

**Document No: A420259**

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



**Meeting Date: 12 February 2019**

**Subject: Development of Risk Management Framework**

## **Purpose of Report**

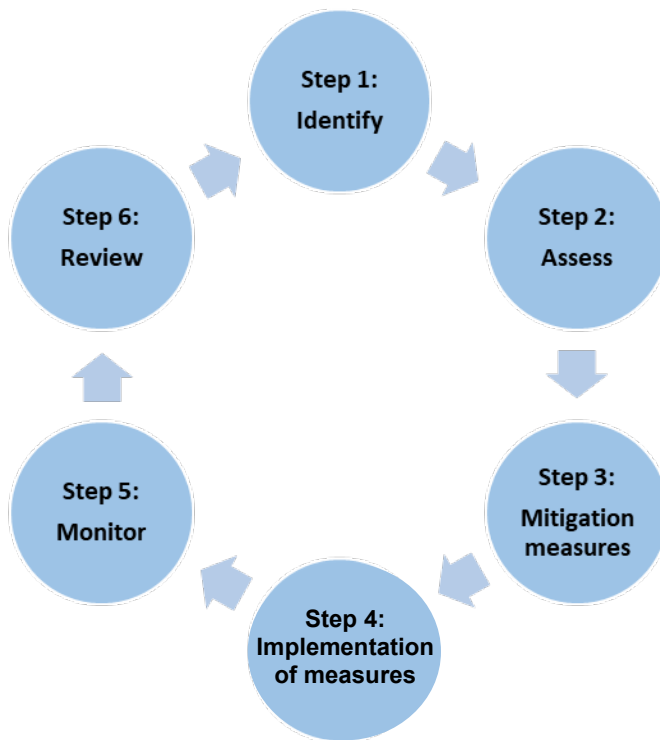
- 1.1 The purpose of this paper is to agree a Risk Management Framework that addresses the management of strategic organisational risks, for recommendation to Council.

## **Background**

- 2.1 Council has earlier identified the importance of and need for a Risk Management Framework that provides a structured approach to the identification and mitigation of key organisational risks.
- 2.2 The process of identifying and agreeing the strategic risks forming that framework is fundamental to Council's core governance responsibilities. Without that, there is no systematic, formal basis for assessing and managing those risks and the response becomes ad hoc.
- 2.3 At the 16 October 2018 Workshop of the Audit and Risk Committee (ARC), Council's strategic risks were identified and agreed.
- 2.4 Since then, the following actions have been completed:
- The Risk Register table has been reformatted to incorporate ARC's feedback from the 16 October 2018 Workshop
  - The agreed key risk identification and prioritisation methodology (risk assessment) has been applied, consistently, to each of the agreed strategic risks
  - Assessment and prioritisation of residual risks following application of current risk controls and measures
  - Identification and documentation of future controls and treatments attaching to the high priority residual risks, including additional resourcing implications, has been completed
  - A programme of monitoring and reporting on progress towards developing WDC's risk maturity, will be scheduled as part of Council's Roadmap for 2019/20 year.
- 2.5 The first four actions above are reflected in the Risk Register enclosed with this Business Paper.

## Commentary

- 3.1 The risk management framework proposed for WDC involves a cyclic, 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 risk management framework to take account of any new strategic risks that may be identified over time, and to assess risk management maturity.



- 3.2 Fundamental to the success of a risk management framework is ownership of each of the agreed strategic risks by the elected Council (Governance). That ownership then provides management with a focus for developing organisational capacity and capability to implement, monitor and report on risk management processes, complete with any additional interventions that may be required. It also provides a platform for prioritising the activities of WDC's modest resource base, typical of smaller, rural local authorities, noting the sensitivity of that resource to competing work demands.
- 3.3 The attached Risk Register has been structured to include "Failing to deliver the commitments made in the Long Term Plan" as the overarching organisational risk, as expressed at the 16 October 2018 ARC Workshop.
- 3.4 The Long Term Plan (LTP), and the risks attaching to the successful delivery of that, are symbiotic. The LTP is Council's signature planning document, forecasting the strategic direction and significant activities and actions over the next 10 years. Both the LTP and the attendant strategic risks are owned by the elected Council.
- 3.5 The agreed strategic risks contributing to the overarching organisational risks, individually and collectively, are listed below:
- Governance
  - Economic and social

- Financial
- Technology
- Infrastructure
- Business Continuity
- Project & Contract Delivery
- Legal & Regulatory
- Economic & Social
- Human Resources
- Civil Defence & Emergency Management

- 3.6 Governance has been added as a new strategic risk, and the Economic and Social strategic risk elevated in the Risk Register to reflect the higher prominence sought at the ARC workshop.
- 3.7 Only strategic risks have been analysed and assessed. This is because in a complex organisation such as a local authority, there are a myriad of risks at an operational level and identification and mitigation of these are considered the next level of detail as part of the risk maturity development pathway.
- 3.8 The risk assessment has been carried out to achieve consistent application across the different risk categories, noting that the risk assessment is intended to provide a guide to assist determination of risk relativity and prioritisation at WDC, rather than a definitive quantification of risk in absolute terms.

#### **4 Residual Risk Priorities**

- 4.1 The attached Risk Register shows that the majority of strategic risks have, after allowing for existing controls and measures, a low level of residual risk. In those cases, the suggested additional measure for managing those risks entails monitoring the effectiveness of current risk controls and treatments.
- 4.2 There are two strategic risks assessed as having a high residual risk. The first of these relates to Council's 100% shareholding investment 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 impact of that on Council's Rates requirement, as has previously been experienced, would be significant. Additional controls and treatments to manage these residual risks is a top priority for Council.
- 4.3 The second high residual risk relates 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.
- 4.4 The above high residual risks, and the proposed residual controls and treatments, is shown below:

<b>Risk Register Reference</b>	<b>Strategic Risk Category</b>	<b>Strategic Description</b>	<b>Risk</b>	<b>Residual Risk Level Score</b>	<b>Proposed Residual Controls and Treatments</b>
3.2	Financial	WDC's shareholding investment does not meet financial and strategic objectives.		12	<ul style="list-style-type: none"> <li>• Quarterly reporting of performance by Inframax to</li> </ul>

<b>Risk Register Reference</b>	<b>Strategic Risk Category</b>	<b>Strategic Description</b>	<b>Risk</b>	<b>Residual Risk Level Score</b>	<b>Proposed Residual Controls and Treatments</b>
					<p>Investment Committee against its Annual Statement of Intent.</p> <ul style="list-style-type: none"> <li>Quarterly reporting by Investment Committee to Audit and Risk Committee to demonstrate appropriate management of investment.</li> <li>Establish policy based rationale 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>

4.5 The remaining strategic residual risks have been assessed as medium (risk scores between 5 and 10), as summarized in the following table, together with suggested additional controls and measures to reduce those risks:

<b>Risk Register Reference</b>	<b>Strategic Risk Category</b>	<b>Strategic Description</b>	<b>Risk</b>	<b>Residual Risk Level Score</b>	<b>Proposed Residual Controls and Treatments</b>
1.1	Governance	Elected members are not adequately trained and/or developed		6	<ul style="list-style-type: none"> <li>Training of elected members in governance role and responsibilities.</li> </ul>
1.2	Governance	Elected members are not effective in making robust, informed decisions.		6	<ul style="list-style-type: none"> <li>Training of elected members in governance role and responsibilities.</li> </ul>
1.3	Governance	Elected members are not consistent in decision making		6	<ul style="list-style-type: none"> <li>Training of elected members in governance role and responsibilities.</li> </ul>

Risk Register Reference	Strategic Risk Category	Strategic Risk Description	Residual Risk Level Score	Proposed Controls and Treatments
3.1	Financial	WDC investments are not regularly assessed for strategic and financial viability.	6	<ul style="list-style-type: none"> <li>Review and develop risk controls and treatments for WDC investments.</li> </ul>
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>
4.4	Technology	Inadequate HR market for the supply of technical skills required to implement ICT requirements.	6	<ul style="list-style-type: none"> <li>Review the effectiveness of current risk controls and treatments and identify interventions to address gaps.</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	9	<ul style="list-style-type: none"> <li>Undertake site specific risk audits of</li> </ul>

<b>Risk Register Reference</b>	<b>Strategic Risk Category</b>	<b>Strategic Risk Description</b>	<b>Residual Risk Level Score</b>	<b>Proposed Residual Controls and Treatments</b>
		buildings following a manmade disaster such as explosion, fire, etc.		critical infrastructure and buildings and prepare risk management plans.
7.1	Project/Contract Delivery	Inability to attract contestable contractor market	6	<ul style="list-style-type: none"> <li>Establish market availability at procurement planning stage, through direct engagement or stepped RoI, RFP, RFT</li> </ul>
7.5	Project/Contract Delivery	Inadequate Health and Safety procedures and measures in place for physical works projects.	8	<ul style="list-style-type: none"> <li>Develop health and safety workplace culture</li> <li>Monitor and review effectiveness of current risk controls and treatments</li> </ul>
8.3	Legal and Regulatory	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.	8	<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>
9.1	Human Resources	Business outcomes are significantly impacted due to inability to attract appropriately skilled staff	6	<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>
9.2	Human Resources	Business outcomes are significantly	6	<ul style="list-style-type: none"> <li>Monitor and review effectiveness of</li> </ul>

Risk Register Reference	Strategic Risk Category	Strategic Risk Description	Residual Risk Level Score	Proposed Residual Controls and Treatments
		impacted due to inability to retain appropriate staff		current risk controls and treatments. <ul style="list-style-type: none"> <li>Ensure adequate budgets are in place to attract, train and retain skilled staff</li> </ul>
9.3	Human Resources	Business outcomes are significantly impacted due to inability to train and develop appropriate staff from available budget	6	<ul style="list-style-type: none"> <li>Ensure adequate budgets are in place to attract, train and retain skilled staff</li> </ul>
10.1	Civil Defence & Emergency Management	Inadequate provision is made to meet WDC's requirements for the 4 Rs	6	<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>

- 4.6 While all strategic risks in the above table have been assessed as having medium residual risk, there is a risk rating differential within that category, as shown by the assessed risk score, varying within a range of 6 – 9. The residual risks scored as 9 are highlighted in red font.
- 4.7 Although the risk score offers a mechanism for prioritisation, the risk assessment process has limitations, and is best used as a guide to understanding risk relativity for WDC, rather than defining absolute risk. At this level of analysis, the qualitative aspects of the risk assessment process are more subjective than scientific.
- 4.8 The potential misconception that only high scoring risks are important to WDC could be problematic, and could introduce a further layer of risk – complacency. The consequence of that would simply be perpetuation of WDC's current risk profile, with attendant consequences.
- 4.9 Low scoring, medium category risks could in practice represent high risks relevant to WDC's particular operating environment. Similarly, the low risk category could contain risks that are significant for WDC, in real terms.

- 4.10 Moving beyond the current risk profile will require additional resource. WDC's current, modest, resource base does not have capacity to achieve that.

## **5 Next Steps**

- 5.1 Once Council agrees the priorities for residual risk intervention, resourcing budget estimates will need to be incorporated in Council's 2019/20 Exception Annual Plan for Council's consideration.
- 5.2 Reporting on implementation of the agreed additional controls and treatments, or any new risk intervention requirements that occur, will take place as scheduled in Council's Roadmap as a means of developing the maturity of WDC's risk management framework.
- 5.3 In all cases, it will be necessary to periodically monitor the effectiveness of current risk controls and measures, and to review and update the risk management framework so that it remains relevant to new risks arising through legislative imperatives or shifts in community expectations, requiring additional intervention.

## **Suggested Resolutions**

- 1 The Report "Development of a Risk Management Framework", be received.
- 2 Council adopts the Risk Management Framework incorporating the overarching and strategic risks identified in the Strategic Risk Register.
- 3 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.
- 4 Council notes that the additional resourcing requirements will be introduced through the draft 2019/20 Exceptions Annual plan process.
- 5 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.

VIBHUTI CHOPRA  
**GROUP MANAGER – CORPORATE SERVICES**

5 February 2019

### **Attachments:**

1. Waitomo District Council Strategic Risk Register – (Doc A420260)
2. Likelihood Table – (Doc A420262)
3. Effectiveness of Control – (Doc A420263)
4. Risk Matrix – (Doc A420261)



OVERARCHING STRATEGIC RISK: 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>													
<b>1.1</b>	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.	<b>Council</b>	<b>CEO</b>	
<b>1.2</b>	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.	<b>Council</b>	<b>CEO</b>	

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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	
2	<b>ECONOMIC AND SOCIAL</b>													

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			Likelihood	Consequences	Risk Level		Likelihood	Consequences	Risk Level					
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	

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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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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	
3	FINANCIAL													

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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.	Resulting in: <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> </ul>	3	4	H (12)	L	<ul style="list-style-type: none"> <li>Quarterly reporting of performance by Inframax to Investment Committee against its Annual Statement of Intent.</li> <li>Quarterly reporting by Investment Committee to Audit and Risk Committee to demonstrate appropriate management of investment.</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	

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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	
4	<b>TECHNOLOGY</b>													

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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	

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			Likelihood	Consequences	Risk Level		Likelihood	Consequences	Risk Level					
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	
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	
<b>5</b>	<b>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</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	<p>Infrastructural asset capacity or condition does not support overall WDC objectives and does not support the delivery of service outcomes</p>	<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)	<p>performance of assets to ensure the agreed level of service delivery is provided</p> <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		
6	<b>BUSINESS CONTINUITY</b>														
6.1	<p>Damage to critical WDC infrastructure and buildings following a natural disaster such as earthquake, fire, flood</p>	<p>Resulting in:</p> <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	<p>Damage to critical infrastructure and buildings following a manmade disaster such as explosion, fire, etc.</p>	<ul style="list-style-type: none"> <li>Reputational damage,</li> <li>Financial loss</li> </ul>	3	4	H (12)	<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 plans.</li> </ul>	Council	GM - IS		

OVERARCHING STRATEGIC RISK: 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					
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>Reduced services or failure to deliver agreed services</li> <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>Provision of duplicate services where practicable for critical assets.</li> <li>Regular testing of back-up systems for business function.</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>Business continuity plans</li> <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	
7	<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	

OVERARCHING STRATEGIC RISK: 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					
7.2	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	
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	

OVERARCHING STRATEGIC RISK: 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					
7.4	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	
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	

OVERARCHING STRATEGIC RISK: 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					
7.6	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	
8	LEGAL & REGULATORY													

OVERARCHING STRATEGIC RISK: 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					
8.1	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	VH	<ul style="list-style-type: none"> <li>Monitor effectiveness of current risk controls and treatments.</li> </ul>	Council	GM - Corp. S	
8.2	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	VH	<ul style="list-style-type: none"> <li>Monitor effectiveness of current risk controls and treatments.</li> </ul>	Council	GM - Corp. S	



<p><b>8.3</b></p>	<p>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 &amp; safety procedures, noncompliance with legislative requirements or inadequate management.</p>	<p>Resulting in:</p> <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>	<p>3</p>	<p>4</p>	<p>H (12)</p>	<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>	<p>2</p>	<p>4</p>	<p>M (8)</p>	<p>H</p>	<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>	<p><b>Council</b></p>	<p><b>GM – Comm. S</b></p>		
<p><b>9 HUMAN RESOURCES</b></p>															
<p><b>9.1</b></p>	<p>Business outcomes are significantly impacted due to inability to attract appropriately skilled staff</p>	<p>Resulting in:</p> <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</li> </ul>	<p>3</p>	<p>3</p>	<p>M (9)</p>	<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>	<p>2</p>	<p>3</p>	<p>M (6)</p>	<p>H</p>	<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</li> </ul>	<p><b>Council</b></p>	<p><b>GM – Comm. S</b></p>		

OVERARCHING STRATEGIC RISK: 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					
		<ul style="list-style-type: none"> <li>key competency sets</li> <li>Over-reliance on contractors and Consultants</li> </ul>									younger families offering skilled staff			
9.2	Business outcomes are significantly impacted due to inability to retain appropriate staff	<ul style="list-style-type: none"> <li>Erosion of leadership role</li> <li>Outcomes not fit-for purpose and/or not cost effective</li> <li>External opportunities lost</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	
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>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	
10	CIVIL DEFENCE AND EMERGENCY MANAGEMENT													

<p><b>10.1</b></p>	<p>Inadequate provision is made to meet WDC's requirements for the 4 Rs</p>	<p>Resulting in:</p> <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>	<p>3</p>	<p>4</p>	<p>H (12)</p>	<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>	<p>2</p>	<p>3</p>	<p>M (6)</p>	<p>M</p>	<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>	<p><b>Council</b></p>	<p><b>GM - CS</b></p>	
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## Likelihood table

Rating	How likely	Description
5	<b>Almost Certain</b>	<ul style="list-style-type: none"> <li>No internal controls. No internal or external audits performed.</li> <li>Without additional controls the event is expected to occur in most circumstances</li> <li>&gt;90% probability of occurring.</li> </ul>
4	<b>Likely</b>	<ul style="list-style-type: none"> <li>Weak internal controls. Limited quality assurance procedure/process . No internal audit performed</li> <li>With existing controls in place this event will probably occur in most circumstances</li> <li>60 % - 85% probability of occurring.</li> </ul>
3	<b>Possible</b>	<ul style="list-style-type: none"> <li>Minimal controls. Some internal audits performed</li> <li>The event has occurred in WDC recently and it could occur again</li> <li>35% - 55% probability of occurring.</li> </ul>
2	<b>Unlikely</b>	<ul style="list-style-type: none"> <li>Effective internal controls in place. Internal &amp; external audits performed</li> <li>The event hasn't occurred in WDC recently but it could occur</li> <li>15% - 30% probability of occurring.</li> </ul>
1	<b>Rare</b>	<ul style="list-style-type: none"> <li>Strong Controls. Effective QAPs. Internal and external audits performed.</li> <li>Despite effective controls an event could still occur</li> <li>&lt;5% probability of occurring.</li> </ul>

**Note: The gaps in between the levels in the probability range are intentional to ensure a clear assessment is made.**

## Probabilistic language scale

Qualitative statement	Associated probability range
<b>Remote/highly unlikely</b>	<10%
<b>Improbable/unlikely</b>	15-20%
<b>Realistic possibility</b>	25-50%
<b>Probable/likely</b>	55-70%
<b>Highly/very probable/likely</b>	75-85%
<b>Almost Certain</b>	>90%

**Effectiveness of control evaluation table**

<b>Level</b>	<b>Control effectiveness</b>
<b>1</b> <b>Very high effectiveness</b>	<ul style="list-style-type: none"> <li>• Current controls are robust and effective and significantly reduce the risk level</li> <li>• The likelihood of the risk occurring is very low</li> <li>• The controls in place practically eliminate the consequences of a risk should it occur.</li> </ul>
<b>2</b> <b>High effectiveness</b>	<ul style="list-style-type: none"> <li>• Current controls are very good and reduce the risk level</li> <li>• The likelihood of the risk occurring is low but some improvement to current controls could be made</li> <li>• The controls in place significantly alleviate the consequences of a risk should it occur.</li> </ul>
<b>3</b> <b>Moderate effectiveness</b>	<ul style="list-style-type: none"> <li>• Current controls are reasonable but not considered effective enough to reduce the risk to an acceptable level</li> <li>• The likelihood of the risk occurring is moderate</li> <li>• The controls in place moderately alleviate the consequences of a risk should it occur but there is potential for the controls to fail. Further controls or redesign of controls necessary.</li> </ul>
<b>4</b> <b>Low effectiveness</b>	<ul style="list-style-type: none"> <li>• Current controls manage only some of the risk</li> <li>• The likelihood of the risk occurring is high</li> <li>• The controls in place slightly alleviate the consequences of a risk should it occur. Further work and redesign of controls necessary.</li> </ul>
<b>5</b> <b>Very low effectiveness</b>	<ul style="list-style-type: none"> <li>• Current controls are weak and do not control the risk</li> <li>• The likelihood of a risk occurring is extremely high</li> <li>• The controls in place are largely ineffective and unlikely to lessen the consequences of a risk should it occur. Urgent attention is required to develop and implement effective controls.</li> </ul>

Risk Matrix – Highlights the level of risk

	Consequences				
Likelihood	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Severe (5)
Almost Certain (5)	Medium (5)	Medium (10)	High (15)	Extreme (20)	Extreme (25)
Likely (4)	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
Possible (3)	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
Unlikely (2)	Low (2)	Low (4)	Medium (6)	Medium (8)	Medium (10)
Rare (1)	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

**Document No:** A411716

**Report To:      Audit and Risk Committee**



**Meeting Date:** 12 February 2019

**Subject:**            **Financial and Non-Financial Report to  
31 December 2018**

**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 December 2018.

## Background

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

- 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 December 2018.
- **Summary Balance Sheet** with comments detailing significant balance sheet movements from 1 July 2018 to 31 December 2018.
- **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 December 2018 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 December 2018

### 3.1 **INCOME STATEMENT HIGHLIGHTS**

3.2 Set out below is the summary of financial information for the period ended 31 December 2018. Detailed Cost of Service Statements are attached as Appendix 1.

<b>FINANCIAL HIGHLIGHTS</b> <b>(Amounts in \$000's)</b>	<b>Actual</b> <b>2017/18</b>	<b>LTP</b> <b>Budget</b> <b>2018/19</b>	<b>YTD</b> <b>Budget</b> <b>Dec 2018</b>	<b>Actual</b> <b>Dec</b> <b>2018</b>	<b>Variance</b> <b>Dec</b> <b>2018</b>	<b>%</b> <b>Variance</b>
<b>Total Expenditure</b>						
- Direct Operating	15,771	16,520	7,847	8,083	236	
- Indirect Operating	11,691	13,400	6,699	6,263	(436)	
<b>Total Expenditure</b>	<b>27,462</b>	<b>29,920</b>	<b>14,546</b>	<b>14,346</b>	<b>(200)</b>	<b>-1%</b>
<b>Total Revenue</b>						
- Operating Revenue	(11,949)	(12,684)	(5,341)	(6,113)	(772)	
- Rates Revenue	(19,727)	(20,476)	(10,408)	(10,490)	(82)	
<b>Total Revenue</b>	<b>(31,676)</b>	<b>(33,160)</b>	<b>(15,749)</b>	<b>(16,603)</b>	<b>(854)</b>	<b>5%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>(4,214)</b>	<b>(3,240)</b>	<b>(1,203)</b>	<b>(2,257)</b>	<b>(1,054)</b>	<b>88%</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>(1,203)</b>	<b>(2,257)</b>	<b>(1,054)</b>	<b>88%</b>

3.3 **Net Operating Surplus:** The net operating surplus of \$2,257,000 was \$1,054,000 more than budget for the period ended 31 December 2018. The Cost of Service Statements for each activity are included as Appendix 1.

3.4 **Total Expenditure** was \$200,000 less than budget for the period ended 31 December 2018.

- **Direct operating expenditure** was \$236,000 more than budget. The main contributors to this variance in order of magnitude are:
  - Roads and Footpaths: \$514,000 more than budget due to emergency reinstatement and minor emergency events, environmental maintenance and network asset management expenditures being incurred during the period.

This increase in direct expenditure is offset by:

- Sewerage: \$117,000 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.



- **Indirect expenditure** was \$436,000 less than budget:
  - Interest: \$469,000 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 that date was \$41.12 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: \$25,000 less than forecast mainly due to reduced depreciation for Water Supply and Leadership. 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 5% (\$854,000) more than budget for the period ended 31 December 2018.

- **Operating revenue** \$772,000 more than budget. The main contributors to this variance are:
  - Water Supply: \$223,000 more than budget due to additional revenue being recognised from insurance proceeds of Mokau Dam repairs.
  - Community Service: \$207,000 more than budget due to grant revenue for the Te Kuiti Holiday Park and dump station construction being recognised.
  - Solid Waste Management: \$167,000 more than budget due to increase in revenue from Refuse Dump Charges and sales of Special Waste.
  - Roads and Footpaths: \$155,000 more than budget due to increased maintenance costs being incurred for the period, and subsidy on the remainder of the LED Streetlight Program.

This increase in revenue is offset by:

- Sewerage: \$54,000 less than budget due to a reduction in trade waste revenue for the period.
- **Rates revenue** was \$82,000 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 December 2018. The full Balance Sheet is attached as **Appendix 2**.

<b>BALANCE SHEET HIGHLIGHTS</b> <b>(Amounts in \$000's)</b>	<b>Actual</b> <b>Position</b> <b>30 Jun</b> <b>2018</b>	<b>Actual</b> <b>Position</b> <b>31 Dec</b> <b>2018</b>	<b>Movement</b> <b>from</b> <b>30 Jun</b> <b>2018</b>
<b>Assets</b>			
- Cash and cash equivalents	1,762	1,685	(77)
- Receivables	5,331	3,633	(1,698)
- Other current assets	84	84	0
- Other financial assets	12,616	12,323	(293)
- Non-current assets	343,305	344,506	1,201
<b>TOTAL ASSETS</b>	<b>363,098</b>	<b>362,231</b>	<b>(867)</b>
<b>Liabilities</b>			
- Other Liabilities	5,965	3,457	(2,508)
- Total Borrowings	41,737	41,121	(616)
- Derivative financial instruments	1,737	1,737	0
<b>Total Liabilities</b>	<b>49,439</b>	<b>46,315</b>	<b>(3,124)</b>
<b>Equity</b>			
- Equity	313,659	315,916	2,257
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>363,098</b>	<b>362,231</b>	<b>(867)</b>

3.8 Total Assets have decreased from \$363.1 million to \$362.2 million.

- Cash and cash equivalents have decreased by \$77,000 from \$1,762,000 to \$1,685,000.
- Receivables decreased by \$1,698,000 since 30 June 2018 from \$5.33 million to \$3.60 million. There was a decrease in the receivable from NZTA for road subsidy and the GST refund receivable at 31 December.
- Other financial assets decreased by \$293,000. 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 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 \$1,201,000. The increase is due to the net effect of asset additions of \$4,153,000 less depreciation of \$2,926,000 and loss on sale of assets of \$26,000.

3.9 Total Liabilities have decreased from \$49.4 million to \$46.3 million.

- Other Liabilities decreased by \$2,508,000 due to a general decrease in Payables at 31 December 2018.
- Total Borrowings decreased by \$616,000 from \$41.7 million to \$41.1 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 \$250,000 but accrued interest increased by \$9,000.

3.10 Equity increased by \$2,257,000 to \$315.9 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 December 2018.

<b>CAPITAL EXPENDITURE SUMMARY (Amounts in \$000's)</b>	<b>LTP 2018/19</b>	<b>Actual Dec 2018</b>	<b>Variance 2018/19</b>
<b>Governance: Leadership and Investments</b>			
- Corporate Support	860	280	(580)
<b>Community Service</b>			
- Parks and Reserves	207	46	(161)
- Housing and Other Property	51	651	600
- Recreation and Culture	191	77	(114)
- Public Amenities	519	90	(429)
<b>Community Development</b>			
- District Development	0	9	9
<b>Solid Waste Management</b>			
- Landfill Management	217	130	(87)
<b>Stormwater</b>			
- Urban	194	19	(175)
- Rural	5	0	(5)
<b>Sewerage</b>			
- Te Kuiti Sewerage	622	291	(331)
- Te Waitere Sewerage	0	5	5
- Benneydale Sewerage	52	0	(52)
- Piopio Sewerage	19	23	4
<b>Water Supply</b>			
- Te Kuiti Water	406	865	459
- Mokau Water	115	245	130
- Piopio Water	339	79	(260)
- Benneydale Water	4	1	(3)
<b>Roads and Footpaths</b>			
- Subsidised Roads	6,293	1,337	(4,956)
- Unsubsidised Roads	160	5	(155)
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>10,254</b>	<b>4,153</b>	<b>(6,101)</b>

4.2 Capital Expenditure was \$4.15 million for the period ended 31 December 2018, of which \$1.34 million (32%) related to Roads, \$1.19 million (29%) related to Water Supply and \$0.86 million (21%) 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 \$280,000 has been for fleet vehicle replacements and 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). Minor expenditure to date.
- 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 capital expenditure budget shows total expenditure of \$651,000.
- 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 ablution block project and there has also been further funding received from NZ Motor Caravan Association to install a new public dump station on the site. Expenditure on the Te Kuiti Holiday Park totalled \$565,000 including services and stormwater costs. Other costs contributed to the holiday park include fencing, electrical, landscaping, signage, plumbing, compliance and consultancy fees.
- The development of the Marokopa Holiday Park (\$43,000) involved the retrofitting of Kiwicamp technology, electrical and plumbing upgrades, and fencing and signage.
- Elderly persons housing renewals and miscellaneous building renewals (Budget \$51,100). Miscellaneous building renewals of \$42,000 have been spent to date.

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

- Expenditures for the period was for library collection renewals and is ongoing (Budget \$48,000). Expenditure to date is \$19,500.
- Library technology and library renewals (Budget \$37,000 and carry over \$26,400): Expenditures of \$32,600 incurred for the replacement of library furniture, shelving and automatic doors.
- Aquatic centre renewals (Budget \$21,000 and carry over \$12,000). Expenditure of \$15,000 to date for the replacement of the cladding for the back wall of the grandstand canopy.

##### **Public Amenities:**

- Te Kuiti toilet renewal and other minor toilet renewals (Budget \$73,000 and carry over \$7,900). The renewal of graffiti resistant partitions for Te Kuiti central toilet commenced towards the end of last financial year. Minor expenditure recognised to date.
- Mokau toilet renewal (Budget \$320,000): Minor 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 \$44k). There is \$140K 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 and Queen St carpark (Budget \$58,600). \$44,418 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 \$88,000. (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.

#### 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.

#### 4.9 **Sewerage**

- Te Kuiti waste water treatment plant (Budget \$234,000): Expenditures for the period of \$28,000 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 about 80% completed. Due to unforeseen circumstances such as the bore head hitting buried logs underground and health and safety issues, it is likely to be completed on March 2019. The cost so far is \$263,680.
- Te Waitete Sewerage had expenditure of \$4,800 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 \$22,500 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 \$746,000 (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 December 2018 is \$6,912,000, leaving \$555,000 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 \$746,000 was spent for the year to date with the following details:
  - Phase 1 – UV Chemical dosing: Completed but work is currently still ongoing as it requires electrical connectivity (when electric gate is completed)
  - 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 to be completed (\$440K)
  - Phase 3 – Clarifier and Site Upgrade: Entrance and Exit gates with automation is yet to be completed (\$79K)
  - Phase 4 – Filters 3 and 4 upgrades were already completed
  - General Electrical Upgrade (\$168K)
  - SCADA and Telemetry Upgrades (\$31K)
- Te Kuiti reticulation and pump station renewals (Budget \$304,000): Expenditures for the period was \$119,800 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. The funds were instead used to repair the water storage dam issue. This is now completed and the invoice from the contractor is currently been reviewed before payment can be approved. This repair will be partly funded by insurance proceeds.
- 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 has been awarded to Applied Engineering of Cambridge. The contractor is busy with the design and verification of the design with the consultants. Expenditure to date was \$4,700.
- 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.

The capex spent so far are for the new tobies, with back-flow devices, minor renewals and supply and installation of 18 membrane modules at the water treatment plant (\$74,600).

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

#### 4.12 **Subsidised Roads**

- Minor improvements expenditure of \$43,481 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 \$161,000. This activity is weather dependent.
- Pavement rehabilitation (Budget \$1,700,000): Expenditure for the period was \$76,000 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 \$491,000 in the period ending 31 December 2018.
- 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 \$72,000.
- Traffic services renewals (Budget \$150,000): Expenditure for the period was \$87,000.
- Unsealed road metaling (Budget \$600,000): Expenditure for the period was \$255,000. The annual unsealed road metaling program is well underway and on target.
- Emergency reinstatement (Budget \$700,000): minor expenditures incurred for the period.
- 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 \$36,000. 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): Minor expenditures incurred for the period.

### 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.

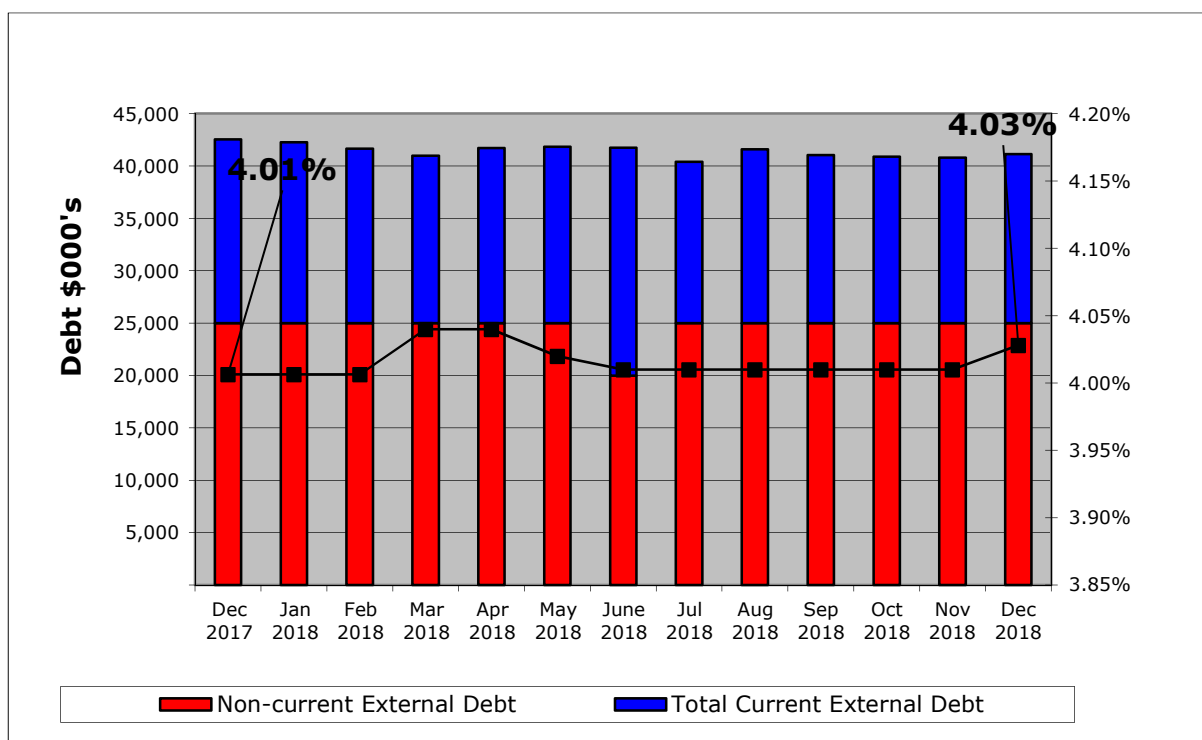
## 5.2 CASH POSITION

5.3 Council's cash position at 31 December 2018 was \$1,685,000 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 December 2018. The trend line overlaid is the effective weighted average interest rate currently being paid on all loans.



5.7 At 31 December 2018 the effective weighted average interest rate for all loans excluding accrued interest and Call Advance facility costs was 4.03%, a small increase from 30 June 2018 when it was 4.01%.

5.8 The reason for the increase was due to an interest rate increase for the Commercial Paper re-issued on the 22 November, where the interest increased from 2.11% to 2.24%.

## 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 December 2018 was \$41,121,000.

## 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 0.90% credit margin plus the Westpac Prime rate (which is similar to the BKBM rate). At 31 December the rate charged was 2.85%.
- 5.15 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.

#### 5.16 DETAILS OF LOAN PORTFOLIO

- 5.17 The following table records the public debt position and the key dates for each loan as at 31 December 2018. 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 December 2018	Interest Rate Exposure	Loan Start Date	Loan Maturity Date	Effective Interest Reprice Date	Loan Balance	Effective Interest Rate
<b>Current Loans</b>						
Accrued Interest					270,528	0.000%
Call Advance	Floating		1/07/2019		850,000	2.850%
LGFA: Commercial Paper	Floating	2/08/2018	30/01/2019	30/01/2019	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>16,120,528</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>41,120,528</b>	<b>4.03%</b>
<b>Cash &amp; Liquid Investments</b>						
Cash Held on Trust for Retention Obligations					330,000	
Cash					1,355,326	
<b>Total Cash &amp; Liquid Investments</b>					<b>1,685,326</b>	
<b>Public Debt Net of Investments</b>					<b>39,435,202</b>	

- 5.18 Total public debt was \$41,120,528 and cash assets were \$1,685,326 at 31 December 2018 giving a net debt position of **\$39,435,202**.
- 5.19 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.
- 5.20 All of Council's debt is now with the LGFA apart from the Call Advance facility which is with Westpac.
- 5.21 During the three months since 30 September 2018, two significant treasury transactions were undertaken;

5.22 Commercial Paper for \$5 million was issued on the 22 November at 2.24% for 181 days. The proceeds were used to repay a CP maturing on that date. The interest rate increased by 0.13% from 2.11% for this tranche of debt.

5.23 The second transaction was the execution of a new interest rate swap transaction. A forward starting pay-fixed-receive-floating interest rate swap was entered into, with the fixed rate being 2.89%, start date 11 September 2020 and finish date 11 September 2026. This swap will follow on from the swap hedging interest exposure on the Floating Rate Debt, which has a maturing date of 11 September 2020 and its replacement debt. The reason for this transaction is to ensure continued compliance with Treasury Management Policy for interest rate exposure.

#### 5.24 **TREASURY EVENTS SINCE 31 DECEMBER 2018**

5.25 This treasury report portrays the debt position of Council at 31 December 2018.

5.26 Since that date to the date of this report no significant treasury management events have taken place.[WLR2]

5.27 Advice has been received from Westpac Bank that the credit margin applicable to the Wholesale Advance facility will increase from 2.85% to 2.95%, effective from 1 February 2019. This increase is consistent with credit margin increases for borrowers.

5.28 The LGFA, through their weekly pricing update have indicated a margin increase for unrated councils of 0.02% to 0.22% for short term debt (less than 181 days). This revised margin will be applicable for any new short term debt being drawn.

#### 5.29 **INTEREST COSTS**

5.30 The total actual interest paid for the period was \$829,000 against the budget of **\$1,298,000; \$469,000 (or 36%) less** due to a lower debt position and securing better interest rates than forecast in the EAP. Interest paid as a portion of total revenue is **5%**; Council's Treasury Policy requires that this amount not exceed 10%.

#### 5.31 **COMPLYING WITH FINANCIAL COVENANTS**

5.32 The following financial covenants used by Council for the management of its liabilities are provided for in the Treasury Management Policy adopted in June 2018 (as part of adoption the LTP 2018-28).

5.33 Where possible measurement of the financial covenant against policy limits will be undertaken as part of the quarterly financial reporting process.

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

5.35 As detailed in paragraph 5.30, above interest paid as a portion of total revenue is 5%.

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

5.37 Net interest paid year to date is \$823,000, made up of total borrowing costs of \$829,000 less interest received of \$6,000. Net interest to total revenue is 5%.

- 5.38 Total borrowings must not exceed 20% of total assets.
- 5.39 Total borrowings at balance date was \$41.12 million and total assets \$362.20 million, resulting in a ratio of 11%.
- 5.40 The ratio of net debt to total revenue will not exceed 170%.
- 5.41 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).
- 5.42 Net interest will not exceed 20% of annual rates.
- 5.43 Net interest paid year to date is \$823,000. Year to date Rates Revenue received is \$10.49 million. The resulting ratio is 8%.
- 5.44 **FINANCIAL DERIVATIVES AND HEDGE ACCOUNTING**
- 5.45 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 whereas at 31 December 2018 their net value was a liability of \$1,887,000. In accordance with the Treasury Policy the interest rate swaps valuation will be recognised in the ledger at 30 June 2019.
- 5.46 The notional value of swap contracts in place at 31 December 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

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

<b>(Amounts in \$000's)</b>	<b>30.06.18</b>	<b>31.12.18</b>	<b>\$</b>	<b>%</b>
Rates Receivable	2,309	2,382	(73)	-3%
Rates Penalties	1,475	1,685	(210)	-14%
<b>Rates and Penalties Receivable</b>	<b>3,784</b>	<b>4,067</b>	<b>(283)</b>	<b>-7%</b>
Extraordinary Water Charges	297	241	56	19%
<b>Total Rates receivable</b>	<b>4,081</b>	<b>4,309</b>	<b>-228</b>	<b>-6%</b>
NZ Transport Agency Subsidy	1,560	555	1,005	64%
Ministry of Health Subsidy	0	0	0	0%
Other Receivables	1,555	815	740	48%
<b>Other Receivables</b>	<b>3,115</b>	<b>1,370</b>	<b>1,745</b>	<b>56%</b>
<b>Gross Receivables</b>	<b>7,196</b>	<b>5,678</b>	<b>1,518</b>	<b>21%</b>
Less Provision for Doubtful Debts	(1,865)	(2,045)	180	-10%
<b>Total Receivables</b>	<b>5,331</b>	<b>3,633</b>	<b>1,698</b>	<b>32%</b>

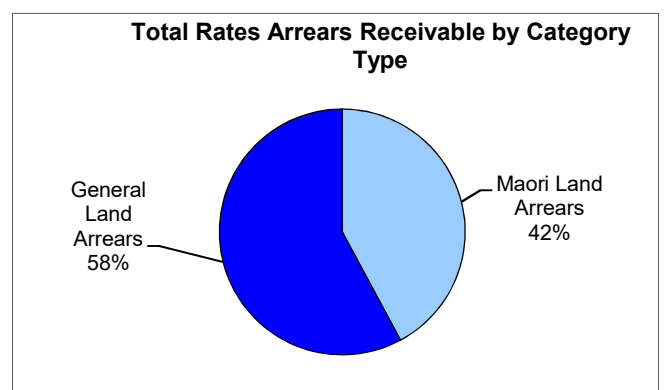
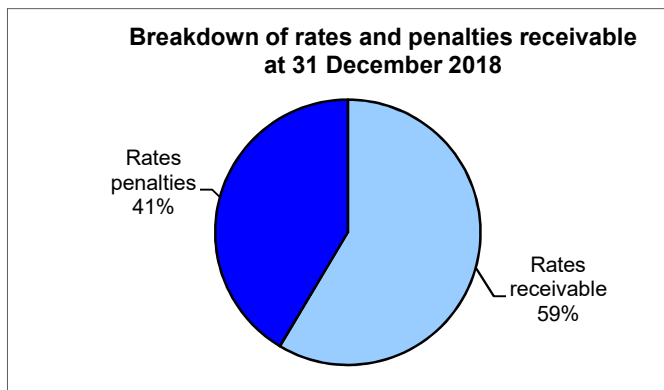
**7.3 RATES AND PENALTIES RECEIVABLE**

**7.4 Current year rates**

7.5 At 31 December, the second instalment was issued, due by 30 November. The collection percentage was 95% (June 18: 96%).

**7.6 Rates Receivables (excluding metered water rates)**

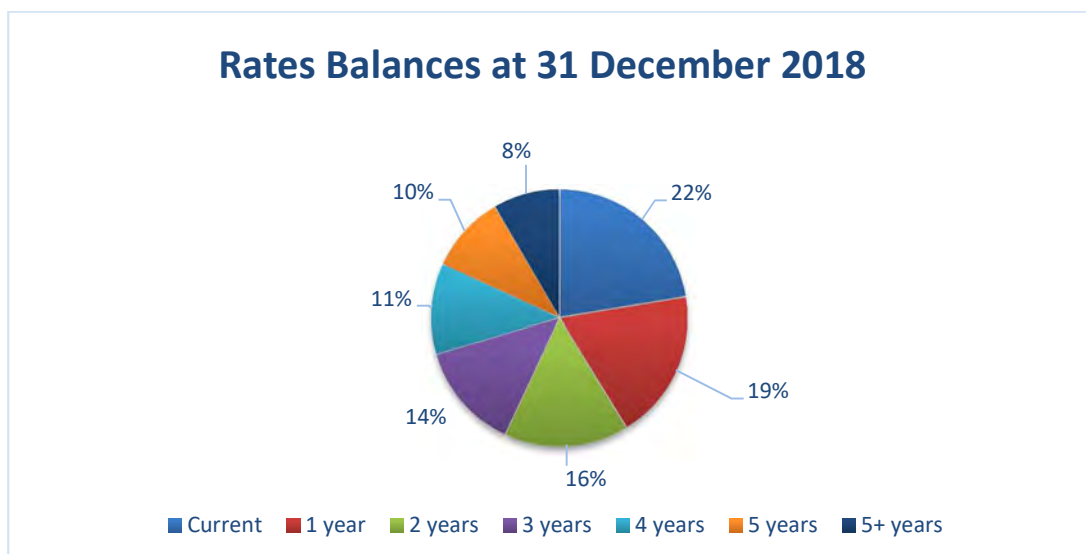
7.7 There was \$4.06 million of rates and penalties outstanding at 31 December 2018. This amount excludes rates paid in advance on future instalments. This total is made up of rates of \$2.38 million and penalties of \$1.68 million.



7.8 Rates and penalties receivable increased by \$283,000 since June 2018. Of this increase, rates receivable increased by \$73,000 and rates penalties increased by \$210,000.

7.9 A total of \$179K of rates and penalties remissions have been entered against a full year's budget (\$295K).

7.10 The following graph illustrates the ageing of the rates receivable balance. Of the outstanding balance of \$4.06 million, \$911K (22%) relates to current year, \$766K (19%) for the 2017/2018 year rates and the balance spread across the remaining years in a diminishing fashion.

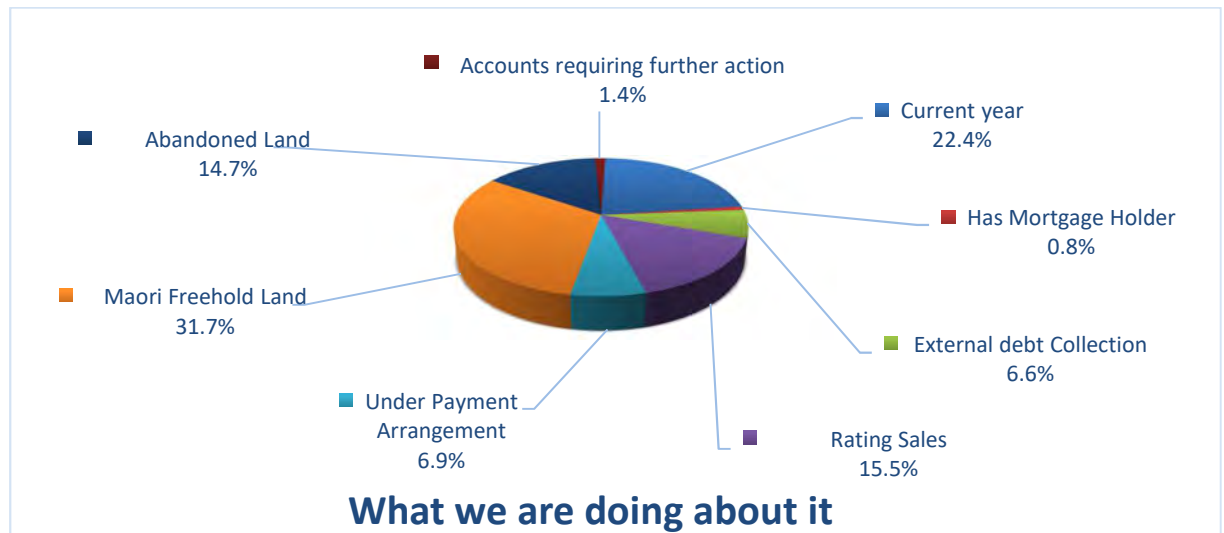


7.11 The outstanding balance of rates is being actively managed through a variety of collection methods including lump sum payments, approved payment

arrangements, demands on mortgage holders, placement of arrears with external debt collection agency and initiating properties for abandoned land and rating sale processes.

7.12 For the six months to 31 December 2018, arrears have been reduced by \$628,000 (17%) of the \$3,784,000 that was outstanding at 30 June 2018.

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



7.14 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 10 properties with arrears total \$33,000 that were demanded in December. The outstanding demands are being followed up on.

7.15 Of the arrears owing at 31 December \$1.33m, (42%) relates to Maori freehold land.

- \$281,465 are under some form of payment arrangement
- 25 Properties totaling \$631,000 have been identified for rating sale. Two properties have been approved by the courts to commence sale of the properties. Since the previous quarter 4 properties that were flagged as rating sale either changed ownership or entered into payment arrangement. A total of \$63,000 was received in Lump sum payments.
- In addition to this, there are \$596,000 of arrears relating to 40 properties that 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 flagged 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 lump sum payment of \$25,000 was received for one of these properties
- A further \$56,000 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.

#### 7.16 **Other Debtors Receivable**

7.17 At 31 December 2018 'Other Receivables' totalled \$1.337 million of which \$110,495 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**

##### 7.2 **Direct Revaluation**

7.3 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 valuations were open to objections until 7 December 2018.

7.4 Council received 61 objections, most of which were based on owners providing evidence of improvements or clear descriptions of their properties. 20 of the objections have been processed by the VSP to date - 17 of which had a value change. Six rating units had a capital value increase and 11 had a capital value decrease.

7.5 The rest of the objections are expected to be processed by the end of February at the latest. The values from the 2018 district revaluation will be used for rating purposes from 1 July 2019.

### **Suggested Resolution**

The business paper on Financial Report for the period ended 31 December 2018 be received.



VIBHUTI CHOPRA  
**GROUP MANAGER – CORPORATE SERVICES**

12 February 2019

#### **Attachments:**

- |    |  |         |
|----|--|---------|
| 1. | Bancorp Treasury Services Limited: Treasury Report for Waitomo District Council for the quarter ended 31 December 2018 | A419876 |
| 2. | Statement of Service Performance Report on Levels of Service and Key Performance Indicators                            | A416497 |

## 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 Dec 2018	Actual Dec 2018	Variance Dec 2018	% Variance
<b>Direct Operating Expenditure</b>						
- Leadership	986	510	219	226	7	
- Community Service	2,019	2,390	1,296	1,236	(60)	
- Community Development	838	1,973	481	473	(8)	
- Compliance	216	238	121	78	(43)	
- Solid Waste Management	999	1,318	573	619	46	
- Stormwater Drainage	305	159	95	80	(15)	
- Resource Management	89	321	132	147	15	
- Sewerage	1,699	1,761	915	798	(117)	
- Water Supply	2,146	1,571	831	728	(103)	
- Roads and Footpaths	6,474	6,279	3,184	3,698	514	
<b>Total Direct Operating Expenditure</b>	<b>15,771</b>	<b>16,520</b>	<b>7,847</b>	<b>8,083</b>	<b>236</b>	<b>3%</b>
<b>Indirect Expenditure</b>						
- Allocated Costs	4,115	4,897	2,450	2,508	58	
- Interest	1,764	2,598	1,298	829	(469)	
- Depreciation	5,812	5,905	2,951	2,926	(25)	
<b>Total Indirect Expenditure</b>	<b>11,691</b>	<b>13,400</b>	<b>6,699</b>	<b>6,263</b>	<b>(436)</b>	<b>-7%</b>
<b>TOTAL EXPENDITURE</b>	<b>27,462</b>	<b>29,920</b>	<b>14,546</b>	<b>14,346</b>	<b>(200)</b>	<b>-1%</b>
<b>Operating Revenue</b>						
- Leadership	(80)	(100)	(58)	(79)	(21)	
- Community Service	(600)	(688)	(267)	(474)	(207)	
- Community Development	(155)	(44)	(30)	(24)	6	
- Compliance	(513)	(453)	(308)	(329)	(21)	
- Stormwater Drainage	(12)	0	0	(3)	(3)	
- Resource Management	(172)	(85)	(43)	(78)	(35)	
- Solid Waste Management	(1,386)	(1,120)	(559)	(726)	(167)	
- Sewerage	(1,140)	(860)	(435)	(381)	54	
- Water Supply	(19)	0	0	(223)	(223)	
- Roads and Footpaths	(7,872)	(9,334)	(3,641)	(3,796)	(155)	
<b>Total Operating Revenue</b>	<b>(11,949)</b>	<b>(12,684)</b>	<b>(5,341)</b>	<b>(6,113)</b>	<b>(772)</b>	<b>14%</b>
<b>Rates Revenue</b>						
- General Rate	(3,665)	(4,046)	(2,023)	(2,042)	(19)	
- UAGC	(3,279)	(3,355)	(1,677)	(1,689)	(12)	
- Targeted Rate	(11,604)	(11,905)	(5,953)	(5,995)	(42)	
- Rates Penalties	(426)	(420)	(380)	(398)	(18)	
- Metered Water Rates	(753)	(750)	(375)	(366)	9	
<b>Total Rates Revenue</b>	<b>(19,727)</b>	<b>(20,476)</b>	<b>(10,408)</b>	<b>(10,490)</b>	<b>(82)</b>	<b>1%</b>
<b>TOTAL REVENUE</b>	<b>(31,676)</b>	<b>(33,160)</b>	<b>(15,749)</b>	<b>(16,603)</b>	<b>(854)</b>	<b>5%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>(4,214)</b>	<b>(3,240)</b>	<b>(1,203)</b>	<b>(2,257)</b>	<b>(1,054)</b>	<b>88%</b>

The actuals for 2017/18 excludes rates on Council properties from both revenue and expenditure.

## Governance: Leadership and Investments

<b>GOVERNANCE: LEADERSHIP AND INVESTMENTS</b>	<b>Actual</b>	<b>LTP Budget</b>	<b>YTD Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>%</b>
<b>(Amounts in \$000's)</b>	<b>2017/18</b>	<b>2018/19</b>	<b>Dec 2018</b>	<b>Dec 2018</b>	<b>Dec 2018</b>	<b>Variance</b>
<b>Direct Expenditure</b>						
- Representation	325	297	140	137	(3)	
- Planning & Policy & Monitoring	449	106	19	34	15	
- District and Urban Development	178	0	0	0	0	
- Investments	101	96	60	55	(5)	
- Treasury Management and Overhead Accounts	(67)	11	0	0	0	
<b>Total Direct Expenditure</b>	<b>986</b>	<b>510</b>	<b>219</b>	<b>226</b>	<b>7</b>	<b>3%</b>
- Allocated Costs	1,274	952	478	520	42	
- Interest	264	331	166	109	(57)	
- Depreciation	468	489	244	226	(18)	
<b>Total Operating Expenditure</b>	<b>2,992</b>	<b>2,282</b>	<b>1,107</b>	<b>1,081</b>	<b>(26)</b>	<b>-2%</b>
<b>Operating Revenue</b>						
- Representation	(12)	(11)	(1)	(5)	(4)	
- Investments	(52)	(77)	(51)	(68)	(17)	
- Treasury Management and Overhead Accounts	(16)	(12)	(6)	(6)	0	
<b>Total Operating Revenue</b>	<b>(80)</b>	<b>(100)</b>	<b>(58)</b>	<b>(79)</b>	<b>(21)</b>	<b>36%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>2,912</b>	<b>2,182</b>	<b>1,049</b>	<b>1,002</b>	<b>(47)</b>	<b>-4%</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 4% (\$47,000) less than budget for the period ended 31 December 2018 due mainly to reduced interest costs and depreciation charges.

**Direct Expenditure** was 3% (\$7,000) more than budget for the period.

**Operating Revenue** was 36% (\$21,000) 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

<b>COMMUNITY SERVICE</b> <b>(Amounts in \$000's)</b>	<b>Actual</b> <b>2017/18</b>	<b>LTP</b> <b>Budget</b> <b>2018/19</b>	<b>YTD</b> <b>Budget</b> <b>Dec 2018</b>	<b>Actual</b> <b>Dec 2018</b>	<b>Variance</b> <b>Dec 2018</b>	<b>%</b> <b>Variance</b>
<b>Direct Expenditure</b>						
- Parks and Reserves	402	551	280	228	(52)	
- Housing and Other Property	386	435	301	308	7	
- Recreation and Culture	472	537	272	325	53	
- Public Amenities	686	757	389	333	(56)	
- Safety	73	110	54	42	(12)	
<b>Total Direct Expenditure</b>	<b>2,019</b>	<b>2,390</b>	<b>1,296</b>	<b>1,236</b>	<b>(60)</b>	<b>-5%</b>
- Allocated Costs	517	930	465	479	14	
- Interest	118	179	89	59	(30)	
- Depreciation	860	859	429	444	15	
<b>Total Operating Expenditure</b>	<b>3,514</b>	<b>4,358</b>	<b>2,279</b>	<b>2,218</b>	<b>(61)</b>	<b>-3%</b>
<b>Operating Revenue</b>						
- Parks and Reserves	(25)	(27)	(14)	(14)	0	
- Housing and Other Property	(378)	(303)	(152)	(352)	(200)	
- Recreation and Culture	(143)	(144)	(72)	(59)	13	
- Public Amenities	(54)	(214)	(29)	(49)	(20)	
<b>Total Operating Revenue</b>	<b>(600)</b>	<b>(688)</b>	<b>(267)</b>	<b>(474)</b>	<b>(207)</b>	<b>78%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>2,914</b>	<b>3,670</b>	<b>2,012</b>	<b>1,744</b>	<b>(268)</b>	<b>-13%</b>

**Net Operating Cost** was 13% (\$268,000) less than budget for the period ended 31 December 2018.

**Direct Expenditure** was 6% (\$60,000) less than budget for the period.

- Expenditure for Public Amenities, and Parks and Reserves 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 and Les Munro Centre.

**Operating Revenue** was 78% (\$207,000) more than budget for the period.

- In Housing and Other Property, Grant Revenue of \$195,000 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.

## Community Development

<b>COMMUNITY DEVELOPMENT (Amounts in \$000's)</b>	<b>Actual 2017/18</b>	<b>LTP Budget 2018/19</b>	<b>YTD Budget Dec 2018</b>	<b>Actual Dec 2018</b>	<b>Variance Dec 2018</b>	<b>% Variance</b>
<b>Direct Expenditure</b>						
- Community Support	505	1,644	401	411	10	
- District Development	333	329	80	62	(18)	
<b>Total Direct Expenditure</b>	<b>838</b>	<b>1,973</b>	<b>481</b>	<b>473</b>	<b>(8)</b>	<b>-2%</b>
- Allocated Costs	594	748	374	310	(64)	
- Interest	0	2	1	0	(1)	
- Depreciation	10	17	9	5	(4)	
<b>Total Expenditure</b>	<b>1,442</b>	<b>2,740</b>	<b>865</b>	<b>788</b>	<b>(77)</b>	<b>-9%</b>
<b>Operating Revenue</b>						
- Community Support	0	(2)	0	0	0	
- District Development	(155)	(42)	(30)	(24)	6	
<b>Total Operating Revenue</b>	<b>(155)</b>	<b>(44)</b>	<b>(30)</b>	<b>(24)</b>	<b>6</b>	<b>-20%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>1,287</b>	<b>2,696</b>	<b>835</b>	<b>764</b>	<b>(71)</b>	<b>-9%</b>

**Net Operating Cost** for the Community Development Activity was 9% (\$71,000) less than budget for the period ended 31 December 2018.

**Direct Expenditure** was 2% (\$8,000) less than budget for the period.

**Operating Revenue** was 20% (\$6,000) less than budget for the period.

## Compliance

Compliance (Amounts in \$000's)	Actual 2017/18	LTP Budget 2018/19	YTD Budget Dec 2018	Actual Dec 2018	Variance Dec 2018	% Variance
<b>Direct Expenditure</b>						
- Compliance	216	238	121	78	(43)	
<b>Total Direct Expenditure</b>	<b>216</b>	<b>238</b>	<b>121</b>	<b>78</b>	<b>(43)</b>	<b>-36%</b>
- Allocated Costs	724	770	385	385	0	
- Interest	1	1	0	0	0	
- Depreciation	5	5	2	3	1	
<b>Total Expenditure</b>	<b>946</b>	<b>1,014</b>	<b>508</b>	<b>466</b>	<b>(42)</b>	<b>-8%</b>
<b>Operating Revenue</b>						
- Compliance	(513)	(453)	(308)	(329)	(21)	
<b>Total Operating Revenue</b>	<b>(513)</b>	<b>(453)</b>	<b>(308)</b>	<b>(329)</b>	<b>(21)</b>	<b>7%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>433</b>	<b>561</b>	<b>200</b>	<b>137</b>	<b>(63)</b>	<b>-32%</b>

**Net Operating Surplus** for the Compliance Activity was 32% (\$63,000) less than budget for the period ended 31 December 2018.

**Direct Expenditure** was 36% (\$43,000) less than budget for the period.

- Expenditures for contractors' costs for animal control, earthquake prone building work (EPB) and environmental health were less than budget.

**Operating Revenue** was 7% (\$21,000) more than budget for the period.

- Building Control revenue was more than budget for the period. Building consent revenue received for the period to December was \$109,000 from 80 processed consents (with a total value of \$7,667,364), slightly lower than that received from 80 processed consents for the same period last year (with a total value \$13,010,592). This was partly offset by reduced health act licence fee revenue.
- 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 Dec 2018	Actual Dec 2018	Variance Dec 2018	% Variance
<b>Direct Expenditure</b>						
- District Plan Administration	89	71	22	40	18	
- District Planning	0	250	110	107	(3)	
<b>Total Direct Expenditure</b>	<b>89</b>	<b>321</b>	<b>132</b>	<b>147</b>	<b>15</b>	<b>11%</b>
- Allocated Costs	183	610	305	311	6	
- Interest	0	27	14	8	(6)	
<b>Total Expenditure</b>	<b>272</b>	<b>958</b>	<b>451</b>	<b>466</b>	<b>15</b>	<b>3%</b>
<b>Operating Revenue</b>						
- District Plan Administration	(172)	(85)	(43)	(78)	(35)	
<b>Total Operating Revenue</b>	<b>(172)</b>	<b>(85)</b>	<b>(43)</b>	<b>(78)</b>	<b>(35)</b>	<b>81%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>100</b>	<b>873</b>	<b>408</b>	<b>388</b>	<b>(20)</b>	<b>-5%</b>

**Net Operating Cost** for the Resource Management Activity was 5% (\$20,000) less than budget for the period ended 31 December 2018.

**Direct Expenditure** was 11% (\$15,000) more than budget for the period.

- This is mainly due to 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 and ecology). Additional expenditure will be incurred on an on-going basis in relation to the District Plan Review project.

**Operating Revenue** was 81% (\$35,000) 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 of applications being processed and cost recovery of actual processing costs from applicants. There have been 26 resource consents processed for the period to 31 December 2018.

## Solid Waste Management

<b>SOLID WASTE MANAGEMENT</b> <b>(Amounts in \$000's)</b>	<b>Actual</b> <b>2017/18</b>	<b>LTP</b> <b>Budget</b> <b>2018/19</b>	<b>YTD</b> <b>Budget</b> <b>Dec 2018</b>	<b>Actual</b> <b>Dec 2018</b>	<b>Variance</b> <b>Dec 2018</b>	<b>%</b> <b>Variance</b>
<b>Direct Expenditure</b>						
- Collection	302	289	134	130	(4)	
- Landfill Management	697	1,029	439	489	50	
<b>Total Direct Expenditure</b>	<b>999</b>	<b>1,318</b>	<b>573</b>	<b>619</b>	<b>46</b>	<b>8%</b>
- Allocated Costs	395	389	194	209	15	
- Interest	183	255	127	77	(50)	
- Depreciation	86	91	45	33	(12)	
<b>Total Expenditure</b>	<b>1,663</b>	<b>2,053</b>	<b>939</b>	<b>938</b>	<b>(1)</b>	<b>0%</b>
<b>Operating Revenue</b>						
- Collection	(132)	(137)	(68)	(70)	(2)	
- Landfill Management	(1,254)	(983)	(491)	(656)	(165)	
<b>Total Operating Revenue</b>	<b>(1,386)</b>	<b>(1,120)</b>	<b>(559)</b>	<b>(726)</b>	<b>(167)</b>	<b>30%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>277</b>	<b>933</b>	<b>380</b>	<b>212</b>	<b>(168)</b>	<b>-44%</b>

**Net Operating Cost** for the Solid Waste Management Activity was 44% (\$168,000) less than budget for the period ended 31 December 2018.

**Direct Expenditure** was 8% (\$46,000) 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 also more than budget.

**Operating Revenue** was 30% (\$167,000) 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

<b>STORMWATER DRAINAGE</b> <b>(Amounts in \$000's)</b>	<b>Actual</b> <b>2017/18</b>	<b>LTP</b> <b>Budget</b> <b>2018/19</b>	<b>YTD</b> <b>Budget</b> <b>Dec 2018</b>	<b>Actual</b> <b>Dec 2018</b>	<b>Variance</b> <b>Dec 2018</b>	<b>%</b> <b>Variance</b>
<b>Direct Expenditure</b>						
- Te Kuiti Stormwater	286	134	81	71	(10)	
- Rural Stormwater	19	25	14	9	(5)	
<b>Total Direct Expenditure</b>	<b>305</b>	<b>159</b>	<b>95</b>	<b>80</b>	<b>(15)</b>	<b>-16%</b>
- Allocated Costs	25	50	25	31	6	
- Interest	3	4	2	1	(1)	
- Depreciation	181	180	90	95	5	
<b>Total Expenditure</b>	<b>514</b>	<b>393</b>	<b>212</b>	<b>207</b>	<b>(5)</b>	<b>-2%</b>
<b>Operating Revenue</b>						
- Te Kuiti Stormwater	(12)	0	0	(2)	(2)	
- Rural Stormwater	0	0	0	(1)	(1)	
<b>Total Operating Revenue</b>	<b>(12)</b>	<b>0</b>	<b>0</b>	<b>(3)</b>	<b>(3)</b>	<b>0%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>502</b>	<b>393</b>	<b>212</b>	<b>204</b>	<b>(8)</b>	<b>-4%</b>

**Net Operating Cost** for the Stormwater Drainage Activity was 4% (\$8,000) less than budget for the period ended 31 December 2018.

**Direct Expenditure** was 16% (\$15,000) less than budget for the period.

- Expenditures for internal WSBU charges were less than budget.

**Operating Revenue** was \$3,000 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 Dec 2018	Actual Dec 2018	Variance Dec 2018	% Variance
<b>Direct Expenditure</b>						
- Waitomo Village	6	5	1	0	(1)	
- Te Kuiti	1,415	1,460	768	716	(52)	
- Te Waitere	17	41	21	3	(18)	
- Benneydale	140	108	56	23	(33)	
- Piopio	121	147	69	56	(13)	
<b>Total Direct Expenditure</b>	<b>1,699</b>	<b>1,761</b>	<b>915</b>	<b>798</b>	<b>(117)</b>	<b>-13%</b>
- Allocated Costs	196	211	106	125	19	
- Interest	343	478	239	159	(80)	
- Depreciation	770	778	389	404	15	
<b>Total Expenditure</b>	<b>3,008</b>	<b>3,228</b>	<b>1,649</b>	<b>1,486</b>	<b>(163)</b>	<b>-10%</b>
<b>Operating Revenue</b>						
- Te Kuiti	(1,123)	(850)	(425)	(354)	71	
- 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>(435)</b>	<b>(381)</b>	<b>54</b>	<b>-12%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>1,868</b>	<b>2,368</b>	<b>1,214</b>	<b>1,105</b>	<b>(109)</b>	<b>-9%</b>

**Net Operating Cost** for the Sewerage Activity was 9% (\$109,000) below budget for the period ended 31 December 2018.

**Direct Expenditure** was 13% (\$117,000) 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 12% (\$54,000) less than budget for the period.

- 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.
- Connection fees revenue has also been received for Te Kuiti and Piopio.

## Water Supply

<b>WATER SUPPLY</b> <b>(Amounts in \$000's)</b>	<b>Actual</b> <b>2017/18</b>	<b>LTP</b> <b>Budget</b> <b>2018/19</b>	<b>YTD</b> <b>Budget</b> <b>Dec 2018</b>	<b>Actual</b> <b>Dec 2018</b>	<b>Variance</b> <b>Dec 2018</b>	<b>%</b> <b>Variance</b>
<b>Direct Expenditure</b>						
- Te Kuiti	1,546	986	520	499	(21)	
- Mokau	284	204	110	71	(39)	
- Piopio	210	259	135	101	(34)	
- Benneydale	88	117	65	56	(9)	
- Waitomo Village	18	5	1	1	0	
<b>Total Direct Expenditure</b>	<b>2,146</b>	<b>1,571</b>	<b>831</b>	<b>728</b>	<b>(103)</b>	<b>-12%</b>
- Allocated Costs	207	221	110	131	21	
- Interest	276	533	266	151	(115)	
- Depreciation	560	638	319	243	(76)	
<b>Total Expenditure</b>	<b>3,189</b>	<b>2,963</b>	<b>1,526</b>	<b>1,253</b>	<b>(273)</b>	<b>-18%</b>
<b>Operating Revenue</b>						
- Te Kuiti	(7)	0	0	(4)	(4)	
- Mokau	(4)	0	0	(216)	(216)	
- Piopio	0	0	0	(3)	(3)	
- Benneydale	(2)	0	0	0	0	
<b>Total Operating Revenue</b>	<b>(13)</b>	<b>0</b>	<b>0</b>	<b>(223)</b>	<b>(223)</b>	
<b>Subsidy Revenue</b>						
- Te Kuiti	0	0	0	0	0	
- 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>(223)</b>	<b>(223)</b>	
<b>Net Operating Cost/(Surplus)</b>	<b>3,170</b>	<b>2,963</b>	<b>1,526</b>	<b>1,030</b>	<b>(496)</b>	<b>-33%</b>

**Net Operating Cost** for the Water Supply Activity was 33% (\$496,000) less than budget for the period ended 31 December 2018.

**Direct Expenditure** was 12% (\$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 \$223,000 more than budget for the period.

- Insurance Proceeds of \$216,000 has been included for Mokau for the repair work on Mokau dam. This claim is still in progress with the final costs and proceeds still to be finalised.
- Other revenue received is for new water connections in Te Kuiti and Piopio.



## Roads and Footpaths

ROADS AND FOOTPATHS (Amounts in \$000's)	Actual 2017/18	LTP Budget 2018/19	YTD Budget Dec 2018	Actual Dec 2018	Variance Dec 2018	% Variance
<b>Direct Expenditure</b>						
- Subsidised Roads	6,356	6,152	3,133	3,674	541	
- Unsubsidised Roads	118	127	51	24	(27)	
<b>Total Direct Expenditure</b>	<b>6,474</b>	<b>6,279</b>	<b>3,184</b>	<b>3,698</b>	<b>514</b>	<b>16%</b>
- Allocated Costs	0	16	8	7	(1)	
- Interest	576	788	394	265	(129)	
- Depreciation	2,872	2,848	1,424	1,473	49	
<b>Total Expenditure</b>	<b>9,922</b>	<b>9,931</b>	<b>5,010</b>	<b>5,443</b>	<b>433</b>	<b>9%</b>
<b>Operating Revenue</b>						
- Subsidised Roads	(7,772)	(9,237)	(3,593)	(3,743)	(150)	
- Unsubsidised Roads	(100)	(97)	(48)	(53)	(5)	
<b>Total Operating Revenue</b>	<b>(7,872)</b>	<b>(9,334)</b>	<b>(3,641)</b>	<b>(3,796)</b>	<b>(155)</b>	<b>4%</b>
<b>Net Operating Cost/(Surplus)</b>	<b>2,050</b>	<b>597</b>	<b>1,369</b>	<b>1,647</b>	<b>278</b>	<b>20%</b>
Subsidised Roads Maintenance (Excluding losses on asset disposals)	6,281	6,152	3,123	3,664	541	
Subsidised Roads Capital	5,509	6,293	1,697	1,337	(360)	
<b>Combined Maintenance and Capital</b>	<b>11,790</b>	<b>12,445</b>	<b>4,820</b>	<b>5,001</b>	<b>181</b>	<b>4%</b>
<b>Subsidy Revenue for Subsidised Roads</b>	<b>(7,619)</b>	<b>(9,101)</b>	<b>(3,524)</b>	<b>(3,673)</b>	<b>(149)</b>	<b>4%</b>

**Net Operating Cost** for the Roads and Footpaths Activity was 20% (\$278,000) more than budget for the period ended 31 December 2018.

**Direct Expenditure** was 16% (\$514,000) more than budget for the period.

- Expenditures of \$485,000 incurred for the Emergency Re-instatement (first response) and minor emergency events activity due to weather related damages on the network.
- Unsealed 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.

**Operating Revenue** was 4% (\$155,000) more 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 maintenance expenditure was more than budget, the subsidy associated with this is also more than budget. In addition to that the subsidy rate for LED street lights upgrade is 85%, which was not budgeted for.

## Appendix 2: Balance Sheet as at 31 December 2018

STATEMENT OF FINANCIAL POSITION (Amounts in \$000's)	Actual 30 Jun 2018	Actual Position 31 Dec 2018	Movement from 30 Jun 2018	LTP 30 Jun 2019	Variance from LTP
<b>Equity</b>					
- Accumulated Funds	210,881	213,138	2,257	215,202	2,064
- 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>315,916</b>	<b>2,257</b>	<b>304,743</b>	<b>(11,173)</b>
<b>Current Assets</b>					
- Cash and Cash Equivalents	1,762	1,685	(77)	298	(1,387)
- Inventory	84	84	0	49	(35)
- Other Financial Assets	378	3	(375)	3	0
- Receivables (Non-exchange)	4,800	3,102	(1,698)	5,966	2,864
- Receivables (Exchange)	531	531	0	395	(136)
<b>Total Current Assets</b>	<b>7,555</b>	<b>5,405</b>	<b>(2,150)</b>	<b>6,711</b>	<b>1,306</b>
<b>Current Liabilities</b>					
- Payables and Deferred Revenue (Exchange)	3,718	1,285	(2,433)	4,109	2,824
- Payables and Deferred Revenue (Non-exchange)	878	878	0	526	(352)
- Current Portion of Borrowings	21,737	16,121	(5,616)	15,000	(1,121)
- Provisions	3	3	0	26	23
- Employee Entitlements	616	541	(75)	549	8
- Derivative Financial Instruments	605	605	0	608	3
<b>Total Current Liabilities</b>	<b>27,557</b>	<b>19,433</b>	<b>(8,124)</b>	<b>20,818</b>	<b>1,385</b>
<b>NET WORKING CAPITAL</b>	<b>(20,002)</b>	<b>(14,028)</b>	<b>5,974</b>	<b>(14,107)</b>	<b>(79)</b>
<b>Non Current Assets</b>					
- Property Plant and Equipment	342,203	343,404	1,201	347,181	3,777
- Intangible Assets	314	314	0	525	211
- Investment Property	788	788	0	750	(38)
- Other Financial Assets	418	500	82	407	(93)
- 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>356,826</b>	<b>1,283</b>	<b>353,383</b>	<b>(3,443)</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>315,916</b>	<b>2,257</b>	<b>304,743</b>	<b>(11,173)</b>

**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 December 2018)

## 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 December 2018. 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 December 2018, 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	2	0	2
Community Service	11	4	0	7
Community Development	7	4	0	3
Regulation	8	3	1	4
Solid Waste Management	5	2	1	2
Resource Management	2	2	0	0
Storm water Drainage	8	8	0	0
Sewerage and Treatment	8	8	0	0
Disposal of Sewerage				
Water Supply	17	16	1	0
Roads and Footpaths	6	4	1	1

#### 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 December 2018		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

What We Do (Level of Service)	How We Measure Success (Performance Measure)	Performance Target	Progress to 31 December 2018	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	No data	

	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 December 2018	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 December 2018	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 October to December. 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 December 2018		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 December 2018	Commentary
Provide assistance for community support activities.	Advertisement and administration of all WDC Funding Rounds as per the Community Development Fund Policy.	100% Compliance	100% Achieved	<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>Triennial Grant Fund</li> <li>Community Partnership Fund</li> <li>Provision of Services Fund</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 December 2018	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	On track (1)	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.  <b>The Great NZ Muster is scheduled for 30 March 2019.</b>
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	No data	HWT is scheduled to present their 6 monthly report to Council in March 2019.  Due to HWT staff availability the deputation has been re-scheduled for February 2019.
	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 commenced.

 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 December 2018	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.
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 (96.77%)	30 of 31 consents were processed within 20 working days. One consent which was over the statutory timeframe was due to an administrative error.
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.

	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 December 2018	Commentary
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.
Council meets its obligations under the Dog Control Act 1996	Percentage of Special Owner Status properties inspected per year.	100%	No data	SOP inspections will commence in March 2019.
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 December 2018	Commentary
Dog Owners are well informed of their responsibilities and WDC Support.	Number of Dog/Owner Education initiatives.	≥ 2	Achieved	A number of initiatives have been undertaken to date including public advertisements, information on Council's website and social media; and the promotion of dog safety and responsible dog ownership messages. Free homework books were provided to Waitomo and District schools including Waitomo Caves, Piripiri, Rangitoto, Te Kura O Tahaaroa, and Kinohaku in 2018.

 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 December 2018	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 (YTD 15)	Total of 15 complaints for current financial year.  Total of 7 for second quarter. 183486,183527,183567,183467 184018, 184582, 184378.  4 complaints for October 2018 1 complaint for November 2018 2 complaints for December 2018  Total of 8 for first quarter. 2 Complaints for July 2018 4 Complaints August 2018 2 complaints for September 2018

	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 December 2018	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 December 2018	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 December 2018	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 December 2018	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 (1945 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 December 2018	Commentary
Sewerage System is adequate and is sufficiently maintained.	Number of complaints received in a financial year about; <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 (9)	3 Complaint for the first period and 6 for this current period.
	Total complaints per 1,000 connections ≤35 (Total number of connections 1,945)			
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	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 December 2018	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 (0:27)	
	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 (3:57)	
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 1,945)	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 December 2018	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%)	Monitoring of pH, Turbidity and Free available chlorine leaving the treatment plant and within the network are in compliance with drinking water Standard.

	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 December 2018	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%)	Average from 4 Zones.
	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 December 2018	Commentary
	Piopio	≤ 25%	Achieved (11.99%)	
	Benneydale	≤ 15%	Achieved (4.8%)	
Timely response and resolution of service requests.  ** 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.	The median response times for attendance for urgent call-outs in a financial year**	≤ 180 minutes (3 hrs)	Achieved (1:00)	
	The median resolution time of urgent call-outs in a financial year***	≤ 540 minutes (9hrs)	Achieved (5:15)	
	The median response times for attendance for non-urgent call outs in a financial year**	≤ 660 Minutes (11hrs)	Achieved (0)	There were none Non-Urgent Call Outs up to date.
	The median resolution time of non-urgent call-outs in a financial year***	≤ 96 hours (4 days)	Achieved (0)	There were none Non-Urgent Call Outs up to date.

	Achieved or On Track		Not Achieved		No data available
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A420280 \*\* 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 December 2018	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 2580)		
	drinking water clarity	≤ 5 per 1000 connections (Total number of connections 2580)	Achieved (5)	
	drinking water taste	≤ 5 per 1000 connections	Achieved (0)	
	drinking water odour	≤ 5 per 1000 connections	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 December 2018		Commentary
	drinking water pressure flow	≤ 30 per 1000 connections	Achieved (5)		
	continuity of supply	≤30 per 1000 connections	Achieved (8)		
	Median response time to any of these issues within a year.	≤ 540 minutes	Achieved (1:00)		
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 December 2018	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 December 2018	Commentary
Maintain the overall condition of the unsealed roads to a specified adequate standard.	Percentage of unsealed road metalled each year.	10% (of total)	On track for achievement (6%)	Annual target is 55km as per LTP. 32km has been metalled for the six months to the end of December 2018.
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)	No data	Reseals is a seasonal activity that is programmed for early 2019.
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%	Not achieved (78%)	A total of 265 requests were received in the period 1 July – 31 December 2018. 20 were state highway related. 192 were responded to within 10 working days and 53 were not.

	Achieved or On Track		Not Achieved		No data available
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# TREASURY REPORT

FOR



FOR THE QUARTER ENDED 31 DECEMBER 2018



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

AUCKLAND • WELLINGTON • CHRISTCHURCH

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# 1. MARKET ENVIRONMENT

## 1.1 GLOBAL MARKETS OVERVIEW (FOR THE DECEMBER 2018 QUARTER)

Heightened volatility was prevalent in a number of markets during the December 2018 quarter, with equities, oil prices and interest rates experiencing some of the biggest movements. These are detailed in the table below which shows the quarterly open, high, low and close across various markets.

Instrument /Index	Open	High	Low	Close
US 2 Year Treasury Bond	2.82%	2.93%	2.49%	2.49%
US 10 Year Treasury Bond	3.06%	3.28%	2.68%	2.68%
Germany 10 Year Bund	0.46%	0.58%	0.22%	0.24%
Japan 10 Year Government Bond	0.13%	0.16%	-0.001%	-0.0005%
S&P 500 Share Index	2,924	2,925	2,347	2,506
Nasdaq Share Index	8,065	8,107	6,190	6,635
WTI Crude Oil (per barrel)	USD74.35	USD76.90	USD42.36	USD45.81

Prior to the December quarter, markets had taken the escalating trade tensions (between the US and China in particular) in their stride. However, confidence started to buckle in early October amid growing fears that rising US interest rates and the escalating US-China trade war would weigh on global growth. Equities and oil prices were the first to fall, in early October, while bond yields followed in early November as markets pared back expectations for future Federal Reserve (“Fed”) interest rate hikes in response to a perceived slowdown in economic growth. The downward pressure on these markets intensified in December following a partial shutdown of the US government as President Donald Trump and the Democratic Party failed to reach agreement over funding for the government and the Mexican border wall.

As expected, the Fed’s Open Market Committee (“FOMC”) raised the Fed Funds rate by 25 basis points to a range of 2.25% to 2.50% at its December meeting, the fourth increase for the year, but the Fed’s statement accompanying the hike indicated two interest rate hikes in 2019, down from their previous ‘dot plot’ projection of three. The markets however now expect the Fed Funds rate to remain unchanged throughout 2019.

In Europe, tensions between the European Union (“EU”) and Italy intensified during the quarter after the EU had demanded changes to Italy’s budget plans because of the country’s high debt. Italy initially stood its ground, leading EU officials to threaten disciplinary action and potentially expensive fines. However in late December a deal was reached with Italy agreeing to lower its planned budget deficit from 2.4% to 2.0%, which is still higher than EU officials had originally demanded.

The ongoing saga that is Brexit continued, with British Prime Minister, Theresa May, reaching an agreement with EU officials but then postponing the British Parliamentary vote necessary for the deal to be ratified as she faced almost certain defeat in the House of Commons. A vote on a slightly revised deal is expected in early January although that too looks like facing opposition within Theresa May's own party.

## 1.2 NEW ZEALAND MARKET OVERVIEW (FOR THE DECEMBER 2018 QUARTER)

### 1.3

	OCR	90 day	2 year swap	3 year swap	5 year swap	7 year swap	10 year swap
30-Sep-18	1.75%	1.91%	2.04%	2.15%	2.40%	2.63%	2.92%
31-Dec-18	1.75%	1.97%	1.97%	2.03%	2.21%	2.41%	2.65%
Change	Nil	+0.06%	-0.07%	-0.12%	-0.19%	-0.22%	-0.27%

Two key pieces of economic data released over the December quarter were both positive. Firstly, inflation rose 0.9% in the September quarter, outpacing both market and Reserve Bank of New Zealand ("RBNZ") forecasts. Over the September year, the CPI rose 1.9%, from 1.5% in June. The inflationary culprits were petrol, cigarettes and tobacco (higher excise) and household costs local authority (rates and construction costs). The RBNZ's sectoral factor model of inflation (probably the closest to a core inflation measure) rose 1.7% in the September year - the same as in June.

Secondly, the labour market tightened significantly during the September quarter. The unemployment rate dropped from 4.4% at the end of June to 3.9% by the end of September - its lowest since June 2008. A lift in the participation rate from 70.9% in June to 71.1% in September made the fall in the unemployment rate even more impressive. The employment rate rose to 68.3% at the end of September, its highest since the data series began more than 30 years ago.

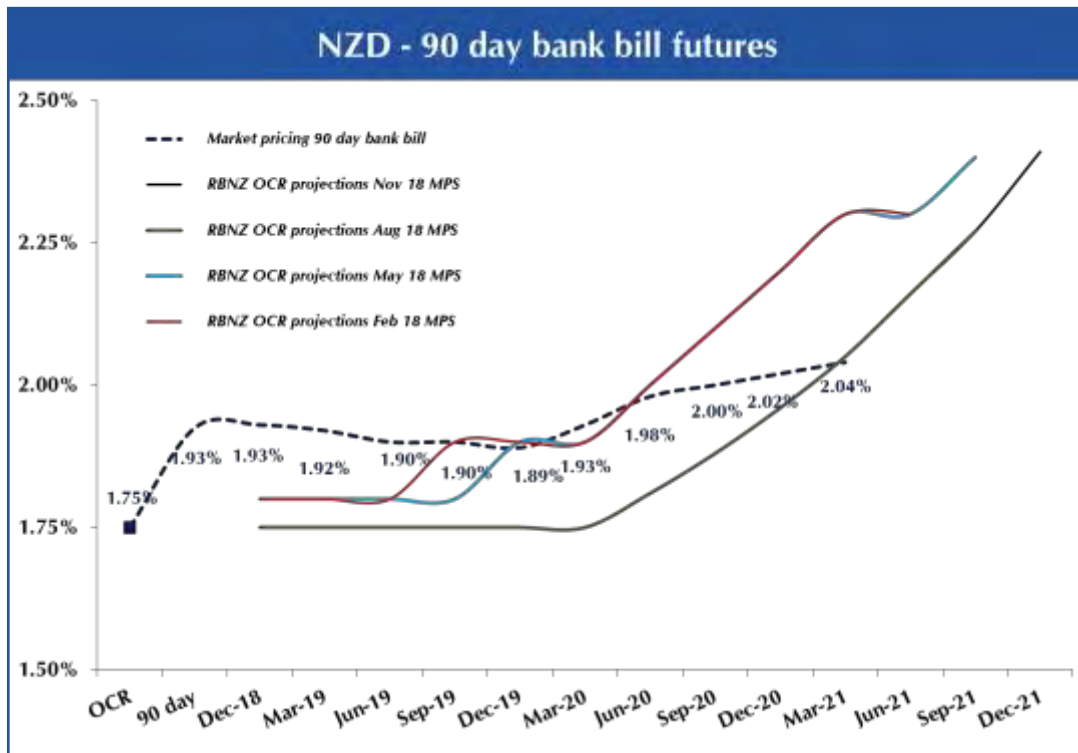
Up until the release of the employment data, both short and long term interest rates were largely unaffected by stronger than expected economic data, with the market applying a counterbalancing effect by factoring in the weak business confidence. The stellar employment data caused a rethink with market pricing for the Official Cash Rate ("OCR") moving to imply no chance of an OCR cut in the ensuing twelve month period, this contrasting with an implied 24% chance of a cut prior to the release of the inflation and employment data.

Swap rates too moved higher on the strong data, with the 2, 5 and 10 year swap rates climbing by 17, 26 and 23 basis points respectively within days of the announcement.

By the end of the December quarter all of those interest rate increases were erased and more, with swap rates across the yield curve finishing within a point or two of the quarterly lows, in line with falls in global yields. The fall in local interest rates gained added momentum after the release of the September 2018 quarter GDP data in the week prior to Christmas. This showed that New Zealand’s GDP rose a modest 0.3% over the quarter, well down on market consensus and RBNZ forecasts of 0.5% and 0.7% respectively and the lowest quarterly rise since December 2013. On an annual basis GDP eased from 3.1% in June to 3.0% in September.

In November, the RBNZ released its quarterly *Monetary Policy Statement* (“MPS”) that was more upbeat about domestic economic growth, employment, and inflation than the August MPS, even though its assessment did not include the stellar September quarter labour market data released the day before. Despite its more upbeat tone, the RBNZ retained its August MPS forecast implying an OCR at 1.75% until late in 2020 and, by way of reinforcement, stated that “we will keep the OCR at an expansionary level for a considerable period.”

Referring to inflation, the RBNZ stated that it will ‘look through’ the first round effects of the increase in fuel prices but will be on the alert for possible second and third round effects, the prospects of which were significantly diminished by the subsequent sharp fall in oil prices. The chart below shows the futures market pricing for the 90 day bank bill rate and the RBNZ’s projections for the OCR from the last four MPSs.

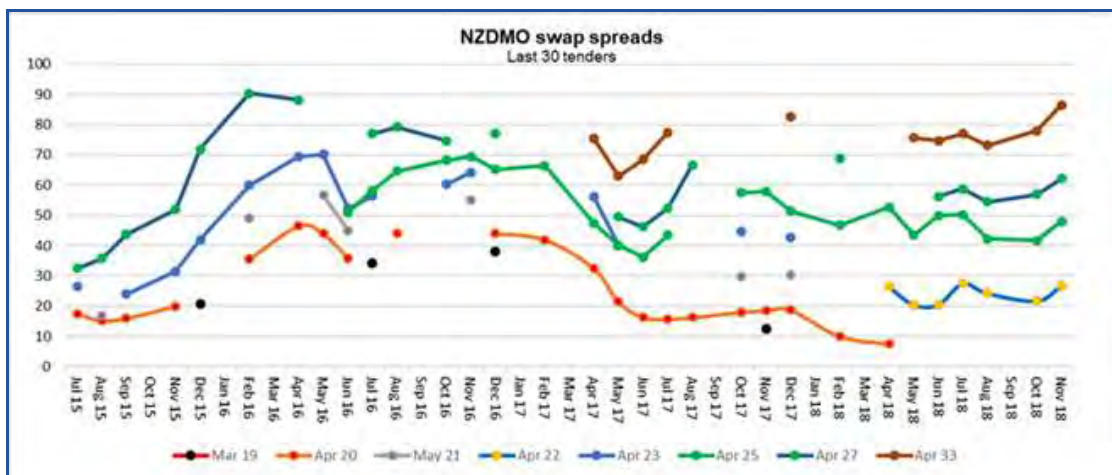


1.3 LOCAL AUTHORITY SECTOR

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	0.42%	2.34%	2.46%
May 2021	0.52%	2.44%	2.56%
April 2022	0.59%	2.51%	2.73%
April 2023	0.69%	2.61%	2.89%
April 2025	0.79%	2.71%	3.25%
April 2027	0.98%	2.90%	3.5%
April 2033	1.23%	3.15%	4.21%

The chart below illustrates the credit spreads (measured over the applicable swap rate) for all current LGFA debt dating back to July 2015.



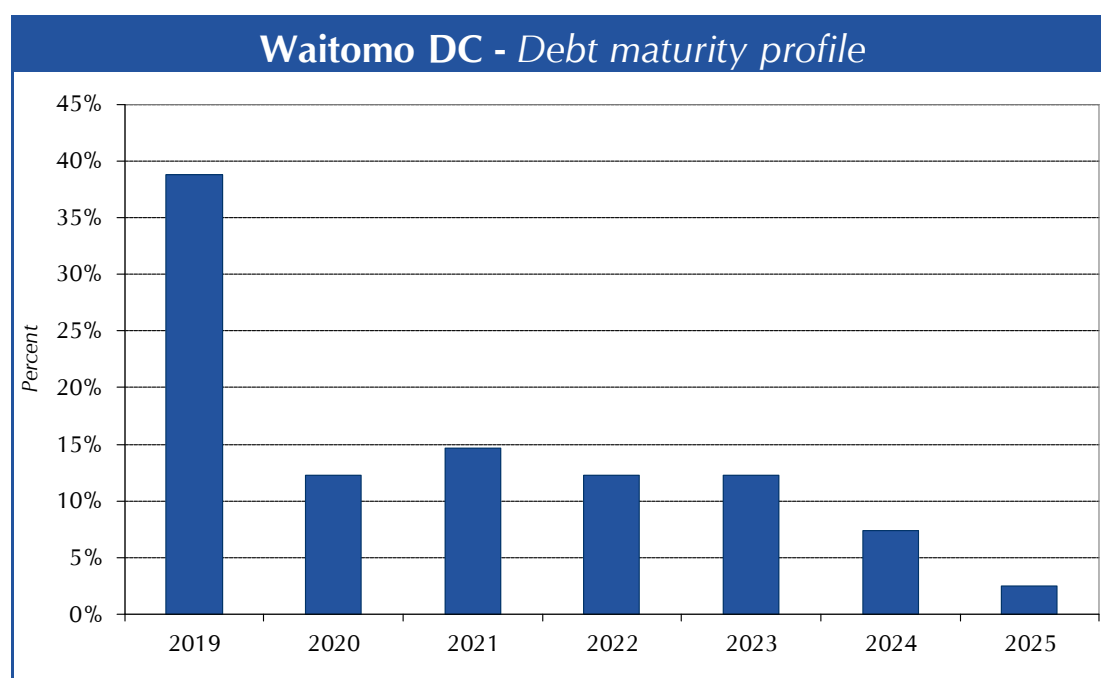
## 2. DEBT AND HEDGING

### 2.1 DEBT

As at 31 December 2018, WDC had \$40,850,000 of external debt, up from \$40,800,000 at the end of September 2018. Of the total debt, \$40,000,000 was sourced from the LGFA, utilising a combination of Commercial Paper ("CP"), FRNs and a FRB. The balance of \$850,000 was sourced from the Westpac Bank Multi Option Credit Line Facility. A breakdown of the funding profile is contained in the table below:

Instrument	Start Date	Maturity Date	Margin	Rate	Amount
Bank debt	31-Dec-18	1-Jan-19	90 bps	2.85%	\$850,000
LGFA CP	2-Aug-18	30-Jan-19	20 bps	2.155%	\$5,000,000
LGFA CP	22-Nov-18	22-May-19	20 bps	2.24%	\$5,000,000
LGFA FRN	19-Jun-17	28-Jun-19	43 bps	2.41%	\$5,000,000
LGFA FRN	19-Jun-17	10-Sep-20	48 bps	2.4638%	\$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>\$40,850,000</b>

The maturity profile of WDC's drawn debt as at 31 December 2018 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 38.8% it means that WDC is slightly outside of the parameters. However this will be rectified in June 2019 when an FRN matures and will (presumably) be refinanced for a term of at least 3 years.

## 2.2 HEDGING

As at 31 December 2018, WDC had nine interest rate swaps ("swap") to convert a portion of the floating rate exposures into a 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	(\$49,949)
30-Aug-2013	30-Aug-2019	3.900%	1,500,000	(\$21,407)
18-Oct-2013	20-Apr-2020	4.315%	5,000,000	(\$175,366)
11-Sep-2017	11-Sep-2020	3.780%	5,000,000	(\$155,571)
31-Mar-2014	17-May-2021	4.900%	6,000,000	(\$425,704)
18-Apr-2017	18-Apr-2023	3.950%	3,000,000	(\$235,398)
24-Jan-2017	24-Jan-2024	3.840%	5,000,000	(\$409,046)
<b>Total current swap hedging</b>			<b>29,000,000</b>	
<b>Forward starting swaps</b>				
20-Apr-2020	20-Apr-2025	3.930%	5,000,000	(\$341,995)
11-Sep-2020	11-Sep-2026	2.890%	5,000,000	(\$72,939)
				<b>(\$1,887,376)</b>

During the December 2018 quarter a new swap was transacted for \$5.0 million starting on 11 September 2020 and maturing on 11 September 2026 at a rate of 2.89%.

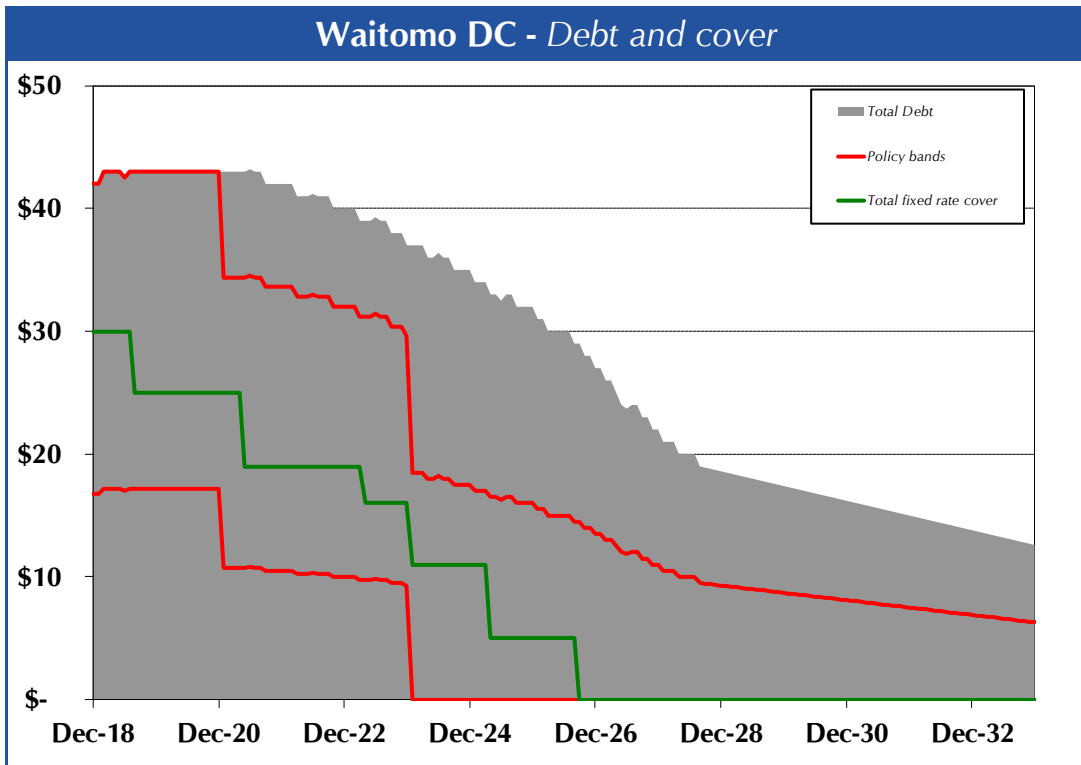
The 'marked to market' revaluation on the swap portfolio deteriorated during the December 2018 quarter, from a loss of \$1,777,377 at the end of September 2018, to a loss of \$1,887,376. This deterioration was due to a fall in interest rates during the quarter.

## 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.

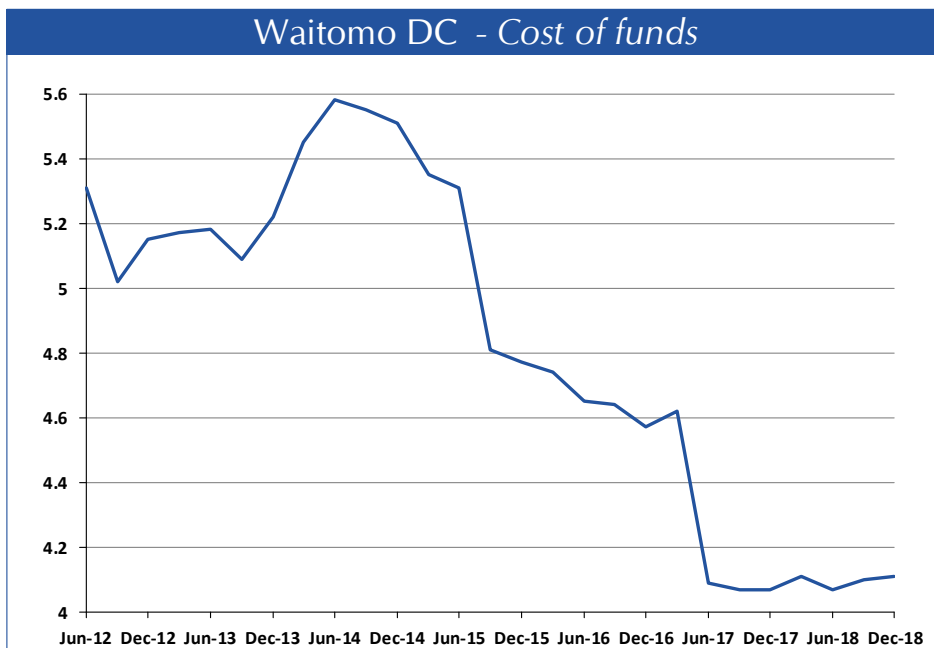
Fixed Rate Hedging Percentages		
	Minimum Fixed Rate Amount	Maximum Fixed Rate Amount
0–2 years	40%	100%
2–5 years	30%	80%
5–15 years	0%	50%

The debt profile incorporating these parameters, the swaps and the FRB, as well as the projected debt figures as supplied by WDC, are depicted in the graph on the next page.



The graph indicates that, as at 31 December 2018, WDC was policy compliant.

WDC’s weighted average cost of funds, including the line fee on the committed Westpac facility, was 4.11% as at 31 December 2018, an increase of 0.01% 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 graph below.




## 2.4 POLICY COMPLIANCE AS AT 31 DECEMBER 2018

	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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<b>Document No:</b> A418856	
<b>Report To:            Audit and Risk Committee</b>	
	<b>Meeting Date:</b> 12 February 2019
	<b>Subject:</b> <b>Progress Report: WDC Resource Consent – Compliance Monitoring</b>
	<b>Type:</b> Information Only

## 1.0 Purpose of Report

- 1.1 The purpose of this business paper is to brief Council 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 <i>(within two months of sampling)</i>
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 Water Supply, Surface water take, September 2018 (Doc A408978).
  - Full compliance achieved
2. RC 112639 - Te Kuiti Wastewater Treatment Plant (TKWWTP) Discharge, September 2018 (Doc A412085)
  - Full compliance achieved.
3. RC 116844 – Benneydale Water Supply, Surface water take, October 2018 (Doc A412650).
  - Full compliance achieved
4. RC 112639 - Te Kuiti Wastewater Treatment Plant (TKWWTP) Discharge, September 2018 (Doc A412791)
  - Full compliance achieved.
5. RC 101753 - Te Kuiti Landfill – Leachate Characterization (Doc A412912)
  - Full compliance achieved.
6. RC 124718 - Te Kuiti Landfill – Discharge to land (Doc A412945)
  - Full compliance achieved.
7. RC 117290 – Piopio Wastewater Treatment Plant, August and September – Discharge to water (Doc A412767)
  - Partial compliance achieved.
  - One exceedance of the 135.4 m<sup>3</sup>/day maximum discharge limit during the month of August 2018 (24 August 2018 at 137.66 m<sup>3</sup>). There were no exceedances during the month of September 2018.
  - Overall, most of the quality parameters were below trigger limits during August and September 2018. The quality parameters total ammoniacal nitrogen and Faecal Coliform remained above trigger limits.
  - Investigation revealed that the possible cause of the exceedances within the faecal coliform was due to a sludge built up within the UV system. The increment in suspended solids decreases the efficiency of the UV light and therefore the kill rate.
  - The total ammoniacal nitrogen count might reflect a sudden decrease in temperature in Piopio during the winter season. This decreases the efficiency of the nitrification<sup>1</sup> process within the biomass, which is influenced by temperature, carbon source and alkalinity conditions.
  - 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 water levels of

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<sup>1</sup> Nitrification: is the biological oxidation of ammonia or ammonium to nitrite followed by the oxidation of the nitrite to nitrate. The transformation of ammonia to nitrite is usually the rate limiting step of nitrification

the River in comparison to the discharge flow, which substantially increase the dilution factor.

8. RC 101753 - Te Kuiti Landfill – Leachate monitoring, Ring Drain (Doc A413255)
  - Full compliance achieved.
9. RC 124718 – Te Kuiti Landfill – Leachate monitoring in groundwater (Doc A413492).
  - Full compliance achieved
10. RC 117945 – Benneydale WTP Backwash discharge, 1<sup>st</sup> April to 30<sup>th</sup> September 2018 (Doc N A413804).
  - Full compliance achieved.
11. RC 107478 – Piopio Water Treatment Plant –Backwash Discharge to water, 1<sup>st</sup> May 2018 to 31<sup>st</sup> October 2018 (Doc n A413711).
  - Partial compliance achieved.
  - One exceedance of the backwash discharge flow trigger limit during the current reporting period on the 28 August 2018 at 256 m3.
  - The cause of the exceedance was a technical issue within the clarifier’s manual drain valve’s operation. The issue was detected within 24 hours, investigated and controlled. The backwash discharge flow volume has been compliant since then.
  - One exceedance of the dissolved aluminium trigger levels during the current reporting period, in June 2018 at 0.14 mg/l.
  - This was probably due to an increase in the water take turbidity during winter rain events, which resulted in a temporary increase in the alum dose and therefore the concentration of dissolved aluminium within the backwash discharge water.
12. RC 107477 – Piopio Water Treatment Plant – Surface water take, 1<sup>st</sup> May 2018 to 31<sup>st</sup> October 2018 (Doc N A413715).
  - Full compliance achieved.
13. RC 103287/103288/103289 – Te Kuiti Closed Landfill, discharge to land and air, November 2017 to October 2018 (Doc N A414421).
  - Full compliance achieved.
14. RC Piopio Wastewater Treatment Plant, October 2018 – Discharge to water (Doc A414359).
  - Partial compliance achieved.
  - Overall, most of the quality parameters were below trigger limits during October 2018. The quality parameter, total ammoniacal nitrogen, remained above trigger limits. WDC continues investigating alternatives to address this ongoing issue.

15. RC 116844 – Benneydale Water Supply, Surface water take, November 2018 (Doc A415188).
  - Full compliance achieved
16. RC 112639 - Te Kuiti Wastewater Treatment Plant (TKWWTP) Discharge, November 2018 (Doc A415398)
  - Full compliance achieved.
17. RC 116844 – Benneydale Water Supply, Surface water take, December 2018 (Doc A418383).
  - Full compliance achieved
18. RC 112639 - Te Kuiti Wastewater Treatment Plant (TKWWTP) Discharge, December 2018 (Doc A418412)
  - Full compliance achieved.
19. RC 133317 – Te Kuiti Water Supply, Surface water take, July 2017 to June 2018 (Doc A419175).
  - Full compliance achieved
20. RC 133317 - Te Kuiti Water Supply, July 2018 to December 2018 (Doc A419183).
  - Full compliance achieved.

## **Suggested Resolution**

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



KOBUS DU TOIT  
**GENERAL MANAGER – INFRASTRUCTURE SERVICES**

7 February 2019

**Document No:** A411639

**Report To: Audit and Risk Committee**



**Meeting Date:** 12 February 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. 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)
2. 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.

MICHELLE HIGGIE  
**EXECUTIVE ASSISTANT**