

Document No: A468224

Report To: Audit and Risk Committee



Meeting Date: 5 May 2020

Subject: Declaration of Members' Conflicts of Interest

Purpose of Report

- 1.1 The purpose of this business paper is for elected members to –
- 1 Declare interests that may create a conflict with their role as an elected member relating to the business papers for this meeting, and
 - 2 Declare any interests in items in which they have a direct or indirect pecuniary interest as provided for in the Local Authorities (Members' Interests) Act 29168.

Commentary

2.1 **Conflicts of Interest**

2.2 Every elected member has a number of professional and personal links to their community. They may own a business or be a member on a board or organisation. They may have a pecuniary (financial) interest or a non-pecuniary (non-financial) interest. These interests are a part of living in the community which they need to make decisions about in their role with Council.

2.3 Elected members are governed by the Local Authorities (Members' Interests) Act 1968 and are guided by the Auditor-General in how this Act is administered. In relation to pecuniary interests, the two underlying purposes of the Act are to:

- ensure members are not affected by personal motives when they participate in local authority matters; and
- in contracting situations, prevent members from using their position to obtain preferential treatment from the authority (the Council).

2.4 Non-pecuniary interests relate to whether an elected member could be in danger of having a real or perceived bias for an issue under consideration.

2.5 Elected members will also have interests that are considered no greater than the public at large. For example, most elected members will own a property and therefore be a ratepayer in the Waitomo District.

2.6 Conflicts of interest at times cannot be avoided, and can arise without anyone being at fault. They need not cause problems when they are promptly disclosed and well managed.

2.7 **Declarations of Interests and Conflicts**

2.8 At the beginning of each triennial council term, elected members are requested to disclose known interests on behalf of themselves (including spouses and

partners). It is up to the elected member to judge whether they have any interests to declare. Some elected members may not have any, other elected members may have many.

- 2.9 As well as this, elected members may decide that they have an interest in a particular issue or item to be discussed at a meeting. There is a standing item on every meeting agenda for elected members to declare conflicts of interest.
- 2.10 These declarations should be clear as to whether there is just an "interest" with no pecuniary benefit and no greater benefit than to any member of the public, or they may be a Council appointed representative to an organization, or whether there is a "conflict of interest" in that there could potentially be a pecuniary or other direct benefit to the elected member.
- 2.11 Members who have declared a "conflict of interest" at the commencement of a meeting should make a further declaration when that item of business is considered and leave the meeting table (or the meeting room) and not take part in any discussion, debate or voting on the matter of conflict.
- 2.12 Attached to and forming part of this business paper is information to assist elected members in determining conflicts of interest.

Declarations

The Mayor will invite elected members to give notice of any conflicts of interest relating to the business for this meeting.

In the event of a Declaration being made, the elected member must provide the following information relating to the Declaration:

Name:	
Item of Business on the Agenda:	
Reason for Declaration:	
Is this Declaration – <ul style="list-style-type: none">• Interest Only• Conflict of Interest	



MICHELLE HIGGIE
MANAGER – GOVERNANCE SUPPORT

Local Authority (Members' Interests) Act 1968

- 3.1 The Local Authority (Members' Interests) Act 1968 helps to protect the integrity of local authority decision-making by ensuring that Councillors are not affected by personal motives when they participate in Council decision-making and cannot use their position to obtain preferential access to contracts. This Act deals with two forms of "interest":
1. Pecuniary
 2. Non-pecuniary
- 3.2 **Pecuniary Interest**
- 3.3 The **two** specific rules in the Act are that members cannot:
1. Enter into contracts with their local authority worth more than \$25,000 (including GST) in a financial year unless the Auditor-General approves the contracts (referred to as the contracting rule). Breach of this rule results in automatic disqualification from office; and
 2. Participate in matters before the Council in which they have a pecuniary interest, other than an interest in common with the public (referred to as the participation rule). Breach of this rule is a criminal offence and conviction results in automatic disqualification from office
- 3.4 A pecuniary interest is one that involves money. This could be direct or indirect. It is sometimes difficult to decide whether an interest in a particular matter is pecuniary or some other kind. It is always the responsibility of elected members to make this decision, to declare any interest when appropriate and to ensure that as an elected member you comply with the Act's requirements at all times. The Act generally provides that no person shall be capable of being a member of Council if that person is concerned or interested in any contracts with the Council where the total payments made by the Council in respect of such contracts exceeds \$25,000 in any one financial year.
- 3.5 The Act also provides that an "interest" exists where a member's spouse is involved and/or where a member or their spouse is a major shareholder or have control or management of a company which contracts with Council or where the company has a pecuniary interest in the decision. It may also apply where your family trust has a contract with the Council.
- 3.6 The Act does provide that on application to it the Office of the Auditor General may give specific approval to a member being concerned or interested in a particular contract, in which case the provisions of the Act will not disqualify the Councillor from remaining in office. The approval needs be gained before the contract concerned is entered into.
- 3.7 The Act also requires that a member shall not vote or take part in the discussion of any matter in which he/she has any pecuniary interest, other than an interest in common with the public. This interest is required to be declared by the member and is noted in the minutes.
- 3.8 The Office of the Auditor General is the agency, which oversees this legislation and it also has the responsibility and power to institute proceedings against any member. The Act does not define pecuniary interest, however the Office of the Auditor-General uses the following test: "Whether, if the matter were dealt with in a particular way, discussing or voting on that matter could reasonably give rise to an expectation of a gain or loss of money for the member concerned."

3.9 In deciding whether you have a pecuniary interest you should consider the following factors: What is the nature of the decision being made? Do I have a financial interest in that decision – do I have a reasonable expectation of gain or loss of money as a result of making that decision? Is my financial interest one that is in common with the public? Do any of the exceptions in the Act apply to me? Could I apply to the Auditor-General for approval to participate?

3.10 Further guidance is provided in the booklet “Guidance for members of local authorities about the Local Authorities (Members’ Interests) Act 1968” which has been provided to 5 elected members. It is important that you pay particular attention to the contents of this booklet as this is one of the few areas of the Council’s business where staff do not set out to provide pro-active advice and members are personally liable for compliance with the provisions of this Act.

3.11 Non-Pecuniary Interest

3.12 Non-pecuniary interest is any interest the member may have in an issue that does not involve money. A common term for this is “bias” or pre-determination. Rules about bias operate not only to ensure that there is no actual bias, but also so there is no appearance or possibility of bias. The principle is that justice should not only be done, but it should be seen to be done. Bias may be exhibited where: -

- By their statements or conduct a member may indicate that they have predetermined the matter before hearing or considering all of the relevant information on it (including the Council’s debate); or
- The member has a close relationship with an individual or organisation affected by the matter.

3.13 Non-pecuniary interest is a difficult issue as it often involves matters of perception and degree. The question you need to consider, drawn from case law, is: “Is there, to a reasonable, fair-minded and informed observer, a real indication of bias on the part of a member of the decision making body, in the sense that they might unfairly regard with favour (or disfavour) the case of a party to the issue under consideration?” If there is, the member should declare their interest and withdraw from the debate and take no further part in the discussion of this item. The law about bias does not put you at risk of personal liability. Instead, the validity of the Council’s decision could be at risk. The need for public confidence in the decision-making process is paramount and perception can be an important factor. Again the booklet provided by Office of the Auditor General provides some excellent advice and information on this issue.

Waitomo District Council Procurement Policy – 23 February 2013

4.1 The following is an extract from the Procurement Policy:

2.1.11 Conflicts of Interest

WDC procurement process will be conducted with a spirit of probity demonstrating:

- *integrity;*
- *honesty;*
- *transparency;*
- *openness;*
- *independence;*
- *good faith; and*
- *service to the public.*

A conflict of interest occurs where:

A member's or official's duties or responsibilities to Council could be affected by some other interest or duty that the member or official may have.

The other interest or duty might exist because of:

- *holding another public office;*
- *being an employee, advisor, director, or partner of another business or organisation;*
- *pursuing a business opportunity;*
- *being a member of a club, society, or association;*
- *having a professional or legal obligation to someone else (such as being a trustee);*
- *owning a beneficial interest in a trust;*
- *owning or occupying a piece of land;*
- *owning shares or some other investment or asset;*
- *having received a gift, hospitality, or other benefit from someone;*
- *owing a debt to someone;*
- *holding or expressing strong political or personal views that may indicate prejudice or predetermination for or against a person or issue ; or*
- *being a relative or close friend of someone who has one of these interests, or who could otherwise be personally affected by a decision of Council*

A relative or close friend includes:

- *For matters covered by the Local Authorities (Members' Interests) Act 1968, the interests of a spouse, civil union partner, or de facto partner must be considered.*
- *Generally, the interests of any relative who lives with the member or official (or where one is otherwise dependent on the other) must be treated as being effectively the same as an interest of the member or official.*
- *For other relatives, it will depend on the closeness of the relationship, but it will usually be wise not to participate if relatives are seriously affected*
- *Where Council's decision or activity affects an organisation that a relative or friend works for, it is legitimate to take into account the nature of their position or whether they would be personally affected by the decision.*

Examples of potential conflicts of interest include:

- *conducting business on behalf of Council with a relative's company;*
- *owning shares in (or working for) particular types of organisation that have dealings with (or that are in competition with) Council;*

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- *deliberating on a public consultation process where the member or official has made a personal submission (or from making submissions at all, in areas that directly relate to the entity's work);*
- *accepting gifts in connection with their official role; or*
- *influencing or participating in a decision to award grants or contracts where the member or official is connected to a person or organisation that submitted an application or tender.*

All elected members, WDC staff or advisers involved in a procurement process are required to declare any other interests or duties that may affect, or could be perceived to affect, their impartiality. WDC will then decide the steps necessary to manage the conflict, having regard to any relevant statutory requirements. WDC will maintain a register of declarations of conflicts of interest that records any conflicts of interest and how they will be managed.

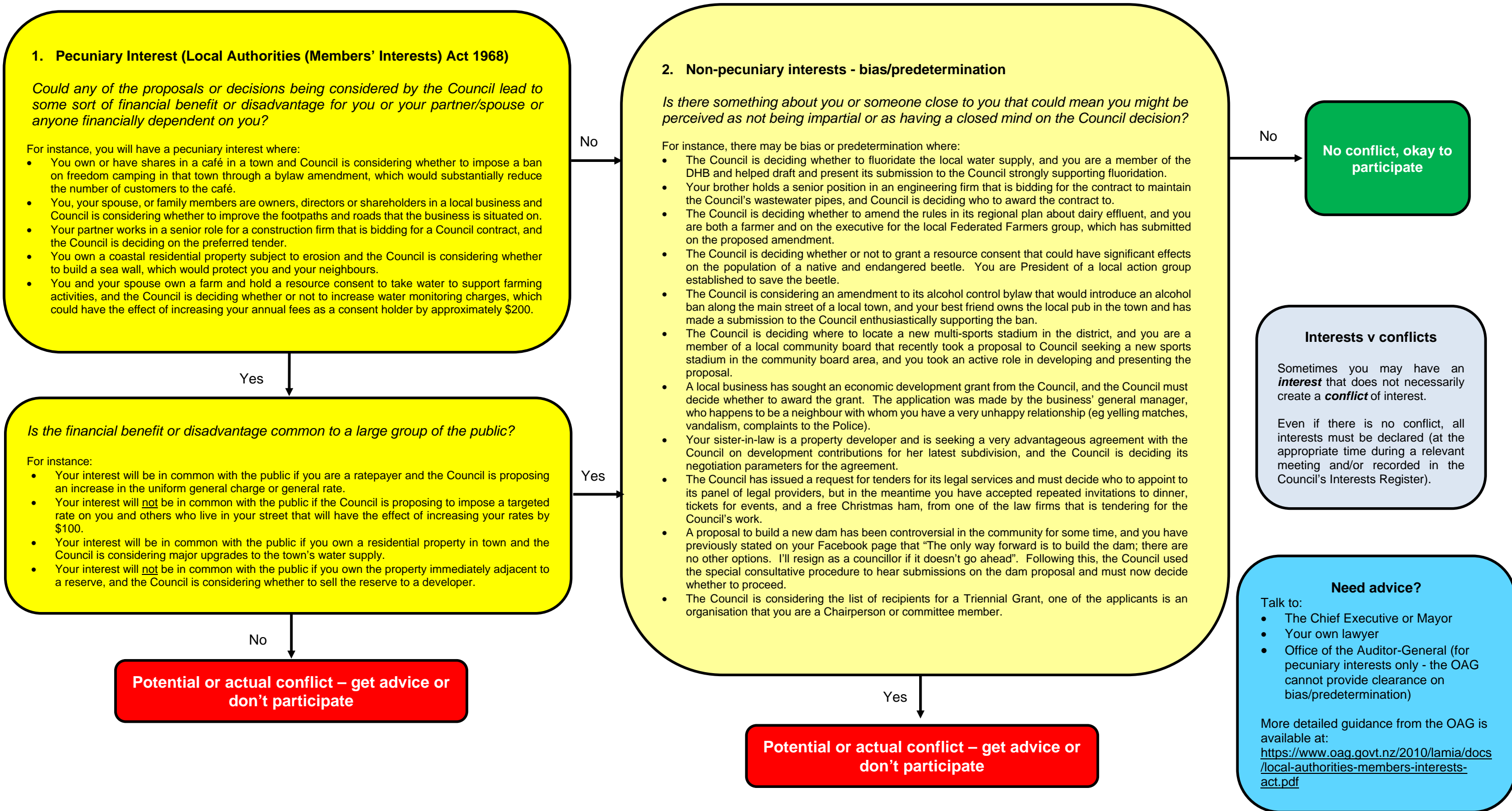
An annual update of the register will be coordinated and maintained by the Executive Office.

Under no circumstances will a procurement process allow as an outcome of that process a circumstance where Council elected members, WDC staff or advisers to receive preferential treatment.

Before you participate in any Council decision ...

CONFLICTS OF INTEREST

Check you don't have a pecuniary interest and that there is no bias or predetermination.



Remember: If in doubt, stay out!

WAITOMO DISTRICT COUNCIL AUDIT, RISK AND FINANCE COMMITTEE

MINUTES OF A MEETING OF THE WAITOMO DISTRICT COUNCIL AUDIT, RISK AND FINANCE COMMITTEE HELD IN THE COUNCIL CHAMBERS, QUEEN STREET, TE KUITI ON TUESDAY 11 FEBRUARY 2020 AT 9.00AM

PRESENT: Independent Chairperson Bruce Robertson, Mayor John Robertson, Deputy Mayor Guy Whitaker, Members Phil Brodie, Allan Goddard, Lisa Marshall, Janene New and Sue Smith

IN ATTENDANCE: Chief Executive, Manager – Governance Support, General Manager – Business Support, General Manager – Strategy and Environment, General Manager – Infrastructure Services (for part only) and General Manager – Community Services (for part only)

1. Declarations of Member Conflicts of Interest

No declarations of conflicts of interests were made.

2. Mastercard Expenditure Report (September – November 2019)

The Committee considered a business paper presenting for the Committee's information and consideration, details of expenditure incurred via WDC issued Corporate Mastercards.

Resolution

The Mastercard Expenditure Report for the period September – November 2019 be received.

B Robertson/J New Carried

3. North King Country Indoor Sports and Recreation Centre – Project Update

The Committee considered a business paper providing a brief on the Game On Charitable Trust public briefing held on 21 January 2020 and the current status of the North King Country Indoor Sports and Recreation Centre community led project.

The Committee considered the need for a condition to include that Council will not underwrite the project and any cost overruns will not be covered by the Council.

The Mayor briefed the Committee on a meeting with the Trustees and his advice to the Trustees of Council's need to put conditions on any ongoing funding commitment.

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

Resolution

- 1 The business paper on North King Country Indoor Sports and Recreation Centre – Project Update be received.
- 2 The Audit and Risk Committee note the \$1.5 million funding commitment to the Game On Charitable Trust, adopted by Council on 29 May 2018.
- 3 The Audit, Risk and Finance Committee note the grant was conditional upon the Game On Charitable Trust raising all capital to complete the project.
- 4 The Audit, Risk and Finance Committee recommend to Council that a formal grant agreement be entered into with the Game On Charitable Trust with the following conditions:
 1. Payment of the Council grant is subject to the Council satisfying itself that the proposed facility is operationally sustainable.
 2. The Council grant is subject to the Council being satisfied that public access to the facility is guaranteed by way of an appropriate Agreement.
 3. All capital funds to complete the project, including fit-out, are secured prior to release of the Council grant to ensure the building is equipped with fixtures and fittings to make it a functional facility.
 4. The project is underwritten by non-Council sources and any capital cost overruns during the construction phase are met by the Underwriter. Note: The Waitomo District Council will not underwrite any cost overruns.
5. The Audit, Risk and Finance Committee recommend to Council that the Mayor and Chief Executive be tasked with communicating a proposed formal agreement with the Game On Charitable Trust.

B Robertson/G Whitaker Carried

4. Progress Report: Civil Defence and Emergency Management

The Committee considered a business paper providing a brief on current activities within the Civil Defence and Emergency Management portfolio.

The Chief Executive and General Manager – Strategy and Environment expanded verbally on the business paper and answered Members' questions.

The Committee noted that paragraph 3.2 of the business paper should read: "...Waitomo, Otorohanga and Waipa District Councils."

Resolution

The Progress Report: Civil Defence and Emergency Management be received.

A Goddard/P New Carried

5. Financial Reporting Schedule for the Period ending 30 June 2021

The Committee considered a business paper presenting an amended Financial Reporting Schedule for recommendation to Council for adoption.

The Committee discussed the need to receive reporting for the first quarter and agreed that the reporting for the period ending 30 September should be presented to the November Council meeting for receipt.

The Chief Executive and General Manager – Business Support expanded verbally on the business paper and answered Members’ questions.

Resolution

- 1 The business paper on Financial Reporting Schedule be received.
- 2 The Audit, Risk and Finance Committee recommend to Council the adoption of an amended Financial Reporting Schedule to 30 June 2021 as follows:

Meeting Date		Report to be issued
11 Feb 2020	AR&F	Six Month Report for the period ending 31 December 2019.
May 2020	AR&F	Audit Service Plan and outline of 2019/20 Draft Annual Report development process and timeline. Audit Engagement letter for the 2019/20 Draft Annual Report and the Limited Assurance Report in respect of the Debenture Trust Deed. Nine Month Report for the period ending 31 March 2020.
13 Aug 2020	AR&F	Interim report on 2019/20 Annual Report. Interim Non Financials (KPIs) results for 2019/20.
7 Oct 2020	AR&F	Recommend adoption of the 2019/20 Annual Report.
8 Oct 2020	Council	Adoption of the 2019/20 Annual Report.
24 Nov 2020	Council	Quarterly Financial and Non-Financial reporting for period ending 30 September 2020
February 2021	AR&F	Six Month Report for the period ending 31 December 2020.
May 2021	AR&F	Audit Service Plan and outline of 2020/21 Draft Annual Report development process and timeline. Audit Engagement letter for the 2020/21 Draft Annual Report and the Limited Assurance Report in respect of the Debenture Trust Deed. Nine Month Report for the period ending 31 March 2021.

B Robertson/G Whitaker Carried

6. Financial Strategy – Management of Financial Reserves

The Committee considered a business paper providing a brief on the practice followed for Financial Reserves to assist in the upcoming review of the Financial Strategy and wider revenue and financing considerations, which will form part of the development of a draft 2021-2031 LTP.

The General Manager – Business Support and Chief Executive expanded verbally on the business paper and answered Members’ questions.

The Committee discussed rating for Depreciation and noted that this will be revisited as part of the process for development of the 2021-2031 LTP.

Resolution

The business paper on Financial Strategy – Management of Financial Reserves be received.

B Robertson/S Smith Carried

The meeting adjourned at 10.36am for morning tea and reconvened at 11.00am

7. Progress Report: Risk Management Framework – Implementation Plan and Monitoring

The Committee considered a progress report in respect to implementation of the Risk Management Framework and Risk Management Implementation Plan adopted by the Council on 28 May 2019.

The General Manager – Business Support expanded verbally on the business paper and answered Members’ questions.

The Chief Executive undertook to present an Action Plan for addressing Business Continuity at the May 2020 Audit, Risk and Finance Committee meeting.

Resolution

The business paper on Progress Report: Risk Management Framework – Implementation Plan and Monitoring be received.

B Robertson/P Brodie Carried

8. Financial and Non-Financial Report to 31 December 2019

The Committee considered a business paper presenting the financial and non-financial results for the period ended 31 December 2019.

The General Manager – Business Support and Chief Executive expanded verbally on the business paper and answered Members’ questions.

The General Manager – Infrastructure Services entered the meeting at 11.35am.

The General Manager – Business Support undertook to ascertain if the Game On Charitable Trust grant should be noted as a “Contingent Liability” or a “Commitment” in the financial reporting.

The Committee expressed its appreciation to the Chief Executive and his team for their work in attaining the current financial position of the Council.

Resolution

The business paper on Financial and Non-financial Report for the period ended 31 December 2019 be received.

G Whitaker/J New Carried

9. Progress Report – Development of the Exceptions Annual Plan 2020/21

The Committee considered a business paper providing an update on the development and progress of the Exceptions Annual Plan 2020/21 for year 3 of the 2018-28 Long Term Plan (LTP).

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

Resolution

The Progress Report - Development of the Exceptions Annual Plan 2020/21 be received.

B Robertson/J Robertson Carried

The meeting adjourned for lunch at 12.02pm and reconvened at 12.30pm.

10. Mokau Water Supply - Compliance

The Committee considered a business paper reporting on non-compliance of the Mokau Water Supply with the water turbidity requirement of the Drinking Water Standards for New Zealand 2005 (Revised 2018) (DWSNZ) over the December 2019 – January 2020 period, and WDC's duties under the Health Act 1956 in response to those non-compliance incidents.

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

Resolution

- 1 The business paper on Mokau Water Supply – Compliance be received.
- 2 The Audit, Risk and Finance Committee notes:
 - (a) The compliance events which occurred at the Mokau Water Supply over the December 2019 to January 2020 period.
 - (b) The response taken to those compliance events.
 - (c) The measures proposed to reduce the likelihood of a repeat occurrence of those events together with the upgrade programme to improve the resilience, compliance and operational redundancy of the water supply.

B Robertson/P Brodie Carried

11. Progress Report: WDC Resource Consent – Compliance Monitoring

The Committee considered a business paper providing a progress report on compliance reporting against Resource Consent conditions.

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

Resolution

The Progress Report: Resource Consent – Compliance Monitoring be received.

S Smith/A Goddard Carried

12. Motion to Exclude the Public for the consideration of:

The Committee 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 and/or staff 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 The Committee agree the following staff, having relevant knowledge, remain in attendance to assist Council with its decision making:

Chief Executive
 Manager – Governance Support
 General Manager – Strategy and Environment
 General Manager – Infrastructure Assets
 General Manager – Business Support
 General Manager – Community 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. Progress Report: Risk Management – Procurement/Contract Schedule (August 2019 to December 2019)	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)(d)

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
2. Progress Report: Health and Safety	7(2)(a) protect the privacy of natural persons, including that of deceased natural persons; or	48(1)(d)
3. Marokopa Seawall - Consent Status and Remedial Maintenance Works	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)(d)
4. Waitomo Village Waters – THL Consent Application for Wastewater Treatment Discharge	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)(d)
5. Council Investments	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)(d)

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.

B Robertson/G Whitaker Carried

13. Consideration of Public Excluded Items for the purpose of making information Public following Council’s decision taking

Resolution

Following consideration and decision taking of items of business with the public excluded, the Committee agreed that the following information be made public:

1. Progress Report: Risk Management – Procurement/Contract Schedule (August 2019 to December 2019)

Council’s Resolution only be made public as follows:

Resolution

The Progress Report: Risk Management – Procurement/Contract Schedule (October 2019 to September 2019) be received.

A Goddard/P Brodie Carried

Note: The business paper for this item is not made public for the reasons set out in Item 12 - “Motion to Exclude the Public” of these Minutes.

2. Marokopa Seawall - Consent Status and Remedial Maintenance Works

Council's Resolution only be made public as follows:

Resolution

- 1 *The business paper on the Marokopa Seawall consent status and remedial maintenance works, be received.*
- 2 *The Audit, Risk and Finance Committee notes the consent status and current condition of the Marokopa Seawall and the proposals for addressing both matters.*
- 3 *Waitomo District Council's ownership responsibilities in respect of public access and safety over public land are investigated and addressed.*

L Marshall/P Brodie *Carried*

Note: The business paper for this item is not made public for the reasons set out in Item 12 - "Motion to Exclude the Public" of these Minutes.

3. Waitomo Village Waters – THL Consent Application for Wastewater Treatment Discharge

Council's Resolution only be made public as follows:

Resolution

- 1 *The business paper on Waitomo Village Waters – THL Consent Application for Wastewater Treatment Discharge be received.*
- 2 *The Audit and Risk Committee notes the WDC Submission on Tourism Holdings Limited Resource Consent Application for the Waitomo Village Wastewater Treatment Plant Discharge.*

B Robertson/J Robertson *Carried*

Note: The business paper for this item is not made public for the reasons set out in Item 12 - "Motion to Exclude the Public" of these Minutes.

4. Progress Report: Health and Safety

Council's Resolution only be made public as follows:

Resolution

The Progress Report: Health and Safety be received.

J New/G Whitaker *Carried*

Note: The business paper for this item is not made public for the reasons set out in Item 12 - "Motion to Exclude the Public" of these Minutes.

5. Resolution to Adjourn the Meeting

Resolution

The meeting adjourn to workshop a process for review of the strategy and policy settings for Council's existing investment.

B Robertson/P Brodie Carried

6. Council Investments

No Information on this item of business is be made public at this time for the reasons set out in Item 12 - "Motion to Exclude the Public" of these Minutes.

There being no further business the meeting closed at 2.45pm

Dated this day of 2019.

BRUCE ROBERTSON
INDEPENDENT CHAIRPERSON

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Document No: A468703

Report To: Audit, Risk and Finance Committee



Meeting Date: 5 May 2020

Subject: COVID-19 Alert Level 4 – Provision of Essential Services

Type: Information Only

Purpose of Report

- 1.1 The purpose of this business paper is to brief the Committee on Waitomo District Council's response to the provision of Essential Services during the COVID-19 Alert Level 4 lockdown.

Background

- 2.1 In response to the global COVID-19 Pandemic, the New Zealand Government implemented a Covid-19 Alert System, which specifies the public health and social measures to be taken in the fight against COVID-19.
- 2.2 New Zealand moved to Alert Level 4 (AL4) lockdown at 11.59pm on 25 March 2020. During AL4, only essential services were permitted to continue operating.
- 2.3 As directed by the Government, this resulted in Waitomo District Council (WDC) temporarily ceasing all non-essential services, the office closing and staff working remotely where practicable.
- 2.4 Council activities that were considered essential services were defined by the Government's 'COVID-19 Local Government Response Unit', comprising members of the Department of Internal Affairs, Local Government New Zealand (LGNZ), Society of Local Government Managers (SOLGM), the National Emergency Management Agency (NEMA) and other relevant government agencies.
- 2.5 This business paper outlines the essential services undertaken by WDC during AL4, including the provision of infrastructure services and Civil Defence Emergency Management (CDEM).

Commentary

3.1 Customer Services

- 3.1 The Customer Services Team has been operating, in various forms, during Alert Level 4.
- 3.2 Staff were equipped with the necessary technology to work from home. The WDC phone lines were diverted to mobile phones allocated to Customer Services staff members from 8.00am to 5.00pm Monday to Friday. Council's afterhours Call Centre arrangement has continued as normal.

- 3.3 Staff quickly adapted to the temporary and new mode of customer service delivery and were in full and effective operation by 8:00 am on day 1 of lock-down.
- 3.4 Customer Services staff have responded to customer enquiries, administered and monitored the WDC Service Request System and responded to email enquiries via the WDC corporate email inbox.
- 3.5 During the first 3 weeks of lock-down the Team received numerous welfare type enquiries such as location of Foodbanks, how to access Foodbanks, etc. Numerous calls were also received regarding breaches of Alert Level 4 lock-down. Staff provided information and guidance to our customers.
- 3.6 Over the period, the majority of calls received have been in regard to refuse and recycling services. The Customer Services Team worked with callers to find a solution due to the reduced level of service under Alert Level 4. Callers have, in general, been responsive to the advice received from the Customer Services Team.
- 3.7 Based on customer enquiries, the Team have continued to inform updates to the WDC website. This is to ensure the information on the website remains relevant and up to date at all times.
- 3.8 Where possible, staff have endeavored to address customer enquiries at first point of contact.
- 3.9 For the period 26 March to 29 April 2020, the Customer Services Team have responded to 2,163 phone calls, an average of 98 calls per workday. Whilst the number of calls per day varies based on the time of the year, 98 calls per day is out of the ordinary, as March is generally a quieter month for phone calls. On average we receive approximately 60 calls per day during the month of March.

3.4 Infrastructure Services

- 3.5 The Infrastructure Service's team have been operating, in various forms, during AL4 and this paper will focus on the following activities:

- Water Services
- Property
- Internal Services Business Unit (ISBU) activities
- Roading
- Solid Waste – Refuse and Recycling

- 3.6 Also included is the total percentage of calls from customer services manual logs for each activity during this period.

3.7 *Water Services (Water, Wastewater and Stormwater)*

- 3.8 The Water Services Team has been operating the 3-waters network/plants by having staff assigned to a specific treatment plant. This has enabled the team to work in isolation and reduce movements across the District that would otherwise be part of normal duties. Local contractors have continued to support maintenance activities.
- 3.9 The total percentage of calls to WDC's Customer Services regarding water services is **10%**.

3.10 Property

3.11 The Property Team very swiftly closed WDC facilities such as playgrounds, public toilets and holiday parks during the transition to AL4. Both team members have been engaged in Emergency Operations Centre (EOC) duties throughout AL4. The closure of public toilets has received negative feedback on social media, presumably from haulage operators unhappy with lack of facilities along state highways. Several other local councils have opened public toilets which has caused inconsistencies across the sub-region. WDC has not received any official direction from Civil Defence to open any of its public toilets.

3.12 The total percentage of calls to WDC's Customer Services about public toilets has been **5%**.

3.13 Internal Services Business Unit

3.14 WDC's ISBU performs mowing, gardening and interment duties. These services have been stood down during the AL4 lockdown. However, several of the team have assisted with burials and the opening of rural transfer stations. So far there have been three burials, one of which took place at an urupa.

3.15 The total percentage of calls to WDC Customer Services about parks/burials has been **5%**.

3.16 Roothing

3.17 The Roothing Team has been working remotely where possible during the lockdown. Due to illness of the Roothing Manager, any escalations were sent directly to the GM – Infrastructure Services.

3.18 Network maintenance activities were initially suspended however recent checks have been carried out on known hot spots and arterial routes, with only minor issues requiring following up. WDC's Road Maintenance Contractor has responded to various incidents ranging from slips, fallen trees and overflowing litter bins. Fortunately, we have not experienced any recent extreme weather events impacting the network.

3.19 The total percentage of calls to WDC Customer Services about the rooding network has been **10%**.

3.20 Solid Waste

3.21 Operation of the District landfill, transfer stations (TS), refuse collection and recycling services has been challenging to manage during the lockdown period.

3.22 The Waitomo District Landfill (open only for commercial operators) and all transfer stations were closed at AL3.

3.23 Kerbside "refuse" collection (with the exception of Benneydale) has remained unchanged. An additional kerbside refuse collection was initiated for Benneydale which now has a weekly blue bag only rubbish collection. This temporary change in level of service decision was made due to several factors including the transfer station closure, Benneydale's location and community environmental health concerns.

3.24 All kerbside "recycling" services ceased at AL4 due to the closure of material recovery facilities (MRF) where all materials are sorted and processed. This decision received significant negative feedback from the community which resulted in an increase of recyclable products being placed in blue bags and sent to the landfill. It is likely that MRF will remain closed until AL2.

- 3.25 As the AL4 lockdown progressed, Council received many enquiries asking when the TS would be opening for rural communities to dispose of accumulated refuse. It is noted that a total fire ban was still in place at this time. Also, there was very little advice from Government and Civil Defence regarding transfer station operations during AL4.
- 3.26 Due to the continued AL4 lockdown and customer complaints, the rural transfer stations were opened for the disposal of official blue bags only on 8th, 9th and 10th April. All were opened for a three hour period, with strict control measures in place, such as a minimum of two staff at each location equipped with PPE and restricted vehicle movements. This exercise was repeated again two weeks later.
- 3.27 Over the two-week period the following number of vehicles visited each transfer station:
- Te Kuiti – 70
Piopio – 45
Benneydale – 15
Marokopa – 7
Kinohaku – 3
Awakino – 1
- 3.28 There was evidence at both Marokopa and Kinohaku that unauthorised refuse had been dropped in the skips.
- 3.29 Several cars were refused access due to incorrect bags or wanting to dump recycling and green waste.
- 3.30 An issue that was not anticipated was access to WDC official blue bags. Several of the normal outlets were closed and staff had to arrange other alternatives. It was also a challenge managing social media comments reporting outlet's running out of bags, which typically turned out to be false.
- 3.31 The total percentage of calls to Customer Services about recycling/refuse/litter/transfer stations has been **70%**.

3.32 Civil Defence Emergency Management

- 3.33 The New Zealand National Crisis Management Centre (NCCMC) was activated on Monday 16th March 2020 to support coordination of the All-of-Government response to COVID-19.
- 3.34 John Ombler was appointed the All of Government Controller to direct the overall response, supported by the Director General of Health (Dr Ashley Bloomfield) and the Director of Civil Defence Emergency Management (Sarah Stuart-Black). The All of Government Coordinator for Strategy and Policy (Dr Peter Crabtree) was also appointed, with the Ministry of Health leading the public health response to COVID-19.
- 3.35 The NCCMC is managed and maintained by the National Emergency Management Agency (NEMA). Their role is to:
- Monitor and assess CDEM emergencies
 - Collect, analyse and disseminate information
 - Action and coordinate national support to local level CDEM response
 - Accommodate, inform and take direction from meetings of Central Government crisis management structures; and

- During a state of national emergency, direct the entire response to the event.
- 3.36 Civil Defence Emergency Management Groups (CDEM) have a responsibility under the New Zealand Influenza Pandemic Plan to coordinate and manage the non-health consequences of a pandemic. There are 16 CDEM Groups operating throughout New Zealand.
- 3.37 All councils must be a member of a CDEM Group, and all have CDEM responsibilities under the Civil Defence Emergency Management Act 2002.
- 3.38 The Waikato Region's civil defence response has been led by the Group Controller of the Waikato Civil Defence Group Emergency Coordination Centre (GECC). The GECC, operating from the Group Emergency Management Office (GEMO) Hamilton Headquarters, moved into a Monitoring phase (Status 1) on the 16th March 2020.
- 3.39 This was escalated to a Support role (Status 2) on the 19th March 2020 with CDEM Groups required to activate to lead the coordination of the non-health consequences of the CDEM emergency.
- 3.40 A nationwide State of National Emergency was declared at 12.21pm on the 25th March 2020, and the GECC moved to Status 3 – Coordinate.
- 3.41 At the Group Controller's direction, Emergency Operating Centres (EOC) were activated across the Region in support of the GECC, as follows:
- Western Waikato EOC (Waitomo / Otorohanga / Waipa Districts)
 - North Waikato EOC (Hamilton City / Waikato District)
 - Thames Valley EOC (Thames Coromandel / Matamata-Piako / Hauraki Districts)
 - Taupo / South Waikato EOC
- 3.42 The Western Waikato EOC (WWEOC) was established at the Waipa District Council Chambers, with staff from across the 3 Councils rostered to work at the WWEOC throughout the response.
- 3.43 All EOCs in the Region have been operating 7 days/week since activation.
- 3.44 The role of the GECC and the EOCs is to lead the coordination of the non-health consequences of the CDEM emergency, as directed by the Group Controller. The Group Controller set the following mission for the response:
- Mission:** With the safety and wellbeing of communities being paramount in our decision making, we will:
1. Lead and Coordinate the non-health consequences of COVID-19, across the Waikato CDEM Group area
 2. Support our DHBs to deliver their health responses
 3. Provide positive leadership and reassurance to our communities through accurate and timely communications
- 3.45 The focus of the EOCs has been the provision of welfare in accordance with the Group Controllers priorities and direction.
- 3.46 The EOCs continue to operate in the response phase.

Recommendation

- 4.1 The Audit, Risk and Finance Committee note the actions taken by WDC during the COVID-19 Alert Level 4 lockdown on its provision of essential services.

Suggested Resolution

The business paper on COVID-19 Alert Level 4 – Provision of Essential Services be received.



TONY HALE
GENERAL MANAGER – INFRASTRUCTURE SERVICES



HELEN BEEVER
GENERAL MANAGER – COMMUNITY SERVICES

Document No: A468652

Report To: Audit, Risk and Finance Committee



Meeting Date: 5 May 2020

Subject: Annual Report and Summary Annual Report 2019/20 – Appointment and Engagement of Auditor

Type: Decision Required

Purpose of Report

- 1.1 The purpose of this business paper is to:
1. Present the proposal to appoint an auditor to conduct the audit for the 2020, 2021 and 2022 financial years;
 2. Present the Audit Engagement Letter (AEL) for the audit of the Annual Report and Summary Annual Report 2019/20 and;
 3. Present a Draft Confirmation of Engagement letter to provide a Limited Independent Assurance Report (IAR) on certain matters in respect to the Debenture Trust Deed (DTD), and;
 4. Obtain the Committee's approval for the signing of appointment and engagement letters.

Background

2.1 Appointment of Auditor

2.2 Section 32 of the Public Audit Act 2001 (PAA) enables the Auditor-General to appoint a person to conduct the financial audit of a public entity.

2.3 Audit Engagement Letter

2.4 Section 99 of the Local Government Act 2002 (LGA) requires the Annual Report to contain a report from the Auditor-General on the Annual Report and Summary Annual Report. That report gives the Auditor's Opinion as to the following:

- whether the financial statements and performance information present fairly the position and performance of the Waitomo District Council for the year ended 30 June 2020,
- compliance with generally accepted accounting practice in accordance with Public Benefit Entity Reporting Standards,
- compliance with Schedule 10 of the Local Government Act 2002 (which outlines the contents of an Annual Report).

2.5 **Limited Independent Assurance Report – Debenture Trust Deed**

- 2.6 The Debenture Trust Deed (DTD) was executed on the 6 August 2010 and replaced a “Deed of Charge” which provided security to Westpac Bank as the sole lender at that time. It was further amended and restated on 10 April 2017 to enable borrowing from the Local Government Funding Agency.
- 2.7 Through execution of the DTD, Council has vested a security interest over its present and future rates revenues with the Trustee. The Trustee holds this security for the benefit of Council’s secured lenders and enables efficient borrowing from a number of different parties.
- 2.8 Parties lending to Council on a secured basis include the Local Government Funding Agency, Westpac Bank and (historically) other investors.
- 2.9 Clause 10.2.6 of the DTD determines that at the same time as WDC provides the annual report to the Trustee, WDC must provide a separate report by the auditors addressed to the Trustee which states:
- Whether or not in the performance of auditors duties they have become aware of any matter which in their opinion is relevant to the exercise of performance of the powers or duties of the Trustee or in their opinion may require further investigation by the Trustee;
 - Whether or not there is anything that is brought to the auditors attention to indicate the statements made in the reporting certificate are not materially correct
 - Whether or not the register has been duly maintained in accordance with the DTD
 - The amount of stock and principal money owed or secured under the stock at 30 June.
- 2.10 The limited independent assurance engagement is not an audit and the procedures that will be performed are less than for an audit.

Commentary

3.1 **Proposal to Conduct Audit (PCA)**

- 3.2 The PCA is included as Attachment 1 to this paper.
- 3.3 The PCA advises that the Auditor-General proposes to appoint Bruno Dente to conduct the audit for the financial years ending 30 June 2020, 2021 and 2022.
- 3.4 The PCA provides information on:
- The statutory basis for the audit and how the audit fees are set
 - The entities covered by the proposal
 - Key members of the audit team
 - The hours planned to complete the audit and reasons for any change

- The proposed fees
- Assumptions relating to the proposed fees
- What the OAG overhead charge provides

3.5 **Audit Engagement Letter (AEL)**

3.6 The AEL is included as Attachment 2 to this paper.

3.7 The AEL advises that Deloitte, on behalf of the Auditor-General, will be completing the audit of the Annual Report and Summary Annual Report for 2019/20 year. Bruno Dente is the appointed auditor for this audit.

3.8 The AEL sets out the terms of the audit engagement and includes the specific responsibilities of both the auditor and Council, audit scope and objectives, the approach taken to complete the audit and the areas of audit emphasis.

3.9 **Limited Independent Assurance Report (IAR)**

3.10 The draft letter of confirmation of engagement for the Limited Independent Insurance Report is included as Attachment 3 to this paper.

3.11 Deloitte's are currently assessing the changes to the Local Government Funding Agency Foundation Policies and the implications that the changes will have on the way they will complete this report.

3.12 The letter sets out the terms and scope of the engagement and includes the specific responsibilities of both the auditor, the Trustee and Council. Also provided is an indicative report, likely to be issued. Due to this work being reliant on the statutory audit process the scope of that work is detailed in the appended engagement letter for the statutory audit. It will be completed as part of the statutory audit, but is separate body of work.

3.13 The engagement timetable provides that the procedures will be completed concurrently with the statutory audit of the annual financial statements and performance information.

3.14 The Trustee has elected to be a party to Independent Assurance Report.

3.15 The proposed engagement fee is estimated to be \$4,500 excluding GST (2019: \$4,000).

Analysis of Options

4.1 The Committee needs to consider each engagement letter and has the option of agreeing to them as presented.

4.2 The Committee also has the option of proposing further amendments to either the audit engagement letter and/or the limited independent assurance report engagement letter for Deloitte to consider.

Considerations

5.1 **Risk**

5.2 If the Committee does not consider and decide either to agree to the audit engagement letter or the independent assurance report engagement at this meeting, or propose changes to either engagement letters, then it runs the risk of non-compliance with legislative requirements around preparation and adoption of the Annual Report and/or potentially being in breach of the Debenture Trust Deed.

5.3 **Consistency with Existing Plans and Policies**

5.4 The decision to agree on the two engagement letters as presented will be consistent with Council's Long Term Plan, Exceptions Annual Plan and the Roadmap document.

5.5 **Significance and Community Views**

5.6 Section 78 of the LGA requires the Council to, in the course of its decision making, give consideration to the views and preferences of persons likely to be affected by, or to have an interest in, the matter.

5.7 The Annual Report is the key accountability document for our community and it explains how we have performed for that year. It is an important way of informing our community about how we are progressing in achieving our goals. It also highlights areas we are performing well in and areas that we need to improve on and how we plan to do this.

Recommendation

6.1 The business paper on Proposal to Appoint an Auditor, Audit Engagement Letter for the Audit of the Annual Report and Summary Annual Report 2019/20 and confirmation of engagement for the Limited Independent Assurance Report be accepted as presented and the Committee approves the signing of the three letters in line with delegation contained in the Terms of Reference of the Audit, Risk & Finance Committee.

Suggested Resolutions

1 The business paper on Annual Report and Summary Annual Report 2019/20 – Appointment and Engagement of Auditor be received.

2 The Deloitte Audit Appointment letter be accepted as presented.

3 The Deloitte Audit Engagement Letter be accepted as presented.

4 The Deloitte Draft Confirmation of Engagement – Limited Independent Assurance Report in respect to the Waitomo District Council's Debenture Trust Deed be accepted as presented.

5 In accordance with the delegation contained in the Terms of Reference of the Audit, Risk & Finance Committee, the Chief Executive be delegated authority to sign on behalf of the Waitomo District Council –

- a) The Deloitte Appointment Letter; and
- b) The Deloitte Audit Engagement Letter; and

- c) The Deloitte Confirmation of Engagement – Limited Independent Assurance Report in respect to the Waitomo District Council's Debenture Trust Deed, subject to no material changes from the draft attached.



ALISTER DUNCAN

GENERAL MANAGER – BUSINESS SUPPORT

24 April 2020

- Attachments:
- 1 Deloitte – Audit Appointment Letter for the Audit of the financial years ending 30 June 2020, 2021 and 2022 (A468665)
 - 2 Deloitte – Audit Engagement Letter for the Audit of the Annual Report and Summary Annual Report 2019/20 (A468666)
 - 3 Deloitte – Draft Confirmation of Engagement – Limited Independent Assurance Report in respect of the Waitomo District Council's Debenture Trust Deed (A468805)

Note: The Deloitte documents referred to as attachments to this business paper are enclosed as separate files

Document No: A468669

Report To: Audit, Risk and Finance Committee



Meeting Date: 5 May 2020

Subject: **Audit Plan and Timeline for the 2019/20 Annual Report**

Type: Decision Required

Purpose of Report

- 1.1 The purpose of this business paper is to introduce the Deloitte Planning Report detailing the scope of the external audit of Council's 2019/20 Annual Report and the timeline.

Background

- 2.1 Section 98 of the Local Government Act 2002 requires Council to prepare and adopt an Annual Report for each financial year.
- 2.2 The Act states that *'each annual report must be completed and adopted, by resolution, within 4 months after the end of the financial year to which it relates.'*
- 2.3 Deloitte, acting as agents for the Office of the Auditor-General (OAG), are required to give an opinion on the Annual Report.
- 2.4 As part of the audit process, Deloitte have provided an Audit Planning Report, enclosed as **Attachment 1**, which establishes the process the audit will follow and areas of focus for the audit.
- 2.5 The Audit Planning Report sets out the auditor's obligations to Council and advises that they will be reporting on:
 - Compliance with generally accepted accounting practice;
 - Whether the financial statements and performance information presents fairly, in all material respects its position and performance.
 - Compliance with Schedule 10 of the Local Government Act 2002 (which outlines the contents of an Annual Report) ; and;
 - Areas that not only relate to Waitomo District Council but encompasses OAG specific concerns as outlined in the 2020 audit brief for Local Government.

Commentary

- 3.1 The Audit Planning Report outlines the key areas that will form part of the audit focus. It also contains those issues that the OAG has requested the auditor to specifically look at when undertaking the audit of the Annual Report and service

performance statements. The current year issues are detailed on pages 6 to 9 of the Audit Planning Report.

- 3.2 The table below highlights the key areas that the audit procedures will be focussed on, as identified in the Audit Planning Report and WDC's planned action for these areas.

KEY AREAS OF FOCUS	PLANNED ACTION TO ADDRESS
Fair Value of Infrastructural assets	Engagement of independent valuers to complete the fair value assessments or the revaluation of infrastructure assets.
Valuation of Investment in Inframax Construction Limited	Engagement of an independent valuer to complete a valuation of Council's 100% shareholding in Inframax Construction Limited.
Government reviews and proposals	WDC continues to monitor central government reviews and proposals, provide advice to our elected members and incorporate recommendations and directions in how WDC operates.
Revenue Recognition	WDC has internal controls and procedures in place for revenue recognition to ensure accuracy and completeness of reports and to minimise the risk of fraud.
Management override of controls	WDC has internal controls and procedures in place to monitor and approve journals and adjustments to ensure accuracy and completeness of financial reports.
Public sector specific procedures including: <ul style="list-style-type: none"> • Accounting for sensitive expenditure • Policy and procedures relating to fraud • Related party transactions and conflicts of interest • Legislative compliance 	WDC has policies and procedures in place for the specific areas identified which continued to be maintained and monitored by staff.

- 3.3 The Group 'materiality limit' for audit planning has been set at \$850,000 (2019: \$750,000) being 1.4% of budgeted total expenditure. The planning materiality limit is used to determine sample sizes for testing transactions and balances. The materiality limits are reassessed at year end and may be adjusted based on actual expenditure.
- 3.4 The Audit highlights Memorandum will report to Management and Council any differences greater than \$40,000 (2019: \$37,500).
- 3.5 Fees set for the 2019/20 audit are \$149,000 (2019: \$138,000). These fees do not include the audit work required in relation to the Debenture Trust Deed as this falls outside of the scope of the statutory audit. A separate fee and a separate engagement letter will be completed for this work.
- 3.6 Key dates relating to the audit process and adoption of annual report are:

DATE	DESCRIPTION
28-12 June	Interim Audit to review system notes and test controls and testing of general computer controls
July and August	Organisational capacity will be directed to completing year end adjustments and preparing the draft annual report for audit.
11 August	Interim Report and progress report to Council on the 2019/20 Annual Report preparation.
7-19 September	Final Audit visit to test balances and disclosures
27 October	Council consideration and adoption of Annual Report
27 October	Signed Audit Opinion available
27 November	Summary Annual report available

Analysis of Options

- 4.1 Council needs to consider the draft Audit Planning Report and has the option of agreeing to it as presented.
- 4.2 Council also has the option of proposing further amendments to the draft Audit Planning Report for Deloitte to consider.

Considerations

- 5.1 **Risk**
- 5.2 If Council does not consider and decide either to agree to the draft audit planning report at this meeting or propose changes to the draft audit planning report, then it runs the risk of non-compliance with legislative requirements around preparation and adoption of the 2016/17 Annual Report.
- 5.3 **Consistency with Existing Plans and Policies**
- 5.4 The decision to agree on the draft Audit Planning Report for 2019/20 as presented will be consistent with Council's LTP, Exceptions Annual Plan and roadmap document.
- 5.5 **Significance and Community Views**
- 5.6 Section 78 of the LGA requires Council to, in the course of its decision making, give consideration to the views and preferences of persons likely to be affected by, or to have an interest in, the matter.
- 5.7 The Annual Report is the key accountability document for our community and it explains how we have performed for that year. It is an important way of informing our community about how we are progressing in achieving our goals. It also highlights areas we are performing well in and areas that we need to improve on and how we plan to do this. The summary 2019/20 Annual Report will be made available to the public within one month of the adoption of the 2019/20 Annual Report.

Suggested Resolutions

- 1 The business paper Draft Audit Planning Report and Timeline for the 2019/20 Annual Report be received.
- 2 The proposed Audit Planning Report for 2019/20 be approved.



ALISTER DUNCAN

GENERAL MANAGER - BUSINESS SUPPORT

15 April 2020

Attachment: 1 Deloitte Audit Planning Report (A468670)

Note: The Deloitte document referred to as an attachment to this business paper is enclosed as a separate file

Document No: A468730

Report To: **Audit, Risk and Finance Committee**



Meeting Date: 5 May 2020

Subject: **Civic Financial Services Ltd**
- **Annual Report 2019**
- **Statement of Intent 2020**

Type: Information

Purpose of Report

- 1.1 The purpose of this business paper is to –
- (a) Present the Annual Report for Civic Financial Services Limited (CFSL) for the year ended 31 December 2019, and
 - (b) To present the CFSL Statement of Intent (SOI) for the ensuing year.

Background

- 2.1 CFSL is the former New Zealand Local Government Insurance Corporation Ltd and previously traded as Civic Assurance. CFSL has been trading for over 76 years.
- 2.2 The name change was instituted due to the company withdrawing from offering property insurance and no longer holding an insurance licence.
- 2.3 CFSL provides administration services to SuperEasy and SuperEasy KiwiSaver Superannuation Schemes, the Local Authority Protection Programme Disaster Fund (LAPP), Riskpool, Civic Liability Pool and Civic Property Pool.
- 2.4 WDC holds 16,940 shares (0.15%) in CFSL.

Commentary

- 3.1 **ANNUAL REPORT for the year ended 31 December 2019**
- 3.2 The Annual Report from CFSL is attached to and forms part of this business paper (Attachment 1).
- 3.3 CFSL's income was derived from administration services and investment income.
- 3.4 The surplus before taxation reported was \$2,251,359, which compares favourably with prior year surplus of \$1,196,342 and to the forecasted surplus of \$421,299 as set out in the Statement of Intent for 2019.
- 3.5 Included in the surplus was a one-off gain on sale of \$1,209,909 for the Civic Assurance House, with the sale proceeds being \$9,116,888.
- 3.6 Operational expenditure was less than the prior year but more than forecast in the Statement of Intent for 2019.

- 3.7 Shareholders' equity totals \$10,477,049 at 31 December 2019 and a decrease of \$7,468,002, primarily due to payment of the special dividend \$9,418,480, but offset by Total Comprehensive Surplus Net of tax of \$1,950,478.
- 3.8 The significant assets in the balance sheet include term deposits of \$5,290,045 and a loan receivable of \$1,996,527 from Riskpool and Civic Liability Pool.
- 3.9 Included in the balance sheet is a deferred tax asset of \$2,486,080. The main contributor to this balance is recognition of the future benefit of tax losses carried forward. Tax losses carried forward will negate taxable income earned, which the Directors anticipate will be earned in the future.
- 3.10 Total liabilities were \$248,087, made of Sundry Creditors and Accrued Charges, Accrued Holiday Pay and Administration Fee Reserves.
- 3.11 No capital commitments were disclosed, however operating lease commitments, which relate to office space leased, total \$368,440.
- 3.12 The Financial Statements have been prepared on a going concern basis and the AUDIT Report contains the Auditor's Opinion that they present fairly the financial position and performance of the company and comply with NZ generally accepted accounting standards.
- 3.13 **STATEMENT OF INTENT for the year ended 31 December 2020**
- 3.14 The Statement of Intent (SOI) for CFSL is attached to and forms part of this business paper (Attachment 2).
- 3.15 The CFSL Mission Statement and one of its corporate goals is to provide and be the primary supplier of superannuation and risk-financing solutions to the local government sector.
- 3.16 Its planned ongoing activities will be to administer superannuation services for local government and local government staff and provide administration, accounting and other services to LAPP, Riskpool, Civic Liability Pool and Civic Property Pool.
- 3.17 CFSL will also investigate and facilitate new superannuation and risk-financing services to shareholders and the sector as appropriate.
- 3.18 Financial projections are provided for the following three years; administration income is expected to gradually increase from \$2,130,746 for 2020 to \$2,242,406 in 2022.
- 3.19 The projections include investment income to be \$152,000 in 2020 and increase to \$163,000 in 2022 and will be derived in the main from the Term Deposits held.
- 3.20 COVID-19 Effect: No recent communication has been received from CFSL regarding the pandemic, the effect on the economy and that interest rates have significantly decreased. It is anticipated this revenue stream would most likely be adversely affected.
- 3.21 Operational expenditure is forecast to increase from \$2,024,486 in 2020 to \$2,139,963 in 2022.
- 3.22 The Performance Targets and Measures set by CFSL are:
- Provide superannuation services to at least 90% of local authorities,
 - To be an efficient and effective administration manager for LAPP, Riskpool, Civic Liability Pool and Civic Property Pool.

- 3.23 For the following three years (2020 to 2022), no dividends will be paid to shareholder councils. The reason is to support and enhance Civic's primary source of income as providing administration services to the superannuation schemes. The funds will instead be used to reduce the management fees for the scheme's members, reducing fees from 0.5% to 0.44% per annum of the funds balance.

Suggested Resolutions

- 1 The business paper on Civic Financial Services Ltd Annual Report for the year ended 31 December 2019 and Statement of Intent for the Year ended 31 December 2020 be received.
- 2 The Civic Financial Services Ltd Annual Report for the year ended 31 December 2019 be received.
- 3 The Civic Financial Services Ltd Statement of Intent for the Year ended 31 December 2020 be received.



ALISTER DUNCAN
GENERAL MANAGER – BUSINESS SUPPORT

29 April 2020

- Attachments:
- 1 Civic Financial Services Limited - Annual Report 2019 (A468745)
 - 2 Civic Financial Services Limited – Statement of Intent 2020 (A459103)



ANNUAL REPORT 2019



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ANNUAL REPORT AND STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2019

Your Directors have pleasure in submitting the 59th Annual Report of the affairs of the Company (formerly New Zealand Local Government Insurance Corporation Ltd trading as Civic Assurance) for the year ended 31 December 2019, which is to be presented at the Annual General Meeting of Members in June 2020.

1. PERFORMANCE

Civic's before-tax profit in 2019 was \$2,251,359 (2018: \$1,196,342).

This compares favourably to the forecasted before-tax surplus of \$421,299 as set out in the 2019 Statement of Intent.

This is due to receiving higher than anticipated administration fees and the one-off gain on the sale of Civic Assurance House.

2. OPERATIONS

Administration Services

Fees in 2019 from providing services to LAPP, Riskpool and the SuperEasy and SuperEasy KiwiSaver Superannuation Schemes were \$2,947,683 (2018: \$2,792,697).

Investment Revenue

Income from investments was \$329,517 (2018: \$262,878). Income from Civic Assurance House was \$571,970 (2018: \$885,736).

Sale of Civic Assurance House

As communicated in the 2019 Statement of Intent, the strengthening work to prepare Civic Assurance House was completed by 31 March 2019; at which time the building was taken to market. A satisfactory price was subsequently received, and the building sold with a settlement date of 15 August 2019.

Payment of Special Dividend

On 19 August 2019 Civic paid a Special Dividend to its shareholders, totalling an amount of \$9,418,480 plus accompanying imputation credits of \$3,662,742.22; representing the sale price of Civic Assurance House of \$10,115,000 less selling costs of \$696,520.

Loan from ANZ Bank

Civic entered into a loan arrangement whereby it borrowed an amount of \$4 million on 15 November 2018 from the ANZ Bank which was to be repaid on 15 August 2019. Civic lent the same amount of \$4 million to Local Government Mutual Funds Trustee Limited (Riskpool) by way of a secured loan facility agreement on commercial terms, which was to be repaid to Civic by the end of July 2019. Local Government Mutual Funds Trustee Limited (Riskpool) repaid the \$4 million to Civic with Civic repaying the \$4 million to the ANZ Bank on 15 August 2019.

Sponsorship and Support for the Sector

The Company continues as a sponsor of SOLGM (Society of Local Government Managers) events both at a regional and national level.

3. ASSOCIATED ENTITIES

Local Government Superannuation Trustee Limited

Local Government Superannuation Trustee Limited (LGST) is a 100% subsidiary of Civic and is the trustee to the SuperEasy and SuperEasy KiwiSaver Superannuation Schemes. Both are administered by Civic and from 1 April 2016 both have been registered with the FMA (Financial Markets Authority). Director appointments to LGST are made by LGNZ (two), Civic (one), CTU (one), SOLGM (one) and one, who must be a Licensed Independent Trustee, by the LGST Board.

The SuperEasy schemes feature low member charges and simple administration for councils. Both make use of passive fund managers, which as well as allowing lower member fees removes the possibility of a fund manager making a bad call, which is something that can happen at any time.

The SuperEasy schemes also offer an 'Automatic Fund', in which each member's risk exposure is gradually and automatically switched from growth assets to income assets as the member gets older.

DIRECTORS' REPORT

Superannuation funds under management as at December 2019 were \$420 million (December 2018 \$340 Million) and the combined membership 10,734. SuperEasy's fund managers are AMP Capital Investors (New Zealand) Ltd and ANZ New Zealand Investments Ltd. Of the councils that have a preferred provider for KiwiSaver, 94% have appointed Civic (69 out of 73 councils).

The SuperEasy website is www.supereasy.co.nz.

LAPP Disaster Fund

LAPP is a charitable trust that was set up by LGNZ and Civic in 1993. LAPP's membership is 22. It could be said that LAPP is New Zealand's original LASS (Local Authority Shared Services).

LAPP was designed to cover back-to-back major disasters and this is what happened of course with the Canterbury earthquakes in 2010 and 2011. LAPP settled the claims from Waimakariri District Council and Christchurch City Council for damage to their underground assets with a total payout of \$217 million (excluding GST). LAPP's highest claim before this was just over \$5 million for claims arising from the 2004 Manawatu floods.

LAPP extended its cover arrangement from two events to three events from July 2017.

LAPP settled its Kaikoura-Hurunui earthquake claims with the settlement of the Hurunui District Council's claim in April 2019 having previously settled with Kaikoura and Marlborough District Councils in 2018, for a combined settlement of \$4.66 million.

Civic is the administration and fund manager for LAPP. LAPP's website is: www.lappfund.co.nz.

Riskpool/Civic Liability Pool (CLP)

Riskpool provides public liability and professional indemnity cover for councils and has done so since 1997. It is not a company, but a mutual liability fund governed by a trust deed. CLP is similar to Riskpool, but has no facility for calls. For the fund year ending 30 June 2017 Riskpool/CLP had 31 members.

As support had dropped off in recent years to this low level Riskpool could no longer offer the competitively priced cover and risk management services that it had provided over the previous 20 years.

As a result Riskpool/CLP decided to no longer provide cover after 30 June 2017 and will therefore be in run-off mode for at least the next three to ten years.

Local Government Mutual Funds Trustee Limited (LGMFT) is the trustee of Riskpool and CLP. Civic is the Fund Manager and Scheme Manager for Riskpool and Administration Manager for CLP.

Civic has entered into two arm's length, secured loan facility agreements on commercial terms with Local Government Mutual Funds Trustee Limited to enable Riskpool to manage its cashflows.

Riskpool members were advised in October 2018 that due to deteriorating claims experience in 2017-18 that Riskpool needed to make one interim call before a final call is made on wind up. The call which has been paid was for an amount of \$6 million payable on 1 July 2019, split \$3 million each to fund years 7 and 10.

A final call from Riskpool is likely in 2025 or 2026. It is expected that the amount of that call will be less than this previous call.

4. DIRECTORS

As at 31 December 2019 there were five directors: A.T. Gray, M.C. Hannan, A.J. Marryatt, J.B. Melville and B.J. Morrison. M.A. Butcher retired as a director with effect from 31 March 2019. Following a shareholder vote, it was resolved at the AGM on 21 June 2019 that the Company reduce the maximum number of directors from six to five with effect from 1 July 2019 of which two are to be appointed from outside the local authority sector.

Director attendances at Board meetings held in 2019:

Mark Butcher	1 / 1
Tony Gray	6 / 6
Mike Hannan	6 / 6
Tony Marryatt	6 / 6
John Melville	5 / 6
Basil Morrison	6 / 6

The Chairmen of each of the Board and the Risk and Audit Committee are elected at the first meeting held after each year's AGM.

Section 139 of the Companies Act 1993

All Civic directors are directors of LGMFT except Basil Morrison who resigned from LGMFT in March 2019 to ensure that one Civic director was independent of LGMFT. Subsequently there are two secured loan facility agreements that have been entered into between the Company and LGMFT whereby Civic loans LGMFT up to \$2,250,000 under each of two separate loans.

There are no other notices required under section 139 of the Companies Act 1993 except for Directors' remuneration. Changes to the Directors' fee pool are approved by shareholders at an AGM. The Board determines the allocation per Director based on the duties of the individual Director. The Director fees for subsidiary companies are set by the Parent Company Board. For the year ended 31 December 2019, Directors' remuneration was:

Mark Butcher	\$3,806
Tony Gray	\$15,339
Mike Hannan	\$15,339
Tony Marryatt	\$30,679
John Melville	\$23,009
Basil Morrison	\$15,339
	\$103,511

In addition, the following Directors received director fees in relation to their directorships of Riskpool or LGST:

Tony Gray	(Riskpool)	\$8,310
Mike Hannan	(Riskpool)	\$8,310
Tony Marryatt	(Riskpool)	\$16,620
John Melville	(Riskpool)	\$8,310
Basil Morrison	(Riskpool, LGST)	\$13,299
		\$54,849

Interests Register

Directors' interests are tabled at the beginning of each Board meeting. Directorship and other disclosures as at 31 December 2019 were:

A.T. Gray	Chair of Ngati Pukenga Investments Ltd; Tatau Tatau o Te Wairoa Commercial Limited; Director of Eastland Group Ltd including Gisborne Airport Ltd, Eastland Port; Eastland Network Ltd; Artemis Nominees Ltd; Quality Roding and Services (Wairoa) Limited; Local Government Mutual Funds Trustee Ltd; Executive Project Advisor to Hastings District Council; Trustee of Civic Property Pool; a party to an agreement for finance with the LGMFT.
M.C. Hannan	Trustee of Civic Property Pool; Director of Local Government Mutual Funds Trustee Ltd; a party to an agreement for finance with the LGMFT.
A.J. Marryatt	Chair of Local Government Mutual Funds Trustee Ltd; AJM Holdings Ltd; Trustee of Civic Property Pool; Member of SuperEasy KiwiSaver Superannuation Scheme; a party to an agreement for finance with the LGMFT.
J.B. Melville	Trustee of Civic Property Pool; Director of Local Government Mutual Funds Trustee Ltd; a party to an agreement for finance with the LGMFT.
B.J. Morrison	Chairman of Local Government Superannuation Trustee Ltd; Basil J Morrison & Associates Ltd; Member of SuperEasy KiwiSaver Superannuation Scheme; Trustee of Civic Property Pool; Waitangi Tribunal Member; Independent Hearings Commissioner for Auckland Council; Thames-Coromandel District Council Hearings Panel, Waikato Regional Council Hearings Commissioner; Accredited Commissioner – RMA.

The Company provides Directors and officers with, and pays the premiums for, Directors' and Officers' liability insurance to the full extent allowed for, and in accordance with the requirements of the Companies Act 1993. The renewal of the Company's Directors' and Officers' liability insurance was entered in the Interests Register pursuant to sections 162 and 163 of the Companies Act 1993. This insurance does not cover liabilities arising from criminal actions or deliberate and reckless acts or omissions by the Directors. The cover includes indemnity of costs and expenses incurred in defending an action that falls within the scope of the indemnity.

DIRECTORS' REPORT

Conduct of the Board and Board Committee

The Board has put in place and regularly reviews a number of good governance policies including Charters for the Board and the Risk and Audit Committee, Fit and Proper Policy, Code of Conduct, and a Risk Management Plan.

Use of Information

Directors, individually or collectively, may obtain independent professional advice relating to any matters concerning the Company's business or in relation to the discharge of the Director's responsibilities. Subject to approval of the Chairman the Company will reimburse the Director(s) some or all of the reasonable costs of the advice. During the reporting period, no Director has sought leave to obtain such advice.

Loans to Directors

No loans or advances have been made to Directors, their spouses or dependants, or to related parties during the year.

5. EMPLOYEE REMUNERATION

Detailed below is the number of employees who received remuneration in their capacity as employees of \$100,000 or more during the year ended 31 December 2019.

Remuneration	Number of Employees
\$140,000 – \$150,000	1
\$170,000 – \$180,000	1

The above remunerations include Company contributions to employees' superannuation (KiwiSaver and other), medical insurances and discretionary bonus payments.

6. AUDIT AND RISK MANAGEMENT

Pursuant to Section 15 of the Public Audit Act 2001 the Company's auditor is the Auditor General who has appointed Silvio Bruinsma using the staff and resources of Deloitte Limited to carry out the audit on his behalf.

The Risk and Audit Committee (RAC) comprises the full Board. John Melville is the Chairman of this committee. RAC met five times in 2019: the Auditor attended two of those meetings and a part of one of those meetings was held without management present.

7. DONATIONS

No donations have been made during the year by any Company in the Group (2018: \$0).

8. STAFF

We sincerely thank the staff for their work during the year. They are: Ian Brown, Sylvia Jackson, Chathuri Mendis, Lisa Norris, Ashley Reid, Tim Sole and Glenn Watkin.



Tony Marryatt **Chairman**
March 2020

DIRECTORS

Anthony (Tony) J. Marryatt (Chairman)
Anthony (Tony) T. Gray
Michael C. Hannan
John B. Melville
Basil J. Morrison CNZM JP

EXECUTIVE OFFICERS

Chief Executive : Ian Brown
Chief Financial Officer : Glenn Watkin

AUDITORS

The Auditor General, who has appointed Silvio Bruinsma, Deloitte Limited to carry out the audit on his behalf

BANKERS

ANZ Banking Group (New Zealand) Limited
Bank of New Zealand

LEGAL ADVISERS

Brandons
Kensington Swan

COMPANY REGISTRATION NO: 13271

REGISTERED OFFICE

Level 7, Civic Assurance House, 116 Lambton Quay, Wellington 6011

POSTAL ADDRESS

Civic Financial Services Ltd, PO Box 5521, Wellington 6140

OTHER CONTACT DETAILS

Telephone (04) 978 1250
Facsimile (04) 978 1260
Email admin@civicfs.co.nz
Website www.civicfs.co.nz

The Company is a participant in the Insurance & Financial Services Ombudsman Scheme (Inc)
Participant Number 2000427

Statement of Accounts

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTE	2019 \$	2018 \$
REVENUE			
Administration Fees		2,947,683	2,792,697
Interest Income	4	329,517	262,878
Property Income		571,970	885,736
Gain on sale of Building	7	1,209,909	-
Other Income		129	202
Total Revenue		5,059,208	3,941,513
EXPENDITURE			
Audit Fee			
Statutory Audit of the Financial Statements		116,462	109,779
Other Fees Paid to Auditors Re Assurance Services		30,500	27,500
Other Fees Paid to Auditors Re Tax Compliance		19,077	30,500
Compliance Costs		103,122	110,085
Consultants		44,852	47,936
Depreciation	6	35,053	46,134
Amortisation	6	-	246
Directors' Remuneration	3	103,511	113,344
Interest Expense		130,249	9,429
Legal Fees		38,273	29,547
Property Operating Expenses		396,332	512,887
Other Expenses		1,039,624	989,600
Employee Remuneration	3	729,533	825,430
Superannuation Subsidies		21,261	25,824
Total Expenditure		2,807,849	2,878,241
Surplus Before Revaluation of Investment Property and Taxation		2,251,359	1,063,272
Net Change in Value of Investment Property	7	-	133,070
Surplus Before Taxation		2,251,359	1,196,342
Taxation Expense	10	300,881	298,891
TOTAL COMPREHENSIVE SURPLUS AFTER TAX ATTRIBUTABLE TO OWNERS OF THE COMPANY	15	1,950,478	897,451

This statement is to be read in conjunction with the notes on pages 11 to 29.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	NOTE	2019 \$	2018 \$
SHAREHOLDERS' EQUITY			
Issued and Paid-Up Ordinary Shares			
Ordinary Shares fully paid up	15	10,763,506	10,763,506
Retained Earnings	15	(286,457)	7,181,545
TOTAL EQUITY		10,477,049	17,945,051
Represented By:			
CURRENT ASSETS			
Cash & Cash Equivalents		274,428	3,414,025
Term Deposits		5,290,045	1,200,000
Sundry Debtors and Prepayments	12	554,609	594,445
Loan Receivable	13	1,996,527	6,280,284
Income Tax Receivable	10	-	3,580
Total Current Assets		8,115,609	11,492,334
NON CURRENT ASSETS			
Property, Plant and Equipment	6	34,447	165,120
Intangible Assets (Software)	6	89,000	89,000
Deferred Tax Asset	10	2,486,080	2,786,961
Investment Property	7	-	7,777,583
Total Non Current Assets		2,609,527	10,818,664
TOTAL ASSETS		10,725,136	22,310,998
CURRENT LIABILITIES			
Sundry Creditors & Accrued Charges	12	112,990	204,028
Accrued Holiday Pay		37,662	45,228
Borrowings	13	-	4,000,000
CLP/ Riskpool Admin Fee Reserve		52,530	52,530
Total Current Liabilities		203,182	4,301,786
NON-CURRENT LIABILITIES			
CLP/ Riskpool Admin Fee Reserve		44,905	64,161
Total Non Current Liabilities		44,905	64,161
TOTAL LIABILITIES		248,087	4,365,947
EXCESS OF ASSETS OVER LIABILITIES		10,477,049	17,945,051

For and on behalf of the Directors:



TONY MARRYATT Chairman 19 March 2020



JOHN MELVILLE Director 19 March 2020

This statement is to be read in conjunction with the notes on pages 11 to 29.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTE	2019 \$	2018 \$
OPENING EQUITY		17,945,051	17,047,600
Total Comprehensive Surplus Net of Tax		1,950,478	897,451
Dividend Payment		(9,418,480)	-
Ordinary Shares issued during the year	15	-	-
CLOSING EQUITY		10,477,049	17,945,051

This statement is to be read in conjunction with the notes on pages 11 to 29.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTE	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Rent Received		561,561	889,802
Administration Fees Received		2,849,062	2,574,636
Other Income		129	202
Taxation (Paid)/Refunded		(5,133)	133
		3,405,619	3,464,773
Cash was applied to:			
Payments to Suppliers and Employees		2,605,883	2,838,687
		2,605,883	2,838,687
Net Cash Flow from Operating Activities	11	799,736	626,086
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Investment Income		115,061	76,150
Term Deposits		-	2,300,000
Investment Property		9,116,888	-
Loans Repaid from Related Parties		5,300,000	3,842,591
		14,531,949	6,218,741
Cash was applied to:			
Term Deposits		4,090,045	-
Purchase of Property, Plant and Equipment		30,721	21,423
Capital Additions to Investment Property		-	469,514
Loans Issued to Related Parties		985,550	8,790,242
		5,106,316	9,281,179
Net Cash Flow from Investing Activities		9,425,633	(3,062,438)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Loan Interest Received		183,763	157,409
Borrowings		(4,000,000)	4,000,000
		(3,816,237)	4,157,409
Cash was applied to:			
Interest Paid		130,249	9,429
Dividend Paid		9,418,480	-
		9,548,729	9,429
Net Cash Flow from Financing Activities		(13,364,966)	4,147,980
Net (Decrease)/Increase in Cash Held		(3,139,597)	1,711,628
Opening Cash Balance as at 1 January		3,414,025	1,702,397
Closing Cash Balance as at 31 December		274,428	3,414,025
Being:			
Cash & Cash Equivalents		274,428	3,414,025

This statement is to be read in conjunction with the notes on pages 11 to 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 1 REPORTING ENTITY

The reporting entity is Civic Financial Services Ltd (the "Company"), formerly known as New Zealand Local Government Insurance Corporation Ltd (trading as Civic Assurance). The Group comprises the Company and its subsidiaries listed in note 2 (b). The Group provides financial services principally for New Zealand local government and also provides property services. The Company provided insurance products to New Zealand local authorities until 31 December 2016 and subsequently opted to cancel its provisional insurance licence with the Reserve Bank of New Zealand. As a result this entity is not an FMC reporting entity from 17 January 2017.

Statement of Compliance

The Group is a Tier 2 Public Sector Public Benefit Entity and the financial statements have been prepared in accordance with and comply with Tier 2 Public Sector Public Benefit Entity (PBE) Standards.

NOTE 2 STATEMENT OF ACCOUNTING POLICIES**General Accounting Policies**

The measurement and reporting of profits on a historical cost basis have been followed by the Group, except for specific policies as described below. The reporting currency is New Zealand dollars. The Group is no longer subject to the requirements under the Insurance (Prudential Supervision) Act 2010 as a provisional licence holder.

Critical Judgements and Estimates in Applying the Accounting Policies

In the application of the PBE Standards the Directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. These are based on historical experience and other various factors and are reviewed on an ongoing basis.

The Directors believe that, as at the date of these financial statements, there are no significant sources of estimation uncertainty that have not been disclosed in these notes. The most significant judgements, estimates and assumptions made in the preparation of these financial statements are in respect of the recognition of the deferred tax asset (Note 10).

Particular Accounting Policies

The following particular accounting policies which materially affect the measurement of surplus and financial position have been applied. Further particular accounting policies are contained in the relevant notes to the financial statements.

(a) Consolidation of Subsidiaries

The Group financial statements incorporate the financial statements of the Company and its subsidiaries, which have been consolidated using the acquisition method. The results of any subsidiaries acquired or disposed of during the year are consolidated from the effective dates of acquisition or until the effective dates of disposal. All inter-company transactions, balances and unrealised profits are eliminated on consolidation.

(b) Investment in Subsidiaries

At 31 December 2019 the Company had three wholly owned subsidiaries which are all incorporated in New Zealand. Two of these, Local Government Superannuation Trustee Limited and SuperEasy Limited with balance dates of 31 December and Local Government Mutual Funds Trustee Limited (LGMFTL) with its balance date of 30 June did not have any significant assets, liabilities, revenue or expenses during the years ended 31 December 2018 and 31 December 2019.

LGMFTL is the trustee of New Zealand Mutual Liability Riskpool ("Riskpool") and Civic Liability Pool ("CLP"). The Company provides administrative services to Riskpool and CLP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 2 STATEMENT OF ACCOUNTING POLICIES CONTINUED

(c) Administration Fees

Administration fees are recognised at the agreed amounts based on time and expenses incurred. Administration fees collected during the year that will be utilised in future periods are held within the administration fee reserve on the Statement of Financial Position, until the point in time where administration services have been provided.

(d) Property Income

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

(e) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

(f) Basis of Measuring Other Income and Expenses

Income and expenses are accounted for on an accruals basis. All revenue is exchange revenue.

(g) Changes in Accounting Policies

There have been no material changes in the accounting policies during the year. All policies have been applied on bases consistent with those used in the prior year.

NOTE 3 KEY MANAGEMENT PERSONNEL AND RELATED PARTIES

The compensation of the Directors and executives, being the key management personnel of the Group, is set out below.

	2019	2018	2019	2018
	Number		\$	\$
Short term employee benefits				
Executive Management Personnel	3	3	409,204	479,523
Directors	6	6	103,511	113,344
			512,715	592,867

As at 31 December 2019 the Company had a loan receivable from New Zealand Mutual Liability Riskpool ("Riskpool") of \$973,927 (2018: \$6,086,844) and from Civic Liability Pool ("CLP") of \$1,022,600 (2018: \$193,440).

All related party transactions that the Group entered into during the year occurred within a normal client/supplier relationship and under terms equivalent to those that prevail in arm's length transactions in similar circumstances except for the loan to CLP which has no interest attached to it. Refer to Note 13 for information relating to loans with subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 4 FINANCIAL INSTRUMENTS

Accounting Policies:

i) Classification and Measurement

Financial instruments are transacted on a commercial basis to derive an interest yield / cost with the terms and conditions having due regard to the nature of the transaction and the risks involved. Financial instruments are recognised and accounted for on a settlement date basis.

Loans and Receivables

Other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate.

Bank and Cash Equivalents

Bank and cash equivalents are measured at amortised cost using the effective interest rate.

Financial Liabilities

Financial liabilities include Sundry Creditors, Accrued Charges and Subordinated Debt. Financial liabilities are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, liabilities are measured at amortised cost.

ii) Offsetting Financial Instruments

Financial assets and liabilities are not offset as there is no legally enforceable right to set-off.

iii) Asset Quality**Impairment of Financial Assets**

Financial assets measured at amortised cost are reviewed at each balance date to determine whether there is any objective evidence of impairment. If any such condition exists, the asset's recoverable amount is estimated and provision is made for the difference between the carrying amount and the recoverable amount.

As at the date of these Financial Statements, no such evidence of impairment exists.

iv) Fair Value of Financial Instruments

Fair value measurements recognised in the Statement of Financial Position

Financial instruments are categorised into 3 levels:

- **Level 1** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2** fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- **Level 3** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

v) Derivatives

The Group do not use any derivative financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 4 FINANCIAL INSTRUMENTS CONTINUED

Accounting Policies: continued

(1) Income Relating to Financial Assets

	2019 \$	2018 \$
Loans		
Interest Received – Loans	214,456	186,729
Cash & Cash Equivalents		
Interest Received – Short Term Deposits	115,061	76,149
Total Interest Income	329,517	262,878

(2) Financial Assets and Liabilities

The carrying amounts of all financial assets and liabilities are considered to be equivalent to their market value, which for these assets and liabilities is also considered to be fair value.

The Subordinated Debt is measured at amortised cost which is considered to be fair value.

All fixed interest investments were managed around a 90 day duration and carry a minimum Standard and Poors credit rating of "A" or equivalent. Loans are secured against Riskpool's future contributions and repayable with six months notice (refer to Note 13).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 4 FINANCIAL INSTRUMENTS CONTINUED**(2) Financial Assets and Liabilities** continued*Carrying value of Financial Assets and Financial Liabilities*

	2019 \$	2018 \$
Financial Asset: Loans and Receivables		
Sundry Debtors	501,440	444,308
Loans	1,996,527	6,280,284
Total Loans and Receivables	2,497,967	6,724,592
Financial Asset: Amortised Cost		
Cash & Cash Equivalents	274,428	3,414,025
Financial Liability: Amortised Cost		
Sundry Creditors & Accrued Charges	112,990	204,028
Borrowings	-	4,000,000
Total Amortised Cost	112,990	4,204,028

(3) Financial Risk – Structure and Management

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern. The Group's overall strategy is reviewed annually and remains unchanged.

Financial instruments which potentially subject the Group to a concentration of credit risk consist principally of cash and interest bearing deposits. The Group has no debt liability instruments.

The Group does not require collateral or other security to support financial instruments with credit risk and as such, no collateral exists for any of the investments held by the Group. The maximum credit risk exposure is the carrying amount of the individual debtor and investment balances.

The Group has placed interest bearing deposits and funds to be managed with financial institutions and limits its amount of credit exposure to any one such institution.

(a) Market Risk

All financial assets and liabilities are New Zealand Dollar based and are recorded at amortised cost, therefore changes in interest rates and foreign currency values do not impact on their carrying value.

(b) Carrying Amount and Fair Value

The carrying amounts of all financial assets and liabilities are considered to be equivalent to their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 4 FINANCIAL INSTRUMENTS CONTINUED

(3) Financial Risk – Structure and Management continued

(c) Liquidity Risk

Liquidity Risk is the risk that the Group will encounter difficulties in raising funds at short notice to meet commitments associated with financial instruments. Management of liquidity risk is designed to ensure that the Group has the ability to meet financial obligations as they fall due.

The following tables include an analysis of the contractual undiscounted cash flows relating to the Group's financial assets and liabilities categorised by the maturity dates.

Maturity Analysis as at 31 December 2019						
	Interest Rate Spread %	Within 6 months \$	6 to 12 months \$	1 to 2 years \$	2 to 5 years \$	Total \$
Assets						
Cash & Cash Equivalents	0 to 0.35%	274,428	-	-	-	274,428
Term Deposits	1.75% to 2.75%	5,290,045	-	-	-	5,290,045
Other Receivables	n/a	501,440	-	-	-	501,440
Loans	3.79% to 4.52%	1,996,527	-	-	-	1,996,527
Total Financial Assets		8,062,440	-	-	-	8,062,440
Liabilities						
Sundry Creditors & Accrued Expenses	n/a	112,990	-	-	-	112,990
Borrowings	-	-	-	-	-	-
Total Financial Liabilities		112,990				112,990
Maturity Analysis as at 31 December 2018						
	Interest Rate Spread %	Within 6 months \$	6 to 12 months \$	1 to 2 years \$	2 to 5 years \$	Total \$
Assets						
Cash & Cash Equivalents	0 to 3.45%	3,414,025	-	-	-	3,414,025
Term Deposits	3.05%	1,200,000	-	-	-	1,200,000
Other Receivables	n/a	637,748	-	-	-	637,748
Loans	4.71% to 6.28%	6,086,844	-	-	-	6,086,844
Total Financial Assets		11,338,617	-	-	-	11,338,617
Liabilities						
Sundry Creditors & Accrued Expenses	n/a	204,028	-	-	-	204,028
Borrowings	4.78%	-	4,000,000	-	-	4,000,000
Total Financial Liabilities		204,028	4,000,000	-	-	4,204,028

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 4 FINANCIAL INSTRUMENTS CONTINUED**(3) Financial Risk – Structure and Management** continued**(d) Credit Risk**

All investments are in the form of cash held at registered banks and loans. The registered banks have a credit rating of "A" or better. Loans are with Riskpool (refer to Note 13).

(i) Exposure to Credit Risk

	2019 \$	2018 \$
Cash & Cash Equivalents	274,428	3,414,025
Term Deposits	5,290,045	1,200,000
Other Receivables	501,440	637,748
Loans	1,996,527	6,086,844
Total	8,062,440	11,338,617

(ii) Concentration of Credit Exposure

94% of the Company's credit exposure is in the form of cash and term deposits held with registered banks and loans to Riskpool.

NOTE 5 OPERATING LEASE COMMITMENTS

	2019 \$	2018 \$
Operating Lease Expense Commitments:		
not later than one year	74,208	12,444
later than one year but not later than five years	256,832	29,035
later than five years	37,400	-
	368,440	41,479
Operating Lease Income Commitments:		
not later than one year	-	792,940
later than one year but not later than five years	-	2,247,948
later than five years	-	96,562
	-	3,137,450

Operating lease income relates to a combination of office and retail tenancies to the Investment Property referred to in Note 7. The property was sold in August 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 6 PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS

Accounting Policy:

Assets are depreciated on a straight line basis at rates calculated to allocate the assets' cost, in equal instalments over their estimated useful lives which are assessed and regularly reviewed.

Depreciation Rates	
Office Furniture and Equipment	up to 17 years
Intangibles – Software	5 years

	2019 \$	2018 \$
(a) Property, Plant and Equipment		
Office Furniture and Equipment – cost	690,697	669,274
Plus Additions	33,776	21,423
Less Disposals	(595,089)	-
Closing Value – cost	129,384	690,697
Office Furniture and Equipment – Accumulated Depreciation	(525,577)	(479,443)
Less Depreciation Charge	(35,053)	(46,134)
Less Disposals	465,693	-
Closing Accumulated Depreciation	(94,937)	(525,577)
Net Book Value	34,447	165,120

The Total Comprehensive Surplus After Tax in the Statement of Comprehensive Income includes a \$3,055 loss on disposal of fixed assets (2018: nil).

(b) Intangible Assets		
Software - cost	519,453	519,453
Plus Additions	-	-
Less Disposals	-	-
Closing Value – cost	519,453	519,453
Software – Accumulated Amortisation	(430,453)	(430,207)
Less Amortisation Charge	-	(246)
Less Disposals	-	-
Closing Accumulated Amortisation	(430,453)	(430,453)
Net Book Value	89,000	89,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 7 INVESTMENT PROPERTY**Accounting Policy:**

Investment property is measured at fair value, by reference to an external market valuation (performed annually), with any resulting unrealised gain or loss recognised in the Statement of Comprehensive Income.

	2019 \$	2018 \$
Civic Assurance House, Lambton Quay, Wellington		
(a) Land and Building	-	7,150,000
Refurbishment	-	469,513
Increase/(Decrease) in value	-	133,070
Level 3 Fair Value	-	7,752,583
(b) Artwork valuation	-	25,000
Fair Value	-	25,000
	-	7,777,583

The Company had received preliminary advice that investigations and calculations as part of a seismic assessment review highlighted an issue with unreinforced masonry in non-structural parts of the building and, under the Building (Earthquake-prone Buildings) Amendment Act 2016, the building was therefore potentially earthquake prone.

The Company mitigated this risk and completed seismic strengthening work by 31 March 2019. Civic Assurance House achieved a 70% New Building Standard (NBS) rating when the strengthening work was completed. The investment property valuation for 2018 had been obtained as at 30 October 2018 on an 'as if complete' basis in regards to the strengthening and asbestos works that were required to be completed. As at 31 December 2018 \$352k had been spent on earthquake strengthening and \$51k had been spent on asbestos works, with further works to be completed after 31 December 2018. The amount spent as at year end on the works has been added onto the valuers valuation of the property to reach the final fair value of the property.

The investment property valuation as at 30 October 2018 was completed on 7 November 2018 by independent registered valuer Martin Veale (ANZIV, SPINZ) of the firm Telfer Young (Wgtn) Ltd. The property was valued in accordance with International Valuation Standards 2017. The Investment property was Level 3 fair value due to containing unobservable inputs.

The adopted market value had been established by consideration of the Income Capitalisation and Discounted Cashflow approaches. Major inputs and assumptions used in the valuation were rental income, capital expenditure, capitalisation rate and market rent per square metre, discount rate, occupancy and weighted average lease terms.

The Company borrowed \$4,000,000 from the ANZ Bank with this loan secured over Civic Assurance House. This loan was repaid in full on 15 August 2019.

The investment property was sold during the reporting period for \$10,115,000 following the completion of earthquake strengthening and asbestos works as described below. Settlement for the sale of Civic Assurance House was 15 August 2019. Following settlement, on 19 August 2019 the Company paid a special dividend to shareholders of \$9,418,480 plus accompanying imputation credits to offset any tax liability for shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 8 ANALYSIS OF FINANCIAL ASSETS NOT IMPAIRED

There are no financial assets that are impaired or past due at balance date (2018: \$nil).

NOTE 9 CONTINGENT LIABILITIES

There are no contingent liabilities (2018: \$nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 10 TAXATION

Accounting Policies:

i) Current Tax

The current income tax expense charged against the profit for the year is the estimated liability in respect of the taxable profit. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for the current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Tax assets are offset only when there is a legally enforceable right to set off the recognised amounts, and an intention to settle on a net basis.

ii) Deferred Tax

The liability method of accounting for deferred taxation is applied on a comprehensive balance sheet basis in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income.

iii) Goods and Services Tax (GST)

Revenue, expenses, assets and liabilities are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority the GST is recognised as part of the cost of the acquisition of the assets or as part of the expense item as applicable.*
- Receivables and payables, which are stated with the amount of GST included.*

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 10 TAXATION CONTINUED

(a) Income tax recognised in the Statement of Comprehensive Income

	2019	2018
	\$	\$
Tax expense comprises:		
Current tax expense	-	-
Adjustments recognised in the current year in relation to the current tax of prior years	-	-
Deferred tax relating to temporary differences	300,881	298,891
Total tax expense	300,881	298,891
Attributable to:		
Continuing operations	300,881	298,891
	300,881	298,891

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	2019	2018
	\$	\$
Surplus before tax	2,251,359	1,196,342
Income tax calculated at 28%	630,382	334,977
Tax effect of permanent differences	(337,412)	(36,057)
Prior Period Adjustment	7,912	(28)
Income Tax Expense	300,881	298,891

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 10 TAXATION CONTINUED**(b) Current tax assets and liabilities**

	2019 \$	2018 \$
Tax refund receivable	-	3,580
	-	3,580

(c) Deferred tax balances

	2019 \$	2018 \$
Deferred tax assets comprise:		
Temporary differences	2,484,665	3,311,153
	2,484,665	3,311,153
Deferred tax liabilities comprise:		
Temporary differences	1,416	(524,191)
	1,416	(524,191)
Net Deferred Tax balance	2,486,080	2,786,961

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 10 TAXATION CONTINUED

(c) Deferred tax balances continued

Gross taxable and deductible temporary differences for the Group arise from the following:

	Opening Balance \$	Charged to Income \$	Charged to Equity \$	Prior Period Adjustment \$	Closing Balance \$
Investment gains	-	-	-	-	-
Building, property and equipment	(1,872,109)	1,905,422	-	(28,256)	5,057
	(1,872,109)	1,905,422	-	(28,256)	5,057
Employee entitlements	41,132	11,033	-	(25,625)	26,540
Losses carried forward	11,784,413	(2,962,774)	-	25,625	8,847,264
2019	11,825,545	(2,951,741)	-	-	8,873,804
Attributable to:					
Continuing operations	9,953,436	(1,046,319)	-	(28,256)	8,878,861
Total	9,953,436	(1,046,319)	-	(28,256)	8,878,861
Tax effect at 28%	2,786,963	(292,970)	-	(7,913)	2,486,080
Investment gains	-	-	-	-	-
Building, property and equipment	(1,794,628)	(89,567)	-	12,086	(1,872,109)
	(1,794,628)	(89,567)	-	12,086	(1,872,109)
Employee entitlements	40,265	867	-	-	41,132
Losses carried forward	12,775,265	(978,865)	-	(11,987)	11,784,413
2018	12,815,530	(977,998)	-	(11,987)	11,825,545
Attributable to:					
Continuing operations	11,020,902	(1,067,565)	-	99	9,953,436
Total	11,020,902	(1,067,565)	-	99	9,953,436
Tax effect at 28%	3,085,851	(298,916)	-	28	2,786,963

No liability has been recognised in respect of the undistributed earnings of subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

The deferred tax asset relating to tax losses carried forward has been recognised as the financial forecasts anticipate the Group maintaining sufficient profitability in future financial years (refer Note 20).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

(d) Imputation Credit Account

	2019 \$	2018 \$
Closing Balance	1,593,490	5,259,812

NOTE 11 RECONCILIATION OF COMPREHENSIVE INCOME AFTER TAX WITH CASH FLOW FROM OPERATING ACTIVITIES**Accounting Policy:**

The Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Statement of Comprehensive Income. The GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to, the taxation authority is classified as operating cash flow.

The following are definitions of the terms used in the Statement of Cash Flows:

- Bank comprises cash on hand and demand deposits.
- Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of Cash and which are subject to insignificant risk of changes in value.
- Cash flows are inflows and outflows of cash and cash equivalents.
- Operating activities are the principal revenue producing activities of the entity and other activities that are not investing or financing activities.
- Investing activities are the acquisition and disposal of long-term assets.
- Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 11 RECONCILIATION OF COMPREHENSIVE INCOME AFTER TAX WITH CASH FLOW FROM OPERATING ACTIVITIES CONTINUED

	2019 \$	2018 \$
Total Comprehensive Surplus	1,950,478	897,451
Add/(less) non cash items		
Loan Interest	(30,693)	(29,319)
Depreciation	35,053	46,134
Amortisation	-	246
Movement in CLP/ Riskpool Admin Fee Reserve	(19,256)	(225,835)
Movement in Deferred Tax Asset	300,881	298,891
Net change in fair value of investment property	-	(133,070)
	285,985	(42,953)
Add/(less) movements in other working capital items		
Sundry Debtors and Prepayments and Reinsurance Recoveries	39,835	(59,784)
Sundry Creditors and Accrued Charges	(98,603)	55,502
Tax Refund Due	3,580	-
	(55,188)	(4,282)
Add/(Less) Items Classified as Investing Activity	(1,511,787)	(76,150)
Add/(Less) Items Classified as Financing Activity	130,249	(147,980)
Net Cash Flow from Operating Activities	799,736	626,086

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 12 SUNDRY DEBTORS AND CREDITORS**(a) Sundry Debtors and Prepayments**

	2019 \$	2018 \$
Sundry Debtors	501,440	444,308
Prepayments	43,296	145,453
GST Receivable	9,873	4,684
Sundry Debtors and Prepayments	554,609	594,445

(b) Sundry Creditors and Accrued Charges

	2019 \$	2018 \$
Sundry Creditors and Accrued Charges	112,990	204,028
Sundry Creditors and Accrued Charges	112,990	204,028

NOTE 13 LOANS***Loan Receivable***

Local Government Mutual Funds Trustee Limited is the trustee of New Zealand Mutual Liability Riskpool ("Riskpool") and Civic Liability Pool ("CLP"). The Company provides administrative services to Riskpool and CLP.

Secured loan agreements between the Company and Local Government Mutual Funds Trustee Limited on behalf of New Zealand Mutual Liability Riskpool ("Riskpool") were entered into in February 2017, August 2017 and again in November 2018 to assist with Riskpool's cashflow. The amounts made available under the 2017 agreements were reduced in 2018 to provide facilities of \$2,250,000 each (2017: \$3,000,000) and under the terms of the loans the interest rate is set as BKBM plus a margin. The November 2018 agreement provides a loan facility of \$4,000,000. Under the terms of the loan agreement the interest rate is set at the ANZ Bank lending rate plus a margin. Riskpool may repay the loans and any interest at any time without penalty. The Company may at any time withdraw the facilities by notice in writing to Riskpool to that effect, from which time no further funds will be provided but without giving rise to a requirement for Riskpool to repay the outstanding balance of the loan. The Company may require repayment of the loans (including all interest) in full or in part at any time with six months' notice. Either party may terminate the agreements on six months' notice or any other such period that both parties agree to. On termination, the loan outstanding and any interest due to the date of repayment must be paid within the period of notice. The loan outstanding at 31 December 2019 is \$973,927 (2018: \$6,086,844).

The Company and Local Government Mutual Funds Trustee Limited on behalf of Civic Liability Pool ("CLP") have an agreement whereby the Company funds any claims payable for CLP under the Trust Deed, without charge to the Trust, which will be reimbursed by CLP in respect of any such claim payments when CLP receives the applicable reinsurance payments on the claims. The loan outstanding at 31 December 2019 is \$1,022,600 (2018: \$193,440).

Borrowings

The Company borrowed \$4,000,000 from the ANZ Bank in 2018 with this loan secured over Civic Assurance House. The loan was repaid in full on 15 August 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 14 AUDIT FEES

A breakdown of the fees paid to the auditors is below:

	2019 \$	2018 \$
Statutory Audit of the Financial Statements		
Civic Financial Services	57,975	52,235
Civic Liability Pool	15,000	13,500
Local Government Superannuation Trustee	43,487	44,044
Total Statutory Audit of the Financial Statements	116,462	109,779
Other Fees Paid to Auditors Re Assurance Services	30,500	27,500
Other Fees Paid to Auditors Re Tax Compliance	19,077	30,500
Total Fees Paid to the Auditors	166,039	167,779

NOTE 15 SHAREHOLDERS' EQUITY

The Share Capital of the Group comprises solely authorised and issued ordinary shares with each share ranking equally in votes, dividends and surpluses. In 2018, there were no shares were issued. There were no shares issued during 2019.

	2019 \$	2018 \$
Retained Earnings		
Opening Balance	7,181,545	6,284,094
Net Surplus After Taxation	1,950,478	897,451
Dividend Payment	(9,418,480)	-
Closing balance	(286,457)	7,181,545
Shareholders Capital		
Opening Balance	10,763,506	10,763,506
Ordinary Shares issued during the year	-	-
Closing balance	10,763,506	10,763,506
Number of Ordinary Shares Fully Paid	11,249,364	11,249,364
Par Value per Share	\$0.93	\$1.60
Dividend Payment per Share	\$0.84	\$0.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

NOTE 16 EQUITY RETAINED FOR FINANCIAL SOUNDNESS

All shareholder equity is retained to ensure the financial soundness of the Group with cash being retained for cash flow purposes. A special dividend of \$9,418,480 was paid to shareholders on 19 August 2019 following the sale of Civic Assurance House.

NOTE 17 STANDARDS APPROVED BUT NOT YET EFFECTIVE**Standards and Interpretations in issue not yet adopted**

At the date of authorisation of the financial report, one Standard and Interpretation was in issue that was relevant to the Group, but not yet effective.

Initial application of the following Standard is not expected to affect any of the amounts recognised in the financial report or change the presentation and disclosures presently made in or relation to the Group's financial report:

	<i>Effective for annual reporting periods beginning on or after</i>	<i>Expected to be initially applied in the financial year ending</i>
Revised NZ IFRS 9 'Financial Instruments'	1 January 2021	31 December 2021

NOTE 18 SUBSEQUENT EVENTS

There have been no material events subsequent to 31 December 2019 that require adjustment to or disclosure in the financial statements.

NOTE 19 CAPITAL COMMITMENTS

The Company has no capital commitments at balance date (2018: \$431,527 for contracts relating to the earthquake strengthening and asbestos works).

NOTE 20 GOING CONCERN

The financial statements have been prepared on a going concern basis.

The profitability of financial services supports the going concern assumption for Civic Financial Services Ltd as a whole. The deferred tax asset is reviewed regularly and at balance date against forecast profits and future business opportunities. The Directors believe that it is probable that sufficient taxable profits will be available in the future against which the unused tax losses can be utilised.



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF CIVIC FINANCIAL SERVICES LIMITED'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

The Auditor-General is the auditor of Civic Financial Services Limited and its subsidiaries (the 'Group'). The Auditor-General has appointed me, Silvio Bruinsma, using the staff and resources of Deloitte Limited, to carry out the audit of the consolidated financial statements of the Group on his behalf.

OPINION

We have audited the consolidated financial statements of the Group on pages 7 to 29, that comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the consolidated financial statements that include accounting policies and other explanatory information.

In our opinion, the consolidated financial statements of the Group:

- present fairly, in all material respects:
 - its financial position as at 31 December 2019; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Sector Public Benefit Entity Standards.

Our audit was completed on 19 March 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the audit of the consolidated financial statements, we comment on other information and we explain our independence.

BASIS FOR OUR OPINION

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

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

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The Board of Directors is responsible on behalf of the Group for preparing consolidated financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, the Board of Directors is responsible, on behalf of the Group, for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Companies Act 1993.

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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

We did not evaluate the security and controls over the electronic publication of the consolidated financial statements.

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

- We identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements, or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.



INDEPENDENT AUDITOR'S REPORT *CONTINUED*

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 5 but does not include the consolidated financial statements, and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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

INDEPENDENCE

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

In addition to the audit, we have carried out engagements in the areas of tax compliance and controls assurance, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Group.

A handwritten signature in blue ink that reads "Silvio Bruinsma".

Silvio Bruinsma
Deloitte Limited
On behalf of the Auditor-General
Wellington, New Zealand

**CIVIC FINANCIAL SERVICES SHAREHOLDERS
AS AT 31 DECEMBER 2019**

SHAREHOLDER MEMBER	NO. OF SHARES		SHAREHOLDER MEMBER	NO. OF SHARES	
CITY COUNCILS			DISTRICT COUNCILS (Cont'd)		
Auckland	2,195,042	19.51%	Rangitikei	35,338	0.31%
Christchurch	1,417,704	12.60%	Rotorua	175,906	1.56%
Dunedin	470,966	4.19%	Ruapehu	56,666	0.50%
Hamilton	202,729	1.80%	South Taranaki	135,496	1.20%
Hutt	479,822	4.27%	South Waikato	42,374	0.38%
Invercargill	407,927	3.63%	South Wairarapa	53,930	0.48%
Napier	283,842	2.52%	Southland	13,715	0.12%
Nelson	95,543	0.85%	Stratford	65,608	0.58%
Palmerston North	411,737	3.66%	Tararua	99,972	0.89%
Porirua	140,146	1.25%	Tasman	65,584	0.58%
Tauranga	124,242	1.10%	Taupo	83,971	0.75%
Upper Hutt	51,209	0.46%	Thames-Coromandel	27,120	0.24%
Wellington	526,821	4.68%	Timaru	230,118	2.05%
DISTRICT COUNCILS			Waikato	41,070	0.37%
Ashburton	56,016	0.50%	Waimakariri	88,172	0.78%
Buller	27,698	0.25%	Waimate	30,458	0.27%
Carterton	23,642	0.21%	Waipa	149,082	1.33%
Central Hawke's Bay	28,580	0.25%	Wairoa	22,992	0.20%
Central Otago	91,238	0.81%	Waitaki	120,000	1.07%
Clutha	33,711	0.30%	Waitomo	16,940	0.15%
Far North	85,440	0.76%	Wanganui	289,660	2.57%
Gisborne	99,404	0.88%	Western Bay of Plenty	28,142	0.25%
Gore	54,589	0.49%	Westland	28,356	0.25%
Grey	33,742	0.30%	Whakatane	38,788	0.34%
Hastings	129,170	1.15%	Whangarei	63,524	0.56%
Hauraki	63,434	0.56%	REGIONAL COUNCILS		
Horowhenua	110,689	0.98%	Bay of Plenty	55,000	0.49%
Hurunui	14,000	0.12%	Canterbury	152,696	1.36%
Kaikoura	10,000	0.09%	Hawke's Bay	20,000	0.18%
Kaipara	13,629	0.12%	Horizons	2,000	0.02%
Kapiti Coast	15,060	0.13%	Southland	10,000	0.09%
Kawerau	31,161	0.28%	Taranaki	1,000	0.01%
Manawatu	203,964	1.81%	Waikato	22,000	0.20%
Marlborough	86,022	0.76%	Wellington	80,127	0.71%
Masterton	127,230	1.13%	OTHER		
Matamata-Piako	122,554	1.09%	TrustPower	137,251	1.22%
New Plymouth	441,456	3.92%	Total Shares 11,249,364		
Opotiki	20,000	0.18%			
Otorohanga	5,000	0.04%			
Queenstown-Lakes	31,149	0.28%			

Chris Ryan
Chief Executive
Waitomo District Council
PO Box 404
TE KUITI 3941

13 December 2019

Dear Chris

Civic Financial Services - Statement of Intent for 2020

Please find enclosed your copy of Civic's Statement of Intent for 2020.

Sale of Civic Assurance House: As communicated to you in our 2019 Statement of Intent, the strengthening work to prepare Civic Assurance House would be completed by 31 March 2019; at which time the building would be taken to market. This work was completed on time. A satisfactory price was subsequently received, and the building sold with a settlement date of 15 August 2019. On 19 August Civic paid a Special Dividend to its shareholders, totalling an amount of \$9,418,480 plus accompanying imputation credits of \$3,662,742.22; representing the sale price of \$10,115,000 less selling costs of \$696,520.

Sources of Income: Our income now comes from two sources; providing administration services and investment income. The main income source from our administration services comes from supporting our two superannuation schemes (SuperEasy and SuperEasy KiwiSaver Superannuation Scheme) and additionally supported by administration services to LAPP, Riskpool, Civic Liability Pool and Civic Property Pool.

Where Our Superannuation Business Stands Today: Our superannuation business has now become the prime financial driver of the company. Civic introduced the SuperEasy employer scheme in June 2005 and then the SuperEasy KiwiSaver Superannuation Scheme in July 2007, both on an exclusive basis to the NZ local government sector. Our ongoing promotion, and support from the sector has now established our superannuation business where we have a superannuation arrangement with 76 councils and are preferred provider for 70 of the 75 councils that have selected an employer chosen scheme for KiwiSaver. We are represented throughout the length and breadth of the country including district, regional and all metro councils in New Zealand.

Support From The Sector: With the support and buy-in from the sector throughout this time for both our Schemes we are now currently closing in on 11,000 members and have funds under management of over \$420,000,000.

What We Have Collectively Created: With your support we have created an exclusive retirement savings club for our local government family that can be enjoyed in perpetuity. This is a great achievement. Members can retain their membership of both Schemes for as long as they choose, even after they have left council, or are in their retirement, and on the same low wholesale charging basis that applies to local government employees.

And It's Just Got Better: To support and enhance this primary source of income from providing administration services to its SuperEasy and SuperEasy KiwiSaver Superannuation Schemes, for the period of this Statement Of Intent (2020 – 2022) Civic will not be paying a dividend to its shareholders. We will be using the funds that would otherwise be provided as dividends by way of applying this as a reduction to the management fees for the members of these schemes. The effective date of introducing this fee reduction is 1 April 2020.

What Are Our New Fees: We currently have the same low base investment management fee (0.5% per annum) for all our members irrespective of what fund or combination of funds they are invested in. From 1 April 2020 our base investment management fee will be reducing from 0.5% per annum to 0.44% per annum. This will be a permanent reduction and will have a significant financial impact for all our member's account balances.

Thank You. Our schemes provide a great retirement savings package that not only can be used to build up savings for retirement but have been designed to manage your savings throughout your retirement. This latest announcement has reinforced this message. It demonstrates how serious we are to exclusively serving our local government family.

We could not have achieved this without your Council's support and for that I thank you.

Yours sincerely



Ian Brown
Chief Executive
Email: ian.brown@civicfs.co.nz

CIVIC FINANCIAL SERVICES LIMITED
STATEMENT OF INTENT
FOR THE YEAR ENDED 31 DECEMBER 2020

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1.0 Mission Statement

Mission Statement of Civic Financial Services Ltd
To provide superannuation and risk-financing solutions to the local government sector

2.0 Corporate Goals

The specific goals of the Company are:

- 2.1 To operate as a sound and successful business.
- 2.2 To be the primary supplier of superannuation and risk-financing services to the local government sector.
- 2.3 To investigate and facilitate, as appropriate, new products and markets in superannuation and risk-financing and such other markets that it believes could prove beneficial to its shareholders and the local government sector.

3.0 Nature and Scope of Activities

- 3.1 The Company administers superannuation services for local government and local government staff via SuperEasy and the SuperEasy KiwiSaver Superannuation Scheme.
- 3.2 The Company provides administration, accounting, and a range of other services to LAPP, Riskpool, CLP (Civic Liability Pool) and CPP (Civic Property Pool).
- 3.3 The Company investigates and facilitates as appropriate such new superannuation and risk-financing services and/or markets that it believes will prove beneficial to its shareholders and the local government sector.
- 3.4 In a modest and selective way the Company provides sponsorship for a range of local government activities at regional and national level.

4.0 Financial Projections

Civic's projected profit outlook over the next three years is shown in the tables below.

Civic's main revenue streams will come from the two following sources: fees from providing administration services and investment income.

Profits from providing administration services: Civic's source of income in 2020 will primarily come from providing administration services as described in section 3.1. (superannuation services for local government and local government staff via the SuperEasy and the SuperEasy KiwiSaver Superannuation Schemes) and additionally supported by services described in 3.2. (administration, accounting, and a range of other services to LAPP, Riskpool, Civic Liability Pool and Civic Property Pool).

Profits from investment income: Civic's income in 2020 other than from providing administration services will come solely from investment income. As communicated to you in the 2019 Statement of Intent, the strengthening work to prepare Civic Assurance House would be completed by 31 March 2019; at which time the building would be taken to market. A satisfactory price was subsequently received, and the building sold with a settlement date of 15 August 2019. On 19 August Civic paid a Special Dividend to its shareholders, totalling an amount of \$9,418,480 plus accompanying imputation credits of \$3,662,742.22; representing the sale price of \$10,115,000 less selling costs of \$696,520. The sale of Civic Assurance House and subsequent removal of rental income has been taken into consideration in the projections below.

Paying future dividends: To support and enhance Civic's primary source of income from providing administration services to its SuperEasy and SuperEasy KiwiSaver Superannuation Schemes, for the period of this Statement Of Intent (2020 – 2022) Civic will not be paying a dividend to its shareholders. We will be using the funds that would otherwise be provided as dividends by way of applying this as a reduction to the management fees for the members of these schemes. The effective date of introducing this fee reduction is 1 April 2020 at which time the schemes' base management fee will be reducing from 0.5% per annum to 0.44% per annum. This reduced fee structure has been taken into consideration and is reflected in the projections below.

Financial projections for 2020 to 2022 are:

	2020	2021	2022
Administration Income	\$2,130,746	\$2,157,238	\$2,242,406
Investment Income	\$152,513	\$158,000	\$163,000
Revenue	\$2,283,258	\$2,315,238	\$2,405,406
Expenses	\$2,024,486	\$2,114,520	\$2,139,963
Surplus before tax	\$ 258,772	\$200,718	\$265,443

Please note that these are projections, not firm predictions.

5.0 Performance Targets and Measures

- 5.1 To provide superannuation services to at least 90% of local authorities.
- 5.2 To continue to be an efficient and effective administration manager for LAPP, Riskpool, CLP and CPP.

6.0 Reporting to Shareholders

- 6.1 An audited annual report for 2019 by 30 April 2020.
- 6.2 A report on the first half of 2020 by 30 September 2020 containing a review of the Company's operations during the half year and unaudited half-yearly accounts.

7.0 Acquisitions/Disposals

Any acquisition or disposal that is equivalent to 50% or more of the Company's assets will constitute a "major transaction" under the Company's constitution and approval of the shareholders will be sought in accordance with the constitution. Any acquisition that is equivalent to 25% or more but less than half of the Company's assets will constitute a "minor transaction" under the Company's constitution and consultation with shareholders will take place.

8.0 Transactions with Related Parties

The Company has 72 local authority shareholder members plus TrustPower (holding 1.22%). Local Government Superannuation Trustee Limited and Local Government Mutual Funds Trustee Limited are wholly owned subsidiaries of the Company. Because it is sharing management resources, the Local Authority Protection Programme (LAPP), Riskpool, CLP and CPP are also considered to be related parties. Transactions with shareholder members include risk-financing services and superannuation related financial services.

Charges to and from shareholder members will be made for services provided as part of the normal trading activities of the Company and its subsidiaries. Transactions with shareholder members are on a wholly commercial basis.

***** END *****

Document No: A447388

Report To: **Audit, Risk and Finance Committee**



Meeting Date: 5 May 2020

Subject: **Insurance Update Report for the Insurance Year to 31 October 2020**

Type: Information Only

Purpose of Report

- 1.1 The purpose of this business paper is to brief the Committee on Council's 2019-20 insurance arrangements currently in place.

Background

- 2.1 Council is a member of the Waikato Local Authority Shared Services (WLASS) Insurance Collective which has a membership of ten councils in the greater Waikato area. Council has been part of the Insurance Collective under the umbrella of WLASS since its inception in June 2012.

Commentary

- 3.1 For the Insurance Policies taken out under the WLASS Collective arrangement, AON New Zealand (AON) acts as the Insurance Brokers.
- 3.2 There have been many benefits of being a member of the Insurance Collective including reduced premiums through greater buying power and continued reassessment of Council's insurance requirements.
- 3.3 The Insurance Policies taken out under the WLASS Collective arrangement were renewed on 31 October 2019 for a 12 month period to 31 October 2020.
- 3.4 The Public Liability and Professional Indemnity Policy was renewed earlier on 30 June 2019 through Marsh Insurance Brokers, with placement in the London Combined Liability Market.
- 3.5 The table below summarises the insurance policies currently in place along with a brief description of the coverage and respective excess arrangements:

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Policy	Description	Values Covered	Premiums (Excluding GST)	Excess
Material Damage	Covers all risks to identified buildings, contents such as computers, books and furniture. Also covers above ground infrastructural assets such as treatment plants and reservoirs and other community assets such as playgrounds and statues. Coverage is provided under two policies; Fire Only and Excluding Fire.	Replacement value covered \$104,099,572 Fire Limit \$15 million	Premiums \$84,056 Fire Service Levy \$15,900 Natural Disaster Premium \$35,666 Earthquake Commission \$6,914 Total \$142,536.	Council's with more than \$70 million declared value \$10,000. Fire following a natural disaster 2.5% of material damage site value with a minimum of \$10,000 each site. Fire following a natural disaster 10% of pre-1935 property material damage site value with a minimum of \$10,000 each site.
Infrastructure Insurance (40% Placement)	Cover for below ground infrastructural assets such as pipes, connections and manholes for natural catastrophic events such as earthquake, volcanic eruption, landslip and flooding damage. This policy meets central governments requirements that Councils are to meet 40% share of the cost of a natural disaster.	Total asset replacement value \$62,093,940	Premium \$17,918	Deductible \$250,000 to be applied 100% to the full loss in any one event, prior to the 40% claim settlement adjustment from Central Government
Infrastructure 60% Primary Layer	Additional primary layer cover is also in place to cover the first \$10 million layer of the government's 60% share of a natural hazard claim. This policy would respond to claim for smallish event which the government chooses not to cover.	Total asset replacement value \$62,093,940	Premium \$13,146	Deductible \$250,000 to be applied 100% to the full loss in any one event, prior to the 40% claim settlement adjustment from Central Government
Business Interruption	Covers consequential loss resulting from physical loss or damage to Council owned property such as loss of rental income if a building burns down. The policy has	Shared Limits: increased cost of working \$10 million and claims preparation \$2.5 million.	Premium \$2,358 Natural Disaster Premium \$1,567	All deductibles apply to the combined Material Damage and Business Interruption loss.

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Policy	Description	Values Covered	Premiums (Excluding GST)	Excess
	both shared limits and sub limits specific to each member Council.	WDC Council Specific Limits: Loss of revenue \$1,339,000, Loss of rental income \$321,000 for a 24 month indemnity period.	Total \$3,925	
Commercial Motor Vehicle	Cover for the motor vehicle fleet and provides for third party property and bodily injury.	Fleet value insured \$2,140,426	Premium \$22,779 Fire Service Levy \$602 Total \$23,381	Each and every claim 1% of the vehicle's value with a minimum of \$500
Statutory Liability	Covers defence costs, fines and penalties arising from unintentional breaches of applicable legislation.	For both employers and statutory liability Policy limit is \$1 million in the aggregate for loss and \$1 million in aggregate for defence costs	Premium \$4,664	Excess \$10,000, except for claims under the Health and Safety Act and Resource Management Act \$25,000
Employer's Liability	Liability arising out of claims made by Employees for injuries outside the scope of the Accident Compensation Corporation.	For both employers and statutory liability Policy limit is \$1 million in the aggregate for loss and \$1M in aggregate for defence costs	Premium and Administration Charge \$1,132	Employers liability \$1,000
Fidelity/Crime	Policy covers direct financial loss through third party crime, electronic computer crime, destruction of money, criminal damage to property and erroneous funds transfer.	Policy limit is \$2 million any one claim and in aggregate	Premium \$4,494	Each and every claim including costs \$50,000
Machinery Breakdown	Policy covers risks that are excluded from the Material Damage policy (Excluding Fire policy). The types of perils covered are breakdowns within a machine, rather than external to machine, for instance an	Sum insured \$4,628,694	Premium \$11,622	Excess \$1,000

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Policy	Description	Values Covered	Premiums (Excluding GST)	Excess
	unforeseen fault that causes sudden damage to the machine and/or other processes or equipment around it.			
Cyber Insurance Policy	Policy covers loss arising from an actual breach, or suspected breach, of the Insured's computer systems, or an extortion threat with an intent to harm or restrict access to the Insured's computer network or electronic data.	Sum insured for each individual council \$1 million in the aggregate.	Premium \$3,110	Excess \$25,000 for each and every claim, actual or suspected breach or extortion threat.
Aviation Hull (UAV) Policy	Policy covers the operation of remotely piloted aircraft (Drones) and provides liability insurance to third parties for bodily injury and damage to property. (This policy is required because none of Council's existing policies would respond to damages caused by operation of a drone).	The Hull, spares and equipment. Third party legal liability \$1 million	Premium & Administration Charge \$733	Hull: Excess minimum \$250 and maximum \$2,500 for each and every loss. Spares and Equipment: \$250 each and every loss Legal Liability: \$Nil
Forestry Cover	Policy covers for loss for fire including firefighting and re-establishment costs.	Firefighting \$250,000, Removal of debris and replanting \$15,700 and claims preparation \$10,000.	Premium & Administration Charge \$320	\$5,000 each and every event
Airport Owners and Operators Liability	Policy covers airport owners and operators legal liabilities in respect of the ownership, operation and management of an airport as a result of an accident.	\$10,000,000 limit for each accident for bodily injury/property damage any one occurrence	Premium less discount \$1,250	Excess \$2,500
Public Liability and Professional Indemnity Insurance.	<u>Public Liability</u> Protection for legal liability in connection with the business and arising from occurrences resulting in personal injury or property damage. <u>Professional Indemnity</u>	<u>Public Liability</u> \$300 million for any one claim and in aggregate <u>Professional Indemnity</u> \$300 million any one claim and in aggregate.	Premium and placement fee \$22,197	<u>Public Liability</u> Excess \$5,000 each and every claim including costs <u>Professional Indemnity</u>

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Policy	Description	Values Covered	Premiums (Excluding GST)	Excess
(Insurance Year to 30 June 2020)	<p>Protection for legal liability in respect of a breach of a professional duty by way of negligent act, error or omission, including defence costs and expenses.</p> <p><u>Environmental Impairment Insurance</u></p> <p>Protection for legal liability as a result of a claim for property damage, clean up or natural resource damage resulting from pollution that is at, on, under or migrating from the Insured premises.</p>	<p>\$500,000 in respect of the Weathertightness extension to the policy.</p> <p><u>Environmental</u></p> <p>\$1 million each claim and every policy aggregate</p>		<p>Excess \$10,000 each and every claim including expenses.</p> <p>Weathertightness Excess \$50,000</p> <p><u>Environmental</u> Excess \$25,000 each claim.</p> <p>In respect to wastewater treatment plants \$100,000</p>

3.6 Infrastructure Insurance

- 3.7 Infrastructure insurance covers catastrophe type risks such as earthquakes or flooding and provides cover for 40% of the infrastructure assets value. Currently Central Government will provide cover for the remaining 60% of the value of infrastructure assets. This is subject to their deductible which is calculated as a percentage of the Net Capital Value for the council region and is also subject to their discretionary cover of the first \$10 million of any claim. There is therefore some risk around this 60% contribution from Central Government.
- 3.8 To mitigate this uncertainty, additional insurance cover for Infrastructure Primary layer has also been purchased that provides a further 60% of the first \$10 million of a natural hazard claim. This effectively replaces the discretionary Central Government involvement for the first \$10 million for natural hazard claim above the excess level. This policy was relatively low cost and provides greater certainty around the majority of natural disaster perils to which we are exposed.
- 3.9 For the Insurance Collective, modelling was carried out for earthquake risk centered in and around Hamilton, with the results giving a mean "Maximum Probable Loss" scenario in the range of \$238 to \$253 million. The Waikato Region is considered to be a relatively low risk area for earthquakes. Based on this result, the collective has opted for a group loss limit of \$300 million and within that individual loss limits were determined for each member council, with Waitomo District Council being \$30 million.
- 3.10 In the event of multiple councils being affected by one event, there would be no contingent liability of one council to another, each council would be treated as independent and any claim would be settled on a separate basis.
- 3.11 Further to that, in the extremely unlikely event that damage from one event is greater than the \$300 million "Shared Pool" loss limit, the amount claimable under the policy is in proportion to the Council's share of the total loss from the event.
- 3.12 The District's bridges and retaining walls are being covered under the Infrastructure policy.
- 3.13 Although they are actually above ground assets, the coverage is for flooding and earthquake, the most likely perils these assets could suffer.
- 3.14 The cover will be for Council's share of the replacement (the local share), and it is expected this can be done at no or very little extra premium cost to Council.

3.15 Business Interruption Insurance

- 3.16 Business revenues that are generated from relevant assets was reviewed and updated for this insurance year as noted in the 7th October 2019 Insurance Renewal Business Paper to the Committee.
- 3.17 An indication was given that metered water and trade waste revenue streams was being considered to be added. The reason for their inclusion is from a financial risk perspective, to provide cover in the event of a significant plant failure resulting in a loss of significant revenue from industrial users.
- 3.18 The consideration has not been completed and these two revenue streams have not been included.

3.19 Public Liability and Professional Indemnity

- 3.20 The public liability and professional indemnity insurance covers the 12 month period from 30 June 2019.
- 3.21 Public liability insurance provides protection for legal liability in connection with the business arising from occurrences resulting in personal injury or property damage.
- 3.22 Professional indemnity insurance provides protection for legal liability in respect of any breach of a professional duty arising from a negligent act, error or omission.
- 3.23 The policy is through the London Market Local Government Liability Program arranged through JLT and provides cover of \$300 million for any one claim and in aggregate.
- 3.24 The premiums paid for the 2019/20 year was \$22,197, including the placement fee.

3.25 Insurances for Rural Halls

- 3.26 For some rural halls and other organisations within the District, Council arranges material damages insurance for the halls and passes the cost onto the Hall Committees.
- 3.27 Set out in the table below are the rural halls that use this arrangement.

Description of Activity	Total MD Sum Insured	Cover Type	Comment
Aria Community Hall	970,000	Replacement Value	
Benneydale Public Hall & Library	1,687,000	Functional Replacement	
Mahoenui Community Hall	1,082,000	Replacement Value	
Mapiu Hall	854,000	Replacement Value	
Mokau War Memorial Hall & Library	497,000	Indemnity Only	Charged 50% due to use of power for the public toilets
Mokauiti War Memorial Hall	850,600	Replacement Value	
Mairoa Hall	843,800	Replacement Value	
Waitanguru Hall	507,300	Replacement Value	
Marokopa Community Hall	700,000	Replacement Value	
Hall & Public Toilets (Awakino)	1,010,000	Replacement Value	Charged 50% due to the provision of public toilets for Council
Historical Society (Post Office Building)	3,581,000	Replacement Value	
Historical Society (Rora Railway Dwelling)	283,600	Replacement Value	
Community House (Second Floor of Library)	2,699,400	Replacement Value	Share of insurance cost is based on share of floor area used by the Community House Trust
Sir Colin Meads Exhibition Items	180,000	Replacement Value	To provide cover of the exhibition items, based on a valuation for memorabilia

- 3.28 Replacement value includes the buildings replacement value, a replacement inflationary provision, demolition costs and contents within the hall. Function replacement assumes the building replacements will be a smaller structure, more fit for purpose rather than a total replacement of the existing structure. Indemnity value also includes an indemnity inflationary provision and demolition costs.

- 3.29 As noted in the table above, the Mokau War Memorial Hall Committee has elected indemnity value cover and the Benneydale Hall Society has elected functional replacement rather than full replacement cover.
- 3.30 The excess for the halls is \$10,000, the same for all other buildings and structures included in the material damages policy. This excess applies to Council due the value of assets insured being greater than \$70 million.
- 3.31 The insurers have repeatedly made clear, they have no appetite to lower the excess level of Council (or any of the other councils in the collective). If they did agree to a lower excess, this would be done under a separate policy with additional premiums due.
- 3.32 Insurance advice in relation to the COVID-19 pandemic**
- 3.33 Insurance advice was received from our brokers in relation to the pandemic;
- 3.34 Business Assets in an employee's possession: These assets will continue to be covered, although if in peril the excess will be \$10,000, not covered by the employee's insurance policy.
- 3.35 Cyber: General advice was offered to be more vigilant of attack due to more people working from home.
- 3.36 Construction Works: Normally there is cessation/stoppage work clause, however arrangements have been made that coverage will extend through the lockdown period.
- 3.37 Business Interruption: This cover extends to loss of revenue as a result destruction of an asset at a particular location(s) and the business cannot carry on in the usual way. The cover does not cover any losses resulting directly or indirectly as a result of an infectious disease or a pandemic.
- 3.38 Material Damage: The insurers remain on risk for unoccupied buildings during the lockdown.

Suggested Resolution

The business paper on the Insurance Update Report for the Insurance Year to 31 October 2020 be received.



ALISTER DUNCAN
GENERAL MANAGER – BUSINESS SUPPORT

28 April 2020

Document No: A466099

Report To: Audit, Risk and Finance Committee



Meeting Date: 5 May 2020

Subject: Quarterly Financial and Non-Financial Report to 31 March 2020

Type: Information Only

Purpose of Report

1.1 The purpose of this business paper is to present the financial and non-financial results for the period ended 31 March 2020.

Background

2.1 The period covered by this report is 1 July 2019 to 31 March 2020.

2.2 The order of the report is as follows:

- **Summary Income Statement** with comments detailing significant variances to budget on Council's operating performance for the period ended 31 March 2020.
- **Summary Balance Sheet** with comments detailing significant balance sheet movements from 1 July 2019 to 31 March 2020.
- **Capital Expenditure** summary with commentary on material variances of expenditure for the period compared with the EAP 2019/20.
- **Summary Treasury Management** which reports on the Public Debt position, cash position and significant treasury transactions.
- **Cost of Service Statement** Summary and Cost of Service Statements for Council's ten significant activities are presented in **Appendix 1**.
- **Balance Sheet** as at 31 March 2020 is presented in **Appendix 2**.
- **Treasury Management Report** from Bancorp Treasury Services Limited, Council's treasury management advisors is enclosed as **Attachment 1**.
- **Performance Management Report** on the Levels of Service and Key Performance Indicators is enclosed as **Attachment 2**.

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

Financial Report to 31 March 2020

3.1 **INCOME STATEMENT HIGHLIGHTS**

3.2 Set out below is the summary of financial information for the period ended 31 March 2020. Detailed Cost of Service Statements are attached as Appendix 1.

FINANCIAL HIGHLIGHTS (Amounts in \$000's)	Actual 2018/19	EAP Budget 2019/20	YTD Budget 2019/20	YTD Actual 2019/20	Variance 2019/20	% Variance
Total Expenditure						
- Direct Operating	16,133	17,042	12,677	11,734	(943)	
- Indirect Operating	12,434	13,291	9,904	9,415	(489)	
Total Expenditure	28,567	30,333	22,581	21,149	(1,432)	-6%
Total Revenue						
- Operating Revenue	(13,586)	(14,920)	(9,763)	(9,968)	(205)	
- Rates Revenue	(19,905)	(20,538)	(15,439)	(15,353)	86	
Total Revenue	(33,491)	(35,458)	(25,202)	(25,321)	(119)	0%
Net Operating Cost/(Surplus)	(4,924)	(5,125)	(2,621)	(4,172)	(1,551)	59%
Other Comprehensive Revenue and Expense						
- Revaluation of Property, plant and equipment	0	(6,004)	0	0	0	
-(Gains)/Losses from Cash Flow Hedges	727	0	0	0	0	
- Revaluation of available for sale assets	365	0	0	0	0	
Total Other Comprehensive Revenue and Expense	1,092	(6,004)	0	0	0	
Total Comprehensive Revenue and Expense	(3,832)	(11,129)	(2,621)	(4,172)	(1,551)	59%

3.3 **Net Operating Surplus:** The net operating surplus of \$4,172,000 was \$1,551,000 more than budget for the period ended 31 March 2020. The Cost of Service Statements for each activity are included as Appendix 1.

3.4 **Total Expenditure** was \$1,432,000 less than budget for the period ended 31 March 2020.

- **Direct operating expenditure** was \$943,000 less than budget. The main contributors to this variance in order of magnitude are:
 - Sewerage: \$397,000 less as expenditures for chemicals, electricity, and plant and reticulation maintenance costs were less than budget.
 - Community Development: \$191,000 less due to timing of expenditure relating to community grants and the prioritisation of economic development and district promotion work programmes.
 - Community Services: \$106,000 less than budget for repairs and maintenance, parks and reserves expenditure, legal expenses and electricity.

- **Indirect expenditure** was \$489,000 less than budget:
 - Interest: \$408,000 less as more favourable interest rates were secured than forecast resulting in a lower cost of funds. Further to this, the budgeted interest cost was based on 1 July 2019 projected public debt of \$42.8 million while the actual public debt at 30 June 19 was \$40.26 million.
 - Depreciation: \$108,000 less than budget due to lower than forecast depreciation on assets in the Community Service, Roads and Leadership activities.

3.5 **Total Revenue** was \$119,000 more than budget for the period ended 31 March 2020.

- **Operating revenue** \$205,000 more than budget. The main contributors to this variance are:
 - Solid Waste Management: \$160,000 more than budget due to an increase in revenue from general refuse charges, green waste, special waste and recovered materials.
 - Community Services: \$138,000 more than forecast due grants funding for public toilets and netball courts renewals and an increase in campground revenue.
 - Leadership: \$88,000 more than budget for quarry royalties, rates penalties revenue and the Civic Assurance dividend.

This decrease in revenue is offset by:

- Roads and Footpaths: \$367,000 less than forecast as the subsidy received for maintenance and capital expenditure was less than budget and therefore the associated subsidy revenue is also below budget.
- **Rates revenue** \$86,000 less than budget due mostly for water meter revenue.

3.6 **BALANCE SHEET HIGHLIGHTS**

3.7 Balance Sheet highlights presented below show the movement in Council's financial position from 30 June 2019 to 31 March 2020. The full Balance Sheet is attached as **Appendix 2**.

BALANCE SHEET HIGHLIGHTS (Amounts in \$000's)	Actual Position 30 Jun 2019	Actual Position 31 Mar 2020	Movement from 30 Jun 2019
Assets			
- Cash and cash equivalents	1,819	2,819	1,000
- Receivables	5,097	4,232	(865)
- Other current assets	193	153	(40)
- Other financial assets	11,961	11,958	(3)
- Non-current assets	346,648	347,163	515
TOTAL ASSETS	365,718	366,325	607
Liabilities			
- Other Liabilities	5,015	3,486	(1,529)
- Total Borrowings	40,261	38,225	(2,036)
- Derivative financial instruments	2,522	2,522	(0)
Total Liabilities	47,798	44,233	(3,565)
Equity			
- Equity	317,920	322,092	4,172
TOTAL LIABILITIES AND EQUITY	365,718	366,325	607

3.8 Total Assets have increased from \$365.7 million to \$366.3 million.

- Cash and cash equivalents have increased by \$1,000,000 from \$1,819,000 to \$2,819,000.
- Receivables decreased by \$865,000 since 30 June 2019 from \$5.10 million to \$4.23 million. There was a decrease in the receivable from Sundry Debtors and the GST refund receivable at 31 March.
- Other current assets decreased by \$40,000. The decrease is due to disposal of the Queen Street Building which was held as part of the assets held for sale.
- Non-current assets have increased by \$515,000. The increase is due to the net effect of asset additions of \$5,012,000, less depreciation of \$4,363,000 and loss on asset disposal of \$134,000.

3.9 Total Liabilities decreased from \$47.80 million to \$44.23 million.

- Other Liabilities decreased by \$1,529,000 due to a general decrease in Payables at 31 March 2020 compared to June 2019. Included in the prior year balance were contract payments for road reseals and pavement rehabilitations, Te Kuiti water treatment plant upgrade and bridge structural repairs.
- Total Borrowings decreased by \$2,036,000 from \$40.261 million to \$38.225 million. The decrease relates to debt repayment and a minor decrease in accrued interest for the period.

3.10 Total equity increased by \$4.17 million to \$322.1 million, which was the total comprehensive revenue and expense for the period.

4.0 CAPITAL EXPENDITURE

4.1 Set out below is the Capital Expenditure budget for the year compared to actual expenditure for the period ended 31 March 2020.

CAPITAL EXPENDITURE SUMMARY (Amounts in \$000's)	EAP 2019/20	EAP 2019/20 plus Prior Years Carryovers	Actual To Mar 2020	Variance Actual to EAP 2019/20 plus Carryovers
Governance: Leadership and Investments				
- Investments	41	41	0	(41)
- Corporate Support	877	1,453	499	(954)
Community Service				
- Parks and Reserves	192	309	135	(174)
- Housing and Other Property	142	149	41	(108)
- Recreation and Culture	207	444	336	(108)
- Public Amenities	460	908	142	(766)
Community Development				
- District Development	2	2	0	(2)
Solid Waste Management				
- Landfill Management	1,046	1,296	356	(940)
Stormwater				
- Urban	138	138	20	(281)
- Rural	5	5	0	(10)
Sewerage				
- Te Kuiti Sewerage	337	452	54	(398)
- Te Waitere Sewerage	15	15	3	(12)
- Maniaiti / Benneydale Sewerage	54	54	4	(102)
- Piopio Sewerage	30	30	4	(34)
Water Supply				
- Te Kuiti Water	380	431	101	(330)
- Mokau Water	76	76	63	(13)
- Piopio Water	216	216	25	(191)
- Maniaiti / Benneydale Sewerage	4	4	13	9
Roads and Footpaths				
- Subsidised Roads	7,995	8,592	3,159	(5,433)
- Unsubsidised Roads	166	166	57	(109)
TOTAL CAPITAL EXPENDITURE	12,383	14,781	5,012	(9,997)

4.2 Capital Expenditure was \$5.012 million for the period ended 31 March 2020, of which \$3.216 million (64%) relates to Roads, \$654,000 (13%) related to Community Services, and \$499,000 (10%) relates to Leadership.

4.3 Capital expenditure budgets are listed in the table above and projects detailed in the commentary that follows. It should be noted that "Unspecified" renewal/upgrade budgets are forecast for expenditure to be incurred on an 'as needed' basis only.

5.1 GOVERNANCE: LEADERSHIP AND INVESTMENTS

5.2 Corporate Support:

- Investments (Budget \$41,000) for Safety improvements to WDC owned quarries: No expenditure to date.

- Corporate Support (Budget \$877,000 and carry over \$575,600):
 - Expenditure to date \$450,000 for fleet vehicle replacements, improvements and upgrades in Information Services and Records Management.
 - Earthquake strengthening and renewals of Queen Street Administrative and Civil Defence building. Expenditure to date is \$48,800 for investigation work and minor renewals.

5.3 COMMUNITY SERVICE

5.4 Parks and Reserves:

- Park renewal expenditure and Brook Park development (Budget \$60,000 and carry over budget of \$53,300). \$27,000 expenditure to date for Brook Park fencing renewals and miscellaneous picnic table renewals.
- Netball courts renewals (no budget). The project is funded by grant revenue from Grassroots Trust Limited for \$49,900 and is now complete.
- Renewal expenditure for Jetties and development of coastal reserves (Budget \$101,000 and carry over of \$34,200). Te Maika Jetty safety remedial work which was deferred from 18/19 year is programmed for this financial year. \$11,000 expenditure to date.
- Playground renewals (Budget \$30,600 and carry over budget \$30,000): The existing timber tower has been removed at Redwood Park playground and the remainder of works to be completed by the end of June 2020. Expenditure to date is \$45,200.

5.5 Housing and Other Property:

- Elderly persons housing renewals and miscellaneous building renewals (Budget \$36,800 and carry over of \$6,500). One unit at Redwood Flats is still to be renovated which will be completed between tenancies. Maintenance have been completed to date at 4 Moa Street, Piopio. This included the painting of both the interior and exterior, wiring safety upgrades and the installation of insulation to the roof space. \$33,400 expenditure to date.
- Campground improvements and renewals (Budget \$50,000): Extension of drainage at rear of the Te Kuiti Holiday park is now completed.
- Railway Building Complex Building renewals and improvements (Budget \$55,200): Minor expenditure to date.

5.6 Recreation and Culture:

- Library Book Renewals (Budget \$49,000 and carry over \$2,800): Expenditure to date \$39,800.
- Library technology and building renewals (Budget \$10,700 and carry over \$23,700): Minor expenditure to date.
- Aquatic Centre renewals (Budget \$21,400 and carry over of \$8,500): Expenditure of \$20,900 is for the replacement of pool covers, lane ropes and shade sails.

- Les Munro Centre renewals (Budget \$30,600 and carry over \$60,000). Expenditure to date of \$27,000 is mainly for replacement of stage curtains and sound system.
- Aerodrome safety improvements (Budget \$50,000 and carry over \$142,000): Expenditure to date of \$197,100 has been for the new access way and automatic gates. The improvements include an upgraded entranceway, new road to rear of hangers, fencing, drainage, partial runway resurfacing, chip sealing to the road, partial resurfacing of the runway and the fog coat applied to the two ends of the runway. These are now completed.
- Aerodrome runway and taxiway renewals (Budget \$45,000): Expenditure to date of \$49,600 for both extension of the runway and taxiway.

5.7 Public Amenities:

- Mokau Public Toilets (Carry over \$320,000): Minor expenditure of \$16,800 has been incurred. This project is part funded by grant revenue from the Ministry of Business, Innovation and Employment (MBIE) for \$160,000. The site of the toilets is still to be confirmed.
- Waitomo Village Public Toilets (Budget \$326,400): No expenditure to date.
- Kiritehere and Waikawau Public Toilets (Budget Nil): This project is for the replacement of the toilets at these two coastal locations and is funded by the Ministry of Business, Innovation and Employment, through their Tourism Infrastructure Fund (TIF). Expenditure to date is \$76,000.
- Te Kuiti toilet renewal and other minor toilet renewals (Budget \$23,000 and carry over \$53,800): \$37,900 expenditure to date for Tui Park toilet renewals.
- Te Kuiti Cemetery development and access way renewals (Budget \$55,500 and carry over \$52,600): Expenditure to date of \$5,800.
- Unspecified cemetery renewals (Budget \$15,600 and carry over \$15,000): No expenditure to date.
- Street furniture and public carpark renewal expenditure including security camera renewals (Budget \$38,600 and carry over \$7,000): \$5,100 expenditure to date for the security camera renewal at Te Kuiti CBD network, and this includes a Licence Recognition Camera (LRC) at the Aerodrome.

5.8 COMMUNITY DEVELOPMENT

- I-SITE technology renewal (Budget of \$2,000): No expenditure to date.

5.9 SOLID WASTE MANAGEMENT

- Resource Consent and Cell Development for volume expansion at the Landfill: \$152,000 of the 19/20 budget was utilised in the 18/19 year for obtaining the resource consent leaving a remaining budget of \$623,900. Expenditure to date is \$101,900. The resource consent was granted with additional conditions. Additional expenditure has been incurred for the installation of additional monitoring equipment and an assessment of the stability (or otherwise) of the toe of the landfill bund.
- Purchase of carbon credits required under the Emissions Trading Scheme (Budget \$250,000 and carry over \$250,000). Carbon Credits to the value of \$240,000 has been purchased and are held as an intangible asset to satisfy

surrender obligations for operation of the landfill based on the volume of refuse disposed. The surrender is completed in May of each year.

- High Wall Shaping (Budget \$10,300): This work primarily involves removing material and making safe the hill area above the landfill old quarry cliff face. There has been no expenditure to date.
- Minor transfer station renewals (Budget \$10,000). \$13,700 expenditure on minor renewals at the landfill and rural transfer stations.

5.10 STORMWATER

- Piping of open drains (Budget \$10,000): No expenditure to date.
- Storm water renewals: This budget is used for emergency works relating to minor and rehabilitation renewals. Minor expenditure to date.
- Rural Storm water renewals (Budget \$5,000). No expenditure to date.

5.11 SEWERAGE

- Te Kuiti Waste Water treatment plant renewals (Budget \$110,800 and carryover of \$9,000): \$9,800 expenditure to date.
- Te Kuiti Waste Water bulk lime silo installation (carry over \$105,000): No expenditure to date.
- Te Kuiti Reticulation and Pump Station renewals (Budget \$227,200): Planned works include the upgrade of the pump-station at Waitete Road (for corrosion protection) and reticulation (electrical) upgrade at Tammadge Street. \$43,900 expenditure to date.
- Te Waitere Sewerage treatment plant and reticulation (Budget \$15,400): Minor expenditure to date.
- Maniaiti/Benneydale treatment plant and reticulation renewals (Budget \$53,600): Planned works include adding an outflow measurement device, replacing the pump and planting the wetland in the area. Minor expenditure to date.
- Piopio reticulation and unplanned pump renewals (Budget \$30,100): Chemical dosing system will be installed during the year. \$4,100 expenditure to date.

5.12 WATER SUPPLY

- Te Kuiti Water Treatment plant renewals (Budget \$57,700 and carry over \$51,000): Planned works include filter 1 and 2 underdrains, turbidity meter installation and painting the outer side of the clarifier. Expenditure of \$33,000 has been spent to date.
- Te Kuiti reticulation and pump station renewals (Budget \$248,000): Planned works include renewal of gantry beam at Rata Street pump station and reticulation renewals for Broadfoot Place. Expenditure for the period was \$67,900.
- Reservoir Seismic Strengthening (Budget \$22,600): No expenditure incurred to date.

- Alternative water supply investigation for Te Kuiti (Budget \$51,300): Minor expenditure to date.
- Mokau Water reticulation and plant renewals (Budget \$76,200): Planned works include pipework at treatment plant to accommodate the changes in chemical dosing. Expenditure of \$62,800 has been incurred to date for treatment plant monitoring and backflow preventer improvements.
- Piopio Water reticulation renewals and treatment plant renewals (Budget \$215,800): Planned works include alteration of sludge treatment plant to comply within consent conditions and a detailed design of the trunk main line to the new reservoir. Minor expenditure to date of \$25,300.
- Maniaiti/Benneydale Water reticulation renewals and plant renewals (Budget \$3,600). Expenditure to date of \$12,700 for valve and actuator replacement UV sensors, and instrumentation connection to scada.

5.13 ROADS AND FOOTPATHS

5.14 Subsidised Roads

- Minor improvements (Budget \$664,000 and carry over \$499,000) for Te Waitere Slip repairs. Expenditure of \$41,300 incurred for the period for professional services to date.
- Te Kuiti railway overbridge project (Budget \$1,200,000): Expenditure to date has been for design work of \$187,200.
- Footpath renewals and improvements (Budget \$531,000 and carry over \$98,000): Expenditure to date has been \$450,000 for the Footpaths and associated Works Contract.
- Drainage renewals (Budget \$255,000): Expenditure for the period was \$123,200.
- Pavement rehabilitation (Budget \$2,058,300): Expenditure for the period was \$689,100. This includes the final payment for 18/19 Road Pavement Rehabilitation and initial costs associated with the new Road Pavement Rehabilitation 2019/20 – 2020/21 contract is in the tender development phase. Planned works for the new Road Pavement Rehabilitation 19/20 include road rehabilitation of six sections of road including Papakauri Rd, Somerville Rd, Totoro Rd and Taharoa Rd.
- Sealed road surfacing (Budget \$1,395,100): Annual Road resealing is planned for approximately 37km of roads within the district, being 8% of the network. Expenditure to date of \$910,800 has been undertaken.
- Structures component replacements and bridge maintenance (Budget \$408,800): Expenditure to date of \$21,200 for professional fees. A new structural Bridge repair contract 2019/20 – 2020/21 is in the tender development phase.
- Traffic services renewals (Budget \$153,300): Expenditure for the period was \$61,600 which included \$40,000 for traffic signs renewals.
- Unsealed road metaling (Budget \$613,200): Expenditure for the period was \$624,400. This expenditure is seasonal and best completed in the wet winter months.

- Emergency reinstatement (Budget \$715,400): This funding is used as needed and may only be accessed for storm events with a total damage greater than \$100,000. Expenditure of \$19,400 has been spent to date on minor repairs outstanding from the August 2017 storm events.

5.15 Unsubsidised Roads

- Unspecified retaining wall renewals and road improvements not eligible for subsidy (Budget \$166,000): Expenditure to date is \$57,200 including expenditure for the development of more parking spaces at the Mokau boat ramp and at the Te Waitere Cemetery.

6.0 TREASURY REPORT

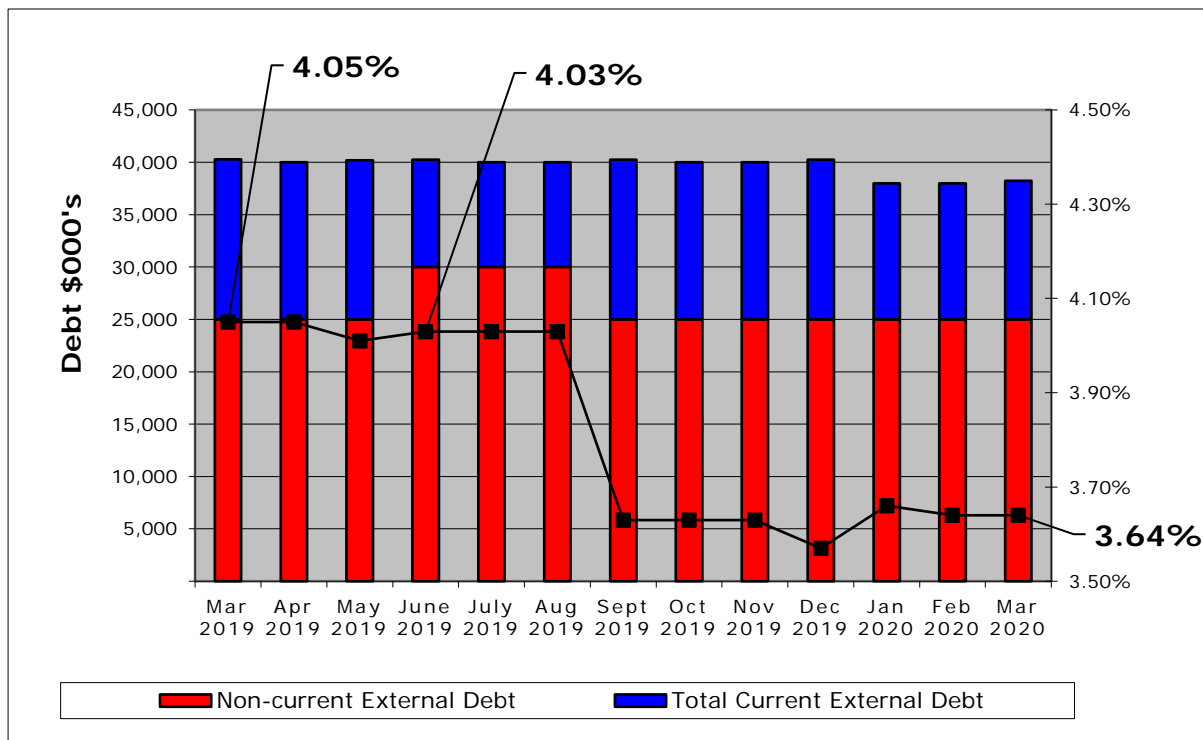
- 6.1 Set out in the following sections is the Treasury Report which provides details on Council's public debt position and debt financing costs.

6.2 CASH POSITION

- 6.3 Council's cash position at 31 March 2020 was \$2,819,000 in funds, at 30 June 2019 it was \$1,819,000. Included in the cash balance was \$470,000 of funds that are subject to restrictions. These include unspent waste minimisation levy funds and retention monies held.

6.4 SUMMARY OF PUBLIC DEBT POSITION

- 6.5 Set out below is a graph recording trends in Council's current and non-current debt for the year ended March 2020. The trend line overlaid is the effective weighted average interest rate currently being paid on all loans.



- 6.6 Public debt decreased by \$2,000,000 in January due the repayment of \$5,000,000 Commercial Paper that was funded through the issue of \$3,000,000 CP and \$2,000,000 cash.

6.7 At 31 March 2020 the effective weighted average interest rate for all loans excluding accrued interest and Call Advance facility costs was 3.64%, a decrease from 30 June 2019 when it was 4.03%.

6.8 The reason for the decrease was due to an interest rate swap finishing in August, which converted a fixed interest rate of 4.495% to a floating interest rate of 1.82% on \$5 million debt. The effect of reducing the amount of CP on issue by \$2,000,000 is an increase in weighted average interest rate across the debt portfolio as shown in the increase from December to January. The very slight decrease from January to February was due to interest rates decreasing which is applicable to debt on a floating rate debt.

6.9 At 31 March 2020 the debt portfolio has \$13 million is now on a floating interest rate exposure and \$25 million is effectively fixed.

6.10 PUBLIC DEBT POSITION COMPARISON TO BUDGETS

6.11 Forecasted public debt at 30 June 2020 in the EAP 2019/20 is \$44,140,000. Actual public debt at March was \$38,225,000, however much of the capital programme has yet to be spent and the impact on borrowing due to the pandemic is still unknown.

6.12 WHOLESALE ADVANCE FACILITY (Call Advance Facility)

6.13 Council has a Call Advance facility with Westpac with a facility limit of \$10 million, with an expiry date of 1 July 2020.

6.14 The facility has a Line of Credit fee of 0.35% and an annual cost of \$35,000.

6.15 Interest is charged on a daily basis at a rate of 0.90% credit margin plus the Westpac Prime rate (which is similar to the BKBM rate). At 31 March the rate charged was 2.20%.

6.16 The facility is used to finance capital expenditure prior to a loan draw down, (such as a Floating Rate Note or Fixed Rate Bond) and to meet Council's working capital requirements between each of the quarterly rates instalments.

6.17 At 31 March 2020 there was no draw down of the facility.

6.18 DETAILS OF THE LOAN PORTFOLIO

6.19 The following table records the public debt position and the key dates for each loan as at 31 March 2020. The classification of current and non-current loans is based on when repayment is due, with current loans being those that are due for refinancing or repayment within 12 months of the balance sheet date, being 31 March 2021.

At 31 March 2020	Interest Rate Exposure	Loan Start Date	Loan Maturity Date	Effective Interest Reprice Date	Loan Balance	Effective Interest Rate
Current Loans						
Accrued Interest					224,880	0.000%
Call Advance	Floating		1/07/2020		0	2.200%
LGFA: Commercial Paper	Floating	30/07/2019	27/07/2020	27/07/2020	3,000,000	1.475%
LGFA: Commercial Paper	Floating	19/11/2019	18/05/2020	18/05/2020	5,000,000	1.435%
LGFA: Floating Rate Note	Hedged	19/06/2017	10/09/2020	11/09/2020	5,000,000	4.260%
Total Current Loans					13,224,880	
Non-current Loans						
LGFA: Floating Rate Note	Hedged	18/07/2018	18/04/2022	20/04/2020	5,000,000	4.915%
LGFA: Floating Rate Note	Hedged	19/06/2017	15/11/2021	17/05/2021	6,000,000	5.455%
LGFA: Floating Rate Note	Hedged	19/06/2017	18/04/2024	18/04/2023	3,000,000	4.605%

LGFA: Floating Rate Note (ICL)	Floating	28/06/2019	30/08/2022	29/05/2020	5,000,000	1.655%
LGFA: Floating Rate Note	Hedged	19/06/2017	24/04/2023	24/01/2024	5,000,000	4.480%
LGFA: Fixed Rate Bond (ICL)	Fixed	19/06/2017	19/04/2025	19/04/2025	1,000,000	3.680%
Total Non-current Loans					25,000,000	
Total Public Debt					38,224,880	3.64%
Cash & Liquid Investments						
Cash Held on Trust for Retention Obligations					470,000	
Call Deposits					0	
Cash					2,348,656	
Total Cash & Liquid Investments					2,818,656	
Public Debt Net of Investments					35,406,224	

6.20 Total public debt was \$38,224,880 and cash assets were \$2,818,656 at March 2020 giving a net debt position of **\$35,406,224**.

6.21 The Effective Interest Rate details given in the table above is the total interest applicable to each tranche of debt; it is either the fixed rate on a Bond, or the credit margin and BKBM rate on unhedged Commercial Paper (or FRN) or the credit margin on the FRN plus the fixed rate in the associated interest rate swap contract.

6.22 All of Council's debt is now with the LGFA apart from the Call Advance facility which is with Westpac.

6.23 TREASURY EVENTS SINCE 31 MARCH 2020

6.24 This treasury report portrays the debt position of Council at 31 March 2020.

6.25 Since that date to the date of this report there has been no significant treasury management transactions undertaken.

6.26 Towards the end of March the entire country was put into lockdown in response to the COVID-19 pandemic. Further to that the pandemic caused considerable chaos in the debt market. The LGFA updated councils on the initiatives they have undertaken to retain investors and credit rating agencies confidence in LGFA and borrowing councils, as follows;

"We have responded to the loss of investor confidence in markets and dislocations with the following initiatives

- The Minister of Finance confirmed Central Government's commitment to extending the liquidity facility with us
- The Reserve Bank of New Zealand announced it would purchase up to \$3 billion of LGFA bonds in the next 12 months
- Placed rollout of standby facility product to Councils on hold pending increase in Liquid Assets Portfolio
- Increased the soft cap on LGFA bond maturities from NZ\$1.5 billion to NZ\$1.75 billion to provide greater borrowing flexibility
- Increased the on-lending margin to councils by a modest 10 bps – this is to increase capital and remains the lowest of our global peers
- Increase Treasury Stock holding per LGFA bond maturity by NZ\$50 million (to NZ\$100 million per series) at next issuance opportunity to provide liquidity and flexibility
- Seeking Council approval to increase Borrower Notes percentage from 1.6% to 2.5% to increase capital
- Asking Councils to provide their best estimate of future borrowing requirement on monthly basis for next six months
- Working with Department of Internal Affairs, Treasury and Office of Auditor General on implications for councils including stress testing the financial impact from COVID-19 on the sector."

- 6.27 An estimate of Council's borrowing programme was been provided to the LGFA in March, and at that time no new borrowing from the LGFA was anticipated over the next six months, however it is expected the two CP's will be rolled over for a further six months, as will the FRN that matures in September 2020. No specific projections were made at that time regarding the impact of Covid-19 and the subsequent lockdown however the available cash and credit facilities would be available initially to support any cashflow requirements if needed.
- 6.28 The LGFA are seeking approval from councils to increase the Borrower Notes percentage from 1.6% to 2.5%, which subject to another Business Paper in this agenda.
- 6.29 Finally LGFA have made their expectations clear that interest payments and debt repayments are still to be made on time and they have requested that councils do not stock pile cash.

6.30 INTEREST COSTS

- 6.31 The total actual interest paid for the period was \$1,088,000 against the budget of \$1,496,000; **\$408,000** (or 27%) **less** due to a lower debt position and securing better interest rates than forecast in the EAP.

6.32 COMPLYING WITH FINANCIAL COVENANTS AND TREASURY MANAGEMENT POLICY

- 6.33 The following financial parameters are contained in Council's Financial Strategy for the management of its liabilities (as part of the LTP 2018-28). Measurement of these parameters are undertaken as part of the quarterly financial reporting process and interim results for year ended 30 June are detailed in the following table.

Measure	Limit	Actual to March 2020	Met
Total borrowing costs will not exceed 10% of total revenue	10%	4%	✓
Net interest to total revenue will not exceed 20%	20%	4%	✓
Total borrowings must not exceed 20% of total assets	20%	10%	✓
Net debt to total (cash) revenue will not exceed 170%	170%	Measured at year end	
Net interest will not exceed 20% of annual rates	20%	7%	✓

- 6.34 The Treasury Management Policy contains the following parameters that must be complied with.

Policy Requirement	Met
Have all transactions been entered into compliance with policy?	✓
Are the fixed rate hedging percentages within policy control limits?	✗
Is WDC maintaining liquidity within policy control limits?	✓
Are all counterparty exposures within policy control limits?	✓
Is WDC compliant with the financial covenants contained in the Treasury Management Policy?	✓

- 6.35 There is a policy breach for the level of fixed rate hedging required for the interest rate exposures with the breach forecast to occur in March 2025.
- 6.36 The impending breach was noted February and steps were discussed on how to remedy the breach without fixing more of the interest rate exposure which included the review of the policy bands. The advice received was that extending fixed rate cover makes no economic sense.
- 6.37 Subsequent to that advice, the COVID-19 pandemic has resulted in interest rates decreasing to historic lows, which has further heightened the economic reason not to extend cover.
- 6.38 The recommendation to review policy bands and address the policy breach will be progressed further post COVID-19 lockdown.

6.39 FINANCIAL DERIVATIVES AND HEDGE ACCOUNTING

- 6.40 Included in the balance sheet are valuation amounts for Derivative Financial Instruments (interest rate swaps). The valuation amount is componentized into current and non-current liabilities held at balance date. At 30 June 2019 the value of the swaps was a total net liability of \$2,522,000 and at 31 March 2020 the value was a total net liability of \$2,854,000. In accordance with the Treasury Policy the interest rate swaps valuation will be recognised in the balance sheet at 30 June 2020 as Derivative financial instruments.
- 6.41 The notional value of swap contracts in place at 30 June was \$24 million providing current interest rate risk cover plus \$10 million notional value with a future start date.

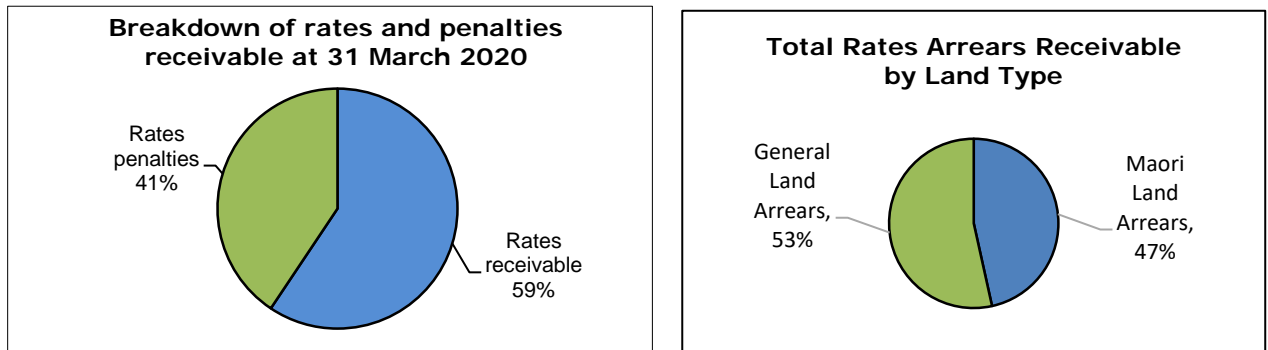
7.1 DEBTORS AND OTHER RECEIVABLES

- 7.2 Set out below is the summary of Debtors and Other Receivables (i.e. unpaid rates and other debtor amounts owing) as at 31 March 2020 with comparatives from March 2019. Rates receivables exclude rates paid in advance (to give a more accurate picture of the receivables owing).

Receivables (Amounts in \$000's)	As at 31.03.19	As at 31.03.20	(Inc)/Dec \$	(Inc)/Dec %
Rates Receivable	2,425	2,444	(19)	-1%
Rates Penalties	1,637	1,660	(23)	-1%
Rates and Penalties Receivable	4,062	4,104	(42)	-1%
Metered Water Rates	123	116	7	6%
Total Rates receivable	4,185	4,220	(35)	-1%
NZ Transport Agency Subsidy	1,149	1,492	(343)	-30%
Other Receivables	726	634	92	13%
Other Receivables	1,874	2,126	(252)	-13%
Gross Receivables	6,059	6,346	(287)	-5%
Less Provision for Doubtful Debts	(2,135)	(2,114)	(21)	1%
Total Receivables	3,924	4,232	(308)	-8%

7.3 RATES AND PENALTIES RECEIVABLE (excluding metered water rates)

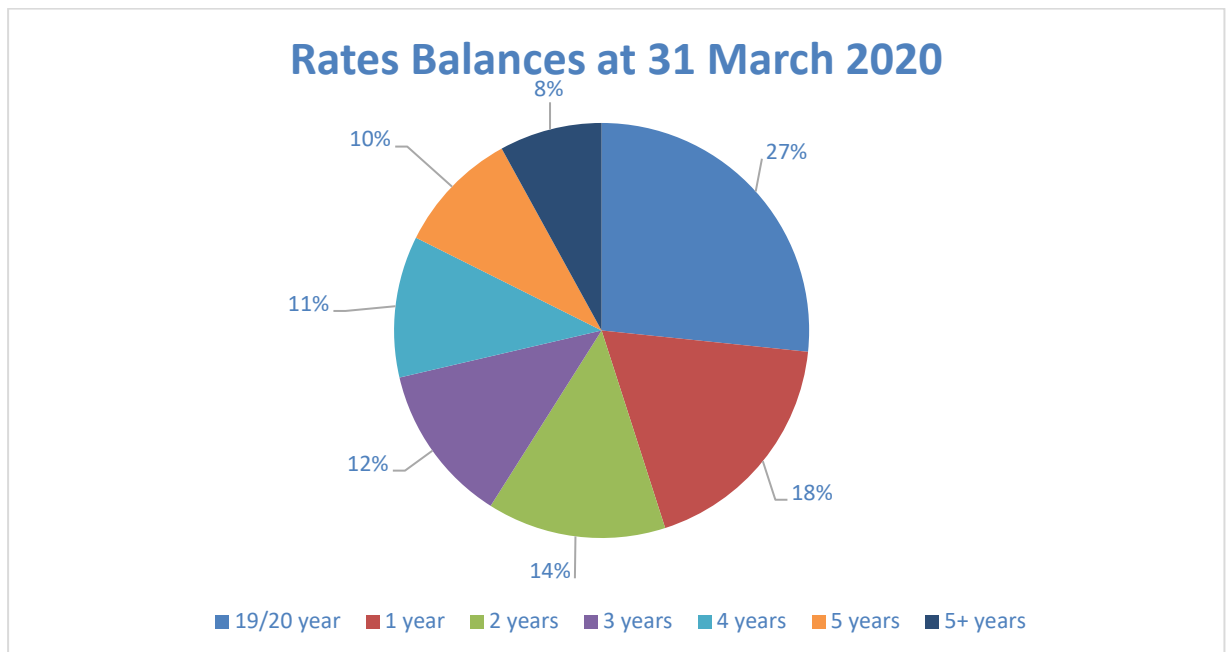
7.4 There was \$4.1 million of rates and penalties outstanding at 31 March 2020. This amount excludes rates paid in advance on future instalments. This total is made up of rates of \$2.4 million and penalties of \$1.7 million.



7.5 Rates and penalties receivable has increased by \$42,000 since March 2019. Of this increase, rates receivable increased by \$19,000 and rates penalties increased by \$23,000.

7.6 Included in the properties identified as Maori Freehold Land there are 19 properties (\$187,000) which were changed to General Land as part of the Maori Affairs Amendment Act 1967. This Act was subsequently repealed however the land status were not altered. These properties are classified as Maori Freehold Land as Council's ability to collect this debt is similar to other Maori Freehold Land. The number of properties identified has reduced since December 2019 as some of these properties were changed to Maori Freehold Land via the Maori Land Court.

7.7 The following graph illustrates the ageing of the rates receivable balance. Of the outstanding balance of \$4.1 million, \$1.1 million (27%) relates to the current year, \$0.8 million (18%) for the 2018/19 year rates and the balance spread across the remaining years in a diminishing fashion.

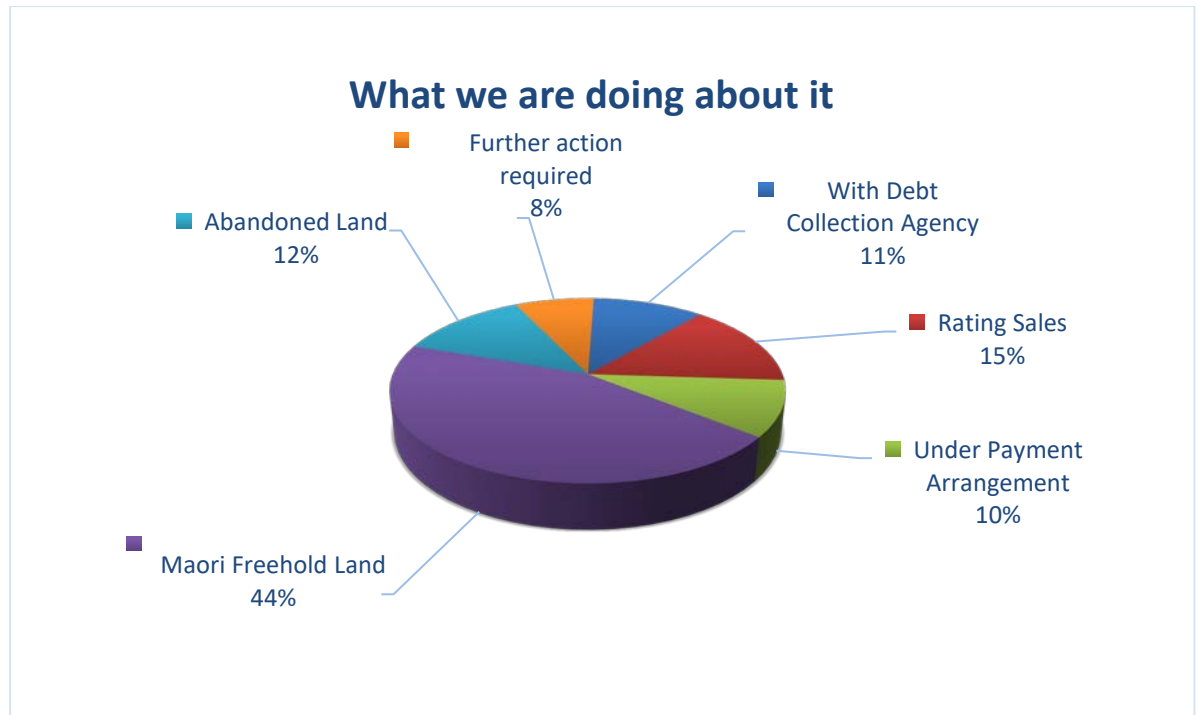


7.8 The outstanding balance of rates has been actively managed through a variety of collection methods including lump sum payments, approved payment arrangements, demands on mortgage holders, placement of arrears with external

debt collection agency and initiating properties for abandoned land and rating sale processes. All debt collection action is currently on hold due to the COVID-19 pandemic. This decision will be reviewed over the coming months to determine when it may be appropriate to restart collection practices.

7.9 For the nine months to 31 March 2020, arrears that were outstanding at 30 June 2019 of \$3,760,000 reduced by \$762,000 (20%).

7.10 The action being taken on outstanding balances is shown in the following graph:



7.11 Of the arrears owing at 31 March 2020:

- \$398,000 (10%) are under some form of payment arrangement
- 18 Properties totaling \$600,000 (15%) have been identified for rating sale. Two properties have been approved by the courts to commence sale of the properties.
- \$514,000 of the arrears relates to 25 properties that meet the criteria for abandoned land and will continue to be progressed through the abandoned land process by Council's Debt Collection agency (DMC) when considered appropriate. The number of properties has reduced since the last quarter as 5 properties were sold via the abandoned land process.
- There is currently \$440,000 of arrears relating to 49 properties lodged with external debt collection for recovery. Since December :
 - ❖ 3 accounts have had the previous year's arrears paid in full and have been removed from debt collection
 - ❖ 1 account is now on a formal payment arrangement
 - ❖ 2 accounts had failed payment arrangements
- A further \$313,000 of arrears requires further action. Staff will make contact with property owners to encourage payment and/or arrangements as appropriate.

7.12 Other Debtors Receivable

- 7.13 At 31 March 2020 'Other Receivables' totalled \$2.1 million of which \$77,000 was due and owing for more than three months. The three month and over receivables mainly relate to dog registration and dog infringement charges, resource consent debtors, and other minor sundry debtors.

Suggested Resolution

The business paper on Financial and Non-financial Report for the period ended 31 March 2020 be received.



ALISTER DUNCAN
GENERAL MANAGER – BUSINESS SUPPORT



TERRENA KELLY
GENERAL MANAGER – STRATEGY AND ENVIRONMENT

24 April 2020

Attachments:

- | | | |
|----|---------------------------------------------------------------------------------------------------------------------|---------|
| 1. | Bancorp Treasury Services Limited: Treasury Report for Waitomo District Council for the quarter ended 31 March 2020 | A468531 |
| 2. | Service Performance Report: Key Performance Indicators for 2018-28 Long Term Plan | A468114 |

Appendix 1: Cost of Service Statements

The reasons for variance have been set out in sections 3.4 and 3.5 in the main body of the report and further details are also contained in the COSS for each activity that follows.

Summary Cost of Service (Amounts in \$000's)	Actual 2018/19	EAP Budget 2019/20	YTD Budget Mar 2020	YTD Actual Mar 2020	Variance Mar 2020	% Variance
Direct Operating Expenditure						
- Leadership	541	546	423	412	(11)	
- Community Service	2,883	2,507	1,918	1,812	(106)	
- Community Development	891	1,997	880	689	(191)	
- Compliance	198	335	251	174	(77)	
- Solid Waste Management	1,408	1,486	905	945	40	
- Stormwater Drainage	185	159	129	98	(31)	
- Resource Management	261	296	174	121	(53)	
- Sewerage	1,545	1,757	1,340	943	(397)	
- Water Supply	1,734	1,579	1,226	1,156	(70)	
- Roads and Footpaths	6,487	6,380	5,431	5,384	(47)	
Total Direct Operating Expenditure	16,133	17,042	12,677	11,734	(943)	-7%
Indirect Expenditure						
- Allocated Costs	4,801	5,300	3,937	3,964	27	
- Interest	1,707	2,035	1,496	1,088	(408)	
- Depreciation	5,926	5,956	4,471	4,363	(108)	
Total Indirect Expenditure	12,434	13,291	9,904	9,415	(489)	-5%
TOTAL EXPENDITURE	28,567	30,333	22,581	21,149	(1,432)	-6%
Operating Revenue						
- Leadership	(742)	(860)	(412)	(500)	(88)	
- Community Service	(974)	(687)	(567)	(705)	(138)	
- Community Development	(48)	(29)	(23)	(21)	2	
- Compliance	(514)	(458)	(371)	(447)	(76)	
- Stormwater Drainage	(8)	0	0	(21)	(21)	
- Resource Management	(203)	(190)	(142)	(186)	(44)	
- Solid Waste Management	(1,471)	(1,148)	(861)	(1,021)	(160)	
- Sewerage	(864)	(882)	(660)	(685)	(25)	
- Water Supply	(23)	0	0	(22)	(22)	
- Roads and Footpaths	(8,739)	(10,666)	(6,727)	(6,360)	367	
Total Operating Revenue	(13,586)	(14,920)	(9,763)	(9,968)	(205)	2%
Rates Revenue						
- General Rate	(3,977)	(4,594)	(3,446)	(3,454)	(8)	
- UAGC	(3,263)	(3,464)	(2,598)	(2,602)	(4)	
- Targeted Rate	(11,811)	(11,599)	(8,699)	(8,701)	(2)	
- Metered Water Rates	(854)	(881)	(661)	(561)	100	
Total Rates Revenue	(19,905)	(20,538)	(15,439)	(15,353)	86	-1%
TOTAL REVENUE	(33,491)	(35,458)	(25,202)	(25,321)	(119)	0%
Net Operating Cost/(Surplus)	(4,924)	(5,125)	(2,621)	(4,172)	(1,551)	59%

The actuals for 2019/20 excludes rates on Council properties from both revenue and expenditure.

Governance: Leadership and Investments

GOVERNANCE: LEADERSHIP AND INVESTMENTS (Amounts in \$000's)	Actual 2018/19	EAP Budget 2019/20	YTD Budget Mar 2020	YTD Actual Mar 2020	Variance Mar 2020	% Variance
Direct Expenditure						
- Representation	301	296	231	272	41	
- Planning & Policy & Monitoring	77	162	134	86	(48)	
- District and Urban Development	0	0	0	0	0	
- Investments	82	76	58	54	(4)	
- Treasury Management and Overhead Accounts	81	12	0	0	0	
Total Direct Expenditure	541	546	423	412	(11)	-3%
- Allocated Costs	1,005	1,034	740	723	(17)	
- Interest	203	244	183	91	(92)	
- Depreciation	489	493	370	337	(33)	
Total Operating Expenditure	2,238	2,317	1,716	1,563	(153)	-9%
Operating Revenue						
- Representation	(480)	(440)	(369)	(392)	(23)	
- Investments	(181)	(408)	(34)	(62)	(28)	
- Treasury Management and Overhead Accounts	(81)	(12)	(9)	(46)	(37)	
Total Operating Revenue	(742)	(860)	(412)	(500)	(88)	21%
Net Operating Cost/(Surplus)	1,496	1,457	1,304	1,063	(241)	-18%

Net Operating Cost for the Governance Activity was 18% (\$241,000) less than budget for the period ended 31 March 2020.

Direct Expenditure was 3% (\$11,000) less than budget for the period.

- Representation expenditure was more than budget for election expenditure. As there was no District Health Board (DHB) election, each council is required to pick up the share of costs normally attributed to the DHB. The Regional Council's share of the total election costs will be invoiced in the next quarter which will reduce the net cost to WDC.
- Within the Planning, Policy and Monitoring activity direct expenditure budgets for risk management were less than budget for the period.

Operating Revenue was 21% (\$88,000) more than budget for the period.

- Rates penalties revenue, which forms part of the Representation activity, was more than budget as at 31 March 2020.
- Investment revenue was more due to increased quarry royalty revenue.
- Revenue from Treasury Management and Overhead Accounts was more than budget due to the receipt of Civic Assurance Dividend.

Community Service

COMMUNITY SERVICE (Amounts in \$000's)	Actual 2018/19	EAP Budget 2019/20	YTD Budget Mar 2020	YTD Actual Mar 2020	Variance Mar 2020	% Variance
Direct Expenditure						
- Parks and Reserves	988	574	453	360	(93)	
- Housing and Other Property	392	466	386	436	50	
- Recreation and Culture	568	637	441	420	(21)	
- Public Amenities	853	707	545	523	(22)	
- Safety	82	123	93	73	(20)	
Total Direct Expenditure	2,883	2,507	1,918	1,812	(106)	-6%
- Allocated Costs	811	996	746	705	(41)	
- Interest	121	140	106	77	(29)	
- Depreciation	908	948	712	678	(34)	
Total Operating Expenditure	4,723	4,591	3,482	3,272	(210)	-6%
Operating Revenue						
- Parks and Reserves	(61)	(25)	(21)	(58)	(37)	
- Housing and Other Property	(640)	(307)	(232)	(262)	(30)	
- Recreation and Culture	(125)	(144)	(115)	(90)	25	
- Public Amenities	(148)	(211)	(199)	(295)	(96)	
Total Operating Revenue	(974)	(687)	(567)	(705)	(138)	24%
Net Operating Cost/(Surplus)	3,749	3,904	2,915	2,567	(348)	-12%

Net Operating Cost was 12% (\$348,000) less than budget for the period ended 31 March 2020.

Direct Expenditure was 6% (\$106,000) less than budget for the period.

- The expenditure for Parks and Reserves is less than budget. In particular, operational costs for Mangaokewa Reserve, erosion control expenditure, and legal expenses were not fully spent during the period.
- Housing and Other Property expenditure is more than budget mainly due to the \$40,000 asset disposal of building on Queen Street and higher campgrounds operational costs. At the July 2019 meeting, Council approved on additional budget of \$34,000 for the increased in levels of service at Marokopa Holiday Park. Additional revenue has been received from the MBIE for Responsible Camping to fund this additional expenditure.
- Within the Recreation and Culture activity, expenditure was less for electricity, repairs and maintenance and consultants fees for the period.
- Public Amenities expenditures were also less during the period for security camera maintenance and other minor repairs.

Revenue was 24% (\$138,000) more than budget.

- Parks and reserves revenue was more due mostly to grants funding of \$49,900 was received from Grassroots to fully fund the netball courts renewal.
- Housing and Other Property revenue was more mostly due to additional unbudgeted revenue for the campgrounds.
- Revenue for Recreation and Culture was less for Aquatic Centre and Les Munro Centre.

- Public Amenities revenue included \$156,000 of Responsible Camping funding from MBIE towards the costs of operating and maintaining tourism facilities over the peak season. The facilities covered by this grant include the provision of temporary toilets at Mokau, and the servicing of toilets and rubbish facilities at visitor sites in the district including the Marokopa and Te Kuiti holiday parks. A further \$100,000 of revenue from Tourism Infrastructure Fund (TIF) has also been recognised to fund the construction and the operating and maintenance costs of the Kiritehere and Waikawau toilets.

Community Development

COMMUNITY DEVELOPMENT (Amounts in \$000's)	Actual 2018/19	EAP Budget 2019/20	YTD Budget Mar 2020	YTD Actual Mar 2020	Variance Mar 2020	% Variance
Direct Expenditure						
- Community Support	674	1,688	625	560	(65)	
- District Development	217	309	255	129	(126)	
Total Direct Expenditure	891	1,997	880	689	(191)	-22%
- Allocated Costs	692	772	578	470	(108)	
- Depreciation	11	11	8	10	2	
Total Expenditure	1,594	2,780	1,466	1,169	(297)	-20%
Operating Revenue						
- Community Support	(2)	(2)	(2)	0	2	
- District Development	(46)	(27)	(21)	(21)	0	
Total Operating Revenue	(48)	(29)	(23)	(21)	2	-9%
Net Operating Cost/(Surplus)	1,546	2,751	1,443	1,148	(295)	-20%

Net Operating Cost for the Community Development Activity was 20% (\$295,000) less than budget for the period ended 31 March 2020.

Direct Expenditure was 22% (\$191,000) less than budget for the period.

- The expenditure for Community Grants is less than budget. As at the end of the third quarter, Discretionary Grants have not been fully expensed. The full extent of approved Community Partnership Grants has not been uplifted to date, largely due to grant conditions.
- The expenditure for Economic Development and District Promotions is less than budget due to a range of activities not occurring during the quarter, based on work programme priorities.

Compliance

Compliance (Amounts in \$000's)	Actual 2018/19	EAP Budget 2019/20	YTD Budget Mar 2020	YTD Actual Mar 2020	Variance Mar 2020	% Variance
Direct Expenditure						
- Compliance	198	335	251	174	(77)	
Total Direct Expenditure	198	335	251	174	(77)	-31%
- Allocated Costs	760	884	663	697	34	
- Interest	0	0	0	0	0	
- Depreciation	6	6	5	5	0	
Total Expenditure	964	1,225	919	876	(43)	-5%
Operating Revenue						
- Compliance	(514)	(458)	(371)	(447)	(76)	
Total Operating Revenue	(514)	(458)	(371)	(447)	(76)	20%
Net Operating Cost/(Surplus)	450	767	548	429	(119)	-22%

Net Operating Surplus for the Compliance Activity was 22% (\$119,000) less than budget for the period ended 31 March 2020.

Direct Expenditure was 31% (\$77,000) less than budget for the period.

- Expenditures for contractors' costs for animal control, earthquake prone building work (EPB), freedom camping, and environmental health were less than budget. However, animal control contractor costs reflect delays in receiving invoices from the contractor.

Operating Revenue was 20% (\$76,000) more than budget for the period.

- Building Control revenue and Compliance Schedule revenue were more than budget for the period. Building consent revenue received for the period to 31 March 2020 was \$193,000, compared to \$157,500 for the same period last year.

Resource Management

RESOURCE MANAGEMENT (Amounts in \$000's)	Actual 2018/19	EAP Budget 2019/20	YTD Budget Mar 2020	YTD Actual Mar 2020	Variance Mar 2020	% Variance
Direct Expenditure						
- District Plan Administration	61	141	87	38	(49)	
- District Planning	200	155	87	83	(4)	
Total Direct Expenditure	261	296	174	121	(53)	-30%
- Allocated Costs	620	618	464	492	28	
- Interest	16	40	0	19	19	
Total Expenditure	897	954	638	632	(6)	-1%
Operating Revenue						
- District Plan Administration	(139)	(190)	(142)	(150)	(8)	
- District Planning	(64)	0	0	(36)	(36)	
Total Operating Revenue	(203)	(190)	(142)	(186)	(44)	31%
Net Operating Cost/(Surplus)	694	764	496	446	(50)	-10%

Net Operating Cost for the Resource Management Activity was 10% (\$50,000) less than budget for the period ended 31 March 2020.

Direct Expenditure was 30% (\$53,000) less than budget for the period.

- This is mainly due to reduced expenditure in consultants' fees (for district plan administration).

Operating Revenue was 31% (\$44,000) more than budget for the period.

- District Plan Administration revenue is more than budget due to the number and type of applications being processed.
- District Planning revenue is more than budget due to a funding contribution from Waikato Regional Council (WRC) to WDC's Significant Natural Area (SNA) workstream, flood hazard modelling report and land stability modelling report. This will be used to fund the District Plan Review consultant fees for these workstreams.

Solid Waste Management

SOLID WASTE MANAGEMENT (Amounts in \$000's)	Actual 2018/19	EAP Budget 2019/20	YTD Budget Mar 2020	YTD Actual Mar 2020	Variance Mar 2020	% Variance
Direct Expenditure						
- Collection	272	297	223	196	(27)	
- Landfill Management	1,136	1,189	682	749	67	
Total Direct Expenditure	1,408	1,486	905	945	40	4%
- Allocated Costs	436	364	274	313	39	
- Interest	171	181	136	105	(31)	
- Depreciation	75	97	73	54	(19)	
Total Expenditure	2,090	2,128	1,388	1,417	29	2%
Operating Revenue						
- Collection	(136)	(140)	(105)	(94)	11	
- Landfill Management	(1,335)	(1,008)	(756)	(927)	(171)	
Total Operating Revenue	(1,471)	(1,148)	(861)	(1,021)	(160)	19%
Net Operating Cost/(Surplus)	619	980	527	396	(131)	-25%

Net Operating Cost for the Solid Waste Management Activity was 25% (\$131,000) less than budget for the period ended 31 March 2020.

Direct Expenditure was 4% (\$40,000) more than budget for the period.

- Collection expenditure is less than budget due to the timing of the purchase of rubbish bags and disposal costs for kerbside recycling and collection.
- Landfill management costs are more than budget due to higher Landfill Operational costs and infrastructure maintenance. Transfer station costs were also higher over the period as recycling collection costs increased.
- Expenditure for waste minimisation initiatives, which are included within Landfill Management activity, were more than budget for the period. This expenditure included a minimisation audit for kerbside collections and e-waste collections. These costs are funded by the waste minimisation levy revenue received from the Ministry for the Environment.

Operating Revenue was 19% (\$160,000) more than budget for the period.

- Revenue received at the landfill was more than budget due to increase in general refuse charges, special waste, green waste and recovered materials. This appears to be general trend that usage of the facility has increased.
- Revenue in the Collection activity was less for the sale of rubbish bags.

Stormwater Drainage

STORMWATER DRAINAGE (Amounts in \$000's)	Actual 2018/19	EAP Budget 2019/20	YTD Budget Mar 2020	YTD Actual Mar 2020	Variance Mar 2020	% Variance
Direct Expenditure						
- Te Kuiti Stormwater	165	134	109	83	(26)	
- Rural Stormwater	20	25	20	15	(5)	
Total Direct Expenditure	185	159	129	98	(31)	-24%
- Allocated Costs	32	71	53	65	12	
- Interest	2	11	8	8	0	
- Depreciation	189	198	149	145	(4)	
Total Expenditure	408	439	339	316	(23)	-7%
Operating Revenue						
- Te Kuiti Stormwater	(8)	0	0	(21)	(21)	
- Rural Stormwater	0	0	0	0	0	
Total Operating Revenue	(8)	0	0	(21)	(21)	0%
Net Operating Cost/(Surplus)	400	439	339	295	(44)	-13%

Net Operating Cost for the Stormwater Drainage Activity was 13% (\$44,000) less than budget for the period ended 31 March 2020.

Direct Expenditure was 24% (\$31,000) less than budget for the period.

- Expenditures for Te Kuiti stormwater operations and maintenance and consent compliance costs were less than budget.

Operating Revenue was \$21,000 more than budget for connection fees.

Sewerage and Treatment and Disposal of Sewage

SEWERAGE AND TREATMENT AND DISPOSAL OF SEWAGE (Amounts in \$000's)	Actual 2018/19	EAP Budget 2019/20	YTD Budget Mar 2020	YTD Actual Mar 2020	Variance Mar 2020	% Variance
Direct Expenditure						
- Waitomo Village	0	5	0	0	0	
- Te Kuiti	1,372	1,454	1,112	787	(325)	
- Te Waitere	14	42	31	22	(9)	
- Maniaiti / Benneydale	53	107	79	48	(31)	
- Piopio	106	149	118	86	(32)	
Total Direct Expenditure	1,545	1,757	1,340	943	(397)	-30%
- Allocated Costs	215	275	205	245	40	
- Interest	329	384	288	210	(78)	
- Depreciation	812	830	622	617	(5)	
Total Expenditure	2,901	3,246	2,455	2,015	(440)	-18%
Operating Revenue						
- Te Kuiti	(835)	(873)	(654)	(670)	(16)	
- Maniaiti / Benneydale	(1)	(1)	(1)	(1)	0	
- Piopio	(28)	(8)	(5)	(10)	(5)	
Total Operating Revenue	(864)	(882)	(660)	(685)	(25)	4%
Net Operating Cost/(Surplus)	2,037	2,364	1,795	1,330	(465)	-26%

Net Operating Cost for the Sewerage Activity was 26% (\$465,000) below budget for the period ended 31 March 2020.

Direct Expenditure was 30% (\$397,000) less than budget for the period.

- Expenditure for plant operations & reticulation maintenance and internal WSU costs were less than budget for all schemes.
- Chemicals, power, sludge disposal and sampling costs were also less for Te Kuiti.

Operating Revenue was 4% (\$25,000) more than budget for the period for connection fees.

Water Supply

WATER SUPPLY (Amounts in \$000's)	Actual 2018/19	EAP Budget 2019/20	YTD Budget Mar 2020	YTD Actual Mar 2020	Variance Mar 2020	% Variance
Direct Expenditure						
- Te Kuiti	1,226	994	768	773	5	
- Mokau	184	205	169	173	4	
- Piopio	213	261	194	138	(56)	
- Maniaiti / Benneydale	111	114	90	67	(23)	
- Waitomo Village	0	5	5	5	0	
Total Direct Expenditure	1,734	1,579	1,226	1,156	(70)	-6%
- Allocated Costs	216	272	203	242	39	
- Interest	314	428	320	240	(80)	
- Depreciation	502	602	453	466	13	
Total Expenditure	2,766	2,881	2,202	2,104	(98)	-4%
Operating Revenue						
- Te Kuiti	(15)	0	0	(18)	(18)	
- Mokau	(1)	0	0	(4)	(4)	
- Piopio	(5)	0	0	0	0	
- Maniaiti / Benneydale	(2)	0	0	0	0	
Total Operating Revenue	(23)	0	0	(22)	(22)	
Total Revenue	(23)	0	0	(22)	(22)	
Net Operating Cost/(Surplus)	2,743	2,881	2,202	2,082	(120)	-5%

Net Operating Cost for the Water Supply Activity was 5% (\$120,000) less than budget for the period ended 31 March 2020.

Direct Expenditure was 6% (\$70,000) less than budget for the period.

- Expenditure for Piopio and Maniaiti/Benneydale was less for reticulation maintenance and WSU costs.

Operating Revenue was recognised for connection fees for Te Kuiti and Mokau.

Roads and Footpaths

ROADS AND FOOTPATHS (Amounts in \$000's)	Actual 2018/19	EAP Budget 2019/20	YTD Budget Mar 2020	YTD Actual Mar 2020	Variance Mar 2020	% Variance
Direct Expenditure						
- Subsidised Roads	6,388	6,249	5,380	5,347	(33)	
- Unsubsidised Roads	99	131	51	37	(14)	
Total Direct Expenditure	6,487	6,380	5,431	5,384	(47)	-1%
- Allocated Costs	14	15	11	12	1	
- Interest	549	606	455	338	(117)	
- Depreciation	2,936	2,771	2,079	2,051	(28)	
Total Expenditure	9,986	9,772	7,976	7,785	(191)	-2%
Operating Revenue						
- Subsidised Roads	(8,635)	(10,569)	(6,671)	(6,297)	374	
- Unsubsidised Roads	(104)	(97)	(56)	(63)	(7)	
Total Operating Revenue	(8,739)	(10,666)	(6,727)	(6,360)	367	-5%
Net Operating Cost/(Surplus)	1,247	(894)	1,249	1,425	176	14%
Subsidised Roads Maintenance (Excluding losses on asset disposals)	6,388	6,249	5,339	5,323	(16)	
Subsidised Roads Capital	5,204	7,995	3,602	3,159	(443)	
Combined Maintenance and Capital	11,592	14,244	8,941	8,482	(459)	-5%
Subsidy Revenue for Subsidised Roads	(8,486)	(10,414)	(6,554)	(6,199)	355	-5%

Net Operating Cost for the Roads and Footpaths Activity was 14% (\$176,000) more than budget for the period ended 31 March 2020.

Direct Expenditure was 1% (\$47,000) less than budget for the period.

- Unsealed pavement maintenance was less than budget for the period along with expenditure for network and asset management, professional fees, routine drainage maintenance and structures maintenance. These reductions are offset by increased sealed maintenance expenditure.
- Emergency Re-instatement (first response). Expenditures for this reporting period of \$457,000 against YTD budget of \$349,000 were incurred for minor emergency events. These were repairs due to weather related damages on the network.

Operating Revenue was 5% (\$367,000) less than budget for the period.

- Subsidy revenue is based on both maintenance and capital expenditure and for most work categories the subsidy rate is 73%. As both maintenance and capital expenditure were less than budget, the subsidy associated was also less than budget.

Appendix 2: Balance Sheet as at 31 March 2020

STATEMENT OF FINANCIAL POSITION (Amounts in \$000's)	Actual 30 Jun 2019	Actual Position 31 Mar 2020	Movement from 30 Jun 2019	EAP 30 Jun 2020	Variance from EAP
Equity					
- Accumulated Funds	214,394	218,566	4,172	220,986	2,420
- Other Reserves	26,326	26,326	0	24,797	(1,529)
- Revaluation Reserve	77,200	77,200	0	83,559	6,359
TOTAL EQUITY	317,920	322,092	4,172	329,342	7,250
Current Assets					
- Cash and Cash Equivalents	1,819	2,819	1,000	537	(2,282)
- Inventory	93	93	0	84	(9)
- Assets Held for Sale	100	60	(40)	0	(60)
- Other Financial Assets	3	3	0	3	0
- Receivables (Non-exchange)	4,940	4,075	(865)	4,801	726
- Receivables (Exchange)	157	157	0	531	374
Total Current Assets	7,112	7,207	95	5,956	(1,251)
Current Liabilities					
- Payables and Deferred Revenue (Exchange)	3,178	1,714	(1,464)	3,718	2,004
- Payables and Deferred Revenue (Non-exchange)	750	750	0	878	128
- Current Portion of Borrowings	10,261	13,225	2,964	24,140	10,915
- Provisions	3	3	0	3	0
- Employee Entitlements	623	559	(64)	616	57
- Derivative Financial Instruments	677	677	0	605	(72)
Total Current Liabilities	15,492	16,928	1,436	29,960	13,032
NET WORKING CAPITAL	(8,380)	(9,721)	(1,341)	(24,004)	(14,283)
Non-Current Assets					
- Property Plant and Equipment	345,528	346,043	515	361,134	15,091
- Intangible Assets	223	223	0	1,076	853
- Investment Property	897	897	0	788	(109)
- Other Financial Assets	503	500	(3)	410	(90)
- Investment in CCO & Civic Financial Services Ltd	11,455	11,455	(0)	11,820	365
Total Non-Current Assets	358,606	359,118	512	375,228	16,110
Non-Current Liabilities					
- Borrowings	30,000	25,000	(5,000)	20,000	(5,000)
- Provisions	461	461	(0)	750	289
- Derivative Financial Instruments	1,845	1,845	(0)	1,132	(713)
Total Non-Current Liabilities	32,306	27,305	(5,001)	21,882	(5,423)
NET ASSETS	317,920	322,092	4,172	329,342	7,250

TREASURY REPORT

FOR



FOR THE QUARTER ENDED 31 MARCH 2020



BANCORP

BANCORP TREASURY SERVICES LIMITED

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1. MARKET ENVIRONMENT

1.1 GLOBAL MARKETS OVERVIEW (FOR THE MARCH 2020 QUARTER)

While events in January and February were important in their own right, the real focus for the quarter was in March when the full impact of the COVID-19 pandemic was felt. During this month equity and commodity prices plunged, bond rates fell to new all-time lows and currencies had massive intra-day swings.

In response to the COVID-19 pandemic, the Federal Reserve ("Fed") cut the cash rates by 1.00% on 15 March, to a 0.0% to 0.25% range, this after an emergency cut of 50 basis points on 3 March. The Fed also announced unlimited Quantitative Easing ("QE") and for the first time ever, the Fed will be able to purchase corporate bonds and make direct loans to companies. The US government announced multiple stimulus packages. The first announcement was for USD8.3 billion, phase two was for USD104 billion and phase three, was for a massive USD2.2 trillion. The White House is talking about a further USD2 trillion of infrastructure linked spending.

The global benchmark for long term interest rates, the US 10 year Treasury bond, had an extremely volatile quarter. At the beginning of January, it was trading at 1.94%, on 9 March it touched a low of 0.39%, rebounded to 1.27% by 18 March and finished the quarter at 0.69%. The sharp bounce off the unprecedented lows was a result of various Fed measures to provide support to the financial system and the announcements of several government support packages.

The European Central Bank ("ECB") disappointed the market by not cutting its benchmark rate, but it offered unlimited liquidity at the deposit rate to the banking sector to provide bridge financing, it lowered the rate on its longer-term refinancing operations to banks by 0.25%, and the governing council increased bond purchases by EUR120 billion for the current year.

The Bank of England ("BOE") cut its benchmark interest rate by 50 basis points to 0.25%, and the British Chancellor unveiled a GBP30 billion spending package. The BOE then cut another 15 basis points on 19 March alongside a QE increase of GBP200 billion. The PBoC, the Chinese central bank, has also cut interest rates and the Chinese Government announced on 26 March that it was looking to implement CNY2.4 trillion (USD344 billion) of stimulus and deliver CNY1 trillion (USD145 billion) in tax cuts.

The global stimulus measures have brought some stability to financial markets, with currency volatility declining and credit spreads edging back from the blowouts seen in mid-March.



Equity markets have also rebounded. With governments globally providing liquidity at unprecedented levels, we may be starting to see the first green shots of recovery (or at least stabilisation) but the COVID-19 pandemic crisis still has a long way to go and at some stage, someone will ask, how are we going to pay for all of this stimulus? That in itself could be sowing the seeds of the next selloff.

1.2 NEW ZEALAND MARKET OVERVIEW (FOR THE MARCH 2020 QUARTER)

	OCR	90 day	2 years	3 years	5 years	7 years	10 years
31 December 2019	1.00%	1.29%	1.28%	1.32%	1.44%	1.59%	1.78%
31 March 2020	0.25%	0.50%	0.53%	0.55%	0.63%	0.75%	0.93%
Change	-0.75%	-0.79%	-0.75%	-0.77%	-0.81%	-0.84%	-0.85%

Following the 75 basis point cut to 0.25% on 16 March, the Reserve Bank of New Zealand (“RBNZ”) also delivered a Large-Scale Asset Purchase (“LSAP”) programme on 23 March, committing to purchase up to NZD30 billion of New Zealand government bonds across a range of maturities over the next 12 months.

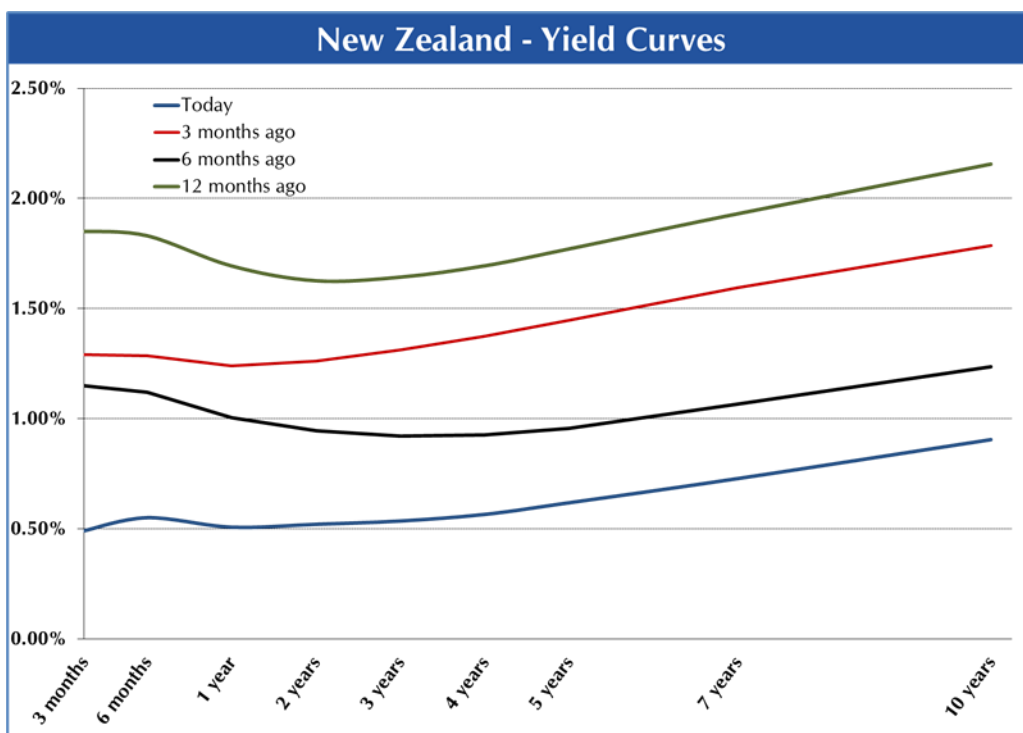
However, the RBNZ has made it clear that it is prepared to take further action if necessary. Adrian Orr, stated, *“the aim of our QE programme is to keep rates very low,”* adding, *“we are in a great position to be doing this.”* To support the RBNZ, on 23 March, Finance Minister Grant Robertson increased the business support package by an additional NZD4.0 billion to the previously announced NZD12.1 billion for the support package.

The Government also announced that it, and the banking sector, would implement a NZD6.25 billion Business Finance Guarantee Scheme for small and medium-sized businesses by offering 12 month low interest rate loans to the banks and take 80% of any credit losses that may eventuate. Another scheme has been added, for a similar amount, with a loan term of 3 years. The Government has also introduced six-month principal and interest payment holidays for mortgage holders and SME’s whose incomes have been affected by the COVID-19 pandemic.

Swap rates have again reached fresh lows, following global bond yields. Domestic swap rates are down dramatically, with the 5 year swap rate currently 0.63%, compared to 1.44% at the end of December and the 10 year swap is now 0.93%, down from levels above 1.75% at the end of December. At the short end of the yield curve the 90 day bank bill rate is at 0.50%, with this rate anchored by the OCR which is at 0.25% and likely to stay there for a very long time. However, the RBNZ appears to have ruled out negative short term interest rates, which have been a feature of Japanese and European interest rates for quite some time.



The following chart shows the extent to which New Zealand interest rates have fallen over the past 12 months, with the dramatic fall from levels that prevailed a year ago clearly evident.



1.3 LOCAL AUTHORITY SECTOR

Listed in the table below are the credit spreads and applicable interest rates for Commercial Paper (“CP”), Floating Rate Notes (“FRN”) and Fixed Rate Bonds (“FRB”), at which Waitomo District Council (“WDC”) could source debt from the Local Government Funding Agency (“LGFA”).

Maturity	Credit Spread	FRN (or CP) Rate	Fixed Rate Bond
3 month CP	0.60% (0.22%)	1.10% (1.32%)	N/A
6 month CP	0.60% (0.22%)	1.19% (1.32%)	N/A
May 2021	0.84% (0.51%)	1.33% (1.71%)	1.30% (1.68%)
April 2022	0.93% (0.54%)	1.42% (1.74%)	1.42% (1.78%)
April 2023	1.05% (0.64%)	1.54% (1.84%)	1.45% (1.88%)
April 2024	1.14% (0.70%)	1.63% (1.90%)	1.68% (2.02%)
April 2025	1.27% (0.75%)	1.76% (1.95%)	1.83% (2.15%)
April 2027	1.49% (0.89%)	1.98% (2.09%)	2.08% (2.36%)
April 2029	1.58% (0.90%)	2.07% (2.10%)	2.40% (2.60%)
April 2033	2.18% (1.08%)	2.67% (2.28%)	3.16% (2.89%)

As can be seen from the table, credit spreads have increased exponentially during the March quarter. However, the fall in underlying interest rates has more than compensated for the increase in the credit spreads, with overall borrowing costs lower (with the exception of the 2033's), especially at the short to medium end of the yield curve.



2. DEBT AND HEDGING

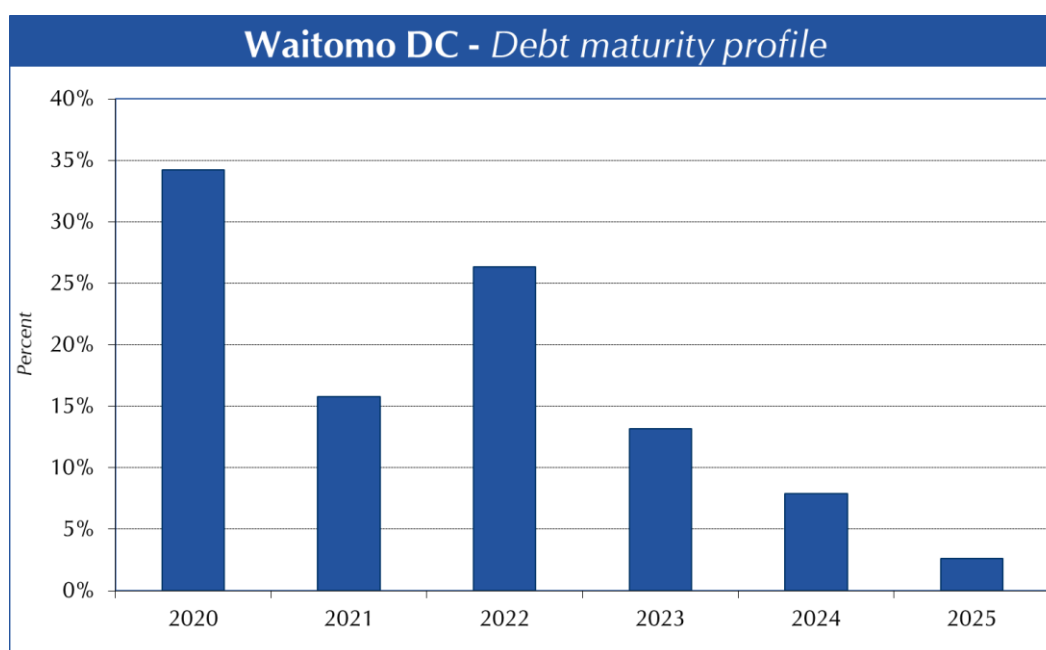
2.1 DEBT

As at 31 March 2020, WDC had \$38.0 million of external debt, down from \$40.0 million at the end of December. All of WDC’s debt was sourced from the LGFA through a combination of CP, FRNs and one FRB.

WDC also has a Westpac Bank Multi Option Credit Line Facility for \$10.0 million that matures on 1 July 2020, has an annual line fee of 0.35% and a margin of 0.90%. As at 31 March, there were no drawings under the Westpac facility. A breakdown of the funding profile (excluding the Westpac facility) is contained in the table below:

Instrument	Start Date	Maturity Date	Margin	Rate	Amount
LGFA CP	30-Jul-19	27-Jul-20	23 bps	1.475%	\$3,000,000
LGFA CP	19-Nov-19	18-May-20	23 bps	1.435%	\$5,000,000
LGFA FRN	19-Jun-17	10-Sep-20	48 bps	1.35%	\$5,000,000
LGFA FRN	19-Jun-17	15-Nov-21	55.5 bps	1.745%	\$6,000,000
LGFA FRN	18-Jul-18	18-Apr-22	60 bps	1.87%	\$5,000,000
LGFA FRN	28-Jun-19	30-Aug-22	59.5 bps	1.655%	\$5,000,000
LGFA FRN	19-Jun-17	24-Apr-23	64 bps	1.92%	\$5,000,000
LGFA FRN	19-Jun-17	18-Apr-24	65.5 bps	1.925%	\$3,000,000
LGFA FRB	19-Jun-17	19-Apr-25	71 bps	3.68%	\$1,000,000
			TOTAL		\$38,000,000

The maturity profile of WDC’s drawn debt as at 31 March is depicted in the following chart.



Section 7.2 of WDC's Liability Management Policy ("LMP") states that "To avoid a concentration of debt maturity dates Council will, where practicable, aim to have no more than 33% of debt subject to refinancing in any 12 month period." As at 31 March, WDC was marginally outside the guideline in this section, with 34.2% maturing in the year ending 31 March 2021. However, Section 7.2 is a guideline and not a binding requirement, and therefore no policy breach has been invoked.

2.2 HEDGING

As at 31 March, WDC had seven interest rate swaps ("swaps") to convert a portion of the floating interest rate exposures into fixed interest rates. Five of the swaps are current and two are forward starting. Details of the swaps are contained in the table below:

Start Date	Maturity Date	Rate	Amount	Market Value
18-Oct-2013	20-Apr-2020	4.315%	5,000,000	(\$37,531)
11-Sep-2017	11-Sep-2020	3.780%	5,000,000	(\$77,263)
31-Mar-2014	17-May-2021	4.900%	6,000,000	(\$317,391)
18-Apr-2017	18-Apr-2023	3.950%	3,000,000	(\$323,790)
24-Jan-2017	24-Jan-2024	3.840%	5,000,000	(\$640,719)
Total current swap hedging			24,000,000	
Forward starting swaps				
20-Apr-2020	20-Apr-2025	3.930%	5,000,000	(\$816,199)
11-Sep-2020	11-Sep-2026	2.890%	5,000,000	(\$641,096)
				(\$2,853,989)

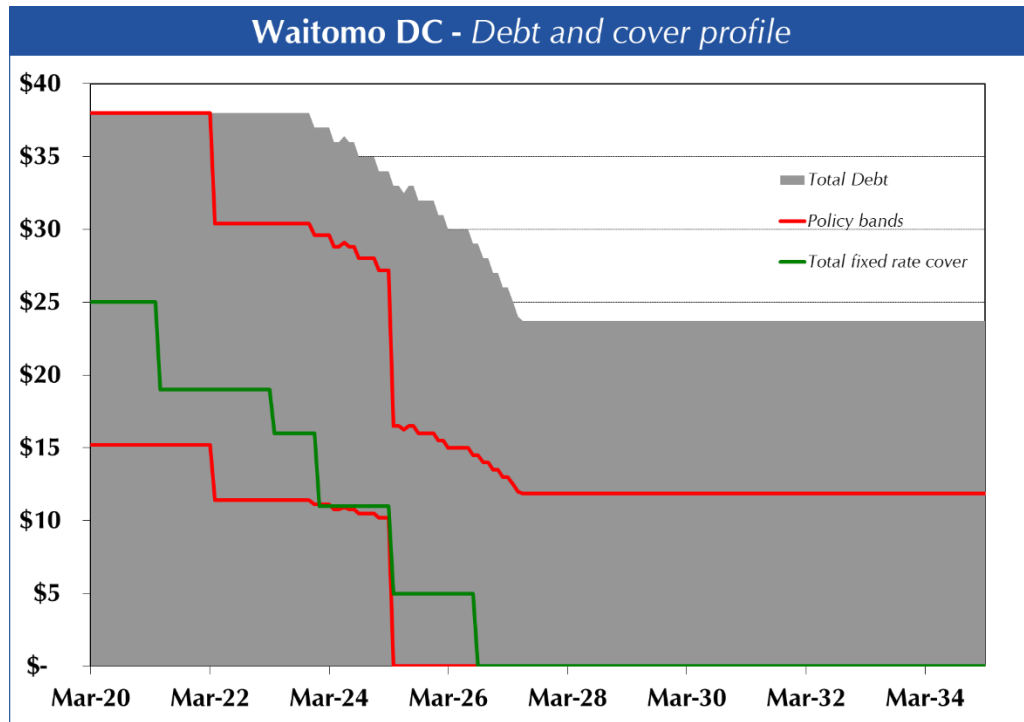
The 'marked to market' valuation on the swap portfolio deteriorated during the March quarter, from a loss of \$2,244,437 at the end of December, to a loss of \$2,853,989 at the end of March. The deterioration was due to the sharp fall in interest rates during the March quarter.

2.3 DEBT AND HEDGING PROFILE

WDC manages the interest rate risk on its debt under the fixed rate hedging parameters detailed in the following table.

Fixed Rate Hedging Percentages		
	Minimum Fixed Rate Amount	Maximum Fixed Rate Amount
0 – 2 years	40%	100%
2 – 5 years	30%	80%
5 – 15 years	0%	50%

The debt profile incorporating these parameters, the swaps and the FRB, and using the projected debt figures as supplied by WDC, is depicted in the following graph.

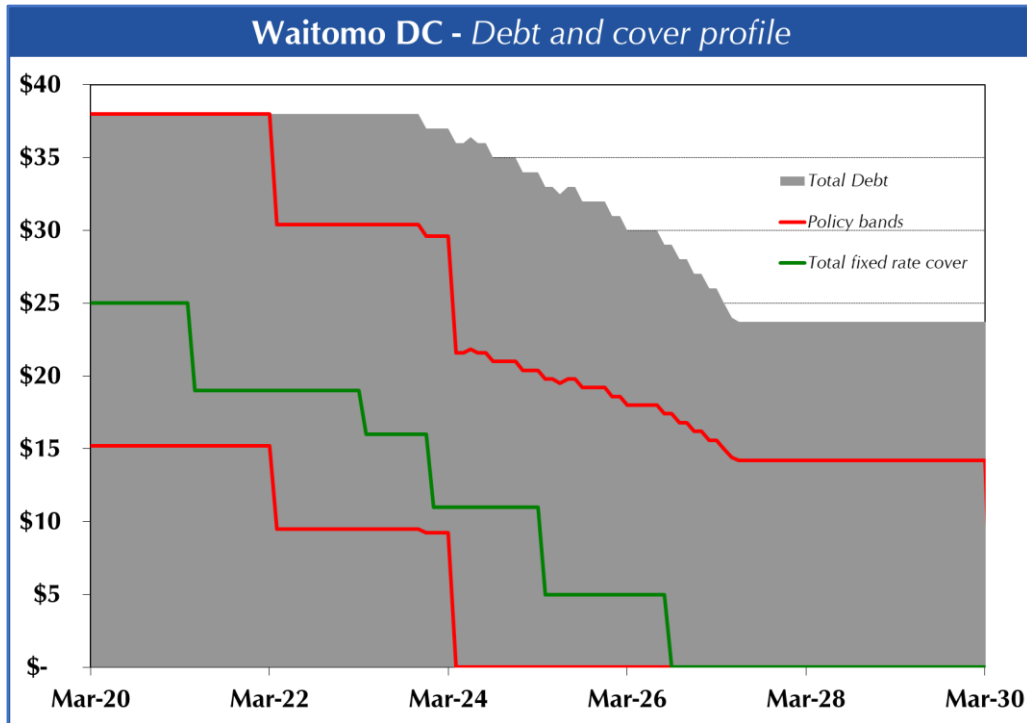


The graph indicates that, as at 31 March, WDC had a very minor policy breach for three months in early 2024. The breach has been noted by WDC management.

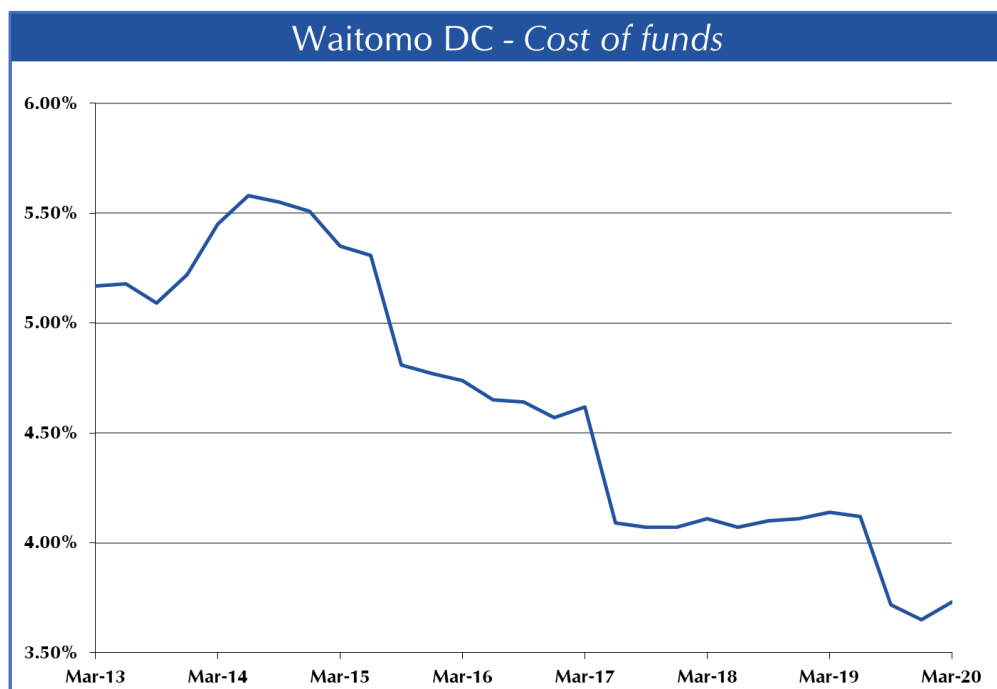
Bancorp Treasury and Waitomo DC have been discussing amending the treasury policy bands to take account of the new paradigm that the financial markets are now experiencing, one which has been greatly magnified by the COVID-19 pandemic. The following policy bands are being considered.

Alternative Fixed Rate Hedging Percentages		
	Minimum Fixed Rate Amount	Maximum Fixed Rate Amount
0 – 2 years	40%	100%
2 – 4 years	25%	80%
4 – 10 years	0%	60%

The debt and hedging profile incorporating the amended parameters is depicted in the graph on the following page.



As at 31 March WDC's cost of funds, including the line fee on the committed Westpac facility, was 3.73%, up from 3.65% at the end of December. The increase in the cost of funds was due to a reduction in the debt level to \$38.0 million, which reduced by \$2.0 million the amount of low priced floating rate debt. Despite this, WDC's cost of funds is still well below that of many other local authorities, quite a number of which have a credit rating. WDC's cost of funds since March 2013 is depicted in the following graph.



2.4 POLICY COMPLIANCE AS AT 31 MARCH 2020

	Yes/No
<i>Have all transactions been entered into compliance with policy?</i>	√
<i>Are the fixed rate hedging percentages within policy control limits?</i>	×
<i>Is WDC maintaining liquidity within policy control limits?</i>	√
<i>Are all counterparty exposures within policy control limits?</i>	√
<i>Is WDC compliant with the financial covenants contained in the TMP?</i>	√

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SERVICE PERFORMANCE REPORT

Key Performance Indicators for 2018-28 Long Term Plan

For the period 1 July to 31 March 2020

Introduction

- 1.1 The 2018-28 Long Term Plan (LTP) was adopted in June 2018. It sets out outcomes we aim to deliver for our community, through the activities we undertake. Within each group of activity outlined in the LTP, we have nominated key non-financial performance indicators as progress markers towards the achievement of the outcomes. In the LTP, the non-financial performance indicators focus on measuring the delivery of outcomes to the community.
- 1.2 Council also uses these key performance indicators (KPIs) to measure its service provision to the Community. The KPIs and their targets allow the measurement, over time, of whether or not the service delivery and performance has been properly focused on Council's priorities.
- 1.3 Many of the KPIs are mandatory and Council is required to measure and report on these.
- 1.4 Progress against agreed performance targets is monitored by management and reported quarterly to governance. Council is required to report back to the community every year in the Annual Report on the non-financial performance indicators. The Annual Report is audited by external auditors and includes an investigation into how the KPI results are calculated.
- 1.5 The results presented in this paper reflect the progress of these non-financial key performance indicators for the first quarter period of 1 July 2019 – 30 September 2019 and the second quarter – progress to date as at 31 December 2019.
- 1.6 The reporting compares actual performance with the intended level of performance targets as set out in the LTP. The performance results are presented in Groups of Activity (GOAs) using an 'achieved/not achieved' reporting system.

	Achieved	All components of the performance measure have been met or are on track to be achieved.
	On track	All components of the performance measure are on track to be achieved.
	Not achieved	Some or all components were not achieved as per schedule or target
	Off track	Some or all components are not on track to be achieved as per schedule or target
	No data available	No work scheduled or data available in the current (reporting) quarter.

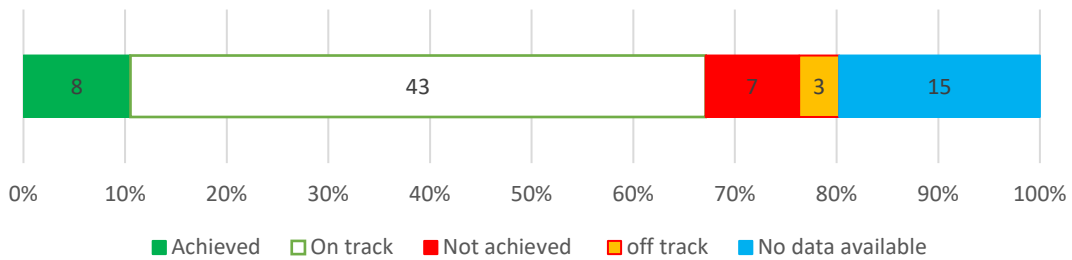
- 1.7 There are different methods of measurement for the key performance indicators like response time, resolution time, number of complaints received and residents' satisfaction.

Quarter 3 (as at 31 March 2020) overall result

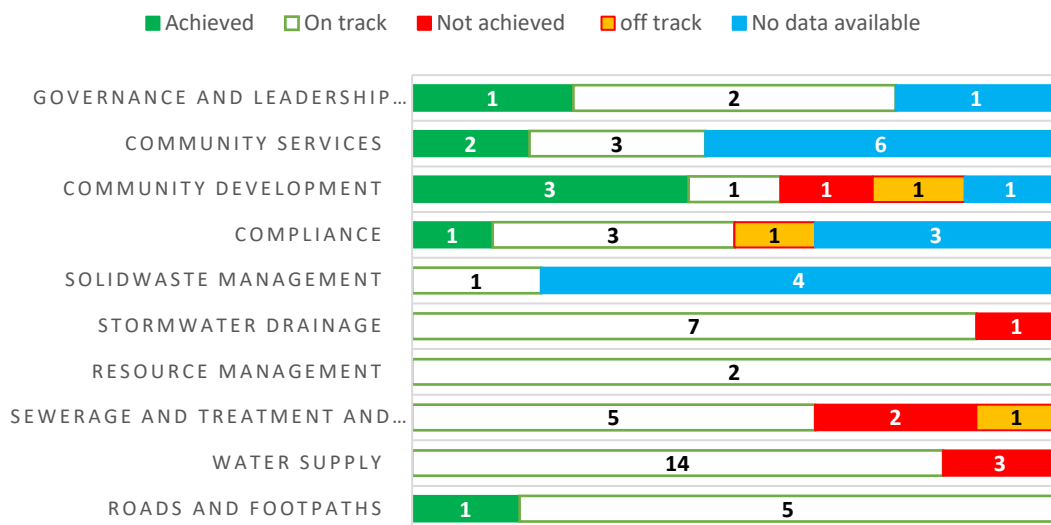
2.1 There are 76 measures in Council's 2018-28 LTP. At the end of the second quarter, data was not available or not measured for 15 (20%) of the measures. Of the remaining 56 measures, 8 (10%) are achieved and 43 (57%) are on track to be achieved, 3 (4%) measures are off track and 7 (9%) measures have not been achieved.

2.2 The following graphs show a summary of the overall Q2 results and a summary of results by GOA:

Overall results



Summary of results by GOA



Measures that are 'Not achieved'

3.1 Community Development

Council provide support for major district events	Target: 2 per annum Result: 1
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3.2 The Waitomo District Christmas Parade was held on 13 December 2019.

3.3 The Great NZ Muster scheduled for 4 April 2020 was cancelled following the government directive regarding public gatherings and events in response to the COVID-19 Pandemic.

3.4 Council does not envision holding any major events during the Pandemic and or prior to the end of this financial year. Therefore this measure cannot be achieved for this year.

3.5 Stormwater Drainage

The number of complaints received about the performance of the Council's urban storm water system per 1,000 properties connected.	Target: ≤ 4 complaints per 1,000 properties (2,056 connections) Result: 6.10 per 1000 connections
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3.6 Council received 16 complaints in between 1 July and 31 March 2020. Only two new complaints were received in quarter 3. One complaint related to an observation of foaming that occurred at a storm water system outlet. Upon investigation no issues or harmful substances were found. The second complaint related to public dumping of fat into the storm water system which had caused an unpleasant smell.

3.7 Council resolved these issues and complaints within allocated timeframes, however is unable to mitigate some of the issues as they are related to either natural weather events or in these instances public interference with the system.

3.8 It should be noted that the current target has been set at a very low threshold, and a review through the LTP process would be timely.

3.9 Sewerage and Treatment and Disposal of Sewage

Number of complaints received in a financial year about; <ul style="list-style-type: none"> ▪ sewage odour; ▪ sewage system faults; ▪ sewage system blockages; and Council's response to issues with the sewage system.	Target: Total complaints per 1,000 connections ≤35 <i>(Total number of connections 1,966)</i> Result: 67.14 per 1000 connections
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3.10 Council receives disproportionately high numbers of complaints related to the Piopio sewerage system which has known issues and includes individual septic tanks on properties.

The median response times for resolution, in a year, measured from the time that the Council receives notification to the time that service personnel confirm resolution of the blockage or other fault.	Target: ≤ 540 minutes (9hrs) Result: 660 minutes (11.01 hours)
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3.11 Piopio is a unique wastewater collection network as indicated above. The increase in the resolution is largely due to the remoteness of Piopio, however there has also been delays experienced with obtaining parts and materials.

3.12 It would be appropriate to set different targets for Piopio when the measures are being reviewed for the 2021-31 long term plan.

3.13 Water Supply

The extent to which WDC's drinking water supplies comply with Part 5 of NZ Drinking-water Standards 2005 (revised 2008) (protozoal compliance criteria)	Target: 100% Result: not met
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- 3.14 An official assessment by Drinking Water Assessor (DWA) for the performance of Waitomo District Council as a 'water supplier' was completed for the period 1 July 2018 to 30 June 2019.
- 3.15 The report found that compliance with the protozoa requirements was not met for Maniaiti/Benneydale, Mokau, Piopio and Te Kuiti. The report acknowledged that Council have been actively working to address these issues with treatment plant upgrades and a compliance criteria review. The DWA Drinking Water Technical Officer has been working with Council to identify and address non-compliance issues. The report also states that all treatment plants are capable of meeting the requirements and that it was a matter of resolving the compliance monitoring issue.
- 3.16 Staff are currently working on identifying the problem areas in the SCADA system. Resources are being assessed to adjust the SCADA system for complete reporting.
- 3.17 Some improvements have already been made as budget allows.

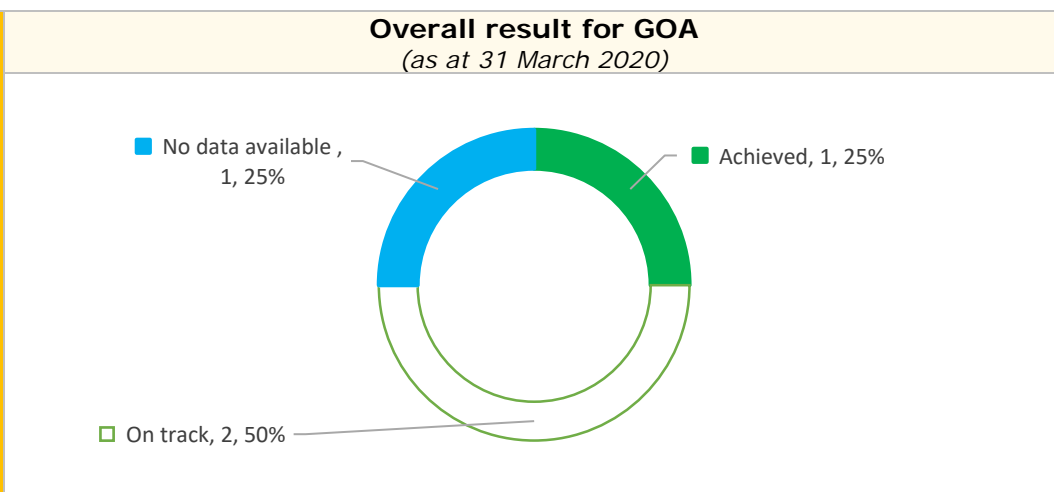
The median resolution time of urgent call-outs in a financial year***	Target: ≤ 540 minutes (9hrs) Result: 12.31hrs
The total number of complaints received by Council in a year for: (Total number of connections (2623) • Drinking water clarity	Target: ≤ 5 per 1000 connections Result: 8.77

- 3.18 At the Mokau Water Treatment Plant, there were issues experienced with elevated turbidity leaving the plant, and under direction from the DWA a temporary boil water notice was issued. A range of issues were discovered that arose from deferred maintenance, namely;
- Clogged filter
 - Residual solid in contact tank
 - No as-built plans for pipes, and
 - No air release valves in articulation.
- 3.19 At each phase of resolution of these issues, it required balancing the operational ability to produce water with peak demand.
- 3.20 Council's communication with the community during this time proved to be challenging due to the lack of access to the internet by parts of the community, and the transit nature of residents at that time of year. This resulted in complaints being raised.

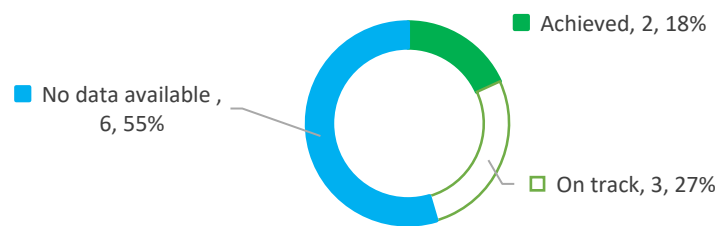
Performance Results by GOA

Community and Cultural Sustainability Group | Governance: Leadership and Investments

How we measure performance	As at 31 Dec 2019		Performance - (Q3) as at 31 March 2020		
	Q1	Q2	Target / Result	Q3	Commentary
Number of successful challenges to the decision making process. [LGA compliance]	○	○	Target: 0 Result: 0	○	No challenges to the decision making process under LGA
Number of successful challenges to the decision making process. [consultation as per LGA]	○	○	Target: 0 Result: 0	○	No challenges to the decision making in relation to the consultation process under LGA
Percentage of residents satisfied with the effectiveness and usefulness of Council Communications	●	●	Target: 90% Result:	●	Performance will be reported on through the 2020 Resident Satisfaction Survey (to be completed in May/June 2020).
Analysis of investment financials and activity including investment company reporting statements are reported to Council and made available to the public as applicable.	●	●	Target: 2 reports per year Result: 2	●	Council has received the WLASS and the Inframax Construction Ltd half year financial report to 31 December 2019, these are scheduled to be presented at the May Audit, Risk and Finance Committee.



Community and Cultural Sustainability Group | Community Services

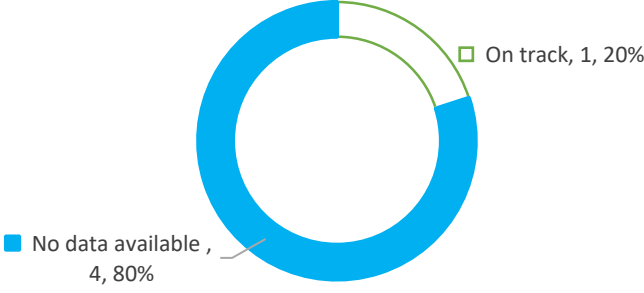
Community Services	Overall result for GOA <i>(as at 31 March 2020)</i>				
	 <p style="text-align: center;"> ■ No data available, 6, 55% ■ On track, 3, 27% ■ Achieved, 2, 18% </p>				
	As at 31 Dec 2019	Performance - (Q3) as at 31 March 2020			
How we measure performance	Q1	Q2	Target / Result	Q3	Commentary
Percentage of residents satisfied with the quality of Parks and Reserves.	●	●	Target: ≥ 80% Result:	●	Performance will be reported on through the 2020 Resident Satisfaction Survey (to be completed in May/June 2020).
Percentage of tenants satisfied with the provision and maintenance of Elderly Persons Housing.	●	●	Target: > 80% Result:	●	Performance will be reported on through the 2020 Pensioner Resident Survey (to be completed by June 2020).
Percentage of residents satisfied with the quality of public amenities (Public Toilets and Cemeteries).	●	●	Target: ≥ 85% Result:	●	Performance will be reported on through the 2020 Resident Satisfaction Survey (to be completed in May/June 2020).
Percentage of residents satisfied with the quality of the pool facilities and service.	●	●	Target: ≥ 80% Result:	●	Performance will be reported on through the 2020 Resident Satisfaction Survey (to be completed in May/June 2020).
Provision of effective Arts and Culture facilities for the community.	●	●	Target: ≥ 80% Result:	●	Performance will be reported on through the 2020 Resident Satisfaction Survey (to be completed in May/June 2020).
Current Building Warrant Of Fitness (BWOF) for facilities with compliance schedules.	○	○	Target: 100% Result: 100%	○	BWOF's are assessed and issued by an IQP annually. These are then processed by the Building team.
Pool accreditation in place.	●	●	Target: 100% Result: 100%	●	PoolSafe Accreditation is in place for 2019/2020 season
Number of pool non complying water quality readings per year.	○	○	Target: < 2 Result: 0	○	Water Testing is completed monthly by CLM (Contractor) and have been completed for Jan & Feb 2020. The data is exclusive of March readings due to lockdown.
The number of residents who understand the need to plan for the ability to survive on their own for 3 days if there was an emergency event.	●	●	Target: ≥ 75% Result:	●	Performance will be reported on through the 2020 Resident Satisfaction Survey (to be completed in May/June 2020).
One major training exercise involving Civil Defence HQ staff will be held per year.	●	●	Target: One exercise per year Result:	●	A Joint Western Waikato Emergency Operating Centre (WWEOC) has been activated as directed by the Group Controller in response to the COVID-19 Pandemic. The WWEOC has been in operation since 25 March 2020, and is still operating. In lieu of an exercise (which is not feasible in this instance), the current activation and operation of the WWEOC by Waitomo staff (along with Waipa and Otorohanga staff) is considered to meet this KPI, as the activation relates to a significant national CDEM emergency.
Number of accidents directly attributable to playground equipment failure.	○	○	Target: Nil Accidents Result: 0	○	No service requests or incident reports for incidents or injury were received in quarter two.

Community Development	Overall result for GOA <i>(as at 31 March 2020)</i>				
	<p style="text-align: center;"> ■ No data available , 1, 14% ■ Achieved, 3, 43% ■ off track, 1, 14% ■ Not achieved , 1, 14% ■ On track, 1, 15% </p>				
	As at 31 Dec 2019	Performance - (Q3) as at 31 March 2020			
How we measure performance	Q1	Q2	Target / Result	Q3	Commentary
Advertisement and administration of all WDC Funding Rounds as per the Community Development Fund Policy.	○	○	Target: 100% Compliance Result: On track	○	The following funding rounds have been completed: <ul style="list-style-type: none"> ▪ Community Partnership Fund ▪ Sport NZ Rural Travel Fund ▪ Creative Communities Scheme ▪ Discretionary Grant – Round 2
Youth Council meet with Council once per year.	●	●	Target: 1 per annum Result: 0	○	An initial induction session was scheduled for March and a meeting with Council in April. Due to the Covid-19 Lockdown this can no longer go ahead. It is unlikely that a meeting will be scheduled prior to the end of this year.
Youth Council undertakes two youth related projects per year.	●	●	Target: 2 per annum Result: 2	●	<ul style="list-style-type: none"> ▪ Waitomo District Youth Council hosted a Youth Leadership Dinner held on 23 August 2019. ▪ Waitomo District Youth Council presented to the Matamata-Piako Volunteer Youth Ambassadors and the Tauranga Youth Advisory Group on 29 August 2019.
Council provide support for major district events.	●	○	Target: 2 per annum Result: 1	●	Waitomo District Christmas Parade held on 13 December 2019. The Great NZ Muster was cancelled following government directive regarding public gatherings in response to the COVID-19 Pandemic.
Percentage of residents satisfied with the quality of the library facilities and service.	●	●	Target: ≥ 85% Result:	●	Performance will be reported on through the 2020 Resident Satisfaction Survey (to be completed in May/June 2020).
Enhance the promotion of the District with the support of Hamilton Waikato Tourism through taking up District promotion opportunities in key publications and industry events.	●	○	Target: > 4 promotion opportunities taken up Result: 5	●	Hamilton Waikato Tourism presented their report to Council on 26 November 2019. Marketing initiatives undertaken include: <ul style="list-style-type: none"> • Explore your own Backyard Campaign • Short Escapes Campaign • 2019 Waikato Regional Visitor Guide • Annual Tour – North Island Campaign • Profiling through HWT's website and other social profiles
Involvement in economic development initiatives alongside Waikato means business.	●	●	Target: 1 initiative per annum Result: 2	●	<ul style="list-style-type: none"> ▪ Development of the Sub Regional (Southern) Waikato Economic Development Action Plan has been completed. ▪ The Business Growth Advisor Services initiative is ongoing, held once per month.

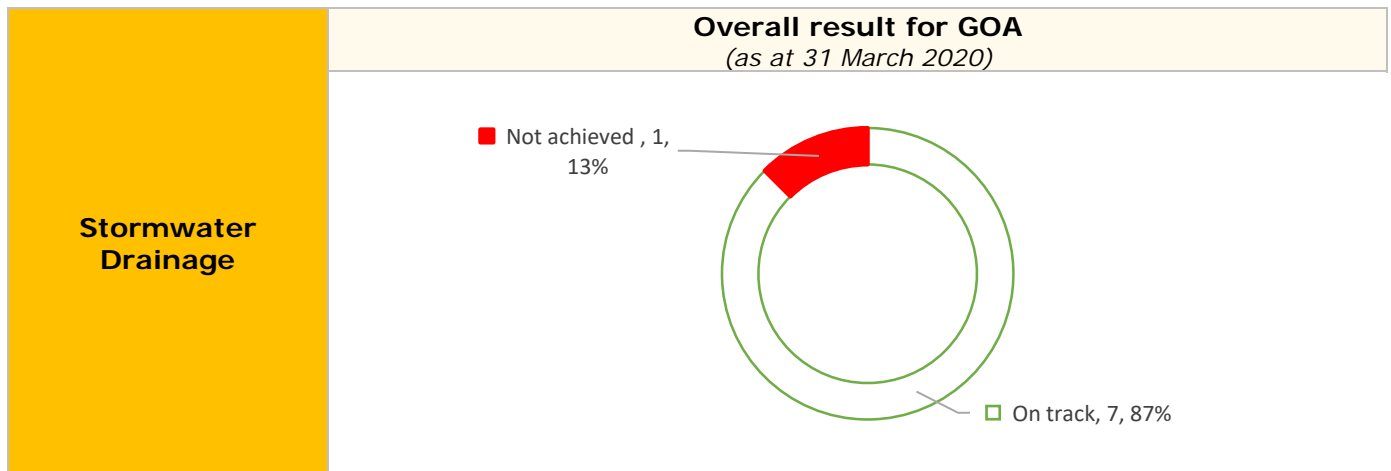
Community and Cultural Sustainability Group | Compliance

Compliance	Overall result for GOA (as at 31 March 2020)				
How we measure performance	As at 31 Dec 2019		Performance - (Q3) as at 31 March 2020		
	Q1	Q2	Target / Result	Q3	Commentary
Percentage of food and alcohol premises that are licensed or registered.	○	○	Target: 100% Compliance Result: 98.65%	○	There are currently 74 premises in the District and 1 premise currently not registered. Due to the COVID-19 Lockdown and closure of food premises, this premise cannot be processed currently. However, we are currently still on track to achieve 100% compliance prior to the end of the year.
Percentage of residents satisfied with the provision of the Environmental Health Service.	●	●	Target: > 85% Result: N/A	●	Performance will be reported on through the 2020 Resident Satisfaction Survey (to be completed in May/June 2020).
The percentage of building consents and PIMs processed within 20 working days.	○	○	Target: 100% Result: 100%	○	100% of consents were processed within 20 working days for this period.
WDC maintains building control systems and process to meet IANZ Audit requirements.	○	○	Target: BCA Accreditation achieved Result: On track	○	BCA accreditation was achieved in June 2018. WDC's next assessment is due in June 2020.
Percentage of users satisfied with the provision of the Building Control Service.	●	●	Target: > 75% Result: N/A	●	Performance will be reported on through the 2020 Resident Satisfaction Survey (to be completed in May/June 2020).
Percentage of Special Owner Status properties inspected per year.	●	●	Target: 100% Result: N/A	●	All new SOP applications are inspected as part of due process. Existing SOP's inspections were scheduled to commence in March. However due to COVID-19 lockdown the inspections could not progress as scheduled. Due to the continued COVID-19 nationwide response, it is unlikely that the inspections will be able to be completed prior to the end of the year.
Percentage of residents satisfied with the provision of the Animal Control Service.	●	●	Target: ≥ 75% Result:	●	Performance will be reported on through the 2020 Resident Satisfaction Survey (to be completed in May/June 2020).
Number of Dog/Owner Education initiatives.	●	●	Target: ≥ 2 Result: 5	●	Dog owners continue to be well informed via our communication of the Waitomo Way and Facebook page. 3 Facebook Posts and 2 Waitomo Way Articles.

Environmental Sustainability Group | Solid Waste Management

Solid Waste Management	Overall result for GOA (as at 31 March 2020)				
	 <p style="text-align: center;">■ No data available, 4, 80% ■ On track, 1, 20%</p>				
How we measure performance	As at 31 Dec 2019		Performance - (Q3) as at 31 March 2020		
	Q1	Q2	Target / Result	Q3	Commentary
Percentage of users that rate the safety of the facilities (landfill and rural transfer service stations) as satisfactory or better.	●	●	Target: ≥ 85 Result:	●	Performance will be reported on through the 2020 Resident Satisfaction Survey (to be completed in May/June 2020).
Average number of complaints received per month regarding solid waste activities.	○	○	Target: ≤ 10 Result: 4.6	○	Overall total of 41 complaints were received for Q1, Q2 and Q3 (an average of 4.6 complaints per month) Q3: A total of 20 complaints were received for this quarter (an average of 6.7 complaints per month).
Percentage of users satisfied with the provision of waste management facilities (Landfill and rural transfer stations)	●	●	Target: 80% Result:	●	Performance will be reported on through the 2020 Resident Satisfaction Survey (to be completed in May/June 2020).
Percentage reduction per annum in quantity of recyclables (like paper and plastics) in bag collection that goes to landfill.	●	●	Target: 1.0% Result: N/A	●	Latest result is published in the waste audit conducted in July 2018 (15.2% of household rubbish) comparing to 2016 results (27.38% of household rubbish). The next waste audit is due to be conducted in mid-2020.
Percentage reduction per annum in quantity of organic waste (like food scraps) in bag collection that goes to landfill.	●	●	Target: 1.0% Result:	●	The next waste audit is due to be conducted in mid-2020.

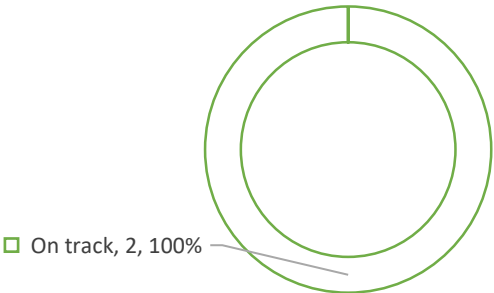
Environmental Sustainability Group | Stormwater Drainage



How we measure performance	As at 31 Dec 2019		Performance - (Q3) as at 31 March 2020		
	Q1	Q2	Target / Result	Q3	Commentary
The number of flooding events* that occur in the district in a financial year.	○	○	Target: 0 Result: 0	○	There have been no flooding events in the second quarter of 2019/20. No complaints received
For each flooding event* the number of habitable floors affected in a financial year.	○	○	Target: ≤ 10 Result: 0	○	There have been no flooding events in the second quarter of 2019/20
Compliance with resource consents for discharge from its Stormwater system, measured by the number of the following (received by Council with a financial year):					
abatement notices	○	○	Target: 0 Result: 0	○	No notices received.
infringement notices	○	○	Target: ≤ 2 Result: 0	○	No notices received.
enforcement orders	○	○	Target: 0 Result: 0	○	No notices received.
successful prosecutions	○	○	Target: 0 Result: 0	○	No notices received.
The median response time to attend a flooding event*, (measured from the time that the notification is received to the time that service personnel reach the site)	○	○	Target: ≤ 180 minutes (3hrs) Result: 0	○	No flooding events occurred.
The number of complaints received about the performance of the Council's urban storm water system per 1,000 properties connected.	○	●	Target: ≤ 4 complaints per 1,000 properties (2,2623 connections) Result: 6.10 per 1000 connections	●	Sixteen complaints were received about the performance of the Council's urban stormwater system between July and March 2020.

* A flooding event means an overflow of stormwater from a territorial authority's stormwater system that enters a habitable floor. Habitable floor refers to the floor of a building (including a basement) but does not include ancillary structures such as stand-alone garden sheds or garages.

Environmental Sustainability Group | Resource Management

Resource Management	Overall result for GOA <i>(as at 31 March 2020)</i>				
					
How we measure performance	As at 31 Dec 2019		Performance - (Q3) as at 31 March 2020		
	Q1	Q2	Target / Result	Q3	Commentary
The percentage of resource consent applications which are processed within statutory timeframes.	○	○	Target: 100% Result: On track	○	In quarter three, all resource consents have been processed within statutory timeframes.
All land use consents that require monitoring are monitored.	○	○	Target: 100% Result: On track	○	To comply with the COVID-19 nationwide lockdown, not all consents have been monitored prior to and during the L4 lockdown period. However, monitoring will recommence when this function can be undertaken safely and when permitted by the nationwide COVID-19 alert level requirements

Environmental Sustainability Group | Sewerage and Treatment and Disposal of Sewage

Sewerage and Treatment and Disposal of Sewage	Overall result for GOA (as at 31 March 2020)				
How we measure performance	As at 31 Dec 2019		Performance - (Q3) as at 31 March 2020		
	Q1	Q2	Target / Result	Q2	Commentary
Number of complaints received in a financial year about; <ul style="list-style-type: none"> ▪ sewage odour; ▪ sewage system faults; ▪ sewage system blockages; and ▪ Council's response to issues with the sewage system. 	○	○	Target: Total complaints per 1,000 connections ≤35 <i>(Total number of connections 1,966)</i> Result: 67.14 per 1000 connections	●	Between July 2019 and March 2020, a total of 132 complaints were received for odour, system faults, blockages and council's response to issues with the sewerage system. Note: some complaints were counted for multiple categories. Council receives disproportionately high numbers of complaints related to the Piopio sewerage system which has known issues and includes individual septic tanks on properties
Compliance with the Council's resource consents for discharge from its sewerage system, measured by the number of the following <i>(received by Council in a financial year)</i>					
abatement notices	○	○	Target: 0 Result: On track	○	No notices received.
infringement notices	○	○	Target: 0 Result: On track	○	No notices received.
enforcement orders	○	○	Target: 0 Result: On track	○	No notices received.
Convictions received	○	○	Target: 0 Result: On track	○	No notices received.
The median response times for attendance, in a year, measured from the time that the Council receives notification to the time that service personnel reach the site	○	○	Target: ≤180 minutes (3hrs) Result: 183 minutes (3.05 hrs)	○	All Service Requests related to sewage system overflows and blockages were attended to with a median response time of 3 hrs.
The median response times for resolution, in a year, measured from the time that the Council receives notification to the time that service personnel confirm resolution of the blockage or other fault.	○	○	Target: ≤ 540 minutes (9hrs) Result: 660 minutes (11:01 hours)	●	All Service Requests related to sewage system overflows and blockages were resolved with a median resolution time of 11:01 hours.
Number of dry weather sewage overflows from the Council's sewerage system in a financial year.	○	○	Target: Total complaints per 1,000 connections ≤15 <i>(Total number of connections 1,942)</i> Result: 8.14 per 1000 connections	○	From July 2019 to March 2020, a total of sixteen dry weather overflows occurred.

Economic Sustainability Group | Water Supply

Water Supply	Overall result for GOA (as at 31 March 2020)				
	<p style="text-align: center;"> ■ Not achieved , 3, 18% ■ On track, 14, 82% </p>				
	How we measure performance	As at 31 Dec 2019		Performance - (Q3) as at 31 March 2020	
	Q1	Q2	Target / Result	Q3	Commentary
The extent to which WDC's drinking water supplies comply with Part 4 of NZ Drinking-water Standards 2005 (revised 2008) (bacteria compliance criteria)	○	○	Target: 100% Result: 100%	○	Q3 Jan to March 2020 Compliance Survey - (DWOQ1) completed
The extent to which WDC's drinking water supplies comply with Part 5 of NZ Drinking-water Standards 2005 (revised 2008) (protozoal compliance criteria)	●	●	Target: 100% Result:	●	<p>Failed compliance in annual survey due to failing July 19 compliance with incomplete data & reporting.</p> <p>The report found that compliance with the protozoa requirements was not met for Maniaiti/Benneydale, Mokau, Piopio and Te Kuiti. The report acknowledged that Council have been actively working to address these issues with treatment plant upgrades and a compliance criteria review.</p> <p>Staff are currently working on identifying the problem areas in the SCADA system. Resources are being assessed to adjust the SCADA system for complete reporting.</p>
Percentage of real water loss from the Council's networked reticulation system in a financial year in: ('Water losses' includes real losses through leaks in the network and apparent losses through metering inaccuracies or water theft. This does not include unauthorised consumption.)					
• Te Kuiti	○	○	Target: ≤ 25% Result: 15.86%	○	Water loss in Te Kuiti is spread over the following: <ul style="list-style-type: none"> • Mangarino water loss 5.2% • Blackmans water loss 40.72% • Hetet water loss 11.83% • Hospital water loss 5.72% The average Te Kuiti water loss is 15.86%
• Mokau	○	○	Target: ≤ 25% Result: 1.76%	○	
• Piopio	○	○	Target: ≤ 25% Result: 0.34%	○	
• Maniaiti/Benneydale	○	○	Target: ≤ 15% Result: 5.72%	○	
The median response times for attendance for urgent call-outs in a financial year**	○	○	Target: ≤ 180 minutes (3hrs) Result: 2:42 hrs	○	31 urgent call-outs were received by the end of the 3rd quarter, and the median response time was 2:42 hours.
The median resolution time of urgent call-outs in a financial year***	○	●	Target: ≤ 180 minutes (3hrs) Result: 11:57 hrs	●	31 urgent call-outs were received by the end of the 3rd quarter, and the median resolution time was 11:57 hours.
The median response times for attendance for non-urgent call outs in a financial year**	○	○	Target: ≤ 660 minutes (9hrs) Result: 4:41 hrs	○	173 non-urgent call-outs were received by the end of the 3rd quarter, and the median response time was 4:13 hours.
The median resolution time of non-urgent call-outs in a financial year***	○	○	Target: ≤ 96 hours (4 days) Result: 1d/4:40hrs	○	172 non-urgent call-outs were received, and the median resolution time was 1 day and 4:40 hours.

How we measure performance	As at 31 Dec 2019		Performance - (Q3) as at 31 March 2020		
	Q1	Q2	Target / Result	Q3	Commentary
The total number of complaints received by Council in a year for: (Total number of connections (2623))					
Drinking water clarity			Target: ≤ 5 per 1000 connections Result: 8.77		Twenty three service complaints were received for clarity. 15 relating solely to clarity, 3 for clarity/taste, 2 for clarity/odour and 1 for clarity/continuity of supply. This equates to 8.77 complaints per 1,000 connections.
Drinking water taste			Target: ≤ 5 per 1000 connections Result: 1.52		4 service complaints were received for taste: 1 solely for taste, 2 for taste/clarity, and 1 taste/clarity/odour. This equates to 1.52 complaints per 1,000 connections.
Drinking water odour			Target: ≤ 5 per 1000 connections Result: 0.76		Two service complaints were received for odour: One for Odour/clarity one for Odour/taste. This equates to 0.76 complaints per 1,000 connections.
Drinking water pressure flow			Target: ≤ 30 per 1000 connections Result: 0.38		1 service complaint were received for drinking water pressure flow. This equates to 0.38 complaints per 1,000 connections.
Continuity of supply			Target: ≤30 per 1000 connections Result: 12.58		Thirty three service complaints were received for Continuity of supply: 32 solely for Continuity, and one for Continuity/Clarity. This equates to 12.58 complaints per 1,000 connections.
Median response time to any of these issues within a year.			Target: ≤ 540 minutes (9hrs) Result: 2.17		The median response time to the 57 service requests regarding clarity, taste, odour, pressure flow and continuity of supply was 2:17 hours.
Average consumption of drinking water per day per resident within the district.			Target: ≤ 400 litres per person per day Result: 230.53L		250.53L per person per day – KPI is on target to be met.

Economic Sustainability Group | Roads and Footpaths

Roads and Footpaths	Overall result for GOA <i>(as at 31 March 2020)</i>				
	<p style="text-align: right; margin-right: 50px;">■ Achieved, 1, 17%</p> <p style="text-align: left; margin-left: 50px;">■ On track, 5, 83%</p>				
	How we measure performance	As at 31 Dec 2019		Performance - (Q3) as at 31 March 2020	
	Q1	Q2	Target / Result	Q3	Commentary
The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network.	○	○	Target: 1 (or maintain at 0) Result: -3	○	The Crash Analysis System Report in March 2020 shows year to date four “severe injury crashes” and one “fatal crash” reported on (Waitomo District Council) Local roads for quarter two. In 2018/19 there was one fatality and seven serious injury crashes on the local road network, so the progress result so far is negative three.
The average quality of ride on a sealed local road network, measured by smooth travel exposure, in a financial year. (Percentage of measured sealed road lane kilometres not exceeding a NAASRA* roughness count rating of 150 to be at least 90%.)	●	●	Target: 90% (of total) Result: 91.2%	○	This is measured every three years and was re-measured in December 2019. The latest NAASRA roughness count from 2019 was 91.92%.
Percentage of unsealed road metalled each year.	○	○	Target: 10% (of total) Result: 8.10%	○	Q3 : YTD 8.1%. 6km of unsealed road metalling completed to date. Due to the Covid-19 Lockdown, Q3 data to be confirmed, but progress is on track.
Percentage of the sealed local road network that is resurfaced each year.	●	●	Target: 7% (of total) Result: 6%	○	Resurfacing is completed in the warm summer months. Resealing have been completed up to 6% end of March 2020.
The percentage of footpath network that falls within a condition rating of 3.	●	●	Target: 90% Result: 94.35%	●	This relates to the 2018 RAMM Footpath Condition Rating Report 2019 result (report dated 2019). The footpaths condition rating report is completed every 3 years, with the next one due in 2021.
The percentage of customer service requests relating to roads and foot paths responded to within 10 working days.	○	○	Target: 80% Result: 87.50%	○	In quarter three, a total of 178 (YTD 570) service requests were received. Of these, 18 (YTD 66) were for state highways and 160 (YTD 504) were for Council; 129 (YTD 441) of the Council-related service requests were responded to within 10 working days. 39 (YTD 71) Service request have not been responded to within 10 working days

Document No: A468774

Report To: **Audit Risk and Finance Committee**



Meeting Date: 5 May 2020

Subject: **Annual Review – Risk Register and Risk Management Implementation Plan for 2020/21**

Type: Decision Required

Purpose of Report

- 1.1 The purpose of this business paper is to present the revised Risk Register (reviewed May 2020) and Risk Management Implementation Plan for 2020/21.

Background

- 2.1 Council adopted its first Risk Management Framework (RMF) and Risk Management Implementation Plan (RMIP) in May 2019.

- 2.2 Council resolved at its meeting of 28 May 2019:

- 1 *The business paper Risk Management Framework and Implementation Plan - Receipt and Adoption of Audit and Risk Committee Minutes, be received.*
- 2 *The Risk Management Framework incorporating the overarching and strategic risks identified in the Strategic Risk Register be adopted.*
- 3 *Council note and agree the proposed controls and treatments needed to address the identified residual strategic risks, and the need for additional resourcing to implement those measures.*
- 4 *Council note that the additional resourcing requirements will be introduced through the draft 2019/20 Exceptions Annual plan process.*
- 5 *Council note that monitoring and reporting progress towards developing the maturity of Council's Risk Management Framework will take place in accordance with Council's Road Map Work Programme.*
- 6 *The Risk Management Implementation Plan for intervention of the strategic residual risks identified in the Strategic Risk Register be adopted.*
- 7 *Council note that the Audit and Risk Committee will undertake an annual review of the Strategic Risk Register in May of each year, including a review of any externalities impacting on or introducing new, strategic risks, to ensure changing circumstances are anticipated, monitored and mitigated accordingly.*
- 8 *Council note that the Audit and Risk Committee will develop a monitoring and reporting programme in May for the financial year ahead, linked to the agreed strategic risks, and to form part of Audit and Risk Committee's agenda programme for the year."*

Commentary

- 3.1 A desktop review of the Strategic Risks and the current environment has been completed. The identified strategic risks are still valid, the possibility of one or more of the identified risks eventuating may have changed.
- 3.2 The status of the two strategic risks with high residual risk, the 100% shareholding in Inframax Construction Limited (ICL) and Business Continuity Plans (BCP) is unchanged.
- 3.3 The Covid-19 Pandemic has impacted on both of these strategic risks, the probability of ICL not achieving its goals and the importance of BCPs.
- 3.4 The initial Risk Register Mitigation Implementation Plan scheduled the development of an Investment Policy, informed by evidence-based rational, to be completed in the 2019/2020 financial year. It is anticipated that this project will be now be completed in the 2020/21 year. However its completion is reliant on additional budget capacity in the Draft EAP 2020/21 to appropriately resource the review. The initial stages of this project have commenced with a consultant identified and retained with an expected completion date of February 2021.
- 3.5 The development of BCPs is scheduled for the 2020/2021 financial year. The request for proposal document is currently being developed. It was anticipated that the selection of a preferred supplier would be completed in September 2020, with the development of the BCPs commencing in January 2021. Similarly this workstream is reliant on additional budget capacity in the Draft EAP 2020/21 to appropriately resource and expedite the development of the BCPs.

Analysis of Options

- 4.1 The Committee needs to consider the importance of mitigating the high residual risk of the identified strategic risks.
- 4.2 The options are to either continue with the adopted Programme or delay the implementation of the Risk Mitigation Implementation Plan.

Considerations

- 5.1 **Risk**
- 5.2 The suggested resolutions are fundamental to effective management of Council's strategic risks. The Risk Register and Implementation Plan have been updated to reflect the current environment and known risk factors. Not adopting the updated Risk Register or Implementation Plan would simply leave Council at its current level of risk exposure and would not take into account the changes in the environment that we operate in. That exposure may become more problematic over time if not addressed through the risk controls and measures that have been identified and recorded in the risk register. If the Committee does not consider and decide to endorse the updated Risk Register and the Risk Management Implementation Plan programme of work for the 202/2021 financial year, mitigation of high residual risk will be delayed and the Risk Register will not reflect the current operating environment.

5.3 Consistency with Existing Plans and Policies

5.4 The suggested resolutions to agree on the Revised Risk Register and the Risk Management Implementation Plan for 2020/21 as presented will be consistent with Council's Exceptions Annual Plan and the Road Map Work Programme. The suggested resolutions are also consistent with Council's earlier policy decision to establish a framework that addresses management of strategic organisational risks and for the Committee to undertake an annual review.

5.5 Significance and Community Views

5.6 Section 78 of the LGA requires the Council to, in the course of its decision making, give consideration to the views and preferences of persons likely to be affected by, or to have an interest in, the matter.

5.7 In this instance, the matter for decision is internal to Council's management practices. There is no enhanced value or requirement for Council to consult on this matter.

5.8 The suggested resolutions do not trigger WDC's Significance and Engagement Policy.

Suggested Resolutions

- 1 The business paper on Review of the Risk Register and Risk Management Implementation Plan for the 2020/21 year be received.
- 2 The Revised Risk Register and Risk Management Implementation Plan for the 2020/21 year be adopted with the schedule of work identified for the 2020/2021 year as follows:
 - a. Completion of the Review of Council Investments.
 - b. Progress the development of Business Continuity Plans Framework and the Business Continuity Plans.



ALISTER DUNCAN
GENERAL MANAGER - BUSINESS SUPPORT

27 April 2020

Attachment: Waitomo District Council Strategic Risk Register (A468775)

Waitomo District Council Risk Register

OVERARCHING STRATEGIC OUTCOME: FAILING TO DELIVER THE COMMITMENTS MADE IN LONG TERM PLAN														
STRATEGIC RISK	Risk Title & Description	Consequences	Risk Assessment Prior to Controls and Treatments			Current Risk Controls & Treatments	Residual Risk Assessment (post controls & treatment)			Control Effectiveness	Suggested Residual Risk Controls and Treatments	Risk Owner	Response Owner	Response Date
			Likelihood	Consequences	Risk Level		Likelihood	Consequences	Risk Level					
1 GOVERNANCE														
1.1	Elected members are not adequately trained and/or developed	Resulting in: <ul style="list-style-type: none"> Failing to deliver commitments made in LTP Potential breach of elected members responsibilities (e.g. pecuniary interests, legal responsibilities) 	3	3	M (9)	<ul style="list-style-type: none"> Induction process following election Code of Conduct Standing orders Access to Mayor and CEO for information needs and advice. Regular workshop briefings on key policy issues. Informal networking with elected members from other TAs. 	2	3	M (6)	M	<ul style="list-style-type: none"> Training of elected members in governance role and responsibilities. 	Council	CEO	
1.2	Elected members are not effective in making robust, informed decisions.	Resulting in: <ul style="list-style-type: none"> Loss of community confidence in elected members decision making Damage to organisational reputation and credibility Potential for judicial review of decision making 	3	3	M (9)	<ul style="list-style-type: none"> Access to mayor and CEO for information needs and advice. Regular workshop briefings on key policy issues. Detailed and accurate officer reporting. 	2	3	M (6)	M	<ul style="list-style-type: none"> Training of elected members in governance role and responsibilities. 	Council	CEO	
1.3	Elected member decision making not aligned with adopted plans and strategies	Resulting in: <ul style="list-style-type: none"> High incidence of unplanned initiatives outside LTP Decision making becomes ad-hoc rather than planned and sustainable, leading to potential for decision reversal and uncertainty Organisational capacity required to deliver strategic direction and core programme commitments becomes marginalised. 	3	3	M (9)		2	3	M (6)	M	<ul style="list-style-type: none"> Training of elected members in governance role and responsibilities. 	Council	CEO	

OVERARCHING STRATEGIC OUTCOME: FAILING TO DELIVER THE COMMITMENTS MADE IN LONG TERM PLAN														
STRATEGIC RISK	Risk Title & Description	Consequences	Risk Assessment Prior to Controls and Treatments			Current Risk Controls & Treatments	Residual Risk Assessment (post controls & treatment)			Control Effectiveness	Suggested Residual Risk Controls and Treatments	Risk Owner	Response Owner	Response Date
			Likelihood	Consequences	Risk Level		Likelihood	Consequences	Risk Level					
2 ECONOMIC AND SOCIAL														
2.1	External economic and social factors are not appropriately considered in planning and direction setting	Resulting in: <ul style="list-style-type: none"> Significant financial loss Loss of public confidence Reduction of services provided to an affordable level 	2	3	M (6)	<ul style="list-style-type: none"> 3-yearly review of district population demographics. Access to and participation in regional economic development outlook. Access to and monitoring of BERL inflation adjustment forecasts. Review of LGNZ and SOLGM analysis of new legislation. Consideration of district deprivation and deprivation. 	1	3	L (3)	VH	<ul style="list-style-type: none"> Monitor effectiveness of current risk controls and treatments. 	Council	GM - Bus. S	
2.2	Unclear direction setting through LTP or inadequate follow through of set direction.	Resulting in: <ul style="list-style-type: none"> Reduction in service delivery. Loss of public confidence Reputational damage. Inadequate service delivery Disconnect between community expectations and service delivery 	2	4	M (8)	<ul style="list-style-type: none"> Early and regular planning and briefing sessions with elected members in preparation of draft annual plan Preparation of detailed Roadmap for monitoring implementation of agreed direction and actions. 	1	4	L (4)	VH	<ul style="list-style-type: none"> Monitor effectiveness of current risk controls and treatments. 	Council	GM - Bus. S	
2.3	Major reduction in WDC funding source arising from external economic, environmental or government policy.	Resulting in: <ul style="list-style-type: none"> Reduction of services provided Reduction in budget allocations, OR; Increased cost of delivering same levels of service Loss of public confidence 	2	3	M (6)	<ul style="list-style-type: none"> Three yearly review of Revenue and Financing Policy and Funding Impact Statement to ensure cost of service delivery is allocated equitably and is affordable Robust business cases to ensure major funding source ex NZTA subsidy towards road and footpath maintenance and capital costs is secured. Implementation of new capital projects is dependent on external funding being secured before project proceeds (e.g. new toilet blocks for Mokau and Waitomo Village are dependent of 50% TIF funding) 	1	3	L (3)	VH	<ul style="list-style-type: none"> Monitor effectiveness of current risk controls and treatments. 	Council	GM – Bus. S	

OVERARCHING STRATEGIC OUTCOME: FAILING TO DELIVER THE COMMITMENTS MADE IN LONG TERM PLAN														
STRATEGIC RISK	Risk Title & Description	Consequences	Risk Assessment Prior to Controls and Treatments			Current Risk Controls & Treatments	Residual Risk Assessment (post controls & treatment)			Control Effectiveness	Suggested Residual Risk Controls and Treatments	Risk Owner	Response Owner	Response Date
			Likelihood	Consequences	Risk Level		Likelihood	Consequences	Risk Level					
3	FINANCIAL													
3.1	WDC investments are not regularly assessed for strategic and or financial viability.	Resulting in: <ul style="list-style-type: none"> Loss of community and stakeholder (viz banks and auditors) confidence in WDC's ability to manage its finances 	3	3	M (9)	<ul style="list-style-type: none"> Regular review of and reporting on WDC investments. 	2	3	M (6)	VH	<ul style="list-style-type: none"> Review and develop risk controls and treatments for WDC investments. 	Council	GM - Bus. S	
3.2	WDC's shareholding investment does not meet financial and strategic objectives.	<ul style="list-style-type: none"> Additional financial costs and loss of financial sustainability to the extent that Council's ability deliver services is severely compromised Rates become unsustainable 	3	4	H (12)	<ul style="list-style-type: none"> Quarterly reporting against WDC financial performance targets. Regular informal meetings between Inframax and the Shareholders Investment Committee to monitor past and future performance and issues. 	3	4	H (12)	L	<ul style="list-style-type: none"> Six monthly reporting of performance by Inframax to ARC against its Annual Statement of Intent and performance and risks Establish policy based rationale for continued ownership of Inframax. 	Council	GM - Bus. S	
3.3	Financial policies & procedures are not adequately monitored, implemented or complied with.	Resulting in: <ul style="list-style-type: none"> Legislative non-compliance, possibility of fraud 	3	4	H (12)	<ul style="list-style-type: none"> Internal management control procedures in place to ensure compliance with financial processes and procedures. 	1	4	L (4)	H	<ul style="list-style-type: none"> Monitor effectiveness of current risk controls and treatments on a periodic basis. 	Council	GM - Bus. S	
3.4	Regional shared services do not adequately align with WDCs strategic direction or deliver positive cost benefit.	Resulting in: <ul style="list-style-type: none"> Financial loss due to resource allocation that serves no apparent or actual benefit WLASS alienation 	3	2	M (6)	<ul style="list-style-type: none"> Regional Shared Services are, by definition, developed and agreed through a process of negotiation to endeavour to achieve cross-boundary, TLA member alignment. 	2	2	L (4)	M	<ul style="list-style-type: none"> Monitoring and reporting, as required, on departures from or participation in Regional Shared Services, and the reasons why. 	Council	GM - Bus. S	

OVERARCHING STRATEGIC OUTCOME: FAILING TO DELIVER THE COMMITMENTS MADE IN LONG TERM PLAN														
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4 TECHNOLOGY														
4.1	Cyber Security breach as a result of unauthorised access.	Resulting in: <ul style="list-style-type: none"> Reputational damage Financial Loss Loss of information 	5	4	Extreme (20)	<ul style="list-style-type: none"> ICT security practices include: <ul style="list-style-type: none"> Remote and automatic daily back-up of all data Information management policies in place ICT acceptable use policy in place and monitored Confidential document destruction service ICT incident management process established to manage breaches and potential issues 	3	3	M (9)	M	<ul style="list-style-type: none"> Monitor effectiveness of current risk controls and treatments on a periodic basis. Undertake independent baseline securities and policies assessment. 	Council	GM - Bus. S	
4.2	Not keeping up with technological change at the customer and internal services interface	<ul style="list-style-type: none"> Lost opportunities for technology driven improvements to service delivery Privacy breaches Confidentiality breaches Non-compliance with legislative requirements Reputational harm /loss of stakeholder trust Operational downtime and productivity loss bringing about inefficiencies Ineffective and inefficient productivity through the use of outdated technology Outdated programmes 	3	3	M (9)		3	3	M (9)	M	<ul style="list-style-type: none"> Review the effectiveness of current risk controls and treatments and identify interventions to address gaps 	Council	GM - Bus. S	
4.3	Inadequate investment in WDC's ICT (technological & human resources)		3	3	M (9)	<ul style="list-style-type: none"> Financial resourcing capacity requirements for technology are adequately provided for in the LTP. Off-site back-up resource 	3	3	M (9)	H	<ul style="list-style-type: none"> Review the effectiveness of current risk controls and treatments and identify interventions to address gaps. Investigate resourcing options for driving changes necessary to maintain WDC's ICT up to date and relevant to organisational and customer needs. 	Council	GM - Bus. S	

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4.4	Inadequate HR market for the supply of technical skills required to implement ICT requirements.	<ul style="list-style-type: none"> Reliance on outsourcing of core ICT service requirements. Lost time due to unavailability of service, or misalignment of a coordinated approach to ICT system implementation and servicing 	3	4	H (12)	<ul style="list-style-type: none"> Employment packages that recognise competitive regional market for the supply of the required ICT implementation skills Succession and business continuity planning 	2	3	M (6)	M	<ul style="list-style-type: none"> Monitor effectiveness of current risk controls and treatments on a periodic basis. 	Council	GM - Bus. S	

5 INFRASTRUCTURE														
5.1	Infrastructural assets do not meet current or future levels of service requirements and are not being renewed or managed efficiently.	<p>Resulting in:</p> <ul style="list-style-type: none"> Reputational damage Financial loss Reduced services Inhibited economic development Decline in levels of service Resource consent requirements not met Increased risk to public safety Decline in asset value. 	4	4	H (16)	<ul style="list-style-type: none"> Asset management plans ensure that infrastructure are reviewed 3-yearly to identify a prioritised, forecast work programme based on age, condition and performance of assets to ensure the agreed level of service delivery is provided Regular monitoring reports on the annual work programme to ensure the programme is achieved 	2	2	L (4)	H	<ul style="list-style-type: none"> Monitor effectiveness of current risk controls and treatments. 	Council	GM - IS	
5.2	Infrastructural asset capacity or condition does not support overall WDC objectives and does not support the delivery of service outcomes	<ul style="list-style-type: none"> Reputational damage Financial loss Reduced services Inhibited economic development Decline in levels of service Resource consent requirements not met Increased risk to public safety Decline in asset value. 	4	4	H (16)	<ul style="list-style-type: none"> Every three years, through the LTP process, there is a formal review of asset management plans and funding provisions, agreeing acceptable level of reliability/risk profile, alignment with objectives and financial viability Independent external review, audit, and input into asset plans and peer reviews of project scopes Implementation of identified 3-yearly improvements to asset management plans. Training for effective asset management processes. 	2	2	L (4)	H	<ul style="list-style-type: none"> Monitor effectiveness of current risk controls and treatments. 	Council	GM - IS	

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6 BUSINESS CONTINUITY														
6.1	Damage to critical WDC infrastructure and buildings following a natural disaster such as earthquake, fire , flood	Resulting in: <ul style="list-style-type: none"> Potential damage to social wellbeing (public health, access etc.) 	4	4	H (16)	<ul style="list-style-type: none"> Three yearly review of asset management plans to improve identification of critical assets and prepare programmes to increase resilience to man-made and natural disasters. Provision of duplicate services where practicable for critical assets. Regular testing of back-up systems for business function. Business continuity plans Investigations underway to identify an alternative water supply for Te Kuiti due to the recent experience highlighting instability of soils in the Mangaokewa Stream catchment. 	3	3	M (9)	M	<ul style="list-style-type: none"> Undertake site specific risk audits of critical infrastructure and buildings and prepare risk management/retreat plans. 	Council	GM - IS	
6.2	Damage to critical infrastructure and buildings following a manmade disaster such as explosion, fire, etc.	<ul style="list-style-type: none"> Reputational damage, Financial loss Reduced services or failure to deliver agreed services Inability to return to business as usual in a timely manner 	3	4	H (12)		3	3	M (9)	M	<ul style="list-style-type: none"> Undertake site specific risk audits of critical infrastructure and buildings and prepare risk management plans. 	Council	GM - IS	
6.3	Business function is significantly interrupted due to a lack of business continuity planning and organisational resilience.	<ul style="list-style-type: none"> Loss of service delivery while continuity issues addressed Inefficiencies in recovery operation Failure to achieve expected business outcomes 	4	4	H (16)		3	4	H (12)	M	<ul style="list-style-type: none"> Develop business continuity plans 	Council	GM - Bus. S	
6.4	Critical IT infrastructure failure		3	4	H (12)		3	4	H (12)	L	<ul style="list-style-type: none"> Develop business continuity plans 	Council	GM - Bus. S	

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7 PROJECT/ CONTRACT DELIVERY														
7.1	Inability to attract contestable contractor market	Resulting in: <ul style="list-style-type: none"> Cost inefficiencies due to non-competitive pricing Limited contractor innovation Delay in completion of projects due to unavailability of contractors. 	3	4	H (12)	<ul style="list-style-type: none"> Preparation of 3-yearly review of procurement strategy for NZTA subsidised roading works Procurement planning - timing works to optimise availability of contractor market 	2	3	M (6)	H	<ul style="list-style-type: none"> Establish market availability at procurement planning stage, through direct engagement or stepped RoI, RFP, RFT. 	Council	GM - IS	
7.2	Poor performance by contractor (contracts over \$50,000)	Resulting in: <ul style="list-style-type: none"> Financial loss Reduced levels of service. Reputational damage. Inefficient and ineffective use of resources (financial, technological, human) Legal proceedings against WDC. 	3	4	H (12)	<ul style="list-style-type: none"> Use of appropriate price and quality attributes at tender proposal stage Investigate track record and relevant experience of tenderers. Obtain references Examine pricing to confirm realistic value 	1	3	L (3)	VH	<ul style="list-style-type: none"> Monitor effectiveness of current risk controls and treatments. Introduce contract management training for relevant staff. Improve consistency and standard of contract documentation - design drawings, specification and schedules 	Council	GM - IS	
7.3	Lack of staff capacity or capability to manage external contracts.	Resulting in: <ul style="list-style-type: none"> Financial loss Reduced levels of service Poor or delayed delivery of outputs Loss of public confidence Loss of confidence from contractors Potential contractual disputes 	3	4	H (12)	<ul style="list-style-type: none"> Fit for purpose project structure incorporating mix of project, technical and contract management skills. Expenditure and progress monitoring and reporting with intervention if necessary. Supplementary technical skills obtained for areas lacking technical expertise 	2	2	L (4)	H	<ul style="list-style-type: none"> Increase staff training in contract management. Develop contract management procedures. 	Council	GM - IS	
7.4	Major unforeseen project expenditure creates a significant overspend.	Resulting in: <ul style="list-style-type: none"> Financial loss Reduced levels of service Reduction of budgets Loss of public confidence 	3	3	M (9)	<ul style="list-style-type: none"> Structured pre-construction project planning – scoping, investigation of options, preliminary design, costing, procurement, construction. Procurement plan sign-off. Budget offset reallocation 	2	2	L (4)	M	<ul style="list-style-type: none"> For larger contracts (>\$50,000). More emphasis on investigation and reporting stage ahead of budgeting. 	Council	GM - IS	

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7.5	Inadequate Health and Safety procedures and measures in place for physical works projects.	Resulting in; <ul style="list-style-type: none"> Occupational death, injury or illness experienced by staff, contractors, volunteers or members of public Prosecution procedures commenced against Non-compliance with some or all of the legislation Loss of public confidence 	3	4	H (12)	<ul style="list-style-type: none"> SHE contractor pre-qualification process, contract monitoring and control. Hazard identification and documentation Site inductions, audits and inspections Contract specific safety plans Practising the plan KPI reporting Incident Reporting Contractor Public Liability insurance. 	2	4	M (8)	H	<ul style="list-style-type: none"> Develop health and safety workplace culture Monitor & review effectiveness of current risk controls and treatments 	Council	GM - IS	
7.6	Potential environmental impacts are not adequately managed.	Resulting in; <ul style="list-style-type: none"> Non-compliance with some or all of the legislation Legal proceedings against WDC Loss of public confidence 	3	3	M (9)	<ul style="list-style-type: none"> Obtaining all necessary resource consents before starting work. Requiring contractors to provide environmental management plans before starting work. Establishing a complaints register and investigating all complaints. Monitoring of work. Training of staff in safe environmental practices and consent compliance reporting. 	1	3	L (3)	H	<ul style="list-style-type: none"> Monitor effectiveness of current risk controls and treatments Require contractors to demonstrate compliance with conditions of consent 	Council	GM - IS	

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8 LEGAL & REGULATORY														
8.1	Failure to meet legislative, regulatory or policy requirements	Resulting in: <ul style="list-style-type: none"> Non-compliance with some or all relevant legislation Regulatory infringement Loss of public confidence Significant financial loss Prosecution proceedings 	2	4	M (8)	<ul style="list-style-type: none"> Review of LGNZ and SOLGM analysis of new legislation. Legal advice Pre-audit of draft LTP. LGNZ/SOLGM advice and guidelines. 	1	4	L	VH	<ul style="list-style-type: none"> Monitor effectiveness of current risk controls and treatments. 	Council	GM - Bus. S	
8.2	New legislation imposes additional financial compliance and reporting requirements that are not met	Resulting in: <ul style="list-style-type: none"> Qualified Annual Report Loss of public confidence Increased costs of compliance Additional demands on resources 	2	4	M (8)	<ul style="list-style-type: none"> Review of LGNZ and SOLGM analysis of new legislation. Legal advice Pre-audit of draft LTP. LGNZ/SOLGM advice and guidelines. 	1	4	L	VH	<ul style="list-style-type: none"> Monitor effectiveness of current risk controls and treatments. 	Council	GM - Bus. S	
8.3	Significant harm or death is caused to WDC employees or others present from time to time at WDC work places due to poor or inactive health & safety procedures, noncompliance with legislative requirements or inadequate management.	Resulting in: <ul style="list-style-type: none"> Occupational injury, illness or death, experienced by staff, elected members, contractors, visitors volunteers or members of public Regulatory or court action commenced against WDC Non-compliance with some or all of the legislation Loss of public confidence Negative and potentially serious outcomes for casualty 	3	4	H (12)	<ul style="list-style-type: none"> Health and Safety Management Framework Health & Safety Policies, Procedures & Guidelines Workplace audits, inspections & monitoring Local government contractor pre-qualification Health & Safety Committee Hazard identification and documentation H & S induction processes Contract safety plans, monitoring and post-contract review Training and reward for correct behaviour. KPI reporting Contractor Public Liability insurance. 	2	4	M (8)	H	<ul style="list-style-type: none"> Monitor and review effectiveness of current risk controls and treatments Develop a culture of health and safety Ensure all staff receive appropriate training in safe work practices relevant to WDC 	Council	GM – Comm. S	

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9 HUMAN RESOURCES														
9.1	Business outcomes are significantly impacted due to inability to attract appropriately skilled staff	Resulting in: <ul style="list-style-type: none"> Lack of workforce stability Pressure on staff as workload increase is spread Staff retention issues Service delivery compromised Lack of internal capability for key competency sets Over-reliance on contractors and Consultants 	3	3	M (9)	<ul style="list-style-type: none"> Use of contractors with skill sets required for specific projects Use of employment incentives to attract and retain skilled staff from a regional market Remuneration policy relevant to the employment market 	2	3	M (6)	H	<ul style="list-style-type: none"> Ensure appropriate resource capacity is in place relevant to business needs Development and use of shared services opportunities Monitor and review effectiveness of current risk controls and treatments. Develop an HR Strategy Marketing of district attributes to attract younger families offering skilled staff 	Council	GM – Comm. S	
9.2	Business outcomes are significantly impacted due to inability to retain appropriate staff	<ul style="list-style-type: none"> Erosion of leadership role Outcomes not fit-for purpose and/or not cost effective External opportunities lost Non-compliance with LGA decision making requirements 	3	3	M (9)	<ul style="list-style-type: none"> Workplace Health & Wellness Programme Personal Development Policy Succession planning Resource sharing – e.g. WLASS 	2	3	M (6)	H	<ul style="list-style-type: none"> Monitor and review effectiveness of current risk controls and treatments. Ensure adequate budgets are in place to attract, train and retain skilled staff Develop employee retention strategy 	Council	GM – Comm. S	
9.3	Business outcomes are significantly impacted due to inability to train and develop appropriate staff from available budget	<ul style="list-style-type: none"> Lack of advancement or diversity opportunities at WDC Lack of succession planning Organisational capacity to respond to work flow in an effective and timely manner is compromised 	3	3	M (9)	<ul style="list-style-type: none"> Professional development targeted to role specific needs Provision in LTP for adequate human resource budget and capability corresponding to business needs Resource sharing (e.g. WLASS) 	2	3	M (6)	H	<ul style="list-style-type: none"> Ensure adequate budgets are in place to attract, train and retain skilled staff Further develop opportunities for resource sharing to achieve effectiveness & efficiency gains, reduce duplication, of effort and to promote and contribute to the development of best practice 	Council	GM – Comm. S	

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10 CIVIL DEFENCE AND EMERGENCY MANAGEMENT														
10.1	Inadequate provision is made to meet WDC's requirements for the 4 Rs	Resulting in: <ul style="list-style-type: none"> Breach of Civil Defence Emergency Management Act 2002. Reputational Damage Reduced services Lack of leadership or structured delivery during and after an event Heightened risk of endangerment of community and property Loss of community confidence in WDC's role Loss of emergency services' and lifeline partners' confidence in WDC's role Inability to return to business as usual in a timely manner Loss of service delivery while continuity issues are addressed 	3	4	H (12)	<ul style="list-style-type: none"> CDEM Response and Recovery Plan in place Emergency management team (WDC) in place. Local Controller and Recovery Manager appointed Waikato Region Emergency Management Group EDL established and resourced Lifelines identified in relevant asset management plans and projects to increase resilience Limited hazards identification as part of District Plan review 	2	3	M (6)	M	<ul style="list-style-type: none"> Improve the resilience of the WDC EMC to ensure earthquake protection and continuity of essential services (power, water, sanitary, ICT) over a sustained period Commit to training of emergency management staff Develop shared service arrangement – Western Waikato emergency operating area 	Council	GM - CS	