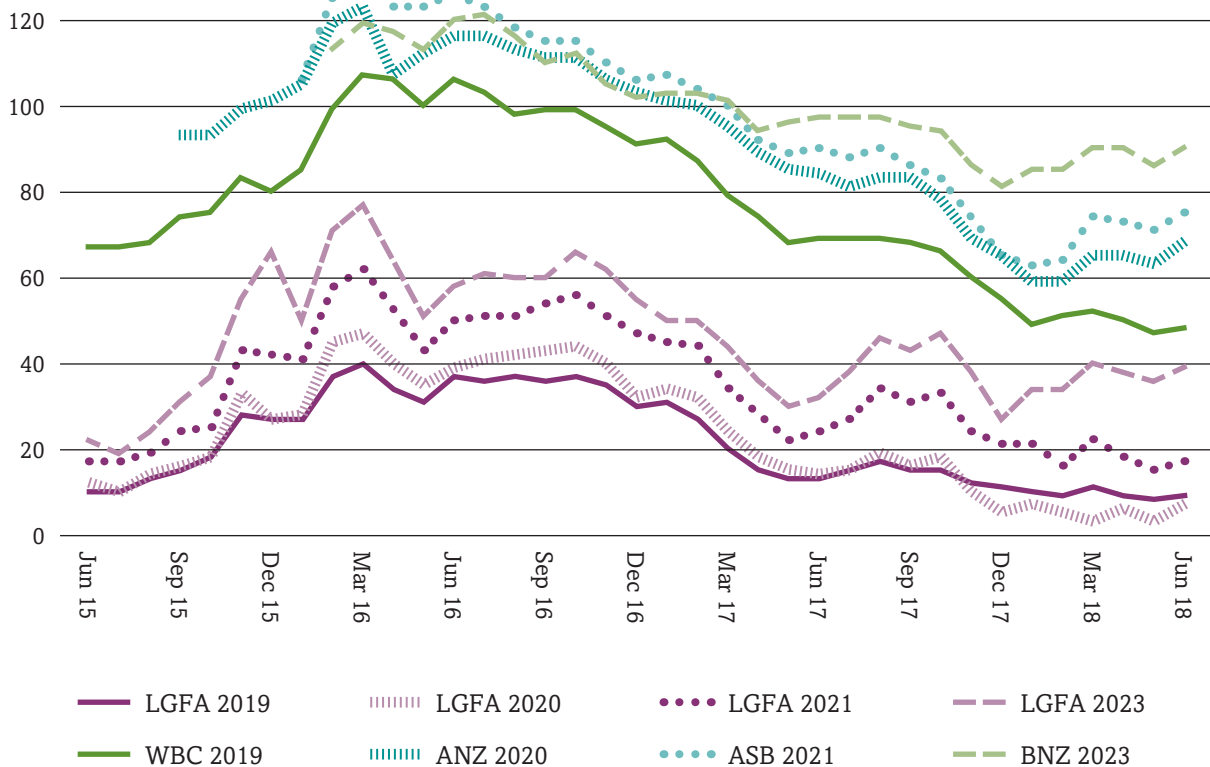
LGFA continues to provide savings in borrowing cost for councils relative to other sources of borrowing. We compare our secondary market spreads on LGFA bonds to those of Auckland Council and Dunedin City Treasury (as a proxy for councils borrowing in their own name) and a mix of banks (as a proxy for general market conditions).

Secondary market credit spread to swap for LGFA and council bonds (basis points)



Source: Bloomberg, LGFA

Secondary market credit spread to swap for LGFA and bank bonds (basis points)



Source: Bloomberg, LGFA

From the table below, we estimate that based upon secondary market spread data as at 30 June 2018, LGFA was saving AA rated councils between 10 bps and 21 bps depending upon the term of maturity. This compares to savings of between 12 bps and 22 bps a year ago.

30 June 2018	Auckland 2019	Dunedin 2020	Dunedin 2021	Auckland 2022	Auckland 2025
AA rated councils margin to swap (bps)	25	36	40	45	73
Less LGFA margin to swap (bps)	(4)	(5)	(11)	(20)	(53)
LGFA gross funding advantage (bps)	21	31	29	25	20
Less LGFA base margin (bps)	(10)	(10)	(10)	(10)	(10)
Total saving (bps) *	11	21	19	15	10

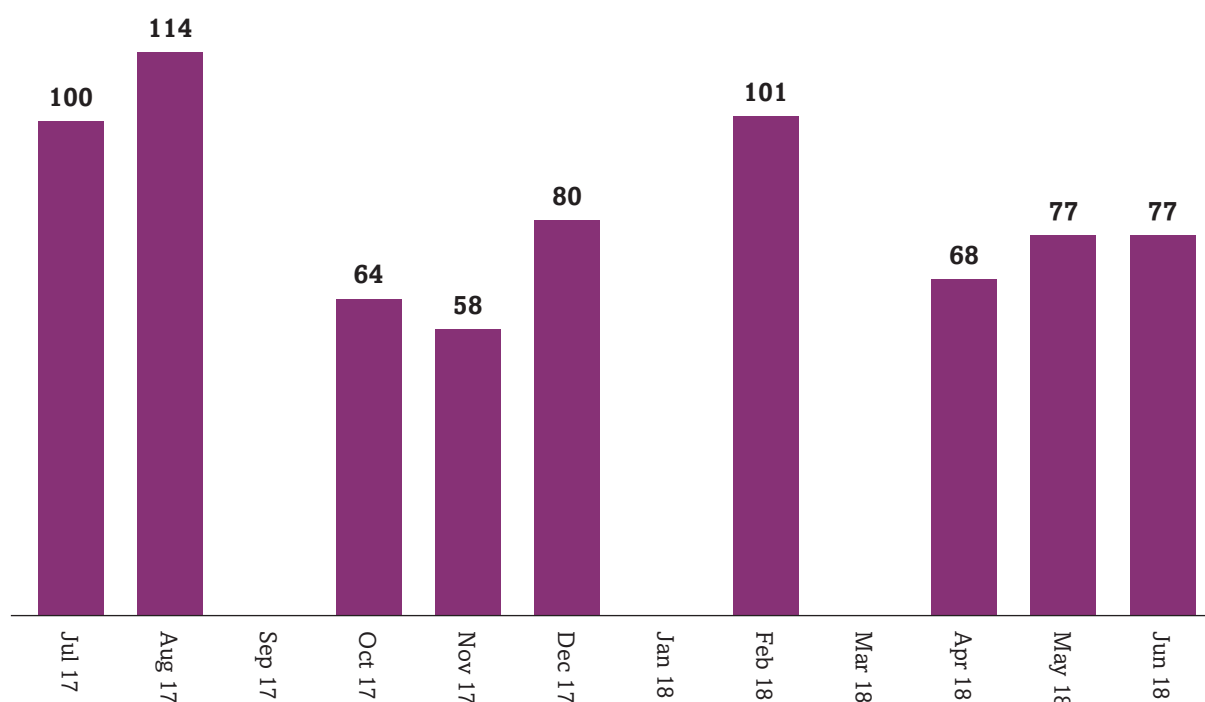
* Note that from June 2017 we have excluded from the estimated savings any positive impact from the 'LGFA effect' that was equivalent to 10 bps of savings evident when LGFA first commenced lending in February 2012.

ii. Making longer-term borrowings available to Participating Local Authorities;

The average borrowing term (excluding short-dated borrowing) for the 12-month period to June 2018 by council members was 6.9 years and this was significantly shorter than the average borrowing term of 8.1 years for the prior year. The shortening

in term was due to councils reacting to the recent widening of borrowing margins in the longer-dated maturities. Also, many councils had taken advantage of the tighter margins and lower yields in early 2017, using the opportunity to extend longer when the 2033 maturities were first made available in April 2017.

Average total months to maturity – on-lending to councils



While LGFA can provide councils with the ability to currently borrow from LGFA for terms from one month to 15 years, it is up to the councils to determine their preferred term of borrowing.

In April 2018, LGFA commenced the issuance of a 4-year bond (April 2022) and this shorter maturity went against the recent trend of introducing a newer longer-dated bond each financial year. The decision to issue a new shorter bond maturity was made to

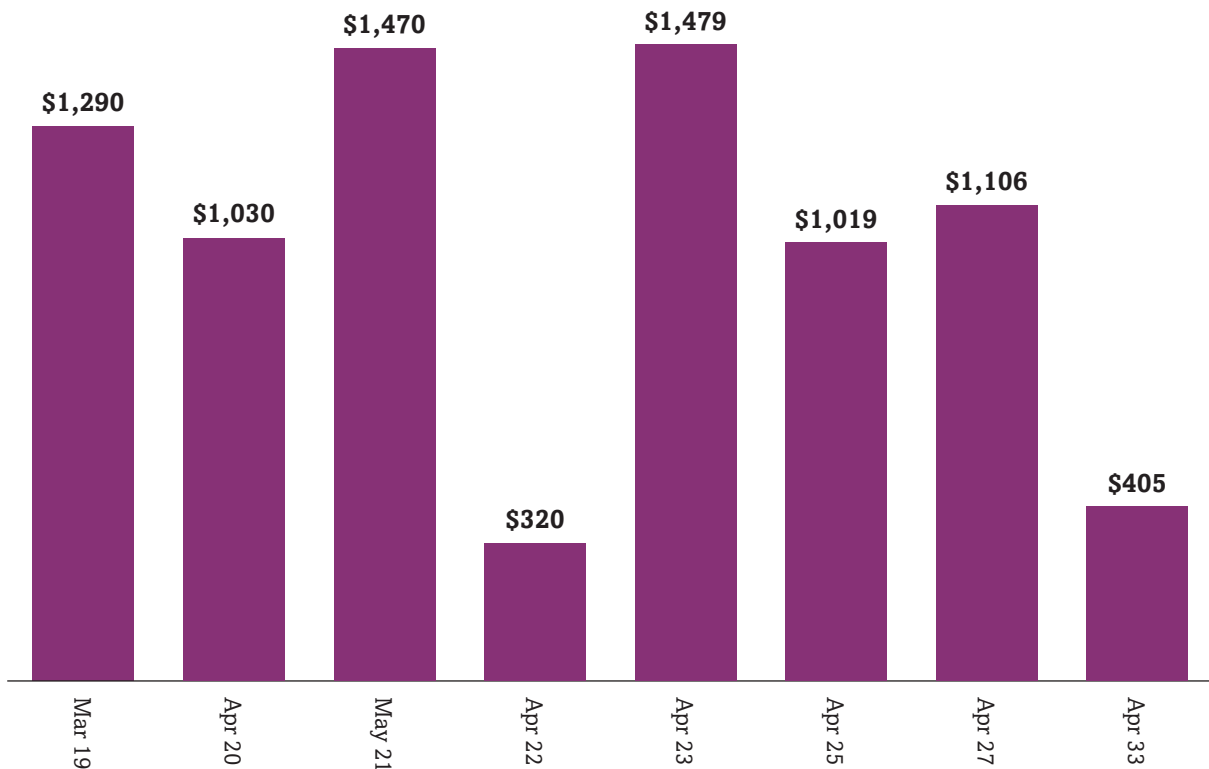
reduce some of the mismatch between our bond issuance and council on-lending. However, with the issuance of the April 2033 LGFA bond, councils can borrow on a bespoke basis out to 15 years.

The following chart shows the total LGFA bond outstandings, including treasury stock, by maturity as at 30 June 2018.

LGFA bonds on issue (NZ\$ million)

As 30 June 2018 : NZ\$8,119 million

Includes NZ\$400 million treasury stock



iii. Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practices;

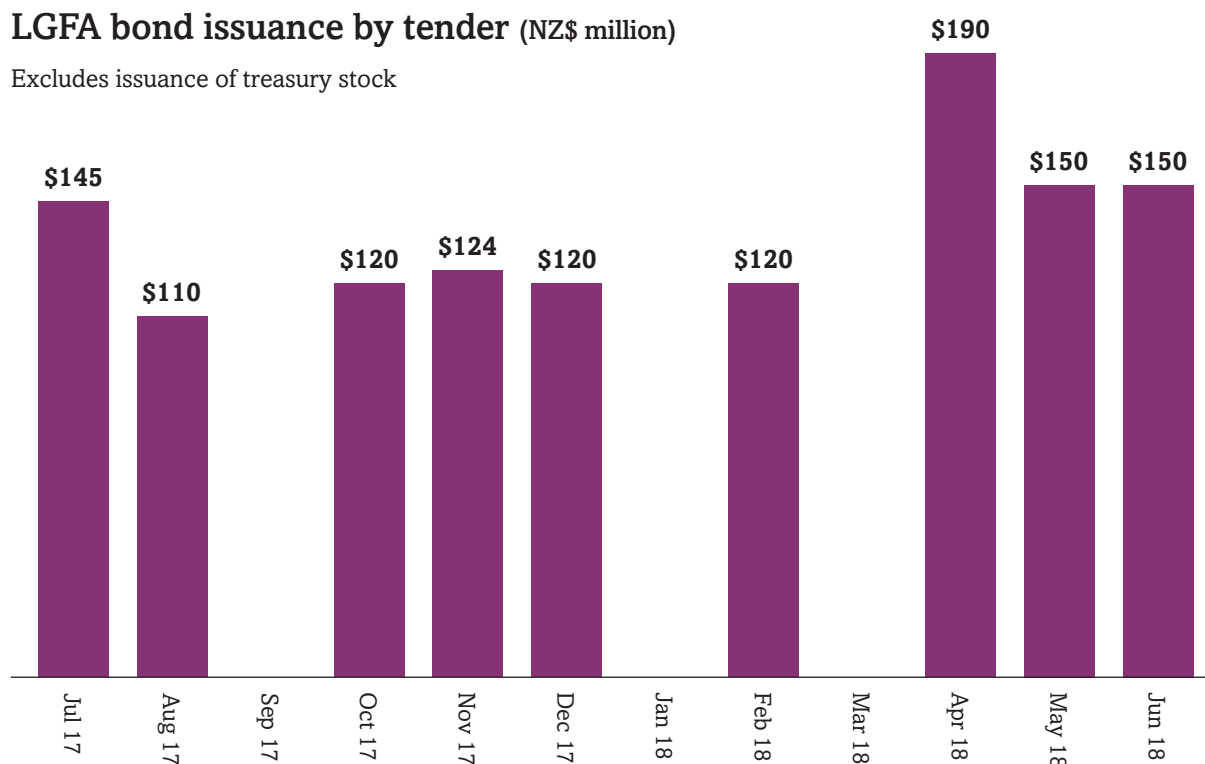
LGFA listed its bonds on the NZX Debt Market in November 2015 and this has led to greater awareness and participation in LGFA bonds by domestic retail and offshore investors. Average turnover on the NZX Debt Market since listing has been \$13 million per month or 9% of the total turnover of the NZX Debt Market. Turnover has reduced over the past twelve months as retail investors are more attracted to higher term deposit rates.

LGFA commenced the issuance of LGFA Bills for terms of three months and six months in late 2015. Because of this issuance, LGFA has offered short-term loans of less than one year to councils since 2015. As at 30 June 2018, LGFA has short-term loans outstanding to 20 councils of \$236 million.

LGFA held nine bond tenders during the 12-month period to 30 June 2018, with an average tender volume of \$136.5 million and a range of \$110 million to \$190 million in size.

LGFA bond issuance by tender (NZ\$ million)

Excludes issuance of treasury stock



All tenders were successful. The average bid-coverage ratio across the nine bond tenders was 2.81 times and this compared to the average of 3.2 times for the 56 bond tenders held since LGFA first commenced issuance in February 2012.

LGFA bond tender results by maturity	2017-18 annual issuance amount (NZ\$ million)	LGFA tender average bid coverage ratio	LGFA tender average successful bid range
15 December 2017	Nil	n/a	n/a
15 March 2019	40	2.5 x	0 bps
15 April 2020	225	3.0 x	1 bps
15 May 2021	70	2.6 x	3 bps
14 April 2022	270	2.8 x	3 bps
15 April 2023	79	1.7 x	2 bps
15 April 2025	309	3.1 x	2 bps
15 April 2027	96	2.6 x	2 bps
14 April 2033	140	2.7 x	3 bps
Across all LGFA maturities	1,229	2.8 x	n/a

The successful bid range (difference between the highest and lowest successful bid yield) for each maturity at each tender averaged between 0 bps and 3 bps with an average successful bid range of 2 bps across all maturities and all tenders over the year.

LGFA established an Australian Medium Term Notes Programme in November 2017 to provide the ability to issue in currencies other than NZD. It is not our intention to use this programme but instead to provide some flexibility in case of the unlikely scenario of a significant market disrupting event in the future.

iv. Offering more flexible lending terms to Participating Local Authorities.

Councils can currently access flexible lending conditions by using the short-term lending and bespoke lending products. Short-term lending is for loans between 30 days and 364 days while bespoke lending is where councils can borrow for any term between one year and the longest dated LGFA bond maturity (currently 14 April 2033) on any drawdown date. Therefore, council members can borrow for terms ranging from 30 days to 15 years at any time they wish to drawdown.

Bespoke lending for council members has continued to grow in popularity over the past year. During the 12-month period to 30 June 2018 we lent \$842.6 million on a bespoke basis to 35 councils. This was 77% of total term lending to our council members over that period.

Short-term borrowing by councils as at 30 June 2018 was \$244 million comprising borrowing from 20 councils for terms between one and 12 months.

2. LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each Participating Local Authority's financial position and the general issues confronting the Local Government sector. This includes:

i. LGFA will review each Participating Local Authority's financial position, its financial headroom under LGFA policies and visit each Participating Local Authority on an annual basis;

LGFA undertakes a detailed financial assessment on each of its borrowers, and meets with all member councils on an annual basis while monitoring council performance throughout the year. LGFA reviews the annual and long-term plans for each council and the annual financial statements. All councils were compliant with LGFA financial covenants as at 30 June 2017 and a copy of each council's borrowing position and compliance with LGFA covenants was provided to LGFA shareholders and non-shareholder guarantors in December 2017. LGFA assigns an internal credit rating to each of its council members as part of the review exercise.

LGFA management met with 47 councils over the 12-month period to 30 June 2018.

ii. LGFA will analyse finances at the Council group level where appropriate;

LGFA reviews the financial position of each council on a parent basis except for Auckland Council where LGFA analyses the financial statements at both

parent and group level. This is because Auckland Council is the only council to deliver a wide range of its essential services on a group basis.

iii. LGFA will work closely with the Department of Internal Affairs (DIA), Office of the Auditor General (OAG) and Local Government New Zealand (LGNZ) on sector and individual council issues.

LGFA staff and directors have met with DIA, OAG, LGNZ, Ministry of Business Innovation and Employment (MBIE), Treasury, Crown Infrastructure Partners, Infrastructure New Zealand and the Local Government Commission during the 2017-18 year to discuss sector issues. LGFA attended the Local and Central Government Forum and participated in three sector-wide risk and audit forums. LGFA presented at each of the quarterly media briefings organised by LGNZ.

iv. LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market

LGFA management aim to meet with the management team of each council at least once a year. We also presented to elected officials at councils prior to them joining LGFA to remind them of their obligations.

We have been involved in discussions between Central Government agencies and the Housing Infrastructure Fund (HIF) councils regarding the structuring of the HIF loans to ensure the interests of councils, ratepayers and LGFA are protected.

We presented at various capital market conferences and regularly met with banks and investors on a regular basis. We present each quarter on sector finances at the LGNZ media briefing.

Performance against additional objectives

In addition to the two primary performance objectives, LGFA has eight performance objectives which complement the primary objectives. This section sets out LGFA's performance for the year ended 30 June 2018 against the additional objectives set out in the 2017-18 Statement of Intent.

2.1 Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy set out in section 6 of the SOI.

The LGFA Board has the sole discretion to set the dividend and the policy is to pay a dividend that provides an annual rate of return to shareholders equal to LGFAs cost of funds plus 2%.

On 28 August 2018, the directors of LGFA declared a dividend for the year to 30 June 2018 of \$1,285,000 (\$0.0514 per share). This is calculated on LGFA's cost of funds for the 2017-18 year of 3.14% plus a 2% margin. This is similar to the previous year dividend of \$0.0556 per share.

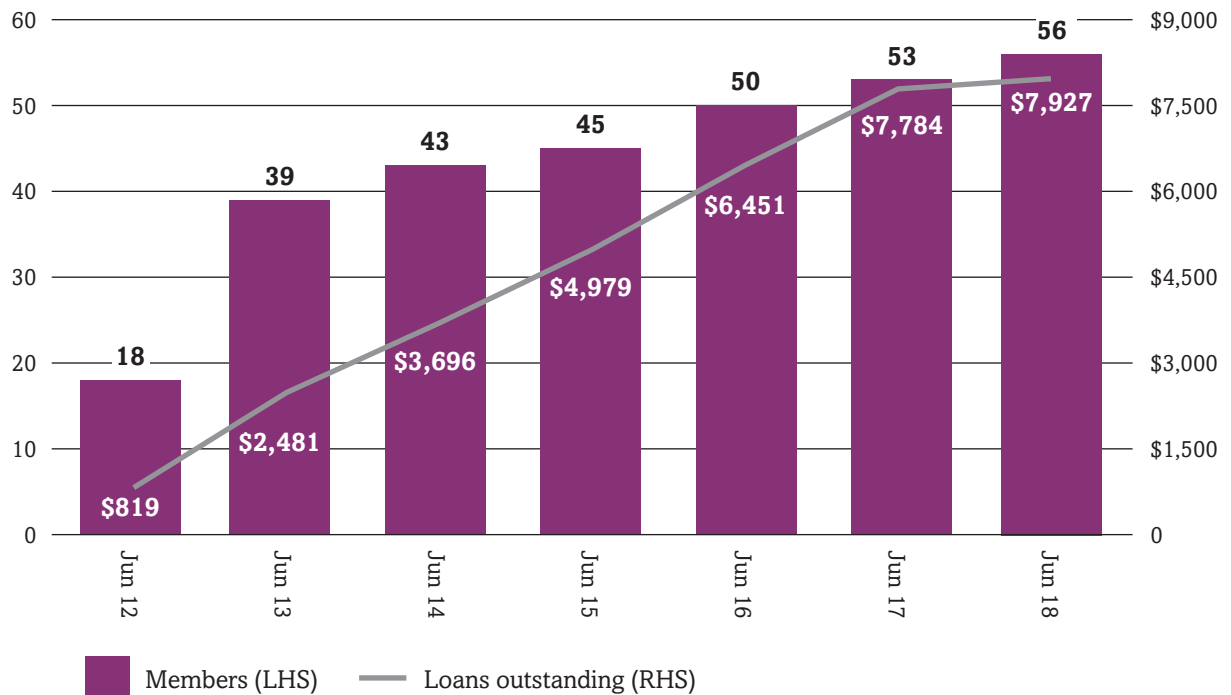
The impact from the current low interest rate environment is that LGFA has a lower cost of funds. While council borrowers benefit from lower borrowing costs, the dividend payment calculated on the above guidance is lower than it would otherwise be in an environment of higher interest rates.

2.2 Provide at least 50% of aggregate long-term debt funding for Participating Local Authorities.

Three councils joined LGFA in the 12-month period to June 2018, bringing the total number of council members to 56. Stratford, Rangitikei and Westland District Councils all joined as non-guarantor borrowers.

Councils have strongly supported LGFA by joining as members and borrowing from LGFA. As at 30 June 2018, 54 participating councils have so far borrowed from LGFA.

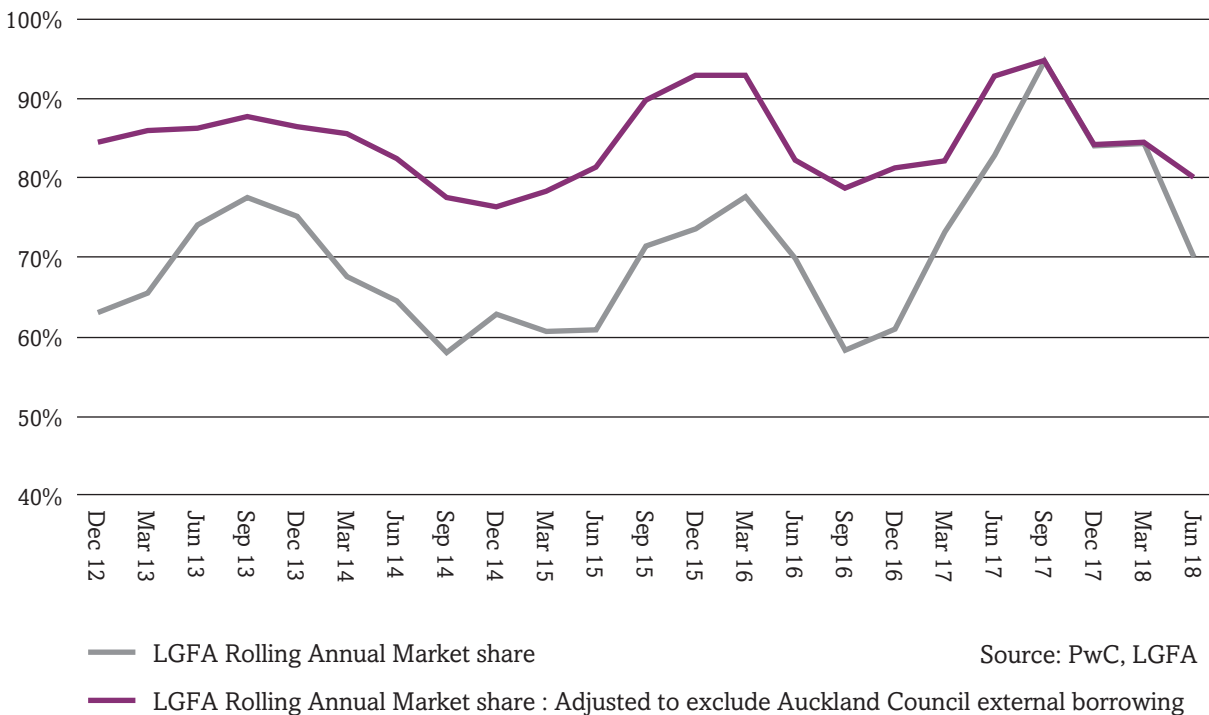
LGFA council members and nominal loans outstanding (NZ\$ million)



The following chart shows LGFA's share of new local government long-term debt issuance and is derived from survey data provided by PwC. Our share of long-term borrowing by the sector including non-members of LGFA was 69.9% for the 12-month period to 30 June 2018. The market share is influenced by the amount of debt issued by the sector's largest borrower, Auckland Council

in its own name in the domestic market. Auckland Council is required to issue debt under their own name as LGFA is restricted by its foundation policies to a maximum of 40% of total loans outstanding to Auckland. If Auckland Council's external borrowing is excluded from the data, then LGFA estimated market share for the 12-month period to 30 June 2018 was 79.9%.

LGFA council members and LGFA loans outstanding



2.3 Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses set out in section 4 of the SOI.

Issuance and operating expenses for the 12-month period to 30 June 2018 were \$7.163 million which is \$174k below SOI forecast. This variance is the consequence of:

- Issuance and on-lending costs (excluding Approved Issuer Levy payments) at \$2.207 million were \$118k below budget due to lower fees relating to the NZDMO facility, offset by higher legal costs from the establishment of the Australian Notes Programme and increased registry fees;
- Operating costs at \$2.981 million were \$143k below budget and reflected lower overhead, personnel and travel costs than forecast, offset by higher non-issuance legal fees; and

- Approved Issuer Levy payments of \$1.975 million were \$88k above forecast due to higher than expected holdings of LGFA bonds by offshore investors.

2.4 Take appropriate steps to ensure compliance 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 2017-18 year.

The Kaikoura earthquake in November 2016 impacted on Wellington CBD buildings. From November 2016 to November 2017, staff worked from the Local Government New Zealand offices and have subsequently relocated back into the office once the building was accessible.

2.5 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 credit ratings from Standard and Poor's (S&P) and Fitch Ratings (Fitch) and meets with both agencies in September and October each year. Meetings were held in 2017 with both agencies and S&P affirmed the long-term rating of LGFA at AA+ (stable outlook) on 25 September 2017 and Fitch affirmed the rating at AA+ (stable outlook) on 10 November 2017.

On 22 May 2018, S&P announced a new methodology for rating the ten entities who comprise their Public-Sector Funding Agency (PSFA) group. LGFA is a member of that group and our rating as at 30 June 2018 remained at AA+ under the old methodology but LGFA was placed on

Under Criteria Observation (or UCO) pending the outcome of the new methodology.¹

Both the S&P and Fitch ratings reports are available on our website (www.lgfa.co.nz/for-investors/ratings).

Both the S&P and Fitch ratings are the same as, and are capped by, New Zealand Government's credit ratings. Fitch has defined LGFA as a credit linked Public Sector Entity and our credit rating is explicitly linked to the New Zealand Government's credit rating.

2.6 Achieve the Financial Forecasts (excluding the impact of AIL) set out in section 4 of the SOI.

For the 12-month period to 30 June 2018, LGFA's net operating gain exceeded forecast as net interest revenue was greater than forecast and expenses below forecast.

In \$ million	30 June 2018 Actual	30 June 2018 SOI Forecast
Net interest revenue	18.97	18.22
Issuance and operating expenses excluding Approved Issuer Levy (AIL)	5.19	5.45
Approved Issuer Levy (AIL)	1.98	1.89
Net Operating Gain	11.80	10.88

¹ After the 30 June 2018 balance date, S&P reaffirmed our AA+ credit rating under the new methodology and removed LGFA from UCO on 13 July 2018.

2.7 Meet or exceed the Performance Targets outlined in section 5 of the SOI.

LGFA achieved one of its four performance targets in the 12-month period to 30 June 2018

Performance targets

2017-18 performance targets	Target	Result for 12-month period to 30 June 2018	Outcome
Average margin above LGFA's cost of funds charged to the highest rated Participating Local Authorities for the period	<= 0.10%	0.105%	✗ ¹
Annualised annual issuance and operating expenses (excluding AIL)	<= \$5.45 million	\$5.18 million	✓
Lending to Participating Local Authorities	>= \$8.128 billion	\$7.976 billion	✗ Auckland Council did not borrow through LGFA during the 2017-18 year and councils looked to delay pre-funding of the March 2019 loans until the new 2018-19 financial year.
Savings on borrowing costs for council borrowers relative to other sources of financing and compared to previous years	Improvement since prior year end relative to borrowing by councils directly. Council borrowing spreads as at June 2017: 2019s 12 bps, 2021s 20 bps and 2025s 17 bps	Council borrowing spreads as at June 2018: 2019s 11 bps, 2021s 19 bps and 2025s 10 bps	✗ Due to lack of single name issuance by councils. This reduced supply has tightened comparable spreads for Auckland Council and Dunedin City Treasury bonds

- The outcome is dependent upon the term of borrowing by councils as LGFA on-lending margin reflects a term structure premium for longer borrowing.

2.8 Comply with its Treasury Policy, as approved by the Board.

LGFA was compliant at all times with the Treasury Policy for the 12-month period ending 30 June 2018.

Financial statements

Taukī pūtea

In the opinion of the directors of the New Zealand Local Government Funding Agency Limited, the financial statements and notes on pages 45 to 68:

- Comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company as at 30 June 2018, and
- Have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

- The directors believe that proper accounting records have been kept which enables, with reasonable accuracy, the determination of the financial position of the Company and facilitates the compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

For and on behalf of the Board of Directors



Craig Stobo, Director
28 August 2018



Linda Robertson, Director
28 August 2018

Statement of comprehensive income

For the year ended 30 June 2018 in \$000s

	Note	Year ended 2018	Year ended 2017
Interest income			
Cash and cash equivalents		627	598
Loans to local government		228,381	219,852
Marketable securities		3,116	2,518
Deposits		5,475	3,782
Derivatives		105,229	93,950
Fair value hedge ineffectiveness	2c	-	-
Total interest income		342,828	320,700
Interest expense			
Bills		8,401	6,029
Bonds		311,944	293,749
Borrower notes		3,278	3,159
Bond repurchase transactions		240	249
Total interest expense		323,863	303,186
Net interest income		18,965	17,514
Operating expenses			
Issuance and on-lending expenses	3	4,182	3,640
Operating expenses	4	2,981	2,828
Total expenses		7,163	6,468
Net operating profit		11,802	11,046
Total comprehensive income for the year		11,802	11,046

Statement of changes in equity

For the year ended 30 June 2018 in \$000s

	Note	Share capital	Retained earnings	Total equity
Equity as at 30 June 2016		25,000	19,224	44,224
Total comprehensive income for the year			11,046	11,046
Transactions with owners				
Dividend paid on 14 October 2016			(1,392)	(1,392)
Equity as at 30 June 2017		25,000	28,878	53,878
Total comprehensive income for the year			11,802	11,802
Transactions with owners				
Dividend paid on 20 September 2017			(1,390)	(1,390)
Equity as at 30 June 2018	12	25,000	39,290	64,290

Statement of financial position

As at 30 June 2018 in \$000s

	Note	2018	2017
Assets			
Financial assets			
Cash and bank balances		50,281	49,919
Receivable unsettled bond repurchases		-	13,723
Loans to local government	5	7,975,728	7,783,932
Marketable securities		231,420	127,641
Deposits		201,114	149,949
Derivatives in gain	2d	375,371	364,953
Non-financial assets			
Prepayments		561	544
Other assets	14	609	760
Total assets		8,835,084	8,491,421
Equity			
Share capital		25,000	25,000
Retained earnings		39,290	28,878
Total equity		64,290	53,878
Liabilities			
Financial liabilities			
Trade and other payables		444	453
Accrued expenses		348	554
Bills	6	473,421	348,179
Bonds	7	8,101,004	7,865,401
Borrower notes	8	135,108	131,614
Bond repurchases		6,183	25,682
Derivatives in loss	2d	54,286	65,660
Total liabilities		8,770,794	8,437,543
Total equity and liabilities		8,835,084	8,491,421

Statement of cash flows

For the year ended 30 June 2018 in \$000s

	Note	Year Ended 2018	Year Ended 2017
Cash flow from operating activities			
Cash applied to loans to local government	11	(191,878)	(1,385,002)
Interest paid on bonds issued		(356,416)	(341,100)
Interest paid on bills issued		(8,400)	(6,029)
Interest paid on bond repurchases		(239)	(247)
Interest paid on borrower notes		(2,648)	-
Interest received from loans to local government		228,463	222,121
Interest received from cash and cash equivalents		627	597
Interest received from marketable securities		3,453	2,688
Interest received from deposits		5,310	2,661
Net interest on derivatives		149,898	137,262
Payments to suppliers and employees		(7,066)	(6,051)
Net cash flow from operating activities	10	(178,896)	(1,373,100)
Cashflow from investing activities			
Change in marketable securities		(104,115)	11,661
Change in deposits		(51,000)	(59,000)
Net cashflow from investing activities		(155,115)	(47,339)
Cashflow from financing activities			
Cash proceeds from bonds issued	11	221,120	1,267,666
Cash proceeds from bills issued		125,241	124,263
Cash proceeds from bond repurchases		(5,778)	11,957
Cash proceeds from borrower notes	11	2,863	20,840
Dividends paid		(1,390)	(1,392)
Cash applied to derivatives		(7,683)	9,940
Net cashflow from financing activities		334,373	1,433,274
Net (decrease) / increase in cash		362	12,835
Cash, cash equivalents and bank overdraft at beginning of year		49,919	37,084
Cash, cash equivalents and bank overdraft at end of year		50,281	49,919

1 Statement of accounting policies

a. 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 controlled by participating local authorities and 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 local authorities.

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 2018.

These financial statements were authorised for issue by the Directors on 28 August 2018.

b. 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).

c. 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

There have been no changes in accounting policies.

Early adoption standards and interpretations

NZ IFRS 9: Financial Instruments. The first two phases of this new standard were approved by the Accounting Standards Review Board in November 2009 and November 2010. These phases address the issues of classification and measurement of financial assets and financial liabilities.

Standards not yet adopted

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements. Those which may be relevant to LGFA are as follows:

NZ IFRS 9: Financial Instruments (2014). Effective for LGFA for the financial year commencing 1 July 2018. This standard aligns hedge accounting more closely with the risk management activities of the entity and introduces a new expected credit loss model for calculating impairment. The current estimated impact of transitioning to NZ IFRS 9 at 1 July 2018 on the financial statements is a reduction in net assets not exceeding \$100,000, primarily due to the introduction of impairment allowances.

d. 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, 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 assessment is made whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

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.

e. Other assets

Property, plant and equipment (PPE)

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.

f. 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.

g. Revenue and expenses

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.

h. Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

i. Segment reporting

LGFA operates in one segment being funding of participating local authorities in New Zealand.

j. Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. For example, the present value of large

cash flows that are predicted to occur a long time into the future depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate used to calculate present values. Refer note 2b for fair value determination for financial instruments.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Where these judgements significantly affect the amounts recognised in the financial statements they are described below and in the following notes.

2 Analysis of financial assets and financial liabilities

a. Categories of financial instruments

Derivative financial instruments are the only instrument 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.

Financial instruments 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 (Fair value hierarchy level 1).

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 (Fair value hierarchy level 2).

Loans to local government

The fair value of loans to local government authorities 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 (Fair value hierarchy level 2).

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 hierarchy level 2).

Fair value of financial assets and financial liabilities

The fair value of financial assets and financial liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

As at 30 June 2018 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	-	50,281	-	50,281
Trade and other receivables	-	-	-	-
Loans to local government	-	7,975,728	-	8,224,666
Marketable securities	-	231,420	-	225,570
Deposits	-	201,114	-	202,061
Derivatives	-	-	375,371	375,371
	-	8,458,543	375,371	9,077,949
Financial liabilities				
Trade and other payables	444	-	-	444
Bills	473,421	-	-	473,467
Bonds	8,101,004	-	-	8,172,546
Borrower notes	135,108	-	-	134,956
Bond repurchases	6,183	-	-	6,183
Derivatives	-	-	54,286	54,286
	8,716,160	-	54,286	8,841,882

As at 30 June 2017 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	-	49,919	-	49,919
Trade and other receivables	-	-	-	-
Receivable unsettled bond repurchases	-	13,723	-	13,726
Loans to local government	-	7,783,932	-	8,031,625
Marketable securities	-	127,641	-	127,818
Deposits	-	149,949	-	150,559
Derivatives	-	-	364,953	364,953
	-	8,125,164	364,953	8,738,600
Financial liabilities				
Trade and other payables	453	-	-	453
Bills	348,179	-	-	348,296
Bonds	7,865,708	-	-	7,958,723
Borrower notes	131,614	-	-	131,109
Bond repurchases	25,682	-	-	25,682
Derivatives	-	-	65,660	65,660
	8,371,636	-	65,660	8,529,923

b. 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. The exposure and management of these risks is outlined below.

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.

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 interest-bearing financial instruments reprice.

As at 30 June 2018 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	50,281	50,281	-	-	-	-
Loans to local government	7,927,441	6,709,699	300,500	12,500	568,000	336,742
Marketable securities	226,593	152,196	26,897	27,500	20,000	-
Deposits	199,000	130,000	69,000	-	-	-
Financial liabilities						
Bills	(475,000)	(475,000)	-	-	-	-
Bonds	(7,719,000)	-	(1,240,000)	(980,000)	(3,119,000)	(2,380,000)
Borrower notes	(123,062)	(103,690)	(4,696)	(200)	(9,088)	(5,388)
Bond repurchases						
Derivatives	-	(6,454,200)	936,200	938,750	2,516,250	2,063,000
Total	86,253	9,286	87,901	(1,450)	(23,838)	14,354

As at 30 June 2017 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	49,919	49,919	-	-	-	-
Loans to local government	13,723	13,723	-	-	-	-
Receivable unsettled bond repurchases	7,735,564	6,670,326	6,538	290,500	426,200	342,000
Marketable securities	126,302	103,747	7,555	15,000	-	-
Deposits	148,000	138,000	10,000	-	-	-
Financial liabilities						
Bills	(350,000)	(325,000)	(25,000)	-	-	-
Bonds	(7,505,000)	(1,015,000)	-	(1,200,000)	(2,105,000)	(3,185,000)
Borrower notes	(120,198)	(103,179)	(80)	(4,648)	(6,819)	(5,472)
Bond repurchases	(25,682)	(25,682)	-	-	-	-
Derivatives	-	(5,418,200)	-	909,200	1,666,250	2,842,750
Total	72,628	88,654	(987)	10,052	(19,369)	(5,722)

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 year ended 30 June in \$000s	2018		2017	
	100 bps increase \$000s	100 bps decrease \$000s	100 bps increase \$000s	100 bps decrease \$000s
Fair value sensitivity analysis				
Fixed rate assets	-	-	-	-
Fixed rate liabilities	276,613	(281,357)	272,084	(277,500)
Derivative financial instruments	(276,613)	281,357	(272,084)	277,500
	-	-	-	-
Cash flow sensitivity analysis				
Variable rate assets	64,806	(64,806)	62,982	(62,982)
Variable rate liabilities	(1,037)	1,037	(1,008)	1,008
Derivative financial instruments	(66,432)	66,432	(63,867)	63,867
	(2,663)	2,663	(1,893)	1,893

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 Agencies or counterparties that meet a minimum credit rating of A (Standard & Poor's 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 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 are shown in the table below.

As at 30 June 2018 in \$000s	NZ government agencies	NZ local authorities	NZ registered banks	Other counter- parties	Total carrying value
Financial assets					
Cash and bank balances	49,773	-	508	-	50,281
Trade and other receivables	-	-	-	-	-
Loans to local government	-	7,975,728	-	-	7,975,728
Marketable securities	60,988	43,807	109,544	17,081	231,420
Deposits	-	-	201,114	-	201,114
Derivatives	321,085	-	-	-	321,085
	431,846	8,019,535	311,166	17,081	8,779,628

As at 30 June 2017 in \$000s	NZ government agencies	NZ local authorities	NZ registered banks	Other counter- parties	Total carrying value
Financial assets					
Cash and bank balances	49,385	-	534	-	49,919
Trade and other receivables	-	-	-	-	-
Receivable unsettled bond repurchases	-	-	13,723	-	-
Loans to local government	-	7,783,932	-	-	7,783,932
Marketable securities	31,180	16,937	34,845	44,679	127,641
Deposits	-	-	149,949	-	149,949
Derivatives	364,953	-	-	-	364,953
	445,518	7,800,869	199,051	44,679	8,476,394

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 or impaired. The carrying value of the financial assets is expected to be recoverable.

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 New Zealand Debt Management Office (NZDMO) provides a committed liquidity facility that LGFA can draw upon to meet any exceptional and temporary liquidity shortfall. As at 30 June 2018, the undrawn committed liquidity facility was \$600 million (2017: \$500 million).

Contractual cash flows of financial instruments

The contractual cash flows associated with financial assets and liabilities are shown in the table below.

As at 30 June 2018 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	50,281	-	-	-	-	50,281	50,281
Trade and other receivables	-	-	-	-	-	-	-
Loans to local government	-	236,487	1,460,213	4,447,506	2,859,147	9,003,353	7,975,728
Marketable securities	-	114,836	59,305	61,268	-	235,409	231,420
Deposits	-	50,880	152,905	-	-	203,786	201,114
Financial liabilities							
Trade and other payables	(444)	-	-	-	-	(444)	(444)
Bills	-	(375,000)	(100,000)	-	-	(475,000)	(473,421)
Bonds	-	(31,000)	(1,558,213)	(4,981,825)	(2,747,625)	(9,318,663)	(7,878,765)
Bond repurchases	-	(6,184)	-	-	-	(6,184)	(6,184)
Borrower notes	-	-	(23,639)	(74,147)	(52,889)	(150,675)	(135,108)
Derivatives	-	(15,961)	152,202	333,394	106,640	576,275	321,085
	49,837	(25,942)	142,774	(213,803)	165,273	118,138	285,707

As at 30 June 2017 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	49,919	-	-	-	-	49,919	49,919
Trade and other receivables							
Receivable unsettled bond repurchases		13,723	-	-	-	13,723	13,723
Loans to local government	-	211,716	1,135,725	4,077,315	3,388,036	8,812,791	7,783,932
Marketable securities	-	58,808	54,569	15,750	-	129,126	127,641
Deposits	-	34,762	116,848	-	-	151,611	149,949
Financial liabilities							
Trade and other payables	(453)	-	-	-	-	(453)	(453)
Bills	-	(200,000)	(150,000)	-	-	(350,000)	(348,179)
Bonds	-	(30,000)	(1,322,225)	(4,225,800)	(3,612,475)	(9,190,500)	(7,865,708)
Bond repurchases	-	(25,684)	-	-	-	(25,684)	(25,684)
Borrower notes	-	-	(17,192)	(66,814)	(62,910)	(146,916)	(131,614)
Derivatives	-	(14,673)	149,931	368,393	151,532	655,184	299,600
	49,466	48,652	(32,343)	168,844	(135,817)	98,802	53,126

c. 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 borrowing.

The gain or loss on the hedging instrument and the hedged item attributable to the hedged risk for fair value hedge relationships is shown in the table below.

As at 30 June in \$000s	2018 Gain/(loss)	2017 Gain/(loss)
Hedging instruments – interest rate swaps	58,487	(174,572)
Hedged items attributable to the hedged risk – fixed rate bonds	(58,487)	174,572
Hedged items attributable to the hedged risk – fixed rate bonds	-	-

The gains or losses on the hedging instrument (interest rate swaps) and the hedged item (bonds) 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.

d. 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 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 2018 in \$000s	Derivative assets	Derivative liabilities
Gross amounts	375,371	54,286
Amounts offset	-	-
Carrying amounts	375,371	54,286
Amounts that don't qualify for offsetting	-	-
Financial assets and liabilities	(54,286)	(54,286)
Collateral	-	-
Net Amount	321,085	-

As at 30 June 2017 in \$000s	Derivative assets	Derivative liabilities
Gross amounts	364,953	65,660
Amounts offset	-	-
Carrying amounts	364,953	65,660
Amounts that don't qualify for offsetting	-	-
Financial assets and liabilities	(65,660)	(65,660)
Collateral	-	-
Net Amount	299,293	-

3 Issuance and on-lending expenses

Issuance and on-lending expenses are those costs that are incurred as a necessary expense to facilitate the ongoing issuance of LGFA debt securities.

For the year ended 30 June in \$000s	2018	2017
NZDMO facility fee	706	442
NZX	333	412
Rating agency fees	577	547
Legal fees for issuance	233	169
Regulatory, registry, other fees	106	37
Trustee fees	100	100
Approved issuer levy ¹	1,975	1,795
Information Services	154	138
	4,182	3,640

1. The amount of Approved Issuer Levy is a function of the number of the offshore holders of LGFA bonds.

4 Operating expenses

Operating expenses are all other expenses that are not classified as 'Issuance and on-lending expenses.'

For the year ended 30 June in \$000s	2018	2017
Consultants ¹	188	51
Directors fees	377	348
Insurance	60	60
Legal fees	88	37
Other expenses	743	875
Auditors' remuneration		
Statutory audit	87	81
Advisory services	-	4
Personnel	1,418	1,372
Recruitment	20	-
	2,981	2,828

1. Consultants includes \$119 for Treasury Systems Consultant (2017: \$132). Previously, this cost was reported within Other expenses (with associated treasury systems costs).

5 Loans to local government

As at 30 June in \$000s	2018		2017	
	Short-term loans	Loans	Short-term loans	Loans
Ashburton District Council	5,015	25,603	10,018	25,707
Auckland Council	-	2,101,357	-	2,429,887
Buller District Council	-	20,014	-	20,001
Canterbury Regional Council	-	30,103	-	25,083
Central Hawkes Bay District Council	-	2,027	-	-
Christchurch City Council	85,273	1,573,566	96,280	1,485,304
Far North District Council	-	40,130	-	30,121
Gisborne District Council	-	37,275	-	27,085
Gore District Council	6,014	11,064	6,023	11,034
Greater Wellington Regional Council	-	306,302	-	280,702
Grey District Council	-	20,446	-	20,551
Hamilton City Council	-	366,483	-	351,028
Hastings District Council	1,957	75,280	-	60,211
Hauraki District Council	-	38,156	-	41,139
Horizons Regional Council	-	20,035	-	10,013
Horowhenua District Council	6,008	72,868	12,013	63,923
Hurunui District Council	-	23,098	-	23,085
Hutt City Council	4,996	152,802	-	97,727
Kaipara District Council	4,925	40,174	8,925	43,172
Kapiti Coast District Council	-	205,754	-	210,623
Manawatu District Council	-	61,180	-	58,094
Marlborough District Council	17,297	63,237	19,851	63,207
Masterton District Council	-	52,234	2,006	52,209
Matamata -Piako District Council	-	27,599	-	29,581
Nelson City Council	-	60,239	-	55,201
New Plymouth District Council	-	74,324	-	61,167
Northland Regional Council	-	8,634	-	-
Opotiki District Council	-	5,163	-	5,180
Otorohanga District Council	-	6,120	-	9,178
Palmerston North City Council	10,028	82,317	10,025	77,255
Porirua City Council	-	61,754	-	28,608
Queenstown Lakes District Council	10,096	75,954	7,070	86,177
Rotorua District Council	-	150,266	1,001	114,976
Selwyn District Council	-	15,021	-	35,050

5 Loans to local government (cont)

As at 30 June in \$000s	2018		2017	
	Short-term loans	Loans	Short-term loans	Loans
South Taranaki District Council	-	62,278	-	62,267
South Wairarapa District Council	-	17,629	4,034	13,586
Stratford District Council	-	4,513	-	-
Tararua District Council	2,011	15,064	1,004	10,033
Tasman District Council	10,007	109,006	-	90,273
Taupo District Council	-	125,430	-	125,417
Tauranga City Council	-	362,308	-	347,207
Thames-Coromandel District Council	-	45,175	-	35,061
Timaru District Council	12,524	67,331	10,047	67,347
Upper Hutt City Council	4,976	31,638	2,997	31,628
Waikato District Council	-	80,382	-	80,265
Waimakariri District Council	20,024	105,818	10,010	85,797
Waipa District Council	-	13,016	-	13,015
Waitomo District Council	10,066	25,086	5,022	25,027
Wellington City Council	-	395,384	-	294,047
Western Bay Of Plenty District Council	-	105,426	-	105,386
Westland District Council	2,998	14,361	-	-
Whakatane District Council	6,011	48,220	6,021	34,129
Whanganui District Council	5,005	73,367	-	66,327
Whangarei District Council	9,971	132,516	9,972	142,522
	235,202	7,740,526	222,318	7,561,614

6 Bills on issue

As at 30 June 2018 in \$000s

Maturity date	Face value	Unamortised premium	Accrued interest	Total
11 July 2018	50,000	-	(27)	49,973
27 July 2018	25,000	-	(36)	24,964
2 August 2018	125,000	-	(210)	124,790
6 August 2018	25,000	-	(47)	24,953
15 August 2018	50,000	-	(121)	49,879
23 August 2018	25,000	-	(72)	24,928
12 September 2018	50,000	-	(199)	49,801
26 September 2018	25,000	-	(121)	24,879
10 October 2018	25,000	-	(146)	24,854
31 October 2018	25,000	-	(177)	24,823
14 November 2018	25,000	-	(192)	24,808
12 December 2018	25,000	-	(232)	24,768
	475,000	-	(1,579)	473,421

As at 30 June 2017 in \$000s

Maturity date	Face value	Unamortised premium	Accrued interest	Total
12-Jul-17	50,000	(30)	-	49,970
4-Aug-17	25,000	(46)	-	24,954
16-Aug-17	50,000	(129)	-	49,871
13-Sep-17	50,000	(204)	-	49,796
26-Sep-17	25,000	(126)	-	24,874
11-Oct-17	25,000	(143)	-	24,857
26-Oct-17	25,000	(172)	-	24,828
15-Nov-17	25,000	(194)	-	24,806
27-Nov-17	25,000	(223)	-	24,777
13-Dec-17	25,000	(232)	-	24,768
26-Jan-18	25,000	(322)	-	24,678
	350,000	(1,821)	-	348,179

7 Bonds on issue

Bonds on issue do not include \$400 million face value of issued LGFA bonds subscribed by LGFA and held as treasury stock. Refer Note 9: Treasury stock and bond repurchase transactions.

As at 30 June 2018 in \$'000s

Maturity date		Face value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
15 March 2019	5% coupon	1,240,000	8,990	18,196		
15 April 2020	3% coupon	980,000	(5,904)	6,185		
15 May 2021	6% coupon	1,420,000	57,960	10,882		
14 April 2022	2.75% coupon	270,000	(223)	1,582		
15 April 2023	5.5% coupon	1,429,000	67,183	16,535		
15 April 2025	2.75% coupon	969,000	(44,090)	5,606		
15 April 2027	4.5% coupon	1,056,000	35,890	9,997		
14 April 2033	3.5% coupon	355,000	(31,672)	2,648		
		7,719,000	88,134	71,631	222,239	8,101,004

As at 30 June 2017 in \$'000s

Maturity date		Face value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
15 December 2017	6% coupon	1,015,000	7,762	2,662		
15 March 2019	5% coupon	1,200,000	19,488	17,609		
15 April 2020	3% coupon	755,000	(12,471)	4,765		
15 May 2021	6% coupon	1,350,000	68,236	10,345		
15 April 2023	5.5% coupon	1,350,000	69,813	15,621		
15 April 2025	2.75% coupon	660,000	(34,201)	3,818		
15 April 2027	4.5% coupon	960,000	33,450	9,089		
14 April 2033	3.5% coupon	215,000	(20,650)	1,604		
Total		7,505,000	131,427	65,513	163,460	7,865,401

8 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 1.6% of the aggregate borrowings by that local authority.

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.

9 Treasury stock and bond repurchase transactions

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 2018, treasury stock had been issued in the following maturities (in \$000s):

	2018	2017
15 March 2019	50,000	50,000
15 April 2020	50,000	50,000
15 May 2021	50,000	50,000
15 April 2022	50,000	-
15 April 2023	50,000	50,000
15 April 2025	50,000	50,000
15 April 2027	50,000	50,000
14 April 2033	50,000	50,000
Total	400,000	350,000

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.

Each month, LGFA notifies the market the amount of outstanding repurchase transactions and LGFA bonds held as treasury stock.

As at 30 June 2018, bond repurchase transactions comprised:

Maturity date		30 June 2018 Repurchase transactions	30 June 2017 Repurchase transactions
15 March 2019	5% coupon	1,035	-
15 April 2020	3% coupon	4,076	-
15 May 2021	6% coupon	-	-
14 April 2022	2.75% coupon	-	-
15 April 2023	5.5% coupon	-	-
15 April 2025	2.75% coupon	-	9,981
15 April 2027	4.5% coupon	1,072	15,701
14 April 2033	3.5% coupon	-	-
		6,183	25,682

10 Reconciliation of net profit / (loss) to net cash flow from operating activities

For the year ended 30 June in \$000s		2018	2017
Net profit/(loss) for the period		11,802	11,046
Cash applied to loans to local government	11	(191,878)	(1,385,002)
Non-cash adjustments			
Amortisation and depreciation		1,083	438
Working capital movements			
Net change in trade debtors and receivables		(9)	271
Net change in prepayments		(17)	(9)
Net change in accruals		(28)	(39)
Net Cash From operating activities		(179,047)	(1,373,295)

11 LGFA December 2017 bond maturity

The nominal value of the 15 December 2017 6% coupon bond maturity was \$1,015 million. Loans to councils with nominal values totalling \$879 million, and associated nominal borrower notes totalling \$14 million, also matured on 15 December 2017.

12 Share Capital

As at 30 June 2018, 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.

Shareholder Information

Registered holders of equity securities as at 30 June	2018		2017	
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%

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.

Dividend

LGFA paid a dividend of \$1,390,000 on 20 September 2017, being \$0.0556 per paid up share (2017: \$1,392,500 on 14 October 2016, being \$ 0.0557 per paid up share).

13 Operating Leases

As at 30 June in \$000s	2018	2017 ¹
Less than one year	122	-
Between one and five years	263	-
Total non-cancellable operating leases	385	-

1. Not disclosed in 2017 as lease obligations were suspended following 2016 Kaikoura earthquake.

14 Other Assets

As at 30 June in \$000s	2018	2017
Property, plant and equipment	-	-
Intangible assets ²	609	760
Total other assets	609	760

2. Intangible assets comprise acquired and internally developed software costs incurred on the implementation of LGFA's treasury management system.

15 Capital commitments

As at 30 June 2018, there are no capital commitments.

16 Contingencies

There are no contingent liabilities at balance date.

17 Related parties

Identity of related parties

The Company is related to the local authorities set out in the Shareholder Information in Note 12.

The Company 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 local authorities.

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 councils. The lending to individual councils is disclosed in Note 5, and interest income recognised on this lending is shown in the statement of comprehensive income.

The purchase of LGFA borrower notes by participating councils. Refer Note 8.

NZDMO provides LGFA with a committed credit facility and is LGFA's derivatives counterparty.

Transactions with key management personnel: Salaries \$849,969 (2017: \$802,434)

Fees paid to directors are disclosed in operating expenses in Note 4.

18 Subsequent events

Subsequent to balance date, LGFA has issued \$285 million in bonds through two tenders.

Subsequent to balance date, on 28 August 2018, the Directors of LGFA declared a dividend of \$1,285,000 (\$ 0.0514) per paid up share.

Subsequent to balance date, on 13 July 2018, Standard and Poors' affirmed the local currency issuer rating of LGFA at 'AA+/A-1+' and removed LGFA from Under Criteria Observation.

A natural play area installed at the Octopus's Garden Playground, Ngawhatu Reserve. Nelson City Council



Site inspection at the Neale Park Sewer Pump Station Upgrade. Nelson City Council





**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED**

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 45 to 68, that comprise the statement of financial position as at 30 June 2018, 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 32 to 43.

In our opinion:

- the financial statements of the company on pages 45 to 68:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; 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 Generally Accepted Accounting Practice (NZ GAAP) and they comply with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards (IFRS); and
- the performance information of the company on pages 32 to 43 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 2018.

Our audit was completed on 28 August 2018. 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 \$61 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 shareholders 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
Existence and impairment of loans	
<p>Refer to Note 5 to the Financial Statements.</p> <p>The loans LGFA has provided to local government make up over 90% 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 2018 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>
Application of hedge accounting	
<p>Refer to Note 2 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"> - 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 relevant accounting standards. - 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. 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.

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 shareholders, taken on the basis of these financial statements and the performance information.

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 31, 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

Whākitanga

Waivers from NZX Limited (NZX)

LGFA's fixed rate bonds are quoted on the NZX Debt Market (LGFA Bonds). NZX has granted LGFA a number of waivers from the NZX Listing Rules.

Waiver from Rule 3.2.1

NZX has granted LGFA a waiver from NZX Listing Rule 3.2.1(a) to the extent that this requires the trust deed under which the LGFA Bonds are issued (Trust Deed) to provide that the appointment of a new trustee is to be approved by an extraordinary resolution of the holders of the Securities to which the Trust Deed relates. Effective from 10 May 2016, LGFA ceased to rely on this waiver as the Trust Deed was amended to comply with NZX Listing Rule 3.2.1(a).

Waiver from Rule 5.2.3

NZX has granted LGFA a waiver from NZX Listing Rule 5.2.3 to the extent that this requires the LGFA Bonds to be held by at least 100 members of the public holding at least 25% of the number of securities of that class issued.

The waiver from NZX Listing Rule 5.2.3 was provided on the conditions that:

- LGFA clearly and prominently disclose the waiver, its conditions and its implications in its annual reports and in each profile or Offering Document for the LGFA Bonds;
- LGFA will disclose market liquidity as a risk in each offering document (excluding any offering document referred to in paragraph (f) of the definition of "Offering Document" under NZX Listing Rule 1.6.1) for the LGFA Bonds; and

- the nature of LGFA's business and operations do not materially change from its business and operations as at the date of the waiver decision.

The effect of the waiver is that the LGFA Bonds may not be widely held and there may be reduced market liquidity in the LGFA Bonds.

Waiver from Rule 6.3.2

NZX has granted LGFA a waiver from NZX Listing Rule 6.3.2 so that the deemed date of receipt of notices for a holder of LGFA Bonds who has supplied LGFA with an address outside of New Zealand, will be five working days after that notice is posted to that physical address.

Donations

No donations were made by LGFA during the year ended 30 June 2018.

Net Tangible Assets

Net tangible assets per \$1,000 of listed bonds as at 30 June 2018 is \$7.92 (2017: \$6.86).

Earnings per security

Earnings per security as at 30 June 2018 is \$1.45 (2017: \$1.41).

Amount per security of final dividends

Not applicable

Spread of Quoted Security holders

Spread of bondholders (LGF020, LGF030, LGF040, LGF050, LGF060, LGF070, LGF080 and LGF090) as at 30 June 2018.

Holding range	Holder count	Holding quantity	Holding quantity %
10,000 to 49,999	397	\$10,194,000	0.13
50,000 to 99,999	149	\$10,519,000	0.13
100,000 to 499,999	200	\$43,272,000	0.53
500,000 to 999,999	35	\$24,897,000	0.31
1,000,000 and above	70	\$8,030,118,000	98.90
Total	851	\$8,119,000,000	100.00

Directory

Rārangi tauwaea



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09.00-17.30 hrs

Except Public Holidays

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NEW ZEALAND LOCAL
GOVERNMENT FUNDING AGENCY
TE PŪTEA KĀWANATANGA Ā-ROHE

Open Meeting

To	Strategy & Finance Committee
From	Ian Cathcart General Manager Service Delivery
Date	14 November 2018
Prepared by	Duncan MacDougall Open Spaces Team Leader
Chief Executive Approved	Y
Reference #	INF2018
Report Title	Request to Purchase RTV for Wainui Farm

I. EXECUTIVE SUMMARY

Earlier this year, Council Zero Harm staff visited the Wainui Farm and completed a risk assessment. The terrain on the farm is medium rolling to steep hill country and it was identified that the Honda 2011 ATV with a Kubota Utility vehicle – RTV (Rough Terrain Vehicle)-x900 GP is at risk of unintentional rollover.

It has been recommended that this vehicle is replaced with a new RTV. Although this would not reduce the risk of potential rollovers, the engineered features (for example the roll cage and seat belt) of these modern vehicles would significantly reduce the consequences if one was to occur.

2. RECOMMENDATION

THAT the report from the General Manager Service Delivery be received;

AND THAT Council approve the funding proposal for the Purchase of the Kubota RTV-x900.

3. BACKGROUND

For routine farm management activities and transportation around the property, Wainui Farm staff currently utilise an ATV (also known as a quad bike). This is a Honda 2011 model and has a current value of approximately \$5,000-\$6,000. The cost of the replacement vehicle is \$27,500 plus GST.

Replacement of the existing vehicle was not budgeted for through the Long Term Plan and therefore additional funding is required to support this purchase.

4. DISCUSSION AND ANALYSIS OF OPTIONS

4.1 DISCUSSION

On average, five people are killed on New Zealand farms each year in work-related quad bike incidents. In addition, there are more than 100 severe injuries each year on New Zealand farms (Safe Use of Quad Bikes, WorkSafe NZ, April 2017).

Due to serious injuries and even a fatality, several government agencies and organisations such as DOC, Osprey and Pamu (formally Landcorp) have banned the use of quad bikes in favour of side by side vehicles. The aforementioned organisations made the changes to RTVs as they have improved safety features over ATVs, such as roll cages built into the chassis of the vehicle and seatbelts.

Council's current risk management strategy involves the use of administrative and PPE controls for managing this risk. The purchase of an RTV would introduce additional engineering controls for managing this risk and therefore improve staff safety.

4.2 OPTIONS

Option 1: Retain Existing ATV

Increases possibility of serious injury or death associated with vehicle incidents.

Option 2: Purchase New RTV

Decreases the risks of serious injury or death associated with a vehicle rollover for a cost \$27,500 plus GST.

5. CONSIDERATION

5.1 FINANCIAL

The proposed funding for the quad bike is from the property replacement fund (8497). There are adequate funds available in the replacement fund reserve to fund the additional budget requirement (\$585,192) as at 31 October 2018 and (\$850,832) forecasted as at 30 June 2019.

6. CONCLUSION

It has been identified through Zero Harm site visits at the Wainui Farm that the use of the current ATV increases the risk to staff. By purchasing a RTV, the risk to staff, if an unintentional rollover occurred, would be minimised, and therefore it is recommended to upgrade the vehicle.

7. ATTACHMENTS

Nil.

Open Meeting

To	Strategy & Finance Committee
From	Gavin Ion Chief Executive
Date	20 November 2018
Prepared by	Lynette Wainwright Committee Secretary
Chief Executive Approved	Y
Reference #	GOV1318
Report Title	Exclusion of the Public

I. EXECUTIVE SUMMARY

To exclude the public from the whole or part of the proceedings of the meeting to enable to the Strategy & Finance Committee to deliberate and made decisions in private on public excluded items.

2. RECOMMENDATION

THAT the report from the Chief Executive be received;

AND THAT the public be excluded from the meeting to enable the Strategy & Finance Committee to deliberate and make decisions on the following items of business:

Confirmation of Minutes dated Wednesday 26 September 2018

Receipt of Audit & Risk Committee Minutes dated Monday 17 September 2018

REPORTS

a. Economic Development Verbal Update

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

Reason for passing this resolution to withhold exists under:	Ground(s) under section 48(1) for the passing of this resolution is:
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Section 7(2)(f)(i)(h)(i)(j)

Section 48(1)(3)(a)(d)