



Order Paper

Council Meeting

**Tuesday 26 March 2013
9.00am**

**Council Chambers
Queen Street
TE KUITI**



NOTICE OF MEETING

A MEETING OF THE WAITOMO DISTRICT COUNCIL IS TO BE HELD IN THE COUNCIL CHAMBERS, QUEEN STREET, TE KUITI ON TUESDAY 26 MARCH 2013 AT 9.00AM.

COUNCIL MEMBERS

Mayor Brian Hanna
Cr Allan Goddard
Cr Guy Whitaker

Cr Phil Brodie
Cr Pat Hickey

Cr Charles Digby
Cr Lorrene Te Kanawa

CHRIS RYAN
CHIEF EXECUTIVE

Note:

- 9.00am** Deputation from Hamilton Waikato Tourism – 6 Monthly Report
- 9.30am** Deputation from Tere Waitomo Community Trust
- 1.00pm** Deputation from Waikato Regional Council – draft Annual Plan and Regional Economic Profile

ORDER PAPER

Items of Business

Page No.

FILE ONE

1. Council Prayer

God

Grant us the serenity to accept the things we cannot change

The courage to change the things we can

And the wisdom to know the difference

These things we ask in the name of Our Lord Jesus Christ

Amen

2. Apologies

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FILE TWO

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PLEASE NOTE

1. The business papers attached to this Order Paper set out recommendations and suggested resolutions only. Those recommendations and suggested resolutions do not represent Council policy until such time as they might be adopted by Council resolution.

2. This Order Paper may be subject to amendment either by the addition or withdrawal of items contained therein.

Document No: 302426**File No:** 037/042**Report To: Council****Meeting Date:** 26 March 2013**Subject: Deputation – Hamilton & Waikato Regional Tourism Ltd: Six Monthly Report for December 2012****Purpose of Report**

- 1.1 The purpose of this business paper is to advise Council that Kiri Goulter, Chief Executive of Hamilton & Waikato Tourism (HWT) will be in attendance at 9.00am to present the HWT Six Monthly Report.
- 1.2 Attached to and forming part of this business paper is a copy of the HWT Report to Councils – July to December 2012.

Suggested Resolution

The Deputation from Hamilton & Waikato Regional Tourism Ltd be received.

A handwritten signature in blue ink, appearing to read "Michelle Higgie".

MICHELLE HIGGIE
EXECUTIVE ASSISTANT

12 March 2013

Attachment: Hamilton & Waikato Tourism Report to Councils – July to December 2012

Hamilton & Waikato Tourism
Report to Councils – July to December 2012
February 2013

Executive Summary

The first six months of the year's activity has had a heavy focus on the release of the first Hobbit movie "An Unexpected Journey" and the international and domestic marketing opportunities this presented the region, with one of New Zealand's key tourism experiences, Hobbiton Movie Set located near Matamata.

Tourism New Zealand's global marketing campaign 100% PURE Middle-earth, launched in August and provided Hamilton & Waikato with a unique and unprecedented opportunity to leverage the international and domestic exposure generated with the Wellington premiere and release of the movie in December.

As a result HWT hosted a number of international trade and media in the last six months, and have focussed our campaign activity in Australia and domestically on maximising the opportunity to leverage and profile a range of visitor experiences in the region. HWT's partnership with Tourism New Zealand has further strengthened as the region has become a key inclusion in their activities.

Strong support from the industry has continued through partnership investment in both domestic and Australian campaigns and the production of the 2013 Regional Visitor Guide in December.

The Convention Bureau has kicked off another year with good support from the industry and an increase in partners and activities to be undertaken throughout the year. Enquiries remain steady and the general awareness of the region as an attractive destination for conferences and business events continues to improve.

While the region's guest nights have had a bumpy few months they are continuing to perform above the national figures as market and economic conditions remain challenging for all. A new data set was released in November which tracks visitor expenditure at a regional level through electronic card transactions. This is a welcome addition and will provide the region with the ability to more effectively monitor activity and trends.

A key highlight rounding out the 2012 year end was the opportunity to partner with New Zealand Historic Places Trust to host the Waikato War story and resources on our regional tourism website Hamiltonwaikato.com.

At a time when cost-effectiveness and shared services are key drivers for local government, HWT wishes to acknowledge the Councils' for their collective foresight and joint commitment to regional tourism. HWT can be considered as one of the leading national examples of how partnerships and collaboration across councils can be successfully achieved.

HWT appreciates local government's support and will continue to provide leadership and deliver value to industry, funders and the community by promoting our region as a great place to visit and live.

1.0 Key Performance Indicators July – Dec 2012

Guest Nights (Commercial Accommodation Monitor, Stats NZ)

Target: Growth in market share 3.40% to 3.50%

Result: 3.50%

Convention Bureau (Convention Activity Survey, MBIE)

Target: Growth in market share of delegate days from 8% to 10% (Convention Activity Survey)

Result: CAS data not available until late Feb 2013

Website Traffic (Google Analytics)

Target: 15% increase in visits to hamiltonwaikato.com

Result: 58% growth on July – Dec 2011

Industry Contribution

Target: \$300,000

Result: \$ \$265,000 (to Dec)

2.0 Key Visitor Statistics (Statistics NZ)

International Visitor Arrivals (Year Ending December 2012 Stats NZ)		
International Arrivals to NZ: 2,564,618 -36,826 -1.4%		
Australia	1,155,792	0%
China	197,024	35%
UK	189,648	-18%
USA	177,680	-4%
Japan	72,080	5%

There were 2.565 million visitor arrivals to New Zealand in the December 2012 year. This was down 1 per cent from the December 2011 year (2.601 million), which was boosted by visitor arrivals for the Rugby World Cup. However, the 2012 figure was up 2 per cent when compared with the December 2010 year.

Annual visitor arrivals from China were up 35 per cent (51,500) from the December 2011 year. This was due to an overall increase in total international outbound travel from China in recent years.

The increase from China was countered by fewer visitor arrivals from the United Kingdom (down 40,700), due to the global economic downturn. There were also fewer visitor arrivals from France (down 11,700) and South Africa (down 10,600), following increases the previous year during the Rugby World Cup.

Although there was little change in total visitor arrivals for the year, there were large changes in the purpose of visits. Holidaymakers decreased 49,800 when compared with the December 2011 year. In contrast, travellers visiting friends and relatives increased by 22,900. New Zealanders living in Australia made up most of the increase in arrivals for visiting friends and relatives.

Total spend by international arrivals has decreased six per cent for the year ending December 2012, with total spend of \$5.42 billion. The drop in visitor spend is a result of the

change in visitor mix and the impact of increased spend in 2011 by visitors attending the Rugby World Cup.

2.2 Regional Tourism Indicators (Ministry of Business Innovation and Employment)

The Regional Tourism Indicators (RTI) are a new data series that are based on electronic card transaction data and are designed to provide regular updates on both international and domestic tourism expenditure at a national and regional level.

The indicators are based on an index which represents changes in spend compared to the average month in 2008 (monthly index) – being equal to 100. This means that a value of 110 for an index means that there is a 10% increase in spend above 2008 for that month.

The first phase of the indicators was released in November 2012. They will be provided on a monthly basis and are best used to identify change over time.

National Data - International Visitor Expenditure



December 2012 shows a continued trend of overall declining spend in international tourism. For the 12 months to December 2012, the total international index is 85, meaning a 15 per cent decline since 2008. This corroborates a similar decline over this period seen in the International Visitor Survey.

National Data – Domestic Visitor Expenditure

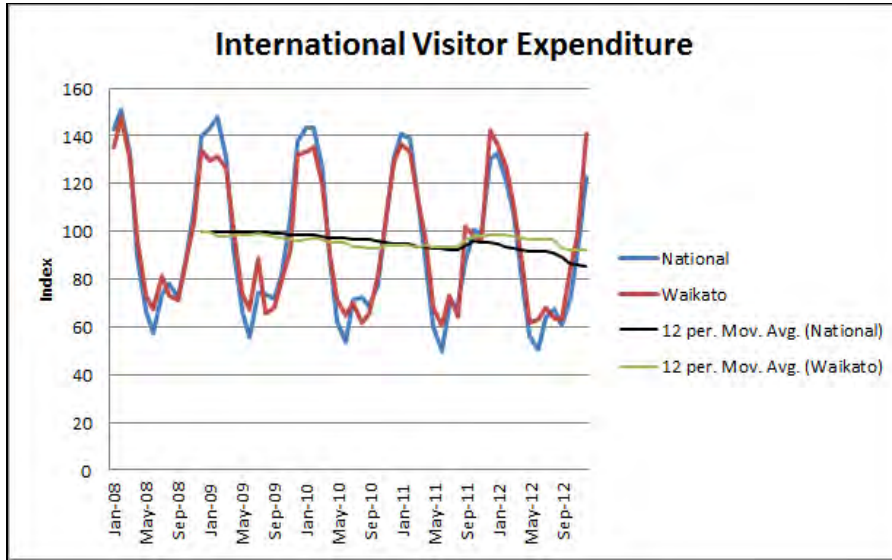


The December domestic tourism results show a levelling out of spending with the index holding constant at 102 for the last three months.

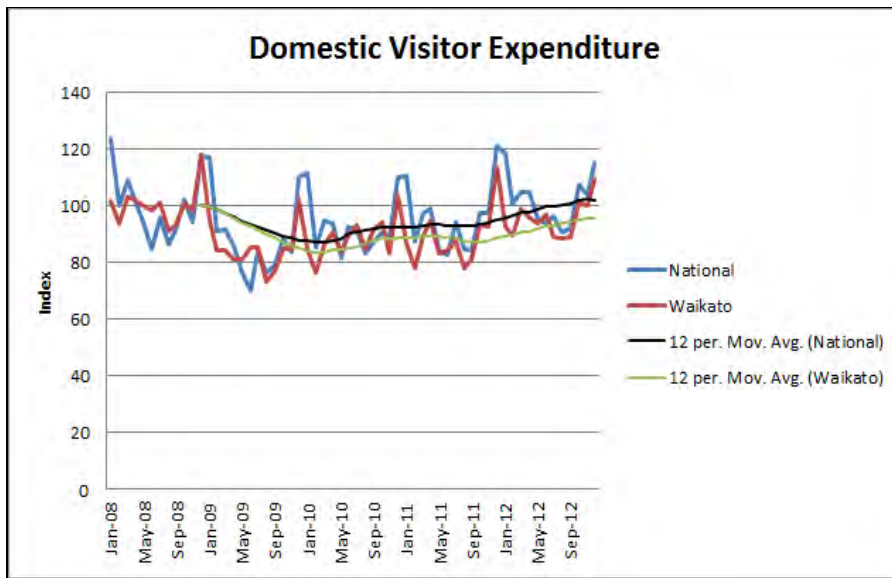
2.3 Waikato Region Indicators (preliminary data)

The first stage of regional data has been released for international and domestic visitor expenditure. Further data will be released over the next six months which will enable regions to segment by local authority and type of expenditure i.e. accommodation, retail.

International Expenditure January to December 2012

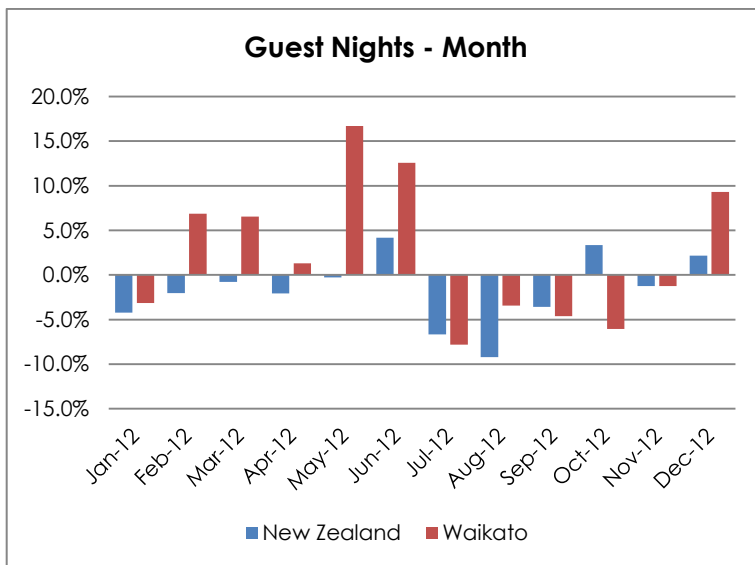


The Hamilton & Waikato region has been following the national trend in declining international spend, however is performing above the national average. September and October shows a spike in spending due to RWC 2011.



The region is slightly below the national average in domestic spend, however has also experienced modest growth since 2010.

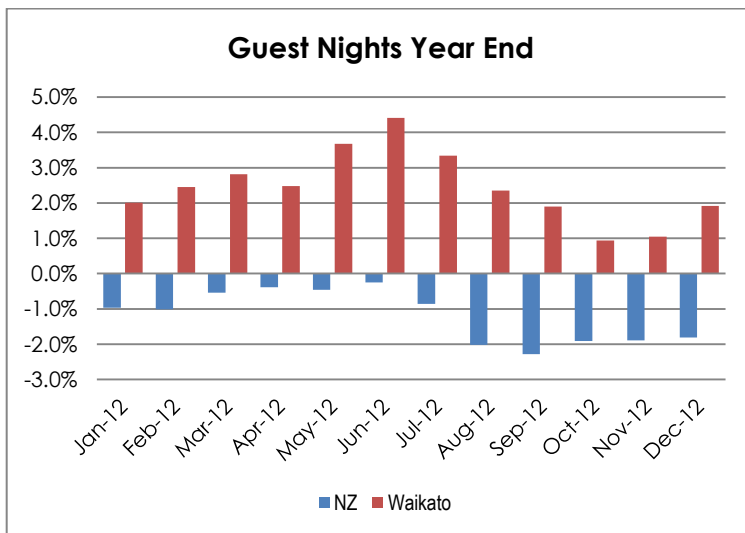
2.4 Commercial Accommodation Monitor (Stats NZ) Hamilton & Waikato Region



December 2012

- Guest nights up 9.3 % to 96,294
- International guest nights down 3.7% to 25,015
- Domestic guest nights up 14.8% to 71,279
- NZ total guest nights were up 2.2%, international down 4.5%, domestic up 1.4%

Hamilton & Waikato Region - Year End



December Year End 2012

- Guest nights up 1.9 %to 1,088,706
- International guest nights down 0.4% 229,264
- Domestic guest nights up 2.6% to 859,443
- NZ total guest nights YE Dec down 1.8%

3.0 International Marketing - Australia

Australia remains a key market for the region as it is our largest international visitor segment and has a strong visiting friends and relatives (VFR) component. HWT's

campaign activity in Australia is primarily undertaken as part of the Upper North Island group of region in partnership with Tourism New Zealand.

4.1 Australian Campaign – Tour the North Island

Hamilton & Waikato Tourism participated in a \$1.9m consumer marketing campaign along the eastern seaboard of Australia during September and October in partnership with Tourism New Zealand and the upper North Island regions of Northland, Auckland, Rotorua and Taupo. Other key partners were Qantas, Flight Centre and ANZCRO (wholesaler).

The campaign concept was directly aligned to TNZ's global campaign, leveraging off The Hobbit movies and the campaign creative included high impact outdoor placements (billboards), online display advertising and trade channels through Flight Centre and ANZCRO. The airline partner was Qantas.

Regional investment in the campaign by HWT and operator partners including THL, Waitomo Adventures, Hobbiton Movie Set and SkyCity Hamilton was \$70k.

Campaign Top Line Results:

- The campaign successfully drove significant perception shifts building the North Island as a destination in its own right
- Qantas: 74m impressions, 40,027 clicks to Qantas
- Flight Centre: 114m impressions, 20,350 visits to NZ.com
- Qantas 5-10% increase in bookings into Auckland vs same period 2011
- Flight Centre: overall increase in sales 70%, room nights 94%, passenger numbers 94%
- Flight Centre: Regional bookings increased by over 50%, HW sales 87%



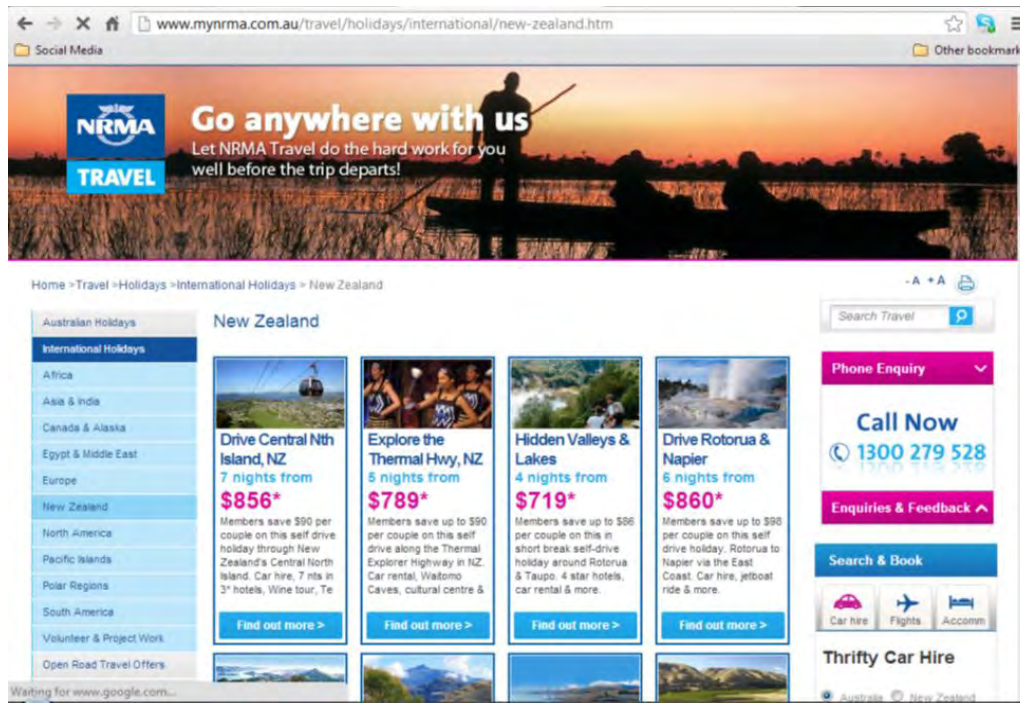
4.0 International Marketing – Long Haul

4.1 Explore Central North Island (ECNI)

HWT once again is participating in the central north island collective of RTOs - Explore Central North Island. As part of this collective HWT partnered with Rotorua and attended a Tourism New Zealand product update event in the UK in October. The theme of the event was based around The Hobbit, walking and cycling and Maori culture. The event

comprised of sales appointments with 58 travel wholesaler product managers from UK/Europe based companies.

The collective launched a campaign with Australian retail travel provider NRMA (similar to NZ's AA) in December which will run through to February promoting self-drive touring holidays through the central North Island. The promotional messages will be sent to NRMA's extensive driving-focused database through e-newsletters and feature on their holiday section of the NRMA website.



Due to its popularity a re-print of the Explore Central North Island consumer map was done in December to be distributed at trade shows and wholesaler channels.

4.2 International Travel Trade

The international travel trade are an important focus of HWT's activity as they (retail travel agents, wholesalers, and inbound tour operators) influence consumers' travel to our region. This activity is carried out in partnership with Tourism New Zealand with 90% of trade family visits being coordinated through TNZ. Travel trade work with tourism operators who are active in the international market and willing to pay up to 30% commission.

HWT hosted the following travel trade groups during the six month period:

- MLT Vacations, USA
- Chantelle Foran, Princess Cruises
- Korean Product Managers Famil
- TravelSavers USA Famil
- Japan Regional Agents Famil

4.3 Visiting Media Programme – International (General)

HWT works closely with Tourism New Zealand (TNZ) as part of their international media programme. TNZ's Global Marketing Campaign 100% PURE Middle-earth was released in August 2012 and is heavily focussed on leveraging the release of The Hobbit movies. As a result there has been a lot of interest in the Hamilton & Waikato region and in particular Hobbiton Movie Set and Waitomo Caves due to its close relationship to the storyline. HWT

has taken this opportunity to further leverage this hosting media across a cross section of products and experiences.

The following international media have been hosted by HWT over the past six months:

- Mezamashi Doyoubi TV Crew Japan, audience of 8,500,000 - Hobbiton, Movie Set Waitomo Glowworm Caves
- Caroline Morse, Smarter Travel, Audience of 3,583,489+ - Waitomo Caves
- Aaron Carotta, Catch and Cook series two Choice TV - Tuakau Hotel, Sweetree Honey North Waikato, Whitebaiter Clinton Brock
- Rebecca Nicholson, The Guardian Readership, 214,203 - Hobbiton Movie Set Tour, Piwiwi Raglan, Solscape, Raglan Bone Carving Studio, Raglan Scenic Tours, Karioi Lodge, Lost World Waitomo
- Ian Robertson, Toronto Sun readership 6,713,111 (12 publications) - Zealong Tea, Hobbiton Movie Set Tour, Sarnia Park
- Claire Fitzsimons, Daily Mirror, Audience of 1,100,000 - Hobbiton Movie Set Tour, Sarnia Park, Waitomo Caves
- Charlotte Ward, ivillage.co.uk, 1,500,000 unique users per month - Hobbiton Movie Set Tour, Sarnia Park, Waitomo Caves
- Dream Job, Arrival Magazine 30,000+ weekly reach (social media) - Ruakuri Cave, Waitomo Glowworm Caves Visitor Centre, Waitomo Top Ten Holiday Park, Huhu café, Maungatautari guided walk, Te Aroha Mineral Spas, Hamilton Gardens Guided Tour, Ibis Tainui Hamilton, Rebo Restaurant, CamJet, Hobbiton Movie Set, Zealong Tea Estate
- Michael Kaminer, New York Daily News Print circ 579,000 and 9,000,000 UVP - Hobbiton Movie Set, Kamahi Cottage
- Stories Beat Stuff, Culture Kaboom TNZ Global Youth Campaign - Bike2Bay Tour of Raglan township, Raglan Surfing School, Karioi Lodge, Waitomo Glowworm Caves, Black Labyrinth, Kiwipaka Waitomo, Pa Harakeke – Eco-cultural Tour
- Shelley Huang, Chinese Herald, circ of 10,000 & skykiwi.com 60,000 daily IP visits - Waitomo Glowworm Caves, Ruakuri Cave, Hobbiton Movie Set Tour, Olde Berry Farm, Alpha Lavenders

4.4 The Hobbit

Movie Premiere - International Media

The premiere of The Hobbit took place in Wellington on the 28th of November with HWT hosting a number of media groups pre and post the premiere. Hobbiton Movie Set was also the location for a special VIP media-only event for the day after the premiere at which 200 international media conducted interviews with the cast and the Prime Minister officially opened the Green Dragon Inn.

Key media that HWT hosted over this period included:

- Caroline Iggulden, The Sun, daily circulation of 3,000,000 Article to coincide with release of The Hobbit: An Unexpected Journey -Hobbiton Movie Set
- Indian press trip, two commissions with total circ of 2,310,000 - Waitomo Glowworm Caves, Hobbiton Movie Set
- Karen Edwards, Huntington Post, circ 5,900,000, Hobbiton Movie Set, Matamata farmstay
- Malaysian Airlines, three commissions with total circ of 745,000 - Waitomo Caves Visitor Centre, Ruakuri Cave Trip, Hobbiton Movie Set
- Michael Behrendt, WELT, three commissions with total circ of 497,294 (with 5,970,000 online circ) - Hobbiton Movie Set
- Travelcom Taiwan, circ of 45,000 Hobbiton Movie Set, Waitomo Glowworm Caves, Waitomo Top Ten Holiday Park
- French Broadcast, circ 4,000,000, Sarnia Park Boutique, Spellbound Tour, Waitomo General Store
- Japanese Broadcast, Novotel Tainui Hamilton, Ruakuri Cave, Hobbiton Movie Set

- International Post Premiere Media Group (13 pax) - Black Labyrinth, Ruakuri Cave tour, Waitomo Caves Visitor Centre, Broadway Motel, Matamata Street party
- Sunrise Australia, Nov 12, Abseil Inn, Waitomo Top Ten Holiday Park, Chestnut Lane Cottage, Broadway Motel, Hobbiton Movie Set, Ruakuri Cave

As part of Tourism New Zealand's global campaign they developed an online Middle-earth story book profiling key locations / attractions. The Hamilton & Waikato region featured prominently with locations and activities including Hobbiton Movie Set, Waitomo Caves, Raglan, Maungatautari Ecological Island, Waikato River Trails and Te Aroha Mineral Spas.



Hamilton - Waikato

NEARBY

Attractions

Raglan

West of Hamilton, Raglan is a beautifully scenic area of black sand coastline. Famous for great surfing opportunities and a buzzing café culture, Raglan is a great place to head to relax and enjoy some beautiful beaches. There are several great walks in the area, and you can walk up to Bridal Veil Falls, a stunning waterfall that's 55 metres high.

More info

Maungatautari Ecological Island

Experience natural Middle-earth at its best with a visit to Maungatautari Ecological Island. Hear the call of the kiwi at night and get up close to native birdlife such as kaka, hihi and popokatea amidst lush native forest.

More info

Waikato River Trails

For a great off-road mountain biking or walking experience, the Waikato River Trails are hard to beat. Explore New Zealand's farming and forestry heartland with over 100km of trails taking you deep into native bush, enchanting forests and long wandering boardwalks.

More info

Te Aroha Hot Pools

The Edwardian spa town of Te Aroha sits at the base of a large mountain, and the town's natural mineral hot springs are a great activity for wary travellers. Choose to soak in public or private pools.

More info

Industry Event

HWT partnered with Hobbiton Movie Set to jointly host an industry event on 11 December at Hobbiton Movie Set to celebrate the opening of the Green Dragon Inn with the tourism industry. Around 150 key inbound travel trade representatives from across NZ and tourism businesses from the central North Island attended the event.

Australian Hobbit Leveraging Campaign

HWT participated in a small campaign with Tourism New Zealand, Destination Rotorua, Air New Zealand and a couple of key Hobbit-related activity operators to leverage the launch of 'The Hobbit' on December 26th in Australia. The campaign entailed cinema and online advertising and Hobbit themed deals to attract holiday visitors to the Hamilton & Waikato and Rotorua regions. The campaign ran from late December to late January.

5.0 Domestic Marketing

5.1 Explore Your Own Backyard

The second part of HWT's domestic campaign began in May and ran through until September. Titled 'Explore Your Own Backyard,' the campaign focused on local residents to increase their knowledge of the range of things to see and do in the region as well to inspire pride in our place.

The final 'what's on' weekly events guide sponsorship on MORE FM concluded in October. HWT also worked with the Sunday Star Times on their summer supplement, providing editorial and advertising focused on the cycling trails including the Waikato River Trials, Hauraki Rail Trail and Pureora Timber Trail.



8

Put on your walking boots

Get a mountain high or a river rush with one of the many walking, hiking and biking trails in the Hamilton and Waikato region.

The Hamilton and Waikato regions encompass landscapes, from long rolling pastures and heady-land encounters to river, coastal and lakeside views, provides a variety of great cycling and walking trails to explore. There is everything from gentle jaunts on well laid-out tracks to more ambitious hikes, including overnight hut stays – and it is all easily accessible. Cyclists can also experience this majesty with new tracks constantly being developed inside the river, in the pine forests and on the banks of the mountains.

CYCLING TRAILS
The Hamilton & Waikato region is home to some of New Zealand's Great Rides. Two are already open, including the Waikato River Trails, covering previously inaccessible southern Waikato land, with up to 100km of tracks along the mighty Waikato River. For the second one, the Hauraki Rail Trail, you're east to Tu Arua. The track takes you through farmland with great views of the Ratahi Ranges and the added bonus of hot pools at the end to soak tired muscles.

From early next year, you can gain a historical insight into the Pūmāta Forest on the 7km Pureora Timber track that showcases remnants of the great forests that once dominated the area and the history of timber logging.

WALKING AND BIKING
Top walking and biking trails include Ihirāi Sound on Pirirāia and Maungatatarā near Te Awamōiā (the Maungatatarā Ecological Reserve providing a paradise for bird watchers), Tūhāi Falls and Mt. Kaele near Raglan. Clivia can never be more far away from water! The Blue Spring in South Waikato, Waitemāra Falls near Te Arua, and the Hōkaiarua Kauri Loop near Ngāruahanga. Other walking tracks are also on offer with the Waikato River Walks in Hamilton City so, for the more avid hiker, overnight bush excursions are available on the ancient volcanic ranges that border the region. Really, the options are endless for lovers of outdoor.

www.hamiltonwaikato.com

PHOTOS: HAMILTON & WAIKATO TOURISM

5.2 Movie Magic

To leverage off the 'Hobbit' hype gripping the nation in December, HWT ran an Explore Movie Magic in Your Own Backyard campaign targeted at local residents to raise awareness of the region's prominence in the movies and instil local pride. The campaign entailed newspaper advertising, radio promotion, a billboard in Hood St, Hamilton and a competition to win tickets to Hobbiton Movie Set and Waitomo Caves through facebook and hamiltonwaikato.com.

Results from the campaign:

Competition entries - website and facebook combined:

- 2202 Entries = 2152 legit entries
- 1430 Hamilton & Waikato Entries
- 707 Domestic Entries (outside of HW)
- 14 International Entries

Facebook:

- 24,643 Actions (likes, comments, shares)
- 3,636 Likes

Website:

- Explore Your Own Backyard page - 951 views from 18 Nov – 20 Dec
- Just over 500 of the entries came through the website

Database acquisition:

- 2,152 sign-ups

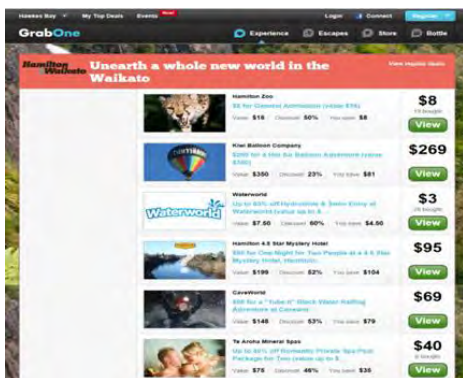


5.3 GrabOne – Regional Take-Over

HWT worked with GrabOne in October to undertake a 'regional take-over' which consisted of two days of promotion of Hamilton & Waikato operator deals on GrabOne's website and to their database of 500,000+.

Results:

- Total number of deals offered: 18
- Total number of deals sold: 2,088
- Regional take up on deals: Waikato 50.6%, Auckland 27.3%, Rotorua 9.1%
Tauranga 7.8%, Hawkes Bay 5.2%
- Total revenue generated, gross sales: \$43,725



5.4 Domestic Media Visits

HWT hosted the following media in the region from July – December:

- Aaron Carotta, Bucket Wish Choice TV NZ freeview & skyTV - Hamilton Gardens, Lost World, Smith & McKenzie Chophouse
- Elisabeth Easter, Weekend Herald, circ 585,000 - Out in The Styx, Maungatautari – Sirocco Experience, The Red Kitchen
- Dionne Christian, NZ Herald - Pirongia Mangakara nature Walk, guided, Pirongia Clydesdales, Horse drawn village tour, Kanihwaniwha Caves walk, guided, Pirongia Clydesdales B&B accommodation, Pirongia Annual Craft Day
- Elisabeth Easter, NZ Herald - Port Waikato Top Ten Holiday Park, Nikau Caves
- Colin Hogg, APN Network - Quest on Ward, Agricultural Heritage Museum, Good George Brewing, Waikato River walks, Hamilton Gardens, Hamilton Zoo
- Alexia Santamaria, NZ Herald - Candyland, The Verandah Café, Hamilton Lake Domain playground, Hamilton Miniature Railway
- Sophie Barclay, Element Magazine Circulation of 170,704 - Maungatautari, guided day trip and Phil Brown guided night walk, Out in the Styx, Alpha Lavenders, Viands Bakery, Zealong Tea, Te Aroha Mineral Spa
- Alexia Santamaria, NZ Herald - Hamilton Farmers Market, Monavale Blueberries, Parana Park, The Potters Children's Garden

5.5 Regional Visitor Guide 2013

The second annual regional visitor guide was produced in December with 100,000 copies printed and distributed through i-SITEs throughout New Zealand and key locations in the upper and central north Island through the Jasons distribution network.

6.0 Digital Marketing – Hamiltonwaikato.com

Hamiltonwaikato.com is the main platform for the RTO's marketing and promotional activities. We have seen large increases in website traffic over the year due to a combination of Search Engine Optimisation, and domestic and international marketing campaigns. Over the last six months, the following enhancements were made to the site;

- Operator listings pages including enhanced new design features and increased content. New content includes enriched articles, videos, campaign pages and deals.
- Campaign page design and build: Specific landing pages have been developed for both our domestic and Australian marketing campaigns. Each landing page had a unique URL and provided different content and images to match the messaging that was in each campaign.

6.1 Waikato War Project

The Waikato War experience is an exciting new product development that takes visitors on a unique journey through the historic battle-sites of the Waikato War.

New Zealand Historic Places Trust, in conjunction with local hapu Nga Muka created the heritage storytelling product to bring the landscapes of the Waikato region to life.

The experience begins online at www.thewaikatowar.co.nz, with an overview of the war and key people, sites and events, and access to many downloadable resources. These include mobile apps that provide GPS linked maps, and an audio narrated guide for each location. The site also features a high-quality, downloadable education kit that teachers can use to take school trips through the region. On the battle-sites themselves, illustrated signage provides 3D imagery of what the sites would have looked like in the 1860s, and invites visitors to stand at key spots and see the actual action that was taking place under their feet.

HWT are partnering with New Zealand Historic Places Trust and are hosting the Waikato War website and resources as part of hamiltonwaikato.com.

The project was successfully launched in mid-January and HWT will continue to support and promote the product and encourage visitors to engage with these key stories as part of their visit to our region.



7.0 Convention Bureau

The 2012-13 year has started well for the Convention Bureau with 52 partners providing \$108,400 income for marketing activities for the year.

7.1 Hosting

The Bureau has been busy hosting a number of clients in the region over the last six months onsite with inspections and familiarisations.

This has included the following Tourism New Zealand-lead international buyer families:

- TNZ Indonesian MICE Famil (9 buyers)
- TNZ Chinese MICE Famil (9 buyers)
- TNZ Thai MICE Famil (5 buyers)

11 domestic business event planners have also been hosted in the region over the last six months, with outcomes pending but looking positive.

Tourism New Zealand has increased their focus on the Business Tourism sector this year, employing a dedicated resource to bid on behalf of the country for international conferences and incentive trips. The Convention Bureau hosted the Tourism New Zealand Business Events Bid Manager in November to showcase what the region has to offer as part of these international bids process. During this time the Convention Bureau facilitated a CB partners' update and networking session with TNZ's Business Events Bid Manager's as the guest speaker.

7.2 Enquiries and bid activity

Enquiries have been steady for the Bureau with particularly good interest in July, August, September and November.

- Number of leads July – December – 29*
- Leads won – 8, estimated value \$237,000**
- Leads pending – 11, estimated value \$1.6m
- General assistance queries - 10

*Note

* Does not include some enquiries that are in the initial stages of planning.

**Value only includes estimate for portion of each lead handled by HWT and does not show the full economic benefit of each enquiry and/or to the region.

The Convention Activity Survey coordinated by the Ministry of Business, Innovation and Employment has been under review with quarterly data due for release in late February 2013. Due to this, HWT is unable to report on delegate days from July 2012. The last data set from year-end June 2012 showed the region had an 8% share of delegate days, the 3rd highest amount behind Auckland and Wellington.

7.3 Regional Profile

The region has been profiled in two key business tourism publications from a conferencing and incentive perspective. In addition to the editorial, HWT advertised alongside individual MICE sector businesses to showcase the breath of venues, properties, services and experiences on offer in the region.

- 12 page feature in the July / August edition of Meeting Newz
- 14 page feature in NZ Corporate Traveller publication

7.4 Convention Planner 2013 & Advertising

In November the 2013 Convention Planner was produced with 1,000 copies printed and distributed to key association, government and corporate business event planners.



8.0 Product & Industry Development

Support has been provided to a range of tourism operators to discuss product development and marketing opportunities.

In addition, the following key activities have been undertaken:

- Held Tourism Symposium at Novotel in October, attended by 140 tourism operators and stakeholders
- Held two Tourism After Five functions for industry (Waipa, North Waikato), providing update on HWT activities and market conditions
- Supported concept development for the development of O-Raakau Heritage Centre in partnership with Waipa District Council and O-Raakau Heritage Society (NZTE/HWT)
- Supported progress to enable the hosting of Historic Places Trust Waikato Wars project/story on hamiltonwaikato.com to be launched Jan 2013
- Continued discussions between KiwiRail re retaining an additional Waikato stop as part of their new Northern Explorer Experience. Otorohanga was added to the itinerary in December
- On-going assistance to Te Awa the Great NZ River Ride – development of signage / interpretation component

9.0 Stakeholder Relationships

- Provided six month report and presentation to Councils for year end June 2012
- Preparation of three year Service Level Agreement
- Assisted regional i-SITEs with bid for 2013 i-SITE conference. Region was successful
- CEO holds position of Trustee of Regional Tourism Organisations of New Zealand
- Industry representative for RTONZ at Tourism Industry Association Market Intelligence & presentation to Local Government Select Committee
- Tourism Advisory Group meeting held December

Kiri Goulter
CEO
1 February 2013

Document No: 302958**File No:** 037/042**Report To: Council****Meeting Date:** 26 March 2013**Subject: Deputation – Tere Waitomo Community Trust****Purpose of Report**

- 1.1 The purpose of this business paper is to advise Council that representatives of Tere Waitomo Community Trust will be in attendance at 9.30am to address Council on the Trust's recent progress.

Suggested Resolution

The Deputation from Tere Waitomo Community Trust be received.

A handwritten signature in blue ink, appearing to read "Michelle Higgie".

MICHELLE HIGGIE
EXECUTIVE ASSISTANT

18 March 2013

Document No: 302427**File No:** 037/042**Report To: Council****Meeting Date:** 26 March 2013**Subject: Deputation – Waikato Regional Council:**
(1) 2013/14 draft Annual Plan
(2) Regional Economic Profile**Purpose of Report**

- 1.1 The purpose of this business paper is to advise Council that representatives from the Waikato Regional Council (WRC) will be in attendance at the meeting at 1.00pm to make deputations on its –
1. draft 2013/2014 draft Annual Plan
 2. Regional Economic Profile
- 1.2 A copy of the WRC Report and PowerPoint Presentation relating to the Regional Economic Profile are attached to and form part of this business paper.

Suggested Resolution

The Deputation from Waikato Regional Council be received.

A handwritten signature in blue ink, appearing to read "Michelle Higgie".

MICHELLE HIGGIE
EXECUTIVE ASSISTANT

12 March 2013

Attachments: 1 Report on Regional Economic Profile
 2 PowerPoint Presentation on Regional Economic Profile

Report to Waitomo District Council – To be received

File No: 20 00 01
Date: 18 March 2013
To: Chief Executive Officer
From: Programme Manager – Regional Strategy
Subject: Waikato regional economic profile

Purpose

To provide background material about the Waikato regional economic profile and to set out the profile's key findings.

Recommendation:

That the report "Waikato regional economic profile" (Doc #2366066 dated 18 March 2013) be received for information

Background

The purpose of the profile is to provide information so that all Waikato stakeholders can have a shared understanding of the economic issues and opportunities facing the region and take steps collaboratively to address these. It is therefore useful to decision makers, analysts, entrepreneurs and students.

The profile is also informing Waikato Regional Council as it determines its role in enabling regional development. The regional council already holds much information about the state of Waikato's environment but relatively little is known about the region's economy. Waikato Regional Council has already decided that balancing environmental and economic outcomes is a core aspect of its role (refer Waikato Regional Council mission). This profile therefore informs the regional council's discussions about the relationship between economic and environmental issues, within a broader discussion about its role in contributing to community wellbeing.

The contributors included territorial authorities, central government agencies, tertiary education providers and Crown Research Institutes, regional tourism organisations and business organisations. The publication of the profile in October 2012 was highly anticipated because there is little public information about the Waikato regional economy overall and its components. The process to develop the profile has contributed to new discussions being initiated between different organisations and individuals who operate in the regional economy, which could lead to ongoing collaborative relationships.

The profile can be accessed via the Waikato Regional Council website at <http://www.waikatoregion.govt.nz/Services/Publications/Technical-Reports/TR-201237/>.

Key findings

There is an imperative for collective action to grow and sustain Waikato's economy because **the region is lagging behind much of New Zealand across a range of indicators**. All of these affect the economic and social wellbeing of communities in the region.

Waikato is the fourth-largest regional economy in New Zealand. It accounts for approximately 10 per cent of land area and population and 8.5 per cent of gross domestic product (GDP). Several sectors are part of national value chains, such as food, forestry and wood product manufacturing, manufacturing and services. The region is an important centre of primary production and relies on the Auckland and Bay of Plenty regions for access to international ports.

There is evidence to suggest, however, that the Waikato region is not achieving its potential. For example:

- Estimated Waikato Gross Regional Product per capita in 2011 was \$40,039, which was approximately 9 per cent lower than national GDP per capita (\$44,064);
- Waikato's median weekly household income is higher than only three other regions. Median weekly household income increased from 1998 to 2011 at a lower rate annually (3.4 per cent) than New Zealand (3.8 per cent);
- The distribution of incomes is narrower in Waikato than New Zealand as a whole. There are more middle income households and fewer households with annual incomes greater than \$150,000 per year;
- The educational attainment of Waikato school leavers is below average, with only 66 per cent attaining a qualification at level two or above compared with a national average of 71 per cent; and
- The level of social deprivation is slightly worse than New Zealand as a whole.

Waikato's economy is closely tied to the resources and waste assimilation services provided by **its environment**. Finite productive land, poor water quality and reliance on finite fossil fuels, for example, mean that neither "business as usual" nor "more of the same" is sustainable.

We need to work on a number of **opportunities for the region**:

- To develop a strategy that identifies Waikato's role in contributing to the upper North Island, other regions and New Zealand as a whole.
- To adopt a green growth theme that is consistent with international trends, national approaches and the strategic direction of WRC.
- To improve coordination between location-, iwi-, sector- and firm-based economic development activities to increase effectiveness and efficiency.
- To take advantage of a population that is relatively young and has relatively more Māori.
- To improve the quality and coordination of regulatory processes for valuable sectors that cross local and regional boundaries, such as forestry and geothermal energy. This requires collaboration among local authorities and with central government potentially.
- To partner with Māori/iwi for economic development due to their unique advantages and long-term commitment to the future of the region and its people.
- To increase generation from abundant, renewable resources such as geothermal and wind energy. The region will continue to be well placed to deal with increased demand.

- The region can make better use of its existing infrastructure by identifying opportunities for improved management and finding better ways of managing demand. It can also be smarter about investing in new assets by considering how they function as a network. This applies at local and regional level.
- The roll-out of ultra fast broadband enables firms to improve communications, productivity and education without regard to location (particularly if rural communities gain equitable access).
- To increase the commercialisation of the existing knowledge strengths within the region's research and education institutions.
- To enhance collaboration among the knowledge generation and diffusion sub-system for greater innovation outcomes.
- To improve alignment between the regionally significant sectors and the education and research strengths of the region's institutions.
- To increase the value of our international and interregional exports, particularly in the regionally important sectors that present immediate opportunities because of their existing scale and growth:
 - high-value food manufacturing (dairy, meat and other food manufacturing);
 - high value manufacturing (such as agritech, aviation and materials and equipment manufacturing);
 - forestry and wood product manufacturing;
 - high value services (such as agriculture, geothermal energy and information and communications technology); and
 - aquaculture is small currently but has growth potential also.
- To align the attraction of business visitors with sector strengths and opportunities.

The challenges and opportunities are significant and inter-related. No single organisation has the scale or scope to address them across the region and maximise the benefits to themselves or the wider community. Activities and investments require better coordination within the region and between the region and central government. It is also necessary to improve the utilisation of regional resources and deliver a regional strategic focus. Collaboration is therefore required among and between firms and industry groups, central and local government organisations, iwi, tertiary education and research providers and commercialisation and economic development agencies.

General issues

Information sharing

There is little public information about the Waikato regional economy and its components (e.g. territorial authority areas, iwi, firms) and there is no common base for its analysis. For example, data is contained in multiple sources and territorial authorities commission economic models from third parties that are built using the same data (sourced from Statistics New Zealand) and focus on territorial authority areas. They do not identify or address region-wide issues therefore.

Related issues include:

- The type of information that is sometimes collected may not be useful for strategy and planning, such as retail sales data versus export data.
- The duplication of information collection may be inefficient if multiple providers are contracted, especially when some organisations may be collecting the information anyway, such as Waikato Regional Council.
- There is a demand for accurate, timely, easy-to-understand information from TAs, business organisations and the media amongst others.

Collaboration

The challenges and opportunities identified are significant and inter-related. No single actor has the scale or scope to address them across the region and maximise the benefits to themselves or the wider community as illustrated in the diagram below. Collaboration is therefore required among and between firms and industry groups, central and local government organisations, iwi, tertiary education and research providers and commercialisation and economic development agencies. For example, it appears that the highest number of students and graduates at tertiary education providers are in subjects that do not relate directly to regionally significant economic sectors. There could be benefit in engaging with industry to identify their short- and long-term labour and skills needs.

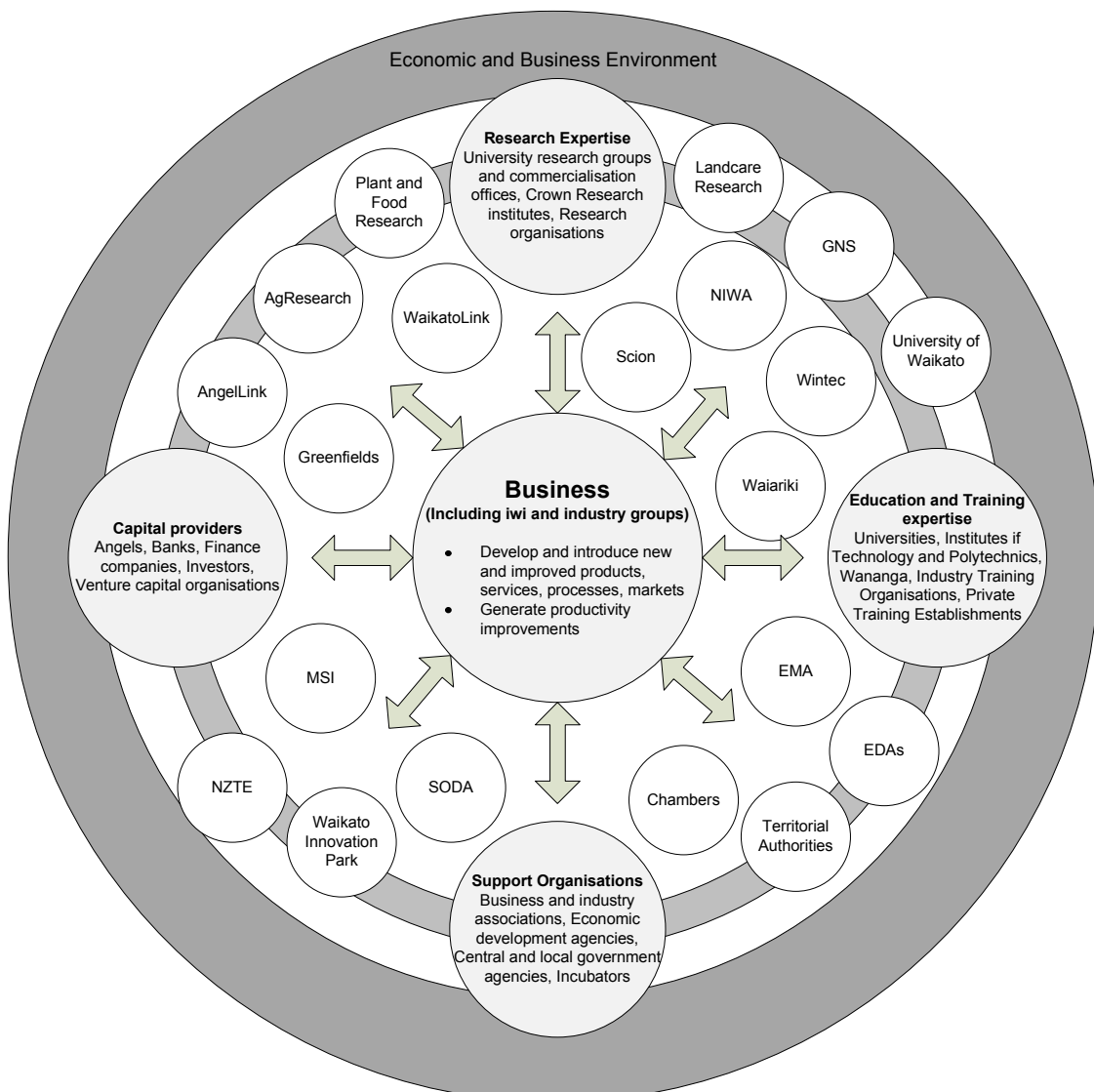


Figure 1 Key components of the Waikato innovation system

Scale and density

Although Waikato is the fourth-largest region in New Zealand and contributes approximately 10 per cent to the national economy, the region's population is approximately 15 per cent less than the third-largest region (Wellington), is small in an international context and has relatively low population density outside the region's urban centres. Furthermore, the proportion of the region's population that reside in a metropolitan area (Hamilton) is lower than the larger regions. This makes it difficult to take advantage of economies of scale and density that occur in larger cities typically.

Current work

Examples of work by Waikato Regional Council staff with colleagues that has been completed or is about to commence include:

Interviews of firms

Waikato Regional Council commissioned MartinJenkins to interview 35 firms in several industry sectors to identify their opportunities and barriers to growth through innovation and internationalisation. This was a follow-up to the regional economic profile, because Waikato Regional Council found that there was limited information available about firms' experiences of various issues. The most common issues raised by the interviewees were skills availability, regulation and a lack of coordination of economic development support.

Waikato Regional Council is considering how to ensure regulation and processing of consents is not an unnecessary barrier to firms being successful. The findings of the interviews relating to skills have been passed on to those groups leading work in this area. Coordination of economic development support is being discussed in Hamilton (discussed below) and it is hoped this discussion will extend to other areas in due course.

Research into the Māori/iwi asset base

Comprehensive information about the Māori/iwi asset base and economic development activities was not available at the time of writing the Waikato regional economic profile. Waikato Regional Council also found it challenging to obtain public information for the Iwi chapter of the profile, which was based on secondary sources. Collating such information would help identify the nature and scale of iwi/Māori interests in, and contributions to, the Waikato regional economy and identify opportunities for growth and capability building.

Waikato Regional Council, Te Puni Kōkiri and the Federation of Maori Authorities have agreed to collaborate to collate information about the nature and scale of iwi/Māori interests in, and contributions to, the Waikato regional economy. The project will involve desk research to identify the main activities, income and expenditure and value, and economic potential of assets of Māori/iwi entities in the Waikato region, including the location, size and current and potential use of land holding (where relevant). The key output will be a report outlining the findings from the research.

This information could form an input to the development of both a Waikato regional Māori/iwi economic action plan and a broader regional economic development strategy. The action plan could be designed to complement and give practical effect to the thematic directions set in the national Māori Economic Development Strategy and Action Plan.

Collaboration

A networking group began in 2011 among the staff of some of the regional innovation organisations based in Hamilton (e.g. Hamilton City Council, Innovation Waikato Ltd, New Zealand Trade and Enterprise, Opportunity Hamilton, Prima Group, SODA Inc, Waikato Chamber of Commerce, WaikatoLink, Wintec).

The group provides opportunities for the members to:

- share information about their activities or best practices (knowledge transfer);
- identify and share common opportunities (business leads);
- identify opportunities to coordinate services (this could: free resources to specialise in complementary niches; and reduce search/transaction costs for firms).

It is expected that this group's membership will be extended to other parts of the region in due course.

Information sharing

Waikato Regional Council staff are working with stakeholders to determine and help meet their regional economic information needs. The output could be an online, open information source about the Waikato regional economy that is updated regularly and linked effectively to other information (environmental, social/cultural).

This is needed because there is a demand for accurate, timely, easy-to-understand information about the Waikato regional economy and its components (e.g. territorial authority areas, iwi, firms) from territorial authorities, business organisations and the media amongst others but there is little public information available. Although some organisations, such as Waikato Regional Council, collect data at regional and territorial authority-level, data is contained in multiple sources and there is no common base for its analysis.

Regional economic development strategy

Waikato Regional Council is supporting the Waikato Mayoral Forum as it facilitates the development of a regional economic development strategy focused on unlocking the export and innovation potential of key regional sectors.

Conclusion

The economic profile provides a useful evidence base about various economic issues facing the region. Waikato Regional Council is keen to explore economic development opportunities with others in the region and to support the work of the Waikato Mayoral Forum in facilitating the development of a Regional Economic Development Strategy.

Assessment of Significance

Having had regard to the decision making provisions in the Local Government Act 2002 and Council's Policy on Significance, a decision in accordance with the recommendations is not considered to have a high degree of significance.



Katie Mayes
 Programme Manager – Regional Strategy
 Waikato Regional Council

Waikato



REGIONAL COUNCIL

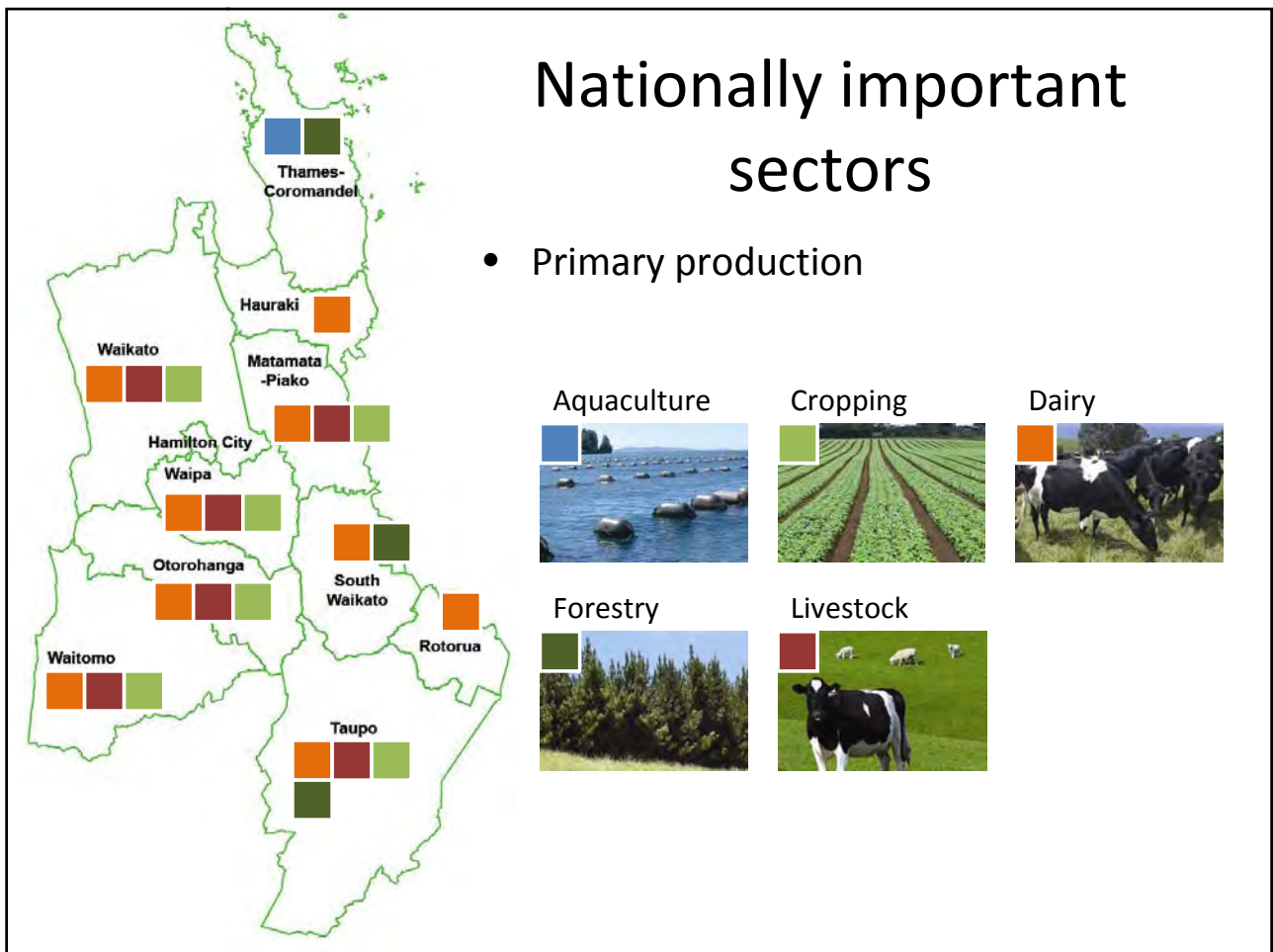
Te Kaunihera ā Rohe o Waikato

Waikato regional economic profile

Overview

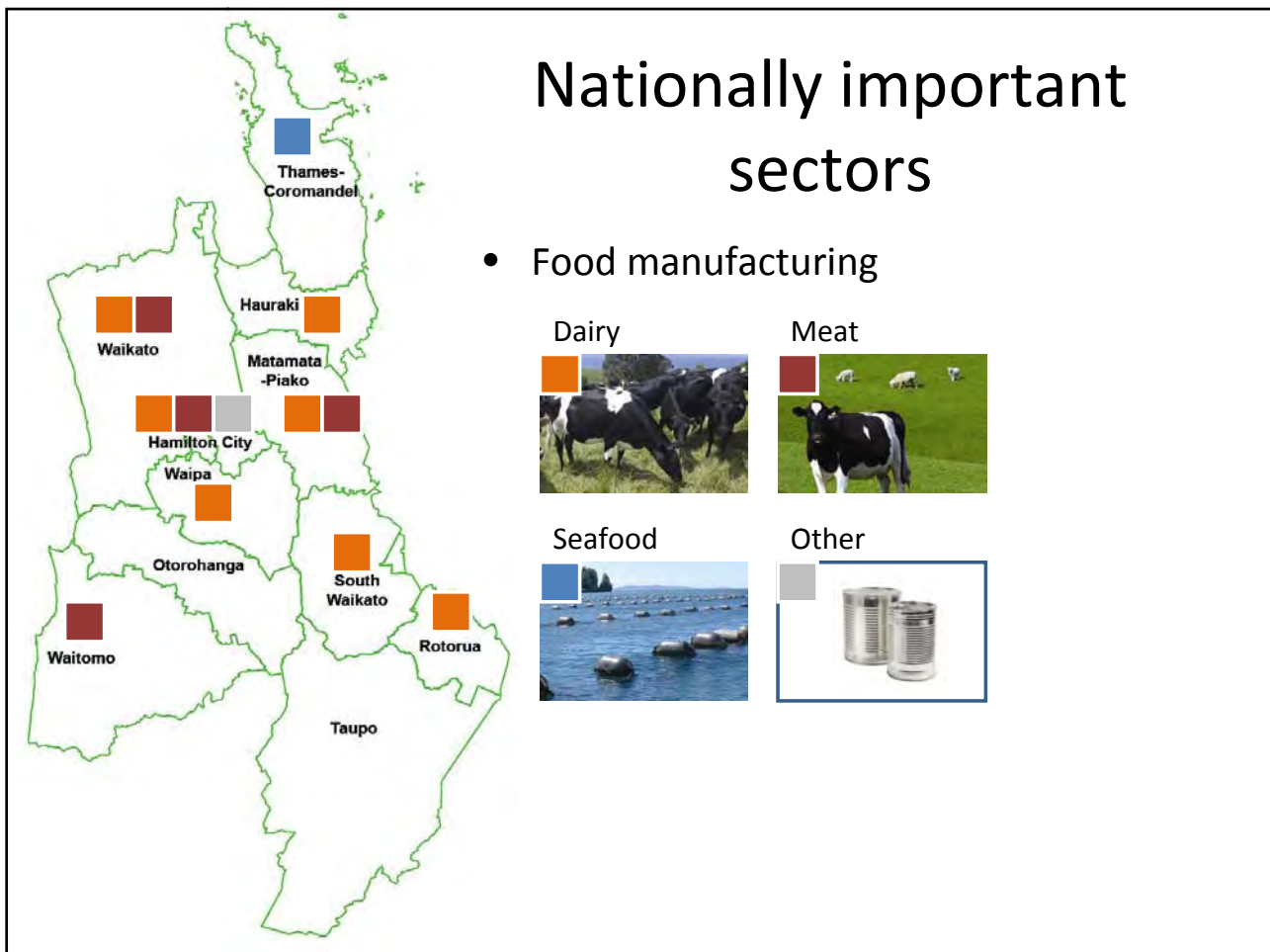
Nationally important sectors

- Primary production



Nationally important sectors

- Food manufacturing



Dairy



Meat



Seafood



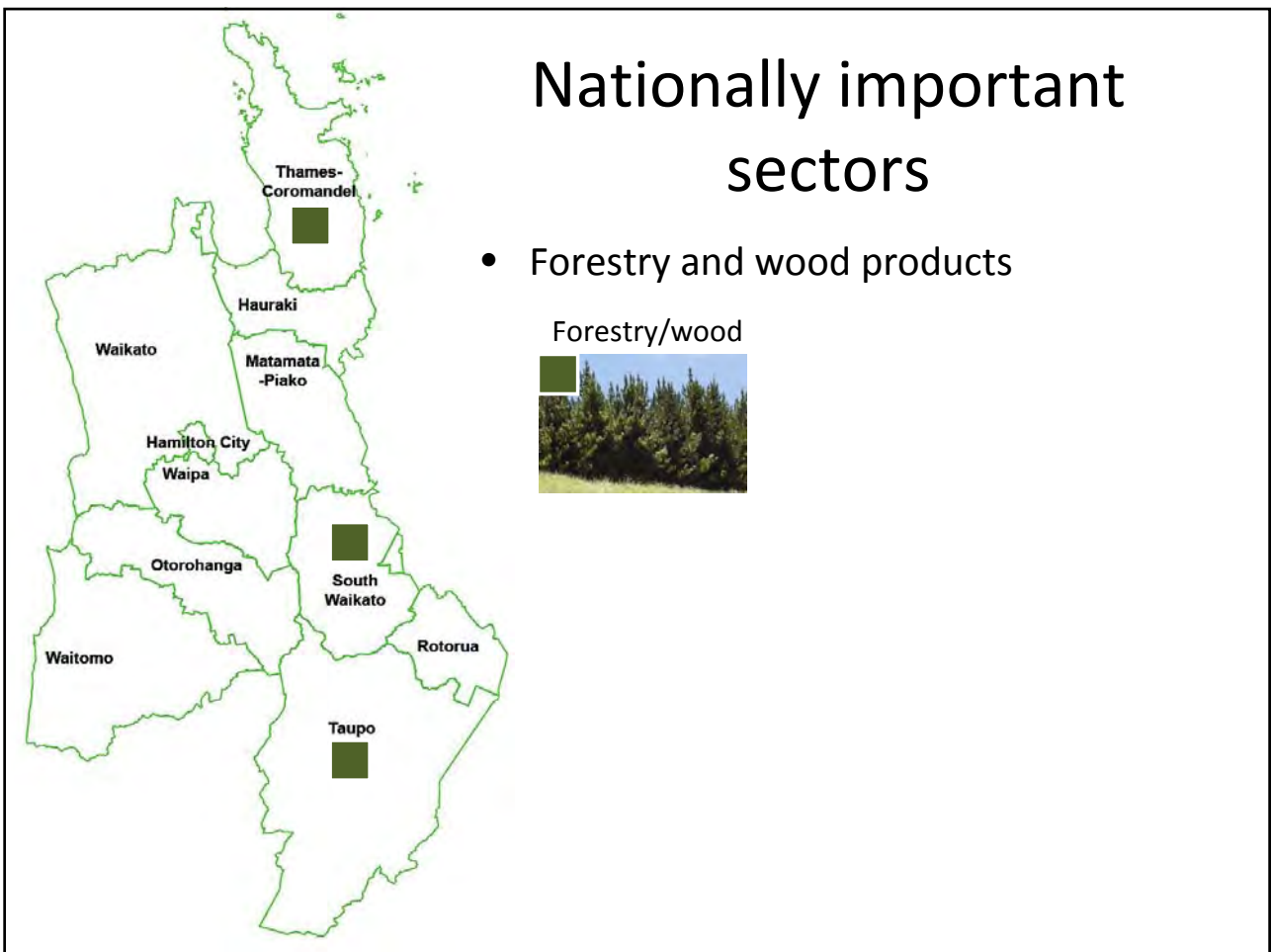
Other



Nationally important sectors

- Forestry and wood products

Forestry/wood



Nationally important sectors

- Manufacturing

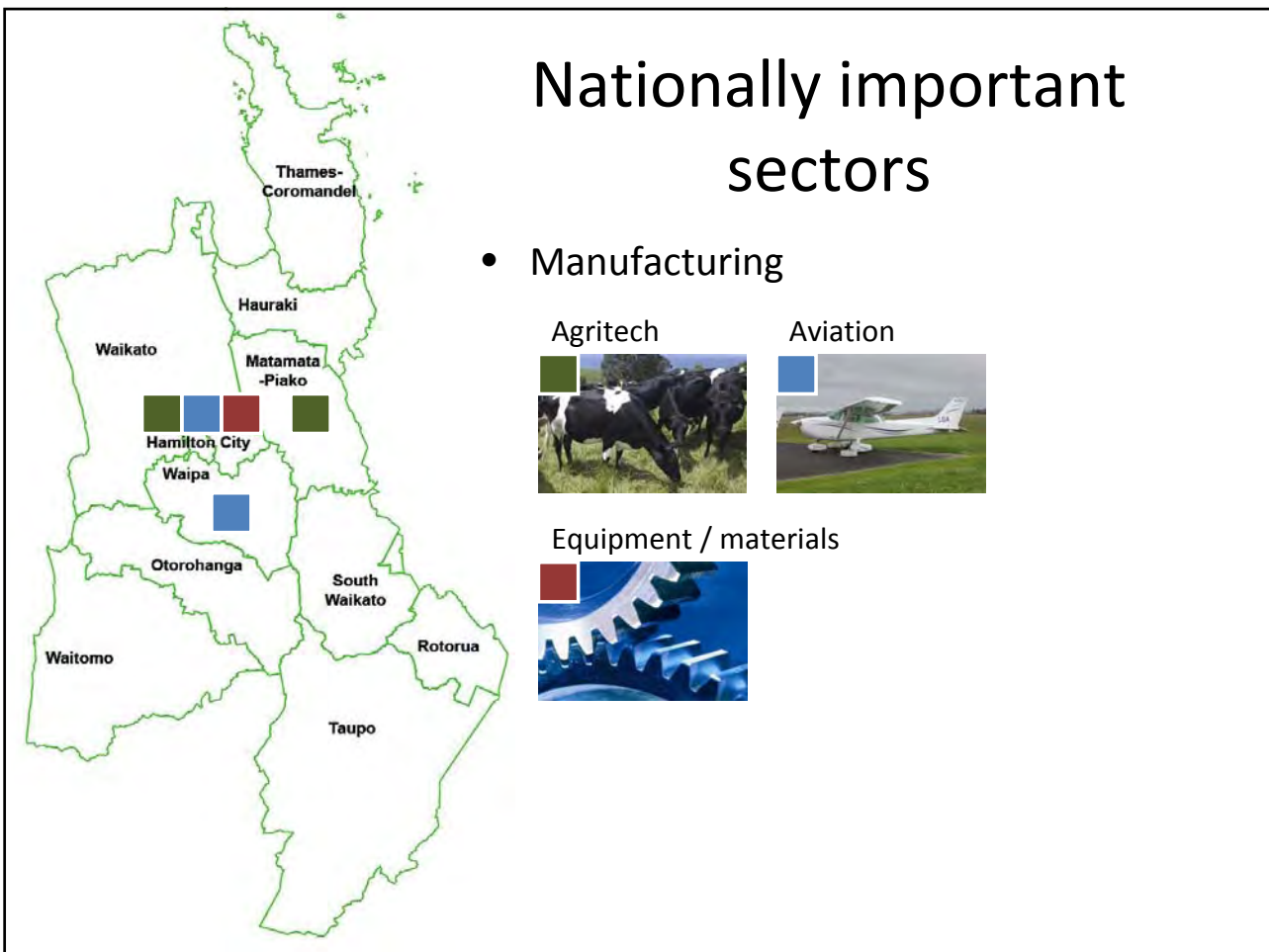
Agritech



Aviation



Equipment / materials



Nationally important sectors

- Services

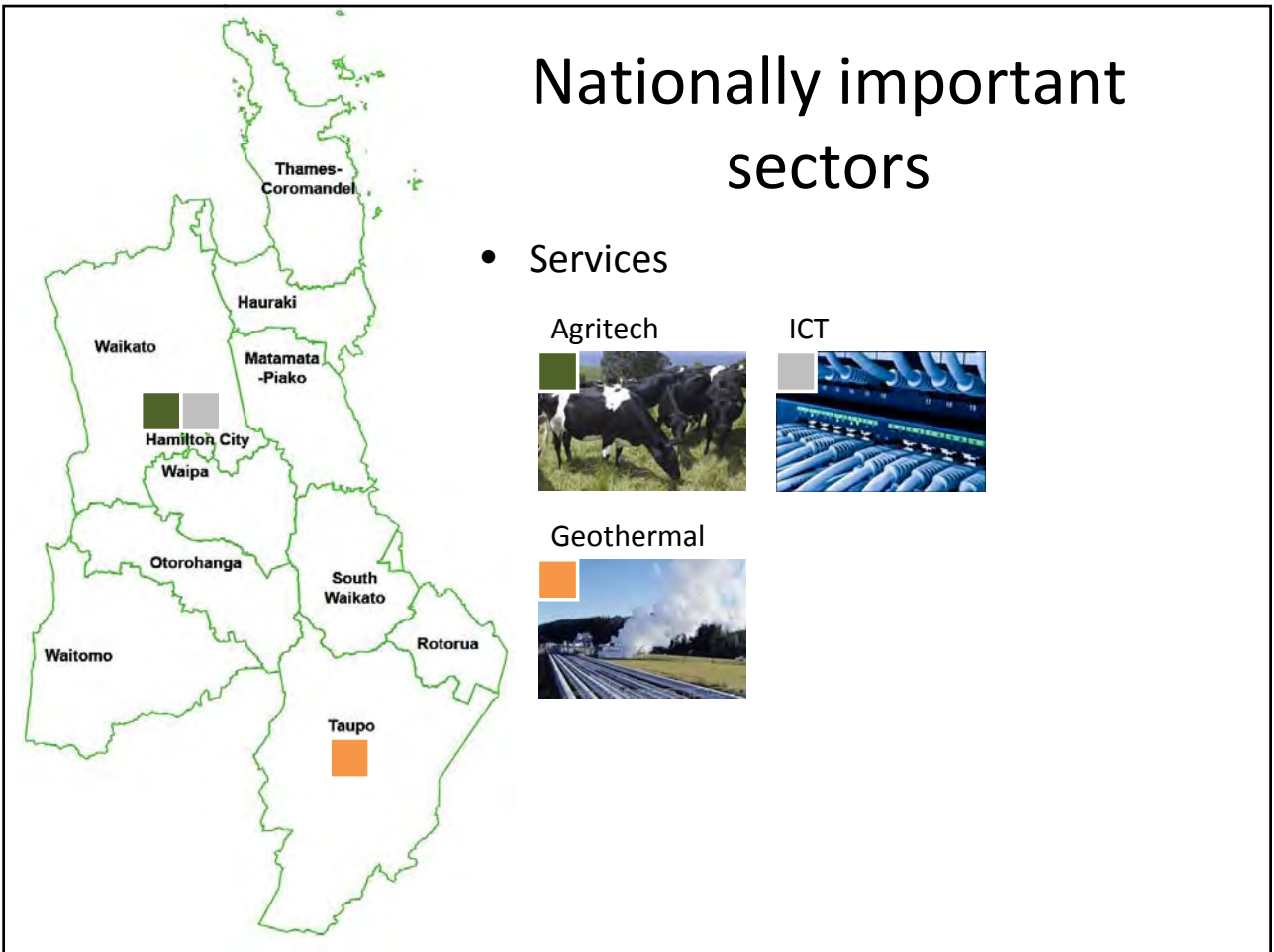
Agritech



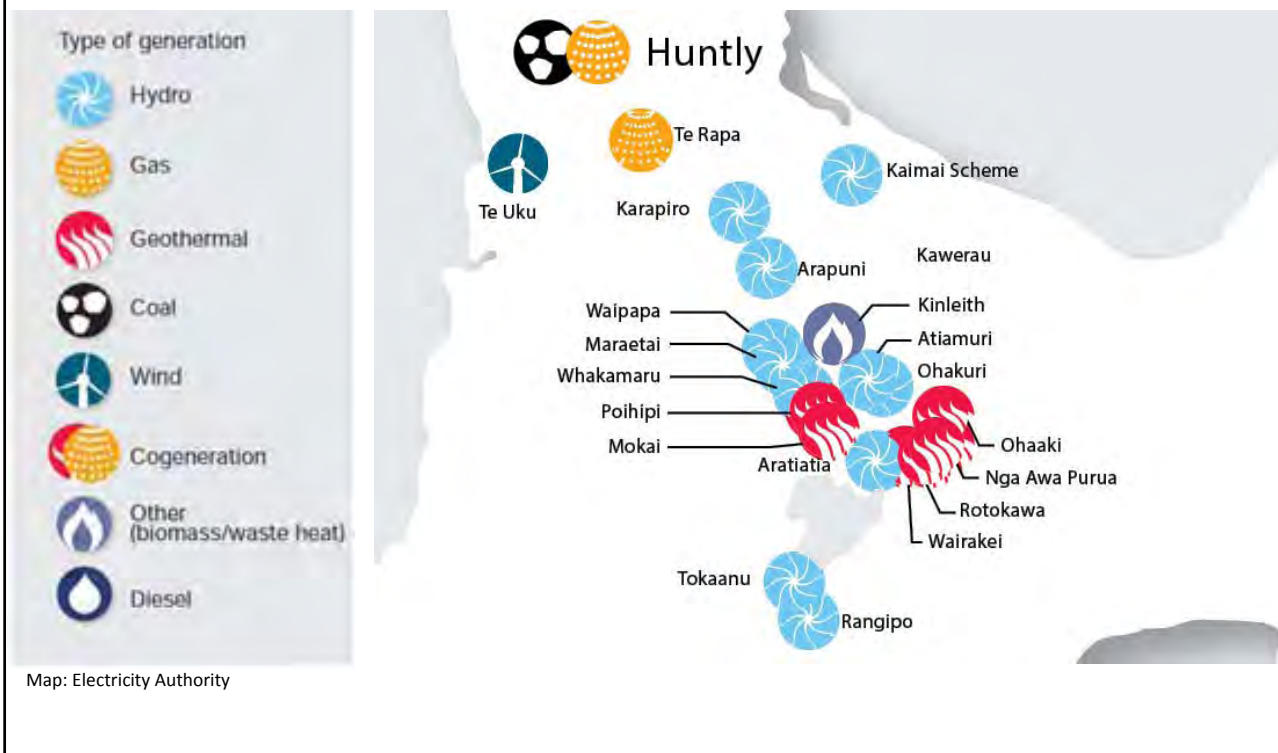
ICT



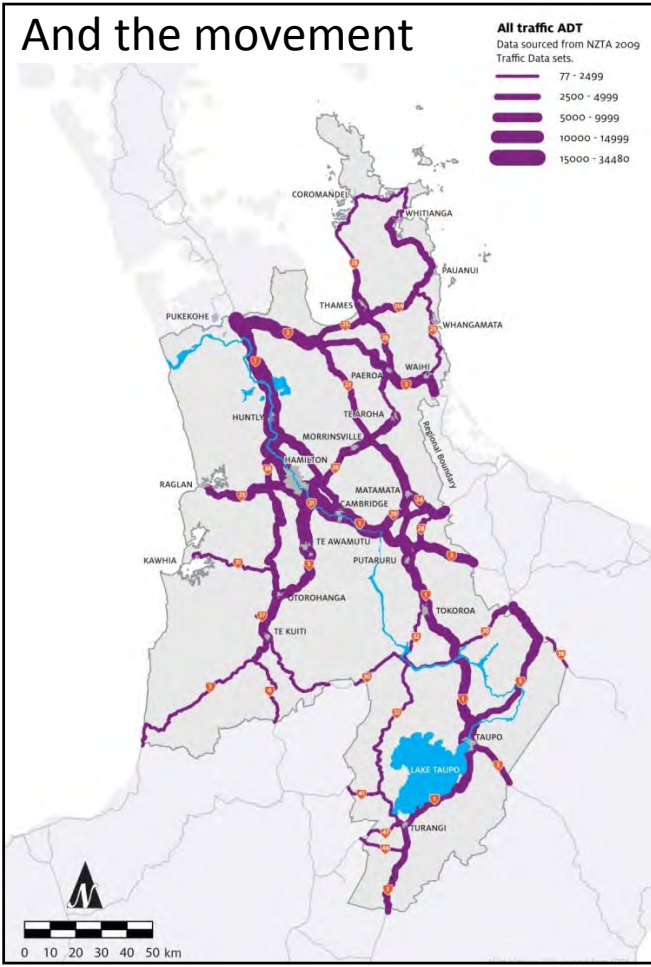
Geothermal



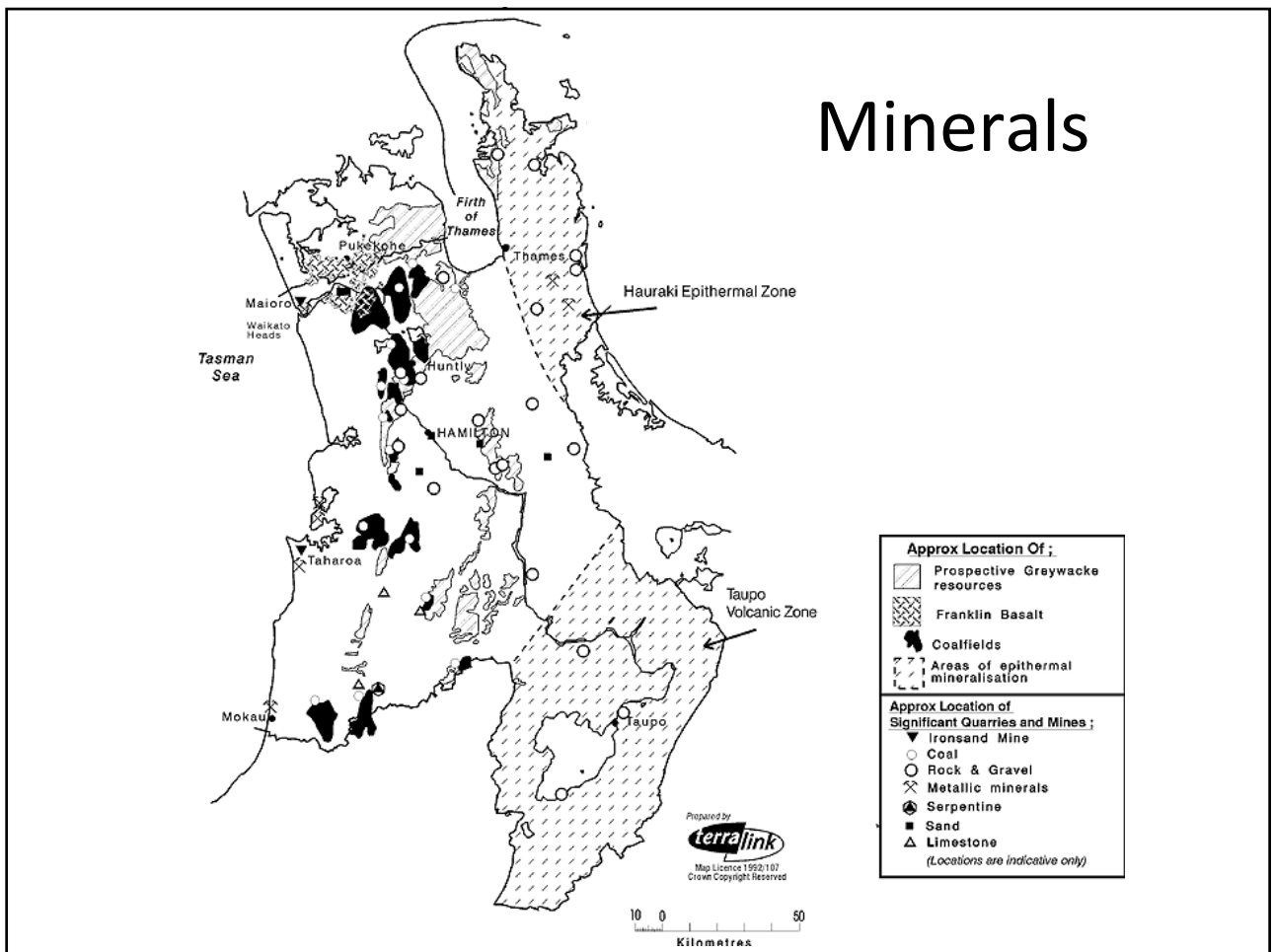
We've got the power



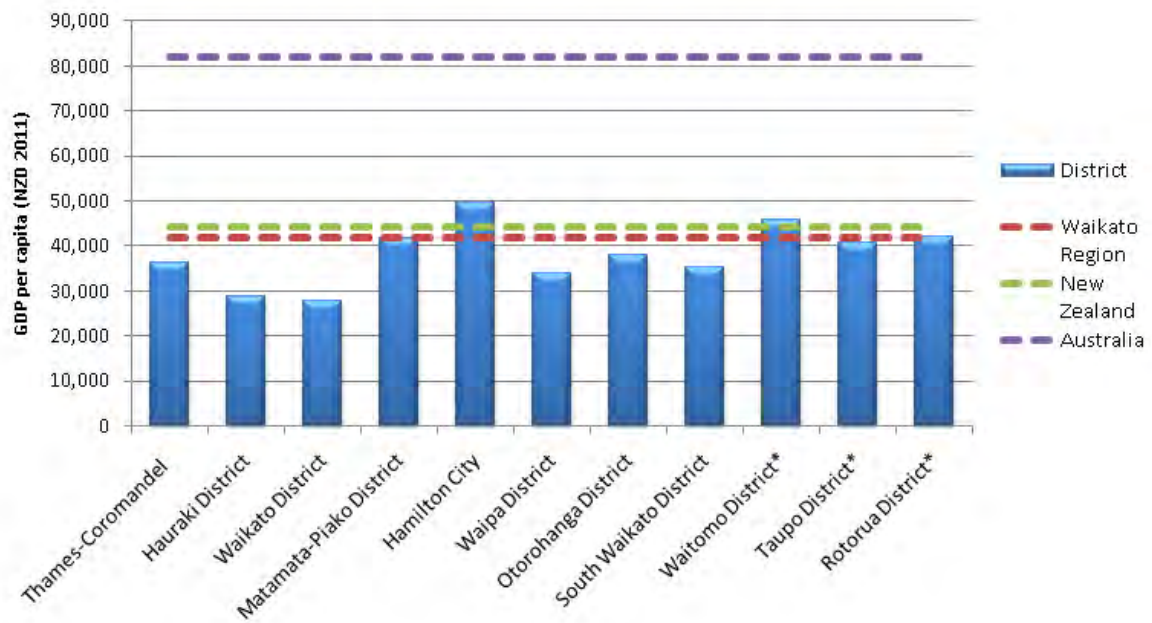
And the movement



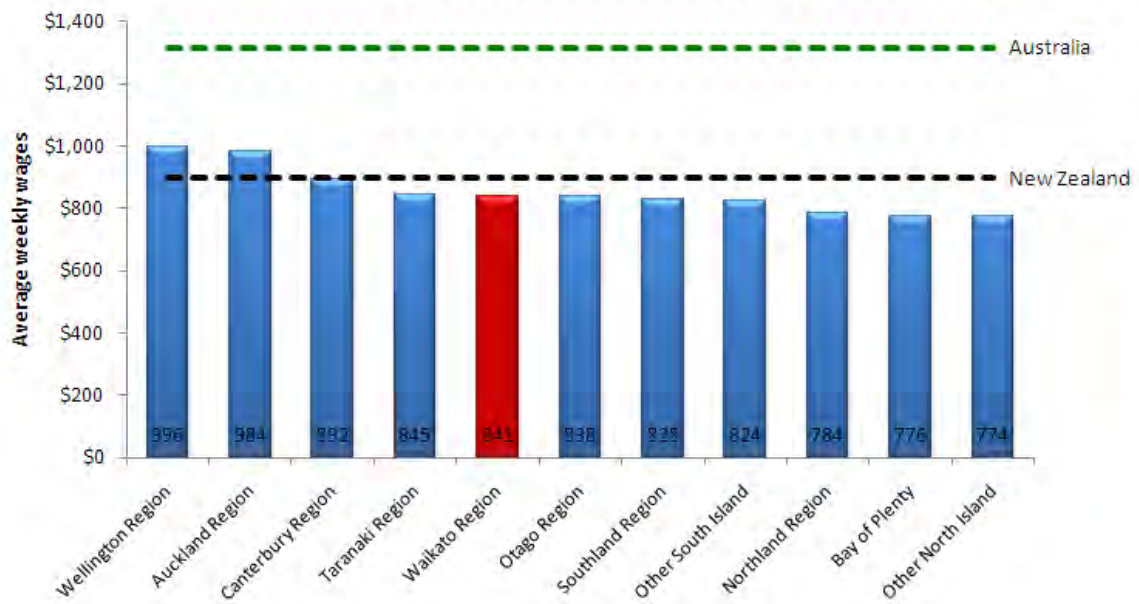
Minerals



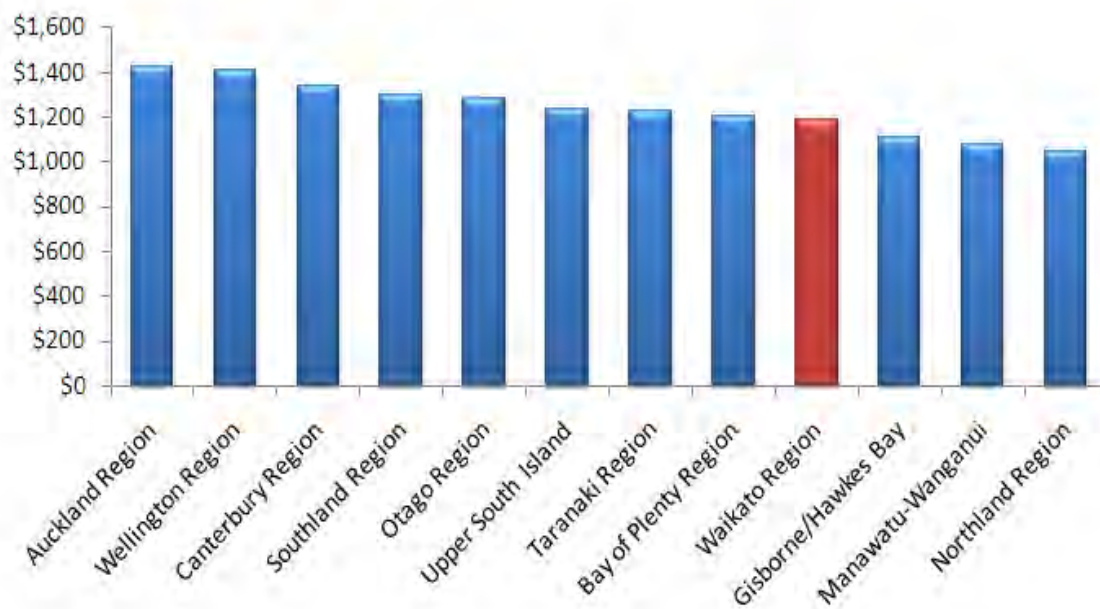
Gross Regional Product per capita



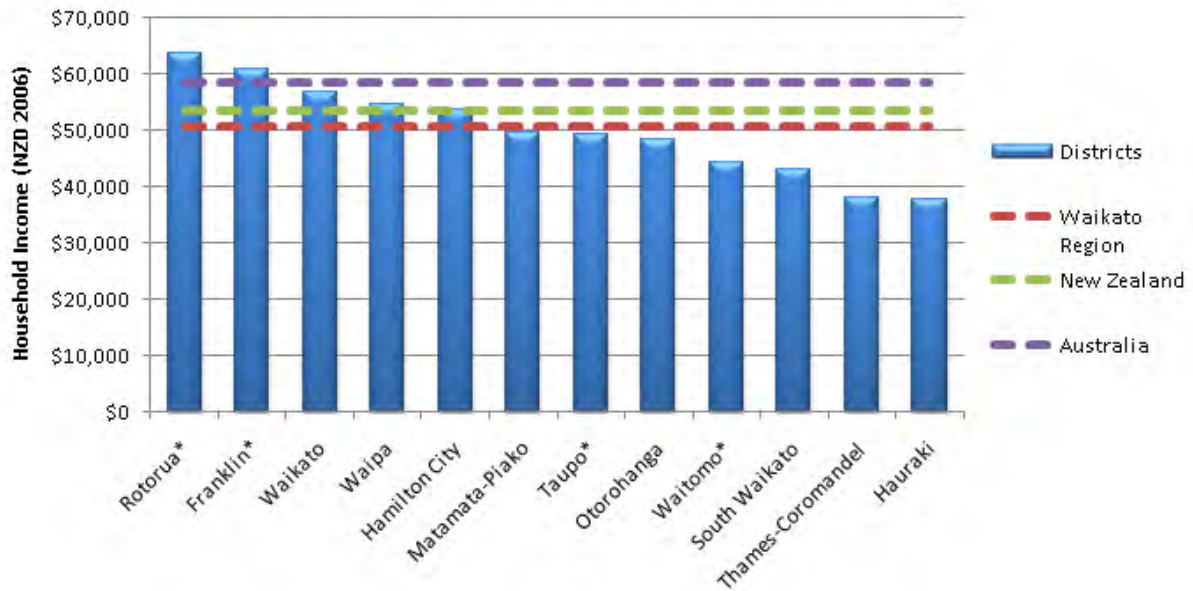
Wage and Salary Earnings



Weekly household income



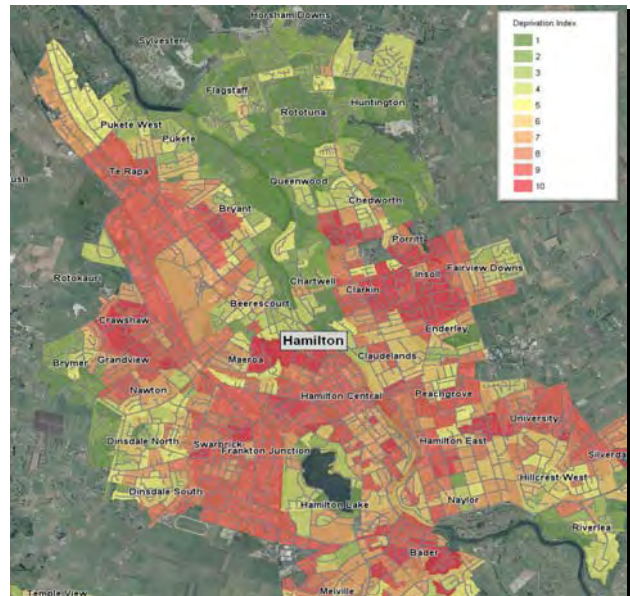
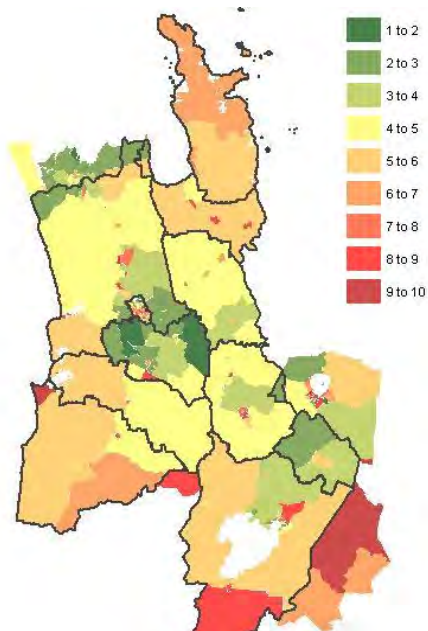
Annual household income



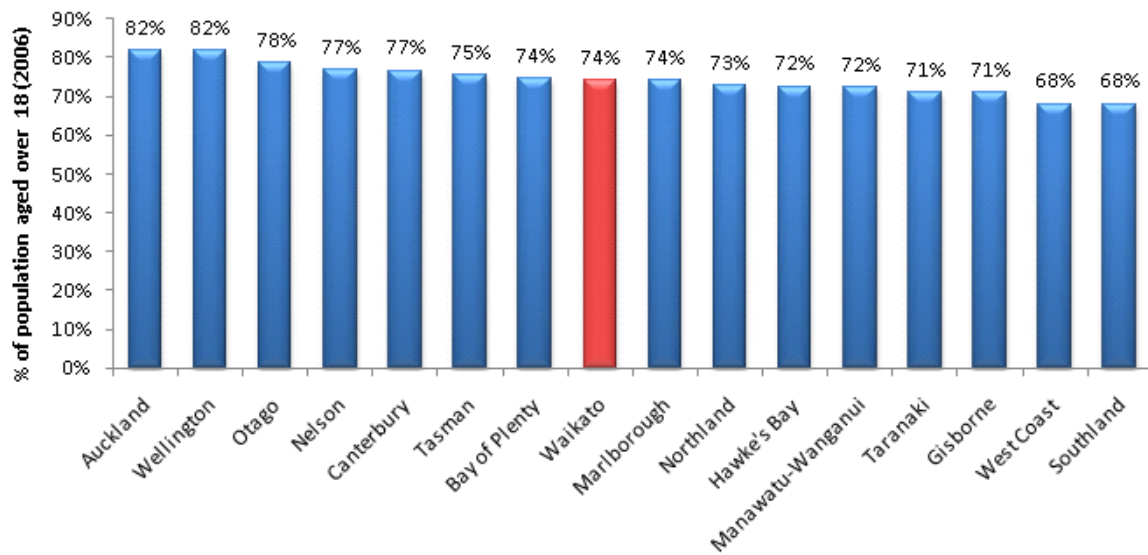
Income distribution



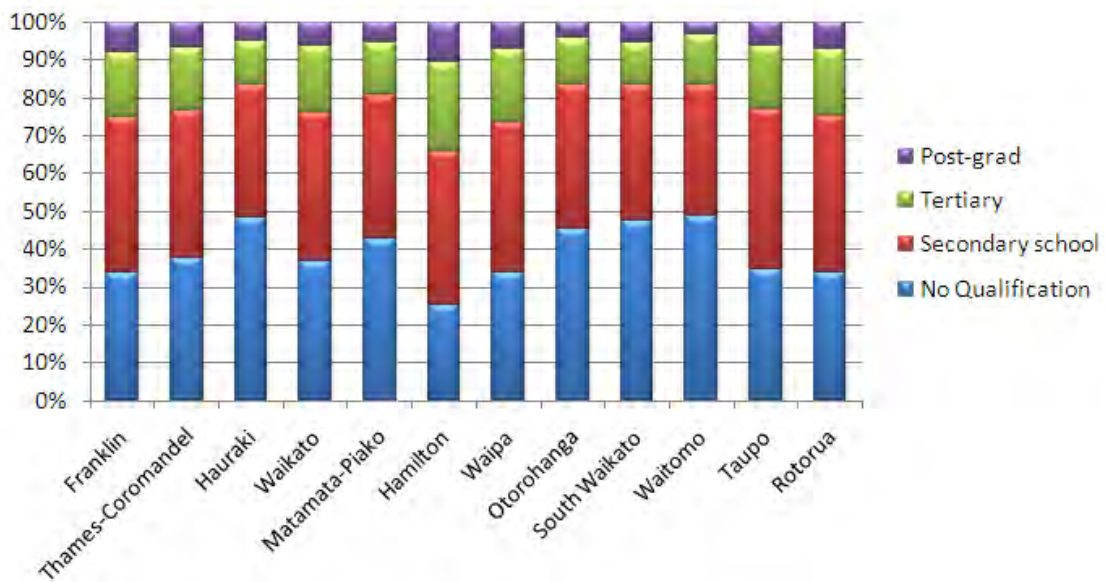
Social deprivation



Educational attainment

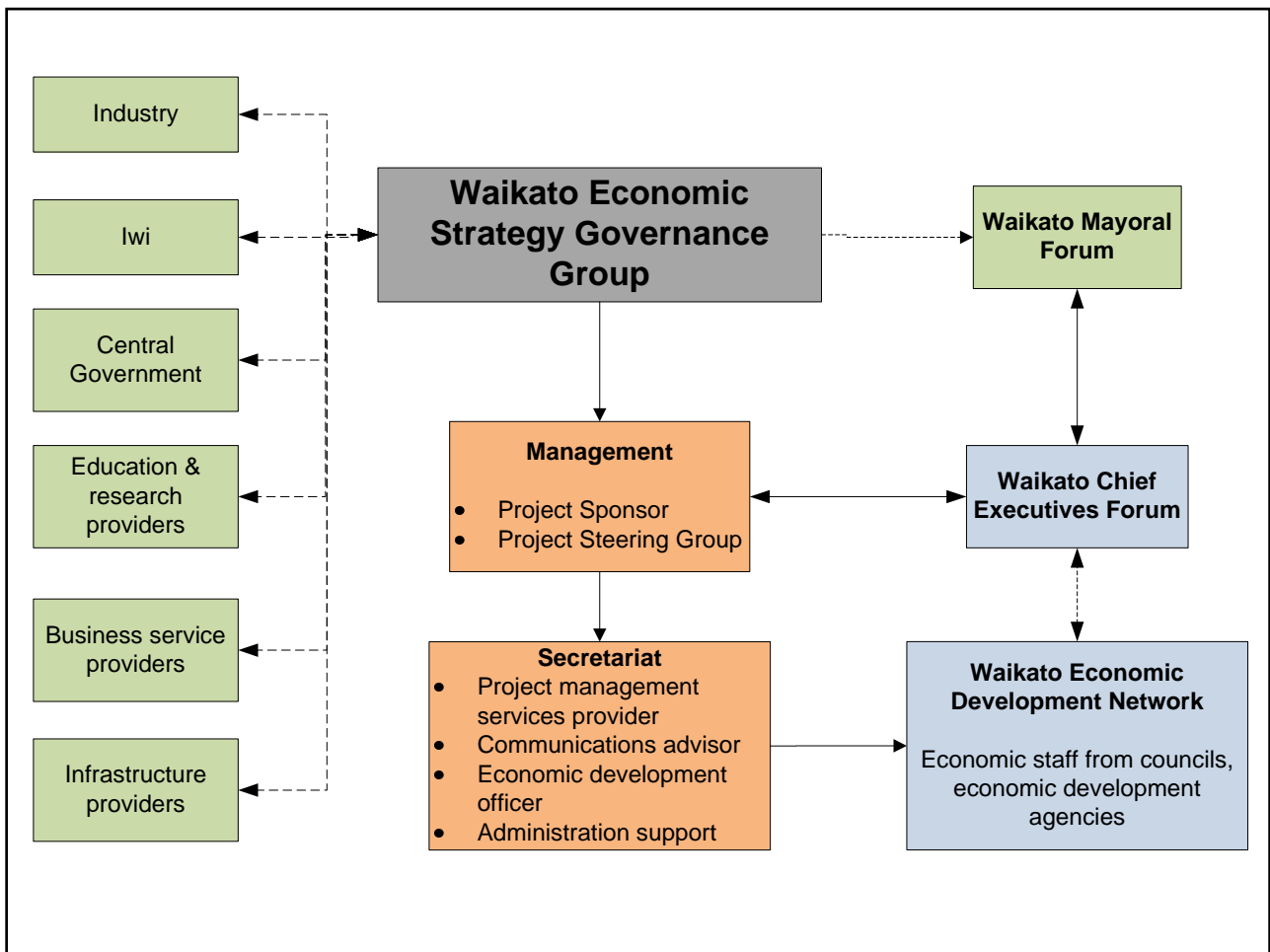


Educational attainment



Opportunities

- “Green Growth”
- Increase value of exports
- Partnering with iwi/Maori
- Make data available to enable good decisions



WAITOMO DISTRICT COUNCIL

MINUTES OF THE WAITOMO DISTRICT COUNCIL HELD IN THE COUNCIL CHAMBERS, QUEEN STREET, TE KUITI ON TUESDAY 26 FEBRUARY 2013 AT 9.00AM

PRESENT: Mayor Brian Hanna, Council Members Phil Brodie, Charles Digby, Allan Goddard, Guy Whitaker and Lorrene Te Kanawa

IN ATTENDANCE: Chris Ryan, Chief Executive; Michelle Higgle, Executive Assistant; Rebecca Whitehead, Community Development Coordinator (for part only); John De Luca, Manager – Community Services (for part only); Kit Jeffries, Group Manager – Corporate Services (for part only); John Moran, Manager – Regulatory Services (for part only); Christiaan van Rooyen, Group Manager – Assets (for part only) and Geri Waterkamp, Manager – Roading (for part only)

1.	Prayer	File 037/001
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2.	Motion to Exclude the Public for the Consideration of Council Business	File 037/043
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Council considered a business paper pursuant to Section 48 of the Local Government Official Information and Meetings Act 1987 giving Council the right by resolution to exclude the public from the whole or any part of a meeting on one or more of the grounds contained within that Section.

Resolution

- 1 The public be excluded from the following part of the proceedings of this meeting.
- 2 Council agree that the Chief Executive remain in attendance as required to assist Council with its decision making on this matter.
- 3 The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General Subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Section 48(1) grounds for this resolution
Contractual Issues	7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)(a)

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act or Section 6, Section 7 or Section 9 of the Official Information Act 1982 as the case may require are listed above.

Moved/Seconded Goddard/Te Kanawa Carried

3. Resolution to re-open Meeting to the Public	File 037/001
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Resolution

The meeting be re-opened to the public following the consideration of public excluded business.

Moved/Seconded Digby/Whitaker Carried

4. Apologies	File 037/001
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Resolution

The apology from Cr Pat Hickey be received and leave of absence granted.

Moved/Seconded Goddard/Te Kanawa Carried

5. Confirmation of Minutes – 11 December 2012	File 037/001
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Resolution

The Minutes of the Waitomo District Council meeting held on 11 December 2012, including the public excluded Minutes, be confirmed as a true and correct record.

Moved/Seconded Whitaker/Goddard Carried

6. Verbal Reports: Council Representation on External Organisations and Elected Member Portfolios	File 037/005A
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Individual Council Members provided verbal reports in respect to Council representation on External Organisations and issues arising from allocated Portfolios as follows:

Cr Brodie

- Piopio Christmas Parade
- Meeting with Principal of Piopio College

Cr Te Kanawa

- Te Kuiti Development Inc
- Waitomo Discovery Centre
- Waitomo Sports Support Centre Meeting
- Te Kuiti Community House
- Tere Waitomo Community Trust

Cr Goddard

- Benneydale Residents and Ratepayers Assn

Cr Digby

- Mokauiti Hall Meeting
- Brook Park
- Waipa Catchment Liaison Committee
- Joint Management Agreement

Cr Whitaker

- Friends of Brook Park Meeting

Mayor Hanna

- Piopio College
- Hillary Karaitiana
- Mayors Taskforce for Jobs
- Mayoral Forum
- North King Country Development Trust
- Rural/Provincial Sector Meeting

Resolution

The Verbal Reports from Elected Members relating to representation on external organisations and allocated portfolios be received.

Moved/Seconded Digby/Whitaker Carried

The Group Manager – Community Services and Community Development Co-ordinator entered the meeting at 11.20am.

7. Documents Signed under Common Seal	File 037/044
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Council considered a business paper presenting copies of documents signed by the Mayor and Chief Executive under the Common Seal of the Council.

Resolution

- 1 The business paper on Documents Signed and Sealed by the Mayor and Chief Executive under Council's Common Seal be received.
- 2 The actions of the Mayor and Chief Executive in executing these documents under the Common Seal of the Council be approved.

Moved/Seconded Digby/Brodie Carried

8.	Ratification of Decision to support amendments to the Waikato Region Triennial Agreement and Memorandum of Understanding on Local Government Strategic Collaboration in the Waikato Region	File 064/015D
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Council considered a business paper providing a brief Council on further amendments to the Waikato Region Triennial Agreement and Memorandum of Understanding on Local Government Strategic Collaboration in the Waikato Region and to ratify the decision taken by the Mayor to support the amendments.

The Mayor expanded verbally on the business paper.

Resolution

- 1 The business paper on Ratification of Decision to support amendments to the Waikato Region Triennial Agreement and Memorandum of Understanding on Local Government Strategic Collaboration in the Waikato Region be received.
- 2 Council ratify the decision of the Mayor to support the amendments to the Waikato Region Triennial Agreement and Memorandum of Understanding on Local Government Strategic Collaboration in the Waikato Region.

Moved/Seconded Whitaker/Brodie Carried

9.	Review of Procurement Policy	File 037/000A
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Council considered a business paper seeking revision of the Procurement Policy in line with the Local Government Act 2002 Amendment Bill 2012.

The Chief Executive expanded verbally on the business paper and answered Members' questions.

Resolution

- 1 The business paper on Procurement Policy be received.
- 2 The Procurement Policy as presented be adopted subject to the amendment of the definition "WAM" on page 46 of the Policy.

Moved/Seconded Brodie/Whitaker Carried

10.	Draft Conservation Management Strategy - Waikato Conservancy 2014-2024	File 060/001A
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Council considered a business paper providing information to Council on the Draft Conservation Management Strategy for the Waikato Conservancy (Draft CMS) and seeking Council's input.

The Chief Executive expanded verbally on the business paper and answered Members' questions.

Resolution

- 1 The business paper on Draft Conservation Management Strategy - Waikato Conservancy 2014–2024 be received.
- 2 Council delegate authority to the Chief Executive to prepare and submit a submission on the Draft Conservation Management Strategy.

Moved/Seconded Goddard/Digby Carried

11.	Productivity Commission Draft Report - Towards Better Local Regulation	File 060/001A
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Council considered a business paper appraising the Towards Better Local Regulation report, which is a draft report published by the Productivity Commission of New Zealand, and enabling Council to provide input for a submission.

The Chief Executive expanded verbally on the business paper and answered Members' questions.

Resolution

- 1 The business paper on Submission on the Productivity Commission Draft Report – Towards better local regulation be received.
- 2 Council delegate authority to the Chief Executive to prepare and submit a submission on the Towards Better Local Regulation Draft Report.

Moved/Seconded Whitaker/Brodie Carried

12.	Progress Report: Waitomo District Council Grants – 1 July 2012 to 31 December 2012	File 400/130G
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Council considered a progress report providing details of the individual, discretionary, procurement of public service arrangements that WDC has entered into via the Community Development Fund (CDF) for the first half of the 2012/2013 financial year (1 July 2012 – 31 December 2012).

The Community Development Coordinator expanded verbally on the business paper and answered Members' questions.

Resolution

The Progress Report: Community Development Fund – 1 July 2012 to 31 December 2012 be received.

Moved/Seconded Digby/Goddard Carried

13.	Draft Memorandum of Understanding between Tere Waitomo Community Trust and Waitomo District Council	File 092/015
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Council considered a business paper presenting the draft Tere Waitomo Community Trust - Waitomo District Council Memorandum of Understanding (MoU) to Council for consideration.

The Community Development Coordinator expanded verbally on the business paper and answered Members' questions.

Resolution

- 1 The business paper on the Draft Memorandum of Understanding between Tere Waitomo Community Trust and Waitomo District Council be received.
- 2 Council approve the Draft Memorandum of Understanding between Tere Waitomo Community Trust and Waitomo District Council for signing by the parties.

Moved/Seconded Te Kanawa/Goddard Carried

14.	Hamilton Waikato Tourism: Service Level Agreement for Regional Tourism Services	File No: 092/015
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Council considered a business paper presenting the proposed amended Hamilton Waikato Tourism (HWT) Service Level Agreement for Regional Tourism Services to Council for consideration.

The Community Development Coordinator expanded verbally on the business paper and answered Members' questions.

Resolution

- 1 The report on Hamilton Waikato Tourism Service Level Agreement be received.
- 2 Council agree to be a signatory to the Service Level Agreement for Regional Tourism Services.

Moved/Seconded Te Kanawa/Whitaker Carried

15.	Waitomo District Christmas Parade 2012	File 400/103/2012
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Council considered a business paper providing a briefing on the outcome of the Waitomo District Christmas Parade 2012.

Resolution

The business paper on the Waitomo District Christmas Parade 2012 be received.

Moved/Seconded Whitaker/Brodie Carried

The Community Development Coordinator left the meeting at 12.07pm.
The Group Manager – Corporate Services entered the meeting at 12.08pm.

16.	Report from the Office of the Auditor-General on File 037/020/12A Matters Arising from the 2012-22 Local Authority Long Term Plans
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Council considered a business paper providing comment on the December 2012 report from the Office of the Auditor-General (OAG) concerning matters arising from the 2012-22 local authority long term plans (LTPs).

The Chief Executive and Group Manager – Corporate Services expanded verbally on the business paper and answered Members’ questions.

Resolution

The business paper on the Office of the Auditor-General’s Report on Matters Arising From the 2012-22 Local Authority Long term Plans be received.

Moved/Seconded Digby/Goddard Carried

The meeting adjourned for lunch at 12.20pm.
The Group Manager – Community Services left the meeting at 12.20pm.
The meeting reconvened at 1.00pm.
Matthew Cooper, Chief Executive; Mike McGuire, General Manager and Dede Downs, Waitomo Co-ordinator (Sport Waikato) entered the meeting at 1.00pm.
The Community Development Coordinator re-entered the meeting at 1.00pm.
The Chief Executive left the meeting at 1.00pm.

17.	Deputation: Sport Waikato – Six Monthly Report	File 400/141
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Dede Downs presented the Sport Waikato Six Monthly report against Key Performance Indicators (as contained in the Agenda) and spoke to her report.

Council considered information circulated by Sport Waikato separate to the Agenda and Matthew Cooper and Mike McGuire spoke to that information, seeking Council’s reconsideration of its position on funding for Sport Waikato in Years 2 and 3 of the 2012-2022 LTP back to an annual amount of \$74,610 plus GST.

Matthew Cooper, Chief Executive; Mike McGuire, General Manager and Dede Downs, Waitomo Co-ordinator (Sport Waikato) left the meeting at 1.24pm.
The Group Manager – Corporate Services re-entered the meeting at 1.25pm.

Council discussed the request from Sport Waikato to reinstate funding in the 2013/2014 and 2014/2015 years and noted that a decision needs to be made for inclusion in the draft Exceptions Annual Plan prior to public consultation.

Resolution

The Deputation from Sport Waikato be received.

Moved/Seconded Digby/Whitaker Carried

The Community Development Coordinator left the meeting at 1.45pm.

18.	Civic Assurance – 2013 Draft Statement of Intent	File 054/001C
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Council considered a business paper presenting the 2013 Draft Statement of Intent for Civic Assurance.

The Group Manager – Corporate Services expanded verbally on the business paper and answered Members’ questions.

Resolution

The business paper on Civic Assurance’s 2013 Draft Statement of Intent be received.

Moved/Seconded Goddard/Brodie Carried

19.	Financial and Non-financial Report for Six Months ending 31 December 2012	File 100/018
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Council considered a business paper presenting:

- The Financial Report for the period ended 31 December 2012 and;
- Detail of non-financial performance of service performance (i.e. performance against key indicators) for the period to 31 December 2012.

The Group Manager – Corporate Services expanded verbally on the business paper and answered Members’ questions.

Resolution

The business paper on the Financial Report for the six months to 31 December 2012 be received.

Moved/Seconded Brodie/Te Kanawa Carried

The Manager – Regulatory Services entered the meeting at 2.00pm.
The Group Manager – Corporate Services left the meeting at 2.00pm.

20.	Resource Management Act Reform Bill Briefing	File 097/001B
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Council considered a business paper providing a brief on the advent of the RMA Reform Bill, its implications for Council and its functions, and the content of the draft submission to it by Local Government New Zealand (“LGNZ”). A recommendation is provided as to whether or not Council needs to prepare and lodge its own submission or can simply rely on the “umbrella” submission from LGNZ.

The Manager – Regulatory Services expanded verbally on the business paper and answered Members’ questions.

Resolution

- 1 The business paper RMA Reform Bill Briefing be received.
- 2 Waitomo District Council endorse the RMA Reform Bill, and rely on the LGNZ submission to represent its interests.

Moved/Seconded Goddard/Whitaker Carried

21.	Sale and Supply of Alcohol Act 2012	File 350/001A
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Council considered a business paper providing a brief on licensing issues which will need consideration following the enactment of the Sale and Supply of Alcohol Act 2012 (The Act).

The Manager – Regulatory Services expanded verbally on the business paper and answered Members’ questions.

Resolution

- 1 The business paper Sale and Supply of Alcohol 2012 be received.
- 2 Council agrees to work collaboratively with Waipa and Otorohanga District Councils in the development of a draft Local Alcohol Policy.
- 3 Council agrees to work collaboratively with Waipa and Otorohanga District Councils to develop a list of approved persons to sit on the District Licensing Committee.

Moved/Seconded Goddard/Te Kanawa Carried

22.	Progress Report: Outstanding Resource Consent Applications	File 097/001B
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Council considered a progress report providing information on outstanding resource consent applications and details of those applications currently being processed.

The Manager – Regulatory Services expanded verbally on the business paper and answered Members’ questions.

The Group Manager – Community Services re-entered the meeting at 2.11pm.

Resolution

The Progress Report: Resource Consent Applications be received.

Moved/Seconded Digby/Te Kanawa Carried

The Group Manager – Assets entered the meeting at 2.16pm.

23.	Progress Report: Monthly Operation and Maintenance Report for Water, Sewerage and Stormwater - January 2013	File 037/020/12A
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Council considered a business paper providing a brief on progress for Operational and Maintenance performance by Council's contracted Services Provider for Water Services (Veolia Water).

The Group Manager – Assets expanded verbally on the business paper and answered Members' questions.

Resolution

The Progress Report: Monthly Operation and Maintenance Report for Water, Sewerage and Stormwater - January 2013 be received.

Moved/Seconded Te Kanawa/Brodie Carried

The Manager – Roading entered the meeting at 2.16pm.

24.	Progress Report: Monitoring Against 2012-2022 LTP – Land Transport	File 037/020/12A
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Council considered a business paper providing a brief on implementation of the Work Plan for the Land Transport activity as contained in year one (2012/2013) of the 2012-2022 Long Term Plan.

The Manager – Roading and Group Manager – Assets expanded verbally on the business paper and answered Members' questions.

Resolution

The Progress Report: Monitoring Against 2012-2022 Long Term Plan – Land Transport be received.

Moved/Seconded Whitaker/Digby Carried

25.	KiwiRAP Risk Maps 2007-2011 – How Safe are our Roads?	File 037/005
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Council considered a business paper providing a brief on the results of the KiwiRAP Risk Maps for the State Highway Network, for roads that are assessed within our Region.

The Manager – Roading expanded verbally on the business paper and answered Members' questions.

Resolution

The business paper on KiwiRAP Risks Maps 2007-2011 is received.

Moved/Seconded Te Kanawa/Digby Carried

26. NZ Transport Agency Audit	File 037/005A
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Council considered a business paper summarising the report from NZTA post the Technical Review of Roads.

The Group Manager – Assets and Manager – Roading expanded verbally on the business paper and answered Members’ questions.

Resolution

The business paper on Summary of NZTA Audit of Roads is received.

Moved/Seconded Goddard/Brodie Carried

27. Proposed Road Name Change for Waitomo Village	File 037/005A
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Council considered a business paper seeking consideration of a proposed solution to the duplicate numbering of Waitomo Caves Road, and the ensuing confusion this causes tourists.

The Manager – Roading expanded verbally on the business paper and answered Members’ questions.

Resolution

- 1 The business paper on Road Name Change – Waitomo Village be received.
- 2 The proposed Name Change be added to the agenda for public consultation under the Waitomo Village Structural Plan.

Moved/Seconded Te Kanawa/Brodie Carried

The Group Manager – Assets and Manager – Roading left the meeting at 2.49pm.

28. Proposed Navigation Safety Bylaw 2013 – Ratification of Submission	File 037/005A
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Council considered a business paper presenting the Submission made to the Waikato Regional Council (WRC) on Draft Waikato Regional Council Navigation Safety Bylaw 2013 for ratification.

The Group Manager – Community Services expanded verbally on the business paper and answered Members’ questions.

Resolution

- 1 The business paper on Ratification of Submission - Proposed Navigation Safety Bylaw 2013 be received.
- 2 The Submission to Waikato Regional Council's Proposed Navigation Safety Bylaw 2013 be ratified.

Moved/Seconded Whitaker/Goddard Carried

29.	Progress Report:	Civil Defence Emergency Management Joint Committee Minutes	File 400/010/2
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Council considered a progress report on the Civil Defence Emergency Management Joint Committee meeting of 5 October 2012.

The Manager – Community Services expanded verbally on the business paper and answered Members questions.

Resolution

The Progress Report: Civil Defence Emergency Management Joint Committee Minutes be received.

Moved/Seconded Brodie/Te Kanawa Carried

30.	Progress Report:	Civil Defence Emergency Management Executive Group Minutes	File 400/010/3
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Council considered a progress report on the Civil Defence Emergency Management Executive Group meeting of 24 September 2012.

Resolution

The Progress Report: Civil Defence Emergency Management Executive Group Minutes be received.

Moved/Seconded Goddard/Brodie Carried

31.	Progress Report:	Waitomo Cultural and Arts Centre Upgrade – Stage 3 Upgrade	File 401/0588424200
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Council considered a progress report on the upgrade of the Waitomo Cultural and Arts Centre.

The Manager – Community Services expanded verbally on the business paper and answered Members questions.

Resolution

The Progress Report: Waitomo Cultural and Arts Centre Upgrade – Stage 3 Upgrade be received.

Moved/Seconded Digby/Brodie Carried

32.	Progress Report: Parkside Subdivision – Review of Covenants	File 401/Parkside
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Council considered a business paper providing a brief on the covenants associated with Parkside Subdivision sections.

The Manager – Community Services expanded verbally on the business paper and answered Members questions.

Resolution

- 1 The business paper on Parkside Covenants be received.
- 2 Council survey the current landowners within Parkside Subdivision with respect to ascertaining their views on relaxing the covenants over the Subdivision.

Moved/Seconded Whitaker/Te Kanawa Carried

33.	Progress Report: Parkside Subdivision	File 401/Parkside
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Council considered a business paper providing a brief on progress with the sale of sections at Parkside Subdivision.

The Manager – Community Services expanded verbally on the business paper and answered Members' questions.

Council discussed carrying out a targeted marketing promotion of the Subdivision.

Resolutions

The Progress Report: Parkside Subdivision be received.

Moved/Seconded Digby/Whitaker Carried

34.	Progress Report: Piopio Toilets Redevelopment	File 401/0588003200
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Council considered a business paper providing a brief on progress with the redevelopment of the Piopio Public Toilets.

The Manager – Community Services and Chief Executive expanded verbally on the business paper and answered Members' questions.

Resolution

The Progress Report: Piopio Toilets Redevelopment be received.

Moved/Seconded Digby/Whitaker Carried

35.	Progress Report:	Rukuhia Domain – Establishment of a Management Committee	File 401/0582132000
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Council considered a business paper providing a brief on progress with the establishment of a Management Committee for Rukuhia Domain.

The Manager – Community Services expanded verbally on the business paper and answered Members' questions.

Resolution

The Progress Report: Establishment of a Management Committee for Rukuhia Domain be received.

Moved/Seconded Brodie/Goddard Carried

36.	Progress Report:	Rural Halls (Benneydale, Kopaki, Mokauiti and Oparure)	File 401/Halls
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Council considered a progress report on the Oparure, Mokauiti, Benneydale and Kopaki Halls.

The Manager – Community Services expanded verbally on the business paper and answered Members' questions.

Resolution

The Progress Report: Rural Halls (Oparure, Mokauiti, Kopaki and Benneydale) be received.

Moved/Seconded Goddard/Te Kanawa Carried

37.	Motion to Exclude the Public for the Consideration of Council Business	File 037/043
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Council considered a business paper pursuant to Section 48 of the Local Government Official Information and Meetings Act 1987 giving Council the right by resolution to exclude the public from the whole or any part of a meeting on one or more of the grounds contained within that Section.

Resolution

- 1 The public be excluded from the following part of the proceedings of this meeting.
- 2 Council agree that the following staff, having relevant knowledge, remain in attendance to assist Council with its decision making:

Chris Ryan, Chief Executive
 Michelle Higgie, Executive Assistant
 John De Luca, Group Manager – Community Services
 John Moran, Manager – Regulatory Services

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

General Subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Section 48(1) grounds for this resolution
1. TerraNature – Riparian Restoration Project	7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)(a)
2. Brook Park Entrance	7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)(a)
3. Progress Report: Te Kuiti Mainstreet Re-Design	7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)(a)
4. Progress Report: Te Kuiti Railway Building	7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)(a)
5. Progress Report: Te Kuiti Community House	7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)(a)
6. Progress Report: Te Kuiti Cemetery	7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)(a)
7. Progress Report: Mangarino Road Property	7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)(a)
8. Progress Report: Marokopa Campground Deed of Lease	7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)(a)
9. Progress Report: Marokopa Campground	7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)(a)
10. Progress Report: Marokopa Sea Wall	7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)(a)
11. Progress Report: Takarei Terrace, Mokau	7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)(a)

General Subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Section 48(1) grounds for this resolution
12. Progress Report: Mokau Toilet Effluent Upgrade	7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)(a)
13. Progress Report: Benneydale Water Easements	7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)(a)
14. Progress Report: School Road Property, Benneydale	7(2)(a) To protect the privacy of natural persons	48(1)(a)
15. Progress Report: Ellis Road Property, Benneydale	7(2)(a) To protect the privacy of natural persons	48(1)(a)
16. Georgetti Street Property, Benneydale	7(2)(a) To protect the privacy of natural persons	48(1)(a)
17. WVEOA – Civil Defence Provision	7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)(a)
18. Progress Report: Regulatory Enforcement Issues	7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)(a)
19. Progress Report: Te Maika Zone – Te Maika Trust Proposal	7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)(a)
20. Progress Report: Waipa River Joint Management Agreement	7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)(a)
21. Progress Report: Wool Storage Facility	7(2)(i) Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)(a)

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act or Section 6, Section 7 or Section 9 of the Official Information Act 1982 as the case may require are listed above.

Moved/Seconded Whitaker/Te Kanawa Carried

There being no further business the meeting closed at 4.40pm.

Dated this 26th day of March 2013

BRIAN HANNA
MAYOR

Confidential

Confidential

Confidential

Confidential

Confidential

Confidential

Confidential

Confidential

Document No: 302424

File No: 037/005A

Report To: Council**Meeting Date:** 26 March 2013**Subject:** **Verbal Reports: Council Representation on External Organisations and Elected Member Portfolios****Purpose of Report**

1.1 The purpose of this business paper is to enable individual Council Members to report back to the full Council, on a needs basis, in respect to:

- 1 Appointments as Council's representative on External Organisations
- 2 Reporting back on issues arising from allocated Portfolios

Commentary

2.1 Set out below are details of Council appointed representatives on External Organisations and allocated Portfolios.

External Organisation.....	Council Representative
Benneydale Residents and Ratepayers Assn.....	A Goddard
Brook Park Advisory Committee	P Hickey
Brook Park Leadership Work Group.....	P Hickey, C Digby, G Whitaker
Brook Park Management Plan Working Group.....	P Hickey
Creative Communities Assessment Committee	P Hickey, L Te Kanawa
DC Tynan Trust	P Hickey, L Te Kanawa, G Whitaker
Hillview / St Andrews Court / Redwood Flats	L Te Kanawa
Kawhia Harbour (Foreshores)	C Digby
Marokopa Recreation Ground Committee.....	C Digby
Mokau Residents and Ratepayers Assn.....	P Brodie
North King Country Development Trust	Mayor
Piopio Retirement Board	P Brodie
Piopio Wastewater Community Liaison Group	Mayor, P Brodie, GM-Assets
Regional Land Transport Committee	Mayor or C Digby (Alternate)
Regional LTC Hearings Committee	Mayor
Regional Passenger Transport Committee	Waipa District Councillor
SPARC Assessment Committee	P Hickey and L Te Kanawa
Tainui Wetere Domain Board	P Brodie
Te Kuiti Community House	L Te Kanawa, GM-Com Services
Te Kuiti Historical Society	P Hickey
Transit NZ - State Highway 3 Working Party	Mayor and/or Cr Brodie
Waikato Region Civil Defence EMG.....	Mayor or C Digby (Alternate)

Document No: 302422

File No: 064/001C

Report To: Council**Meeting Date:** 26 March 2013**Subject:** Local Government New Zealand – 2013 Annual General Meeting Remit Process

Purpose of Report

- 1.1 The purpose of this business paper is to advise Council of the process for submitting remits for consideration at the 2013 Local Government New Zealand (LGNZ) Annual General Meeting (AGM).

Commentary

- 2.1 Attached to and forming part of this business paper is a self-explanatory memorandum from Local Government New Zealand advising the timeline for member authorities to submit proposed remits for consideration at the 2013 LGNZ AGM.
- 2.2 The LGNZ Memorandum also sets out the criteria for considering remits under the Remits Screening Policy.
- 2.3 Since 1999, it has become rare for an individual council to make a remit directly to LGNZ. Due to the criteria of the Remits Screening Policy, remit issues are predominantly raised by individual councils at Zone and Sector Group Meetings, and if supported, are taken forward by the Zone or Sector Group.

Recommendation

- 3.1 It is recommended that Council continue to have the Mayor and/or Chief Executive lobby key issues through Zone and Sector Group Meetings rather than initiate any individual remits to LGNZ AGMs.

Suggested Resolutions

The business paper on Local Government New Zealand – 2013 Annual General Meeting Remit Process be received.

A handwritten signature in blue ink, appearing to read "Michelle Higgie".

MICHELLE HIGGIE
EXECUTIVE ASSISTANT

12 March 2013

Attachment: 1 LGNZ Memorandum

19 February 2013

NC 40-04

- M E M O R A N D U M -

TO: All Mayors/Chairs
All Chief Executives

FROM: Malcolm Alexander, Chief Executive

SUBJECT: 2013 Annual General Meeting Remit Process

We invite member authorities wishing to submit proposed remits for consideration at the *Local Government New Zealand* Annual General Meeting (AGM) to be held on **Sunday 21 July 2013** in Hamilton, to do so no later than **Monday 13 May 2013**. This is to allow members of Zones and Sectors to gain support of five supporting councils for their remit. The supporting councils do not have to come from the proposing council's zone or sector.

Proposed remits should be sent with the attached form. This form can be downloaded on the *Local Government New Zealand* website www.lgnz.co.nz/about-us/agm. The full remit policy can also be downloaded from the website.

Remit Policy

Proposed remits, other than those relating to the internal governance and constitution of *Local Government New Zealand*, should address only major strategic "issues of the moment". They should have a national focus articulating a major interest or concern at the national political level.

The criteria for considering remits was reviewed in March 1999 and National Council adopted the following Remits Screening Policy:

1. Remits must be relevant to local government as a whole rather than exclusively relevant to a single Zone, Sector group or an individual council;
2. Remits should be of a major policy nature (constitutional and substantive policy) rather than matters that can be dealt with by administrative action;
3. Remits must have formal support from at least one Zone or Sector Group meeting, or five Councils, prior to their being submitted, in order for the proposer to assess support and clarity of the proposal;
4. Remits defeated at the AGM in two successive years will not be permitted to go forward;
5. Remits will be assessed to determine whether the matters raised can be actioned by alternative, and equally valid, means to achieve the desired outcome;
6. Remits that deal with issues or matters currently being actioned by *Local Government New Zealand* may also be declined on the grounds that the matters raised are "in-hand". This does not include remits that deal with the same issue but from a different point of view; and
7. Remits must be accompanied by background information and research to show that the matter warrants consideration by delegates. Such background should demonstrate:

- the nature of the issue;
- the background to it being raised;
- the issue's relationship, if any, to the current *Local Government New Zealand* Business Plan and its objectives (for a copy of the 2013-2016 business plan please refer to our website, www.lgnz.co.nz, under About Us);
- the level of work, if any, already undertaken on the issue by the proposer, and outcomes to date;
- the resolution, outcome and comments of any Zone or Sector meetings which have discussed the issue; and
- suggested actions that could be taken by *Local Government New Zealand* should the remit be adopted.

Remit Process

Local Government New Zealand will take the following steps to finalise remits for the 2013 AGM:

- all proposed remits and accompanying information must be forwarded to *Local Government New Zealand* no later than **Monday 13 May 2013**, to allow time for the remits committee to properly assess remits;
- a remit screening committee (comprising the President, Vice President and Chief Executive) will review and assess proposed remits against the criteria described in the above policy;
- prior to their assessment meeting, the remit screening committee will receive analysis from the *Local Government New Zealand* staff on each remit assessing each remit against the criteria outlined in the above policy;
- proposed remits that fail to meet the tests imposed by the above policy will be informed as soon as practicable of the committee's decision, alternative actions available, and the reasons behind the decision;
- proposed remits accepted will be contacted as soon as practicable to arrange the logistics of presenting the remit to the AGM; and
- all accepted remits will be posted to the *Local Government New Zealand* website at least one month prior to the AGM.

To ensure quality preparation for members' consideration at the AGM, the committee will not consider or take forward proposed remits that do not meet this policy, or are received after **Monday 13 May 2013**.

General

Remits discussed at the AGM will be presented in the AGM Business Papers that will be distributed to delegates not later than 2 weeks before the AGM, as required by the Rules.

Should you require further clarification of the requirements regarding the remit process please contact Leanne Brockelbank on 04 924 1212 or Leanne.brockelbank@lgnz.co.nz



Local Government New Zealand

te pūtakehi matakōkiri

**ANNUAL GENERAL MEETING 2013
REMIT APPLICATION**

Council Proposing Remit:	
Contact Name:	
Phone:	
Email:	
Fax:	
Remit passed by: (zone/sector meeting and/or list 5 councils as per policy)	
Remit:	

Background Information and Research:

Please attach separately and include:

- nature of the issue
- background to its being raised
- new or confirming existing policy
- how the issue relates to objectives in the current Annual Work Programme
- what work or action on the issue has been done on it, and the outcome
- any existing relevant legislation, policy or practice
- outcome of any prior discussion at a Zone or Sector meeting
- evidence of support from Zone/Sector meeting or five councils
- suggested course of action envisaged.

Please forward to: *Local Government New Zealand*

Leanne Brockelbank, Chief Financial Officer

P O Box 1214, Wellington 6140

Leanne.brockelbank@lgnz.co.nz

No later than Monday 13 May 2013

Document No: 302202

File No: 054/001C

Report To: Council**Meeting Date:** 26 March 2013**Subject:** **New Zealand Mutual Liability RiskPool - 2012 Annual Report**

Purpose of Report

- 1.1 The purpose of this business paper is to brief Council on the activities of RiskPool during the 2011/12 financial year and to provide information on the financial results of the CCO as disclosed in RiskPool's 2012 Annual Report.

Background

- 2.1 RiskPool is a mutual fund established by the Local Government Insurance Corporation (LGIC) and Jardines for the benefit of members of the scheme.
- 2.2 RiskPool is owned by local authorities to provide long term, affordable legal and professional liability protection. The fund was founded on the premise that historically the insurance industry has demonstrated inconsistency with scope of cover, pricing, claims handling and capacity and that many local government entities worldwide have successfully established mutual funds to deal with these concerns.
- 2.3 The purpose of RiskPool is to replace conventional Public Liability and Professional Indemnity insurance contracts with discretionary mutual protection from risk.
- 2.4 RiskPool is a discretionary fund with membership being offered to all local authorities. Contributions are levied on participating members according to each member's actual risk profile, claims experience and adherence to the principles of risk management.
- 2.5 RiskPool commenced operations on 30 June 1997 and at 30 June 2012 had 57 local authority members – refer to **Attachment 1**.
- 2.6 Since the Scheme commenced in 1997, over 10,500 notifications of claims or circumstances that might give rise to claims have been received and managed. A summary of RiskPool's claims management details is attached as **Attachment 2**.
- 2.7 RiskPool has been under financial pressure for some time as a result of the leaky building issue, where Councils and RiskPool have found themselves as respondents to legal claims from property owners.
- 2.8 At this time there have been no claims lodged in respect of the Canterbury earthquakes.

Commentary

- 3.1 In the 2011/12 financial year Riskpool recorded an operating surplus of **\$10,349,661**, a significant improvement on the \$508,764 surplus recorded in the

previous year. An extract from the financial statements included in the Annual Report is attached as **Attachment 3**.

- 3.2 The 2011/12 fund year was fortunately uneventful. Riskpool is encouraged by the reduction in new claim notifications and resolution of some long-standing legacy claims. For example, in 2002-03 Riskpool received 629 new Building Control matters alone; this number is down to 72 for the 2011-12 fund year.
- 3.3 This optimism is tempered however with the developments in the latter part of 2012. Amendments to the Local Government Act, the Supreme Court's decision in Spencer on Byron, the liquidation of Bridgecorp Multiplex Ltd, and more recently the collapse of Mainzeal have each brought their own challenges.
- 3.4 Due to underwriting measures taken in June 2006 and in subsequent years, RiskPool's exposure to the effect of weather tightness claims was progressively limited and then removed by a weathertight exclusion in 2009 for all but a small number of low-risk Councils (for which limited cover has been available and matching reinsurance negotiated).
- 3.5 Riskpool is hopeful that the majority of the leaky home claims are now behind it and the Board is pleased to announce that a call on 1 July 2013 will not be required.
- 3.6 As a result of lessons learnt from the weather tight exposures, the Board determined that Riskpool would only offer cover for which it is able to obtain full reinsurance. This will ensure for claims that every dollar required in excess of a member's deductible will be borne by reinsurance.
- 3.7 To execute this, at 1 July 2012 Riskpool successfully secured 'ground up' reinsurance for the fund years 2013-13, 2013-14 and 2014-15. This 'ground up' coverage for claims payments means that all claim payments, up to the limit of \$200 million per member, are met wholly by reinsurers.
- 3.8 A copy of the Chairman's Report for 2012 is attached as **Attachment 4**.

Suggested Resolutions

- 1 The business paper on the New Zealand Mutual Liability RiskPool - 2012 Annual Report be received.
- 2 The 2012 Annual Report, as presented by New Zealand Mutual Liability RiskPool, be received.

C.E. (KIT) JEFFRIES
GROUP MANAGER-CORPORATE SERVICES

- Attachments:
- 1 2011-12 Fund Year Membership
 - 2 Claims Management Summary
 - 2 Extract of financial statements from the RiskPool 2012 Annual Report
 - 3 RiskPool Chairman's Annual Report for 2012

2011–12 FUND YEAR MEMBERSHIP

Ashburton District Council
 Auckland Council
 Carterton District Council
 Central Hawke's Bay District Council
 Central Otago District Council
 Chatham Islands District Council
 Christchurch City Council
 Clutha District Council
 Environment Canterbury
 Environment Southland
 Far North District Council
 Gore District Council
 Hamilton City Council
 Hastings District Council
 Hauraki District Council
 Hawke's Bay Regional Council
 Hurunui District Council
 Hutt City Council
 Invercargill City Council
 Kaikoura District Council
 Kaipara District Council
 Kapiti Coast District Council

Kawerau District Council
 Mackenzie District Council
 Marlborough District Council
 Masterton District Council
 Matamata-Piako District Council
 Napier City Council
 New Plymouth District Council
 Northland Regional Council
 Opotiki District Council
 Otago Regional Council
 Otorohaunga District Council
 Palmerston North City Council
 Porirua City Council
 Queenstown Lakes District Council
 Selwyn District Council
 South Taranaki District Council
 South Waikato District Council
 South Wairarapa District Council
 Southland District Council
 Stratford District Council
 Taranaki Regional Council
 Tasman District Council

Taupo District Council
 Timaru District Council
 Waikato District Council
 Waikato Regional Council
 Waimakariri District Council
 Waimate District Council
 Waipa District Council
 Wairoa District Council
 Waitaki District Council
 Waitomo District Council
 West Coast Regional Council
 Whakatane District Council
 Whangarei District Council

Membership enquiries are welcome and should be referred to:
 The General Manager
 New Zealand Mutual Liability Riskpool
 P O Box 5521, Wellington 6145
 Attention: Juliet Martin
 Telephone: 04 978 1257
 Facsimile: 04 978 1260
 E-mail: juliet.martin@riskpool.org.nz

CLAIMS MANAGEMENT

Over 10,500 claims or circumstances that might give rise to claims have been received and managed since 1997. Numbers across most categories of claims have reduced further again. The reduction in the number of building control claims is largely due to the progressive changes to coverage in respect of weathertight claims, and ultimately the exclusion introduced for most Councils on 30 June 2009, taking effect.

We think the reduced numbers for other types of Professional Indemnity claims, most notably Resource Management Act matters and Land Information Memoranda, is due to the former Auckland Region Councils harmonising their excesses with the then Auckland City Council from 30 June 2010 in advance of the re-organisation that took place in November that year. The effect of this was a substantial excess increase for predecessor Councils some of which historically notified relatively large numbers of claims.

We have made good progress disposing of outstanding multi-unit weathertight claims. Historically these claims have caused volatility in our overall claims liability due to the many variable aspects of the claims such as other judgment-worthy defendants and plaintiff expectation.

As these claims are resolved fewer remain to cause volatility, and with the various underwriting steps taken from June 2006 onwards the Fund's exposure to these claims has been reducing.

Public Liability claims which involving Council caused damage to third party property remain as expected. The following table sets out our claims experience.

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Number of Members	57	70	74	76	79	80	81	83	82	82	78	78	72	64	57
Cause of Claim/Notification	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Building Control Matters	176	255	212	173	177	629	398	465	379	384	361	479	174	105	72
RMA Matters	81	159	86	98	76	90	78	76	47	31	32	58	72	33	9
Flooding/Blocked Drains	57	90	68	64	58	40	43	57	51	35	23	33	68	41	27
LIM's	51	57	39	46	36	75	62	79	56	61	38	53	57	36	36
Landslip/Subsidence	34	42	28	32	26	27	46	27	16	17	10	40	15	30	9
Sewage Discharge	11	19	12	15	10	14	16	20	15	24	10	7	15	15	6
Falling Trees	10	12	11	9	8	6	17	10	25	16	11	13	11	14	12
Defamation	7	9	6	5	4	1	4	3	3	4	2	0	2	1	0
Other	223	212	346	234	290	196	149	145	146	163	155	186	148	102	65
Total	650	855	808	676	685	1,078	813	882	738	735	642	869	547	377	236
Claims per Member	11.4	12.2	10.6	8.9	8.7	13.5	10.0	10.7	9.0	8.9	8.2	11.1	7.6	7.0	4.1

CLAIMS MANAGEMENT

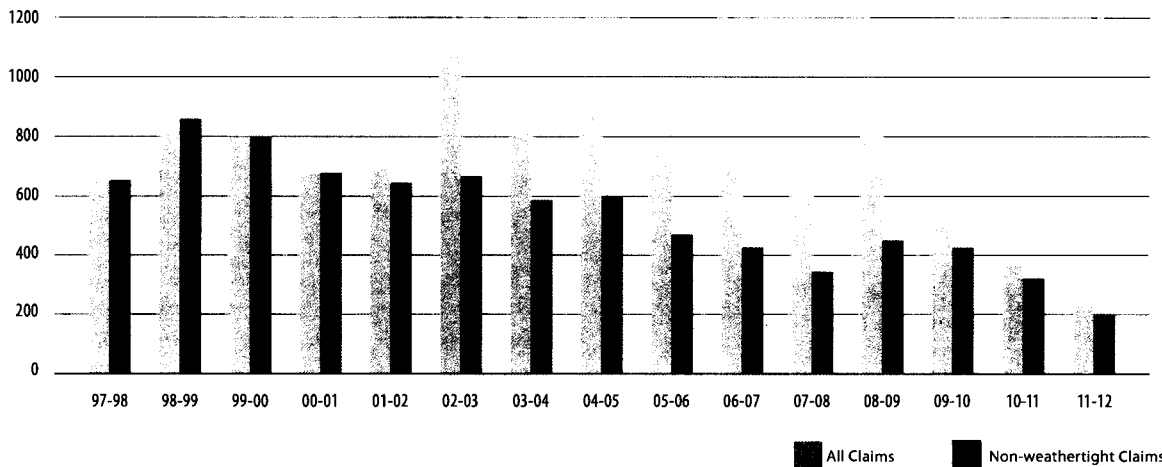
BUILDING CONTROL

Building defect claims involve the alleged negligent issuing of building consents, allegedly negligent inspections during the course of construction and the issuing of allegedly erroneous Code Compliance Certificates which might be relied upon by third parties. Over the years we have successfully run litigation limiting the duty owed, or the liability of the Council:

- *No. Three Meade Street v Rotorua District Council* – Councils owe no duty of care to commercial property owners.

- *Te Mata Properties v Hastings District Council* – Councils owe no duty of care to non-vulnerable plaintiffs who can otherwise protect their interests for example through the engagement of clerks of works, project managers or otherwise protect their interests through contractual warranties, but chose not to.
- *Dicks v Waitakere City Council* – directors of liquidated or wound up building companies (or others involved in the building process) can be found personally liable.

- *Hartley v Waitakere City Council* – plaintiffs can be found liable for failing to mitigate their losses, 33% in this case.
- *Charterall Trustees v Queenstown Lakes District Council* – affirms that Councils do not owe a duty to commercial property owners. The rationale being that as more sophisticated owners commercial property owners are able to protect their own position unlike many residential property owners.
- *“Byron Avenue” and “Sunset Terraces”* – confirms that Councils do owe a duty to residential property owners and *Hamlin* remains good law. This case also confirms that plaintiffs who are subsequent purchasers can be contributory negligent, typically for failing to make proper inquiries before purchasing.



During the year under review the Supreme Court heard an appeal against the Council’s successful strike-out application in *Body Corporate No 207624 & Anor v North Shore City Council*, a case better known as *Spencer on Byron*. The majority held that Councils do owe a duty to non-residential property owners to be satisfied on reasonable grounds that the building complies with the Building Code. This means that each claim involving non-residential property an assessment of whether the Council acted reasonably in the discharge of the duty, such as the reliance on producer statements and so forth, will need to be made.

PLANNING MATTERS

Planning claims tend to more quickly follow an alleged negligent act as the activity the subject of consent will generally become obvious to an affected party. Consent applicants that bring claims tend to do so reasonably quickly. Our strategies for managing these claims include a rigorous application of the test for negligence and the measure of damages for negligence. We have had the opportunity to develop case law in this area:

- *Bella Visa Limited v Western Bay of Plenty District Council* – Councils do not owe a duty of care to protect the economic interests of others when discharging their responsibilities under the Resource Management Act 1991.

COUNCIL INFRASTRUCTURE FAILURE

This broad category of claim involves third party property damage arising from the failure of Council infrastructure or assets. Generally claims are in nuisance or negligence, although the latter is rarely pursued. Typically claims arise from sewage discharges, flooding from water mains or stormwater mains, trees falling or flood protection works failing during storm events. Typically the failure is difficult to foresee but this very fact gives rise to defences that we have developed in litigation.

Councils by their nature have in place asset management plans and they also plan financially for upgrading infrastructure. This gives rise to good risk management practices which have been promoted by Riskpool.

Drawing upon these opportunities we have run litigation with a view to achieving certainty for Councils:

- *Atlas properties & Ors v Kapiti Coast District Council* – providing Councils have acted reasonably in the planning for repairs and maintenance or the upgrade of infrastructure they will not be liable in negligence or nuisance. Further, the court had quite some sympathy for Councils because they have competing demands upon their limited resources.
- *Tindall & Ors v Far North District Council* – the harm arising from the nuisance created or adopted by a Council must be reasonably foreseeable. This is a shift from what was probably a strict liability approach in New Zealand historically. The damage caused by the failure of Council infrastructure, by its very nature, is rarely “reasonably foreseeable”.
- *Easton Agriculture & Anor v Manawatu Wanganui Regional Council* – Regional Council owe a duty to properly manage and maintain their flood protection works. In this particular case, the court found that the Council had not reasonably maintained a stopbank that failed causing significant flooding of third party property. However, the court also found that the Council’s negligence was not causative of the loss and that it would have occurred anyway. This claim is currently the subject of an appeal to the Court of Appeal.

LAND INFORMATION MEMORANDA

These claims are characterised by being relatively modest in cost. Extensive risk management initiatives have been developed and are currently being implemented with Councils. In addition to that, we have run the first case involving an allegedly negligently issued LIM.

- *Altimarlock Limited v Marlborough District Council* – it was alleged that the Council omitted information (that arguably was not mandatory information) in a LIM. The Court confirmed that Councils owe a duty of care when releasing information in a LIM and whether a Council is liable will turn upon whether it has acted reasonably in the discharge of the duty upon the facts of each case.

DEFAMATION

These claims usually involve allegations being made against Councillors. Our experience is that with early legal assistance the claims can be resolved by way of retraction, apology or modest settlement within the Council’s deductible. We actively remind our members that these claims are probably the most avoidable.

NEW ZEALAND MUTUAL LIABILITY RISKPOOL

Statement of Financial Performance for the year ended 30 June 2012

	Note	Fund No. 16 (12-13)	Fund No. 15 (11-12)		Fund No. 14 (10-11)		Fund No. 13 (09-10)		Fund No. 12 (08-09)	
		2012	2012	2011	2012	2011	2012	2011	2012	2011
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue										
Members' Contributions		-	3,866,000	-	-	3,752,667	-	-	-	-
Calls Received	9	-	-	-	-	-	-	-	-	-
Contribution to expenses from prior fund years		-	950,409	-	-	688,918	-	-	-	-
Reinsurance Recoveries	10	-	-	-	313,287	1,464,297	(632,634)	1,378,736	(1,829,882)	1,854,671
Direct Claims Expense	10	-	(1,798,447)	-	(280,381)	(1,885,839)	845,131	(1,230,521)	3,667,678	(3,640,903)
Claims Administration Expense		-	-	-	(126,424)	-	(356,287)	(204,610)	(385,016)	(338,271)
Reinsurance Expense		-	(1,408,427)	-	-	(2,140,050)	-	-	-	-
Net Result for the Period		-	1,609,535	-	(93,518)	1,879,993	(143,790)	(56,395)	1,452,780	(2,124,503)
Investment Revenue		-	34,006	-	161	20,842	62	8,426	278	22,167
Total Revenue		-	1,643,541	-	(93,357)	1,900,835	(143,728)	(47,969)	1,453,058	(2,102,336)
Expenditure										
Scheme Manager's Fee		-	1,363,948	-	11,191	1,252,771	-	(131,850)	-	-
Fund Manager's Fee		-	285,600	-	-	280,000	-	13,337	-	-
Audit Fees		-	10,892	-	12,017	9,157	1,943	1,294	1,943	1,850
Other Fees Paid to Auditors		-	5,000	-	5,500	10,000	-	2,200	-	-
Consultancy		-	56,239	-	(7,500)	152,005	-	34,793	-	-
Directors' Fees		-	46,500	-	-	45,917	-	1,500	-	-
Meeting/Travel Expenses		-	41,386	-	-	22,099	-	563	-	-
Directors & Officers Liability Insurance		-	-	-	-	11,400	-	-	-	-
Legal Fees		-	854	-	-	7,460	-	-	-	-
Printing and Stationery		-	4,500	-	5,231	4,500	-	14,061	-	-
Sundry Expenses		-	7,016	-	-	4,233	-	-	-	9
Total Expenditure		-	1,821,935	-	26,439	1,799,542	1,943	(64,102)	1,943	1,859
Net Surplus/(Deficit) before Tax		-	(178,394)	-	(119,796)	101,293	(145,671)	16,133	1,451,115	(2,104,195)
Tax Expense		-	-	-	-	-	-	-	-	-
Net Surplus/(Deficit) after Tax		-	(178,394)	-	(119,796)	101,293	(145,671)	16,133	1,451,115	(2,104,195)

This statement is to be read in conjunction with the Statement of Accounting Policies and Notes to the Financial Statements.

Fund No. 11 (07-08)		Fund No. 10 (06-07)		Fund No. 9 (05-06)		Fund No. 8 (04-05)		Fund No. 7 (03-04)		Fund No. 6 (02-03)		Fund No. 1-5 (97-02)		TOTAL	
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,866,000	3,752,667
-	-	-	-	3,089,657	3,089,653	3,129,946	3,129,945	788,659	788,657	-	-	-	-	7,008,262	7,008,255
-	-	-	-	-	-	-	-	-	-	-	-	-	-	950,409	688,918
(458,601)	747,611	-	-	139,440	(1,289,281)	459,633	(573,068)	(2,231,694)	3,152,892	27,090	383,906	26,032	1,447,794	(4,187,329)	8,567,558
(57,540)	87,426	93,835	(3,738,575)	918,488	692,509	(41,847)	352,383	2,782,585	(3,648,442)	488,381	(575,775)	(22,487)	(1,530,956)	6,595,396	(15,118,693)
(42,129)	(96,600)	(21,467)	(21,884)	(9,239)	(4,352)	-	(9,122)	(5,770)	(4,871)	-	(8,252)	(4,076)	(956)	(950,408)	(688,918)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,408,427)	(2,140,050)
(558,270)	738,437	72,368	(3,760,459)	4,138,346	2,488,529	3,547,732	2,900,138	1,333,780	288,236	515,471	(200,121)	(531)	(84,118)	11,873,903	2,069,737
6,837	17,953	2,234	29,305	94,784	4,377	42,435	2	3,977	1,288	64,977	7,928	98,795	77,003	348,546	189,291
(551,433)	756,390	74,602	(3,731,154)	4,233,130	2,492,906	3,590,167	2,900,140	1,337,757	289,524	580,448	(192,193)	98,264	(7,115)	12,222,449	2,259,028
-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,375,139	1,120,921
-	-	-	-	-	-	-	-	-	-	-	-	-	-	285,600	293,337
1,943	1,850	1,943	1,850	1,943	1,850	1,943	1,850	1,943	1,850	1,943	1,850	1,943	1,850	40,396	25,251
-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,500	12,200
-	-	-	-	-	-	-	-	-	-	-	-	-	-	48,739	186,798
-	-	-	-	-	-	-	-	-	-	-	-	-	-	46,500	47,417
-	-	-	-	-	-	-	-	-	-	-	-	-	-	41,386	22,662
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,400
-	-	6,927	-	-	-	-	-	-	-	-	-	-	-	7,781	7,460
-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,731	18,561
-	-	-	-	-	-	-	15	-	-	-	-	-	-	7,016	4,257
1,943	1,850	8,870	1,850	1,943	1,850	1,943	1,865	1,943	1,850	1,943	1,850	1,943	1,850	1,872,788	1,750,264
(553,376)	754,540	65,732	(3,733,004)	4,231,187	2,491,056	3,588,224	2,898,275	1,335,814	287,674	578,505	(194,043)	96,321	(8,965)	10,349,661	508,764
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(553,376)	754,540	65,732	(3,733,004)	4,231,187	2,491,056	3,588,224	2,898,275	1,335,814	287,674	578,505	(194,043)	96,321	(8,965)	10,349,661	508,764

NEW ZEALAND MUTUAL LIABILITY RISKPOOL

Statement of Movements in Trust Funds for the year ended 30 June 2012

	Note	Fund No. 16 (12-13)	Fund No. 15 (11-12)		Fund No. 14 (10-11)		Fund No. 13 (09-10)		Fund No. 12 (08-09)		Fund No. 11 (07-08)	
		2012	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total Trust Funds at 1 July		-	-	-	101,293	-	(690,183)	(706,316)	(5,331,380)	(3,227,185)	(1,358,454)	(2,112,994)
Net Surplus/(Deficit)		-	(178,394)	-	(119,796)	101,293	(145,671)	16,133	1,451,115	(2,104,195)	(553,376)	754,540
Capital Contribution		-	-	-	-	-	-	-	-	-	-	-
Total Trust Funds at 30 June	9	-	(178,394)	-	(18,503)	101,293	(835,854)	(690,183)	(3,880,265)	(5,331,380)	(1,911,830)	(1,358,454)

This statement is to be read in conjunction with the Statement of Accounting Policies and Notes to the Financial Statements.

Fund No. 10 (06-07)		Fund No. 9 (05-06)		Fund No. 8 (04-05)		Fund No. 7 (03-04)		Fund No. 6 (02-03)		Fund No. 1 - 5 (97-02)		TOTAL	
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(8,141,819)	(4,408,815)	(3,630,071)	(6,121,125)	(2,311,273)	(5,209,549)	(4,879,173)	(5,166,848)	194,779	388,824	4,925,075	4,934,035	(21,121,206)	(21,629,973)
65,732	(3,733,004)	4,231,187	2,491,056	3,588,224	2,898,275	1,335,814	287,674	578,505	(194,043)	96,321	(8,965)	10,349,661	508,764
-	-	-	-	-	-	-	-	-	-	-	-	-	-
(8,076,087)	(8,141,819)	601,116	(3,630,069)	1,276,951	(2,311,274)	(3,543,359)	(4,879,174)	773,284	194,781	5,021,396	4,925,070	(10,771,545)	(21,121,209)

NEW ZEALAND MUTUAL LIABILITY RISKPOOL

Statement of Financial Position as at 30 June 2012

	Note	Fund No. 16 (12-13)	Fund No. 15 (11-12)		Fund No. 14 (10-11)		Fund No. 13 (09-10)		Fund No. 12 (08-09)	
		2012	2012	2011	2012	2011	2012	2011	2012	2011
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Trust Funds										
Trust Accounts		-	(178,394)	-	(18,503)	101,293	(835,854)	(690,183)	(3,880,265)	(5,331,380)
Trust Capital Account		-	-	-	-	-	-	-	-	-
Total	9	-	(178,394)	-	(18,503)	101,293	(835,854)	(690,183)	(3,880,265)	(5,331,380)
Represented by:										
Assets										
Bank – ANZ Banking Group		-	1,096,776	409,583	(367,169)	(209,949)	(434,065)	155,568	(2,538,516)	(1,922,625)
Short Term Bank Deposits		-	390,000	-	-	-	-	-	-	-
Accrued Interest		-	-	-	-	-	-	-	-	-
Accounts Receivable		-	-	-	11,500	-	2,300	131,850	339,012	-
Prepayments		-	-	30,841	-	-	-	-	-	-
Taxation Receivable/(Payable)		-	5,496	-	1,375	7,955	10	946	36	4,587
GST Receivable/(Payable)		-	50,237	(53,424)	49,999	60,029	29,247	38,862	238,301	269,318
Reinsurance Receivable	10	-	-	-	1,777,584	1,464,297	1,127,059	1,759,693	933,511	2,763,393
Total Assets		-	1,542,509	387,000	1,473,289	1,322,332	724,551	2,086,919	(1,027,656)	1,114,673
Current Liabilities										
Accounts Payable		-	17,557	-	1,921	81,709	1,921	2,035	1,921	2,035
Interfund Payable/(Receivable)		-	-	-	-	(688,918)	-	196,611	-	(1,138,315)
Contributions Received in Advance		-	-	387,000	-	-	-	-	-	-
Total Current Liabilities		-	17,557	387,000	1,921	(607,209)	1,921	198,646	1,921	(1,136,280)
Claims Provision	10	-	1,703,346	-	1,489,871	1,828,248	1,558,484	2,578,456	2,850,688	7,582,333
Total Liabilities		-	1,720,903	387,000	1,491,792	1,221,039	1,560,405	2,777,102	2,852,609	6,446,053
EXCESS/(DEFICIT) ASSETS OVER LIABILITIES		-	(178,394)	-	(18,503)	101,293	(835,854)	(690,183)	(3,880,265)	(5,331,380)

Signed on behalf of the Trustee, Local Government
Mutual Funds Trustee Limited on 23 November 2012

B Taylor
CHAIRMAN



J Palmer
DIRECTOR



This statement is to be read in conjunction with the Statement of Accounting Policies and Notes to the Financial Statements.

Fund No. 11 (07-08)		Fund No. 10 (06-07)		Fund No. 9 (05-06)		Fund No. 8 (04-05)		Fund No. 7 (03-04)		Fund No. 6 (02-03)		Fund No. 1-5 (97-02)		TOTAL	
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(1,911,830)	(1,358,454)	(8,076,087)	(8,141,819)	601,116	(3,630,069)	1,276,951	(2,311,274)	(3,689,550)	(5,025,365)	642,119	63,616	4,644,982	4,548,656	(11,425,315)	(21,774,979)
-	-	-	-	-	-	-	-	146,191	146,191	131,165	131,165	376,414	376,414	653,770	653,770
(1,911,830)	(1,358,454)	(8,076,087)	(8,141,819)	601,116	(3,630,069)	1,276,951	(2,311,274)	(3,543,359)	(4,879,174)	773,284	194,781	5,021,396	4,925,070	(10,771,545)	(21,121,209)
(487,534)	481,412	(4,179,802)	550,958	3,762,391	830,495	997,800	(477,400)	(3,111,615)	(1,522,972)	4,075,109	(951,658)	3,433,431	3,457,614	2,226,055	801,026
-	425,000	-	400,000	1,110,000	850,000	-	-	-	-	1,000,000	-	2,210,000	2,445,000	4,710,000	4,120,000
-	64	-	60	-	128	-	-	-	-	-	-	-	367	-	619
57,500	-	12,876	-	-	-	119,499	-	842	-	57,500	-	5,751	-	606,780	131,850
-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,044	30,841
959	2,811	480	7,417	16,859	1,157	8,202	-	669	396	13,477	2,028	17,136	13,563	64,699	40,860
75,011	46,511	237,726	55,159	270,497	225,511	(5,688)	1,681	(288,904)	(224,888)	(115,174)	(85,605)	(71,459)	(71,442)	472,500	261,712
289,010	747,611	(259,683)	(59,683)	(2,753,924)	4,644,518	3,016,139	3,184,582	3,675,167	6,701,150	186,061	8,374,956	145,837	319,804	8,136,761	29,900,321
(65,054)	1,703,409	(4,188,403)	953,911	2,405,823	6,551,809	4,135,952	2,708,863	276,159	4,953,686	5,216,973	7,339,721	5,740,696	6,164,906	16,234,839	35,287,229
1,921	2,256	1,921	202,035	1,921	6,441	1,921	2,035	1,921	141,447	1,921	52,035	1,921	2,035	36,767	494,063
-	502,904	-	847,463	-	(548,972)	-	393,839	-	(309,526)	-	256,524	-	488,390	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	387,000
1,921	505,160	1,921	1,049,498	1,921	(542,531)	1,921	395,874	1,921	(168,079)	1,921	308,559	1,921	490,425	36,767	881,063
1,844,855	2,556,703	3,885,763	8,046,232	1,802,786	10,724,409	2,857,080	4,624,263	3,817,597	10,000,939	4,441,768	6,836,381	717,379	749,411	26,969,617	55,527,375
1,846,776	3,061,863	3,887,684	9,095,730	1,804,707	10,181,878	2,859,001	5,020,137	3,819,518	9,832,860	4,443,689	7,144,940	719,300	1,239,836	27,006,384	56,408,438
(1,911,830)	(1,358,454)	(8,076,087)	(8,141,819)	601,116	(3,630,069)	1,276,951	(2,311,274)	(3,543,359)	(4,879,174)	773,284	194,781	5,021,396	4,925,070	(10,771,545)	(21,121,209)

NEW ZEALAND MUTUAL LIABILITY RISKPOOL

Statement of Cash Flows for the year ended 30 June 2012

	Note	Fund No. 16 (12-13)		Fund No. 15 (11-12)		Fund No. 14 (10-11)		Fund No. 13 (09-10)		Fund No. 12 (08-09)	
		2012		2012	2011	2012	2011	2012	2011	2012	2011
		\$		\$	\$	\$	\$	\$	\$	\$	\$
Cash flows from operating activities											
Cash was provided from:											
Members' Contributions		-	3,479,000	387,000	-	3,511,667	-	-	-	-	-
Calls Received	9	-	-	-	-	-	-	-	-	-	-
Interest Received – Bank		-	34,006	-	161	20,842	62	8,444	279	22,195	
Reinsurance recoveries received		-	-	-	-	-	-	-	-	-	
		-	3,513,006	387,000	161	3,532,509	62	8,444	279	22,195	
Cash was applied to:											
Reinsurance		-	(1,408,427)	-	-	(2,140,050)	-	-	-	-	
Scheme Manager's Fee		-	(1,363,948)	-	(11,191)	(1,252,771)	-	-	-	-	
Fund Manager's Fee		-	(285,600)	-	-	(280,000)	-	(13,337)	-	-	
Contribution to expenses from prior fund years		-	950,409	-	688,918	-	(196,611)	-	1,138,315	-	
Legal Fees		-	(854)	-	-	(7,460)	-	-	-	-	
Claims		-	(95,101)	-	(756,682)	(57,591)	(533,428)	(495,119)	(1,787,996)	(4,254,344)	
Consultants		(18,044)	(25,398)	(30,841)	(46,351)	(69,416)	131,850	(55,568)	-	-	
Audit Fees		-	(1,285)	-	(19,252)	-	(2,057)	(6,666)	(2,057)	(1,667)	
Other Expenses		-	(96,677)	-	(26,968)	(70,975)	-	(23,124)	-	(9)	
Taxation Refunded / (Paid)		-	(5,496)	-	4,115	(7,955)	936	839	4,551	13,826	
GST Refunded / (Paid)		(2,707)	(103,436)	53,424	10,030	(88,412)	9,615	27,694	31,017	(27,613)	
		(20,751)	(2,435,813)	22,583	(157,381)	(3,974,630)	(589,695)	(565,281)	(616,170)	(4,269,807)	
Net Cash inflow/(outflow) from operating activities	8	(20,751)	1,077,193	409,583	(157,220)	(442,121)	(589,633)	(556,837)	(615,891)	(4,247,612)	
Net increase/(decrease) in cash held		(20,751)	1,077,193	409,583	(157,220)	(442,121)	(589,633)	(556,837)	(615,891)	(4,247,612)	
Opening cash at 1 July		-	409,583	-	(209,949)	232,172	155,568	712,405	(1,922,625)	2,324,987	
Closing cash at 30 June		(20,751)	1,486,776	409,583	(367,169)	(209,949)	(434,065)	155,568	(2,538,516)	(1,922,625)	
Comprising of:											
Bank – ANZ Banking Group		(20,751)	1,096,776	409,583	(367,169)	(209,949)	(434,065)	155,568	(2,538,516)	(1,922,625)	
Short Term Bank Deposits		-	390,000	-	-	-	-	-	-	-	
Total		(20,751)	1,486,776	409,583	(367,169)	(209,949)	(434,065)	155,568	(2,538,516)	(1,922,625)	

This statement is to be read in conjunction with the Statement of Accounting Policies and Notes to the Financial Statements.

Fund No. 11 (07-08)		Fund No. 10 (06-07)		Fund No. 9 (05-06)		Fund No. 8 (04-05)		Fund No. 7 (03-04)		Fund No. 6 (02-03)		Fund No. 1-5 (97-02)		TOTAL	
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,479,000	3,898,667
-	-	-	-	3,089,657	2,950,283	3,129,946	2,987,778	788,659	843,588	-	13,625	-	-	7,008,262	6,795,274
6,901	17,908	2,294	29,286	94,911	4,249	42,435	2	3,977	1,288	64,976	7,928	99,165	76,681	349,167	188,823
-	-	200,000	59,683	7,537,881	5,415,085	628,077	6,064,756	794,289	(797,700)	8,215,984	6,893,881	200,000	2,583,028	17,576,231	20,218,733
6,901	17,908	202,294	88,969	10,722,449	8,369,617	3,800,458	9,052,536	1,586,925	47,176	8,280,960	6,915,434	299,165	2,659,709	28,412,660	31,101,497
-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,408,427)	(2,140,050)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,375,139)	(1,252,771)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	(285,600)	(293,337)
(502,904)	-	(847,463)	-	548,972	-	(393,839)	-	309,526	-	(256,524)	-	(488,390)	-	950,409	-
-	-	(6,927)	-	-	-	-	-	-	-	-	-	-	-	(7,781)	(7,460)
(869,238)	(806,770)	(4,300,977)	(1,965,066)	(8,016,780)	(1,290,243)	(1,928,529)	(7,773,875)	(3,546,780)	(1,296,317)	(2,013,732)	(6,328,651)	(64,345)	(2,577,672)	(23,913,588)	(26,845,648)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	42,057	(155,825)
(2,057)	(1,667)	(2,057)	(1,667)	(2,057)	(1,667)	(2,057)	(1,667)	(2,057)	(1,667)	(2,057)	(1,667)	(2,057)	(1,667)	(39,050)	(20,002)
-	-	-	-	-	-	-	(15)	-	-	-	-	-	-	(123,645)	(94,123)
1,852	110,594	6,937	(4,495)	(15,702)	(1,157)	(8,202)	79	(273)	(396)	(11,449)	(2,028)	(3,573)	4,187	(26,304)	113,494
(28,500)	95,238	(182,567)	(31,790)	(44,986)	380,164	7,369	309,600	64,016	15,115	29,569	272,383	17	6,599	(210,563)	1,012,402
(1,400,847)	(602,605)	(5,333,054)	(2,003,018)	(7,530,553)	(912,903)	(2,325,258)	(7,465,878)	(3,175,568)	(1,283,265)	(2,254,193)	(6,059,963)	(558,348)	(2,568,553)	(26,397,631)	(29,683,320)
(1,393,946)	(584,697)	(5,130,760)	(1,914,049)	3,191,896	7,456,714	1,475,200	1,586,658	(1,588,643)	(1,236,089)	6,026,767	855,471	(259,183)	91,156	2,015,029	1,418,177
(1,393,946)	(584,697)	(5,130,760)	(1,914,049)	3,191,896	7,456,714	1,475,200	1,586,658	(1,588,643)	(1,236,089)	6,026,767	855,471	(259,183)	91,156	2,015,029	1,418,177
906,412	1,491,109	950,958	2,865,007	1,680,495	(5,776,219)	(477,400)	(2,064,058)	(1,522,972)	(286,883)	(951,658)	(1,807,129)	5,902,614	5,811,458	4,921,026	3,502,849
(487,534)	906,412	(4,179,802)	950,958	4,872,391	1,680,495	997,800	(477,400)	(3,111,615)	(1,522,972)	5,075,109	(951,658)	5,643,431	5,902,614	6,936,055	4,921,026
(487,534)	481,412	(4,179,802)	550,958	3,762,391	830,495	997,800	(477,400)	(3,111,615)	(1,522,972)	4,075,109	(951,658)	3,433,431	3,457,614	2,226,055	801,026
-	425,000	-	400,000	1,110,000	850,000	-	-	-	-	1,000,000	-	2,210,000	2,445,000	4,710,000	4,120,000
(487,534)	906,412	(4,179,802)	950,958	4,872,391	1,680,495	997,800	(477,400)	(3,111,615)	(1,522,972)	5,075,109	(951,658)	5,643,431	5,902,614	6,936,055	4,921,026

CHAIRMAN'S REPORT

Riskpool has endured many changes and developments in the legal environment since its inception in 1997. Created as a result of the commercial market's lack of appetite for the unique risks which are associated with local authorities, Riskpool was developed to fill this market gap and continues to do so more than 15 years later.

These environmental changes and developments have brought significant challenges for the Fund over the last few years. The most well-known of these is the leaky home syndrome, which was neither expected nor foreseen by any commercial entity or government body. As you are aware, faced with this exposure your Board did its utmost to provide the cover the sector required which resulted in the undesirable necessity for calls to be made on members for various fund years. Whilst unfortunate, the calls made on members meant that Riskpool continued to be able to carry on the important business of protecting members' professional indemnity and public liability exposures.

As a result of the lessons learnt from the weather tight exposures, your Board determined that Riskpool would only offer cover for which it is able to obtain full reinsurance. This will ensure for claims that every dollar required in excess of a member's deductible will be borne by reinsurance. To execute this, for the fund years 2012-13, 2013-14 and 2014-15 Riskpool has secured ground up reinsurance for 100% of Riskpool's claims. The possibility of a call for these fund years is therefore minimal. (It would require a reinsurer to fail and for the Board of the day to then

determine that Riskpool would make a call to contribute to any subsequent claims shortfall.)

It should be remembered that there are many other risks other than leaky homes that Riskpool covers including: RMA matters, flooding, LIM's, landslips and subsidence, sewage discharge, falling trees, defamation and other nonspecific exposures. In fact, the majority of new claims on which the Scheme Solicitor has been retained in 2012 are non-leaky matters. Riskpool has been able to meet these claims consistently since 1997.

2012 has seen some restructure of Riskpool's administration culminating in the appointment of a Riskpool General Manager, Juliet Martin, who was appointed in July 2012. Your Board recognised the need to have an individual retained to function as a conduit between members and the Board and to ensure that the relevant management functions are carried out seamlessly and in the best interests of the Fund.

The Board is very pleased to welcome Juliet into this role. Legally qualified, Juliet has worked in the insurance profession for over a decade. From her experience in both private practice and some of the world's largest

multinational insurance companies, Juliet has been exposed to the highly litigious Australian liability insurance environment and more recently management of the material damage and business interruption claims for local authorities arising out of the Canterbury earthquakes.

2011-12 saw a reduction in new claims as well as a reduction in the cost of resolving existing claims. For example, in 2002-03 Riskpool received 629 new Building Control matters alone; this number is down to 72 for the past Fund Year. Streamlined claims management coupled with risk management strategies put in place years ago that are now bearing fruit are what we believe has driven this improvement.

Public liability and professional indemnity claims are known as long-tail claims for the very reason that it takes a number of years for claims to manifest as well as a number of years for proactive risk management strategies to kick in. It is pleasing to now reap these rewards and it also demonstrates the importance of such proactive strategies. Going forward Riskpool will continue to place a significant emphasis on risk management and looks forward to providing all members with this value added service.

CHAIRMAN'S REPORT

Over the course of the last 12 months the Scheme Solicitor has reported that Mediations and adjudications are tracking smoothly, but where there are adjudications there is now a pattern of Appeals. In most every case where the Council achieves some success at Tribunal level the plaintiffs or other disgruntled parties lodge an appeal usually with the High Court. The High Court is not obliged to reconsider the claim unless it is satisfied that it has probably been decided wrongly. So far, the High Court has concluded for every Appeal that there is sufficient evidence to warrant it looking into the case and in almost every such case the High Court has then adjusted the Tribunal's decision.

The concern is that the costs are becoming high if matters are not settled at Mediation because almost everything is then ending up in the Court system.

Members are by now aware of the 11 October 2012 decision handed down by the Supreme Court in *Body Corporate 207624 v North Shore City Local Authority [2012] NZSC 83 (Byron Avenue)*. The case, run by North Shore City Council, has repercussions for the whole sector. Previously the case law in New Zealand was such that local authorities owed a duty of care when issuing building consents and code compliance certificates in respect of residential building works carried out under the Building Act. This judgment has broadened this duty to extend to all buildings regardless of its use. Furthermore, the decision is not limited to buildings which may be found to subsequently leak. It will have the effect that where a commercial building is found not to have

been constructed in accordance with the Building Code, lacking sprinklers or insufficient earthquake mitigation for example, a Council could be pursued for breach of duty if it can be shown to have been negligent.

As you are aware from the communication sent by the General Manager on 23 October 2012 the Board is presently assessing the effect this judgment and change in the state of the law will have on Riskpool.

Riskpool has achieved a great deal this year, we have navigated our way through most of the legacy of leaky homes claims, managed and resolved the many other claims which arise from the various activities of our members, seen a reduction in Riskpool's overall deficit from \$21.1 million to \$10.8 million, continued to work with members proactively so as to avoid claims, and appointed a General Manager to better assist the members and the Board.

The accounts to 30 June 2012 have now been finalised and indicate a more positive outcome than we had previously anticipated. Cash flow forecasts demonstrate that Riskpool should be able to meet its commitments to June 2014.

The Board has therefore decided that there will be no call made during the 2013-2014 financial year.

There is little doubt that there are many challenges for our members and the Fund going forward. We expect Riskpool to continue to meet these challenges in the best interests of its members.

We recognise the importance of being aware of the concerns and issues being faced by our members.

We are pleased to see the regular communications being received by the General Manager from our members and hope this will continue. The Board both wants and needs to know your concerns and to hear your suggestions and I encourage you to continue to use this resource.

The Board takes this opportunity to formally thank those who have worked so hard for Riskpool during 2011-12: the Fund Manager (Civic Assurance), the Scheme Manager (JLT) and the Scheme Solicitor (Heaney & Co). Their efforts are appreciated.



Bryan Taylor
Chairman

Document No: 301638**File No:** 064/013A**Report To: Council****Meeting Date:** 26 March 2013**Subject: Local Authority Shared Services – Half-Yearly Report to 31 December 2012**

Purpose

- 1.1 The purpose of this business paper is to present to Council for information the half-yearly report to 31 December 2012 for the Local Authority Shared Services Limited (LASS).

Background

- 2.1 LASS is a Council Controlled Organisation (CCO) owned by the Waikato region local authorities. The objective of the company is to provide the Waikato councils with a vehicle to develop shared services that demonstrate a benefit to ratepayers.
- 2.2 There are currently three major shared services operating under the LASS umbrella, plus a support role for collaborative initiatives of the Waikato Mayoral Forum, as follows:
- Shared Valuation Database Service (SVDS)
 - Waikato Regional Transport Model (WRTM)
 - Joint contract between LASS, shareholding Councils and AON Ltd for insurance brokerage services and various collective insurance policies.
 - Waikato Mayoral Forum (established in 2012) has enabled the creation of five working parties to investigate collaborative opportunities in the areas of governance structures, planning, three waters, roading and economic development.
- 2.3 The accounts for the half-year ended 31 December report on the performance for LASS during the six months. Overall, revenue exceeded expenditure by \$194,540 against a budget of \$100,549. Further information on the results for the period is provided on page 6 of the LASS report.

Commentary

- 3.1 Other than the Shareholder Survey which is to be undertaken during the second half of the financial year, all performance measures set out in the Statement of Intent were achieved. The company reports a deficit after tax of \$74,405 compared to a budgeted deficit of \$162,823. The company is not funding depreciation and that is why there is an accounting loss as both the shared services operate on recovering cash costs (including capital) from member councils.

- 3.2 The net cash position from operating activities for the year was \$405,925 compared to full-year's budget of \$124,996.
- 3.3 Total Assets at 30 June 2012 were \$2,406,332, an increase of \$120,153 on the budgeted total. The increase is due mainly to the increase in cash at bank, accounts receivable and GST refund due.

Suggested Resolution

The Local Authority Shared Services Accounts for the half-year ended 31 December 2012 be received for information.



C.E. (KIT) JEFFRIES
GROUP MANAGER – CORPORATE SERVICES

3 March 2013

Attachment: Local Authority Shared Services Accounts for the half-year ended 31 December 2012 (Doc 300340)



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SIX MONTHLY REPORT TO SHAREHOLDERS

1 July 2012 to 31 December 2012

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Local Authority Shared Services Limited – 6 Monthly Report

The Local Authority Shared Services Limited (LASS) was incorporated in December 2005. This Report covers the 6 months 1 July 2012 to 31 December 2012 as required by section 66 of the Local Government Act 2002.

Objectives of LASS

Local Authority Shared Services (LASS) has been promulgated to provide the Councils in the Waikato region with a vehicle to procure shared services. It provides a mechanism for the development of new services which are available to be joined by any shareholder that so chooses. It also provides those Councils that wish to develop new services with a company structure under which they can develop and promote services to other local authorities.

In the early to mid 2000's the relationship between local authorities within the Waikato Region continued to strengthen. As a result of this a range of initiatives were considered by Waikato local authorities with the most beneficial being the Local Authority Shared Services (LASS). At the inception of this initiative the shareholders identified that improvements could be made in back of office activities by implementing shared services, improvements being gained through cost savings, streamlining of work processes and improved services.

This vehicle was chosen as it was considered the most appropriate mechanism for improving, and achieving cost reductions in back of office services across the region. Over the period the company has been operating benefits have been delivered in the form of:

- Improved level and quality of service
- Co-ordinated approach to the provision of services
- Reductions in the cost of services
- Opportunity to develop new initiatives
- Opportunity for all Councils irrespective of location or size to benefit from joint initiatives
- Leverage provided from economy of scales resulting from a single entity representing Councils leveraging procurement opportunities.

At this stage these gains have been realised by shareholders in the Shared Valuation Data Service (SVDS), the Waikato Regional Transport Model (WRTM) and joint procurement of insurance services.

The ability of LASS to contribute to a greater extent in terms of shared services and also at a strategic collaboration level has been the subject of discussion through the Waikato Mayoral Forum.

The Directors have been tasked with identifying ways to progress these initiatives. This will involve resourcing and funding a range of initiatives that will potentially extend the services currently offered by LASS.

The LASS Directors will continue to seek any new opportunities, either from internal investigations, or from Council's and CEO initiatives that are presented to it with a sound business case.

New services that are intended to be initiated under the LASS umbrella will only be adopted where a business case shows that they provide some form of benefit to the shareholders. The benefits that may be gained include development of intellectual property through new business services, protection of Council data, improved levels of service and/or reduced cost. All such proposals will be presented to the Shareholders for approval prior to implementation.

Nature and scope of Current Activities

There are currently three major operations under the LASS umbrella, plus a support role for collaborative initiatives of the Waikato Mayoral Forum.

Firstly, the Shared Valuation Data Service (SVDS). This operational system is providing both timely and accurate valuation data to member Councils and shareholders. The SVDS has become the accepted valuation database in the region.

Secondly, the Waikato Regional Transportation Model (WRTM). This model became fully operational in February 2010. This Model, built within its budgeted cost, provides accurate information to Councils for their transport modelling requirements. The WRTM is the only recognised strategic transport modelling resource in the Waikato Region.

Thirdly, LASS is a party to a joint contract between LASS, shareholding Councils and AON Ltd for insurance brokerage services and various collective insurance policies.

The Waikato Mayoral Forum in 2012 enabled the creation of five working parties to investigate collaborative opportunities in the areas of governance structures, planning, three waters, roading and economic development. Each working party is led by a Council CEO in conjunction with a group of Mayors/Chairs from the Waikato Mayoral Forum. LASS is available as a support entity to assist these working parties.

Collective funding of \$100,000 in 2012/13 has resulted in the scoping and defining of further project work during 2013/14, and additional funding proposals will be presented to shareholding Councils for consideration.

An additional range of shared service opportunities are being considered at the present time. For example, some opportunities in the area of procurement have been identified and the shareholders are looking to progress these opportunities.

Based on feedback from shareholder Councils and the CEO Forum, the LASS Directors will continue to discuss their role in the development of business cases for shared services at its future meetings. These investigations will include reporting to shareholders and the Waikato Mayoral Forum on the alternative mechanisms to develop shared services.

Directors are mindful of the current political environment, and see these investigations of possible shared services as a key focus of their role.

The Company continues to ensure availability of resource requirements to accelerate efforts to advance collaboration across the shareholder Councils.

Service Performance

The Shared Valuation Data Service (SVDS) operation has continued to run both effectively in supplying timely and accurate information and is considered to be operating in a "steady state". There is currently no interest being shown by other councils outside the region to join. As a result the Advisory group has undertaken a review of the development roadmap and scaled down future planned development and any planned development requires a business case prior to proceeding. This will reduce future costs. The advisory group is to be congratulated on their excellent management of this operation.

Benefits continue to accrue to Councils using the SVDS service. These include:

- Competition in the Waikato valuation market, with the resultant improved level of service.
- Far improved quality of data, and a minimum on errors.
- Standardisation of information and the removal of processing inefficiencies.
- Quicker and efficient access to data
- Far greater collaboration between user Local Authorities.

The Waikato Regional Transport Model (WRTM) is now fully operational. Requests for modelling are being received, and the development of the WRTM model as the foremost supplier of transport data will continue to be the objective of the LASS Directors and interest is being shown from commercial sources external to WRTM shareholders for modelling exercises, on a cost recovery basis. This service will continue to collect data to verify the model, and the model will be run to provide information that can be utilised for both regional and local planning.

Performance Measures

The following performance measures were incorporated into the Statement of Intent for the 2013/14 financial year.

Performance Measure	Actual Outcome
Shareholder Survey: The company will carry out an annual survey of shareholders to assist the Directors in developing improvements on behalf of the shareholders, and to receive a majority of shareholder approval on the service provided.	A survey of shareholders will be undertaken in the second half of the year.
Costs Control: Administration expenditure shall not exceed that budgeted by more than 5% unless prior approval is obtained from the Directors.	Achieved. Actual expenditure was \$9,604 favourable to budget.
Cashflow: The company maintains an overall positive cashflow position.	Achieved. Cash, cash equivalents and bank accounts at end of December 2012 were \$447,839.
Reporting: The Board will provide a written report on the business operations and financial position of the LASS on a six monthly basis.	Six monthly reports are provided.
Statutory Adherence: There will be an annual report to directors that all statutory requirements of the LASS are being adhered to.	All statutory requirements are being adhered to the Directors knowledge.

SVDS Availability: That SVDS is available to users at least 99% of normal working hours.	Availability is 99.31%.
SVDS Sales Data Delivery: That at least 98% of agreed timelines are met for sale and property files that have been delivered to the FTP server for access to customers.	100% of agreed timelines are being met.
SVDS Major Enhancement Development Hours: All Capital enhancement development work is supported by a business case approved by the Advisory Group.	This target has been achieved.
WRTM: That all required modelling reports are actioned within the required timeframe.	All timeframes are being met.
WRTM: That a full report on progress of the model be provided to the LASS Board twice each year.	A report has been provided to the November 2012 Directors meeting.
Advice to the Waikato Mayoral Forum: In response to requests from shareholders, the Company will provide regular reports and updates to the Waikato Mayoral Forum regarding progress with shared service initiatives.	An update was provided to the November 2012 forum.

LASS Financial Position

Expenditure for the LASS Company has been assessed on the basis of the direct cost of management and the Directors' governance role. The Directors have directed that these costs be kept to a minimum.

The LASS Company expenditure for this period was \$691,192 against a budget of \$603,893. The variance was due to Shared Services Initiatives via the Waikato Mayoral Forum operating costs of \$86,930 and insurance operating costs of \$143,018 not being budgeted for.

Revenue was also above budget at \$885,732 compared to a budget of \$704,442. The additional revenue was a result of the same Shared Services and Insurance projects.

Overall, revenue exceeded expenditure by \$194,540 against a budget of \$100,549. The timing of the WRTM model update from the census is the main contributor.

The combined service costs are shown in the attached financial statements in Appendix 1. The financial statements meet the LASS policies as stated in Appendix 2 as well as the generally accepted international accounting principles.

SVDS Financial Position

The operating costs were \$305,676 against a year to date budget of \$313,819. Revenue gained from the external sale of data during this period is \$60,960 so the balance of expenditure for this period is being met through user charges.

The cost of enhancements (additional to the above operating costs) over this period was \$32,000.

WRTM Financial Position

The net operating surplus at 31 December was \$14,067. In addition the depreciation charge for this six month period is \$164,061. Income in this period was from shareholder cost recovery of \$72,639.

It is expected that all budgeted expenditure will be recovered from shareholders.

Directors

The Directors appointed for the period that this six monthly report covers were:

Director	Position	Director Appointed By
Gavin Ion (Chair)	Chief Executive, Waikato District Council	Waikato District Council
Peter Guerin	Chief Executive, Rotorua District Council	Rotorua District Council
Chris Ryan	Chief Executive Officer, Waitomo District Council	Waitomo District Council
Bob Laing	Chief Executive, Waikato Regional Council	Waikato Regional Council
Langley Cavers	Chief Executive, Hauraki District Council	Hauraki District Council
Barry Harris	Chief Executive, Hamilton City Council	Hamilton City Council
David Hammond	Chief Executive, Thames-Coromandel District Council	Thames-Coromandel District Council
Garry Dyet	Chief Executive, Waipa District Council	Waipa District Council
Don McLeod	Chief Executive Officer, Matamata-Piako District Council	Matamata-Piako District Council
David Hall	Chief Executive, South Waikato District Council	South Waikato District Council
Rob Williams	Chief Executive Officer, Taupo District Council	Taupo District Council
Dave Clibbery	Chief Executive Officer, Otorohanga District Council	Otorohanga District Council

Local Authority Shared Services		Local Authority Shared Services value beyond boundaries				
Company Summary						
For the 6 Months Ended 31 December 2012						
Notes	Actual	Year to Date Budget	Variance	Budget	Full Year Forecast	Last Year
Revenue						
	163,550	163,550	0	163,550	163,550	13,550
	29,499.99	29,500.00	(0)	59,000	59,000	59,000
	5,022	250	4,772	500	5,461	4,946
	304,585	304,585	0	609,170	609,170	654,303
1	0	0	0	0	0	37,946
	60,960	62,034	(1,074)	124,068	121,920	126,160
2	0	0	0	0	0	30,375
	72,639	64,523	8,117	162,000	144,698	94,587
	0	40,000	(40,000)	40,000	0	39,460
	0	40,000	(40,000)	40,000	40,000	0
3	111,700	0	111,700	0	111,700	0
4	132,725	0	132,725	0	143,018	0
	885,732	704,442	181,290	1,198,288	1,398,517	1,060,326
Operating Expenditure						
	95,470	105,074	9,604	222,550	203,447	58,905
	305,676	313,819	8,143	627,638	603,773	718,622
	60,099	185,000	124,901	242,000	184,698	129,187
	86,930	0	(86,930)	0	111,700	0
4	143,018	0	(143,018)	0	143,018	0
	691,192	603,893	(87,299)	1,092,188	1,246,636	906,714
Earnings Before interest, tax and depreciation/amortisation (EBITDA)						
	194,540	100,549	93,991	106,100	151,881	153,613
Non-Cash Operating Expenditure						
	63	64	0	127	127	128
	104,821	99,247	(5,574)	176,462	182,067	410,210
	164,061	164,061	0	328,122	328,122	328,124
	268,945	263,372	(5,574)	504,711	510,316	738,461
Earnings Before interest and tax (EBIT)						
	(74,405)	(162,823)	88,417	(398,612)	(358,434)	(584,849)
Net Surplus (Deficit) before tax						
	(74,405)	(162,823)	88,417	(398,612)	(358,434)	(584,849)
CA Net Surplus (Deficit) before tax						
	99,181	87,913	11,269	(127)	20,741	14,924
	(43,689)	(46,197)	2,509	(70,362)	(53,247)	(278,783)
	(149,994)	(204,538)	54,544	(328,122)	(326,496)	(320,990)
	25,339	0	25,339	0	569	0
	(5,242)	0	(5,242)	0	1	0
	(74,405)	(162,823)	88,417	(398,612)	(358,434)	(584,849)
Capital Expenditure						
	32,000	53,050	21,050	106,100	79,040	121,875
	32,000	53,050	21,050	106,100	79,040	121,875

Notes

- Customer sales relate to ex Franklin North data provided to Auckland City which ceased in May 2012.
- SVDS Cost Recovery relates to the recovery of costs for the Android Inspection Application development costs.
- Shared Services Funding Contribution as agreed on at the June 2012 Waikato Mayoral Forum.
- Insurance brokerage fee recovered from councils.

Local Authority Shared Services		Local Authority Shared Services value beyond boundaries					
Company Administration For the 6 Months Ended 31 December 2012		Year to Date			Budget	Full Year Forecast	Last Year
Notes	Actual	Budget	Variance	Budget	Full Year Forecast	Last Year	
Revenue							
	163,550	163,550	0	163,550	163,550	13,550	
Recovery of Admin Costs - Shareholders	14,750	14,750	0	29,500	29,500	29,500	
Recovery of Admin Costs - WRTM	14,750	14,750	0	29,500	29,500	29,500	
Recovery of Admin Costs - SVDS	1,664	0	1,664	0	1,764	1,408	
Interest Received	194,714	193,050	1,664	222,550	224,314	73,958	
Total Revenue							
Operating Expenditure							
	1,792	2,042	250	3,877	3,877	2,490	
Accountancy Fees	0	0	0	17,059	14,375	13,675	
Audit Fees	179	201	22	371	299	268	
Bank Charges	8,767	9,633	867	17,433	16,567	15,723	
Financial Services	1,886	2,585	699	2,585	1,886	2,500	
Insurance	78	180	102	360	201	192	
IT Services	0	1,250	1,250	2,500	2,500	1,030	
Legal Fees	5,901	13,958	8,056	27,915	11,341	3,317	
LASS Administration & Operations	0	0	0	0	0	19,020	
Recruitment Fees	75,000	75,000	0	150,000	150,000	0	
Shared Services Contractor	1,500	0	(1,500)	0	1,500	0	
Accommodation	270	0	(270)	0	582	0	
Mileage	0	125	125	250	125	0	
Printing, Stationary & Postage	97	100	3	200	194	691	
Sundry Expenses	95,470	105,074	9,604	222,550	203,447	58,905	
Total Operating Expenditure							
Earnings Before interest, tax and depreciation/amortisation (EBITDA)							
	99,244	87,976	11,268	0	20,867	15,052	
Non-Cash Expenses							
	63	64	0	127	127	128	
Provision for Depreciation	99,181	87,913	11,269	(127)	20,741	14,924	
Net Surplus (Deficit) before tax							
Cash Surplus	99,244	87,976	11,268	0	20,867	15,052	

Notes

- The funding for CA is now received in advance rather than in arrears, hence these funds are placed in an interest earning account at the BNZ (31-December-12 = \$150,478)
- Minimal costs are being incurred due to a reduced Company Secretary role.

Local Authority Shared Services		Local Authority Shared Services		value beyond boundaries			
Shared Valuation Database Service (SVDS)							
For the 6 Months Ended 31 December 2012							
	Notes	Year to Date			Budget	Full Year Forecast	Last Year
		Actual	Budget	Variance			
Revenue							
Member Charges		304,585	304,585	0	609,170	609,170	654,303
Customer Sales	1	0	0	0	0	0	37,946
Interest Received	2	1,263	250	1,013	500	1,502	1,265
Data & Software Sales		60,960	62,034	(1,074)	124,068	121,920	126,160
Cost Recovery	3	0	0	0	0	0	30,375
Total Revenue		366,809	366,869	(60)	733,738	732,592	850,049
Operating Expenditure							
Direct Costs							
Management Services		184,628	188,925	4,296	377,849	369,257	373,668
Hosting Contract		33,940	41,935	7,994	83,869	67,880	78,755
Software Support	4	64,000	54,450	(9,550)	108,900	112,960	215,000
Insurance		1,198	0	(1,198)	0	1,198	2,629
Legal Fees		0	0	0	0	0	4,250
Contingency		0	5,000	5,000	10,000	7,500	0
Provision of Facilities by EW							
Contract Management Services		6,300	6,910	610	13,820	12,600	12,600
Recovery of Admin Services		14,750	14,750	0	29,500	29,500	29,500
Secretarial Services		860	1,850	990	3,700	2,878	2,220
Total Operating Expenditure		305,676	313,819	8,143	627,638	603,773	718,622
Earnings Before interest, tax and depreciation/amortisation (EBITDA)							
		61,133	53,050	8,083	106,100	128,820	131,427
Non-Cash Expenses							
Provision for Depreciation		104,821	99,247	(5,574)	176,462	182,067	410,210
Earnings Before interest and tax (EBIT)		(43,689)	(46,197)	2,509	(70,362)	(53,247)	(278,783)
Net Surplus (Deficit) before tax							
		(43,689)	(46,197)	2,509	(70,362)	(53,247)	(278,783)
Capital Expenditure							
Android Inspection - WIP	3	0	0	0	0	0	30,375
Enhancements	4	32,000	53,050	21,050	106,100	79,040	91,500
Total Cash Expenditure (Opex, Interest & Capital)		337,676	366,869	29,193	733,738	682,813	840,497
Cash Surplus		29,133	0	29,133	0	49,780	9,552


Notes

- Customer sales relate to ex Franklin North data provided to Auckland City which ceased in May 2012.
- The funding for SVDS is received quarterly in advance rather than in arrears, hence these funds are placed in an interest earning account at the BNZ (31-December-12 = \$80,975)
- SVDS Cost Recovery relates to the recovery of costs for the Android Inspection Application development costs.
- The split between Software Support and Enhancements was budgeted to be 51:49, YTD actual 67:33.

Local Authority Shared Services		Local Authority Shared Services		value beyond boundaries			
Waikato Regional Transport Model (WRTM)		Year to Date		Full Year			
For the 6 Months Ended 31 December 2012		Actual	Budget	Variance	Budget	Forecast	Last Year
Notes							
Revenue							
	Cost Recovery	72,639	64,523	8,117	162,000	144,698	94,587
	External Users	0	40,000	(40,000)	40,000	0	39,460
	Reserve Realisation	0	40,000	(40,000)	40,000	40,000	0
1	Interest Received	1,526	0	1,526	0	1,626	2,273
	Total Revenue	74,165	144,523	(70,358)	242,000	186,324	136,320
	Total Model Build Costs	0	0	0	0	0	0
Operating Expenditure							
	Recovery of Admin Services	14,750	14,750	0	29,500	29,500	29,500
	Project Manager	8,930	8,000	(930)	16,000	16,932	17,310
	Annual Scheduling of Works review	0	2,250	2,250	4,500	4,500	3,900
	Legal Fees	0	0	0	0	0	149
	Insurance	1,198	0	(1,198)	0	1,198	555
	Peer Review Expenses	5,569	4,000	(1,569)	5,000	5,569	0
	Minor Model Upgrades	23,902	15,000	(8,902)	30,000	30,000	25,172
	External User Costs	0	16,000	16,000	32,000	0	34,600
	Franklin Model Incorporation into WRTM	0	0	0	0	0	18,000
	Census Update	5,750	125,000	119,250	125,000	97,000	0
	Total Operating Costs	60,099	185,000	124,901	242,000	184,698	129,187
	Total Expenditure	60,099	185,000	124,901	242,000	184,698	129,187
	Earnings Before interest, tax and depreciation/amortisation (EBITDA)	14,067	(40,477)	54,544	()	1,626	7,133
	Non-Cash Expenses						
	Provision for Depreciation	164,061	164,061	()	328,122	328,122	328,124
	Earnings Before interest and tax (EBIT)	(149,994)	(204,538)	54,544	(328,122)	(326,496)	(320,990)
	Net Surplus (Deficit) before tax	(149,994)	(204,538)	54,544	(328,122)	(326,496)	(320,990)
	<i>Cash Surplus</i>	<i>14,067</i>	<i>(40,477)</i>	<i>54,544</i>	<i>0</i>	<i>1,626</i>	<i>7,133</i>

Notes

1. Surplus funds are placed in an interest earning account at the BNZ (31-December-12 = \$65,595)

Local Authority Shared Services							
Shared Services Funding Contribution For the 6 Months Ended 31 December 2012		<i>value beyond boundaries</i>					
	Notes	Actual	Year to Date Budget	Variance	Budget	Full Year Forecast	Last Year
Revenue							
Shared Services Funding Contribution	1	111,700	0	111,700	0	111,700	0
Interest Received		569	0	569	0	569	0
Total Revenue		112,269	0	112,269	0	112,269	0
Total Model Build Costs		0	0	0	0	0	0
Operating Expenditure							
Consultancy Services - Planning		10,300	0	(10,300)	0	32,500	0
Consultancy Services - Roading		18,000	0	(18,000)	0	20,000	0
Consultancy Services - Water		51,200	0	(51,200)	0	51,200	0
Consultancy Services - Governance		7,430	0	(7,430)	0	8,000	0
Total Operating Costs		86,930	0	(86,930)	0	111,700	0
Total Expenditure		86,930	0	(86,930)	0	111,700	0
Earnings Before interest, tax and depreciation/amortisation (EBITDA)		25,339	0	25,339	0	569	0
Earnings Before interest and tax (EBIT)		25,339	0	25,339	0	569	0
Net Surplus (Deficit) before tax		25,339	0	25,339	0	569	0
<i>Cash Surplus</i>		25,339	0	25,339	0	569	0

Notes

1. Shared Services Funding Contribution as agreed on at the June 2012 Waikato Mayoral Forum.

Local Authority Shared Services		Local Authority Shared Services		value beyond boundaries			Insurance Brokerage Fee		
							For the 6 Months Ended 31 December 2012		
	Notes	Actual	Year to Date Budget	Variance	Budget	Full Year Forecast	Last Year		
Revenue									
Insurance Brokerage Fee	1	137,775	0	137,775	0	143,018	0		
Total Revenue		137,775	0	137,775	0	143,018	0		
Total Model Build Costs									
		0	0	0	0	0	0		
Operating Expenditure									
Insurance Brokerage Fee	1	137,775	0	(137,775)	0	137,775	0		
Insurance Legal Fees	2	5,243	0	(5,243)	0	5,243	0		
Total Operating Costs		143,018	0	(143,018)	0	143,018	0		
Total Expenditure									
		143,018	0	(143,018)	0	143,018	0		
Earnings Before interest, tax and depreciation/amortisation (EBITDA)									
		(5,243)	0	(5,243)	0	1	0		
Earnings Before interest and tax (EBIT)									
		(5,243)	0	(5,243)	0	1	0		
Net Surplus (Deficit) before tax									
		(5,243)	0	(5,243)	0	1	0		
Cash Surplus									
		(5,243)	0	(5,243)	0	1	0		

Notes

1. Insurance Brokerage Fee recovered from councils.
2. Insurance Legal Fees to be recovered from councils

Local Authority Shared Services		Local Authority Shared Services value beyond boundaries		Balance Sheet		
				As at 31 December 2012		
Notes	Year to Date			Full Year		
	Actual	Budget	Variance	Budget	Last Year	
Capital						
	Retained Earnings	(562,454)	(610,115)	47,661	(610,115)	22,396
	WRTM Reserve	40,000	40,000	0	0	40,000
	SVDS Shares	1,607,001	1,607,001	0	1,607,001	1,607,001
	WRTM Shares	1,350,000	1,350,000	0	1,350,000	1,350,000
	Net Surplus (Deficit)	(74,405)	(162,823)	88,417	(398,611)	(584,849)
	Total Capital	2,360,142	2,224,063	136,079	1,948,275	2,434,546
Assets						
Current Assets						
	Accounts Receivable	42,231	12,068	30,163	73,990	92,624
	Accounts Receivable Accruals	1,516	1,231	285	0	()
	Accrued Interest on Term Deposits	261	117	144	0	199
	BNZ - Call a/c	323,474	244,518	78,956	33,288	43,171
	BNZ - Cheque a/c	82,451	14,874	67,577	91,708	93,304
	Prepayments	0	0	0	0	1,918
	GST (Payable)/ Refund Due	21,393	9,844	11,549	(4,193)	7,136
	RWT on Interest	788	412	376	140	(601)
	Term Deposits	41,914	34,710	7,204	45,687	147,217
	Total Current Assets	514,027	317,774	196,253	240,620	384,966
Non-Current Assets						
	SVDS - Intangible Asset	2,956,281	3,030,891	(74,610)	3,083,941	2,924,282
	WRTM - Intangible Asset	2,296,855	2,296,855	0	2,296,855	2,296,855
	Less Accumulated Depreciation	(3,360,831)	(3,359,342)	(1,490)	(3,600,681)	(3,091,885)
	Total Non-Current Assets	1,892,305	1,968,404	(76,100)	1,780,115	2,129,252
	Total Assets	2,406,332	2,286,178	120,153	2,020,735	2,514,219
Liabilities						
Current Liabilities						
	Trade and other Payables	29,837	62,115	(32,278)	61,883	63,667
	Accounts Payable Accruals	16,264	0	16,264	10,577	15,771
	Employee Entitlements	90	0	90	0	235
	Total Current Liabilities	46,190	62,115	(15,925)	72,460	79,672
	Total Liabilities	46,190	62,115	(15,925)	72,460	79,672
	Net Assets	2,360,142	2,224,063	136,079	1,948,275	2,434,546

Notes

1. A WRTM Reserve was created from surplus funds to be used against expected 2013 Census enhancement costs

2. A separate interest bearing bank account has been opened for surplus funds.

Local Authority Shared Services
Statement of Cashflows
For the 6 Months Ended 31 December 2012



Notes	Year to Date			Full Year	
	Actual	Budget	Variance	Budget	Last Year
Cashflows from Operating Activities					
Interest Received	5,022			500	4,956
Receipts from Other Revenue	901,800			1,189,373	1,065,452
Payments to Suppliers	(695,029)			(1,021,343)	(857,123)
Taxes Paid	(1,388)			(140)	2,587
Goods & Services tax (net)	(14,257)			9,289	(2,311)
Net cash from operating activities	196,147			177,679	213,561
Cashflows from Investing Activities					
Purchase of Intangible Assets	(32,000)			(106,100)	(121,875)
Investments - Term Deposits	105,302			(51,910)	(50,518)
Net Cash from Investing Activities	73,302			(158,010)	(172,393)
Net Increase in cash, cash equivalents and bank accounts	269,450			19,669	41,168
Cash, cash equivalents and bank accounts at the beginning of the period	136,475			105,327	95,307
Cash, cash equivalents and bank accounts at the end beginning of the period	405,925			124,996	136,475
Summary of Bank Accounts					
BNZ - Cheque a/c	82,451			91,708	93,304
BNZ - Call a/c	323,474			33,288	43,171
Closing Balance of Bank	405,925			124,996	136,475

Appendix 2

The following policies have been adhered to in the completion of this financial report:

Accounting Principles

Financial statements are prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (GAAP), the Financial Reporting Act 1993 and NZ IFRS Standards.

Specific Accounting Principles

The following particular principles which have a significant effect on measurement of financial position are to apply.

Accounts Receivable are to be stated at their expected realisable value after writing off any known bad debts and providing for doubtful debts.

Investments will be valued at the prevailing market value.

Fixed assets will be recorded at cost, less accumulated depreciation.

Intangible Assets

Where intangible assets are purchased, such as intellectual property, these are to be capitalised and written off on a straight line basis over their expected life, but no greater than seven years.

Depreciation will be provided on a straight line basis on all assets other than land, and align with normal accepted depreciation for the types of services being developed.

Impairment Testing

Assets with a finite 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.

Inventories

It is not envisaged that the company will hold inventories, other than those that might relate to providing electronic services to a number of parties. They will be valued at net realisable value.

Taxation

Taxation will be provided as required against the company in line with the required legislation.

Audit

In accordance with the Public Audit Act 2001 and the Local Government Act 2002, the office of the Auditor General is responsible for audit of the company's financial statements.

Dividend Payments

No funds were available for dividend payments. It is not envisaged that the Board will make any recommendation about dividend, as in the initial five years any savings will be used to reduce service costs or for reinvestment in new services or upgrades.

Consolidated Shareholders' Funds

In accordance with the Local Government Act 2002, the ratio of Consolidated Shareholders' Funds to Total Assets has been included within the Statement of Financial Position (Balance Sheet).

Consolidated Shareholders' Funds are defined as the sum of retained earnings, reserves and paid-up share capital.

Assets

Total Assets encompass Current and Non Current Assets as disclosed in the Statement of Financial Position (Balance Sheet). This includes, but is not limited to, Bank, Debtors and Operational Assets.

Document No: 301631

File No: 064/013A

Report To: Council**Meeting Date:** 26 March 2013**Subject:** Local Authority Shared Services –Draft Statement of Intent for 2013/14

Purpose of Report

- 1.1 The purpose of this business paper is to present to Council the Local Authority Shared Services Draft Statement of Intent for 2013/14.

Commentary

- 2.1 Attached to and forming part of this business paper is a copy of the Local Authority Shared Services Draft Statement of Intent (SOI) for 2013/14.
- 2.2 The Directors are required to approve a Draft SOI by 1 March each year for consideration by the shareholders.
- 2.3 The shareholders are invited to provide comments on the document and to have those returned to LASS on or before 30 April 2013.
- 2.4 The Directors must then consider any comments on the Draft SOI that are made to it within two months of 1 March by the shareholders and deliver the completed SOI to the shareholders by 30 June.
- 2.5 Council is now invited to consider the Draft SOI and, if it wishes, provide comments on the document.

Suggested Resolutions

- 1 The business paper on Local Authority Shared Services – Draft Statement of Intent for 2013/14 be received.
- 2 The Local Authority Shared Services – Draft Statement of Intent for 2013/14 be received.

A handwritten signature in blue ink, consisting of several fluid, overlapping strokes.

C.E. (KIT) JEFFRIES
GROUP MANAGER – CORPORATE SERVICES

3 March 2013

Attachment: Local Authority Shared Services – Draft Statement of Intent for 2013/2014



value beyond boundaries

**STATEMENT OF INTENT
FOR 2013-2014**

30 June 2013

Local Authority Shared Services Limited

Introduction

This Statement of Intent is a public declaration of the activities and intentions of the Waikato's Council Controlled Organisation, Local Authority Shared Services Limited. The statement outlines the Directors' accountabilities to the shareholders for corporate performance, as is intended by Schedule 8 of the Local Government Act 2002.

Objectives of LASS

Local Authority Shared Services (LASS) has been promulgated to provide the Councils in the Waikato region with a vehicle to procure shared services. It provides a mechanism for the development of new services which are available to be joined by any shareholder that so chooses. It also provides those Councils that wish to develop new services with a company structure under which they can develop and promote services to other local authorities.

In the early to mid 2000's the relationship between local authorities within the Waikato Region continued to strengthen. As a result of this a range of initiatives were considered by Waikato local authorities with the most beneficial being the Local Authority Shared Services (LASS). At the inception of this initiative the shareholders identified that improvements could be made in back of office activities by implementing shared services, improvements being gained through cost savings, streamlining of work processes and improved services.

This vehicle was been chosen as it was considered the most appropriate mechanism for improving, and achieving cost reductions in back of office services across the region. Over the period the company has been operating benefits have been delivered in the form of:

- Improved level and quality of service
- Co-ordinated approach to the provision of services
- Reductions in the cost of services
- Opportunity to develop new initiatives
- Opportunity for all Councils irrespective of location or size to benefit from joint initiatives
- Leverage provided from economy of scales resulting from a single entity representing Councils leveraging procurement opportunities.

At this stage these gains have been realised by shareholders in the Shared Valuation Data Service (SVDS), the Waikato Regional Transport Model (WRTM) and joint procurement of insurance services.

The ability of LASS to contribute to a greater extent in terms of shared services and also at a strategic collaboration level has been the subject of discussion through the Waikato Mayoral Forum.

The Directors have been tasked with identifying ways to progress these initiatives. This will involve resourcing and funding a range of initiatives that will potentially extend the services currently offered by LASS.

The LASS Directors will continue to seek any new opportunities, either from internal investigations, or from Council's and C.E.O. initiatives that are presented to it with a sound business case.

New services that are intended to be initiated under the LASS umbrella will only be adopted where a business case shows that they provide some form of benefit to the shareholders.

The benefits that may be gained include development of intellectual property through new business services, protection of Council data, improved levels of service and/or reduced cost. All such proposals will be presented to the Shareholders for approval prior to implementation.

Nature and scope of Current Activities

There are currently three major operations under the LASS umbrella, plus a support role for collaborative initiatives of the Waikato Mayoral Forum.

Firstly, the Shared Valuation Data Service (SVDS). This operational system is providing both timely and accurate valuation data to member Councils and shareholders. The SVDS has become the accepted valuation database in the region.

Secondly, the Waikato Regional Transportation Model (WRTM). This model became fully operational in February 2010. This Model, built within its budgeted cost, provides accurate information to Councils for their transport modelling requirements. The WRTM is the only recognised strategic transport modelling resource in the Waikato Region.

Thirdly, LASS is a party to a joint contract between LASS, shareholding Councils and AON Ltd for insurance brokerage services and various collective insurance policies.

The Waikato Mayoral Forum in 2012 enabled the creation of five working parties to investigate collaborative opportunities in the areas of governance structures, planning, three waters, roading and economic development. Each working party is led by a Council CEO in conjunction with a group of Mayors/Chairs from the Waikato Mayoral Forum. LASS is available as a support entity to assist these working parties.

Collective funding of \$100,000 in 2012/13 has resulted in the scoping and defining of further project work during 2013/14, and additional funding proposals will be presented to shareholding Councils for consideration.

An additional range of shared service opportunities are being considered at the present time. For example, some opportunities in the area of procurement have been identified and the shareholders are looking to progress these opportunities. Further work is also under way to consider how human resource initiatives can be advanced collectively under LASS.

Based on feedback from shareholder Councils and the CEO Forum, the LASS Directors will continue to discuss their role in the development of business cases for shared services at its future meetings. These investigations will include reporting to shareholders and the Waikato Mayoral Forum on the alternative mechanisms to develop shared services.

Directors are mindful of the current political environment, and see these investigations of possible shared services as a key focus of their role.

The Company continues to ensure availability of resource requirements to accelerate efforts to advance collaboration across the shareholder Councils.

Governance

LASS shall have twelve Directors with each Director representing a shareholder Council.

Unless otherwise agreed by the appointing Councils each Director shall be a Chief Executive of a local authority. In addition the board may appoint up to three professional directors to supplement the Directors' expertise.

LASS will conduct itself in accordance with its constitution, its annual Statement of Intent agreed with shareholders, and provisions of the Local Government Act 2002.

Directors

The current Directors are:

Director	Position	Director Appointed By
Gavin Ion (Chair)	Chief Executive, Waikato District Council	Waikato District Council
Peter Guerin	Chief Executive, Rotorua District Council	Rotorua District Council
Chris Ryan	Chief Executive Officer, Waitomo District Council	Waitomo District Council
Bob Laing	Chief Executive, Waikato Regional Council	Waikato Regional Council
Langley Cavers	Chief Executive, Hauraki District Council	Hauraki District Council
Barry Harris	Chief Executive, Hamilton City Council	Hamilton City Council
David Hammond	Chief Executive, Thames-Coromandel District Council	Thames-Coromandel District Council
Garry Dyet	Chief Executive, Waipa District Council	Waipa District Council
Don McLeod	Chief Executive Officer, Matamata-Piako District Council	Matamata-Piako District Council
David Hall	Chief Executive, South Waikato District Council	South Waikato District Council
Rob Williams	Chief Executive Officer, Taupo District Council	Taupo District Council
Dave Clibbery	Chief Executive Officer, Otorohanga District Council	Otorohanga District Council

Process for Future Developments

- All new proposed shared services will have a business case developed for presentation to the Directors. This business case will be approved by the Directors prior to any service proceeding. The appointment of a resource under LASS should minimise costs to participating Councils in undertaking new shared services.
- Any potential new service would be initiated by either in-house Director investigation, LASS resources or from shareholding Councils and / or their CEO'S. The directors of LASS see their role changing from one of an enabler, to that of an initiator of potential new services.

Activities for which the Board seeks Compensation:

It is noted that other shared services may be developed during the year that this Statement of Intent is current. Any such services will only be delivered under the LASS umbrella after the Directors have considered each individual business case including the proposed budget and agreed that the proposed service meets the objectives of LASS.

Any ongoing activities to identify, develop and procure shared services will be budgeted for in advance, subject to the business case, and either funded and staffed by individual Councils without LASS involvement, or agreed by the Directors to be funded by the LASS or utilising LASS resources with consequent recovery from participating Councils.

Shareholders will continue to contribute to the operational costs of the LASS on an annual basis.

Performance Targets

Performance targets relate to the level of services that are current or under development. It is envisaged that these targets will expand as new services are developed.

1. **Shareholder Survey:** The company will carry out an annual survey of shareholders to assist the Directors in developing improvements on behalf of the shareholders, and to receive a majority of shareholder approval on the service provided.
2. **Costs Control:** Administration expenditure shall not exceed that budgeted by more than 5% unless prior approval is obtained from the Directors.
3. **Cashflow:** The company maintains an overall positive cashflow position.
4. **Reporting:** The Board will provide a written report on the business operations and financial position of the LASS on a six monthly basis.
5. **Statutory Adherence:** There will be an annual report to directors that all statutory requirements of the LASS are being adhered to.
6. **SVDS Availability:** That SVDS is available to users at least 99% of normal working hours.
7. **SVDS Sales Data Delivery:** That at least 98% of agreed timelines are met for sale and property files that have been delivered to the FTP server for access to customers.
8. **SVDS Major Enhancement Development Hours:** All Capital enhancement development work is supported by a business case approved by the Advisory Group.
9. **WRTM:** That all required modelling reports are actioned within the required timeframe.
10. **WRTM:** That the base model adheres to "Screenline Validation Standards" as set out in the NZTA Economic Evaluation Manual as indicated by an external independent peer review.
11. **WRTM:** That a full report on progress of the model be provided to the LASS Board twice each year.
12. **Insurance:** The key performance indicators from appendix 4 of the brokerage contract are met.
13. **Joint Procurement:** That any joint procurement projects deliver as per project approved objectives.
14. **Advice to the Waikato Mayoral Forum:** In response to requests from shareholders, the Company will provide regular reports and updates to the Waikato Mayoral Forum regarding progress with shared service initiatives.

Policy Statement

Statement of Accounting Principles

Financial statements will be for a company wholly owned by local authorities within the Waikato Region in the proportion of one share per local authority. Financial statements will be prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP), and the Financial Reporting Act 1993 and NZ Financial Reporting Standard No. 42.

Specific Accounting Principles

The following particular principles which have a significant effect on measurement of financial position are to apply.

- Accounts Receivable are to be stated at their expected realisable value after writing off any known bad debts and providing for doubtful debts.
- Investments to be valued at the prevailing market value.
- Fixed assets to be recorded at cost, less accumulated depreciation.

Intangible Assets

- Where intangible assets are purchased, such as intellectual property and computer software, these are to be capitalised and written off on a straight line basis over their expected life, but no greater than seven years.
- Depreciation / Amortisation is to be provided on a straight line basis on all assets other than land, and align with normal accepted depreciation for the types of services being developed.

Impairment Testing

Assets with a finite life are reviewed annually 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.

Balance Sheet Ratios

The Local government Act 2002 requires the SOI to include the projected ratio of shareholders funds to total assets within the Forecast Statement of Financial Position.

The LASS is budgeted to have an accumulated shareholders fund of \$1,414,674 at 30 June 2014, which relates to 95.4% of total assets. The only liabilities of the LASS are trade creditors.

The Forecast Financial Statements for the years 2013-2015 are attached to this statement.

Procedures for the Purchase and acquisition of Shares

The Board will give approval before LASS subscribes for, purchases or otherwise acquires shares in any company or other organisation, which is external to the group.

Inventories

- It is not envisaged that the company will hold inventories, other than those that might relate to providing computer based services to a number of parties. They will be valued at net realisable value.

Taxation

- Taxation will be provided as required against the company in line with the required legislation.

In accordance with the Public Audit Act 2001 and the Local Government Act 2002, the Auditor General will be responsible for the audit of the company's financial statements.

As the current shared services are on a cost recovery basis it is not envisaged that any dividends will be paid.

Value of Shareholder's Investment

The Directors' estimate of the commercial value of the shareholders' investment in the LASS is equal to the shareholders equity in the company. Reassessment of the value of this shareholding shall be undertaken on or about 1 April each year.

Compensation

Directors of the LASS will not receive any fees or expenses for work undertaken on behalf of the LASS.

As the basis of funding of LASS, payment will be sought from all local authorities that receive services from LASS.

Information to be provided to Shareholders

The company will deliver the following Statements to shareholders:

- Within two months of the end of the first half of the financial year Statement of Financial Performance, Statement of Changes in Equity Statement of Financial Position, Statement of Cashflows and Service Performance.
- Within three months of the end of the financial year the following audited statements: Statement of Financial Performance, Statement of Changes in Equity, Statement of Financial Position, Statement of Cashflows, Service Performance plus a summary of how the company has fared against its objectives and prospects for the next financial year, and a report on the company's medium to long-term plans.

Review of Statement of Intent

The Directors shall approve by 1 March of each year a Draft Statement of Intent for the consideration of shareholders.

The Directors must then consider any comments on the Draft Statement of Intent that are made to it within two months of 1 March by the shareholders and deliver the completed Statement of Intent to the shareholders by 30 June.

Local Authority Shared Services					
Company Administration					
For the Year Ended 30 June 2014					
	Actual Budget Jun-13	Budget Jun-14	Variance to Jun-13 Budget	Budget Jun-15	Budget Jun-16
Revenue					
Recovery of Admin Costs - Shareholders	163,550	163,550	0	163,550	163,550
Recovery of Admin Costs - WRTM	29,500	20,991	(8,509)	22,281	23,821
Recovery of Admin Costs - SVDS	29,500	20,991	(8,509)	22,281	23,821
Total Revenue	222,550	205,531	(17,019)	208,111	211,192
Operating Expenditure					
Accountancy Fees	3,877	3,998	121	4,120	4,251
Audit Fees	17,059	14,825	(2,234)	15,276	15,760
Bank Charges	371	369	(2)	380	392
Financial Services	17,433	17,158	(275)	17,680	18,241
Insurance	2,585	2,000	(585)	2,061	2,126
IT Services	360	207	(153)	214	220
Legal Fees	2,500	2,500	0	2,576	2,658
Shared Services Contractor	150,000	150,000	0	150,000	150,000
Accommodation	0	1,500	1,500	1,500	1,500
LASS Administration & Operations	27,915	11,623	(16,292)	13,237	14,956
Mileage	0	600	600	618	638
Printing, Stationary & Postage	250	250	0	250	250
Sundry Expenses	200	500	300	200	200
Total Operating Expenditure	222,550	205,531	(17,019)	208,111	211,192
Earnings Before interest, tax and depreciation/amortisation (EBITDA)	0	0	0	0	0
Non-Cash Expenses					
Provision for Depreciation	127	127	0	127	0
Net Surplus (Deficit) before tax	(127)	(127)	0	(127)	0

Local Authority Shared Services					
Shared Valuation Database Service (SVDS)					
For the Year Ended 30 June 2014					
	Actual Budget Jun-13	Budget Jun-14	Variance to Jun-13 Budget	Budget Jun-15	Budget Jun-16
Revenue					
Member Charges	609,170	608,474	(696)	716,412	739,970
Interest Received	500	500	0	500	500
Data & Software Sales	124,068	101,600	(22,468)	0	0
Total Revenue	733,738	710,574	(23,164)	716,912	740,470
Operating Expenditure					
Direct Costs					
Management Services	377,849	380,815	2,966	392,391	404,830
Hosting Contract	83,869	70,005	(13,864)	72,133	74,420
Software Support	108,900	118,806	9,906	122,417	126,298
Contingency	10,000	10,313	313	10,627	10,963
SVDS Review	0	25,000	25,000	0	0
Insurance	0	2,000	2,000	2,061	2,126
Provision of Facilities by WRC					
Contract Management Services	13,820	12,994	(826)	13,389	13,814
Secretarial Services	3,700	0	(3,700)	0	0
Recovery of Admin Services	29,500	20,991	(8,509)	22,281	23,821
Total Operating Expenditure	627,638	640,923	13,285	635,299	656,272
Earnings Before interest, tax and depreciation/amortisation (EBITDA)	106,100	69,651	(36,449)	81,613	84,198
Non-Cash Expenses					
Provision for Depreciation	176,462	171,899	(4,563)	156,867	141,417
Earnings Before interest and tax (EBIT)	(70,362)	(102,248)	(31,886)	(75,254)	(57,219)
Net Surplus (Deficit) before tax	(70,362)	(102,248)	(31,886)	(75,254)	(57,219)
Capital Expenditure					
Enhancements	106,100	79,204	(26,896)	81,612	84,199
Total Capital Expenditure	106,100	79,204	(26,896)	81,612	84,199
Total Cash Expenditure (Opex, Interest & Capital)	733,738	720,127	(13,611)	716,911	740,471

Local Authority Shared Services					
Waikato Regional Transport Model (WRTM)					
For the Year Ended 30 June 2014					
	Actual Budget Jun-13	Budget Jun-14	Variance to Jun-13 Budget	Budget Jun-15	Budget Jun-16
Revenue					
Shareholder Cost Recovery	162,000	203,491	41,491	82,281	108,821
External Users	40,000	0	(40,000)	0	0
Reserve Realisation	40,000	0	(40,000)	0	0
Total Revenue	242,000	203,491	(38,509)	82,281	108,821
Operating Expenditure					
Recovery of Admin Services	29,500	20,991	(8,509)	22,281	23,821
Commercial Manager	16,000	16,000	0	18,000	18,000
Annual Scheduling of Works reviews	4,500	4,500	0	5,000	5,000
Minor Model Upgrades	30,000	30,000	0	30,000	30,000
Peer Review Expenses	5,000	5,000	0	5,000	5,000
Insurance	0	2,000	2,000	2,000	2,000
Census Update	125,000	125,000	0	0	0
External User Costs	32,000	0	(32,000)	0	0
Tendering for WRTM service contract	0	0	0	0	25,000
Total Direct Costs (Model Build)	242,000	203,491	(38,509)	82,281	108,821
Total Operating Costs	242,000	203,491	(38,509)	82,281	108,821
Earnings Before interest, tax and depreciation/amortisation (EBITDA)	0	0	0	0	0
Non-Cash Expenses					
Provision for Depreciation	328,122	328,122	0	328,122	328,122
Earnings Before interest and tax (EBIT)	(328,122)	(328,122)	0	(328,122)	(328,122)
Net Surplus (Deficit) before tax	(328,122)	(328,122)	0	(328,122)	(328,122)

Local Authority Shared Services					
Mayoral Forum Projects					
For the Year Ended 30 June 2014					
	Actual Budget Jun-13	Budget Jun-14	Variance to Jun-13 Budget	Budget Jun-15	Budget Jun-16
Revenue					
Mayoral Forum Projects Funding Contribution	111,700	0	(111,700)	0	0
Total Revenue	111,700	0	(111,700)	0	0
Operating Expenditure					
Consultancy Services - Planning	32,500	0	(32,500)	0	0
Consultancy Services - Roading	20,000	0	(20,000)	0	0
Consultancy Services - Water	51,200	0	(51,200)	0	0
Consultancy Services - Governance	8,000	0	(8,000)	0	0
Total Direct Costs (Model Build)	111,700	0	(111,700)	0	0
Total Operating Costs	111,700	0	(111,700)	0	0
Earnings Before interest, tax and depreciation/amortisation (EBITDA)	0	0	0	0	0
Net Surplus (Deficit) before tax	0	0	0	0	0

Local Authority Shared Services					
Insurance Brokerage Fee					
For the Year Ended 30 June 2014					
	Actual Budget Jun-13	Budget Jun-14	Variance to Jun-13 Budget	Budget Jun-15	Budget Jun-16
Revenue					
Insurance Brokerage Fee	137,775	147,500	9,725	147,500	147,500
Total Revenue	137,775	147,500	9,725	147,500	147,500
Operating Expenditure					
Insurance Brokerage Fee	137,775	147,500	9,725	147,500	147,500
Total Operating Costs	137,775	147,500	9,725	147,500	147,500
Earnings Before interest, tax and depreciation/amortisation (EBITDA)	0	0	0	0	0
Earnings Before interest and tax (EBIT)	0	0	0	0	0
Net Surplus (Deficit) before tax	0	0	0	0	0

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Local Authority Shared Services

Balance Sheet
As at 30 June 2014

	Actual Budget Jun-13	Budget Jun-14	Variance to Jun-13 Budget	Budget Jun-15	Budget Jun-16
Capital					
Retained Earnings	(610,115)	(1,111,829)	(501,714)	(1,542,327)	(1,945,830)
SVDS Shares	1,607,001	1,607,001	0	1,607,001	1,607,001
WRM Shares	1,350,000	1,350,000	0	1,350,000	1,350,000
Net Surplus (Deficit)	(398,611)	(430,497)	(31,886)	(403,503)	(385,341)
Total Capital	1,948,275	1,414,674	(533,601)	1,011,171	625,830
Assets					
Current Assets					
Accounts Receivable	73,990	85,812	11,822	31,541	40,296
BNZ - Call a/c	61,288	107,918	46,630	157,381	171,641
BNZ - Cheque a/c	91,708	9,117	(82,591)	5,750	(3,110)
GST Payable (Refund Due)	(4,193)	3,365	7,558	9,306	(559)
RWT on Interest	140	140	0	140	140
Term Deposits	45,687	0	(45,687)	0	0
Total Current Assets	268,620	206,352	(62,268)	204,118	208,409
Non-Current Assets					
Intangible Assets @ Cost	5,380,796	5,379,381	(1,415)	5,460,993	5,545,191
Less Accumulated Depreciation	(3,600,681)	(4,103,083)	(502,402)	(4,588,199)	(5,057,737)
Total Non-Current Assets	1,780,115	1,276,298	(503,817)	872,794	487,455
Total Assets	2,048,735	1,482,650	(566,085)	1,076,912	695,863
Liabilities					
Current Liabilities					
Trade and other Payables	61,883	49,609	(12,274)	47,079	51,910
Accounts Payable Accruals	38,577	17,049	(21,528)	17,567	18,124
Employee Entitlements	0	1,318	1,318	1,095	961
Total Current Liabilities	100,460	67,976	(32,484)	65,741	70,034
Total Liabilities	100,460	67,976	(32,484)	65,741	70,034
Net Assets	1,948,275	1,414,674	(533,601)	1,011,171	625,830

Local Authority Shared Services
Statement of Cashflows
For the Year Ended 30 June 2014

	Actual Budget Jun-13	Budget Jun-14	Variance to Jun-13 Budget	Budget Jun-15	Budget Jun-16
Cashflows from Operating Activities					
Interest Received	500	500	0	500	500
Receipts from Other Revenue	1,189,373	1,225,899	36,526	1,157,435	1,162,221
Payments to Suppliers	(993,343)	(1,206,078)	(212,735)	(1,036,963)	(1,071,943)
Taxes Paid	(140)	(140)	0	(140)	(140)
Goods & Services tax (net)	9,289	(2,486)	(11,775)	6,749	(512)
Net cash from operating activities	205,679	17,696	(187,983)	127,582	90,127
Cashflows from Investing Activities					
Purchase of Intangible Assets	(106,100)	(79,204)	26,896	(81,612)	(84,199)
Investments - Term Deposits	(51,910)	0	51,910	0	0
Net Cash from Investing Activities	(158,010)	(79,204)	78,806	(81,612)	(84,199)
Net Increase in cash, cash equivalents and bank accounts					
	47,669	(61,508)	(109,177)	45,970	5,928
Cash, cash equivalents and bank accounts at the beginning of the period	105,327	178,543	73,216	117,035	163,131
Cash, cash equivalents and bank accounts at the end of the period	152,996	117,035	(35,961)	163,005	169,059
Summary of Bank Accounts					
BNZ - Cheque a/c	91,708	9,117	(82,591)	5,750	(3,110)
BNZ - Call a/c	61,288	107,918	46,630	157,381	171,641
Closing Balance of Bank	152,996	117,035	(35,961)	163,131	168,531

Document No: 302590

File No: 100/018

Report To: Council**Meeting Date:** 26 March 2013**Subject:** **Financial Report for Eight Months ending 28 February 2013****Purpose of Report**

1.1 The purpose of this business paper is to present the Financial Report for the period ended 28 February 2013.

Background

2.1 The period covered by this report is 1 July 2012 to 28 February 2013.

2.2 The order of the report is as follows:

- **Income Statement** with high level comments on Council's operating performance for the eight months to 28 February 2013.
- **Balance Sheet** with high level comments on changes from 1 July 2012 to 28 February 2013.
- **Capital Expenditure** summary with commentary on material variances of expected expenditure for the year compared with budget.
- **Treasury Report** which reports on Council's Public Debt position, cash reserves and significant treasury transactions.
- **Cost of Service** Statement Summary and Cost of Service Statements for Council's eleven significant activities are presented in Appendix 1.
- **Balance Sheet** as at 28 February 2013 is presented in Appendix 2.
- An Explanation of the Column Content in the Financial Tables and Terminology is presented in Appendix 3.

2.3 All figures in the tables, except percentages, are expressed in thousands of dollars (\$'000s).

Financial Report to 28 February 2013**3.0 INCOME STATEMENT HIGHLIGHTS**

3.1 Set out below is the summary of financial information for the eight months to 28 February 2013. Detailed Summaries of Cost of Service Statements are attached as Appendix 1.

FINANCIAL HIGHLIGHTS	Actual	EAP Budget	YTD Budget	YTD Actual	Variance	%
(Amounts in \$1000's)	2011/12	2012/13	Feb 2013	Feb 2013	Feb 2013	Variance
	<a>		<c>	<d>	<e>	<f>
Total Revenue						
Operating Revenue	(10,526)	(10,176)	(7,260)	(7,994)	(734)	
Rates Revenue	(15,670)	(16,630)	(12,540)	(12,582)	(42)	
	(26,196)	(26,806)	(19,800)	(20,576)	(776)	4%
Direct Expenditure						
Operating Expenditure	23,555	23,367	15,569	14,389	(1,181)	
	23,555	23,367	15,569	14,389	(1,181)	-8%
Net Operating Cost/(Surplus)	(2,641)	(3,439)	(4,230)	(6,187)	(1,957)	

3.2 **Net Operating Cost/ (Surplus):** The surplus of \$6,187,000 is \$1,957,000 above YTD budget. Included in the Net Operating Surplus is \$3,842,000 of subsidy revenue to fund asset renewal and improvement expenditure. Renewal and improvement expenditure is capital in nature and as such is not included in the Operating Expenditure figure in the income statement.

3.3 **Total Revenue** is 4% (\$776,000) above budget the year to date budget forecast for the YTD February 2013.

- Subsidy revenue of \$1,862,000 has been recognised for Te Kuiti Wastewater Upgrade project. The budget for this revenue was included in the 2011/12 financial year.
- Subsidy revenue of \$423,000 has been recognised for Piopio Wastewater project. The budget for this revenue was included in prior financial years.
- The Mokau raw water storage dam project has been delayed as work continues to identify an option that avoids adverse indirect effects on potential archaeological sites. There is budget of \$808,000 of subsidy revenue included for this project.
- Upgrade work at the Piopio Water Treatment Plant was scheduled to be undertaken in the 2012/13 financial year. However sufficient DWAP subsidy was obtained to enable a significant part of the work to be completed in the 2011/12 year ahead of time. A budget of \$316,000 has been included in the current year's budgets for subsidy revenue however \$266,000 of this subsidy was received in the previous financial year and \$50,000 has been received this financial year.
- Subsidy revenue is based on both roads maintenance and capital expenditure amounts and is currently tracking at a combined subsidy rate of 60% which is in line with the Financial Assistance Rates (FAR) granted to Council for most work categories. The reduced subsidy received so far this year is a result of:
 - Combined expenditure being less than YTD budget.
 - Additional costs associated with rework were incurred to remedy a Contractor's inability to carry out the work to the agreed specification.

3.4 **Operating Expenditure** is \$1,181,000 less than budget forecast for the eight months ended February 2013.

- Some repairs and maintenance within the Housing and Other Properties Activities have not been undertaken to date. This type of expenditure is usually incurred as and when required and some of this work is weather dependent.
- Insurance costs for water and sewerage activities associated with the Local Authority Protection Programme (LAPP) were less than budget. As recommended, the savings on budget for all insurance premiums (including LAPP) in current year will be transferred to a Natural Disasters Reserve as part of a modest self insurance position.
- Electricity costs are currently less than budgeted. The budgets were prepared under the assumption that the newly constructed WWTP assets would be using more electricity. However as progress on the upgrade has been slower than anticipated due to wet weather at the start of the year, these costs have not been incurred as expected.
- Variation and maintenance costs in the Sewerage and Stormwater activities are currently tracking less than budget however this could change as the year progresses. A budget for chemicals was also included as a provisional item in the Sewerage activity however has not yet been required.
- Two roading rehabilitation projects have been put on hold and are being reassessed. Both these projects have private works being carried out around the project sites which will impact on the project design. Subsidy revenue from NZTA has not been received in line with this project being put on hold.

4.0 **BALANCE SHEET HIGHLIGHTS**

- 4.1 Balance Sheet highlights presented below show the movement in Council's financial position from 30 June 2012 to 28 February 2013. The complete Balance Sheet is attached as **Appendix 2**.

BALANCE SHEET HIGHLIGHTS (Amounts in \$1000's)	Actual Position 30 June 2012 <g>	Actual Position 28 Feb 2013 <g>	Movement from 30 June 2012 <h>
Current Assets	9,246	7,525	(1,721)
Non-current Assets	308,097	313,635	5,538
Total Assets	317,343	321,160	3,817
Current Liabilities	18,955	18,849	(106)
Non-current Liabilities	34,010	31,746	(2,264)
Total Liabilities	52,965	50,595	(2,370)
Public Equity	264,378	270,565	6,187
Total Liabilities & Public Equity	317,343	321,160	3,817

- 4.2 **Current Assets** have decreased from \$9,246,000 to \$7,525,000.

- Rates Receivables have increased by \$657,000 since 30 June 2012. However Other Debtors have decreased by \$2,032,000 mainly through the receipt of cash for subsidy revenue receivables. Cash and cash equivalents have also decreased by \$354,000 during the 8 month period.

- 4.3 **Non-current Assets** increased from \$308,097,000 to \$313,635,000.

- The increase of \$5,537,000 is due to asset additions of \$8,998,000 (mainly Te Kuiti Sewerage [\$4,800,000] and Subsidised Roding [\$2,627,000]) less depreciation of \$3,425,000. Those additions are offset by the sale of a Parkside section for \$36,000.

4.4 **Current Liabilities** have decreased by \$106,000 from \$18,955,000 to \$18,849,000.

- The refinancing of existing term loans through the Wholesale Advance Facility (which has a maturity date of 1 July 2014) has resulted in a decrease in the current portion of borrowings. Two floating rate notes (FRN's) are due to be refinanced within one year of this report date (28 February 2013) and are now classified as current.
- Trade and Other Payables decreased by \$504,000. This reflects the level of capital expenditure in the Trade and Other Payables at year end.
- A budget provision had been made for a Call during 2012/13 by RiskPool, Council's professional indemnity mutual insurance pool. Advice has been received this call will not be required, which allows the provision to be written off.
- Employee entitlements have reduced in line with staff holidays being taken over the holiday season.

4.5 **Non-current liabilities** decreased by \$2,264,000 from \$34,010,000 to \$31,746,000. The wholesale advance facility has reduced between June and Feb and the remaining call provision for Riskpool reversed as it appears unlikely that this will be required to be paid.

4.6 **Public Equity** has increased by \$6,187,000 from \$264,378,000 to \$270,565,000 which is equal to the net surplus for the eight months to 28 February 2013.

5.0 **CAPITAL EXPENDITURE**

5.1 Set out below is the Capital Expenditure Budget and Expenditure for the eight months to 28 February 2013.

CAPITAL EXPENDITURE SUMMARY (Amounts in \$000's)	EAP Budget 2012/13	YTD Actual 2012/13	YTD Variance 2012/13
Community Facilities			
Parks and Reserves	306	197	(109)
Housing and Other Property	69	23	(46)
Recreation and Culture	229	104	(125)
Public Amenities	205	136	(69)
Community Development			
Information Centre	1	0	(1)
Solid Waste Management			
Landfill and Transfer Stations	6	36	30
Stormwater			
Te Kuiti Stormwater	122	79	(43)
Rural Stormwater	5	0	(5)

CAPITAL EXPENDITURE SUMMARY (Amounts in \$000's)	EAP Budget 2012/13	YTD Actual 2012/13	YTD Variance 2012/13
Sewerage			
Te Kuiti Sewerage	5,443	4,800	(643)
Te Waitere Sewerage	8	0	(8)
Benneydale Sewerage	0	17	17
Piopio Sewerage	0	150	150
Water Supply			
Te Kuiti Water	487	9	(478)
Mokau Water	1,204	55	(1,149)
Piopio Water	443	541	98
Benneydale Water	72	9	(63)
Roads and Footpaths			
Subsidised Roads	4,642	2,627	(2,015)
Non subsidised Roads	213	60	(153)
Corporate Support			
Corporate Support	452	154	(298)
	13,906	8,998	(4,908)

5.2 **Capital Expenditure** for all Council Activities was \$8,998,000 for the eight months to 28 February 2013. Of that, \$4.8M (**53%**) related to the upgrade of the Te Kuiti Wastewater Treatment Plant and \$2.627M (**29%**) relates to Subsidised Rooding.

5.3 Community Facilities

5.4 The purchase of a range of equipment has been completed to resource the in-house Internal Services Unit, however asset renewal budgets for Parks and Reserves have not been spent to date but could well be if the need arises.

5.5 Capital expenditure for Housing and Other Property has mainly been for concept plans and consultation work undertaken for the Railway Building revitalization and restoration project.

5.6 The project stage two which was renewal of the ceiling in the supper room of the Arts and Culture building has now been completed. Book purchases are also tracking in line with capital budgets.

5.7 The Mokau toilet upgrade has been completed as part of toilet renewals, as has the land purchase for Te Kuiti cemetery. Renewal work currently being undertaken is the Rora Street garden upgrades and the Mokau Effluent Renewal.

5.8 Solid Waste

5.9 The security gates at the entrance to the landfill were installed by Inframax shortly before the landfill was returned to Council. The gates gave trouble opening and closing from an early stage mainly because the gates were constructed of light materials and deformed when opened and closed by hydraulic rams. It came to a point that despite having been strengthened a number of times they did not open or close properly anymore. They have been replaced with a more sturdy and effective sliding gate.

5.10 Stormwater

5.11 The St Andrews Court stormwater drainage project was completed in February 2013, on time and within budget.

5.12 Stormwater drain cleaning has been undertaken.

5.13 Sewerage

5.14 Te Kuiti WWTP construction is progressing as planned and is expected to be completed by the end of this financial year. There is, however, some risk that wet weather may cause delays.

5.15 Blockages in the old part of the Benneydale sewer reticulation earlier in the year prompted cleaning and investigation that was not budgeted for. The results were used to form a budget for 2013/14 for renewal of parts of the old reticulation

5.16 Piopio sewerage scheme was substantially completed in the 2011/12 year with only some minor remaining work being completed during the first quarter. The budget for this work was included in the 2011/12 year.

5.17 Water Supply

5.18 Te Kuiti Water Supply - the intention of this budget was to prepare for the upgrade next year. However, as capital works are managed by the Group Manager-Assets and in recognition of his present workload it has been decided to move this preparatory work into the 2013-14 financial year.

5.19 The Mokau dam upgrade project has been delayed. Despite consultation with, and commitment to, Iwi and approval from Historic Places Trust the situation remains where local Tangata Whenua are strongly opposed to any earth works disturbance in the area of the existing dams. An alternative engineering solution is being investigated.

5.20 The Piopio water treatment plant upgrade unearthed a number of unforeseen reticulation issues in the immediate vicinity of the treatment plants that increased cost and there were some improvements not originally envisaged to properly finish off the whole facility to a standard that will keep for a considerable time into the future.

5.21 Roads and Footpaths

5.22 Two rehabilitation projects budgeted for in the current year have been put on hold and are being reassessed.

- The project located at Taharoa is still on hold. There are private works occurring around the project site and therefore this project will be reviewed.
- One Rehabilitation Project (Marokopa Road) has been put out to tender.
- The Rora Street Stage 2 Project has been moved from current year to the 2013/14 financial year.

5.23 Some of the funds set aside for the rehabilitation projects will be redirected to smaller projects to improve the current network.

5.24 Currently we have eight sites which require urgent attention to avoid losing NZTA funding for the projects. These will be completed within the current financial year. These projects cannot be deferred as they are having a significant impact on the viability of the roading network and are located along two important tourist access routes within the network (Mangaotaki and Manganui Roads).

6.0 TREASURY REPORT

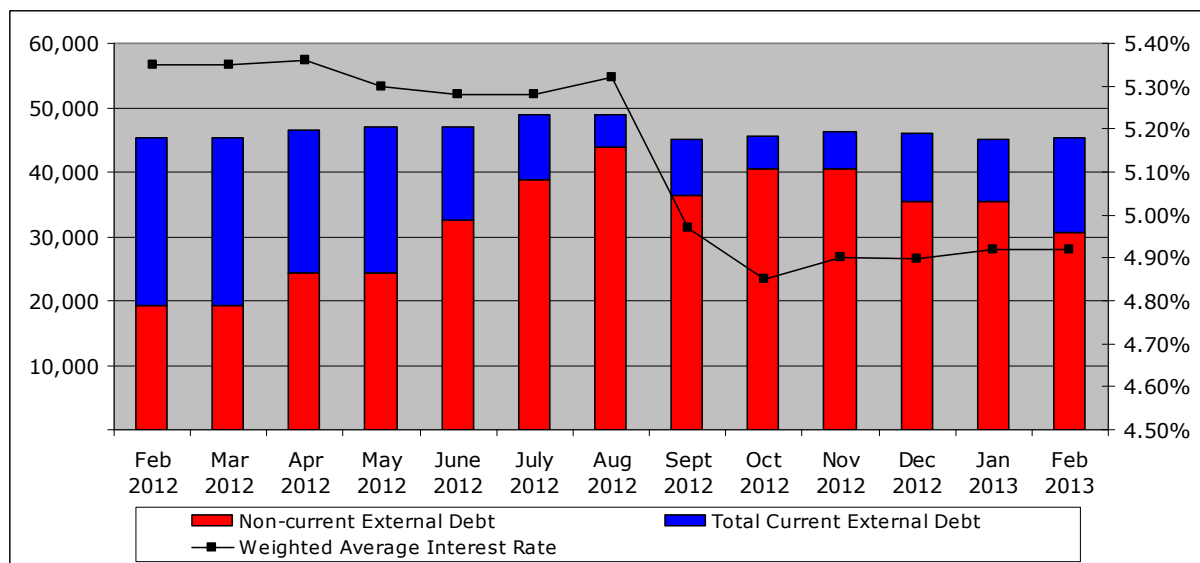
6.1 Set out below is the Treasury Report which provides more information on Council's public debt position and debt financing costs.

6.2 Cash Position

6.3 Council's cash position at 28 February 2013 was \$218,000 in funds. At the 30 June 2012 balance date the cash balance was \$2,711,000. Included in the 30 June cash balance was a term deposit of \$2,045,000 which has now been utilised.

6.4 Summary of Public Debt Position

6.5 Set out below is a chart recording trends in Council's current and non-current debt for the year to 28 February 2013. The trend line overlaid is the weighted average interest rate currently being paid on all loans.



6.6 At 28 February 2013 the weighted average interest rate for all loans excluding Finance Leases and Accrued Interest was **4.92%** (excluding Loan Facility Line Fees).

6.7 Public Debt Position Comparison to Budgets

6.8 Forecasted public debt at 30 June 2013 (as per the Long Term Plan 2012-2022) is \$48,086,000.

6.9 Actual public debt at 28 February 2013 was \$45,337,000. Public debt net of cash and liquid investments was \$42,980,000.

6.10 Wholesale Advance Facilities (Term Advance and Call Advance Facilities)

6.11 The Term Advance and Call Advance Facilities is a Westpac credit facility up to the value of \$19,000,000 for refinancing maturing Westpac Term Loans and working capital requirements over the year. The limits on borrowing contained in the Council's Financial Strategy requires lines of credits of at least 105% of external debt outstanding to be maintained at all times.

6.12 A Line of Credit fee of 0.6% (\$114,000 p.a.) of the facility balance applies to this credit facility.

6.13 As a general trend this facility will be used to finance capital expenditure prior to a loan draw down or to meet Council's working capital requirements between each of the quarterly rates instalments.

6.14 As at the 28 February 2013 this facility was drawn by \$15,797,000.

6.15 A Term advance of \$2,800,000 was used for the purchase of shares in Inframax construction Limited and is to remain as a separate tranche within the Wholesale Advance facility for taxation reasons.

6.16 Details of Loan Portfolio

6.17 The following table records the public debt position and the key terms and conditions for each loan as at 28 February 2013. The classification of current and non-current loans is based on current loans (being loans that are due for refinancing or repayment within 12 months of the balance sheet date).

	Loan Start Date	Loan Maturity Date	Interest Reprice Date	Loan Balance	Interest Rate
Current Loans					
Finance Leases				163,742	
Accrued Interest				126,442	
Call Advance		1/07/2014		300,000	4.10%
Floating Rate Notes (Hedged)	31/08/2010	30/08/2013	30/08/2013	3,500,000	6.03%
Floating Rate Notes (Hedged)	10/12/2010	10/12/2013	11/09/2017	5,000,000	5.53%
Floating Rate Notes (Hedged)	21/01/2011	21/01/2014	21/01/2014	5,000,000	5.28%
Westpac Term Loan (ICL)	24/11/2011	24/11/2013	21/05/2013	750,000	7.30%
Total Current Loans				14,840,184	
Non-current Loans					
Term Advance		1/07/2014	31/05/2013	12,697,000	4.05%
Term Advance (ICL)		1/07/2014	31/05/2013	2,800,000	4.05%
Floating Rate Notes (Hedged)	31/08/2010	31/08/2015	31/08/2015	5,000,000	6.66%
Floating Rate Notes (Unhedged)	9/11/2012	9/11/2015	9/05/2013	5,000,000	3.76%
Floating Rate Notes (Hedged)	18/04/2012	18/04/2017	18/04/2017	5,000,000	4.99%
Total Non-current Loans				30,497,000	
Total Public Debt				45,337,184	4.92%
Cash & Liquid Investments					
Cash				2,356,523	
Total Cash & Liquid Investments				2,356,523	
Public Debt Net of Investments				42,980,661	

6.18 Total public debt was \$45,337,000 and cash assets were \$2,357,000 at 28 February 2013 giving a net debt position of **\$42,981,000**

6.19 On 24 November 2011 an unsecured term loan of \$750,000 was drawn by Council and then advanced to Inframax Construction Limited. The term of the loan is for two years and interest resets quarterly. Interest paid monthly by the company to Council for the provision of this funding includes a small margin to cover administrative costs. If this advance is not repaid by ICL it will require re-financing and will form part of Council's total debt portfolio. Council will also be

responsible for payment of total interest charges currently offset by on-charging ICL.

6.20 Treasury Events since 28 February 2013

6.21 This treasury report portrays the position as at 28 February 2013. Since that date there has been no significant treasury transactions to note.

6.22 Interest Costs

6.23 The total actual interest paid to lenders to 28 February 2013 was \$1,432,000 against the YTD budget of \$1,748,000 a reduction of **\$316,000** (or **18%**) against budget. Interest paid constitutes 7.0% of total revenue; Council's Treasury Policy requires this amount does not exceed 40%.

6.24 Financial Derivatives and Hedge Accounting

6.25 Included in the balance sheet are valuation amounts for Derivative Financial Instruments. The valuation amount is componentised into assets, liabilities, current and non-current and was for interest rate swaps held in the balance sheet at 30 June 2012 for a total net liability of \$702,000.

6.26 Council uses interest rate swaps to manage its interest rate exposure in accordance with its Treasury Management policy. The use of interest rate swaps is an accepted treasury management tool to manage interest rate exposure and in particular since the Global Financial Crisis, managing interest rate fluctuations through traditional debt instruments, such as term loans, for extended periods has become prohibitively expensive.

6.27 The contracts for interest rate swaps Council has entered into are "Receive Floating – Pay Fixed"; whereby in exchange for receiving an interest rate on a floating rate profile, Council has agreed to pay a fixed amount. By doing this there is certainty of the amount of interest payable over the life of the swap. These swaps are termed a 'Cash Flow Hedge'.

6.28 Council's accounting policy and IFRS require all financial instruments to be valued at balance date to fair value. However if a set of criteria are met then any change in fair value does not form part of the Net Surplus/(Deficit) figure and Hedge Accounting is applied. The change in value is then included in the Income Statement as part of Comprehensive Income alongside other items such as Property, Plant and Equipment revaluation Gains and Losses.

6.29 The reason for doing this is to remove volatility from the Income Statement that is due entirely to changes in the market place. During the life of the interest rate swap, certainty of interest cost is assured, however when the swap expires it will have no value, as it had no value at its inception.

6.30 In the monthly financial reports, the fair value of the interest rate swaps has not been recorded in the balance sheet at report date because a calculation is required by Council's treasury advisors to componentise the fair value into either an asset or liability, current or non-current amounts. Notwithstanding that, the total fair value of all swap contracts at the 28 February 2013 was \$464,000 where as at the 31 December 2012 they were \$855,000. This significant change in value of \$391,000 over two months demonstrates the importance of applying Hedge Accounting where possible to remove this market related influence from the Net Surplus/(Deficit) figure.

7.0 TRADE AND OTHER RECEIVABLES

7.1 Set out below is summary of Trade and Other Receivables (i.e. unpaid rates and other debtor amounts owing) as at 28 February 2013 with comparatives from the same period last year.

Trade & Other Receivables (Amounts in \$000's)	As at 28.02.12	As at 28.02.13	Variance \$	Variance %
Rates Receivable	2,370	2,613	243	9%
Rates Penalties	1,064	1,057	(7)	-1%
Rates and Penalties Receivable	3,434	3,669	235	6%
NZ Transport Agency	1,091	1,306	215	16%
Ministry of Health Subsidy	799	474	(325)	-69%
Extraordinary Water Charges	54	83	29	35%
Other Trade Receivables	476	663	187	28%
Other Trade Receivables	2,420	2,526	106	4%
Gross Receivables	5,854	6,195	341	6%
Less Provision for Doubtful Debts	(807)	(1,063)	(256)	24%
Total Trade & Other Receivables	5,047	5,132	85	2%

- 7.2 Included in the above rate and rate penalties receivables are rates and penalties outstanding on freehold Maori land which may be eligible for rates remission during the 2012/13 year. As time permits, Finance staff continue working through a time consuming process of identifying eligible properties.
- 7.3 The rates arrears and penalties, including those owing on freehold Maori land, are substantially recognised in the Provision for Doubtful Debts figure.
- 7.4 At 28 February 2013 Other Trade Receivables totalled \$663,000 of which \$96,489 has been due and owing for more than three months. Of that \$63,786 relates to an outstanding grant application for Piopio Water, \$24,810 is a long term outstanding debt owed by a Resource Management applicant, and \$5,061 relates to rental debtors.

Suggested Resolution

The business paper on the Financial Report for the eight months to 28 February 2013 be received.

C.E (KIT) JEFFRIES
GROUP MANAGER – CORPORATE SERVICES

18 March 2013

Appendix 1: Cost of Service Statements

Summary Cost of Service Statement

Summary Cost of Service (Amounts in \$000's)	Actual 2011/12	EAP Budget 2012/13	YTD Budget Feb 2013	YTD Actual Feb 2013	Variance Feb 2013	% Varianc e
Operating Revenue						
Leadership	738	(149)	(31)	(114)	(83)	
Community Service	(368)	(390)	(266)	(288)	(22)	
Community Development	(222)	(227)	(157)	(203)	(46)	
Regulation	(306)	(402)	(319)	(281)	38	
Stormwater Drainage	0	0	0	(20)	(20)	
Resource Management	(91)	(73)	(49)	(29)	20	
Solid Waste Management	(859)	(1,070)	(699)	(535)	164	
Sewerage	(2,968)	(535)	(357)	(2,831)	(2,474)	
Water Supply	(776)	(1,686)	(1,497)	(449)	1,048	
Roads and Footpaths	(5,674)	(5,644)	(3,885)	(3,244)	641	
Total Operating Revenue	(10,526)	(10,176)	(7,260)	(7,994)	2,182	-30%
Rates Revenue						
General Rate	(2,997)	(2,928)	(2,196)	(2,201)	(5)	
UAGC	(2,995)	(3,080)	(2,310)	(2,316)	(6)	
Targeted Rate	(9,506)	(10,312)	(7,734)	(7,758)	(24)	
Rates Penalties Revenue	(386)	(310)	(300)	(307)	(7)	
Less Council Rates	214	0	0	0	0	
Total Rates Revenue	(15,670)	(16,630)	(12,540)	(12,582)	(42)	0%
Direct Operating Expenditure						
Leadership	801	658	276	303	26	
Community Service	1,103	1,356	883	933	50	
Community Development	865	749	405	408	3	
Regulation	232	241	171	149	(22)	
Stormwater Drainage	925	1,216	730	639	(91)	
Resource Management	90	137	111	96	(15)	
Solid Waste Management	73	81	54	18	(36)	
Sewerage	1,048	1,231	847	586	(261)	
Water Supply	1,232	1,233	839	899	60	
Roads and Footpaths	5,472	4,387	3,158	2,856	(302)	
Total Direct Operating Expenditure	11,841	11,289	7,474	6,887	(587)	-8%
Indirect Expenditure #	11,714	12,078	8,096	7,502	(594)	-7%
Total Expenditure	23,555	23,367	15,569	14,389	(1,181)	-8%
Net Operating Cost/(Surplus)	(2,641)	(3,439)	(4,230)	(6,187)	(1,957)	

Indirect expenditure consists of depreciation, internal interest and overhead costs. These costs are shown separately in each of the Cost of Service Statements.

Leadership

LEADERSHIP (Amounts in \$000's)	Actual 2011/12	EAP Budget 2012/13	YTD Budget Feb 2013	YTD Actual Feb 2013	Variance Feb 2013	% Varianc e
Operating Revenue						
Representation	(11)	(12)	(9)	(3)	6	
Investments	849	(132)	(20)	(90)	(70)	
Treasury Management & Overhead	(100)	(5)	(2)	(21)	(19)	
	738	(149)	(31)	(114)	(83)	271%
Direct Expenditure						
Representation	291	286	173	165	(8)	
Strategic Planning & Policy Development	188	84	13	36	22	
Monitoring & Reporting	213	122	12	5	(8)	
Investments	109	166	78	97	19	
Treasury Management & Overhead	0	0	0	0	0	
Total Direct Expenditure	801	658	276	303	26	10%
Indirect Expenditure	1,924	1,997	1,417	1,142	(274)	
Total Expenditure	2,725	2,655	1,693	1,445	(248)	-15%
Net Operating Cost/(Surplus)	3,463	2,506	1,662	1,331	(331)	-20%

Variance comments:

- Net Operating Cost** for the Leadership Activity is 20% (\$331,000) below the budget for the YTD February 2013.
- Operating Revenue** was 271% (\$83,000) more than budget for the period.
 - Interest revenue of \$24,000 was received on Council's call account and short term investments. This was conservatively budgeted for in Treasury Management in the 2012-22 LTP.
 - Interest revenue of \$37,000 has been received on the \$750,000 advance to Inframax Construction Ltd. This revenue was not budgeted for in the Investments activity. This revenue is offset by the interest Council pays to the bank on the loan raised and then advanced to Inframax.
 - Quarry royalties revenue of \$44,000 was received from Inframax Construction Ltd for crushing at WDC owned quarries during the December quarter. This revenue is included under the Investments activity.
- Total Direct Expenditure** is 10% (\$26,000) over budget due to:
 - Direct expenditure was more than budget for Strategic Planning and Policy Development as a result of costs incurred to date relating to the Joint Management Agreement around the Waipa River.
 - Direct expenditure for the Investments activity is more than budget due to rates expenditure on Council owned quarries being expensed in this activity. In prior years, and when the budgets were prepared, this expenditure has been included in the Community Services (Housing and Other Properties) activity. The expenditure showing in Housing and Other Properties shows the corresponding under expenditure.

Community Service

COMMUNITY SERVICE (Amounts in \$000's)	Actual 2011/12	EAP Budget 2012/13	YTD Budget Feb 2013	YTD Actual Feb 2013	Variance Feb 2013	% Variance
Operating Revenue						
Parks and Reserves	(6)	(11)	(8)	(12)	(4)	
Housing and Other Property	(218)	(216)	(144)	(163)	(20)	
Recreation and Culture	(96)	(114)	(82)	(78)	3	
Public Amenities	(48)	(49)	(33)	(34)	(1)	
Safety	0	0	0	0	0	
	(368)	(390)	(266)	(288)	(22)	8%
Direct Expenditure						
Parks and Reserves	204	270	162	160	(2)	
Housing and Other Property	199	320	238	252	13	
Recreation and Culture	256	308	235	261	26	
Public Amenities	409	386	218	238	19	
Safety	35	72	29	23	(6)	
Total Direct Expenditure	1,103	1,356	883	933	50	6%
Indirect Expenditure	1,851	1,692	1,125	1,061	(64)	
Total Expenditure	2,954	3,048	2,008	1,994	(14)	-1%
Net Operating Cost/(Surplus)	2,586	2,658	1,742	1,706	(36)	-2%

Variance comments:

1. **Net Operating Cost** for the Community Services Activity is 2% (\$36,000) below the budget for the YTD February 2013.
2. **Operating Revenue** is 8% (\$22,000) more than budget.
 - Revenue for Housing and Other Property is more than budget due to increased Rental and Lease revenue and the receipt of a Grant for the Community House.
3. **Total Direct Expenditure** is 6% (\$50,000) below the budget for the period.
 - Many operations associated with community services are seasonal in nature and expenses will come to hand as the second part of the financial year progresses.
 - Some repairs and maintenance within the Housing and Other Properties Activities have not been undertaken to date. This type of expenditure is usually incurred as and when required and some of this work is weather dependent.
 - The direct costs associated with the Recreation and Culture activity were higher than budget for the six months to 28 February 2013. From 1 October 2012 the district mowing and operation of the pool is now undertaken by the Internal Services Unit (ISU). The change in how the service is provided has impacted on how the costs are shown in the cost of service statement. The costs associated with the pool operations were budgeted in the indirect expenditure section of the cost of service statement. However from 1 October 2012 these costs are now accounted for in the direct costs section of the statement. This has led to a variance in the direct expenditure section of the Recreation and Culture activity. This variance is offset by a reduction in the indirect expenditure section of the cost of service statement.

Community Development

COMMUNITY DEVELOPMENT (Amounts in \$000's)	Actual 2011/12	EAP Budget 2012/13	YTD Budget Feb 2013	YTD Actual Feb 2013	Variance Feb 2013	% Variance
Operating Revenue						
Community Support	(20)	0	0	(77)	(77)	
Economic Development	(22)	0	(1)	0	1	
Regional Tourism	(161)	(207)	(143)	(115)	28	
Agencies	(19)	(20)	(13)	(11)	2	
	(222)	(227)	(157)	(203)	(46)	29%
Direct Expenditure						
Community Support	631	452	240	268	28	
Economic Development	4	13	6	4	(2)	
Regional Tourism	230	282	157	136	(21)	
Agencies	0	2	1	0	(1)	
Total Direct Expenditure	865	749	405	408	3	1%
Indirect Expenditure	346	476	317	279	(38)	
Total Expenditure	1,211	1,225	721	687	(34)	-5%
Net Operating Cost/(Surplus)	989	998	564	484	(80)	-14%

Variance comments:

- Net Operating Cost** for the Community Development Activity is 14% (\$80,000) less than budget for the YTD February 2013.
- Operating Revenue** is 29% (\$46,000) below the forecast for the period.
 - A grant for the Job Pool Feasibility programme of \$7,250 has been received from the Ministry of Social Development and recognised in the Community Support activity. These funds were not included in the budget.
 - Grant revenue of \$28,586 from the Ministry of Social Development to provide funding to support the delivery of youth activities has been recognised in YTD Actuals for the Community Support activity. This revenue was received in the last financial year however has been recognised in 2012/13 in order to match revenues with expenses.
 - Grant revenue of \$41,000 has been received from the Ministry of Social Development for Social Sector Trials. It is expected this grant will be spent in full on Social Sector Trials during the remainder of the financial year. Any unspent amounts will likely be moved to the balance sheet as Revenue in Advance to match expenditure in the following year.
 - Revenue for the Regional Tourism activity was below budget by \$32,000 due to a reduced level of sales at the Visitor Information Centre and is reflected in a similar reduced level of purchases in the expenditure section.
- Total Direct Expenditure** is 1% (\$3,000) more than forecast for the period.
 - Costs of \$30,000 associated with the provision of Youth Programme were incurred in the Community Support activity. These costs were unbudgeted in current year however are funded by the Ministry of Social Development grant revenue that was received in the last financial year. Due to the timing of the agreement an extension of the consent conditions allowed the remaining work to be completed in current year.

- Community Partnership Fund grant allocation expenditure in the Community Support activity was less than expected with only \$14,000 being allocated in YTD February 2013.
- The rates remissions expense in the Community Support for the year is less than budget. The rates remissions on undeveloped and unoccupied Maori Freehold land that are applied for by staff on behalf of owners are processed as staff resource allows. These remissions will be processed prior to 30 June 2013.
- Costs in the Regional Tourism activity are less than budget as stock and service purchases at the Visitor Information Centre have reduced in line with reduced levels of sales.

Regulation

REGULATION (Amounts in \$000's)	Actual 2011/12	EAP Budget 2012/13	YTD Budget Feb 2013	YTD Actual Feb 2013	Variance Feb 2013	% Variance
Operating Revenue						
Regulation	(306)	(402)	(319)	(281)	38	
	(306)	(402)	(319)	(281)	38	-12%
Direct Expenditure						
Regulation	232	241	171	149	(22)	
Total Direct Expenditure	232	241	171	149	(22)	-13%
Indirect Expenditure	548	480	321	364	43	
Total Expenditure	780	721	491	513	22	4%
Net Operating Cost/(Surplus)	474	319	173	232	59	34%

Variance comments:

1. **Net Operating Cost** for the Regulation Activity is 34% (\$59,000) more than budget for the YTD February 2013.
2. **Operating Revenue** is 12% (\$38,000) below the budget for the period.
 - Building consent revenue continues to be less than forecast. Building consent numbers are down with much of the construction activity focused on less expensive projects.
3. **Total Direct Expenditure** is 13% (\$22,000) below the budget for the period.
 - Direct expenditure for the Building Control Activity has been reduced as a result of processing more building consents in-house rather than using external agencies. There has also been no building accreditation costs spent to date.

Solid Waste Management

SOLID WASTE MANAGEMENT	Actual	EAP Budget	YTD Budget	YTD Actual	Variance	%
(Amounts in \$000's)	2011/12	2012/13	Feb 2013	Feb 2013	Feb 2013	Variance
Operating Revenue						
Collection	(109)	(95)	(63)	(72)	(9)	
Landfill Management	(750)	(975)	(636)	(463)	173	
	(859)	(1,070)	(699)	(535)	164	-21%
Direct Expenditure						
Collection	268	283	193	182	(11)	
Landfill Management	657	933	537	457	(80)	
Total Direct Expenditure	925	1,216	730	639	(91)	-12%
Indirect Expenditure	771	739	484	359	(125)	
Total Expenditure	1,696	1,955	1,214	998	(216)	-18%
Net Operating Cost/(Surplus)	837	885	515	463	(52)	-10%

Variance comments:

1. **Net Operating Cost** for the Solid Waste Activity is 10% (\$52,000) below the budget for the YTD February 2013.
2. **Operating Revenue** is 21% (\$164,000) below the forecast for the period.
 - There are reduced volumes entering the landfill resulting in reduced revenue for the year to February 2013.
3. **Total Direct Expenditure** is 12% (\$91,000) below the budget for the period
 - Reduced volumes entering the landfill results in reduced operational costs at the landfill and the district Transfer Stations.

Stormwater Drainage

STORMWATER DRAINAGE (Amounts in \$000's)	Actual 2011/12	EAP Budget 2012/13	YTD Budget Feb 2013	YTD Actual Feb 2013	Variance Feb 2013	% Variance
Operating Revenue						
Te Kuiti Stormwater	0	0	0	(20)	(20)	
	0	0	0	(20)	(20)	0%
Direct Expenditure						
Reticulation and Disposal - Urban	87	127	105	89	(16)	
Reticulation and Disposal - Rural	3	10	6	7	1	
Total Direct Expenditure	90	137	111	96	(15)	-14%
Indirect Expenditure	265	243	162	186	24	
Total Expenditure	355	380	273	282	9	3%
Net Operating Cost/(Surplus)	355	380	273	262	(11)	-4%

Variance comments:

1. **Net Operating Cost** for the Stormwater Activity is 4% (\$11,000) below the budget for the YTD February 2013.
2. **Operating Revenue** is \$20,000 more than budget.
 - A contribution was received from St Andrew's Housing Trust towards the cost of piping and covering the open drains adjacent to St Andrews Retirement Village. This revenue was not included in the budgets.
3. **Total Direct Expenditure** is 14% (\$15,000) below the budget for the period.
 - Maintenance costs have been less than budget for the period as work is carried out when required or as determined after rainfall events. This result may well alter with future wet weather events over the remainder of the year.

Resource Management

RESOURCE MANAGEMENT (Amounts in \$000's)	Actual 2011/12	EAP Budget 2012/13	YTD Budget Feb 2013	YTD Actual Feb 2013	Variance Feb 2013	% Variance
Operating Revenue						
District Plan Administration	(91)	(73)	(49)	(29)	20	
	(91)	(73)	(49)	(29)	20	-41%
Direct Expenditure						
District Plan Administration	73	81	54	18	(36)	
Total Direct Expenditure	73	81	54	18	(36)	-67%
Indirect Expenditure	133	110	73	83	10	
Total Expenditure	206	191	127	101	(26)	-20%
Net Operating Cost/(Surplus)	115	118	78	72	(6)	-8%

Variance comments:

1. **Net Operating Cost** for the Resource Management Activity is 8% (\$6,000) less than budget for the YTD February 2013.
2. **Operating Revenue** is 41% (\$20,000) below the budget for the period.
 - Due to the reduced volume of applications are being received for processing.
3. **Total Direct Expenditure** is 67% (\$36,000) below the budget for the period.
 - Expenditure on consultants for resource applications is currently tracking less than budget due to the reduced volume of applications requiring processing.

Sewerage

SEWERAGE	Actual	EAP Budget	YTD Budget	YTD Actual	Variance	%
(Amounts in \$000's)	2011/12	2012/13	Feb 2013	Feb 2013	Feb 2013	Variance
Operating Revenue						
Te Kuiti	(714)	(534)	(356)	(546)	(190)	
Benneydale	(1)	(1)	(1)	0	1	
Piopio	(254)	0	0	0	0	
	(969)	(535)	(357)	(546)	(189)	
Subsidy Revenue						
Te Kuiti	(1,285)	0	0	(1,862)	(1,862)	
Benneydale	(104)	0	0	0	0	
Piopio	(610)	0	0	(423)	(423)	
	(1,999)	0	0	(2,285)	(2,285)	
	(2,968)	(535)	(357)	(2,831)	(2,474)	693%
Direct Expenditure						
Te Kuiti	942	1,110	765	503	(262)	
Te Waitere	17	16	11	12	1	
Benneydale	80	63	41	40	(1)	
Piopio	9	42	30	31	1	
Total Direct Expenditure	1,048	1,231	847	586	(261)	-31%
Indirect Expenditure	1,152	1,400	933	678	(255)	
Total Expenditure	2,200	2,631	1,780	1,264	(516)	-29%
Net Operating Cost/(Surplus)	(768)	2,096	1,423	(1,567)	(2,990)	-210%

Variance comments:

- Net Operating Surplus** for the Sewerage Activity is 210% (\$2,990,000) more than budget for the YTD February 2013.
- Operating Revenue** is 693% (\$2,474,000) above budget for the period.
 - Subsidy of \$423,000 has been claimed for progress of the Piopio Sewerage scheme. This was not included in the budgets for the current year but was included in prior budgets.
 - Subsidy of \$1,862,000 has been claimed for progress on the Te Kuiti Wastewater Treatment plant upgrade to date. This revenue was not included in the budgets for the current year as there was uncertainty when the subsidy application was sent around being eligible to receive subsidy monies.
- Total Direct Expenditure** is 31% (\$261,000) below budget for the period.
 - Insurance costs associated with Local Authority Protection Programme (LAPP) were less than budget. As recommended, the savings on budget for all insurances (including LAPP) will be transferred to Council's Natural Disasters Reserve as part of its self insurance position.
 - Electricity costs are currently less than budgeted. The budgets were prepared on the assumption that the newly constructed WWTP assets would be using more electricity. However as progress on the upgrade has been slower than anticipated, due to wet weather at the start of the year, these costs have not been incurred as expected.
 - Variation and maintenance costs are currently tracking less than budget however this could change as the year progresses. A budget for chemicals was also included as a provisional item however it has not been required so far.

Water Supply

WATER SUPPLY	Actual	EAP Budget	YTD Budget	YTD Actual	Variance	%
(Amounts in \$000's)	2011/12	2012/13	Feb 2013	Feb 2013	Feb 2013	Variance
Operating Revenue						
Te Kuiti	(475)	(484)	(322)	(380)	(58)	
Mokau	(6)	(31)	(20)	(3)	17	
Piopio	(16)	(24)	(16)	(9)	7	
Benneydale	(13)	(23)	(15)	(7)	8	
	(510)	(562)	(373)	(399)	(26)	
Subsidy Revenue						
Mokau	0	(808)	(808)	0	808	
Piopio	(266)	(316)	(316)	(50)	266	
	(266)	(1,124)	(1,124)	(50)	1,074	
	(776)	(1,686)	(1,497)	(449)	1,048	-70%
Direct Expenditure						
Te Kuiti	810	866	593	559	(34)	
Mokau	173	139	95	124	29	
Piopio	183	167	111	168	57	
Benneydale	66	61	40	46	6	
Waitomo	0	0	0	2	2	
Total Direct Expenditure	1,232	1,233	839	899	60	7%
Indirect Expenditure	739	693	462	528	66	
Total Expenditure	1,971	1,926	1,301	1,427	126	10%
Net Operating Cost/(Surplus)	1,195	240	(196)	978	1,174	-599%

Variance comments:

- Net Operating Cost** for the Water Supply Activity is 599% (\$1,174,000) less than budget for the YTD February 2013.
- Operating Revenue** is 70% (\$1,048,000) less than budget for the period due to the timing of subsidy revenue being received for water projects.
 - The Mokau raw water storage dam project has been delayed in order to develop a new design of the dam at the new site. Consequently no subsidy has been claimable to date.
 - Upgrade work at the Piopio Water Treatment Plant was scheduled to be undertaken in the 2012/13 financial year. However subsidy was obtained unexpectedly, the scope of the work changed and a significant part of the work was completed in the 2011/12 year.
- Total Direct Expenditure** is 7% (\$60,000) below the budget for the period.
 - Insurance costs associated with Local Authority Protection Programme (LAPP) were less than budget. As recommended, the savings on budgets for all insurances (including LAPP) will be credited to Council's Natural Disasters Reserve as part of its self insurance position.
 - Electricity costs are also currently tracking less than budget for Te Kuiti.
 - Additional costs have been incurred in the commissioning of the Piopio Water treatment plant. These are currently being expensed as maintenance items. However a detailed assessment is still to be carried out to ensure correct classification as either maintenance or capital expenditure. In addition to that, investigation work has been carried out to track leaks in the reticulation system
 - Fire hydrant replacement and repairs to a chlorine monitor have been carried out in Mokau causing an increase in maintenance expenditure.

Roads and Footpaths

ROADS AND FOOTPATHS	Actual	EAP Budget	YTD Budget	YTD Actual	Variance	%
(Amounts in \$000's)	2011/12	2012/13	Feb 2013	Feb 2013	Feb 2013	Variance
Operating Revenue						
Subsidised Roads	(5,599)	(5,584)	(3,842)	(3,212)	630	
Non Subsidised Roads	(75)	(60)	(43)	(32)	11	
	(5,674)	(5,644)	(3,885)	(3,244)	641	-16%
Direct Expenditure						
Subsidised Roads	5,287	4,241	3,061	2,761	(300)	
Non Subsidised Roads	185	146	97	95	(2)	
Total Direct Expenditure	5,472	4,387	3,158	2,856	(302)	-10%
Indirect Expenditure	3,985	4,233	2,803	2,822	19	
Total Expenditure	9,457	8,620	5,961	5,678	(283)	-5%
Net Operating Cost/(Surplus)	3,783	2,976	2,076	2,434	358	17%
Subsidised Roads Maintenance	5,287	4,241	3,061	2,761	(300)	
Subsidised Roads Capital	3,833	4,642	2,984	2,627	(357)	
Combined Maintenance and Capital	9,120	8,883	6,045	5,388	(657)	
Subsidy Revenue for Subsidised Roads	(5,460)	(5,443)	(3,842)	(3,212)	630	

Variance comments:

1. **Net Operating Cost** for the Roads and Footpaths Activity is 17% (\$358,000) more than budget for the YTD February 2013.
2. **Operating Revenue** is 16% (\$641,000) below the budget for the period.
 - Subsidy revenue is based on both maintenance and capital expenditure amounts and currently tracking at a combined subsidy rate of 57% which is slightly lower than the Financial Assistance Rates (FAR) granted to Council of 59% for most work categories. As combined expenditure is less than YTD budget, subsidy claimed will also be less.
 - The reduced subsidy revenue is due to a contractor not completing a construction job and an additional contractor having to be established to remedy the works. This additional cost is currently being negotiated with NZTA for subsidy.
 - In addition two rehabilitation projects at Taharoa and Rora Street are currently on hold. These projects have private works being carried out around the project sites which will impact on the current designs for the projects. The delay in these projects has reduced the level of NZTA subsidy revenue claimed to date.
3. **Total Direct Expenditure** is 10% (\$302,000) below the budget.
 - There have been delays in both the sealed and unsealed pavement maintenance programs. Contractors have had difficulty obtaining sufficient material for metalling and this work is now due to be completed in March 2013. The unsealed pavement maintenance programme had also been delayed to February 2013 due to metal negotiations and this work will now be completed in the March quarter.
 - There has been increased expenditure required for emergency reinstatement as a result of weather events in the eight months to February 2013. The expenditure for emergency reinstatement was \$325,000 against a full year of budget of \$60,000. Savings will be made elsewhere in the roading programme so as to bring expenditure in total for Land Transport within budget for the year.

Appendix 2: Balance Sheet as at 28 February 2013

BALANCE SHEET	Actual Position	Actual Position	Exceptions Annual Plan	Variance from	Variance from EAP
(Amounts in \$000's)	30 June 2012	28 Feb 2013	30 Jun 2013	30 June 2012	
Public Equity					
Retained Earnings	192,232	198,419	197,482	6,187	(937)
Other Reserves	3,529	3,529	2,516	0	(1,013)
Revaluation Reserve	68,617	68,617	50,911	0	(17,706)
Total Public Equity	264,378	270,565	250,909	6,187	(19,656)
Current Assets					
Cash and Cash Equivalents	2,711	2,357	794	(354)	(1,563)
Inventories	26	34	31	8	(3)
Other Financial Assets	2	2	2	0	0
Trade and Other Receivables	6,507	5,132	3,416	(1,375)	(1,716)
Derivative Financial Instruments	0	0	0	0	0
Total Current Assets	9,246	7,525	4,243	(1,721)	(3,282)
Current Liabilities					
Trade and Other Payables	3,918	3,414	3,361	(504)	(53)
Current Portion of Borrowings	14,264	14,840	1,133	576	(13,707)
Provisions	52	14	54	(38)	40
Employee Entitlements	456	316	395	(140)	79
Derivative Financial Instruments	265	265	0	0	(265)
Total Current Liabilities	18,955	18,849	4,943	(106)	(13,906)
Net Working Capital	(9,709)	(11,324)	(700)	(1,615)	10,624
Non Current Assets					
Property Plant and Equipment	305,353	310,940	295,346	5,587	(15,594)
Intangible Assets	91	79	0	(12)	(79)
Forestry Assets	39	39	75	0	36
Investment Properties	663	662	596	(1)	(66)
Assets Held for Sale and Discontinued Operations	1,112	1,076	0	(36)	(1,076)
Other Financial Assets	793	793	34	0	(759)
Deferred Tax Asset	0	0	0	0	0
Derivative Financial Instruments	46	46	0	0	(46)
Total Non Current Assets	308,097	313,635	296,051	5,538	(17,584)
Non Current Liabilities					
Borrowings	32,741	30,497	43,509	(2,244)	13,012
Employee Entitlements	59	76	69	17	(7)
Provisions	727	690	864	(37)	174
Derivative Financial Instruments	483	483	0	0	(483)
Total Non Current Liabilities	34,010	31,746	44,442	(2,264)	12,696
Net Assets	264,378	270,565	250,909	6,187	(19,656)

Appendix 3: Key to columns in Financial Tables and Terminology

The Income Statement and Cost of Service Statements contain five columns of information:

- Column <a> shows the actuals for 2011/2012 year. The actuals for prior year exclude rates paid on council properties in both rates revenue and expenditure in the cost of service statements.
- Column shows the budget for the whole year as approved by Council in the Annual Plan 2012/13.
- Column <c> shows the budget for the part of the year that this Financial Report relates to. Normally the budget is spent (or income received) evenly throughout the year, however where it is forecast that expenditure might be incurred or income received in a particular month or season, the budget has been allocated accordingly. In other words the budget has not been allocated on a uniform basis.
- Column <d> shows actual expenditure incurred or income received to 28 February 2013.
- Column <e> shows the variance between actual expenditure/income to date (<d>) and the budget to date (<c>). Where the variance is positive more expenditure has been incurred or less income received than budgeted for the year to date. Where the variance is negative, as denoted by closed brackets "()", expenditure incurred is less or income received is more than year to date budget.
- Column <f> shows the percentage variance and is calculated by dividing Variance Year to Date (<e>) by Budget Year to Date (<c>). Variance figures are presented for the Net Operating Cost/Surplus, Operating Revenue and Operating Expenditure rows for each cost of service statement.

Terminology

- Current loans are those due to mature (and therefore repaid or refinanced) prior to 30 June 2013.
- Floating Rate Notes are a floating interest rate debt security instrument raised on the Wholesale Debt Market, which operates between commercial borrowers and lenders.
- Non-current loans are those that have a maturity date beyond 30 June 2013.
- Finance Leases are for the financing of the main telephone and photocopying equipment used. This finance lease figure is included in the Loan Portfolio table so as to reconcile the total public debt figure to the balance sheet. The reason for using finance leases for these types of assets is that as part of the asset, a maintenance service is provided, access is gained to the latest equipment available and the risk of major breakdown rests with the supplier.
- Interest rate swaps are a "receive floating – pay fixed" contract, where in exchange for paying a fixed amount of interest, Council will receive a floating amount of interest from the bank. The floating amount received will then offset the floating amount due to be paid on floating rate notes. To ensure the effectiveness of the hedge, matching of the swap terms to the underlying debt terms is required. To avoid any doubt the notional amount of the swap does not represent additional debt being raised.
- Loan Maturity Date is the date the loan has to be either repaid in cash or refinanced through a draw down of a new loan or by extension of the existing loan maturity date.
- Interest Re-price Date is the date that the interest rate and interest period can be reviewed.
- Weighted Average Interest Rate is calculated by dividing the total loan amount, excluding the Wholesale Advance facility and finance leases, by the total of the interest cost on each loan. The interest cost is calculated by multiplying the loan amount by the interest rate listed above. This calculation assumes that the rate listed above is applicable for the whole year. The actual interest cost to the council is different to this because different interest rates apply during the course of the year and life of the loan.