

Document No: A429515

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



**Meeting Date:** 14 May 2019

**Subject:** Development of a Draft Risk Management Implementation Plan

**Type:** Decision required

### Purpose of Report

- 1.1 The purpose of this paper is to present a Draft Risk Management Implementation and Monitoring Plan to support the Risk Management Framework agreed by Audit and Risk Committee at its 12 February 2019 meeting, and to recommend both to Council for adoption.

### Background

- 2.1 In 2018, WDC agreed the importance of, and need for, a Risk Management Framework (RMF). WDC set about development of a Draft RMF to provide a means for the identification and mitigation of key organisational risks.
- 2.2 At a Workshop of the Audit and Risk Committee (ARC) held 16 October 2018, Council's strategic risks were discussed and agreed.
- 2.3 Since then, the following actions have been completed:
1. The Risk Register table was modified to incorporate the ARC's feedback from the 16 October 2018 Workshop.
  2. The agreed key risk identification and prioritisation methodology (risk assessment) was applied to each of the agreed strategic risks.
  3. An assessment and prioritisation of residual risks, following application of current risk controls and measures, was completed.
  4. Identification and documentation of future controls and treatments attaching to the high priority residual risks, including additional resourcing implications, was completed.
  5. A programme of implementation, monitoring and reporting on progress towards developing WDC's risk maturity has been drafted and if agreed will be included in Council's Roadmap for the appropriate years.
- 2.4 The first four actions described above, were then consolidated into a Draft RMF and associated Risk Register, and adopted by ARC at its meeting of 12 February 2019, for recommendation to Council.

2.5 The ARC, at its 12 February 2019 meeting, resolved -

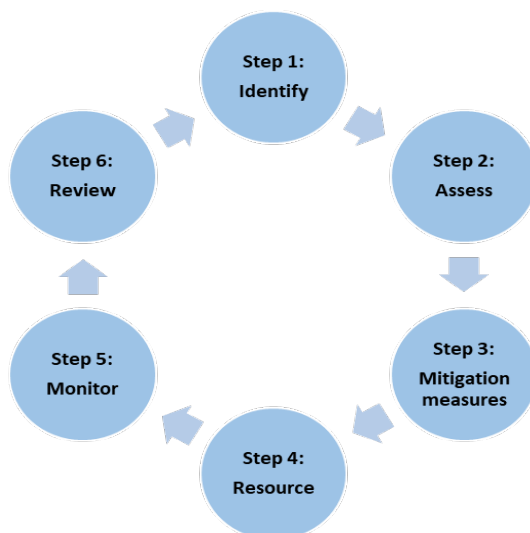
- 1 Council notes and agrees the proposed controls and treatments needed to address the identified residual strategic risks, and the need for additional resourcing to implement those measures.
- 2 Council notes that the additional resourcing requirements will be introduced through the draft 2019/20 Exceptions Annual Plan process.
- 3 Council notes that monitoring and reporting progress towards developing the maturity of Council's Risk Management Framework will take place in accordance with Council's Roadmap.

## Introduction

- 3.1 The fifth and final step, as described in paragraph 2.3 above, is the subject of this paper.
- 3.2 This step entails development of a Draft Risk Management Implementation and Monitoring Plan and reporting on progress towards developing WDC's risk maturity for consideration by the ARC ahead of recommendation of both the RMF and Implementation Plan to Council's meeting of 28 May 2019.
- 3.3 Adoption of a RMF and an associated Risk Management Implementation and Monitoring Plan will conclude the first phase of the risk management work.
- 3.4 A copy of the Risk Register adopted by the ARC in February 2019 and a Draft Risk Management Implementation and Monitoring Plan is attached to this report.

## Commentary

- 4.1 As discussed at previous meetings, the RMF assumes a perpetual cycle (six-step continuum), starting with identification of potential risks, qualitative and quantitative assessment of those risks, development of controls and treatments designed to mitigate any residual risks, investment in the resourcing required to implement the agreed controls and measures (or accept the risk), then monitoring and reporting on progress towards implementation. The final step provides for a review of the RMF to take account of any new strategic risks that may be identified over time, and to assess risk management maturity.



4.2 The adopted RMF provides a prioritised Implementation Plan which takes into account WDC's modest resource capacity, typical of smaller, rural local authorities, and noting the sensitivity of that resource to the demands of competing work demands.

4.3 The Draft Risk Management Implementation and Monitoring Plan addresses just those residual risks scored as "High" (assessed risk scores of 9-10).

#### 4.4 Residual Risk Priorities

4.5 There are two strategic risks assessed as having a high residual risk. The first of these relates to Council's investment (by way of a 100% shareholding) in Inframax Construction Ltd (Strategic Risk 3.2). The assessment shows that the likelihood and consequence of the investment not achieving its financial and strategic objectives, even after allowing for current risk controls and treatments, is high. The agreed residual controls and treatments to mitigate this risk involve increased reporting, and establishment of a policy based rationale supported by an external cost/benefit analysis for the continued ownership of Inframax.

4.6 The development of same will require the engagement of an external resource to facilitate and inform definition of benefits, costs and risks of continued ownership. As the top residual risk priority, it has been scheduled for the 2019/20 year. The work will be funded from the 2019/20 Audit and Risk budget.

4.7 The second highest residual risk priorities relate to Council's business continuity (Strategic Risks 6.3 and 6.4). Interruption to business functionality and vulnerability of critical IT infrastructure are high residual risk exposures that would benefit from dedicated business continuity planning. A programme for developing the necessary business continuity plans has been scheduled for 2020/21.

4.8 Subsequent mitigation measures for the remaining high residual risks (risk scores between 9 and 12) have been scheduled for implementation in order of relative priority, over subsequent years.

4.9 The full list (agreed by ARC 12 February 2019) of high residual risks is summarised in the table below:

Risk Register Reference	Strategic Risk Category	Strategic Risk Description	Residual Risk Level Score	Proposed Residual Controls and Treatments
3.2	Financial	WDC's shareholding investment does not meet financial and strategic objectives	12	<ul style="list-style-type: none"> <li>Establish a policy based rationale and supported by external cost/benefit analysis for continued ownership of Inframax</li> </ul>
6.3	Business Continuity	Business function is significantly interrupted due to a lack of business continuity planning and organisational resilience	12	<ul style="list-style-type: none"> <li>Develop business continuity plans</li> </ul>
6.4	Business Continuity	Critical IT infrastructure failure	12	<ul style="list-style-type: none"> <li>Develop business continuity plans</li> </ul>

Risk Register Reference	Strategic Risk Category	Strategic Risk Description	Residual Risk Level Score	Proposed Residual Controls and Treatments
4.1	Technology	Cyber Security breach as a result of unauthorised access.	9	<ul style="list-style-type: none"> <li>Monitor effectiveness of current risk controls and treatments on a periodic basis.</li> <li>Undertake independent baseline securities and policies assessment</li> </ul>
4.2	Technology	Not keeping up with technological change at the customer and internal services interface	9	<ul style="list-style-type: none"> <li>Review the effectiveness of current risk controls and treatments and identify interventions to address gaps.</li> </ul>
4.3	Technology	Inadequate investment in WDC's ICT (technological & human resources)	9	<ul style="list-style-type: none"> <li>Review the effectiveness of current risk controls and treatments and identify interventions to address gaps.</li> <li>Investigate resourcing options for driving changes necessary to maintain WDC's ICT up to date and relevant to organisational and customer needs.</li> </ul>
6.1	Business Continuity	Damage to critical WDC infrastructure and buildings following a natural disaster such as earthquake, fire , flood	9	<ul style="list-style-type: none"> <li>Undertake site specific risk audits of critical infrastructure and buildings and prepare risk management/retreat plans.</li> </ul>
6.2	Business Continuity	Damage to critical infrastructure and buildings following a manmade disaster such as explosion, fire, etc.	9	<ul style="list-style-type: none"> <li>Undertake site specific risk audits of critical infrastructure and buildings and prepare risk management plans.</li> </ul>

#### 4.10 Draft Risk Management Implementation and Monitoring Plan

- 4.11 A Draft Risk Management Implementation and Monitoring Plan for the above high priority risk controls and treatments has been developed accordingly. The six year implementation programme takes into account the limited WDC capacity available, as identified in the ARC resolutions above, to advance a Risk Mitigation Work Plan.
- 4.12 The many lower priority risks listed in the risk register are of course additional to these immediate risk priorities.
- 4.13 Similarly, any new strategic risks that may be identified from time to time will be additional to this initial programme.

## Draft Risk Management Implementation Plan

No.	Risk Register Ref.	Strategic Risk Description (Residual Risk Scores 9 - 12 only)	Risk Controls and Treatments	2019 /20	2020 /21	2021 /22	2022 /23	2023 /24	2024 /25
1	3.2	WDC's shareholding investment does not meet financial and strategic objectives	Establish a policy based rationale and supported by external cost/benefit analysis for continued ownership of Inframax						
2	6.3	Business function is significantly interrupted due to a lack of business continuity planning and organisational resilience	Develop business continuity plans						
3	6.4	Critical IT infrastructure failure	Develop IT business continuity plan						
4	4.1	Cyber security breach as a result of unauthorised access	Undertake independent baseline securities and policies assessment.						
			Monitor effectiveness of current risk controls & treatments on a periodic basis.						
5	4.2	Not keeping up with technological change at the customer and internal services interface	Review the effectiveness of current risk controls and treatments and identify interventions to address gaps						
6	4.3	Inadequate investment in WDC's ICT (technology and HR)	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 IT up to date and relevant to organisational and customer needs						
7	6.1	Damage to critical infrastructure & buildings following a natural disaster	Undertake site specific risk audits of critical infrastructure & buildings & prepare risk management/retreat plans						
8	6.2	Damage to critical infrastructure & buildings following a human disaster	Undertake site specific risk audits of critical infrastructure & buildings & prepare risk management plans						
9	-	General	Annual Review of Risk Register incorporating any new externalities (May)						

- 4.14 In addition to the staged mitigation plan, an annual review of the Risk Register by the ARC is proposed for May each year (shown as Item 9 in the above programme).
- 4.15 The annual review process will include a scan of externalities impacting on, or introducing new strategic risks, so that changing circumstances are anticipated, monitored and mitigated accordingly. The proposal is to time the review to occur ahead of each new financial year start date (1 July), and outside the development phase of each Exceptions Annual Plan/LTP.
- 4.16 Concurrently, a programme for the development of a monitoring and reporting arrangement for the financial year ahead, linked to the agreed strategic risks, will form part of the ARC's meeting programme for the year. That will ensure that Governance maintains an overview of the status and progress towards managing the top ranked risks.
- 4.17 It is anticipated that the reporting plan will be staged so that each department is reporting against its relevant strategic risks at least once a year.

## Considerations

### 5.1 Risk

- 5.2 A sound and workable plan is fundamental to the management of Council's strategic risks. The ARC has established a RMF that provides a structured approach to the identification and mitigation of key organisational risks. Not proceeding to the implementation phase of the framework would simply leave Council at its current level of risk exposure. That exposure may become more problematic over time if not addressed through the risk controls and measures that have already been identified and recorded in the risk register.

### 5.3 Consistency with Existing Plans and Policies

- 5.4 The Draft Implementation Plan complements Council's existing plans and policies. They represent new operational practices to protect and inform Council's future decision making. They are consistent with Council's earlier policy decision to establish a risk management framework that addresses management of strategic organisational risks.

### 5.5 Significance and Community Views

- 5.6 Section 78 of the LGA requires WDC 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 requirement for Council to consult on this matter.
- 5.8 The suggested resolutions do not trigger WDC's Significance and Engagement Policy.

## 5.9 Next Steps

- 5.10 Once adopted, the Risk Management Framework/Risk Register and associated Implementation Plan (for residual risk interventions, reporting on implementation of the agreed additional controls and treatments, or any new risk intervention requirements that may occur) will be incorporated into Council's Road Map Work Programme as a means of developing the maturity of WDC's risk management framework.

<h3>Suggested Resolutions</h3>
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- 1 The business paper on Development of a Draft Risk Management Implementation Plan be received.
- 2 The Audit and Risk Committee recommends that Council:
  - a. Adopt the Risk Management Implementation Plan for intervention of the strategic residual risks identified in the Strategic Risk Register;
  - b. Note the requirement for an annual review of the 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;
  - c. Note the requirement for a monitoring and reporting programme to be adopted in May each year for the financial year ahead, which will be linked to the agreed strategic risks, and will form part of ARC's meeting programme for the year.

VIBHUTI CHOPRA  
**GROUP MANAGER – CORPORATE SERVICES**

8 May 2019

Attachment:

1. Waitomo District Council Strategic Risk Register – (Doc No. A429516)

## 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					
<b>1</b>	<b>GOVERNANCE</b>													
1.1	Elected members are not adequately trained and/or developed	Resulting in: <ul style="list-style-type: none"> <li>Failing to deliver commitments made in LTP</li> <li>Potential breach of elected members responsibilities (e.g. pecuniary interests, legal responsibilities)</li> </ul>	3	3	M (9)	<ul style="list-style-type: none"> <li>Induction process following election</li> <li>Code of Conduct</li> <li>Standing orders</li> <li>Access to Mayor and CEO for information needs and advice.</li> <li>Regular workshop briefings on key policy issues.</li> <li>Informal networking with elected members from other TAs.</li> </ul>	2	3	M (6)	M	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"> <li>Loss of community confidence in elected members decision making</li> <li>Damage to organisational reputation and credibility</li> <li>Potential for judicial review of decision making</li> </ul>	3	3	M (9)	<ul style="list-style-type: none"> <li>Access to mayor and CEO for information needs and advice.</li> <li>Regular workshop briefings on key policy issues.</li> <li>Detailed and accurate officer reporting.</li> </ul>	2	3	M (6)	M	Training of elected members in governance role and responsibilities.	Council	CEO	



**OVERARCHING STRATEGIC OUTCOME: FAILING TO DELIVER THE COMMITMENTS MADE IN LONG TERM PLAN**

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			Likelihood	Consequences	Risk Level		Likelihood	Consequences	Risk Level					
1.3	Elected member decision making not aligned with adopted plans and strategies	Resulting in: <ul style="list-style-type: none"> <li>High incidence of unplanned initiatives outside LTP</li> <li>Decision making becomes ad-hoc rather than planned and sustainable, leading to potential for decision reversal and uncertainty</li> <li>Organisational capacity required to deliver strategic direction and core programme commitments becomes marginalised.</li> </ul>	3	3	M (9)		2	3	M (6)	M	Training of elected members in governance role and responsibilities.	Council	CEO	

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			Likelihood	Consequences	Risk Level		Likelihood	Consequences	Risk Level					
<b>2 ECONOMIC AND SOCIAL</b>														
2.1	External economic and social factors are not appropriately considered in planning and direction setting	Resulting in: <ul style="list-style-type: none"> <li>Significant financial loss</li> <li>Loss of public confidence</li> <li>Reduction of services provided to an affordable level</li> </ul>	2	3	M (6)	<ul style="list-style-type: none"> <li>3-yearly review of district population demographics.</li> <li>Access to and participation in regional economic development outlook.</li> <li>Access to and monitoring of BERL inflation adjustment forecasts.</li> <li>Review of LGNZ and SOLGM analysis of new legislation.</li> <li>Consideration of district deprivation and deprivation.</li> </ul>	1	3	L (3)	VH	<ul style="list-style-type: none"> <li>Monitor effectiveness of current risk controls and treatments.</li> </ul>	Council	GM - Corp. S	
2.2	Unclear direction setting through LTP or inadequate follow through of set direction.	Resulting in: <ul style="list-style-type: none"> <li>Reduction in service delivery.</li> <li>Loss of public confidence</li> <li>Reputational damage.</li> <li>Inadequate service delivery</li> <li>Disconnect between community expectations and service delivery</li> </ul>	2	4	M (8)	<ul style="list-style-type: none"> <li>Early and regular planning and briefing sessions with elected members in preparation of draft annual plan</li> <li>Preparation of detailed Roadmap for monitoring implementation of agreed direction and actions.</li> </ul>	1	4	L (4)	VH	<ul style="list-style-type: none"> <li>Monitor effectiveness of current risk controls and treatments.</li> </ul>	Council	GM - Corp. S	

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			Likelihood	Consequences	Risk Level		Likelihood	Consequences	Risk Level					
2.3	Major reduction in WDC funding source arising from external economic, environmental or government policy.	Resulting in: <ul style="list-style-type: none"> <li>Reduction of services provided</li> <li>Reduction in budget allocations, OR;</li> <li>Increased cost of delivering same levels of service</li> <li>Loss of public confidence</li> </ul>	2	3	M (6)	<ul style="list-style-type: none"> <li>Three yearly review of Revenue and Financing Policy and Funding Impact Statement to ensure cost of service delivery is allocated equitably and is affordable</li> <li>Robust business cases to ensure major funding source ex NZTA subsidy towards road and footpath maintenance and capital costs is secured.</li> <li>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)</li> </ul>	1	3	L (3)	VH	<ul style="list-style-type: none"> <li>Monitor effectiveness of current risk controls and treatments.</li> </ul>	Council	GM – Corp. S	

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

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<b>4</b>	<b>TECHNOLOGY</b>													
4.1	Cyber Security breach as a result of unauthorised access.	Resulting in: <ul style="list-style-type: none"> <li>Reputational damage</li> <li>Financial Loss</li> <li>Loss of information</li> </ul>	5	4	Extreme (20)	<ul style="list-style-type: none"> <li>ICT security practices include:                             <ul style="list-style-type: none"> <li>Remote and automatic daily back-up of all data</li> <li>Information management policies in place</li> <li>ICT acceptable use policy in place and monitored</li> <li>Confidential document destruction service</li> <li>ICT incident management process established to manage breaches and potential issues</li> </ul> </li> </ul>	3	3	M (9)	M	<ul style="list-style-type: none"> <li>Monitor effectiveness of current risk controls and treatments on a periodic basis.</li> <li>Undertake independent baseline securities and policies assessment.</li> </ul>	Council	GM - Corp. S	

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4.2	Not keeping up with technological change at the customer and internal services interface	<ul style="list-style-type: none"> <li>Lost opportunities for technology driven improvements to service delivery</li> <li>Privacy breaches</li> <li>Confidentiality breaches</li> <li>Non-compliance with legislative requirements</li> <li>Reputational harm /loss of stakeholder trust</li> <li>Operational downtime and productivity loss bringing about inefficiencies</li> <li>Ineffective and inefficient productivity through the use of outdated technology</li> <li>Outdated programmes</li> </ul>	3	3	M (9)		3	3	M (9)	M	<ul style="list-style-type: none"> <li>Review the effectiveness of current risk controls and treatments and identify interventions to address gaps</li> </ul>	Council	GM - Corp. S	
4.3	Inadequate investment in WDC's ICT (technological & human resources)		3	3	M (9)	<ul style="list-style-type: none"> <li>Financial resourcing capacity requirements for technology are adequately provided for in the LTP.</li> <li>Off-site back-up resource</li> </ul>	3	3	M (9)	H	<ul style="list-style-type: none"> <li>Review the effectiveness of current risk controls and treatments and identify interventions to address gaps.</li> <li>Investigate resourcing options for driving changes necessary to maintain WDC's ICT up to date and relevant to organisational and customer needs.</li> </ul>	Council	GM - Corp. S	

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

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<b>5 INFRASTRUCTURE</b>														
5.1	Infrastructural assets do not meet current or future levels of service requirements and are not being renewed or managed efficiently.	Resulting in: <ul style="list-style-type: none"> <li>• Reputational damage</li> <li>• Financial loss</li> <li>• Reduced services</li> </ul>	4	4	H (16)	<ul style="list-style-type: none"> <li>• 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</li> </ul>	2	2	L (4)	H	<ul style="list-style-type: none"> <li>• Monitor effectiveness of current risk controls and treatments.</li> </ul>	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"> <li>• Inhibited economic development</li> <li>• Decline in levels of service</li> <li>• Resource consent requirements not met</li> <li>• Increased risk to public safety</li> <li>• Decline in asset value.</li> </ul>	4	4	H (16)	<ul style="list-style-type: none"> <li>• Regular monitoring reports on the annual work programme to ensure the programme is achieved</li> <li>• 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</li> <li>• Independent external review, audit, and input into asset plans and peer reviews of project scopes</li> <li>• Implementation of identified 3-yearly improvements to asset management plans.</li> <li>• Training for effective asset management processes.</li> </ul>	2	2	L (4)	H	<ul style="list-style-type: none"> <li>• Monitor effectiveness of current risk controls and treatments.</li> </ul>	Council	GM - IS	



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			Likelihood	Consequences	Risk Level		Likelihood	Consequences	Risk Level					
<b>6</b>	<b>BUSINESS CONTINUITY</b>													
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"> <li>Potential damage to social wellbeing (public health, access etc.)</li> </ul>	4	4	H (16)	<ul style="list-style-type: none"> <li>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.</li> </ul>	3	3	M (9)	M	<ul style="list-style-type: none"> <li>Undertake site specific risk audits of critical infrastructure and buildings and prepare risk management/retreat plans.</li> </ul>	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"> <li>Reputational damage,</li> <li>Financial loss</li> <li>Reduced services or failure to deliver agreed services</li> </ul>	3	4	H (12)	<ul style="list-style-type: none"> <li>Provision of duplicate services where practicable for critical assets.</li> </ul>	3	3	M (9)	M	<ul style="list-style-type: none"> <li>Undertake site specific risk audits of critical infrastructure and buildings and prepare risk management plans.</li> </ul>	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"> <li>Inability to return to business as usual in a timely manner</li> </ul>	4	4	H (16)	<ul style="list-style-type: none"> <li>Regular testing of back-up systems for business function.</li> <li>Business continuity plans</li> </ul>	3	4	H (12)	M	<ul style="list-style-type: none"> <li>Develop business continuity plans</li> </ul>	Council	GM - Corp. S	
6.4	Critical IT infrastructure failure	<ul style="list-style-type: none"> <li>Loss of service delivery while continuity issues addressed</li> <li>Inefficiencies in recovery operation</li> <li>Failure to achieve expected business outcomes</li> </ul>	3	4	H (12)	<ul style="list-style-type: none"> <li>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.</li> </ul>	3	4	H (12)	L	<ul style="list-style-type: none"> <li>Develop business continuity plans</li> </ul>	Council	GM - Corp. 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					
<b>7</b>	<b>PROJECT/ CONTRACT DELIVERY</b>													
7.1	Inability to attract contestable contractor market	Resulting in: <ul style="list-style-type: none"> <li>Cost inefficiencies due to non-competitive pricing</li> <li>Limited contractor innovation</li> <li>Delay in completion of projects due to unavailability of contractors.</li> </ul>	3	4	H (12)	<ul style="list-style-type: none"> <li>Preparation of 3-yearly review of procurement strategy for NZTA subsidised roading works</li> <li>Procurement planning - timing works to optimise availability of contractor market</li> </ul>	2	3	M (6)	H	<ul style="list-style-type: none"> <li>Establish market availability at procurement planning stage, through direct engagement or stepped RoI, RFP, RFT.</li> </ul>	Council	GM - IS	
7.2	Poor performance by contractor (contracts over \$50,000)	Resulting in: <ul style="list-style-type: none"> <li>Financial loss</li> <li>Reduced levels of service.</li> <li>Reputational damage.</li> <li>Inefficient and ineffective use of resources (financial, technological, human)</li> <li>Legal proceedings against WDC.</li> </ul>	3	4	H (12)	<ul style="list-style-type: none"> <li>Use of appropriate price and quality attributes at tender proposal stage</li> <li>Investigate track record and relevant experience of tenderers. Obtain references</li> <li>Examine pricing to confirm realistic value</li> </ul>	1	3	L (3)	VH	<ul style="list-style-type: none"> <li>Monitor effectiveness of current risk controls and treatments.</li> <li>Introduce contract management training for relevant staff.</li> <li>Improve consistency and standard of contract documentation - design drawings, specification and schedules</li> </ul>	Council	GM - IS	

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					
7.3	Lack of staff capacity or capability to manage external contracts.	Resulting in: <ul style="list-style-type: none"> <li>Financial loss</li> <li>Reduced levels of service</li> <li>Poor or delayed delivery of outputs</li> <li>Loss of public confidence</li> <li>Loss of confidence from contractors</li> <li>Potential contractual disputes</li> </ul>	3	4	H (12)	<ul style="list-style-type: none"> <li>Fit for purpose project structure incorporating mix of project, technical and contract management skills.</li> <li>Expenditure and progress monitoring and reporting with intervention if necessary.</li> <li>Supplementary technical skills obtained for areas lacking technical expertise</li> </ul>	2	2	L (4)	H	<ul style="list-style-type: none"> <li>Increase staff training in contract management.</li> <li>Develop contract management procedures.</li> </ul>	Council	GM - IS	
7.4	Major unforeseen project expenditure creates a significant overspend.	Resulting in: <ul style="list-style-type: none"> <li>Financial loss</li> <li>Reduced levels of service</li> <li>Reduction of budgets</li> <li>Loss of public confidence</li> </ul>	3	3	M (9)	<ul style="list-style-type: none"> <li>Structured pre-construction project planning – scoping, investigation of options, preliminary design, costing, procurement, construction.</li> <li>Procurement plan sign-off.</li> <li>Budget offset reallocation</li> </ul>	2	2	L (4)	M	<ul style="list-style-type: none"> <li>For larger contracts (&gt;\$50,000). More emphasis on investigation and reporting stage ahead of budgeting.</li> </ul>	Council	GM - IS	

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

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					
<b>8</b>	<b>LEGAL &amp; REGULATORY</b>													
<b>8.1</b>	Failure to meet legislative, regulatory or policy requirements	Resulting in: <ul style="list-style-type: none"> <li>• Non-compliance with some or all relevant legislation</li> <li>• Regulatory infringement</li> <li>• Loss of public confidence</li> <li>• Significant financial loss</li> <li>• Prosecution proceedings</li> </ul>	2	4	M (8)	<ul style="list-style-type: none"> <li>• Review of LGNZ and SOLGM analysis of new legislation.</li> <li>• Legal advice</li> <li>• Pre-audit of draft LTP.</li> <li>• LGNZ/SOLGM advice and guidelines.</li> </ul>	1	4	L	<b>VH</b>	<ul style="list-style-type: none"> <li>• Monitor effectiveness of current risk controls and treatments.</li> </ul>	<b>Council</b>	<b>GM - Corp. S</b>	
<b>8.2</b>	New legislation imposes additional financial compliance and reporting requirements that are not met	Resulting in: <ul style="list-style-type: none"> <li>• Qualified Annual Report</li> <li>• Loss of public confidence</li> <li>• Increased costs of compliance</li> <li>• Additional demands on resources</li> </ul>	2	4	M (8)	<ul style="list-style-type: none"> <li>• Review of LGNZ and SOLGM analysis of new legislation.</li> <li>• Legal advice</li> <li>• Pre-audit of draft LTP.</li> <li>• LGNZ/SOLGM advice and guidelines.</li> </ul>	1	4	L	<b>VH</b>	<ul style="list-style-type: none"> <li>• Monitor effectiveness of current risk controls and treatments.</li> </ul>	<b>Council</b>	<b>GM - Corp. S</b>	

**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					
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"> <li>Occupational injury, illness or death, experienced by staff, elected members, contractors, visitors volunteers or members of public</li> <li>Regulatory or court action commenced against WDC</li> <li>Non-compliance with some or all of the legislation</li> <li>Loss of public confidence</li> <li>Negative and potentially serious outcomes for casualty</li> </ul>	3	4	H (12)	<ul style="list-style-type: none"> <li>Health and Safety Management Framework</li> <li>Health &amp; Safety Policies, Procedures &amp; Guidelines</li> <li>Workplace audits, inspections &amp; monitoring</li> <li>Local government contractor pre-qualification</li> <li>Health &amp; Safety Committee</li> <li>Hazard identification and documentation</li> <li>H &amp; S induction processes</li> <li>Contract safety plans, monitoring and post-contract review</li> <li>Training and reward for correct behaviour.</li> <li>KPI reporting</li> <li>Contractor Public Liability insurance.</li> </ul>	2	4	M (8)	H	<ul style="list-style-type: none"> <li>Monitor and review effectiveness of current risk controls and treatments</li> <li>Develop a culture of health and safety</li> <li>Ensure all staff receive appropriate training in safe work practices relevant to WDC</li> </ul>	Council	GM – Comm. 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					
<b>9 HUMAN RESOURCES</b>														
9.1	Business outcomes are significantly impacted due to inability to attract appropriately skilled staff	Resulting in: <ul style="list-style-type: none"> <li>Lack of workforce stability</li> <li>Pressure on staff as workload increase is spread</li> <li>Staff retention issues</li> <li>Service delivery compromised</li> <li>Lack of internal capability for key competency sets</li> </ul>	3	3	M (9)	<ul style="list-style-type: none"> <li>Use of contractors with skill sets required for specific projects</li> <li>Use of employment incentives to attract and retain skilled staff from a regional market</li> <li>Remuneration policy relevant to the employment market</li> </ul>	2	3	M (6)	H	<ul style="list-style-type: none"> <li>Ensure appropriate resource capacity is in place relevant to business needs</li> <li>Development and use of shared services opportunities</li> <li>Monitor and review effectiveness of current risk controls and treatments.</li> <li>Develop an HR Strategy</li> <li>Marketing of district attributes to attract younger families offering skilled staff</li> </ul>	Council	GM – Comm. S	
9.2	Business outcomes are significantly impacted due to inability to retain appropriate staff	<ul style="list-style-type: none"> <li>Over-reliance on contractors and Consultants</li> <li>Erosion of leadership role</li> <li>Outcomes not fit-for purpose and/or not cost effective</li> </ul>	3	3	M (9)	<ul style="list-style-type: none"> <li>Workplace Health &amp; Wellness Programme</li> <li>Personal Development Policy</li> <li>Succession planning</li> <li>Resource sharing – e.g. WLASS</li> </ul>	2	3	M (6)	H	<ul style="list-style-type: none"> <li>Monitor and review effectiveness of current risk controls and treatments.</li> <li>Ensure adequate budgets are in place to attract, train and retain skilled staff</li> <li>Develop employee retention strategy</li> </ul>	Council	GM – Comm. 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					
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"> <li>External opportunities lost</li> <li>Non-compliance with LGA decision making requirements</li> <li>Lack of advancement or diversity opportunities at WDC</li> <li>Lack of succession planning</li> <li>Organisational capacity to respond to work flow in an effective and timely manner is compromised</li> </ul>	3	3	M (9)	<ul style="list-style-type: none"> <li>Professional development targeted to role specific needs</li> <li>Provision in LTP for adequate human resource budget and capability corresponding to business needs</li> <li>Resource sharing (e.g. WLASS)</li> </ul>	2	3	M (6)	H	<ul style="list-style-type: none"> <li>Ensure adequate budgets are in place to attract, train and retain skilled staff</li> <li>Further develop opportunities for resource sharing to achieve effectiveness &amp; efficiency gains, reduce duplication, of effort and to promote and contribute to the development of best practice</li> </ul>	Council	GM – Comm. 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					
<b>10 CIVIL DEFENCE AND EMERGENCY MANAGEMENT</b>														
10.1	Inadequate provision is made to meet WDC's requirements for the 4 Rs	Resulting in: <ul style="list-style-type: none"> <li>Breach of Civil Defence Emergency Management Act 2002.</li> <li>Reputational Damage</li> <li>Reduced services</li> <li>Lack of leadership or structured delivery during and after an event</li> <li>Heightened risk of endangerment of community and property</li> <li>Loss of community confidence in WDC's role</li> <li>Loss of emergency services' and lifeline partners' confidence in WDC's role</li> <li>Inability to return to business as usual in a timely manner</li> <li>Loss of service delivery while continuity issues are addressed</li> </ul>	3	4	H (12)	<ul style="list-style-type: none"> <li>CDEM Response and Recovery Plan in place</li> <li>Emergency management team (WDC) in place.</li> <li>Local Controller and Recovery Manager appointed</li> <li>Waikato Region Emergency Management Group</li> <li>EDL established and resourced</li> <li>Lifelines identified in relevant asset management plans and projects to increase resilience</li> <li>Limited hazards identification as part of District Plan review</li> </ul>	2	3	M (6)	M	<ul style="list-style-type: none"> <li>Improve the resilience of the WDC EMC to ensure earthquake protection and continuity of essential services (power, water, sanitary, ICT) over a sustained period</li> <li>Commit to training of emergency management staff</li> <li>Develop shared service arrangement – Western Waikato emergency operating area</li> </ul>	Council	GM - CS	



Document No: A427029

**Report To: Audit and Risk Committee**



**Meeting Date:** 14 May 2019

**Subject:** **Financial and Non-Financial Report to 31 March 2019**

**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 2019.

## Background

- 2.1 The period covered by this report is 1 July 2018 to 31 March 2019.

- 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 2019.
- **Summary Balance Sheet** with comments detailing significant balance sheet movements from 1 July 2018 to 31 March 2019.
- **Capital Expenditure** summary with commentary on material variances of expenditure for the period compared with the LTP 2018/19.
- **Summary Treasury Management** which reports on the Public Debt position, cash reserves 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 2019 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 2019

### 3.1 INCOME STATEMENT HIGHLIGHTS

3.2 Set out below is the summary of financial information for the period ended 31 March 2019. Detailed Cost of Service Statements are attached as Appendix 1.

FINANCIAL HIGHLIGHTS (Amounts in \$000's)	Actual 2017/18	LTP Budget 2018/19	YTD Budget Mar 2019	Actual Mar 2019	Variance Mar 2019	% Variance
<b>Total Expenditure</b>						
- Direct Operating	15,771	16,520	11,526	11,521	(5)	
- Indirect Operating	11,691	13,400	10,046	9,402	(644)	
<b>Total Expenditure</b>	<b>27,462</b>	<b>29,920</b>	<b>21,572</b>	<b>20,923</b>	<b>(649)</b>	<b>-3%</b>
<b>Total Revenue</b>						
- Operating Revenue	(11,949)	(12,684)	(9,077)	(9,091)	(14)	
- Rates Revenue	(19,727)	(20,476)	(15,441)	(15,527)	(86)	
<b>Total Revenue</b>	<b>(31,676)</b>	<b>(33,160)</b>	<b>(24,518)</b>	<b>(24,618)</b>	<b>(100)</b>	<b>0%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>(4,214)</b>	<b>(3,240)</b>	<b>(2,946)</b>	<b>(3,695)</b>	<b>(749)</b>	<b>25%</b>
<b>Other Comprehensive Revenue and Expense</b>						
- Revaluation of Property, plant and equipment	(5,975)	0	0	0	0	
-(Gains)/Losses from Cash Flow Hedges	53	0	0	0	0	
- Revaluation of available for sale assets	(7,300)	0	0	0	0	
<b>Total Other Comprehensive Revenue and Expense</b>	<b>(13,222)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total Comprehensive Revenue and Expense</b>	<b>(17,436)</b>	<b>(3,240)</b>	<b>(2,946)</b>	<b>(3,695)</b>	<b>(749)</b>	<b>25%</b>

3.3 **Net Operating Surplus:** The net operating surplus of \$3,695,000 was \$749,000 more than budget for the period ended 31 March 2019. The Cost of Service Statements for each activity are included as Appendix 1.

3.4 **Total Expenditure** was \$649,000 less than budget for the period ended 31 March 2019.

- **Direct operating expenditure** was \$5,000 less than budget. The main contributors to this variance in order of magnitude are:
  - Sewerage: \$258,000 less mainly due to expenditures for power, reticulation and pump maintenance and chemicals were less than budget.
  - Water Supply: \$103,000 less as chemicals and electricity were less than budget.

This decrease in direct expenditure is offset by:

- Roads and Footpaths: \$472,000 more than budget due to emergency reinstatement and minor emergency events, sealed pavement

maintenance, environmental maintenance and network asset management expenditures being incurred during the period.

- **Indirect expenditure** was \$644,000 less than budget:
  - Interest: \$717,000 less than budget. The budgeted interest cost was based on 1 July 2018 projected public debt of \$47.57 million while the actual public debt at 30 June 18 was \$41.74 million. The main reason for the lower debt position than forecast in the LTP was due to reduced capital expenditure in prior years and reduced operational expenditure spend. The cost of funds were also lower than forecast.
  - Depreciation: \$60,000 less than forecast mainly due to reduced depreciation for Water Supply, Leadership and Solid Waste Management. This has been partly offset by an increase in roads depreciation as a result of the asset valuation at 30 June 2018.

3.5 **Total Revenue** was (\$100,000) more than budget for the period ended 31 March 2019.

- **Operating revenue** \$14,000 more than budget. The main contributors to this variance are:
  - Community Service: \$333,000 more than budget due to grant revenue for the Te Kuiti Holiday Park, dump station construction and provision of temporary toilets at Mokau. Proceeds were also received from tree logging at Brook Park.
  - Solid Waste Management: \$231,000 more than budget due to increase in revenue from Refuse Dump Charges and sales of Special Waste.
  - Resource Management: \$84,000 more than budget due to an increase in resource consent revenue.

This increase in revenue is offset by:

- Roads and Footpaths: \$774,000 less than forecast as the subsidy received for capital expenditure is less due to planned expenditures yet to be completed.
- **Rates revenue** was \$86,000 more than budget.

3.6 **BALANCE SHEET HIGHLIGHTS**

3.7 Balance Sheet highlights presented below show the movement in Council's financial position from 30 June 2018 to 31 March 2019. The full Balance Sheet is attached as **Appendix 2**.

<b>BALANCE SHEET HIGHLIGHTS</b> (Amounts in \$000's)	<b>Actual</b> <b>Position</b> <b>30 Jun</b> <b>2018</b>	<b>Actual</b> <b>Position</b> <b>31 Mar</b> <b>2019</b>	<b>Movement</b> <b>from</b> <b>30 Jun</b> <b>2018</b>
<b>Assets</b>			
- Cash and cash equivalents	1,762	1,508	(254)
- Receivables	5,331	3,924	(1,407)
- Other current assets	84	114	30
- Other financial assets	12,616	12,324	(292)
- Non-current assets	343,305	345,176	1,871
<b>TOTAL ASSETS</b>	<b>363,098</b>	<b>363,047</b>	<b>(51)</b>
<b>Liabilities</b>			
- Other Liabilities	5,965	3,682	(2,283)
- Total Borrowings	41,737	40,274	(1,463)
- Derivative financial instruments	1,737	1,737	0
<b>Total Liabilities</b>	<b>49,439</b>	<b>45,693</b>	<b>(3,746)</b>
<b>Equity</b>			
- Equity	313,659	317,354	3,695
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>363,098</b>	<b>363,047</b>	<b>(51)</b>

3.8 Total Assets have decreased from \$363.1 million to \$363.0 million.

- Cash and cash equivalents have decreased by \$254,000 from \$1,762,000 to \$1,508,000.
- Receivables decreased by \$1,407,000 since 30 June 2018 from \$5.33 million to \$3.92 million. There was a decrease in the receivable from NZTA for road subsidy and the GST refund receivable at 31 March.
- Other financial assets decreased by \$292,000. The decrease is due to repayment of the \$375,000 advance by Inframax Construction Limited, which completes the full repayment of this advance. The decrease is partly offset by an increase of \$80,000 in subscription to LGFA Borrower Notes, as detailed in the Treasury Management report.
- Non-current assets have increased by \$1,871,000. The increase is due to the net effect of asset additions of \$6,310,000 less depreciation of \$4,367,000 and loss on sale of assets of \$72,000.

3.9 Total Liabilities have decreased from \$49.4 million to \$45.7 million.

- Other Liabilities decreased by \$2,283,000 due to a general decrease in Payables at 31 March 2019.
- Total Borrowings decreased by \$1,463,000 from \$41.7 million to \$40.3 million. The decrease is due to repayment of the unsecured Westpac Loan of \$375,000, which was advanced and now repaid by Inframax Construction Limited. In addition to that draw down of the Westpac Call Advance, reduced by \$1,100,000. This was partly offset by accrued interest which increased by \$12,000.

3.10 Equity increased by \$3,695,000 to \$317.4 million which equals 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 2019.

<b>CAPITAL EXPENDITURE SUMMARY</b> <b>(Amounts in \$000's)</b>	<b>LTP</b> <b>2018/19</b>	<b>Actual</b> <b>Mar 2019</b>	<b>Variance</b> <b>2018/19</b>
<b>Governance: Leadership and Investments</b>			
- Corporate Support	860	314	(546)
<b>Community Service</b>			
- Parks and Reserves	207	32	(175)
- Housing and Other Property	51	368	317
- Recreation and Culture	191	129	(62)
- Public Amenities	519	81	(438)
<b>Community Development</b>			
- District Development	0	9	9
<b>Solid Waste Management</b>			
- Landfill Management	217	148	(69)
<b>Stormwater</b>			
- Urban	194	382	188
- Rural	5	0	(5)
<b>Sewerage</b>			
- Te Kuiti Sewerage	622	388	(234)
- Te Waitere Sewerage	0	5	5
- Benneydale Sewerage	52	0	(52)
- Piopio Sewerage	19	25	6
<b>Water Supply</b>			
- Te Kuiti Water	406	1,021	615
- Mokau Water	115	301	186
- Piopio Water	339	309	(30)
- Benneydale Water	4	24	20
<b>Roads and Footpaths</b>			
- Subsidised Roads	6,293	2,613	(3,680)
- Unsubsidised Roads	160	161	1
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>10,254</b>	<b>6,310</b>	<b>(3,944)</b>

4.2 Capital Expenditure was \$6.31 million for the period ended 31 March 2019, of which \$2.77 million (44%) related to Roads, \$1.66 million (26%) related to Water Supply and \$0.61 million (10%) related to Community Service.

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.

#### 4.4 Governance: Leadership and Investments

##### **Corporate Support:**

- Corporate Support (Budget \$860,000 and carry over \$130,000): Expenditure of \$314,000 has been for fleet vehicle and mower replacements, renewal of Information System (IS) hardware and end user devices.

#### 4.5 **Community Service**

##### **Parks and Reserves:**

- Park renewal expenditure and Brook Park development (Budget \$77,500 and carry over budget of \$16,500). Minor expenditure to date.
- Renewal expenditure for jetty/pontoon and development of coastal reserves (Budget \$34,200 and carry over of \$64,700). Expenditure to date is for the renewal of the accessway stairs at Mokau and work has been completed at the Te Waitere Jetty.
- Playground renewals (Budget \$30,000 and carry over budget \$40,000): The construction of new playground at Benneydale has been completed with \$16,000 costs to date.

##### **Housing and Other Property:**

- The Housing and Other Property shows total capital expenditure of \$368,000.
- Expenditures incurred relate to the development of the Te Kuiti Holiday Park. Ministry of Business Innovation and Employment (MBIE) has committed funding of \$200,000 for the cooking and ablution block project and there has also been further funding of \$7,000 received from NZ Motor Caravan Association to install a new public dump station on the site.
- Expenditure to date on the Te Kuiti Holiday Park project totalled \$815,000 including services and stormwater costs. Of this total expenditure of \$288,000 has been recognised under Housing and other property. This expenditure includes fencing, electrical, landscaping, signage, plumbing, compliance and consultancy fees. The balance of the costs of the project relating to infrastructure assets have been recognised in Stormwater, Water Supply and Roads activities.
- The development of the Marokopa Holiday Park (\$50,000) involved the retrofitting of Kiwicamp technology, electrical and plumbing upgrades, BBQ area upgrade, installation of CCTV cameras, fencing and gates and signage.
- Elderly persons housing renewals and miscellaneous building renewals (Budget \$51,100). Miscellaneous building renewals of \$29,000 have been spent to date. This included urgent upgrades to the dog pound kennels to comply with animal welfare requirements.

##### **Recreation and Culture:**

- Expenditures for the period was for library collection renewals and is ongoing (Budget \$48,000). Expenditure to date is \$34,000.
- Library technology and library renewals (Budget \$37,000 and carry over \$26,400): Expenditures of \$59,000 incurred for the replacement of library furniture, shelving and automatic doors and the replacement of the lower roof of the library building.
- Aquatic centre renewals (Budget \$21,000 and carry over \$12,000). Expenditure of \$16,000 for the replacement of the cladding for the back wall of the grandstand canopy.



- Les Munro Centre renewals (Budget \$85,000). Minor renewals to date.

#### **Public Amenities:**

- Minor expenditure of \$8,000 has been incurred for drainage at the Aerodrome.
- Te Kuiti toilet renewal and other minor toilet renewals (Budget \$73,000 and carry over \$7,900). Expenditure of \$18,000 to date with the replacement of vinyl flooring at Te Kuiti main street toilets and cubicle partitions have been renewed.
- Mokau toilet renewal (Budget \$320,000): No expenditure to date.
- Te Kuiti Cemetery development and accessway renewals (Budget \$67,600 and carry over \$63,600): A new shelter has been constructed at Te Kuiti Cemetery with minor expenditure to date.
- Te Kuiti railway pedestrian over-bridge renewal is under review and further investigation is being carried out (expenditure to date of \$57,000). There is \$140,000 of carryover budget and budgets contained in years 2, 3 and 4 of the 2018 LTP.
- Street furniture and public carpark renewal expenditure including security camera renewals (Budget \$58,600). No expenditure to date.

#### 4.6 **Community Development**

- Minor expenditures incurred for the period for i-SITE technology renewal (carry over budget of \$10,000).

#### 4.7 **Solid Waste Management**

- Work is ongoing on the Resource Consent for volume expansion at the Landfill with to date expenditures of \$97,600. (Carry over \$22,000 and \$100,000 brought forward from 2019/20 LTP budget)
- Purchase of carbon credits required under the Emissions Trading Scheme (Budget \$175,000 and carry over \$75,000). No expenditure to date.
- Landfill and transfer station renewals (Budget \$42,000). Expenditure of \$44,000 has been spent to date. The road seal around the kiosk area of the landfill was renewed and improvements were made to landfill security with the installation of security cameras.
- The swing gate at the landfill was damaged by a customer. This gate was repaired of \$6,000 and insurance proceeds were received that covered the full cost of replacement.

#### 4.8 **Stormwater**

- Open drains improvement (Budget \$10,000): Expenditures of \$13,000 has been for improvement of Seddon St pipe work.
- Te Kuiti storm water minor renewals (Budget \$74,000 and carry over budget \$106,000): expenditure has been incurred for renewals of pipe and manholes along Ward Street, and for minor renewals between Edward and Hill Streets. This budget is utilised on as required basis for emergency works.

- Expenditure of \$359,000 was incurred for stormwater network extensions on Te Kumi Road (Budget \$34,000, carry over budgets of \$165,000 and \$160,000 brought forward from years 2-4 of the LTP).

#### 4.9 **Sewerage**

- Te Kuiti waste water treatment plant (Budget \$234,000): Expenditures for the period of \$37,000 was for connecting pipework to the chemical tank and minor renewals.
- Te Kuiti Reticulation and Pump Station renewals (Budget \$358,000): Taupiri Street Project commenced last year and is approximately 95% completed with the remainder of the work completed during April. Delays were experienced due to unforeseen circumstances such as the bore head hitting buried logs underground and health and safety issues. The cost to date is \$351,000.
- Te Waitete Sewerage expenditure of \$4,800 was incurred for unplanned pump renewals for replacement of sewer pump and guardrails. There was no budget for this cost.
- Benneydale treatment plant and reticulation renewals (Budget \$52,000): No expenditure to date.
- Piopio reticulation and unplanned pump renewals (Budget \$19,000): Expenditures of \$25,000 was incurred for the period. This included the replacement of submersible pump, installation of new Septic System at 3A Kuratahi Street and purchase of pumps for the network system as critical spares. The installation of the new septic tank is paid for by the customer.

#### 4.10 **Water Supply**

- Te Kuiti Water Treatment plant upgrade including the raw water intake structure (Phase II) expenditure to date was \$848,000 (Budget \$80,000 plus a carryover budget of \$1,301,000 for the remainder of the project).
- On a project basis the total treatment plant upgrade project budget, as approved by Council is \$7,467,000. Total expenditure over the last four years to 31 March 2019 is \$7,013,000, leaving \$454,000 available for completion. Sections still to be completed is installation of the intake structure, finalisation of the mechanical and electrical components and completion of site security.
- A total of \$848,000 was spent for the year to date with the following details:
  - Phase 1 – UV and Chemical dosing: Completed however further work is being completed as it requires electrical connectivity and some pipe works for the chemical filling points
  - Phase 2 – New Intake Pump and controls: The Intake Pumps are now operational but still requires monitoring instruments installed and connected to SCADA and general electrical system is still progressing and should be completed by end of May 2019 (\$472K)
  - Phase 3 – Clarifier and Site Upgrade: Entrance and Exit gates with automation is now completed (\$108K)
  - Phase 4 – Filters 3 and 4 upgrades were already completed
  - General Electrical Upgrade (\$218K) – still work in progress
  - SCADA and Telemetry Upgrades (\$32K) – still work in progress
- Te Kuiti reticulation and pump station renewals (Budget \$304,000): Expenditures for the period was \$159,000 for the ongoing network

improvements and renewals such as tobies which includes back-flow devices and minor renewals.

- Reservoir Seismic Strengthening (Budget \$22,000): no expenditures incurred to date.
- Mokau Water reticulation and plant renewals (Budget \$112,500 and carry over budget \$93,000): The Tainui Street reticulation upgrade and Aria Terrace renewal project will not go ahead. Expenditure to date for reticulation and plant renewals is \$60,000. The remaining budgets have been utilised for the repair of the water storage dam. This is now completed with expenditure to date of \$241,000.
- Piopio reservoir (Budget \$250,000): Tender process has commenced for the installation and supply of a new steel reservoir. The contract for the supply and installation of the 500,000 litre steel reservoir was awarded to Applied Engineering of Cambridge. The contractor took over the site in February 2019. The new Piopio town water storage reservoir is almost complete except the inlet, outlet, overflow and and drainage pipe pipework. The commissioning is likely to be completed in May 2019. Expenditure to date \$215,000.
- Piopio Water reticulation renewals and treatment plant renewals including the installation of backflow preventers (Budget \$89,000 and carry over budget \$82,000): Tender process has commenced for the supply and installation of new pipe line to link Tui Street – State Highway 3 and the water bridge at Kuritahi Street. This project is on-hold due to insufficiency of funds. Renewal expenditure to date has been for new toby installations, with back-flow devices, minor renewals and supply and installation of 18 membrane modules at the water treatment plant (\$94,000).
- Benneydale Water reticulation renewals and plant renewals (Budget \$3,500). Expenditure to date of \$24,000 has been for UV system upgrade and minor filter renewals.

#### 4.11 **Roads and Footpaths**

#### 4.12 **Subsidised Roads**

- Minor improvements expenditure of \$48,000 incurred for the period in relation to the minor slip repairs and on road widening work following a washout (Budget \$650,000).
- Drainage renewals (Budget \$250,000): Expenditure for the period was \$202,000. This activity is weather dependent.
- Pavement rehabilitation (Budget \$1,700,000): Expenditure for the period was \$209,000 in professional service fees. This capital project is currently at tender advertisement stage.
- Sealed road surfacing (Budget \$1,385,000): Carrying out this activity requires fair weather due to the high cost and volatility around sealing of road surfaces. The annual sealing program has now started with expenditure of \$1,396,000 incurred to date.
- Structures component replacements and bridge maintenance (Budget \$350,000): A portion of the 2017/18 bridge structural repairs project was successfully completed in July after a late start caused by professional services delays, expenditures for the period was \$74,000.

- Traffic services renewals (Budget \$150,000): Expenditure for the period was \$176,000.
- Unsealed road metaling (Budget \$600,000): Expenditure for the period was \$277,000. The annual unsealed road metaling program is well underway and on target.
- Emergency reinstatement (Budget \$700,000): No weather events qualifying for this category has occurred, therefore, no new claims could be lodged under this category. Expenditure to date for this reporting period is \$108,000.
- LED Street light upgrade work was completed in July 2018. Expenditures of \$78,000 spent in this financial year. This program was funded at 85% FAR by NZTA.
- Footpath improvement (Budget \$113,000): This project is currently at the tender documentation stage.
- Footpath renewal (Budget \$395,000): Expenditures for the period was \$46,000. This budget is for improving, widening and replacing existing narrow footpaths. Additional budget is available in the 2018-28 LTP, enabled by an NZTA shift in funding policy. The project is currently at tender documentation stage.

#### 4.13 **Unsubsidised Roads**

- Unspecified retaining wall renewals and road improvements not eligible for subsidy (Budget \$160,000): Expenditure to date is \$161,000 of which \$154,000 for unsubsidised road improvements undertaken on Te Kumi Road for the Te Kuiti Holiday park project.

### 5.0 **TREASURY REPORT**

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

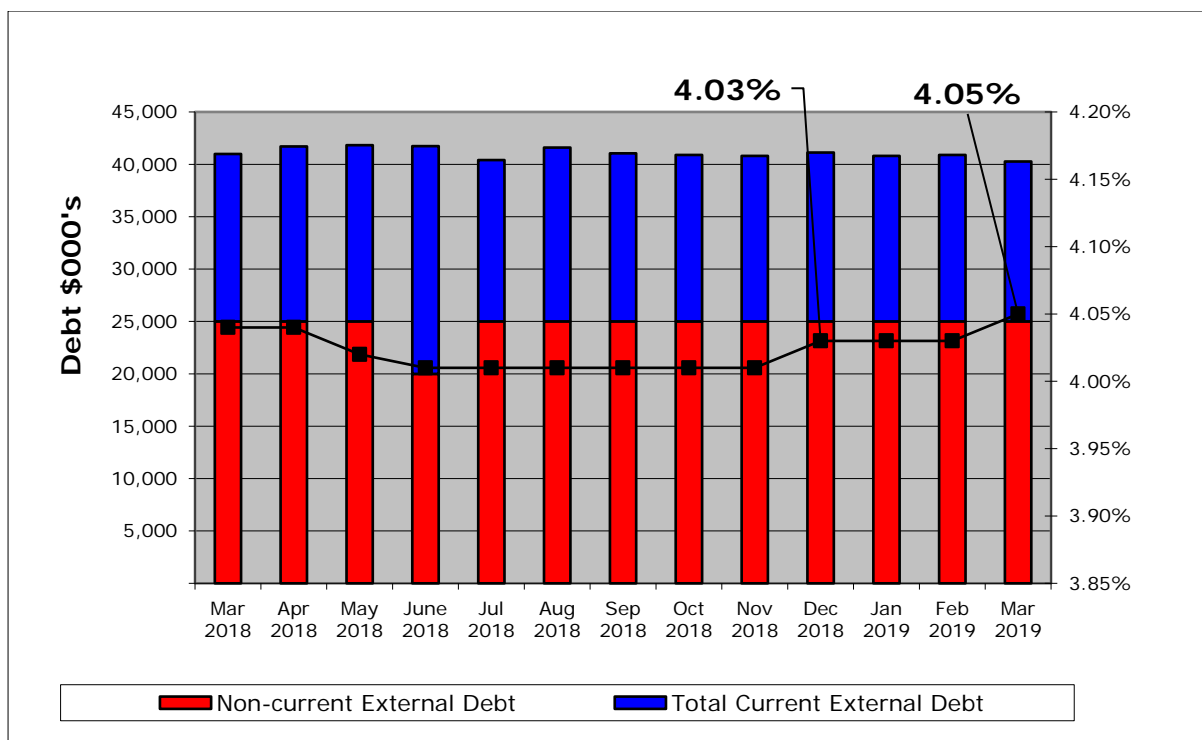
#### 5.2 **CASH POSITION**

5.3 Council's cash position at 31 March 2019 was \$1,508,000 in funds, at 30 June 2018 it was \$1,762,000.

5.4 Included in the cash balance was \$330,000 of funds that are subject to restrictions. These include unspent waste minimisation levy funds and retention monies held.

#### 5.5 **SUMMARY OF PUBLIC DEBT POSITION**

5.6 Set out below is a graph recording trends in Council's current and non-current debt for the period ended March 2019. The trend line overlaid is the effective weighted average interest rate currently being paid on all loans.



5.7 At 31 March 2019 the effective weighted average interest rate (WAIR) for all loans excluding accrued interest and Call Advance facility costs was 4.05%, a small increase from 31 December 2018 when it was 4.03%.

5.8 The reason for the increase in the WAIR is the change in proportionality of lower interest bearing debt i.e. debt from Call Advance facility to overall debt. There was no call advance drawn at 31 March 2019.

#### 5.9 PUBLIC DEBT POSITION COMPARISON TO BUDGETS

5.10 Forecasted public debt at 30 June 2019 as per the LTP 2018-28 is \$47,565,000. Actual public debt at 31 March 2019 was \$40,274,000.

#### 5.11 WHOLESALE ADVANCE FACILITY (Call Advance Facility)

5.12 Council has a Call Advance facility with Westpac with a facility limit of \$10 million, with an expiry date of 1 July 2019.

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

5.14 Interest is charged on a daily basis at a rate of 1.00% credit margin plus the Westpac Prime rate (which is similar to the BKBM rate). At 31 March the rate charged was 2.95%.

5.15 The on call rate increased by 0.10%, effective from the 1 February, due to a premium for overnight funding, which is used by the bank to provide the Call Advance Facility.

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

## 5.17 DETAILS OF LOAN PORTFOLIO

5.18 The following table records the public debt position and the key dates for each loan as at 31 March 2019. 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.

At 31 March 2019	Interest Rate Exposure	Loan Start Date	Loan Maturity Date	Effective Interest Reprice Date	Loan Balance	Effective Interest Rate
<b>Current Loans</b>						
Accrued Interest					274,247	0.000%
Call Advance	Floating		1/07/2019		0	2.950%
LGFA: Commercial Paper	Floating	30/01/2019	30/07/2019	30/07/2019	5,000,000	2.155%
LGFA: Commercial Paper	Floating	22/11/2018	22/05/2019	22/05/2019	5,000,000	2.240%
LGFA: Floating Rate Note (ICL)	Hedged	19/06/2017	30/06/2019	30/08/2019	5,000,000	4.330%
<b>Total Current Loans</b>					<b>15,274,247</b>	
<b>Non-current Loans</b>						
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	Hedged	19/06/2017	10/09/2020	11/09/2020	5,000,000	4.260%
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%
<b>Total Non-current Loans</b>					<b>25,000,000</b>	
<b>Total Public Debt</b>					<b>40,274,247</b>	<b>4.05%</b>
<b>Cash &amp; Liquid Investments</b>						
Cash Held on Trust for Retention Obligations					330,000	
Call Deposits					800,000	
Cash					378,489	
<b>Total Cash &amp; Liquid Investments</b>					<b>1,508,489</b>	
<b>Public Debt Net of Liquid Investments</b>					<b>38,765,758</b>	

5.19 Total public debt was \$40,274,247 and cash assets were \$1,508,489 at 31 March 2019 giving a net debt position of **\$38,765,758**.

5.20 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 the credit margin on the FRN plus the fixed rate in the associated interest rate swap contract.

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

5.22 During the three months since 31 December 2018, one significant treasury transactions was undertaken;

5.23 Commercial Paper for \$5 million was issued on the 30 January at 2.155% for 181 days. The proceeds were used to repay a CP maturing on that date. The interest rate remains unchanged from that paid for the CP it replaced, although the credit margin increased by 0.02%, the BKBM rate decreased by the same amount.

#### 5.24 **TREASURY EVENTS SINCE 31 MARCH 2019**

5.25 This treasury report portrays the debt position of Council at 31 March 2019.

5.26 Since that date to the date of this report no significant treasury management events have taken place. However it is anticipated on the 22 May 2019, the CP that is due to mature on that date will be rolled over for a further 181 days. (Tenors greater 181 days but less than one year attract a higher credit margin and the BKBM rate is also more).

#### 5.27 **INTEREST COSTS**

5.28 The total actual interest paid for the period was \$1,230,000 against the budget of \$1,947,000; **\$717,000** (or 37%) **less** due to a lower debt position and securing better interest rates than forecast in the EAP.

#### 5.29 **COMPLYING WITH FINANCIAL COVENANTS**

5.30 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 have been undertaken as part of the quarterly financial reporting process.

5.31 Total borrowing costs will not exceed 10% of total revenue

5.32 Interest paid as a portion of total revenue is 5%.

5.33 The ratio of net interest to total revenue will not exceed 20%.

5.34 Net interest paid year to date is \$1,220,000, made up of total borrowing costs of \$1,230,000 less interest received of \$10,000. Net interest to total revenue is 5%.

5.35 Total borrowings must not exceed 20% of total assets.

5.36 Total borrowings at balance date was \$40.3 million and total assets \$363.0 million, resulting in a ratio of 11%.

5.37 The ratio of net debt to total (cash) revenue will not exceed 170%.

5.38 This ratio cannot be reliably measured at this time, due to revenue for the full year still to be received. (To clarify; total revenue is a result of operations over period of time, whereas the level of debt is measured at a particular date).

5.39 Net interest will not exceed 20% of annual rates.

5.40 Net interest paid year to date is \$1,220,000. Year to date Rates Revenue received is \$15.53 million. The resulting ratio is 8%.

#### 5.41 **FINANCIAL DERIVATIVES AND HEDGE ACCOUNTING**

5.42 Included in the balance sheet are valuation amounts for Derivative Financial Instruments (interest rate swaps). The valuation amount is componentised into current and non-current liabilities held at balance date. At 30 June 2018 the value of the swaps was a total net liability of \$1,737,000 and at 31 March 2019 the value

was a total net liability of \$2,293,000. In accordance with the Treasury Policy the interest rate swaps valuation will be recognised in the ledger at 30 June 2019.

- 5.43 The notional value of swap contracts in place at 31 March was \$29 million providing current interest rate risk cover plus \$10 million notional value with a future start date.

## 6.1 DEBTORS AND OTHER RECEIVABLES

- 6.2 Set out below is summary of Debtors and Other Receivables (i.e. unpaid rates and other debtor amounts owing) as at 31 March 2019 with comparatives from June 2018. Rates receivables exclude rates paid in advance (to give a more accurate picture of the receivables owing).

Receivables (Amounts in \$000's)	As at 30.06.18	As at 31.03.19	(Inc)/March \$	(Inc)/March %
Rates Receivable	2,309	2,425	(116)	-5%
Rates Penalties	1,475	1,637	(162)	-11%
<b>Rates and Penalties Receivable</b>	<b>3,784</b>	<b>4,062</b>	<b>(278)</b>	<b>-7%</b>
Extraordinary Water Charges	297	123	174	59%
<b>Total Rates receivable</b>	<b>4,081</b>	<b>4,185</b>	<b>-104</b>	<b>-3%</b>
NZ Transport Agency Subsidy	1,560	1,149	411	26%
Other Receivables	1,555	726	829	53%
<b>Other Receivables</b>	<b>3,115</b>	<b>1,874</b>	<b>1,241</b>	<b>40%</b>
<b>Gross Receivables</b>	<b>7,196</b>	<b>6,059</b>	<b>1,137</b>	<b>16%</b>
Less Provision for Doubtful Debts	(1,865)	(2,135)	270	-14%
<b>Total Receivables</b>	<b>5,331</b>	<b>3,924</b>	<b>1,407</b>	<b>26%</b>

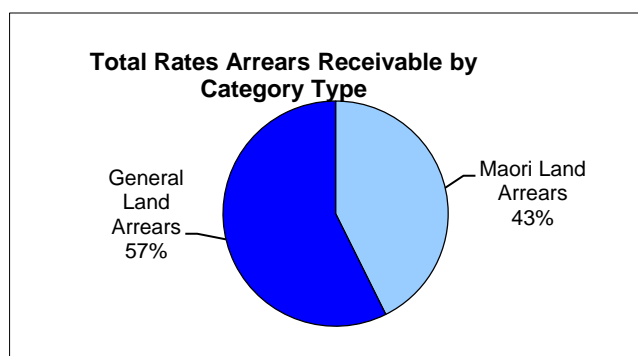
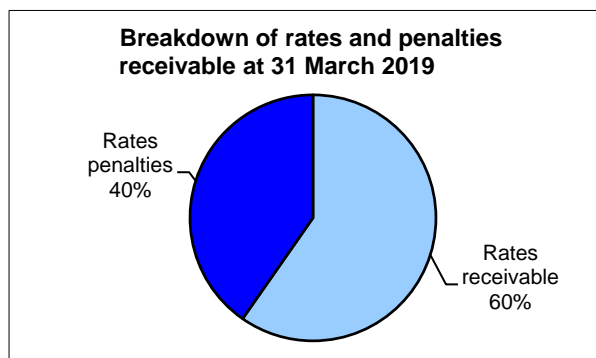
## 6.3 RATES AND PENALTIES RECEIVABLE

### 6.4 Current year rates

- 6.5 At 31 March, the third instalment was issued and was due by 28 February. The collection percentage was 96% (June 2018: 96%).

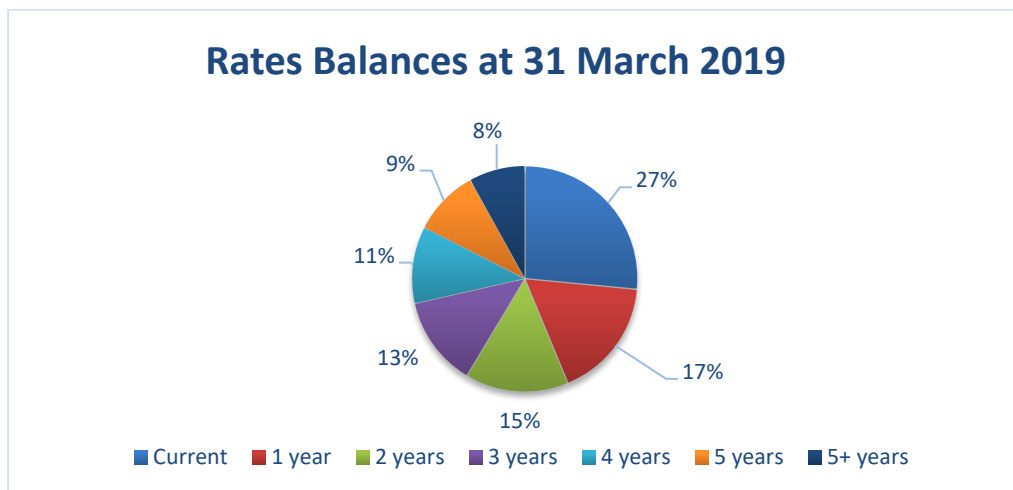
### 6.6 Rates Receivables (excluding metered water rates)

- 6.7 There was \$4.06 million of rates and penalties outstanding at 31 March 2019. This amount excludes rates paid in advance on future instalments. This total is made up of rates of \$2.42 million and penalties of \$1.63 million.

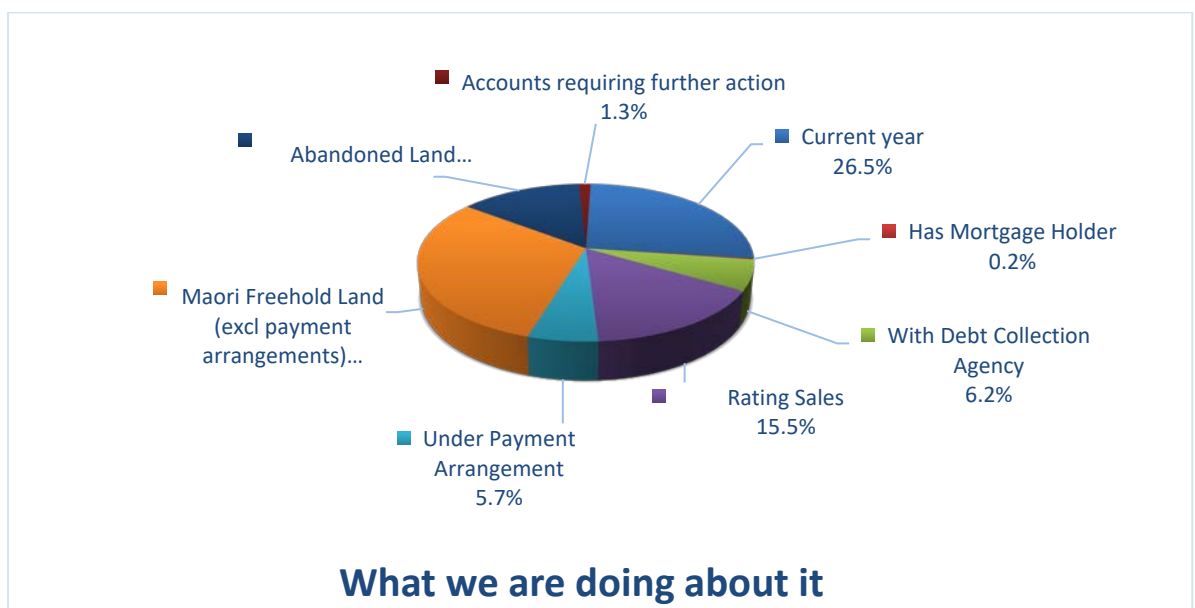




- 6.8 Rates and penalties receivable increased by \$278,000 since June 2018. Of this increase, rates receivable increased by \$116,000 and rates penalties increased by \$162,000.
- 6.9 A total of \$263K of rates and penalties remissions have been entered against a full year's budget (\$295K).
- 6.10 The following graph illustrates the ageing of the rates receivable balance. Of the outstanding balance of \$4.06 million, \$1.077 million (27%) relates to current year, \$701K (17%) for the 2017/2018 year rates and the balance spread across the remaining years in a diminishing fashion.



- 6.11 The outstanding balance of rates is being 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.
- 6.12 For the nine months to 31 March 2019, arrears have been reduced by \$801,000 (21%) of the \$3,786,000 that was outstanding at 30 June 2018.
- 6.13 The action being taken on outstanding balances is shown in the following graph:



- 6.14 Recovery of arrears with the bank or financial institution that hold the mortgage over a property is available for general land properties, where there is a mortgage registered on the title. Where a property is identified as having a mortgage, a notice is sent to the owner and mortgage holder. If the arrears are not paid within 3 months a demand is made on the mortgage holder to pay the arrears. There are 4 properties with arrears with arrears of \$8,000 within this category.
- 6.15 Of the arrears owing at 31 March \$1.27m, (43%) relates to Maori freehold land.
- \$232,000 are under some form of payment arrangement
  - 25 Properties totaling \$630,000 have been identified for rating sale. Two properties have been approved by the courts to commence sale of the properties.
  - \$562,000 of arrears relating to 40 properties meet the criteria for abandoned land and are being progressed through the abandoned land process. Included in these properties are 15 properties (\$190,000) that have been identified by the Maori Land Court to apply for status change, reverting these properties to Maori Freehold Land status. Nine of these properties were considered at a Maori land court hearing in December. One property was changed to Maori Freehold Land with the others being adjourned to a further hearing in June 2019. The change to Maori Freehold land status prevents WDC from proceeding with the abandoned land process for the properties.
  - A further \$54,000 of arrears requires further action. These properties will be reviewed for mortgages and the mortgage holder notified of the arrears. Some of these properties where no mortgage exists have been identified to be placed with an external debt collection in the next quarter.
- 6.16 A review of the services provided by our current external debt collection providers was undertaken during the quarter. As a result of this review, WDC has now partnered with Debt Management Central (DMC) for debt collection services. DMC are a division of the Manawatu-Wanganui LASS Ltd and have been engaged to undertake debt collection on behalf of WDC. DMC specialises in local government debt and undertakes collection services for 19 other Council's.
- 6.17 The change in provider will be implemented over the coming weeks with some existing debt been moved from existing providers to DMC. DMC will take on some aspects of the debt collection service that was previously managed in-house like completing rating sales and abandoned land sales.

#### 6.16 Other Debtors Receivable

At 31 March 2019 'Other Receivables' totalled \$1.87 million of which \$92,322 was due and owing for more than three months. The three month and over receivables include trade waste debtors, dog registrations and infringements and other sundry debtors.

#### 7.1 Other Matters - District Revaluation

- 7.2 Every property in New Zealand must be revalued for rating purposes at least once every three years, as required by the Rating Valuations Act 1998. Properties in the Waitomo District were revalued by an independent Valuation Service Provider (VSP) last September 2018, and the valuation objections closed on 7 December 2018.
- 7.3 Council received 63 objections, most of which were based on owners providing evidence of improvements or clearer descriptions of their properties. 61 of the

objections have been processed by the VSP to date - 48 of which had a value change. 18 rating units had a capital value increase and 30 had a capital value decrease. Ten properties had no value change and three objections were withdrawn.

- 7.4 The remaining two objections are expected to be processed by the end of May. The values from the 2018 district revaluation will be used for rating purposes from 1 July 2019.
- 7.5 The overall capital value of the Waitomo District at 1 September 2018 is \$3.6 billion (including non rateable properties), which is an increase of 17.1% from 2015. The increase in property values is material - the largest increase is for residential properties (44.9%) followed by lifestyle properties (21.9%).
- 7.6 Within the residential category the individual communities have moved as follows – Te Kuiti 60-75%, Benneydale 60% Piopio 45% and Mokau 10%.
- 7.7 The increase in property values will have a significant impact on individual property rates particularly in Te Kuiti and Piopio.
- 7.8 Based on the draft EAP for 19/20 the estimated changes in rates of properties are as follows:
- 3,642 properties are estimated to have an increase in rates
  - 60 properties are estimated to have no change in rates
  - 1,838 properties are estimated to have a decrease in rates
- 7.9 Of the properties that are expected to have a rates increase:
- The maximum estimated increase is for a utility (\$27,915)
  - 49 properties are estimated to have an increase of over \$1,000
  - 75 properties are estimated to have an increase between \$500-\$1,000
  - 1,186 properties are estimated to have an increase between \$200-\$499
- 7.10 Of the properties that are estimated to have a decrease:
- The maximum estimated decrease is for a utility (\$58,974)
  - The average decrease in rates is \$260
  - 136 properties are estimated to have a rates decrease over \$500
- 7.11 A communications and engagement plan has been established to communicate these changes to the community. The plan is in two phases – phase one is intended to focus on rates impact of the significant change in property values resulting from District Revaluation. This includes articles to be published in the Waitomo Way (some have already been published in the past), and letters to be sent to ratepayers with the most significant estimated increase in rates.
- 7.12 Phase one will also include the development of a webpage giving an overview of the EAP. This phase will go live after the ARC meeting.
- 7.13 The second phase will start after 28 May 2019, post the adoption of the EAP 2019-20. Another article will be published in Waitomo Way and a link will be provided on

the webpage so that ratepayers are able to see what their rates will be for the 2019/20 year.

### Suggested Resolution

The business paper on Financial Report for the period ended 31 March 2019 be received.



VIBHUTI CHOPRA  
**GROUP MANAGER – CORPORATE SERVICES**

6 MAY 2019

**Attachments:**

1. Bancorp Treasury Services Limited: Treasury Report for Waitomo District Council for the quarter ended 31 March 2019 A427721
2. Statement of Service Performance Report on Levels of Service and Key Performance Indicators A425737

## 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 2017/18	LTP Budget 2018/19	YTD Budget Mar 2019	Actual Mar 2019	Variance Mar 2019	% Variance
<b>Direct Operating Expenditure</b>						
- Leadership	986	510	311	315	4	
- Community Service	2,019	2,390	1,836	1,781	(55)	
- Community Development	838	1,973	734	715	(19)	
- Compliance	216	238	173	144	(29)	
- Solid Waste Management	999	1,318	871	914	43	
- Stormwater Drainage	305	159	135	92	(43)	
- Resource Management	89	321	197	180	(17)	
- Sewerage	1,699	1,761	1,341	1,083	(258)	
- Water Supply	2,146	1,571	1,209	1,106	(103)	
- Roads and Footpaths	6,474	6,279	4,719	5,191	472	
<b>Total Direct Operating Expenditure</b>	<b>15,771</b>	<b>16,520</b>	<b>11,526</b>	<b>11,521</b>	<b>(5)</b>	<b>0%</b>
<b>Indirect Expenditure</b>						
- Allocated Costs	4,115	4,897	3,672	3,805	133	
- Interest	1,764	2,598	1,947	1,230	(717)	
- Depreciation	5,812	5,905	4,427	4,367	(60)	
<b>Total Indirect Expenditure</b>	<b>11,691</b>	<b>13,400</b>	<b>10,046</b>	<b>9,402</b>	<b>(644)</b>	<b>-6%</b>
<b>TOTAL EXPENDITURE</b>	<b>27,462</b>	<b>29,920</b>	<b>21,572</b>	<b>20,923</b>	<b>(649)</b>	<b>-3%</b>
<b>Operating Revenue</b>						
- Leadership	(80)	(100)	(75)	(150)	(75)	
- Community Service	(600)	(688)	(405)	(738)	(333)	
- Community Development	(155)	(44)	(38)	(39)	(1)	
- Compliance	(513)	(453)	(379)	(409)	(30)	
- Stormwater Drainage	(12)	0	0	(7)	(7)	
- Resource Management	(172)	(85)	(64)	(148)	(84)	
- Solid Waste Management	(1,386)	(1,120)	(840)	(1,071)	(231)	
- Sewerage	(1,140)	(860)	(647)	(658)	(11)	
- Water Supply	(19)	0	0	(16)	(16)	
- Roads and Footpaths	(7,872)	(9,334)	(6,629)	(5,855)	774	
<b>Total Operating Revenue</b>	<b>(11,949)</b>	<b>(12,684)</b>	<b>(9,077)</b>	<b>(9,091)</b>	<b>(14)</b>	<b>0%</b>
<b>Rates Revenue</b>						
- General Rate	(3,665)	(4,046)	(3,035)	(3,063)	(28)	
- UAGC	(3,279)	(3,355)	(2,516)	(2,531)	(15)	
- Targeted Rate	(11,604)	(11,905)	(8,927)	(8,986)	(59)	
- Rates Penalties	(426)	(420)	(400)	(419)	(19)	
- Metered Water Rates	(753)	(750)	(563)	(528)	35	
<b>Total Rates Revenue</b>	<b>(19,727)</b>	<b>(20,476)</b>	<b>(15,441)</b>	<b>(15,527)</b>	<b>(86)</b>	<b>1%</b>
<b>TOTAL REVENUE</b>	<b>(31,676)</b>	<b>(33,160)</b>	<b>(24,518)</b>	<b>(24,618)</b>	<b>(100)</b>	<b>0%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>(4,214)</b>	<b>(3,240)</b>	<b>(2,946)</b>	<b>(3,695)</b>	<b>(749)</b>	<b>25%</b>

The actuals for 2018/19 excludes rates on Council properties from both revenue and expenditure.

## Governance: Leadership and Investments

<b>GOVERNANCE: LEADERSHIP AND INVESTMENTS</b> (Amounts in \$000's)	<b>Actual</b> 2017/18	<b>LTP</b> <b>Budget</b> 2018/19	<b>YTD</b> <b>Budget</b> Mar 2019	<b>Actual</b> Mar 2019	<b>Variance</b> Mar 2019	<b>%</b> <b>Variance</b>
<b>Direct Expenditure</b>						
- Representation	325	297	208	216	8	
- Planning & Policy & Monitoring	449	106	42	38	(4)	
- District and Urban Development	178	0	0	0	0	
- Investments	101	96	61	61	0	
- Treasury Management and Overhead Accounts	(67)	11	0	0	0	
<b>Total Direct Expenditure</b>	<b>986</b>	<b>510</b>	<b>311</b>	<b>315</b>	<b>4</b>	<b>1%</b>
- Allocated Costs	1,274	952	712	788	76	
- Interest	264	331	248	158	(90)	
- Depreciation	468	489	366	338	(28)	
<b>Total Operating Expenditure</b>	<b>2,992</b>	<b>2,282</b>	<b>1,637</b>	<b>1,599</b>	<b>(38)</b>	<b>-2%</b>
<b>Operating Revenue</b>						
- Representation	(12)	(11)	(2)	(5)	(3)	
- Investments	(52)	(77)	(64)	(136)	(72)	
- Treasury Management and Overhead Accounts	(16)	(12)	(9)	(9)	0	
<b>Total Operating Revenue</b>	<b>(80)</b>	<b>(100)</b>	<b>(75)</b>	<b>(150)</b>	<b>(75)</b>	<b>100%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>2,912</b>	<b>2,182</b>	<b>1,562</b>	<b>1,449</b>	<b>(113)</b>	<b>-7%</b>

The budget for Representation operating revenue excludes rates penalties revenue which is disclosed as part of rates revenue in the Combined Cost of Service Statement on the previous page.

**Net Operating Cost** for the Governance Activity was 7% (\$113,000) less than budget for the period ended 31 March 2019 due mainly to reduced interest costs and depreciation charges.

**Direct Expenditure** was 1% (\$4,000) more than budget for the period.

**Operating Revenue** was 100% (\$75,000) more than budget for the period.

- Revenue from the investment activity was more than budget due to receipt of Quarry Royalties Revenue. This was partly offset as no interest was received from ICL advance. This Debt was repaid in full in July 2018.

## Community Service

COMMUNITY SERVICE (Amounts in \$000's)	Actual 2017/18	LTP Budget 2018/19	YTD Budget Mar 2019	Actual Mar 2019	Variance Mar 2019	% Variance
<b>Direct Expenditure</b>						
- Parks and Reserves	402	551	406	359	(47)	
- Housing and Other Property	386	435	365	384	19	
- Recreation and Culture	472	537	414	421	7	
- Public Amenities	686	757	569	555	(14)	
- Safety	73	110	82	62	(20)	
<b>Total Direct Expenditure</b>	<b>2,019</b>	<b>2,390</b>	<b>1,836</b>	<b>1,781</b>	<b>(55)</b>	<b>-3%</b>
- Allocated Costs	517	930	698	736	38	
- Interest	118	179	134	87	(47)	
- Depreciation	860	859	644	665	21	
<b>Total Operating Expenditure</b>	<b>3,514</b>	<b>4,358</b>	<b>3,312</b>	<b>3,269</b>	<b>(43)</b>	<b>-1%</b>
<b>Operating Revenue</b>						
- Parks and Reserves	(25)	(27)	(20)	(62)	(42)	
- Housing and Other Property	(378)	(303)	(227)	(450)	(223)	
- Recreation and Culture	(143)	(144)	(117)	(96)	21	
- Public Amenities	(54)	(214)	(41)	(130)	(89)	
<b>Total Operating Revenue</b>	<b>(600)</b>	<b>(688)</b>	<b>(405)</b>	<b>(738)</b>	<b>(333)</b>	<b>82%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>2,914</b>	<b>3,670</b>	<b>2,907</b>	<b>2,531</b>	<b>(376)</b>	<b>-13%</b>

**Net Operating Cost** was 13% (\$376,000) less than budget for the period ended 31 March 2019.

**Direct Expenditure** was 3% (\$55,000) less than budget for the period.

- Expenditure for Parks and Reserves, Public Amenities and Safety activities are tracking less than budget as repairs and maintenance expenditure is only spent when required. This was partly offset by increased expenditures incurred for repair and maintenance in the Recreation and Culture activity for the Aquatic Centre.
- Expenditure for Housing and Other Property was more than budget due to the redevelopment of the Marokopa Holiday Park. The development was unbudgeted but was approved by the Council.
- Costs were incurred, within the Public Amenities activity, for the provision of temporary toilets at Mokau which is funded by Tourism Infrastructure Funding (TIF).

**Operating Revenue** was 82% (\$333,000) more than budget for the period.

- In Housing and Other Property, Grant Revenue of \$207,000 was received from NZMCA and MBIE for Te Kuiti Holiday Park and dump station construction.
- Included in the Public Amenities the revenue for cemetery fees was more than budget for the period. Grant revenue from TIF for the provision of temporary toilets in Mokau.
- Revenue of \$38,000 was received from the logging of 0.5 ha in Brook Park. Of this revenue \$8,000 was paid to the Brook Park Committee for their part in creating access for the logging company.

## Community Development

COMMUNITY DEVELOPMENT (Amounts in \$000's)	Actual 2017/18	LTP Budget 2018/19	YTD Budget Mar 2019	Actual Mar 2019	Variance Mar 2019	% Variance
<b>Direct Expenditure</b>						
- Community Support	505	1,644	551	568	17	
- District Development	333	329	183	147	(36)	
- Agencies	0	0	0	0	0	
<b>Total Direct Expenditure</b>	<b>838</b>	<b>1,973</b>	<b>734</b>	<b>715</b>	<b>(19)</b>	<b>-3%</b>
- Allocated Costs	594	748	561	473	(88)	
- Interest	0	2	1	0	(1)	
- Depreciation	10	17	13	8	(5)	
<b>Total Expenditure</b>	<b>1,442</b>	<b>2,740</b>	<b>1,309</b>	<b>1,196</b>	<b>(113)</b>	<b>-9%</b>
<b>Operating Revenue</b>						
- Community Support	0	(2)	(2)	(1)	1	
- District Development	(155)	(42)	(36)	(38)	(2)	
- Agencies	0	0	0	0	0	
<b>Total Operating Revenue</b>	<b>(155)</b>	<b>(44)</b>	<b>(38)</b>	<b>(39)</b>	<b>(1)</b>	<b>3%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>1,287</b>	<b>2,696</b>	<b>1,271</b>	<b>1,157</b>	<b>(114)</b>	<b>-9%</b>

**Net Operating Cost** for the Community Development Activity was 9% (\$114,000) less than budget for the period ended 31 March 2019.

**Direct Expenditure** was 3% (\$19,000) less than budget for the period.

**Operating Revenue** was 3% (\$1,000) more than budget for the period.



## Compliance

Compliance (Amounts in \$000's)	Actual 2017/18	LTP Budget 2018/19	YTD Budget Mar 2019	Actual Mar 2019	Variance Mar 2019	% Variance
<b>Direct Expenditure</b>						
- Compliance	216	238	173	144	(29)	
<b>Total Direct Expenditure</b>	<b>216</b>	<b>238</b>	<b>173</b>	<b>144</b>	<b>(29)</b>	<b>-17%</b>
- Allocated Costs	724	770	577	566	(11)	
- Interest	1	1	1	0	(1)	
- Depreciation	5	5	4	4	0	
<b>Total Expenditure</b>	<b>946</b>	<b>1,014</b>	<b>755</b>	<b>714</b>	<b>(41)</b>	<b>-5%</b>
<b>Operating Revenue</b>						
- Compliance	(513)	(453)	(379)	(409)	(30)	
<b>Total Operating Revenue</b>	<b>(513)</b>	<b>(453)</b>	<b>(379)</b>	<b>(409)</b>	<b>(30)</b>	<b>8%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>433</b>	<b>561</b>	<b>376</b>	<b>305</b>	<b>(71)</b>	<b>-19%</b>

**Net Operating Surplus** for the Compliance Activity was 19% (\$71,000) less than budget for the period ended 31 March 2019.

**Direct Expenditure** was 17% (\$29,000) less than budget for the period.

- Expenditures for contractors' costs for animal control, earthquake prone building work (EPB), compliance schedule project and environmental health were less than budget.
- Expenditure for the District Licencing Committee was more than budget.

**Operating Revenue** was 8% (\$30,000) more than budget for the period.

- Building Control revenue was more than budget for the period. Building consent revenue received for the period to 31 March 2019 was \$157,500 from 45 processed consents (with a total value of \$4,654,000), slightly higher than that received from 38 processed consents for the same period last year (with a total value \$2,712,000). This is partly offset by reduced health act licence fee revenue. Compliance Schedule revenue was also more than budget for the period.
- Dog registration, infringement and impounding fees revenue was slightly more than budget for the period.
- The grant contribution for menacing dogs from the Central Government has been carried over to current year. These funds are specific for the neutering of the menacing of dogs campaign. Any unspent funds will be carried over to the next financial year.

## Resource Management

RESOURCE MANAGEMENT (Amounts in \$000's)	Actual 2017/18	LTP Budget 2018/19	YTD Budget Mar 2019	Actual Mar 2019	Variance Mar 2019	% Variance
<b>Direct Expenditure</b>						
- District Plan Administration	89	71	32	53	21	
- District Planning	0	250	165	127	(38)	
<b>Total Direct Expenditure</b>	<b>89</b>	<b>321</b>	<b>197</b>	<b>180</b>	<b>(17)</b>	<b>-9%</b>
- Allocated Costs	183	610	458	459	1	
- Interest	0	27	20	11	(9)	
<b>Total Expenditure</b>	<b>272</b>	<b>958</b>	<b>675</b>	<b>650</b>	<b>(25)</b>	<b>-4%</b>
<b>Operating Revenue</b>						
- District Plan Administration	(172)	(85)	(64)	(108)	(44)	
- District Planning	0	0	0	(40)	(40)	
<b>Total Operating Revenue</b>	<b>(172)</b>	<b>(85)</b>	<b>(64)</b>	<b>(148)</b>	<b>(84)</b>	<b>131%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>100</b>	<b>873</b>	<b>611</b>	<b>502</b>	<b>(109)</b>	<b>-18%</b>

**Net Operating Cost** for the Resource Management Activity was 18% (\$109,000) less than budget for the period ended 31 March 2019.

**Direct Expenditure** was 9% (\$17,000) less than budget for the period.

- This is mainly due to additional planning consultant costs to process complex consents, which will be recovered from resource consent applicants.
- Expenditures incurred for the period includes structure planning and town concept planning for five towns as part of the District Plan Review, and a range of other key consultant work-streams related to the District Plan Review (i.e. coastal hazards, landscapes, flood modelling, significant natural areas, archaeology and ecology). Additional expenditure will be incurred on an on-going basis in relation to the District Plan Review project.

**Operating Revenue** was 131% (\$84,000) more than budget for the period.

- District Plan Administration revenue is more than budget due to an increase in resource consent revenue. The reason for increase in resource consent revenue is due to the complexity and number of applications being processed and cost recovery of actual processing costs from applicants. There have been 16 resource consents processed for the period to 31 March 2019.
- District Planning revenue is \$40,000 more than budget due to a funding contribution from Waikato Regional Council (WRC) to WDC's Significant Natural Area (SNA) workstream. This will be used to fund the District Plan Review consultant fees for the SNA workstream.

## Solid Waste Management

SOLID WASTE MANAGEMENT (Amounts in \$000's)	Actual 2017/18	LTP Budget 2018/19	YTD Budget Mar 2019	Actual Mar 2019	Variance Mar 2019	% Variance
<b>Direct Expenditure</b>						
- Collection	302	289	212	191	(21)	
- Landfill Management	697	1,029	659	723	64	
<b>Total Direct Expenditure</b>	<b>999</b>	<b>1,318</b>	<b>871</b>	<b>914</b>	<b>43</b>	<b>5%</b>
- Allocated Costs	395	389	292	317	25	
- Interest	183	255	191	115	(76)	
- Depreciation	86	91	68	50	(18)	
<b>Total Expenditure</b>	<b>1,663</b>	<b>2,053</b>	<b>1,422</b>	<b>1,396</b>	<b>(26)</b>	<b>-2%</b>
<b>Operating Revenue</b>						
- Collection	(132)	(137)	(103)	(93)	10	
- Landfill Management	(1,254)	(983)	(737)	(978)	(241)	
<b>Total Operating Revenue</b>	<b>(1,386)</b>	<b>(1,120)</b>	<b>(840)</b>	<b>(1,071)</b>	<b>(231)</b>	<b>28%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>277</b>	<b>933</b>	<b>582</b>	<b>325</b>	<b>(257)</b>	<b>-44%</b>

**Net Operating Cost** for the Solid Waste Management Activity was 44% (\$257,000) less than budget for the period ended 31 March 2019.

**Direct Expenditure** was 5% (\$43,000) more than budget for the period.

- Landfill management costs are more than budget due to increased operations costs due to greater volumes of refuse being received. Transfer station costs were also higher over the holiday month for collection of recycling from the transfer stations.
- Expenditures for Waste Minimisation initiatives including a minimisation audit for kerbside collections was less than budget. Kerbside audit was carried out in February 2019.

**Operating Revenue** was 28% (\$231,000) more than budget for the period.

- Revenue received at the landfill was more than budget due to increase in general refuse charges, special waste and green waste. This appears to be general trend that usage of the facility has increased.

## Stormwater Drainage

STORMWATER DRAINAGE (Amounts in \$000's)	Actual 2017/18	LTP Budget 2018/19	YTD Budget Mar 2019	Actual Mar 2019	Variance Mar 2019	% Variance
<b>Direct Expenditure</b>						
- Te Kuiti Stormwater	286	134	115	76	(39)	
- Rural Stormwater	19	25	20	16	(4)	
<b>Total Direct Expenditure</b>	<b>305</b>	<b>159</b>	<b>135</b>	<b>92</b>	<b>(43)</b>	<b>-32%</b>
- Allocated Costs	25	50	37	50	13	
- Interest	3	4	3	2	(1)	
- Depreciation	181	180	135	142	7	
<b>Total Expenditure</b>	<b>514</b>	<b>393</b>	<b>310</b>	<b>286</b>	<b>(24)</b>	<b>-8%</b>
<b>Operating Revenue</b>						
- Te Kuiti Stormwater	(12)	0	0	(6)	(6)	
- Rural Stormwater	0	0	0	(1)	(1)	
<b>Total Operating Revenue</b>	<b>(12)</b>	<b>0</b>	<b>0</b>	<b>(7)</b>	<b>(7)</b>	<b>0%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>502</b>	<b>393</b>	<b>310</b>	<b>279</b>	<b>(31)</b>	<b>-10%</b>

**Net Operating Cost** for the Stormwater Drainage Activity was 10% (\$31,000) less than budget for the period ended 31 March 2019.

**Direct Expenditure** was 32% (\$43,000) less than budget for the period.

- Expenditures for resource consent compliance and internal WSBU charges were less than budget.

**Operating Revenue** was \$7,000 more than budget for the period for connection fees.

## Sewerage and Treatment and Disposal of Sewage

SEWERAGE AND TREATMENT AND DISPOSAL OF SEWAGE (Amounts in \$000's)	Actual 2017/18	LTP Budget 2018/19	YTD Budget Mar 2019	Actual Mar 2019	Variance Mar 2019	% Variance
<b>Direct Expenditure</b>						
- Waitomo Village	6	5	4	0	(4)	
- Te Kuiti	1,415	1,460	1,122	961	(161)	
- Te Waitere	17	41	31	9	(22)	
- Benneydale	140	108	83	33	(50)	
- Piopio	121	147	101	80	(21)	
<b>Total Direct Expenditure</b>	<b>1,699</b>	<b>1,761</b>	<b>1,341</b>	<b>1,083</b>	<b>(258)</b>	<b>-19%</b>
- Allocated Costs	196	211	159	199	40	
- Interest	343	478	358	236	(122)	
- Depreciation	770	778	583	608	25	
<b>Total Expenditure</b>	<b>3,008</b>	<b>3,228</b>	<b>2,441</b>	<b>2,126</b>	<b>(315)</b>	<b>-13%</b>
<b>Operating Revenue</b>						
- Te Kuiti	(1,123)	(850)	(637)	(631)	6	
- Te Waitere	(2)	0	0	0	0	
- Benneydale	(3)	(1)	(1)	(1)	0	
- Piopio	(12)	(9)	(9)	(26)	(17)	
<b>Total Operating Revenue</b>	<b>(1,140)</b>	<b>(860)</b>	<b>(647)</b>	<b>(658)</b>	<b>(11)</b>	<b>2%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>1,868</b>	<b>2,368</b>	<b>1,794</b>	<b>1,468</b>	<b>(326)</b>	<b>-18%</b>

**Net Operating Cost** for the Sewerage Activity was 18% (\$326,000) below budget for the period ended 31 March 2019.

**Direct Expenditure** was 19% (\$258,000) less than budget for the period.

- Expenditure for power, reticulation and plant maintenance and chemicals for Te Kuiti were less than budget. This was partly offset by increased internal WSBU costs.
- Internal WSBU costs are also less than budget for Benneydale, Te Waitere and Piopio schemes.

**Operating Revenue** was 2% (\$11,000) more than budget for the period.

- Connection fees revenue have been received for Te Kuiti and Piopio.
- Trade waste revenue for Te Kuiti is less than forecast due to existing process in place for better pre-treatment of trade waste to reduce nutrient loads in their discharge.

## Water Supply

WATER SUPPLY (Amounts in \$000's)	Actual 2017/18	LTP Budget 2018/19	YTD Budget Mar 2019	Actual Mar 2019	Variance Mar 2019	% Variance
<b>Direct Expenditure</b>						
- Te Kuiti	1,546	986	758	743	(15)	
- Mokau	284	204	159	138	(21)	
- Piopio	210	259	198	151	(47)	
- Benneydale	88	117	93	74	(19)	
- Waitomo Village	18	5	1	0	(1)	
<b>Total Direct Expenditure</b>	<b>2,146</b>	<b>1,571</b>	<b>1,209</b>	<b>1,106</b>	<b>(103)</b>	<b>-9%</b>
- Allocated Costs	207	221	166	206	40	
- Interest	276	533	400	226	(174)	
- Depreciation	560	638	478	372	(106)	
<b>Total Expenditure</b>	<b>3,189</b>	<b>2,963</b>	<b>2,253</b>	<b>1,910</b>	<b>(343)</b>	<b>-15%</b>
<b>Operating Revenue</b>						
- Te Kuiti	(7)	0	0	(7)	(7)	
- Mokau	(4)	0	0	(4)	(4)	
- Piopio	0	0	0	(3)	(3)	
- Benneydale	(2)	0	0	(2)	(2)	
<b>Total Operating Revenue</b>	<b>(13)</b>	<b>0</b>	<b>0</b>	<b>(16)</b>	<b>(16)</b>	
<b>Subsidy Revenue</b>						
- Mokau	(6)	0	0	0	0	
<b>Total Subsidy Revenue</b>	<b>(6)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total Revenue</b>	<b>(19)</b>	<b>0</b>	<b>0</b>	<b>(16)</b>	<b>(16)</b>	
<b>Net Operating Cost/(Surplus)</b>	<b>3,170</b>	<b>2,963</b>	<b>2,253</b>	<b>1,894</b>	<b>(359)</b>	<b>-16%</b>

**Net Operating Cost** for the Water Supply Activity was 16% (\$359,000) less than budget for the period ended 31 March 2019.

**Direct Expenditure** was 9% (\$103,000) less than budget for the period.

- Expenditure for chemicals and electricity costs were less than budget for Te Kuiti. These were partly offset by increased internal WSBU charges.
- Expenditure for internal WSBU and overall operational expenditure was less for Piopio Mokau and Benneydale.

**Operating Revenue** was \$16,000 more than budget for the period for new water connections.

## Roads and Footpaths

ROADS AND FOOTPATHS (Amounts in \$000's)	Actual 2017/18	LTP Budget 2018/19	YTD Budget Mar 2019	Actual Mar 2019	Variance Mar 2019	% Variance
<b>Direct Expenditure</b>						
- Subsidised Roads	6,356	6,152	4,642	5,155	513	
- Unsubsidised Roads	118	127	77	36	(41)	
<b>Total Direct Expenditure</b>	<b>6,474</b>	<b>6,279</b>	<b>4,719</b>	<b>5,191</b>	<b>472</b>	<b>10%</b>
- Allocated Costs	0	16	12	11	(1)	
- Interest	576	788	591	395	(196)	
- Depreciation	2,872	2,848	2,136	2,180	44	
<b>Total Expenditure</b>	<b>9,922</b>	<b>9,931</b>	<b>7,458</b>	<b>7,777</b>	<b>319</b>	<b>4%</b>
<b>Operating Revenue</b>						
- Subsidised Roads	(7,772)	(9,237)	(6,573)	(5,794)	779	
- Unsubsidised Roads	(100)	(97)	(56)	(61)	(5)	
<b>Total Operating Revenue</b>	<b>(7,872)</b>	<b>(9,334)</b>	<b>(6,629)</b>	<b>(5,855)</b>	<b>774</b>	<b>-12%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>2,050</b>	<b>597</b>	<b>829</b>	<b>1,922</b>	<b>1,093</b>	<b>132%</b>
Subsidised Roads Maintenance (Excluding losses on asset disposals)	6,281	6,152	4,624	5,137	513	
Subsidised Roads Capital	5,509	6,293	4,213	2,613	(1,600)	
<b>Combined Maintenance and Capital</b>	<b>11,790</b>	<b>12,445</b>	<b>8,837</b>	<b>7,750</b>	<b>(1,087)</b>	<b>-12%</b>
<b>Subsidy Revenue for Subsidised Roads</b>	<b>(7,619)</b>	<b>(9,101)</b>	<b>(6,471)</b>	<b>(5,680)</b>	<b>791</b>	<b>-12%</b>

**Net Operating Cost** for the Roads and Footpaths Activity was 132% (\$1,093,000) more than budget for the period ended 31 March 2019.

**Direct Expenditure** was 10% (\$472,000) more than budget for the period.

- Emergency Re-instatement (first response). Expenditures for this reporting period of \$420,000 were incurred for minor emergency events related repairs due to weather related damages on the network.
- Sealed Pavement maintenance expenditure for this reporting period is \$1,409,000.
- Sealed pavement maintenance, environmental maintenance, network and asset maintenance, and routine drainage maintenance expenditures were more than budget for the period.
- Unsubsidised roads expenditure was less than budget for street cleaning work.
- Footpath maintenance and Level Crossing Maintenance expenditures was less than budgeted for the reporting period.

**Operating Revenue** was 12% (\$774,000) 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 capital expenditure was less than budget, the subsidy associated with this is also less than budget. Subsidy revenue also received for LED street lights upgrade at 85%, which was not budgeted for.

## Appendix 2: Balance Sheet as at 31 March 2019

STATEMENT OF FINANCIAL POSITION (Amounts in \$000's)	Actual 30 Jun 2018	Actual Position 31 Mar 2019	Movement from 30 Jun 2018	LTP 30 Jun 2019	Variance from LTP
<b>Equity</b>					
- Accumulated Funds	210,881	214,576	3,695	215,202	626
- Other Reserves	25,225	25,225	0	15,006	(10,219)
- Revaluation Reserve	77,553	77,553	0	74,535	(3,018)
<b>TOTAL EQUITY</b>	<b>313,659</b>	<b>317,354</b>	<b>3,695</b>	<b>304,743</b>	<b>(12,611)</b>
<b>Current Assets</b>					
- Cash and Cash Equivalents	1,762	1,508	(254)	298	(1,210)
- Inventory	84	114	30	49	(65)
- Other Financial Assets	378	3	(375)	3	0
- Receivables (Non-exchange)	4,800	3,393	(1,407)	5,966	2,573
- Receivables (Exchange)	531	531	0	395	(136)
<b>Total Current Assets</b>	<b>7,555</b>	<b>5,550</b>	<b>(2,005)</b>	<b>6,711</b>	<b>1,161</b>
<b>Current Liabilities</b>					
- Payables and Deferred Revenue (Exchange)	3,718	1,322	(2,396)	4,109	2,787
- Payables and Deferred Revenue (Non-exchange)	878	878	0	526	(352)
- Current Portion of Borrowings	21,737	15,274	(6,463)	15,000	(274)
- Provisions	3	3	0	26	23
- Employee Entitlements	616	729	113	549	(180)
- Derivative Financial Instruments	605	605	0	608	3
<b>Total Current Liabilities</b>	<b>27,557</b>	<b>18,811</b>	<b>(8,746)</b>	<b>20,818</b>	<b>2,007</b>
<b>NET WORKING CAPITAL</b>	<b>(20,002)</b>	<b>(13,261)</b>	<b>6,741</b>	<b>(14,107)</b>	<b>(846)</b>
<b>Non Current Assets</b>					
- Property Plant and Equipment	342,203	344,074	1,871	347,181	3,107
- Intangible Assets	314	314	0	525	211
- Investment Property	788	788	0	750	(38)
- Other Financial Assets	418	501	83	407	(94)
- Investment in CCO & Civic Financial Services Ltd	11,820	11,820	0	4,520	(7,300)
<b>Total Non Current Assets</b>	<b>355,543</b>	<b>357,497</b>	<b>1,954</b>	<b>353,383</b>	<b>(4,114)</b>
<b>Non Current Liabilities</b>					
- Borrowings	20,000	25,000	5,000	32,565	7,565
- Provisions	750	750	0	940	190
- Derivative Financial Instruments	1,132	1,132	0	1,028	(104)
<b>Total Non Current Liabilities</b>	<b>21,882</b>	<b>26,882</b>	<b>5,000</b>	<b>34,533</b>	<b>7,651</b>
<b>NET ASSETS</b>	<b>313,659</b>	<b>317,354</b>	<b>3,695</b>	<b>304,743</b>	<b>(12,611)</b>



# TREASURY REPORT

FOR



FOR THE QUARTER ENDED 31 MARCH 2019



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

AUCKLAND • WELLINGTON • CHRISTCHURCH

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# 1. MARKET ENVIRONMENT

## 1.1 GLOBAL MARKETS OVERVIEW (FOR THE MARCH 2019 QUARTER)

Central banks were in the spotlight over the quarter through the words and actions of the Federal Reserve (“Fed”), Bank of Canada, the European Central Bank (“ECB”), the Bank of Japan (“BoJ”), the Bank of England (“BoE”) and the Reserve Bank of Australia (“RBA”). Adding to the negativity, talks to resolve the US-China trade dispute dragged on, the fiasco that is Brexit continues to play out, the World Bank downgraded its global growth outlook, China cut its official economic growth goal for 2019, the OECD lowered its global growth outlook and the US, China, Japan, German and the UK reported weaker industrial production.

In March, the Fed substantially lowered forecasts for future interest rate rises and signalled a September halt to its balance sheet unwinding. Even though *“the unemployment rate has remained low”* and *“both overall inflation and inflation for items other than food and energy remain near 2 percent,”* the Fed said that it will be *“patient.”*

Just how *“patient”* the Fed will be was highlighted in the new consensus forecast (dot plot) that shows only one more Fed Funds rate rise by the end of 2021 (from three projected in December). It also projected lower GDP, a higher unemployment rate and a lower inflation rate at the end of 2021 compared to its December forecasts.

The ECB acknowledged that it is facing negative geopolitical factors, the threat of trade protectionism, problems in emerging markets and evidence of slowing Eurozone economic activity and conceded that *“an ample degree of monetary accommodation is still necessary.”*

In March, the BoJ revised down its forecasts for exports and growth and acknowledged offshore risks to Japan’s economic growth, specifically the US-China trade dispute and Brexit.

The 29 March Brexit deadline came and went without an agreed deal. With the House of Commons having voted against all Brexit alternatives presented to it, Prime Minister, Theresa May’s, government has until 12 April to either seek a longer extension from the European Union (“EU”), which would involve the UK participating in the elections for the European Parliament in May, or decide to leave the EU without a deal, or renegotiate the deal agreed with the EU. Theresa May is totally opposed to the first two and the EU is equally opposed to the latter.



At its March meeting, the BoE noted that “economic data has been mixed” but continues to track BoE forecasts that were conditional on a smooth post Brexit adjustment. To emphasise the importance of Brexit, the BoE repeated that “the economic outlook will continue to depend significantly on the nature and timing of EU withdrawal.”

In early March, the Chinese government formally lowered its economic growth target for 2019, to a range of 6.0% to 6.5%, compared with last year’s goal of “around 6.5%.”

Not surprisingly, bond yields around the world fell over the March 2019 quarter. The US 10 year Treasury bond yield ended March at 2.41%, from 2.68% at the end of the December 2018 quarter and having been as high as 2.79% in early January. The German 10 year bund yield ended the March quarter at negative 0.07%, from positive 0.24% at the end of December 2018. The 10 year UK gilt yield ended March at 0.99%, from 1.14% at the end of December 2018.

## 1.2 NEW ZEALAND MARKET OVERVIEW (FOR THE MARCH 2019 QUARTER)

	OCR	90 day	2 year swap	3 year swap	5 year swap	7 year swap	10 year swap
31-Dec-18	1.75%	1.97%	1.97%	2.03%	2.21%	2.41%	2.65%
31-Mar-19	1.75%	1.85%	1.63%	1.64%	1.77%	1.93%	2.16%
Change	Nil	-0.12%	-0.34%	-0.39%	-0.44%	-0.48%	-0.49%

New Zealand CPI rose 0.1% over the December 2018 quarter, down from 0.9% in September but beating market consensus for no change. The annual CPI rise in December was 1.9%, the same as September. Non-tradables were again the source of inflation, rising 0.7% over the quarter and 2.7% over the year. Tradables inflation fell 0.4% over the quarter due to lower food and petrol prices and was up 0.9% over the year.

Of greater market and Reserve Bank of New Zealand (“RBNZ”) significance, was underlying inflation. Both the trimmed mean and weighted median measures rose 1.9% over the December year, unchanged from September, while the RBNZ’s sectoral factor model rose 1.7%, the same as in September.

New Zealand GDP rose by 0.6% in the December quarter, up from 0.3% in September, and in line with market expectations but below the RBNZ’s 0.8% forecast. The December quarter’s GDP was 2.3% up on the year, from 2.6% in September. GDP per capita rebounded from a 0.1% fall in the September quarter, to a 0.1% gain in December, to be up 0.9% over the December year, its lowest annual rate since 2011.



New Zealand's unemployment rate jumped in the December 2018 quarter to 4.3%, from 4.0% in September (revised up from 3.9%). Markets had expected a bounce after September's fall but not to this extent. The participation rate falling from 71.0% in September to 70.9% in December, and a 0.1% rise in employment over the December quarter, down from 1.0% in September, made the news worse.

In the February *Monetary Policy Statement* ("MPS"), the RBNZ pushed out the projected timing of the first Official Cash Rate ("OCR") rise by six months to mid 2021 and lowered the projected track of the OCR. The RBNZ's central scenario has the OCR rising in 2021 because *"employment is near its maximum sustainable level"* which threatens to introduce wage and cost pressures with resultant higher inflation.

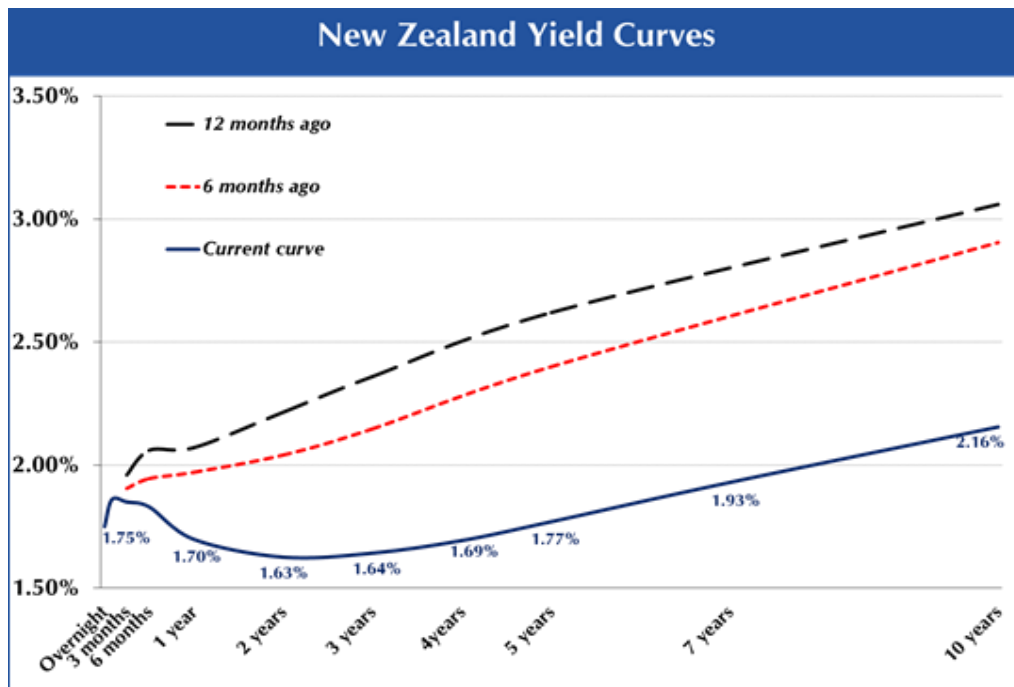
At its OCR announcement in late March, the RBNZ did an about face from its neutral stance expressed in the February MPS and shifted its monetary policy bias from neutral to seeing that *"the more likely direction of our next OCR move is down"* using language recently used by a growing number of developed nation central banks. The RBNZ is worried about the global economic outlook and inflation but added a local concern – *"upward pressure on the New Zealand dollar."*

The RBNZ expressed the concern that the *"global economic outlook has continued to weaken, in particular amongst some of our key trading partners including Australia, Europe, and China"* and concluded that the balance of risks to its forecasts for higher domestic inflation *"has shifted to the downside."*

The RBNZ's shift to a downward bias has resulted in local markets now fully pricing in OCR cuts in August this year and mid 2020, although several bank economists predict two OCR cuts this year and one in 2020.

Pushed down by lower global bond yields and the RBNZ's shift to a downward bias, New Zealand swap rates have fallen to fresh record lows, extending their fall over the past year, as shown in the graph on the following page.



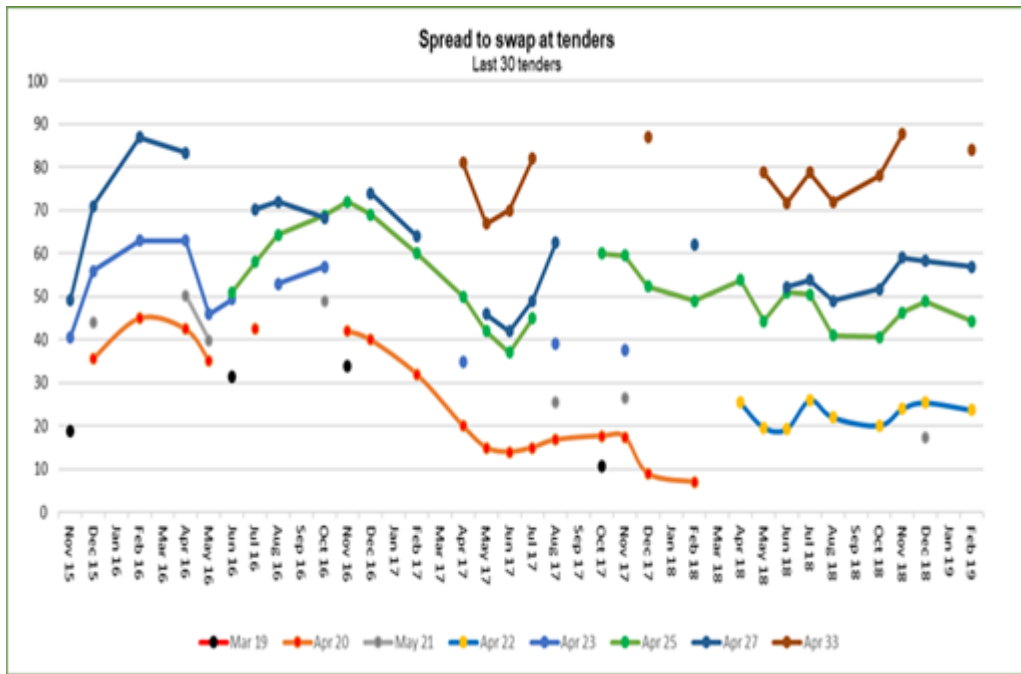


### 1.3 LOCAL AUTHORITY SECTOR

Listed below are the credit spreads and applicable interest rates for 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 Rate	FRB
April 2020	0.41%	2.24%	2.08%
May 2021	0.48%	2.31%	2.06%
April 2022	0.54%	2.37%	2.13%
April 2023	0.62%	2.45%	2.24%
April 2024	0.67%	2.50%	2.36%
April 2025	0.74%	2.57%	3.52%
April 2027	0.83%	2.68%	2.73%
April 2033	1.04%	2.87%	3.29%

The chart on the following page illustrates the credit spreads at the date of the February 2019 LGFA tender (measured over the applicable swap rate) for all current LGFA debt dating back to 2015.



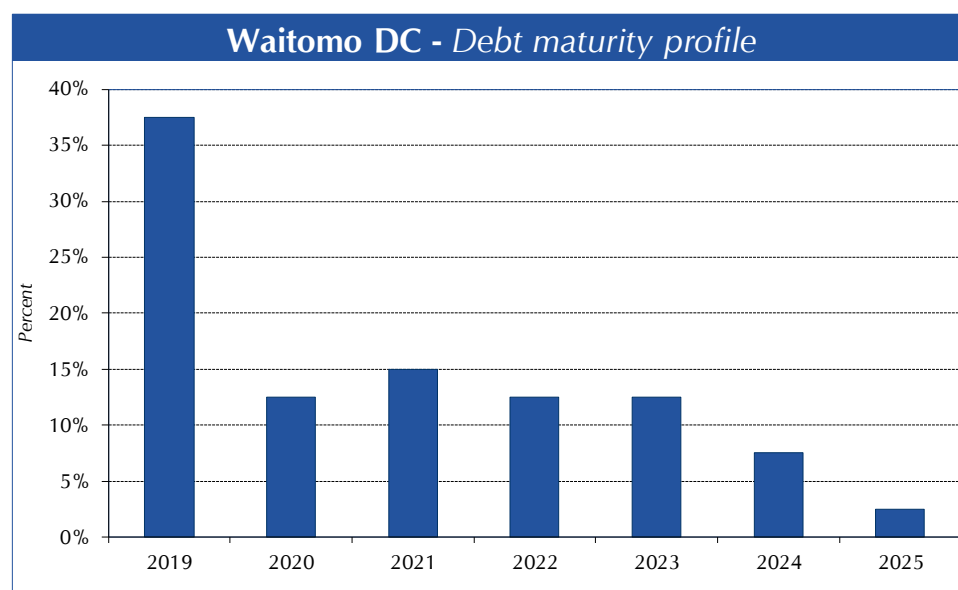
## 2. DEBT AND HEDGING

### 2.1 DEBT

As at 31 March 2019, WDC had \$40,000,000 of external debt, down from \$40,850,000 at the end of December 2018. All of the debt was sourced from the LGFA, utilising a combination of Commercial Paper ("CP"), FRNs and one FRB. WDC also has a Westpac Bank Multi Option Credit Line Facility for \$10.0 million which matures on 1 July 2019 and has a line fee of 0.35% and a margin of 0.90%. 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	22-Nov-18	22-May-19	20 bps	2.24%	\$5,000,000
LGFA CP	30-Jan-19	30-Jul-19	22 bps	2.16%	\$5,000,000
LGFA FRN	19-Jun-17	28-Jun-19	43 bps	2.32%	\$5,000,000
LGFA FRN	19-Jun-17	10-Sep-20	48 bps	2.36%	\$5,000,000
LGFA FRN	19-Jun-17	15-Nov-21	55.5 bps	2.555%	\$6,000,000
LGFA FRN	18-Jul-18	18-Apr-22	60 bps	2.50%	\$5,000,000
LGFA FRN	19-Jun-17	24-Apr-23	64 bps	2.535%	\$5,000,000
LGFA FRN	19-Jun-17	18-Apr-24	65.5 bps	2.555%	\$3,000,000
LGFA FRB	19-Jun-17	19-Apr-25	71 bps	3.68%	\$1,000,000
			<b>TOTAL</b>		<b>\$40,000,000</b>

The maturity profile of WDC's drawn debt as at 31 March 2019 is depicted in the graph below.





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." This is an objective, not an actual requirement and, with the percentage of debt maturing in 2019 being 37.5%, it means that WDC is slightly outside of the parameters. However, this will be rectified in the June 2019 quarter when an FRN matures and will be refinanced (presumably for a term of at least 3 years).

## 2.2 HEDGING

As at 31 March 2019, WDC had nine interest rate swaps ("swap") to convert a portion of the floating rate exposures into fixed rate. Seven 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
30-Aug-2013	30-Aug-2019	3.900%	3,500,000	(\$36,085)
30-Aug-2013	30-Aug-2019	3.900%	1,500,000	(\$15,465)
18-Oct-2013	20-Apr-2020	4.315%	5,000,000	(\$161,688)
11-Sep-2017	11-Sep-2020	3.780%	5,000,000	(\$158,953)
31-Mar-2014	17-May-2021	4.900%	6,000,000	(\$431,960)
18-Apr-2017	18-Apr-2023	3.950%	3,000,000	(\$276,763)
24-Jan-2017	24-Jan-2024	3.840%	5,000,000	(\$499,686)
<b>Total current swap hedging</b>			29,000,000	
<b>Forward starting swaps</b>				
20-Apr-2020	20-Apr-2025	3.930%	5,000,000	(\$480,003)
11-Sep-2020	11-Sep-2026	2.890%	5,000,000	(\$232,552)
				<b>(\$2,293,153)</b>

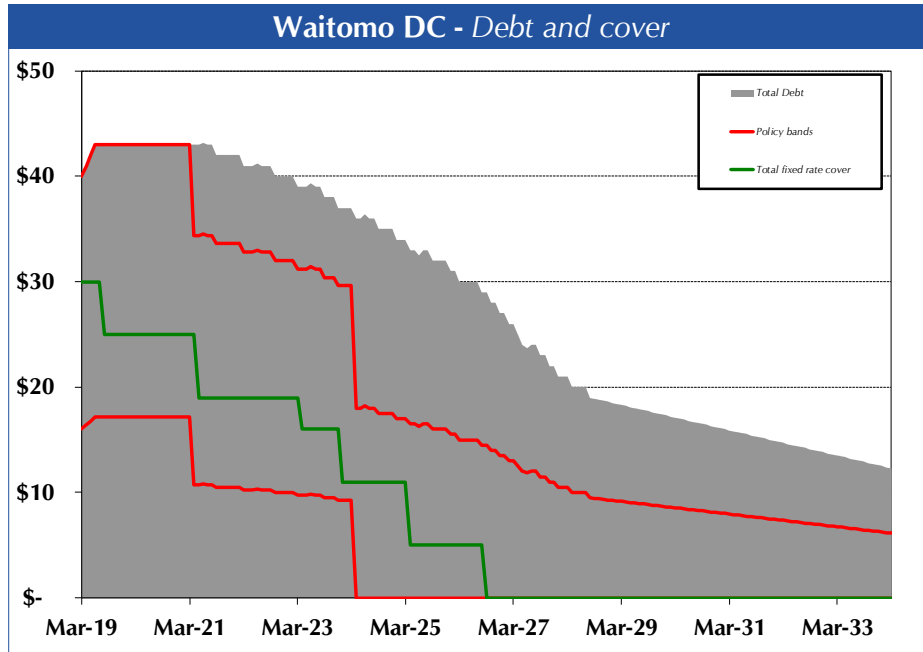
The 'marked to market' valuation on the swap portfolio deteriorated during the March 2019 quarter, from a loss of \$1,887,376 at the end of December 2018, to a loss of \$2,293,153 at the end of March 2019. This deterioration was due to a sharp fall in interest rates during the March 2019 quarter.

## 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.

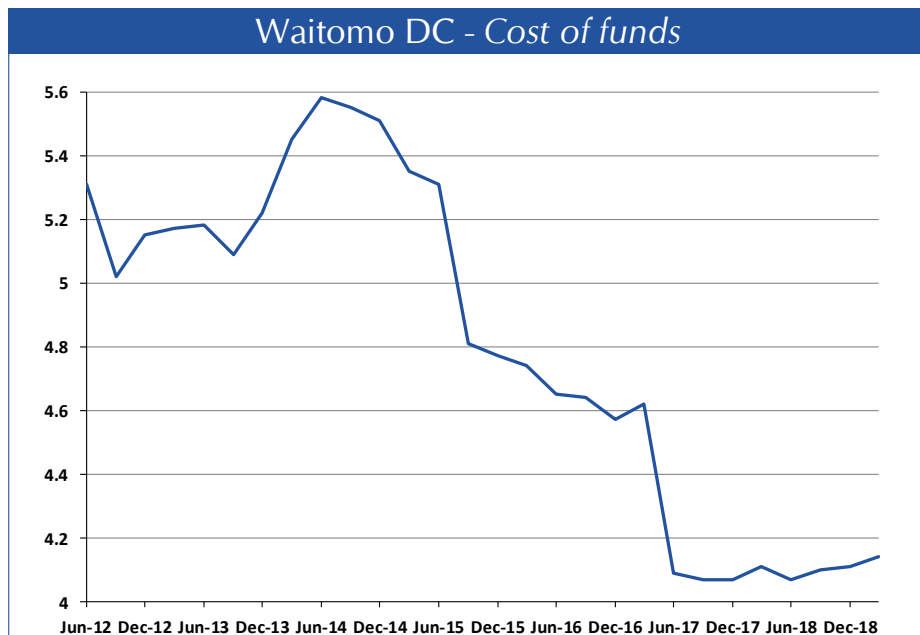
Fixed Rate Hedging Percentages		
	Minimum Fixed Rate Amount	Maximum Fixed Rate Amount
0–2 years	40%	100%
2–5 years	30%	80%
5–15 years	0%	50%

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



The graph indicates that, as at 31 March 2019, WDC was policy compliant.

WDC’s weighted average cost of funds, including the line fee on the committed Westpac facility, was 4.14% as at 31 March 2019, an increase of 0.03% over the quarter. WDC’s cost of funds is still well below many other local authorities, many of which have a credit rating. WDC’s cost of funds since June 2012 is depicted in the following graph



## 2.4 POLICY COMPLIANCE AS AT 31 MARCH 2019

	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 LMP</i>	√

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**Statements of Service Performance Report  
on  
Levels of Service and Key Performance Indicators**



Statements of Service Performance Report On  
Levels of Service and Key Performance Indicators

2018/19

(For the period ending 31 March 2019)

## Introduction

- 1.1 The purpose of this report is to record the detail of non-financial performance or service performance for different periods of the 2018/19 financial year. These service performance measures were adopted as part of the Long Term Plan 2018-28. Council uses service performance measures to measure performance in providing services to its Community.
- 1.2 The format of the report is in tabular form and the results are grouped under each major activity;
- Description of the **level of service**, which translates the high level strategic goal into measurable levels of service.
  - The **key performance indicator**, which is a description of the measure that will be monitored throughout the financial year and the life of the Long Term Plan 2018/28.
  - The **performance target**, which is the quantitative target Council will strive to achieve.
  - **Performance achieved** to 31 March 2019. The result is recorded, whether the target has been achieved and comments to further explain actual results to target result.

## Commentary

### 2.1 Structure of Groups of Activities

Council carries out a number of activities or functions in order to meet its statutory responsibilities and in response to the aspirations of its District community. Council's functions are arranged under ten Groups of Activities. These ten Groups of Activities are further organised under three main 'Sustainability Groups'.

Sustainability Groups			
Groups of Activities	Community and Cultural Sustainability	Environmental Sustainability	Economic Sustainability
	Governance: Leadership and Investments	Resource Management	Water Supply
	Community Service	Solid Waste Management	Roads and Footpaths
	Community Development	Stormwater	
	Compliance	Sewerage and the Treatment and Disposal of Sewage	

## 2.2 Performance Framework

### Purpose

In order to manage and monitor the performance of its activities and the work programmes undertaken by Council and to ensure that its efforts contribute to Council's purpose and Community Outcomes we have developed a Performance Framework. The two key functions of this framework are:

1. To guide Council's efforts and work streams such that the focus is on achievement Council's Purpose and Community Outcomes.
2. To demonstrate to the community what we are trying to achieve, and how our performance will be measured.

<b>PURPOSE OF LOCAL GOVERNMENT</b>
<i>'To meet the current and future needs of communities for good quality local infrastructure, local public services and performance of regulatory functions in a way that is most cost effective for households and businesses'</i>
<b>Waitomo District Community Outcomes</b>
<b>Council's Vision:</b> 'Creating a better future with vibrant communities and thriving business'
<b>Council's Focus Areas:</b> Facilitate economic development, encourage community connectivity and development, good stewardship of assets, and financial prudence and sustainability
<b>Council's Business – Groups of Activities</b>
<b>Council's Policy and Planning Framework</b> Council Policies, Bylaws, Activity Management Plans, Financial Strategy, Long Term Plan and Annual Plan.
<b>Levels of Service and Work Programmes</b> Monitoring and Reporting of achievement against Performance Targets

## 2.3 Elements of the Framework

As shown in the table above, at the highest level of the Performance Framework is Council's Purpose, followed by Community Outcomes.

The Vision statement describes Council's focus and the Guiding Principles aim to set the parameters under which planning will be carried out.

Council's Groups of Activities is the grouping of the various functions and activities that are carried out by Council. All activities need to demonstrate their contribution to the Community Outcomes.

The 'coal-face' of the Performance Framework are the –

**Levels of Service:** what can the community expect Council to provide.

**Performance Measures:** how will success or progress be measured.

**Performance Targets:** what is the level of performance that Council is aiming for.

#### 2.4 Monitoring and Reporting

2.5 Progress against agreed performance targets is monitored monthly at a management level and reported quarterly at governance level. The annual achievement against performance targets is audited and communicated to the community and stakeholders in Council's Annual Report.

2.6 There have been a range of new measures introduced as per the LTP that was adopted by Council in June 2018.

2.7 For the period ending 31 March 2019, the performance results for all ten activities are as follows:

Activity	Total number of targets	Achieved or On Track	Not Achieved	No data available
Governance: Leadership and Investments	4	3	0	1
Community Service	11	4	0	7
Community Development	7	5	0	2
Compliance	8	4	1	3
Solid Waste Management	5	2	1	2
Resource Management	2	2	0	0
Storm water Drainage	8	8	0	0
Sewerage and Treatment Disposal of Sewerage	8	8	0	0
Water Supply	17	13	4	0
Roads and Footpaths	6	5	1	0

#### Performance Measures Key

	Achieved or on Track
	Not Achieved
	No Data Available

## Community and Cultural Sustainability Group

### Governance: Leadership and Investments

#### Statement of Service Performance

The Levels of Service and Key Performance Indicators for this Group of Activities are:

What We Do (Level of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress to 31 March 2019		Commentary
Decision making in compliance with provisions of the Local Government Act 2002.	Number of successful challenges to the decision making process.	0	Achieved (0)		
Consultation is in accordance with the procedures outlined in LGA 2002. Depending on the nature of the consultation, the procedure will either be the Special Consultative Procedure or a process that gives effect to the requirements of section 82 of the LGA 2002.	Number of successful challenges to the decision making process.	0	Achieved (0)		

	Achieved or On Track		Not Achieved		No data available
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What We Do (Level of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress to 31 March 2019	Commentary
Effective communication with the community.	Percentage of residents satisfied with the effectiveness and usefulness of Council Communications	90%	No data	Will be reported annually once RSS is completed by June 2019.
<b>Investments</b>				
Investments are managed prudently and in a manner that promotes the current and future interests of the community.	Analysis of investment financials and activity including investment company reporting statements are reported to Council and made available to the public as applicable.	2 reports per year	On track (1)	

Achieved or On Track	Not Achieved	No data available
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## Community Service

### Statement of Service Performance

The Levels of Service and Key Performance Indicators for this Group of Activities are:

What We Do (Level of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress to 31 March 2019	Commentary
High quality Parks and Reserves will be provided.	Percentage of residents satisfied with the quality of Parks and Reserves.	≥ 80%	No data	Will be reported annually once RSS is completed by June 2019.
Provision and maintenance of Elderly Persons Housing that meets the needs of the tenants.	Percentage of tenants satisfied with the provision and maintenance of Elderly Persons Housing.	> 80%	No data	Will be reported annually once RSS is completed by June 2019.
Quality public amenities will be provided.	Percentage of residents satisfied with the quality of public amenities (Public Toilets and Cemeteries).	≥ 85%	No data	Will be reported annually once RSS is completed by June 2019.
Provision of effective pool facilities for the community.	Percentage of residents satisfied with the quality of the pool facilities and service.	≥ 80%	No data	Will be reported annually once RSS is completed by June 2019.

Achieved or On Track	Not Achieved	No data available
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What We Do (Level of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress to 31 March 2019	Commentary
Provision of effective Arts and Culture facilities for the community.	Percentage of residents satisfied with the quality of the Arts and Culture facilities and service.	≥ 80%	No data	Will be reported annually once RSS is completed by June 2019.
Council's public facilities are provided to standards of fitness for use.	Current Building Warrant Of Fitness (BWOFF) for facilities with compliance schedules.	100%	Achieved (100%)	All BWOFF are current.
Pool is safe for use of pool patrons at all times.	Pool accreditation in place.	100%	Achieved (100%)	Accreditation in place to 01/04/2019
	Number of pool non complying water quality readings per year.	< 2	Achieved (0)	Three pool readings taken from January 2019 to March 2019. All Compliant.
Community education and information provided to build community awareness and preparedness.	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.	≥ 75%	No data	Will be reported annually once RSS is completed by June 2019.
WDC is resourced and staff trained to a level sufficient to efficiently operate the Civil Defence Headquarters during an emergency	One major training exercise involving Civil Defence HQ staff will be held per year	One exercise per year	No data	Will be reported when completed within the year.

Achieved or On Track	Not Achieved	No data available
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What We Do (Level of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress to 31 March 2019		Commentary
Playground equipment is safe to use for parks and reserves playground users.	Number of accidents directly attributable to playground equipment failure.	Nil accidents	Achieved (0)		No accidents reported.

	Achieved or On Track		Not Achieved		No data available
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## Community Development

### Statement of Service Performance

The Levels of Service and Key Performance Indicators for this Group of Activities are:

What We Do (Level of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress to 31 March 2019	Commentary
Provide assistance for community support activities.	Advertisement and administration of all WDC Funding Rounds as per the Community Development Fund Policy.	100% Compliance	Achieved (100%)	<p>The following funding rounds have been completed:</p> <ul style="list-style-type: none"> <li>• September Discretionary Grant</li> <li>• December Discretionary Grant</li> <li>• March Discretionary Grant</li> <li>• Triennial Grant Fund</li> <li>• Community Partnership Fund</li> <li>• Provision of Services Fund</li> <li>• Creative Communities – Round One</li> </ul>
Support the positive development of youth within the District.	Youth Council meet with Council once per year.	1 per annum	No data	Will be reported when completed within the year.
	Youth Council undertakes two youth related projects per year.	2 per annum	Achieved (2)	<p>The Youth Council have undertaken the following projects:</p> <ul style="list-style-type: none"> <li>• Hosting a movie evening at the Piopio Memorial Hall on 25 August 2018.</li> <li>• Hosting Waitomo's Got Talent at Brook Park on 10 November 2018.</li> </ul>

Achieved or On Track	Not Achieved	No data available
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What We Do (Level of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress to 31 March 2019	Commentary
Council will support major District events that build community pride and raise the District's profile.	Council provide support for major district events.	2 per annum	Achieved	<p>The Waitomo District Christmas Parade was scheduled to take place on Friday 14 December 2018. The parade was cancelled on event day due to weather conditions.</p> <p>The Great NZ Muster was held Saturday 30 March 2019.</p>
Provision of comprehensive library facilities for the community.	Percentage of residents satisfied with the quality of the library facilities and service.	≥ 85%	No data	Will be reported annually once RSS is completed by June 2019.
Council will encourage and support sustainable economic development opportunities within the District.	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.	> 4 promotion opportunities taken up	Achieved (4)	<p>HWT presented their 6 monthly report to Council on 26 February 2019.</p> <p>Marketing initiatives undertaken include:</p> <ul style="list-style-type: none"> <li>• Explore your own Backyard Campaign</li> <li>• Short Escapes Campaign</li> <li>• Waikato Regional Visitor Guide</li> <li>• Annual Tour – North Island Campaign</li> </ul>

 Achieved or On Track	 Not Achieved	 No data available
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What We Do (Level of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress to 31 March 2019	Commentary
	Involvement in economic development initiatives alongside Waikato means business.	1 initiative per annum	On track for achievement	Development of the Sub Regional (Southern) Waikato Economic Development Action Plan has completed. In conjunction with Te Waka, implementation of initiatives will follow.

	Achieved or On Track		Not Achieved		No data available
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## Compliance

### Statement of Service Performance

The Levels of Service and Key Performance Indicators for this Group of Activities are:

What We Do (Level of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress to 31 March 2019	Commentary
All food and alcohol retail premises will be inspected and appropriately registered and licensed.	Percentage of food and alcohol premises that are licensed or registered.	100%	Achieved (100%)	100% of the premises selling alcohol are licensed to do so. 100% of the premises requiring food licences are registered.
Provision of an effective environmental health service for the community.	Percentage of residents satisfied with the provision of the Environmental Health Service.	> 85%	No data	Will be reported annually once RSS is completed by June 2019.

Achieved or On Track	Not Achieved	No data available
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What We Do (Level of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress to 31 March 2019	Commentary
Building consents and project information memoranda (PIMs) processed within 20 working days.	The percentage of building consents and PIMs processed within 20 working days.	100%	Not Achieved (98.48%)	100% of consents were processed within 20 working days for the quarter. Year to date 98.48% were processed within 20 working days. Two building consents were not processed within the 20 working days due to administrative errors,
Council will process, inspect and certify building work in the Waitomo District.	WDC maintains building control systems and process to meet IANZ Audit requirements.	BCA Accreditation achieved	Achieved	BCA accreditation was achieved in June 2018. WDC's next assessment is due in June 2020.
Provision of an effective building control service to the community.	Percentage of users satisfied with the provision of the Building Control Service.	> 75%	No data	Will be reported annually once RSS is completed by June 2019.

Achieved or On Track	Not Achieved	No data available
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What We Do (Level of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress to 31 March 2019	Commentary
Council meets its obligations under the Dog Control Act 1996	Percentage of Special Owner Status properties inspected per year.	100%	On track for completion	SOP inspections have commenced and are on track to be completed prior to the new registration year (June 2019). To date 75 of 192 records have been inspected.
Provision of an effective Animal Control Service.	Percentage of residents satisfied with the provision of the Animal Control Service.	≥ 75%	No data	Will be reported annually once RSS is completed by June 2019.

Achieved or On Track	Not Achieved	No data available
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What We Do (Level of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress to 31 March 2019	Commentary
Dog Owners are well informed of their responsibilities and WDC Support.	Number of Dog/Owner Education initiatives.	≥ 2	Achieved (5)	Dog owners continue to be well informed via our communication of the Waitomo Way and facebook page. 4 Facebook Posts and 1 Waitomo Way Article

 Achieved or On Track	 Not Achieved	 No data available
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## Environmental Sustainability Group

### Solid Waste Management

#### Statement of Service Performance

The Levels of Service and Key Performance Indicators for this Group of Activities are:

What We Do (Level Of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress to 31 March 2019	Commentary
Provision of safe solid waste facilities within District	Percentage of users that rate the safety of the facilities (landfill and rural transfer service stations) as satisfactory or better.	≥85%	No data	Resident Satisfaction Survey to be completed by end of July 2019
Provision of effective solid waste management services for the community.	Average number of complaints received per month regarding solid waste activities.	≤ 10	Achieved	<p>Total of 16 complaints for current financial year.</p> <p>Total of 1 for third quarter. 1 complaint for January 2019 0 complaint for February 2019 0 complaint for March 2019</p> <p>Total of 7 for second quarter. 4 complaints for October 2018 1 complaint for November 2018 2 complaints for December 2018</p> <p>Total of 8 for first quarter. 2 Complaints for July 2018 4 Complaints August 2018 2 complaints for September 2018</p>

Achieved or On Track	Not Achieved	No data available
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What We Do (Level Of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress to 31 March 2019	Commentary
	Percentage of users satisfied with the provision of waste management facilities (Landfill and rural transfer stations)	80%	No data	Resident Satisfaction Survey to be completed by end of July 2019.
To work towards a waste minimisation outcome	Percentage reduction per annum in quantity of recyclables (like paper and plastics) in bag collection that goes to landfill.	1.0%	Achieved (-5.8%)	Audit completed Bi-annually
	Percentage reduction per annum in quantity of organic waste (like food scraps) in bag collection that goes to landfill	1.0%	Not Achieved (+2.4%)	Increase in organic waste is a national problem. Council is involved with national campaign to educate and address this matter.

	Achieved or On Track		Not Achieved		No data available
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## Resource Management

### Statement of Service Performance

The Levels of Service and Key Performance Indicators for this Group of Activities are:

What We Do (Level Of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress at 31 March 2019	Commentary
Resource consents are processed consistently, efficiently and to a high standard.	The percentage of resource consent applications which are processed within statutory timeframes.	100%	Achieved (100%)	All resource consents have been processed within statutory timeframes.
Landuse consents are monitored to ensure they comply with the conditions of consent.	All land use consents that require monitoring are monitored.	100%	Achieved (100%)	All landuse consents which require monitoring have been monitored.

	Achieved or On Track		Not Achieved		No data available
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## Storm water Drainage

### Statement of Service Performance

The Levels of Service and Key Performance Indicators for this Group of Activities are:

What We Do (Level of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress at 31 March 2019	Commentary
Storm water drainage system is adequate and is sufficiently maintained.	The number of flooding events* that occur in the district in a financial year.	0	Achieved (0)	Storm water systems coped with rain events - no large flooding occurred.
	For each flooding event* the number of habitable floors affected in a financial year.	≤ 1 per 1000 properties	Achieved (0)	No flood event occurred.
Compliance with resource consent conditions for discharge from the Councils urban storm water system that relate to environmental effects	Compliance with resource consents for discharge from its Storm water system, measured by the number of the following ( <i>received by Council with a financial year</i> ):			
	• abatement notices	0	Achieved (0)	
	• infringement notices	≤2	Achieved (0)	
	• enforcement orders	0	Achieved (0)	
	• successful prosecutions	0	Achieved (0)	

	Achieved or On Track		Not Achieved		No data available
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What We Do (Level of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress at 31 March 2019		Commentary
The Council responds to failures and request for service in a prompt and efficient way	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)	≤ 180 minutes (3hrs)	Achieved (0)		No flood event occurred.
The Council provides a reliable storm water collection service	The number of complaints received about the performance of the Council's urban storm water system per 1,000 properties connected - 1945 connections.	≤4 complaints per 1000 properties (2056 connections)	Achieved (1)		One complaint was received in relation to surface run off from the road during the first quarter period.

	Achieved or On Track		Not Achieved		No data available
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## Sewerage and Treatment and Disposal of Sewage

### Statement of Service Performance

The Levels of Service and Key Performance Indicators for this Group of Activities are:

What We Do (Level of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress at 31 March 2019	Commentary
Sewerage System is adequate and is sufficiently maintained.	<ul style="list-style-type: none"> <li>sewage odour;</li> <li>sewage system faults;</li> <li>sewage system blockages; and</li> <li>Council's response to issues with the sewage system.</li> </ul>		Achieved (17)	3 Complaint for the first period. 6 for this second period and 8 this current period.
	Total complaints per 1,000 connections ≤35 (Total number of connections 1,942)			
Environmental impacts of Sewerage systems will be managed effectively.	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> )			
	<ul style="list-style-type: none"> <li>abatement notices</li> </ul>	0	Achieved (0)	
	<ul style="list-style-type: none"> <li>infringement notices</li> </ul>	0	Achieved (0)	
	<ul style="list-style-type: none"> <li>enforcement orders</li> </ul>	0	<b>Achieved (0)</b>	

	Achieved or On Track		Not Achieved		No data available
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What We Do (Level of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress at 31 March 2019		Commentary
	<ul style="list-style-type: none"> <li>convictions received</li> </ul>	0	Achieved (0)		
Timely response and resolution for sewage overflows.	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	≤180 minutes (3hrs)	Achieved (0:24)		
	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.	≤ 540 minutes (9hrs)	Achieved (4:02)		
Provision of effective and reliable sewerage systems and service to the community.	Number of dry weather sewage overflows from the Council's sewerage system in a financial year.	Total complaints per 1,000 connections ≤ 15 (Total number of connections 1,942)	Achieved (0)		

	Achieved or On Track		Not Achieved		No data available
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## Economic Sustainability Group

### Water Supply

#### Statement of Service Performance

The Levels of Service and Key Performance Indicators for this Group of Activities are:

What We Do (Level Of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress at 31 March 2019	Commentary
Water supply system is adequate and sufficiently maintained for public health purposes.	The extent to which WDC's drinking water supplies comply with Part 4 of NZ Drinking-water Standards 2005 (revised 2008) (bacteria compliance criteria)	100%	Achieved (100%)	

	Achieved or On Track		Not Achieved		No data available
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What We Do (Level Of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress at 31 March 2019	Commentary
	The extent to which WDC's drinking water supplies comply with Part 5 of NZ Drinking-water Standards 2005 (revised 2008) (protozoal compliance criteria)	100%	Not achieved (85%)	<ul style="list-style-type: none"> <li>• Piopio WTP allocated 3 log, achieved 5.5 logs</li> <li>• Mokau – allocated 4 log, achieved 2.5 logs</li> <li>• Benneydale – allocated 3 log, achieved Nil</li> <li>• Te Kuiti – allocated 3 logs, achieved Nil</li> </ul> <p>Practically, we are producing excellent water quality water that meets the NZ DWS, however technically we currently do not have the systems in place to show the 3 WTP's are meeting compliance requirements.</p> <p>All the monitoring parameters, their values and frequencies to comply with NZDW standards have been provided to our SCADA contractor. These need to be implemented by our SCADA contractor.</p>
Water Supply networks are being maintained adequately.	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	≤ 25%	Achieved (15.33%)	
	Mokau	≤ 25%	Achieved (1.10%)	

	Achieved or On Track		Not Achieved		No data available
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What We Do (Level Of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress at 31 March 2019	Commentary
	Piopio	≤ 25%	Achieved (11.99%)	
	Benneydale	≤ 15%	Achieved (4.8%)	
Timely response and resolution of service requests.	The median response times for attendance for urgent call-outs in a financial year**	≤ 180 minutes (3 hrs)	Achieved (2:03)	
	The median resolution time of urgent call-outs in a financial year***	≤ 540 minutes (9hrs)	Achieved (3:39)	
	The median response times for attendance for non-urgent call outs in a financial year**	≤ 660 Minutes (11hrs)	Achieved (0)	
	The median resolution time of non-urgent call-outs in a financial year***	≤ 96 hours (4 days)	Achieved (0)	

	Achieved or On Track		Not Achieved		No data available
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A425737 \*\* from the time that the local authority received notification to the time that service personnel reach the site, and  
\*\*\* from the time that the local authority received notification to the time that service personnel confirm resolution of the fault or interruption.

What We Do (Level Of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress at 31 March 2019	Commentary
Provision of effective and reliable water supply system to the community.	The total number of complaints received by Council in a year for:			
		≤ 5 per 1000 connections (Total number of connections 2599)		
	drinking water clarity	≤ 5 per 1000 connections (Total number of connections 2599)	Not Achieved (27)	The Drinking Water Standard on Aesthetic criteria was not achieved during the summer period in Te Kuiti only due to lower river level resulting in poor raw water quality. The installation of the new carbon dosing system was not completed prior to the 2018-19 Summer period. Due to a combination of factors; the new intake, the new carbon dosing unit and the Plant not being fully commissioned, it took some time to select the right solution strength to optimize the carbon dosing accurately. The treatment processes has now been upgraded to avoid this similar issue to occur again.
	drinking water taste	≤ 5 per 1000 connections	Not Achieved (18)	
	drinking water odour	≤ 5 per 1000 connections	Not Achieved (16)	

Achieved or On Track	Not Achieved	No data available
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What We Do (Level Of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress at 31 March 2019		Commentary
	drinking water pressure flow	≤ 30 per 1000 connections	Achieved (6)		
	continuity of supply	≤30 per 1000 connections	Achieved (16)		
	Median response time to any of these issues within a year.	≤ 540 minutes	Achieved (2:03)		
Efficient management of demand for water for the community.	Average consumption of drinking water per day per resident within the district.	≤ 400 litres per person per day	Achieved (230.53)		

	Achieved or On Track		Not Achieved		No data available
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## Roads and Footpaths

### Statement of Service Performance

The Levels of Service and Key Performance Indicators for this Group of Activities are:

What We Do (Level Of Service)	How We Measure Success (Performance Measure)	Performance Target	Our Progress 31 March 2019	Commentary
Monitor safety of local roads to assist in planning and prioritising works required to upgrade, maintain or change the condition of the roading environment in order to reach and maintain a specified level of safety.	The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network.	1 (or maintain at 0)	Achieved (1)	
Maintain the overall condition of local roads to a specified adequate standard  *NAASRA is a generally acceptable measure of road roughness. A NAASRA count of less than 150 indicates an acceptable level of ride comfort	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%.)  *NAASRA is a generally acceptable measure of road roughness. A NAASRA count of less than 150 indicates an acceptable level of ride comfort.	90%	Achieved (95.4%)	

	Achieved or On Track		Not Achieved		No data available
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What We Do (Level Of Service)	How We Measure Success (Performance Measure)	Performance Target	Our Progress 31 March 2019	Commentary
Maintain the overall condition of the unsealed roads to a specified adequate standard.	Percentage of unsealed road metalled each year.	10% (of total)	Not Achieved (6.43% of total)	Cumulative total up till end of March 2019 35.67km proportional target 41.25km. Seasonal works and majority of it happens in the winter.
Maintain the overall condition of sealed roads to a specified adequate standard.	Percentage of the sealed local road network that is resurfaced each year.	7% (of total)	Achieved (8.99%)	Cumulative total up till end of March 2019 40.467km.
Maintain the overall condition of footpaths to a specified adequate standard.	The percentage of footpath network that falls within a condition rating of 3.	90%	Achieved (94%)	
Manage the timeliness and appropriateness of responses to problems and service requests.	The percentage of customer service requests relating to roads and foot paths responded to within 10 working days.	80%	Achieved (90.54%)	A total of 171 requests were received in the period 1 Jan – 31 March 2019. 23 were state highway related. 134 were responded to within 10 working days.

	Achieved or On Track		Not Achieved		No data available
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Document No: A428072

**Report To: Audit and Risk Committee**



Meeting Date: 14 May 2019

Subject: Annual Report and Summary Annual Report 2018/19 – Engagement of Auditor

Type: Decision Required

## Purpose of Report

- 1.1 The purpose of this business paper is to present the Audit Engagement Letter (AEL) for the audit of the Annual Report and Summary Annual Report 2018/19 and;
- 1.2 To present a Confirmation of Engagement letter to provide a Limited Independent Assurance Report (IAR) on certain matters in respect to the Debenture Trust Deed (DTD), and;
- 1.3 To obtain the Committee's approval for the signing of both engagement letters.

## Background

### 2.1 Audit Engagement Letter

- 2.2 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. The 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 2019,
  - 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).

### 2.3 Limited Independent Assurance Report – Debenture Trust Deed

- 2.4 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.
- 2.5 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.

- 2.6 Parties lending to Council on a secured basis include the Local Government Funding Agency, Westpac Bank and (historically) other investors.
- 2.7 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.
- 2.8 The limited independent assurance engagement is not an audit and the procedures that will be performed are less than for an audit.

<b>Commentary</b>
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### **3.1 Audit Engagement Letter (AEL)**

- 3.2 The AEL is included as Attachment 1 to this paper.
- 3.3 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 2018/19 year. Bruno Dente is the appointed auditor for this audit.
- 3.4 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.

### **3.5 Limited Independent Assurance Report (IAR)**

- 3.6 The letter of confirmation of engagement for the Limited Independent Insurance Report is included as Attachment 2 to this paper.
- 3.7 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.
- 3.8 The engagement timetable provides that the procedures will be completed concurrently with the statutory audit of the annual financial statements and performance information.
- 3.9 The Trustee has elected to be a party to Independent Assurance Report.

- 3.10 The proposed engagement fee is estimated to be \$4,000 excluding GST (2018: \$2,800).

### 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 Audit Engagement Letter for the Audit of the Annual Report and Summary Annual Report 2018/19 and confirmation of engagement for the Limited Independent Assurance Report be accepted as presented and the Committee approves the signing of both letters in line with delegation contained in the Terms of Reference of the Audit and Risk Committee.

<b>Suggested Resolutions</b>
------------------------------

- 1 The business paper on Annual Report and Summary Annual Report 2018/19 – Engagement of Auditor be received.
- 2 The Deloitte Audit Engagement Letter be accepted as presented.
- 4 The Deloitte 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 and Risk Committee, the Chief Executive be delegated authority to sign on behalf of the Waitomo District Council –
  - a) The Deloitte Audit Engagement Letter; and
  - b) The Deloitte Confirmation of Engagement – Limited Independent Assurance Report in respect to the Waitomo District Council's Debenture Trust Deed.

VIBHUTI CHOPRA  
**GROUP MANAGER CORPORATE SERVICES**

6 May 2019

- |             |   |   |
|-------------|---|---|
| Attachment: | 1 | Deloitte – Audit Engagement Letter for the Audit of the Annual Report and Summary Annual Report 2018/19 [A428011]   |
| Attachment  | 2 | Deloitte – Confirmation of Engagement – Limited Independent Assurance Report in respect of the Waitomo District Council's Debenture Trust Deed [A429071]. |

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18 April 2019

The Councillors  
Waitomo District Council  
PO BOX 404  
**TE KUITI**

Dear Councillors

## AUDIT ENGAGEMENT LETTER

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all "public entities", including Waitomo District Council, under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Bruno Dente, using the staff and resources of Deloitte Limited, under section 32 and 33 of the Act, to carry out the annual audits of the Waitomo District Council's financial statements and performance information. We will be carrying out these annual audits on the Auditor-General's behalf, for the years ending 30 June 2019.

This letter outlines:

- the terms of the audit engagement and the nature, and limitations, of the annual audit; and
- the respective responsibilities of the Mayor and Councillors ("Council") and me, as the Appointed Auditor, for the financial statements and performance information.

The objectives of the annual audit are:

- to provide an independent opinion on the Council's financial statements and performance information; and
- to report on other matters that come to our attention as part of the annual audit. Typically those matters will relate to issues of financial management and accountability.

We will carry out the 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 (collectively the Auditing Standards). The Auditing Standards require that we comply with ethical requirements, and plan and perform the annual audit to obtain reasonable assurance about whether the Waitomo District Council's financial statements and performance information are free from material misstatement. The Auditing Standards also require that we remain alert to issues of concern to the Auditor-General. Such issues tend to relate to matters of financial management and accountability.

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## Your responsibilities

Our audit will be carried out on the basis that the Council acknowledges that it has responsibility for:

- preparing the financial statements and performance information in accordance with any applicable legal requirements and financial reporting standards;
- having such internal control as determined necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error; and
- providing us with:
  - access to all information relevant to preparing the financial statements and performance information such as records, documentation, and other information;
  - all other information, in addition to the financial statements and performance information, to be included in the annual report;
  - additional information that we may request from the Waitomo District Council for the purpose of the audit;
  - unrestricted access to Council members and employees that we consider necessary; and
  - written confirmation concerning representations made to us in connection with the audit.

In addition, the Council is responsible:

- For the preparation of the summary financial statements and summary performance information;
- For making the audited summary financial statements and summary performance information readily available to the intended users of that information; and
- For including our audit report on the summary financial statements and summary performance information in any document that contains that information and that indicates that we have reported on that information.

The Council's responsibilities extend to all resources, activities, and entities under its control. We expect that the Council will ensure:

- the resources, activities, and entities under its control have been operating effectively and efficiently;
- it has complied with its statutory obligations including laws, regulations, and contractual requirements;
- it has carried out its decisions and actions with due regard to minimising waste;
- it has met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector in that it has carried out its decisions and actions with due regard to probity; and
- its decisions and actions have been taken with due regard to financial prudence.

We expect the Council and/or the individuals within the Waitomo District Council with delegated authority, to immediately inform us of any suspected fraud, where there is a reasonable basis that suspected fraud has occurred - regardless of the amount involved. Suspected fraud also includes instances of bribery and/or corruption.

The Council has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Annex 1. Annex 2 contains some additional responsibilities relating to the health and safety of audit staff. We expect members of the Council to be familiar with those responsibilities and, where necessary, have obtained advice about them.

The Council should have documented policies and procedures to support its responsibilities. It should also regularly monitor performance against its objectives.

**Our responsibilities*****Carrying out the audit***

We are responsible for forming an independent opinion on whether the financial statements of Waitomo District Council:

- present fairly, in all material respects:
  - its financial position as at 30 June 2019; and
  - its financial performance and cash flows for the year then ended;
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the funding impact statement, presents fairly, in all material aspects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Council's Annual Plan.

We are also responsible for forming an independent opinion on whether the performance information of Waitomo District Council:

- presents fairly, in all material respects, the performance for the year ended 30 June 2019, including:
  - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
  - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
- complies with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Council's Annual Plan; and
- the funding impact statement for each group of activities, presents fairly, in all material aspects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Council's Annual Plan.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements and performance information. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the financial statements and performance information, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements and performance information.

We do not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the Auditing Standards.

During the audit, 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 Council's internal controls. However, we will communicate to you in writing about any significant deficiencies in internal control relevant to the audit of the financial statements and performance information that we identify during the audit.



During the audit, the audit team will:

- be alert for issues of effectiveness and efficiency – in particular, how the Council and the District Council have carried out their activities;
- consider laws and regulations relevant to the audit;
- be alert for issues of waste – in particular, whether the Council obtained and applied the resources of the District Council in an economical manner, and whether any resources are being wasted;
- be alert for issues of a lack of probity – in particular, whether the Council and the District Council have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector; and
- be alert for issues of a lack of financial prudence.

### ***Our independence***

It is essential that the audit team and Deloitte Limited remain both economically and attitudinally independent of Waitomo District Council (the District Council); including being independent of management personnel and members of the Council). This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with the objectivity of the audit team and the Deloitte Limited.

To protect our independence, specific limitations are placed on us in accepting engagements with the Council other than the annual audit. We may accept certain types of other engagements, subject to the requirements of the Auditing Standards. Any other engagements must be the subject of a separate written arrangement between the Council and myself or Deloitte Limited.

### ***Reporting***

We will issue an independent audit report that will be attached to the financial statements and performance information. This report contains our opinion on the fair presentation of the financial statements and performance information and whether they comply with the applicable reporting requirements. The audit report may also include comment on other financial management and accountability matters that we consider may be of interest to the addressee of the audit report. In addition, we will issue an audit report that will be attached to the summary financial statements and summary performance information. This audit report will contain an opinion that provides the same level of assurance as the audit report on the full financial statements and full performance information.

We will also issue a management letter that will be sent to the Council. This letter communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the Council. Typically those matters will relate to issues of financial management and accountability. We may also provide other management letters to the Waitomo District Council from time to time. We will inform the Council of any other management letters we have issued.

Please note that the Auditor-General may publicly report matters that are identified in the annual audit, in keeping with section 21 of the Public Audit Act 2001.

### ***Audit tools***

You agree that, for the purpose of providing the services covered by this letter, we may use third parties, wherever located, to store and process information received from you or your agents; provided that such third parties are bound by confidentiality obligations similar to those contained in the Terms. For example, Deloitte uses a cloud services platform (currently Microsoft Azure), to host an integrated suite of audit tools which may be used as part of our engagement with you.

**Next steps**

Please acknowledge receipt of this letter and the terms of the audit engagement by signing the enclosed copy of the letter in the space provided and returning it to me. The terms will remain effective until a new Audit Engagement Letter is issued.

If you have any questions about the audit generally, or have any concerns about the quality of the audit, you should contact me as soon as possible. If after contacting me you still have concerns, you should contact the Director of Auditor Appointments at the Office of the Auditor-General on (04) 917 1500.

If you require any further information, or wish to discuss the terms of the audit engagement further before replying, please do not hesitate to contact me.

Yours sincerely



Bruno Dente  
Appointed Auditor  
On behalf of the Auditor-General

I acknowledge the terms of this engagement and that I have the required authority on behalf of the Council.

Signature: .....

Name: .....

Title: ..... Date: .....

**Annex 1 – Respective specific responsibilities of the Council and the Appointed Auditor**

<b>Responsibilities for the financial statements and performance information</b>	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.</p> <p>You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.</p> <p>You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.</p>	<p>We are responsible for carrying out an annual audit, on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether the financial statements:</p> <ul style="list-style-type: none"> <li>- present fairly, in all material respects:               <ul style="list-style-type: none"> <li>- the financial position as at 30 June 2019; and</li> <li>- the financial performance and cash flows for the year then ended;</li> <li>- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.</li> <li>- the funding impact statement, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Council’s Annual Plan;</li> </ul> </li> </ul> <p>We are also responsible for forming an independent opinion on whether the performance information of Waitomo District Council:</p> <ul style="list-style-type: none"> <li>- presents fairly, in all material respects, the performance for the year ended 30 June 2019, including:               <ul style="list-style-type: none"> <li>- the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;</li> <li>- the reasons for any significant variation between the levels of service achieved and the intended levels of service; and</li> </ul> </li> <li>- complies with generally accepted accounting practice in New Zealand; and</li> <li>- the statement about capital expenditure for each group of activities, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Council’s Annual Plan; and</li> <li>- the funding impact statement for each group of activities, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information include in the Council’s Annual Plan.</li> </ul> <p>We will also read the other information accompanying the financial statements and performance information and consider whether there are material inconsistencies with the audited financial statements and performance information.</p> <p>Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain</p>

<b>Responsibilities for the financial statements and performance information</b>	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
	<p>reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence the audit report addressee's overall understanding of the financial statements and performance information.</p> <p>If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion.</p> <p>An audit also involves evaluating:</p> <ul style="list-style-type: none"> <li>- the appropriateness of accounting policies used and whether they have been consistently applied;</li> <li>- the reasonableness of the significant accounting estimates and judgements made by those charged with governance;</li> <li>- the appropriateness of the content and measures in any performance information;</li> <li>- the adequacy of the disclosures in the financial statements and performance information; and</li> <li>- The overall presentation of the financial statements and performance information.</li> </ul> <p>We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> <li>- the adoption of the going concern basis of accounting is appropriate;</li> <li>- all material transactions have been recorded and are reflected in the financial statements and performance information;</li> <li>- all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and</li> <li>- uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information.</li> </ul> <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p> <p>We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the financial statements and performance information, or for some other reason beyond our control, as soon as possible after that.</p> <p>The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.</p>

<b>Responsibilities for the accounting records</b>	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> <li>- correctly record and explain the transactions of the public entity;</li> <li>- enable you to monitor the resources, activities, and entities under your control;</li> <li>- enable the public entity's financial position to be determined with reasonable accuracy at any time;</li> <li>- enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and</li> <li>- are in keeping with the requirements of the Commissioner of Inland Revenue.</li> </ul>	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>

<b>Responsibilities for accounting and internal control systems</b>	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the public entity), supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial and - where applicable - performance information reporting.</p>	<p>The annual audit is not designed to identify all significant weaknesses in your accounting and internal control systems. We will review the accounting and internal control systems only to the extent required to express an opinion on the financial statements and performance information.</p> <p>We will report to you separately, on any significant weaknesses in the accounting and internal control systems that come to our notice and that we consider may be relevant to you. Any such report will provide constructive recommendations to assist you to address those weaknesses.</p>

<b>Responsibilities for preventing and detecting fraud and error</b>	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>The responsibility for the prevention and detection of fraud and error rests with you, through the implementation and continued operation of adequate internal control systems (appropriate to the size of the public entity) supported by written policies and procedures.</p> <p>We expect you to formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. Fraud also includes bribery and corruption.</p> <p>We expect you to consider reporting all instances of actual, suspected, or alleged fraud to the appropriate law enforcement agency, which will decide whether proceedings for a criminal offence should be instituted. We expect you to immediately inform us of any suspected fraud where you, and/or any individuals within the Waitomo District Council with delegated authority have a reasonable basis that suspected fraud has occurred - regardless of the amount involved.</p>	<p>We design our audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that would have a material effect on the financial statements and performance information. We will review the accounting and internal control systems only to the extent required for them to express an opinion on the financial statements and performance information, but we will:</p> <ul style="list-style-type: none"> <li>- obtain an understanding of internal control and assess its ability for preventing and detecting material fraud and error; and</li> <li>- report to you any significant weaknesses in internal control that come to our notice.</li> </ul> <p>We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected, or alleged fraud.</p> <p>As part of the audit, you will be asked for written confirmation that you have disclosed all known instances of actual, suspected, or alleged fraud to us.</p> <p>If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, we will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency. In the event that you do not report the fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so, if it is appropriate for the purposes of protecting the interests of the public.</p>

<b>Responsibilities for compliance with laws and regulations</b>	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You are responsible for ensuring that the public entity has systems, policies, and procedures (appropriate to the size of the public entity) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of the public entity are complied with. Such systems, policies, and procedures should be documented.</p>	<p>We will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. Our consideration of specific laws and regulations will depend on a number of factors, including:</p> <ul style="list-style-type: none"> <li>- the relevance of the law or regulation to the audit;</li> <li>- our assessment of the risk of non-compliance;</li> <li>- the impact of non-compliance for the addressee of the audit report</li> </ul> <p>The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance.</p> <p>We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws and regulations.</p>

**Responsibilities to establish and maintain appropriate standards of conduct and personal integrity**

<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a "Code of Conduct" and, where applicable, support the "Code of Conduct" with policies and procedures.</p> <p>The expected standards of conduct and personal integrity should be determined by reference to accepted "Codes of Conduct" that apply to the public sector.</p>	<p>We will have regard to whether you maintain high standards of conduct and personal integrity – particularly in matters relating to financial management and accountability. Specifically, we will be alert for significant instances where members and employees of the public entity may not have acted in accordance with the standards of conduct and personal integrity expected of them.</p> <p>The way in which we will report instances that come to our attention will depend on significance. We will report to you and to the Auditor-General all significant departures from expected standards of conduct and personal integrity that come to our attention during the audit.</p> <p>The Auditor-General, on receiving a report from us, may, at his discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.</p>

**Responsibilities for conflicts of interest and related parties**

<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You should have policies and procedures to ensure that your members and employees carry out their duties free from bias.</p> <p>You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.</p>	<p>To help determine whether your members and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties, and will be alert for other material related-party transactions. Depending on the circumstances, we may enquire whether you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.</p>

**Responsibilities for publishing the audited financial statements on a website**

<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You are responsible for the electronic presentation of the financial statements and performance information on the public entity's website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented.</p> <p>If the audit report is reproduced in any medium, you should present the complete financial statements, including notes, accounting policies, and any other accountability statements.</p>	<p>Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on your website is beyond the scope of the annual audit.</p>

**Annex 2 – Health and safety of audit staff**

The Auditor-General and Audit Service Providers take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015 we need to make arrangements with you to keep our audit staff safe while they are working at your premises. We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.



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18 April 2019

The Council  
Waitomo District Council  
Queen St  
PO Box 404  
**TE KUITI 3941**

The Board Members  
Trustees Executors Limited  
Level 7  
51 Shortland Street  
**AUCKLAND 1140**

Dear Councillors and Trustees Executors Limited Board Members

## **Confirmation of Engagement – Limited Independent Assurance Report in respect of the Waitomo District Council’s Debenture Trust Deed**

The purpose of this letter is to confirm our understanding of our mutual responsibilities arising from your request to provide a report (the “Report”) under clause 10.2.6(a) of the Debenture Trust Deed between Trustees Executors Limited, (the “Trustee”) and Waitomo District Council (“the Council”) dated 6 August 2010 and as amended and restated on 10 April 2017 (the “Trust Deed”).

The purpose of this letter is to confirm the terms of our Limited Independent Assurance Engagement and the nature of, and limitations to the services that we will provide. All services are provided subject to the terms and limitations set out in this letter (including any appendices).

### **Scope of the Engagement**

The Auditor-General is the auditor of the Council pursuant the Public Audit Act 2001. The Auditor-General has appointed me Bruno Dente, using the staff and resources of Deloitte Limited to carry out the audit of the annual financial statements and performance information of the Council.

The objective of the audit of the annual financial statements which is the subject of a separate letter of engagement with the Council dated 14 April 2019 (attached as Appendix B), is to report our opinion on those annual financial statements and performance information on behalf of the Auditor-General.

As auditors appointed for the audit of the annual financial statements and performance information, we are not responsible for:

- The preparation of the annual financial statements and performance of the Council;
- Any Reporting Certificate(s) issued to the Trustee by the Council;
- The Council’s compliance with the Trust Deed; or
- The obligations of the Trustee, as defined in the Trust Deed and relevant legislation, or the Trustee’s execution of those responsibilities in accordance with the Trust Deed and relevant legislation.

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Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities provide services in Australia, Brunei Darussalam, Cambodia, East Timor, Federated States of Micronesia, Guam, Indonesia, Japan, Laos, Malaysia, Mongolia, Myanmar, New Zealand, Palau, Papua New Guinea, Singapore, Thailand, The Marshall Islands, The Northern Mariana Islands, The People’s Republic of China (incl. Hong Kong SAR and Macau SAR), The Philippines and Vietnam, in each of which operations are conducted by separate and independent legal entities.

The procedures performed when carrying out the annual financial statements and performance information of the Council are not designed to assess whether the Council has complied with the Trust Deed or to make an evaluation of the Reporting Certificate(s) the Council issued to the Trustee.

The scope of this Limited Independent Assurance Engagement is to report on certain matters stated in clause 10.2.6(a) of the Trust Deed based on information obtained as a by-product of the audit of the annual financial statements and performance information of the Council for the year ending 30 June 2019.

For the purpose of providing our Report, (other than as expressly stated in the section below titled "Scope of the Auditor's Responsibilities under the Trust Deed"), we will not perform any further procedures beyond those required to complete the audit of the annual financial statements and performance information of the Council.

In the performance of our duties as auditors, unless expressly stated, we do not perform any work at the time the Council's Reporting Certificate for the year ending 30 June 2019 is prepared. Accordingly, our statements contained in the Report in relation to the matters addressed in clause 10.2.6(a) of the Trust Deed must be viewed in that context.

### **Scope of the Council's Responsibilities**

The Council is required to provide a copy of the annual report which includes the audited financial statements and performance information of the Council and our audit opinion to the Trustee under clause 10.2.1 of the Trust Deed.

The Council is responsible for preparing Reporting Certificates to the Trustee in accordance with clause 10.2.4 of the Trust Deed. The Council is responsible for such internal control as is determined necessary to ensure compliance with the requirements of the Trust Deed and also to enable the preparation of Reporting Certificates that are free from material misstatement, whether due to fraud or error.

The Council is responsible for keeping the register and ensuring that it is separately audited in accordance with clause 4.1 and clause 4.2.8 of the Trust Deed.

The Council is required to comply with the full requirements of the Trust Deed, including the continuing covenants and reporting requirements.

The Council is responsible for interpreting the clauses and definitions in the Trust Deed. We make no representations as to whether these interpretations of the Trust Deed are appropriate.

### **Scope of the Trustee's Responsibilities**

The Trustee monitors the Council's compliance under the terms of the Trust Deed. The terms of the Trust Deed were agreed by the Trustee and the Council. We are not a signatory to the Trust Deed and we were not consulted about the terms of the Trust Deed. We therefore take no responsibility for the adequacy of the terms of the Trust Deed for monitoring the Council.

The receipt of the Limited Independent Assurance Report and the audited annual financial statements and performance information of the Council, and any reliance on the audit opinion contained in our auditor's report attached to those audited annual financial statements and performance information, does not relieve the Trustee of its responsibilities under the Trust Deed and relevant legislation.

The Financial Markets Authority (FMA) issued a guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors". This guidance note sets out the FMA's expectations about how Trustees will carry out their monitoring functions effectively. Where applicable, it is the Trustee's responsibility to meet the FMA's expectations as set out in the guidance note.

### **Scope of the Auditor's Responsibilities under the Trust Deed**

We will conduct our Limited Independent Assurance Engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the External Reporting Board. A copy of this standard is available on the External Reporting Board's website. A Limited Independent Assurance Engagement is not an audit and the procedures that have been performed are less than for an audit. As a result, the level of assurance that has been obtained is substantially lower than the assurance that would have been obtained had an audit been performed.

This standard requires that we comply with ethical requirements and plan and perform our Limited Independent Assurance Engagement to obtain limited assurance about whether anything has come to our attention to indicate that the Reporting Certificate for the year ending 30 June 2019 has not been prepared in accordance with the requirements of clause 10.2.6(a) of the Trust Deed.

We will report to you on the following specific matters under clause 10.2.6(a) of the Trust Deed:

- From our perusal of the Reporting Certificate dated 30 June 2019 given on behalf of the Council pursuant to clause 10.2.4 and, as far as matters that we will observe in the performance of our duties as auditors are concerned, whether anything is brought to our attention to indicate that the statements made in such Reporting Certificate are not materially correct.

In meeting this responsibility we will agree the total amount of all categories of stock in the Reporting Certificate dated 30 June 2019 with Link Market Services.

With reference to the other assertions the Chief Executive will make in the Reporting Certificate our procedures will be limited to talking to management and considering any issues which might have come to our attention as a by-product of the Statutory Audit Engagement.

- Whether in performing our duties as auditors, we have:
  - become aware of any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee; and
  - disclosed any matter that, in our opinion, calls for further investigation by the Trustee in the interests of the stockholders.

In meeting this responsibility, our procedures will be limited to talking to management and considering any issues which might come to our attention as a by-product of the audit of the annual financial statements and performance information.

- As at the end of the financial year, from the audit procedures performed as part of our Statutory Audit Engagement, whether anything came to our attention to indicate that, in all material respects, principal money due and payable on the Stock and interest due and payable on the Stock, had not been paid.

We will not test that each individual Stockholder has received all monies due and payable to them.

We will report to you on the following matters under clause 10.2.6(a) of the Trust Deed:

- Whether the Council's agents have maintained the Register in accordance with the requirements of the Trust Deed.

The Council is responsible for maintaining the Register and ensuring it is separately audited in accordance with clause 4.1 and clause 4.2.8 of the Trust Deed.

We will not audit the Register for the year ending 30 June 2019. Our procedures will be limited to asking the Council for a copy of the audit report about the audit of the Register.

- As at 30 June 2019:
  - the amount of Stock and how much is Security Stock and Bearer Stock; and
  - the Principal Money owing or secured under the Stock distinguishing between Security Stock and other categories of Stock.

In meeting this responsibility, we will agree the total of all categories of Stock with Link Market Services and the Local Government Funding Agency. We will not test that each individual Stockholder has received all monies due and payable to them.

Our Limited Independent Assurance Engagement to provide the Report will be completed in accordance with the scope defined in this letter and any reliance on the Report can only be in the context of the scope as defined. The Report will therefore not be suitable for any other purpose.

## Timetable

Our work will be completed concurrently with the audit of the annual financial statements and performance information and we will complete our Report as soon as possible once the Council has signed the annual financial statements and provided us with the Reporting Certificate given on behalf of the Council pursuant to clause 10.2.4 of the Trust Deed.

## Restriction on Use and Distribution of our Report

Our Report will be addressed to the Council and the Trustee for the sole purpose of meeting the requirements of clause 10.2.6(a) of the Trust Deed.

Our Report is not to be used for any other purpose, copied or made available (in whole or in part), or recited or referred to in any document, made available to any other person, without our prior written consent or except as may be required by law. In addition, we will take no responsibility for, nor do we report on, any part of the Trust Deed not specifically mentioned in the report.

## Fees

The fee will be payable by the Council for this Limited Independent Assurance Engagement. The total fee is estimated to be \$4,000.

## Agreement

If you have any questions about this letter, please contact me. Please confirm your agreement to the terms and limitations of this engagement letter by signing below and returning a copy to us.

Yours faithfully



Bruno Dente  
**Partner**  
**For Deloitte Limited**  
**On Behalf of the Auditor-General**  
Hamilton, New Zealand

## Waitomo District Council Acceptance

Waitomo District Council confirms and accepts the engagement of Deloitte Limited to provide the services on the terms and conditions set out in this engagement letter.

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Position)

## Trustee Acceptance

Trustees Executors Limited as Trustee for Waitomo District Council confirms and accepts the engagement of Deloitte Limited to provide the services on the terms and conditions set out in this engagement letter.

Trustees Executors Limited has entered into this letter of engagement in its capacity as Trustee of Waitomo District Council and accordingly its liability shall not be personal and unlimited but shall be limited to the assets of Waitomo District Council available to it from time to time in that capacity.

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Position)

**Appendix A: Indicative Report**

**Appendix B: Engagement Letter – Statutory Audit**

**Appendix A: Indicative Report****LIMITED INDEPENDENT ASSURANCE REPORT****TO WAITOMO DISTRICT COUNCIL AND TO TRUSTEES EXECUTORS LIMITED IN RESPECT OF WAITOMO DISTRICT COUNCIL'S DEBENTURE TRUST DEED FOR THE YEAR ENDED 30 JUNE 2019**

The Auditor-General is the auditor of Waitomo District Council ("the Council") pursuant to the Public Audit Act 2001. The Auditor-General has appointed me Bruno Dente, using the staff and resources of Deloitte Limited to carry out the audit of the annual financial statements and performance information of the Council. On behalf of the Auditor-General, I have also carried out this Limited Independent Assurance Engagement, using the staff and resources of Deloitte Limited, as referred to in the Debenture Trust Deed dated 6 August 2010 and as amended and restated on 10 April 2017 (the "Trust Deed").

**Council's Responsibilities**

The Council is required to provide a copy of the annual report which includes the audited financial statements and performance information of the Council and our audit opinion to Trustee Executors Limited (the "Trustee") under clause 10.2.1 of the Trust Deed.

The Council is responsible for preparing Reporting Certificates to the Trustee in accordance with clause 10.2.4 of the Trust Deed. The Council is responsible for such internal control as is determined necessary to ensure compliance with the requirements of the Trust Deed and also to enable the preparation of Reporting Certificates that are free from material misstatement, whether due to fraud or error.

The Council is responsible for keeping the register and ensuring that it is separately audited in accordance with clause 4.1 and clause 4.2.8 of the Trust Deed.

The Council is required to comply with the full requirements of the Trust Deed, including the continuing covenants and reporting requirements.

The Council is responsible for interpreting the clauses and definitions in the Trust Deed. We make no representations as to whether these interpretations of the Trust Deed are appropriate.

**Trustee's Responsibilities**

The Trustee monitors the Council's compliance under the terms of the Trust Deed. The terms of the Trust Deed were agreed by the Trustee and the Council. We are not a signatory to the Trust Deed and we were not consulted about the terms of the Trust Deed. We therefore take no responsibility for the adequacy of the terms of the Trust Deed for monitoring the Council.

The receipt of this Limited Independent Assurance Report (Report) and the audited financial statements and performance information of the Council, and any reliance on the audit opinion contained in our auditor's report attached to those audited financial statements and performance information, does not relieve the Trustee of its responsibilities under the Trust Deed and relevant legislation.

The Financial Markets Authority (FMA) issued a guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors". This guidance note sets out the FMA's expectations about how Trustees will carry out their monitoring functions effectively. Where applicable, it is the Trustee's responsibility to meet the FMA's expectations as set out in the guidance note.

## Our Responsibilities

We conducted our Limited Independent Assurance Engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the External Reporting Board. A copy of this standard is available on the External Reporting Board's website. A Limited Independent Assurance Engagement is not an audit and the procedures that have been performed are less than for an audit. As a result, the level of assurance that has been obtained is substantially lower than the assurance that would have been obtained had an audit been performed.

This standard requires that we comply with ethical requirements and plan and perform our Limited Independent Assurance Engagement to obtain limited assurance about whether anything has come to our attention to indicate that the Reporting Certificate prepared for the year ended 30 June 2019 has not been prepared in accordance with the requirements of clause 10.2.6(a) of the Trust Deed.

The procedures performed when carrying out the audit of the annual financial statements and performance information of the Council are not designed to assess whether the Council has complied with the Trust Deed or to make an evaluation of the Reporting Certificate(s) the Council issued to the Trustee.

The scope of this Limited Independent Assurance Engagement is to report on certain matters stated in clause 10.2.6(a) of the Trust Deed based on information obtained as a by-product of our engagement to perform the audit of the annual financial statements and performance information of the Council for the year ended 30 June 2019.

For the purpose of providing our Report, unless expressly stated, we have not performed any further procedures beyond those required to perform the audit of the annual financial statements and performance information of the Council.

In the performance of our duties as auditors, unless expressly stated, we do not perform any work at the time the Reporting Certificate for the year ended 30 June 2019 is prepared by the Council. Accordingly, our statements contained in the Report in relation to the matters addressed in clause 10.2.6(a) of the Trust Deed must be viewed in that context.

Our responsibility under clause 10.2.6(a) of the Trust Deed is to:

- From our perusal of the Reporting Certificate dated 30 June 2019 given on behalf of the Council pursuant to clause 10.2.4 and, as far as matters that we have observed in the performance of our duties as auditors are concerned, report whether anything is brought to our attention to indicate that the statements made in the Reporting Certificate are not materially correct.

In meeting this responsibility we agreed the total amount of all categories of stock in the Reporting Certificate dated 30 June 2019 with Link Market Services and the Local Government Funding Agency.

With reference to the other assertions made by the Chief Executive in the Reporting Certificate our procedures have been limited to talking to management and considering any issues which might have come to our attention as a by-product of our engagement to perform the audit of the annual financial statements and performance information of the Council.

- Report whether, in performing our duties as auditors, we have:
  - become aware of any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee; and
  - disclosed any matter that, in our opinion, calls for further investigation by the Trustee in the interests of the stockholders.

In meeting this responsibility, our procedures have been limited to talking to management and considering any issues which might have come to our attention as a by-product of our engagement to perform the audit of the annual financial statements and performance information of the Council.

- Report, as at the end of the financial year, from the audit procedures performed as part of our engagement to perform the audit of the annual financial statements and performance information of the Council, whether anything came to our attention to indicate that, in all material respects, principal money due and payable on the Stock and interest due and payable on the Stock, had not been paid.

We have not tested that each individual Stockholder has received all monies due and payable to them.

- Report whether the Council's agents have maintained the Register in accordance with the requirements of the Trust Deed.

The Council is responsible for maintaining the Register and ensuring it is separately audited in accordance with clause 4.1 and clause 4.2.8 of the Trust Deed.

The audit of the Register is a separate engagement in the same way the engagement to perform the audit of the annual financial statements and performance information is a separate engagement. Our procedures were limited to asking the Council for a copy of the audit report about the Register.

- Report as at 30 June 2019:
  - The amount of Stock and how much is Security Stock and Bearer Stock; and
  - The Principal Money owing or secured under the Stock distinguishing between Security Stock and Other Stock.

In meeting this responsibility, we have agreed the total of all categories of Stock with Link Market Services and the Local Government Funding Agency. We have not tested that each individual Stockholder has received all monies due and payable to them.

### **Limitations and Use of this Report**

This Limited Independent Assurance Report has been prepared solely for the Council and the Trustee in accordance with the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Council and the Trustee or for any purpose other than that for which it was prepared.

We report to you as accountants, not lawyers. Accordingly we are not aware of all the powers and duties of trustees which may exist in statute, regulation, case law, legal precedent or otherwise.

Other than as expressly stated, we have not undertaken any additional audit work after signing our audit report on the Council's financial statements and performance information. We explain the scope of our audit engagement in our audit report on the Council's financial statements and performance information for the year ended 30 June 2019.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the period and the procedures performed in respect of the Council's compliance with the Trust Deed are undertaken on a test basis (that is, we do not check every transaction), our Limited Independent Assurance Engagement cannot be relied on to detect all instances where the Council may not have complied with the requirements of the Trust Deed. Our Conclusion has been formed on the above basis.



## Unqualified Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that:

- The statements made by the Council in the Reporting Certificate dated [date] pursuant to clause 10.2.4 are materially incorrect (Reporting Certificate dated [date] attached).
- There are any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee;
- There are any matters that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders;
- In all material respects, that the Council has not paid all principal money due and payable on the Stock and all interest due and payable on the Stock.

Our Limited Independent Assurance Engagement was completed on [date] and our conclusion is expressed as at that date.

## The Register and Stock

Council has provided us with a copy of the audit report about the Register. (A copy of the audit report about the Register is attached).

Based on the work described in this report, as at 30 June 2019 the following balances are given:

o	Total stock of	\$xxxx
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This is comprised of:

o	Security stock of	\$xxxx
o	Bearer stock of	\$xxxx
o	Other stock of	\$xxxx
o	Security stock (Local Government Funding Agency stock) of	\$xxxx

Based on the work described in this report, as at 30 June 2019 the following balances are given:

o	Total Principal Money owing and secured under the stock of	\$xxxx
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This is comprised of:

o	Security stock of	\$xxxx
o	Bearer Stock of	\$xxxx
o	Other stock of	\$xxxx
o	Security stock (Local Government Funding Agency stock) of	\$xxxx

Waitomo District Council is a one of a group of guarantors of the Local Government Funding Agency. As at 30 June 2019 Waitomo District Council had xxxx units of Security Stock on issue associated with the guarantee.

The difference between Security Stock on issue associated with the guarantee and total borrowings of the Local Government Funding Agency at 30 June 20XX is as follows:

xxxx	units of Security Stock on issue associated with the guarantee
xxxx	accrued interest
xxxx	Treasury Stock held by the Local Government Funding Agency
xxxx	Treasury Stock lent to the market via repurchase agreements by the Local Government Funding Agency
xxxx	Total borrowings of the Local Government Funding Agency at 30 June 2019

## Independence and quality control

When carrying out the engagement, we complied with the Auditor-General's:

- Independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board; and
- Quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Other than this engagement and our audit of the Council's Financial Statements, we have no relationship with or interests in the Council or any of its subsidiaries or the Trustee.

Bruno Dente  
**Partner**  
**for Deloitte Limited**  
**On Behalf of the Auditor-General**  
Hamilton, New Zealand

**Appendix B: Engagement Letter – Statutory Audit**

Document No: A428785

**Report To: Audit and Risk Committee**



**Meeting Date:** 14 May 2019

**Subject:** Progress Report: WDC Resource Consent – Compliance Monitoring

**Type:** Information Only

## 1.0 Purpose of Report

- 1.1 The purpose of this business paper is to brief the Audit and Risk Committee on compliance reporting against Resource Consent conditions.

## 2.0 Local Government Act S.11A Considerations

- 2.1 Section 11A of the LGA reads as follows:

**11A Core services to be considered in performing role**

*In performing its role, a local authority must have particular regard to the contribution that the following core services make to its communities:*

- (a) *network infrastructure;*
- (b) *public transport services;*
- (c) *solid waste collection and disposal;*
- (d) *the avoidance or mitigation of natural hazards;*
- (e) *libraries, museums, reserves, and other recreational facilities and community amenities.*

- 2.2 Compliance and monitoring against Resource Consent conditions is consistent with Section 11A of the Local Government Act 2002.

## 3.0 Risk Considerations

- 3.1 This is a progress report only, and as such no risks have been identified in regards to the information contained in this business paper.

## 4.0 Commentary

- 4.1 WDC is required to report on Resource Consent compliance to the Waikato Regional Council (WRC) in accordance with the conditions that regulate the various Resource Consents held by WDC.
- 4.2 The following tables set out details of the compliance reporting requirements for WDC's Resource Consents.

RESOURCE CONSENT	REPORT DUE
<b>Monthly</b>	
No. 112639 - Te Kuiti Wastewater Treatment Plant Conditions 7 to 19 (Discharge) Condition 30 (Reasonable Mixing)	Monthly
No. 116844 - Benneydale Water Treatment Plant Condition 9 (Surface Water Take)	Monthly
No. 117290 - Piopio Wastewater Treatment Plant Condition 26 (Discharge)	Monthly
<b>Quarterly</b>	
No. 101753 - Rangitoto Quarry Landfill, William Street, Te Kuiti Condition 11 TEKLR 20	February, May, August, November
No. 124718 - Rangitoto Quarry Landfill, William Street, Te Kuiti Conditions 7 and 14 (SW2) TEKLR 32	February, May, August, November
<b>Six Monthly</b>	
No. 133317 - Te Kuiti Water Treatment Plant Condition 11 (Water Take)	January/July
No. 118813 - Benneydale Wastewater Treatment Plant Condition 16 to 23	January/July
No. 120048 - Te Kuiti Wastewater Treatment Plant Condition 6 (Groundwater b1 to b7)	February and August <i>(also include in Annual Report 30th September)</i>
No. 117945 - Benneydale Water Treatment Plant (Backwash)	April/October
No. 124718 - Te Kuiti Landfill (William Street) Condition 6 and 14 DH2/3/4/7 (Oct to March, April to Nov)	April/October
No. 107477 - Piopio Water Treatment Plant Conditions 6 and 9 (Water Take) (Nov-April, May-Oct)	May/November
No. 107478 - Piopio Water Treatment Plant (Backwash) (Nov-April, May-Oct)	May/November
No. 101753 - Rangitoto Quarry Landfill, William Street, Te Kuiti Condition 10 TEKLR10 (*)	May/October

RESOURCE CONSENT	REPORT DUE
<b>Annually</b>	
No. 118813 - Benneydale Wastewater Treatment Plant Condition 26 (Discharge to Land and Water)	31st March
No. 124718 - William Street, Te Kuiti Conditions 7 & 14 (SW1,SW2, SW3, SW4, SW5)	April or May
No. 120340 - Mokau Closed Landfill Condition 3, 6 & 10	Monitoring Ceased by mutual agreement with WRC (11/2017)
No. 113038 - Te Kuiti Water Treatment Plant Conditions 1 & 2 (Ground Water Take)	1st of May
No. 105054/55/56/57/58/59/60 - Waitomo Stormwater Schedule A (22) Conditions 4,5 & 6	31st May
No. 105054 - Te Kuiti Stormwater Condition 6	31st May
No. 116274 - Benneydale Water Treatment Plant Conditions 2, 3, 4 & 7 (Groundwater Take)	1st of June
No. 113544 - Mokau Water Treatment Plant (Water Take)	July
No. 113545 - Mokau Water Treatment Plant (Backwash)	July
No. 101753, 101754 and 124718 - Rangitoto Quarry Landfill, William Street, Te Kuiti Annual Report Condition Schedule 1(5) and 13	1st August
No. 101753, 101754 - Rangitoto Quarry Landfill, William Street, Te Kuiti Annual Report Consents Schedule 1 (6) <b>Independent Peer Reviewer</b>	1st September
No. 112639 - Te Kuiti Wastewater Treatment Plant Condition 20 (Discharge)	September 30th
No. 103287, 103288 and 103289 - Te Kuiti Walker Road - Closed Landfill Discharge to Land, Air and Divert (Nov, Jun)	November (within two months of sampling)
No. 103193 - Benneydale Closed Landfill SH30 Conditions 2, 3 and 5	Monitoring Ceased by mutual agreement with WRC (08/2018)
No. 103194 - Conditions 2 and 3	

RESOURCE CONSENT	REPORT DUE
No. 103196 - Piopio Closed Landfill Condition 2, 3 and 4	Monitoring Ceased by mutual agreement with WRC (08/2018)
No. 103198 - Aria Closed Landfill Conditions 2 and 4	Monitoring Ceased by mutual agreement with WRC (08/2018)
<b>Biennial</b>	
No. 120048 - Te Kuiti Wastewater Treatment Plant Condition 7 (Groundwater b1 to b7)	December 2016
No. 117290 - Piopio Wastewater Treatment Plant Condition No 7 and 9 (Discharge) (Operations and Management)	September 2014, 2016, 2018, etc.
No. 112639 - Te Kuiti Wastewater Treatment Plant Condition 24	June 2015 ( <i>and every two years after</i> )
No. 118813 - Benneydale Wastewater Treatment Plant Condition 27 (Management Plan Review)	from 2010 every two years
<b>Other</b>	
No. 112639 - Te Kuiti Wastewater Treatment Plant Condition 28 (after 3 years Fish Passage/Migration Barrier Assessment)	Monday, 18 December 2017
No. 133317 - Te Kuiti Water Treatment Plant Condition 10 (Telemeter)	1st July 2018

4.3 The following Resource Consent Compliance Reports have been made to WRC:

1. RC 116844 - Benneydale Surface water take, January 2019 (Doc A42048).
  - Full compliance achieved
2. RC 118813 - Benneydale WWTP Discharge to water and Land, 1<sup>st</sup> July 2018 to December 2018 (Doc A419456).
  - Partial compliance achieved. The recorded inflow into the trickling filter is taken as indicative of the discharge flow, assuming the inflow and discharge flow should be approximately similar, in ideal conditions. Taking into account this assumption, the inflow (outflow) was over 85 m<sup>3</sup> in one occasion, at 101 m<sup>3</sup> in the beginning of July 2018. There was a moderate rainfall over 1 and 2 July 2018, which may have contributed to the increment of inflow (outflow) above trigger limits of 85 m<sup>3</sup> on 2 July 2018.
3. RC 117290 – Piopio WWTP Discharge to water, November 2018 (Doc A416310).
  - Partial compliance achieved.
  - Overall, most of the quality parameters were below trigger limits during November 2018. The quality parameter, total ammoniacal nitrogen, remained above trigger limits. WDC continues investigating alternatives to address this ongoing issue.
  - Notwithstanding the current exceedances, the total ammoniacal nitrogen results upstream and downstream of the Piopio WWTP Discharge into the Mokau River are of good quality, and shows that the concentrations of ammoniacal nitrogen in the Mokau River are not affected by the Discharge, this is due to the high levels of the River which substantially increase the dilution factor
4. RC 124718 – TK Landfill, discharge to land – Stormwater discharge (SW2), 1<sup>st</sup> October 2018 to 31<sup>st</sup> December 2018 (Doc A421324).
  - Full compliance achieved.
5. RC 117290 - Piopio WWTP Discharge to water, December 2018 and January 2019 (Doc A420840).
  - Partial compliance achieved.
  - Overall, most of the quality parameters were below trigger limits during December 2018 and January 2019. The quality parameter, total ammoniacal nitrogen, remained above trigger limits, but presented a decreasing trend during the current reporting period.
  - Soda ash is being dosed daily, and recent results showed that the concentration of ammoniacal nitrogen is decreasing. The UV cleaning frequency has also been increased.
6. RC 112639 – Te Kuiti Wastewater Treatment Plant (TKWWTP) Discharge – January 2019 (Doc A420791).
  - Full compliance achieved



7. RC 101753, Condition 11 - Waitomo District Landfill, Ring drain – October 2018 to December 2018 (Doc A421189).
  - Full compliance achieved.
8. RC 116844- Benneydale Surface water take, February 2019 (Doc A423232).
  - Partial compliance achieved. The groundwater take remained within limits most of the compliance period, with one exceedance at 182 m<sup>3</sup> on 25 February 2019.
  - The exceedance was due to a leak within the reticulation, triggering the plant to produce water above normal circumstances and, therefore, increasing the volume of water take required. The leak was fixed on the 26th February and values have normalised since then
9. RC 116844- Benneydale Surface water take, March 2019 (Doc A426270).
  - Full compliance achieved
10. RC 112639 – Te Kuiti Wastewater Treatment Plant (TKWWTP) Discharge – February 2019 (Doc A426250).
  - Full compliance achieved
11. RC 118813 - Benneydale WWTP Discharge to water and Land, annual report 2018 (Doc A426498).
  - Partial compliance achieved. The recorded inflow into the trickling filter is taken as indicative of the discharge flow, assuming the inflow and discharge flow should be approximately similar, in ideal conditions. Taking into account this assumption, there were several exceedances to Condition 7 during this assessment period particularly during May 2018. The inflow (Outflow) was over 85 m<sup>3</sup> in 10 occasions.
12. RC 118813 – Benneydale WWTP - Operations and Management Plan (2019 Reviewed) (Doc A426770).
13. RC 112639 – Te Kuiti Wastewater Treatment Plant (TKWWTP) Discharge – March 2019 (Doc A426860).
  - Full compliance achieved
14. RC 124718 – Te Kuiti Landfill, Leachate monitoring in Groundwater, November 2018 to April 2019 (Doc A427576).
  - Full compliance achieved
15. RC 124718 – Te Kuiti Landfill, Leachate monitoring – Ring Drain, January to March 2019 (Doc A427541).
  - Full compliance achieved
16. RC 117290 - Piopio WWTP Discharge to water, February and March 2019 (Doc A427491).
  - Partial compliance achieved.
  - Overall, most of the quality parameters were below trigger limits during February and March 2019. The quality parameter, total ammoniacal

nitrogen, remained above trigger limits during February and March 2019, but presented a decreasing trend and values fell below trigger limits at the beginning of April 2019.

- The Piopio WWTP is fully compliant as at April 2019.
17. RC 117945 - Benneydale WTP – Backwash discharge, October 2019 to March 2019 (Doc A427581).
    - Full compliance achieved
  18. RC 116844- Benneydale Surface water take, April 2019 (Doc A428735).
    - Full compliance achieved

## Suggested Resolution

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



KOBUS DU TOIT  
**GROUP MANAGER – ASSETS**

Document No: A429537

**Report To: Audit and Risk Committee**

Meeting Date: 14 May 2019

Subject: Motion to Exclude the Public for the Consideration of Council Business

**Purpose of Report**

- 1.1 The purpose of this business paper is to enable the Council to consider whether or not the public should be excluded from the consideration of Council business.

**Commentary**

- 2.1 Section 48 of the Local Government Official Information and Meetings Act 1987 gives Council the right by resolution to exclude the public from the whole or any part of the proceedings of any meeting only on one or more of the grounds contained within that Section.

**Suggested Resolutions**

- 1 The public be excluded from the following part of the proceedings of this meeting.
- 2 Council agree the following staff, having relevant knowledge, remain in attendance to assist Council with its decision making: ...
- 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. Annual Report 2018/19 – Areas of Audit Focus	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)
2. Progress Report: Health and Safety	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)
3. Progress Report: Risk Management – Procurement/Contract Schedule	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.

A handwritten signature in blue ink, appearing to read 'M. Higgie', is positioned above the typed name.

MICHELLE HIGGIE  
**EXECUTIVE ASSISTANT**