

The image is a composite. The top left shows a wall with various local products: a can of 'EDMONDSON' beer, a kiwi bird, a bottle of 'KIWI' shoe polish, a kiwi boot, a kiwi hat, a kiwi mask, and a kiwi feather. The top right shows a traditional Maori totem pole with several carved figures and names: 'KAWHIA', 'IRORORI', 'WĀTINI', and 'WĀHANGI'. The background is a night landscape with mountains and a river.

Otorohanga District Council Annual Report 2017/18



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INTRODUCTION



COMMENTS FROM THE MAYOR AND CHIEF EXECUTIVE

2017/18 ANNUAL REPORT

The year saw Council continue to move further away from its previous very stable 'business as usual' mode into a more dynamic state where there was greater emphasis on new activities to support potential population and economic growth.

Council's financial results for the year were very sound. The extremely large recorded surplus of almost \$4.4 million was primarily due to extraordinary factors (in particular the sale of the Te Raumauku property, and the vesting in Council of road assets associated with the development of the Waikeria Prison, the funding of which had been by the Department of Corrections) and does not reflect over-rating or other inappropriate budgeting.

A more meaningful indicator of Council's overall financial performance is considered to be that operational expenditure for the year was \$257,000 (1.1%) under budget, despite the fact that there were a number of significant operational challenges during the year, including very costly unexpected damage to Moerangi Road caused by an extreme flood event and problems with Council's road maintenance contract which resulted in that contract being prematurely terminated.

Council's external debt was \$6.5 million at the year end, but with \$5.2 million of cash held at that time Council's real exposure to debt is presently only a little over \$1 million, which is an extremely comfortable level.

It should however be noted that a significant contributor to this debt position at year end was a failure to progress the Council funded residential subdivision developments in Otorohanga that had been indicated in Council's amended 2017-2025 Long Term Plan. This was primarily due to delays on the part of the private party with whom Council envisaged partnering with, but Council retains a desire to support subdivision within the community, and hence associated expenditure may still be incurred in the future.

The transition of the district to growth continues to highlight some weaknesses of the Council organisation, particularly in relation to staff resources, and previous inadequacies in capacity have proven difficult to address in a very tight employment market. These resource limitations have resulted in delays in completing minor works and some other unsatisfactory outcomes, and efforts to address these staffing issues are continuing.

Satisfactory levels of service and organisational performance do however generally continue to be achieved, with 78% of applicable performance targets for the year being met or exceeded.

Max Baxter

MAYOR

23rd October 2018

Dave Clibbery

CHIEF EXECUTIVE

23rd October 2018



DISTRICT PERSONNEL

OTOROHANGA DISTRICT COUNCIL

		Telephone
Mayor:	Max Baxter	(07) 871 2707
Deputy Mayor:	Deborah Pilkington	(07) 863 5475
Councillors:	Paul McConnell	(07) 873 6264
	Katrina Christison	(07) 873 7779
	Annette Williams	(07) 873 7715
	Roy Johnson	(07) 873 0909
	Ken Phillips	(07) 873 2789
	Robyn Klos	(07) 872 4594

OTOROHANGA COMMUNITY BOARD

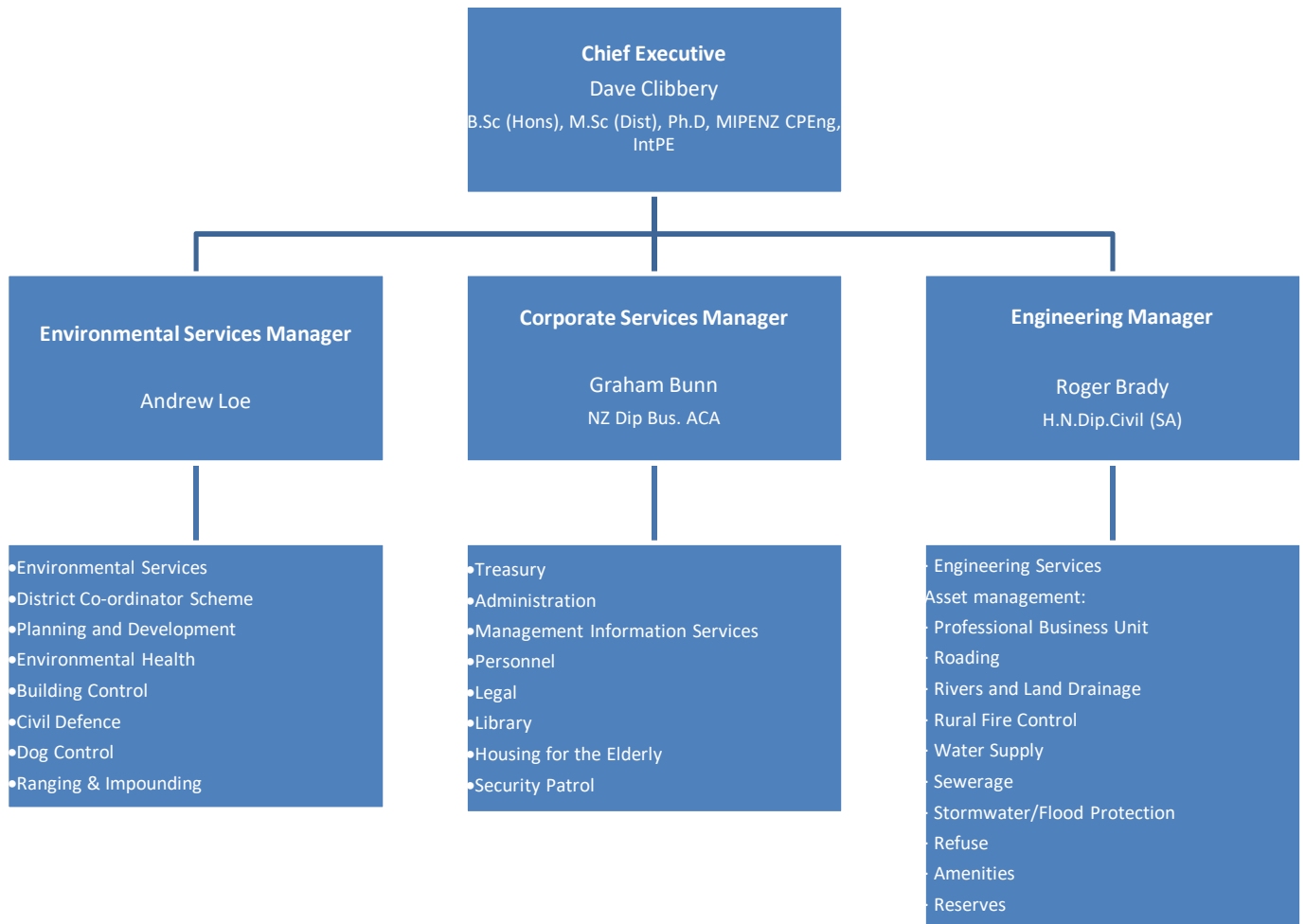
Chairperson:	Paul McConnell	(07) 873 6264
Members:	Katrina Christison	(07) 873 7779
	Peter Coventry	(07) 873 8982
	Liz Cowan	(07) 873 0849
	Neville Gadd	(021) 192 4933
	Alan Buckman	(07) 873 6535

KAWHIA COMMUNITY BOARD

Chairperson:	Kit Jeffries	(07) 871 0891
Members:	Deborah Pilkington	(07) 863 5475
	Alan Rutherford	(07) 873 0533
	Dave Walsh	(07) 871 0552
	George Fletcher	(07) 846 2228



MANAGEMENT STRUCTURE



Postal Address:	PO Box 11, Otorohanga 3900
Council Chambers:	Maniapoto Street, Otorohanga
Telephone Number:	07 - 873 4000
0800 Number:	0800 734 000
Fax Number:	07 - 873 4300
Email:	Info@otodc.govt.nz
Bankers:	Bank of New Zealand Westpac
Auditors:	Deloitte Limited, on behalf of the Office of the Auditor General
Solicitors:	Gallie Miles, Te Awamutu Tompkins Wake, Hamilton



DISTRICT BACKGROUND

Otorohanga District is located some 50 kilometres south of Hamilton. The area administered by the Council covers 1976 sq.km. and extends from the Kawhia and Aotea Harbours on the west coast for a distance of 90 km to the eastern extremity near Mangakino. Included within the District are the urban communities of Otorohanga and Kawhia.

Geographically, the District comprises three distinct areas of approximately equal size. The eastern and western areas have predominantly more hills than the central area which is the southern limit of the Waikato Basin. Farming is the dominant industry with sheep and cattle farming in the hill country and intensive dairy farming in the central area. Horticulture and cropping are lesser but developing activities.

The original Otorohanga County was formed on 1 April 1922 and arose out of the amalgamation of the former Wharepapa and Mangaorongo Roads Board and part of the Waitomo County. The northern half of the former Kawhia County was amalgamated into the District on 1 April 1956. On 1 November 1971, the County of Otorohanga and the Borough of Otorohanga were united to form a new County of Otorohanga. At the time of the union there was no provision for a "District" Council status which only became available in 1978 following an amendment to the Local Government Act. The change in designation from a County Council to a District Council took place on 1 April 1979 and was made primarily to give recognition to the fact that Council is a rural-urban council with the urban area an integral part of the organisation.

The Council believes that it is able to function as an effective and independently viable unit of the local government with adequate staff and resources to administer a comprehensive range of services for its constituent ratepayers and residents.

A roading network, totalling 901.5 km in length, provides access. State Highways 3, 31 and 39 account for 94.5km of this and are maintained by Transfield under contract to New Zealand Transport Agency at no cost to Council. The balance of 807km comprises 514km of sealed pavements of varying widths and 293km of metalled roads. Of these 28km of sealed roads are within the urban Communities of Otorohanga and Kawhia as is 0.5km of the unsealed roads. Within the Council maintained roading network are 154 bridges totalling 1995m in length and including 28 stock access structures. Since the Otorohanga Council was first constituted, the prime aim of Council has been extension and improvement of the roading system as a means of encouraging land development and stimulating primary production.

The Council Office is located in the Community of Otorohanga which is situated on the Main Trunk Railway and at the junction of State Highway No.3, No. 31 and No. 39. The Town has good shopping facilities, three modern primary schools and a College, good medical facilities and caters for a wide range of sporting and cultural activities.

Otorohanga is centrally placed, being within easy driving distance of Auckland, Hamilton, Tauranga, Rotorua, Taupo and New Plymouth. The town has a population of 2,661 and is an important focus for tourist activities in the North King Country area. Being 16 kilometres north-west of Waitomo, Otorohanga is the closest town to the world famous glow worm caves.

Kawhia, a small holiday resort on the west coast, is also within the District. It is located on the shores of the Kawhia Harbour some 57 kilometres west of Otorohanga via State Highway 31, and has a permanent population of 345 with this increasing to over 3000 at peak holiday periods. Kawhia is the home of the Tainui people who settled there 600 to 700 years ago. The Kawhia Harbour covers more than 6000 hectares, with five rivers feeding into it. It is a popular and productive fishing spot.



STATISTICS

Area and Population

Area (Square kilometres)	1,976
Population (2013 Census figures)	9,513

Communities

	Area	Population
Otorohanga	507 ha	2,568
Kawhia	161 ha	345
Rural	196,932 ha	6,600
	<u>197,600 ha</u>	<u>9,513</u>

Valuation

Rateable Properties (No. of)	4,903
Non Rateable Properties (No. of)	298
Rateable Capital Value	\$4,144,515,825
Date of Last revision of Values	1 September 2016

Rates and Rating 2017/18

Total Rates (Excluding GST)	\$12,574,536
System of Rating	Capital Value

Public Debt Outstanding as at 30/06/18

Public Debt Outstanding	\$6,514,310
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Date of Constitution of District

1 November 1989



FINANCIAL STATEMENTS



**OTOROHANGA DISTRICT COUNCIL
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES
FOR THE YEAR ENDED 30 JUNE 2018**

Actual 30 June 2017 (000's)		Note	Budget 30 June 2018 (000's)	Actual 30 June 2018 (000's)
	Revenue			
11,451	Rates revenue	2	11,732	11,831
40	Contributions		10	91
656	Water by volume rates	2	754	743
3,366	Subsidies	2	3,775	4,016
2,266	Other income	2	1,478	4,497
(28)	Other gains/(losses) on asset disposal		176	1,022
17,751	Total revenue		17,925	22,200
	Expenses			
3,463	Employee benefit expenses	3	3,726	3,623
5,386	Depreciation and amortisation	11	5,439	5,451
7,029	Other expenses	4	7,766	7,748
436	Finance costs		561	365
16,314	Total expenses		17,492	17,187
1,437	Surplus/(deficit) for the year		433	5,013
	Other Comprehensive Revenue and Expenses			
(31)	Gain/(loss) on property revaluation		1,426	(619)
(1)	Gain/(loss) on available for sale financial assets		3	(9)
(32)	Total other comprehensive revenue and expenses		1,429	(628)
1,405	Total Comprehensive Revenue and Expenses for the year		1,862	4,385
	Total comprehensive revenue and expense attributable to:			
1,405	Otorohanga District Council		1,862	4,385
1,405			1,862	4,385

The accompanying notes on pages 15-49 form part of these financial statements.



OTOROHANGA DISTRICT COUNCIL
BALANCE SHEET
AS AT 30 JUNE 2018

Actual 30 June 2017 (000's)		Note	Budget 30 June 2018 (000's)	Actual 30 June 2018 (000's)
Assets				
Current assets				
4,266	Cash and cash equivalents	5	902	5,258
2,390	Receivables from non-exchange transactions	6	1,595	4,283
154	Receivables from exchange transactions	6	-	299
30	Inventory		32	31
348	Assets held for sale	8	3,897	-
7,188	Total current assets		6,426	9,871
Non-current assets				
773	Investments	7	779	679
298,045	Property, plant and equipment	9	301,017	297,507
111	Intangible assets	10	200	79
298,929	Total non-current assets		301,996	298,265
306,117	Total assets		308,422	308,136
Liabilities				
Current Liabilities				
2,013	Payables under exchange transactions	12	2,541	2,631
1	Provisions	13	1	1
326	Employee benefit liabilities	14	267	354
657	Income in Advance	15	822	724
-	Borrowings	16	-	-
2,997	Total current liabilities		3,631	3,710
Non-current liabilities				
18	Provisions	13	18	17
50	Employee benefit liabilities	14	86	32
9,574	Borrowings	16	10,014	6,514
9,642	Total non-current liabilities		10,118	6,563
12,639	Total liabilities		13,749	10,273
293,478	Net Assets		294,675	297,863
Equity				
153,388	Accumulated Comprehensive Revenue and Expenses	17	157,306	154,830
3,604	Council Controlled Reserves	17	(1,104)	4,904
824	Reserve Funds	17	2,463	3,095
135,662	Revaluation Reserves	17	136,009	135,034
293,478	Total equity		294,675	297,863

The accompanying notes on pages 15-49 form part of these financial statements.



**OTOROHANGA DISTRICT COUNCIL
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

Actual 30 June 2017 (000's)	Note	Budget 30 June 2018 (000's)	Actual 30 June 2018 (000's)
292,073	Balance at 1 July	292,812	293,478
1,405	Total comprehensive revenue and expense for the year	1,863	4,385
293,478	Balance at 30 June	294,675	297,863
	<i>Total comprehensive revenue and expense attributable to:</i>		
1,405	Otorohanga District Council	1,863	4,385
1,405	Total comprehensive revenue and expense	1,863	4,385

The accompanying notes on pages 15-49 form part of these financial statements.



**OTOROHANGA DISTRICT COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

Actual 30 June 2017 (000's)	Notes	Budget 30 June 2018 (000's)	Actual 30 June 2018 (000's)
	Cash flows from operating activities		
12,163	Receipts from rates revenue	12,969	12,473
4,538	Receipts from other revenue	5,261	4,150
90	Interest received	42	94
9	Dividends received	12	15
(10,329)	Payments to suppliers and employees	(10,901)	(10,745)
(436)	Interest paid	(561)	(365)
6,035	Net cash provided by Operating Activities	6,822	5,622
	Cash flows from investing activities		
87	Proceeds from Sale of Property, Plant and Equipment	72	86
100	Proceeds from Sale of development property held for sale	1,349	2,350
(4,594)	Purchase of property, plant and equipment	(9,714)	(4,098)
5	Purchase of investments	-	85
(118)	Purchase of intangible assets	(101)	7
(4,520)	Net cash (used in) Investing Activities	(8,394)	(1,570)
	Cash flows from financing activities		
-	Proceeds from borrowings	500	-
(86)	Repayment of borrowings	(98)	(3,060)
(86)	Net cash provided by/(used in) Financing Activities	402	(3,060)
1,429	Net (decrease)/increase in cash, cash equivalents and bank overdrafts	(1,170)	992
2,837	Cash, cash equivalents and bank overdrafts at the beginning of the year	2,072	4,266
4,266	Cash and cash equivalents at the end of the year.	902	5,258

The accompanying notes on pages 15-49 form part of these financial statements.



**OTOROHANGA DISTRICT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2018 - continued

1. Summary of significant accounting policies.

Reporting Entity

Otorohanga District Council (ODC) is a territorial local authority governed by the Local Government Act 2002.

The primary objective of ODC is to provide goods and services for the community or social benefit rather than making a financial return. Accordingly, ODC has designated itself as a public benefit entity for the purposes of complying with generally accepted accounting practice (NZGAAP).

The financial statements of ODC are for the year ended 30 June 2018. The financial statements were authorised for issue by Council on 23rd October 2018. These financial statements comprise solely of the ODC financial results.

Basis of Preparation

These financial statements comply with the PBE standards for tier 2 entities. The measurement base applied is historical cost adjusted for revaluations of assets.

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of Compliance

The financial statements of ODC have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98(i) and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements have been prepared in accordance with PBE standards Reduced Disclosure Regime (Tier 2). This classification has been determined as the council does not have public accountability and is not large as total expenses are less than \$30 million.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars. The functional and reporting currency of ODC is New Zealand dollars.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

Commitment and contingencies are disclosed exclusive of GST.



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2018 - continued

Budget figures

The budget figures are those approved by the Council at the beginning of the year in the Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by ODC for the preparation of the financial statements.

Cost Allocation

The cost of service for each significant activity of ODC has been derived using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

Changes in Accounting Policies

No significant changes in accounting policies during the year.

2. Revenue

Accounting Policy

Revenue is measured at the fair value.

The specific accounting policies for significant revenue items are explained below:

Revenue from non-exchange transactions

Rates revenue

The following policies for rates revenue have been applied:

- General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.
- Rates revenue arising from late payment penalties are recognised as revenue when rates become overdue.
- Revenue from water-by-meter rates is recognised when the invoices are raised.
- Rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.

New Zealand Transport Agency roading subsidies

ODC receives government grants from New Zealand Transport Agency, which subsidises part of ODC's costs in maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Other grants received

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2018 - continued

Development and Financial Contributions

Development and financial contributions are recognised as other income when Council provides, or is able to provide, the service for which the contribution was charged. Otherwise, development and financial contributions are recognised as liabilities until such time the Council provides, or is able to provide, the service.

Vested or donated physical assets

Where a physical asset is acquired for nil or nominal consideration, the asset is recognised at its fair value when the Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

Direct charges – subsidised

(i) Rendering of services - subsidised

Rendering of services at a price that is not approximately equal to the value of the service provided by the Council is considered a non-exchange transaction. This includes rendering of services where the price does not allow the Council to fully recover the cost of providing the service (such as building consents, water connections, dog licencing, etc.) and where the shortfall is subsidised by income from other activities, such as rates. Generally there are no conditions attached to such revenue.

Revenue from such subsidised services is recognised when the Council issues the invoice or bill for the service. Revenue is recognised at the amount of the invoice or bill, which is the fair value of the cash received or receivable for the service. Revenue is recognised by reference to the stage of completion of the service to the extent that the Council has an obligation to refund the cash received for the service (or the extent that the customer has the right to withhold the payment from the Council for the service) if the service is not completed.

(ii) Sale of goods – subsidised

A sale of goods at a price that is not approximately equal to the value of the goods provided by the Council is considered a non-exchange transaction.

This includes sales of goods where the price does not allow the Council to fully recover the cost of producing the goods and where the shortfall is subsidised by income from other activities such as rates.

Revenue from the sale of such subsidised goods is recognised when the Council issues the invoice or bill for the goods. Revenue is recognised at the amount of the invoice or bill, which is the fair value of the cash received or receivable for the goods.

Revenue from exchange transactions

Direct charges – full cost recovery

(i) Rendering of services – full cost recovery

Revenue from the rendering of services (such as resource consents, etc.) is recognised by reference to the stage of completion of the service. Stage of completion is measured by reference to the labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

(ii) Sale of goods – full cost recovery

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2018 - continued

Council.

Interest and dividends

Interest income is recognised using the effective interest method.

Dividends are recognised as income when the rights to receive payment have been established.

Breakdown of rates and further information

	Actual 2017 (000's)	Actual 2018 (000's)
General Rates	4,553	4,728
Targeted rates attributable to activities		
Water	729	802
Sewerage	506	488
Refuse	276	270
Land Transport	5,081	5,246
Security	82	37
Erosion Protection	27	26
CBD Development	32	34
Halls	17	18
Rates penalties	148	182
Total revenue from rates	11,451	11,831
Metered Water Charges	656	743
Total Water by Volume Rates	656	743

Breakdown of Subsidies and Grants

	Actual 2017 (000's)	Actual 2018 (000's)
Subsidies		
Land Transport NZ government grants	3,306	3,949
Other Subsidies	60	67
Total Subsidies	3,366	4,016

Other subsidies include waste minimisation subsidies, Sport NZ and Creative Communities funding.



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2018 - continued

Breakdown of Other Income

	Actual 2017 (000's)	Actual 2018 (000's)
Other Income		
User charges	855	635
Metal Royalties	-	-
Regulatory revenue	895	1,194
Petrol tax	85	84
Vested assets revenue	332	2,475
Interest income for financial assets not at fair value through profit and loss		
- cash and cash equivalents	90	94
Dividend income	9	15
Total other income	2,266	4,497

Exchange and Non-Exchange Revenue

Total revenue from non-exchange transactions includes the revenue from rates, government grants, fines and other revenue. Total non-exchange revenue for the 2017/18 financial year is \$21,010,901 (2017: \$16,941,227).

Total revenue from exchange transactions includes the revenue from interest, rental, royalties and other revenue. Total exchange revenue for the 2017/18 financial year is \$1,167,306 (2017: \$837,608).

	Actual 2017 (000's)	Actual 2018 (000's)
Non-exchange revenue	16,941	20,011
Exchange revenue	838	1,167
Total Revenue	17,779	21,178
Total revenue per statement of comprehensive revenue and expenses	17,751	22,200
Add back: Other gains/(losses) on asset disposal	(28)	(1,022)
Classified revenue per statement of comprehensive revenue and expenses	17,779	21,178

Operating leases as lessor

ODC leases some property under operating leases. The majority of these leases have non-cancellable terms of 5 years, with lease terms ranging from 2 years up to 21 years in selected cases. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:



Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2018 -
continued

	Actual 2017 (000's)	Actual 2018 (000's)
Non-cancellable operating leases as lessor		
Not later than one year	84	93
Later than one year and not later than five years	256	284
Later than five years	46	34
Total non-cancellable operating leases	386	411

3. Personnel Costs

Accounting policy

Defined Contribution Plans

Obligations for contributions to Kiwisaver are recognised as defined contribution plans and are recognised as an expense in the surplus or deficit when incurred.

Breakdown of personnel costs and further information

	Actual 2017 (000's)	Actual 2018 (000's)
Salaries and wages	3,361	3,516
Employer contributions to defined contribution plans	87	98
Increase/(decrease) in employee benefit liabilities	15	9
Total employee benefit expenses	3,463	3,623

Severance payments as identified later in this note are included in the salaries and wages figure in the above table.

Employer contributions to defined contribution plans include contributions to Kiwisaver and other contribution plans. No additional liability exists to ODC related to the defined contribution plans.

Key management personnel compensation

Key management personnel include the Mayor, Councillors, Chief Executive and other senior management personnel.

	Actual 2017 (000's)	Actual 2018 (000's)
Salaries and other short term employee benefits	838	872
Post-employment benefits (defined contribution plan)	34	39
	872	911



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2018 - continued

Chief Executive

The Chief Executive received the following remuneration:

	Cost during the financial year	
	Actual 2017	Actual 2018
	(000's)	(000's)
Salary	217	229
Motor Vehicle	-	-
Telephone rental	1	1
Memberships	1	1
Fringe Benefit Tax	-	-
Total Chief Executive's remuneration	219	231

Elected representatives

	Total remuneration	
	Actual 2017	Actual 2018
	(000's)	(000's)
Max Baxter, Mayor	67	67
Deborah Pilkington, Deputy Mayor	30	44
Robert Prescott (until October 2016)	9	-
Ken Phillips	17	17
Roy Johnson	17	17
Robyn Klos	17	19
Phil Tindle (until October 2016)	7	-
Annette Williams	17	17
Paul McConnell (since October 2016)	21	31
Katrina Christison (since October 2016)	16	24

Council Employees

	Actual 2017	Actual 2018
Total remuneration by band for employees as at 30 June		
< \$60,000	28	32
\$60,000 - \$80,000	11	11
\$80,000 - \$100,000	7	5
\$100,000 - \$220,000	6	6
Total Employees	52	54

Total remuneration includes non-financial benefits provided to employees.



**Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2018 -
continued**

At balance date, the Council employed 43 (2017: 42) full-time employees, with the balance of 9 part time employees representing 2 (2017: 2) full-time equivalent employees. A full-time employee is determined on the basis of a 40 hour working week.

Councillors

At balance date, the Council consisted of 7 Councillors and 1 Mayor (2017: 7 Councillors and 1 Mayor). These equate to approximately 1 FTE.

Severance payments

For the year ended 30 June 2018 ODC made no severance payments to employees (2017: no severance payments).

4. Other Expenses

Accounting policy

Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where ODC has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the ODC's decision. The Council's grants have no substantive conditions attached.

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

	Actual 2017 (000's)	Actual 2018 (000's)
Deloitte fees for financial statement audit	115	126
Deloitte fees for other assurance services	4	4
Deloitte fees for long term plan audit/amendment audit	28	79
Minimum lease payments under operating leases	11	8
Activity operation	1,420	1,449
Asset maintenance	708	771
Road maintenance	3,440	3,518
Other expenses	1,303	1,793
Total other expenses	7,029	7,748



**Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2018 -
continued**

Otorohanga District Council is exempt from tax under the Income Tax Act 2007.

The impairment of receivables relates to the writing off of rates debtors after the statutory deadline of 7 years, as well as writing off rates debtors that were deemed to be uncollectible.

Operating leases as lessee

ODC leases property, plant and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 60 months. These leases are for photocopying equipment used within the day-to-day running of the council. ODC does not have the option to purchase the leased asset at the expiry of the lease period. The future aggregate minimum lease payments to be made under non-cancellable operating leases are as follows:

	Actual 2017 (000's)	Actual 2018 (000's)
Non-cancellable operating leases as lessee		
Not later than one year	-	10
Later than one year and not later than five years	-	31
Later than five years	-	-
Total non-cancellable operating leases	-	41

5. Cash and cash equivalents

Accounting policy

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowing in current liabilities in the balance sheet.

For the purpose of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cashflow statement are reconciled to the related items in the balance sheet as follows:

	Actual 2017 (000's)	Actual 2018 (000's)
Cash and cash equivalents	4,266	5,258
Total cash and cash equivalents	4,266	5,258



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2018 - continued

Cash at the bank and in hand includes an amount which has a restriction on what the money can be used for. This is:

- Subdivision reserve fund \$180,294 (2017: \$162,893)

The money held in the subdivision reserve fund can only be used to fund capital expenditure related to district parks and reserves.

6. Receivables

Accounting policy

Receivables

Receivables are recorded at their face value, less any provision for impairment.

	Actual 2017 (000's)	Actual 2018 (000's)
Rates receivables	779	916
Other receivables	528	710
Sundry debtors	1,308	3,027
	2,615	4,653
Less provision for impairment of receivables	(71)	(71)
	2,544	4,582
Represented by:		
Receivables from non-exchange transactions	2,390	4,283
Receivables from exchange transactions	154	299
	2,544	4,582

Rates are struck on the 1st of July each year, and are charged in two instalments. In the year ended 30 June 2018 these instalments were due on 25th August 2017 and 26th January 2018. A charge of 10% is added to all rates levied and due for the 2017/18 year that remains unpaid after 25th August 2017 and 26th January 2018. A further 10% charge is added to all rates that have been levied in any financial year previous to 1 July 2016 which remained unpaid as at that date.

All other receivables have standard terms of 30 days from the date of the invoice. No interest is charged for other receivables that remain unpaid after the completion of the term. There are no impairment issues with other receivables.



**Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2018 -
continued**

Impairment

Movements in the provision for impairment of receivables are as follows:

	Actual 2017 (000's)	Actual 2018 (000's)
Balance at beginning of the year	(120)	(71)
Amounts remitted	3	(3)
(Increase)/decrease in provision	46	3
Balance at end of the year	(71)	(71)

The impairment relates entirely to rates receivables.

The impairment provision has been calculated based on a review of specific overdue receivables and a collective assessment. The collective impairment is based on an analysis of past collection history and debt write-offs.

7. Investments

Accounting Policy

Other Financial Assets

Financial assets are initially recognised at fair value plus transaction costs except for those financial assets classified as fair value through surplus and deficit in which case the transaction costs are recognised in the surplus or deficit. Financial liabilities are recognised initially at fair value net of transaction costs.

Purchases and sales of investments are recognised on trade-date, the date on which ODC commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and ODC has transferred substantially all the risks and rewards of ownership.

ODC classifies its financial assets into the following four categories:

- fair value through surplus or deficit;
- held-to-maturity investments;
- loans and receivables; and
- available for sale financial assets.

ODC currently only has loans and receivables and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit. 'Trade and other receivables' are classified as loans and receivables.



**Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2018 -
continued**

Available for sale financial assets

Available for sale financial assets are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intended to dispose of, or realise, the investment within 12 months of balance date. The Council includes in this category:

- Investments that it intended to hold long-term but which may be realised before maturity; and
- Shareholdings that it holds for strategic purposes.

After initial recognition the shareholdings in listed and unlisted companies are measured at their fair value. Where no fair value is available then the assets are valued at cost.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated as a separate component of equity in the available-for-sale revaluation reserve with the exception of impairment losses, interest calculated using the effective interest rate and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale revaluation is reclassified from equity to the surplus or deficit.

Impairment of financial assets

At each balance sheet date ODC assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the surplus or deficit.

Critical judgements in applying ODC’s accounting policies

Management has exercised the following critical judgements in applying the ODC’s accounting policies for the period ended 30 June 2018:

1. Classification of investments

ODC owns a number of investments in other companies. The dividends received from these investments are incidental to holding the investments. These investments are held for strategic purposes, and are intended to be held for the long term. As such these investments have been classified as available for sale financial assets.

	Actual 2017 (000’s)	Actual 2018 (000’s)
Available for sale Financial Assets		
Unlisted shares – Waikato Regional Airport Ltd	464	464
Unlisted shares – Ballance Agrinutrients	11	11
Unlisted shares – Local Government Funding Agency	100	100
Borrower Notes – Local Government Funding Agency	144	96
Listed shares – King Country Energy	46	-
Unlisted shares – Civic Financial Services	8	8
Total equity investments	773	679



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2018 - continued

Unlisted shares

The fair value of unlisted shares of Ballance Agrinutrients, the NZ Local Government Insurance Corporation Ltd and the Local Government Funding Agency are not able to be determined reliably and as such have been measured at cost. A range of estimates within which the fair values would be likely to lie are unable to be determined.

ODC holds a 0.26% shareholding in Waikato Local Authority Shared Services Limited, a company established by the 13 territorial and regional councils in the Waikato region. This share has a value of \$1,000, but the capital has not been called yet, and therefore no investment has been recognised in the balance sheet. Refer to note 18 – Contingencies for a discussion of the uncalled capital.

Council has considered if the investment in the available for sale financial assets is in any way impaired. Based on the information available to the Council, no impairment of the investments is believed to exist at this time.

8. Assets Held For Sale

Accounting policy

Assets held for sale

Assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of assets held for sale are recognised in the surplus or deficit .

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Assets are not depreciated or amortised while they are classified as held for sale.

	Actual 2017 (000's)	Actual 2018 (000's)
Waiwera Street	348	-
	348	-

The property on Waiwera Street in Kawhia that Council agreed to put on the market for sale prior to 30 June 2013. This was sold during the financial year.

No development properties held for sale were recognised as expenses during the year, and there were no write-downs of development properties held for sale. No development properties held for sale have been pledged as securities against any liabilities ODC holds.

The development properties held for sale are shown at cost as at balance date.



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2018 - continued

9. Property, Plant and Equipment

Accounting Policy

Property, plant and equipment

Property, plant and equipment consist of:

Operational assets – These include land, buildings, landfill post closure, library books, plant and equipment, and motor vehicles.

Restricted assets – Restricted assets are mainly parks and reserves and related buildings owned by ODC which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Infrastructure assets – Infrastructure assets are the fixed utility systems owned by ODC. Each asset class includes all items that are required for the network to function, for example, sewer reticulation includes reticulation piping and sewer pump stations.

Land (operational and restricted) is measured at fair value, and buildings (operational and restricted), and infrastructural assets (except land under roads) are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.

Revaluation

Land and buildings (operational and restricted), and infrastructural assets are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

Revaluations of property, plant, and equipment are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expenses.

Additions

The cost of an item or property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant and equipment is recognised at cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are



**Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2018 -
continued**

transferred to accumulated comprehensive revenue and expenses.

Subsequent costs

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

Depreciation

Depreciation is provided on a straight-line basis or diminishing value basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

	Useful Life (Years)	Depreciation Rate
Buildings	40-100	1-2.5%
Improvements	20	5%
Vehicles	6.6	15%
Computers	3-4	25-33.33%
Office Equipment	4-10	10-25% DV
Furniture/ Fixture	10	10% DV
Library Books	6.6	15% DV
Plant and Machinery	2.5-3	33.33-40%
<u>Water Treatment</u>		
Piping	50-80	1.25-2%
Equipment	20-50	2-5%
Other	20	5%
<u>Water Reticulation</u>		
Piping	15-80	1.25-6.66%
Equipment	5-30	3.33-20%
Other	25	4%
<u>Wastewater</u>		
Piping	50-80	1.25-2%
Equipment	10-60	1.66-10%
Other	20-80	1.25-5%
<u>Stormwater</u>		
Piping	20-80	1.25-5%
Equipment	10-60	1.66-10%
Other	25	4%
<u>Roading</u>		
<i>Pavement (Basecourse)</i>		
- Sealed	30-60	1.66-3.33%
- Unsealed	5-10	10-20%
Seal	5-15	6.7-20%
Culverts	10-80	1.25-10%
Bridges	12-94	1-8.5%
Kerb & Channel/ Catchpits	45	2.2%
Footpaths	20-55	1.8-5%
Streetlights	5-46	2-20%
Signposting	5-20	5-20%
Delineators/ RPMs	3-7	14.3-33.3%



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2018 - continued

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Impairment of property, plant and equipment

Property, plant and equipment subsequently measured at cost that have an indefinite useful life, are not subject to amortisation and are tested annually for impairment.

Property, plant and equipment subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Critical accounting estimates and assumptions

In preparing these financial statements ODC has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Infrastructural assets

There are a number of assumptions and estimates used when performing depreciated replacement cost (DRC) valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- Estimating and obsolescence or surplus capacity of an asset; and
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then ODC could be over or under estimating the annual depreciation charge recognised as an expense in the profit or loss. To minimise this risk ODC's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the ODC's asset management planning activities, which gives ODC further assurance over its useful life estimates.

During the year, management reconsidered the recoverable value of its infrastructural assets, which are included in the balance sheet as at 30 June 2018 at \$272,642,000.

Useful lives of Property, Plant and Equipment

The useful lives of property, plant and equipment have been determined based on the asset management plans used during the creation of the LTP. For infrastructural assets this has been based on the information provided by the National Asset Management Steering Group (NAMS) regarding the useful life of infrastructural assets. For all other property, plant and equipment, the depreciation schedules included in



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2018 - continued

the Income Tax Act have been used as a basis for setting the useful lives.

Critical judgements in applying ODC's accounting policies

Management has exercised the following critical judgements in applying the ODC's accounting policies for the period ended 30 June 2018:

1. Classification of property

ODC owns a number of properties, which are maintained primarily to provide housing to pensioners. The receipt of rental from these properties is incidental to holding these properties. These properties are held for service delivery objectives as part of the ODC's social housing policy. These properties are accounted for as property, plant and equipment.

1. Classification of non-financial assets as cash generating assets or non-cash-generating assets

For the purpose of assessing impairment indicators and impairment testing, ODC classifies non-financial assets as either cash-generating or non-cash-generating assets. The Council classifies non-financial assets as cash-generating assets if the primary objective of the asset is to generate commercial return. All other assets are classified as non-cash-generating assets.

All property, plant and equipment and intangible assets held by ODC are classified as non-cash-generating assets. This includes assets that generate fee revenue or other cash flows for the Council, as the cash flows generated as generally not sufficient to represent commercial return on the assets.

Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2018 - continued

2018

	Cost /revaluation 1 July 2017	Accumulated depreciation	Carrying amount	Addition s	Disposals (cost)	Disposals (accumulated depreciation)	Transfers out of Fixed Assets	Revaluation Movement	Depreciation	Cost /revaluation 30 June 2018	Accumulated depreciation	Carrying amount
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Council Operational assets												
Land	7,126	-	7,126	98	-	-	1,473	(931)	-	5,751	-	5,751
Buildings	5,663	-	5,663	109	95	1	150	872	211	5,527	211	5,316
Plant & Machinery/ Motor Vehicles	1,020	531	489	226	252	170	-	-	133	994	494	500
Furniture & Equipment/ Library Books	1,765	1,190	575	152	185	107	-	-	112	1,732	1,195	537
Heritage Assets	250	-	250	-	-	-	-	-	-	250	-	250
Total operational assets	15,824	1,721	14,103	585	532	278	1,623	(59)	456	14,254	1,900	12,354
Council infrastructural assets												
Sewerage system	7,920	-	7,920	113	-	-	-	678	259	8,033	259	7,774
Water system	7,278	-	7,278	90	9	-	-	521	223	7,359	223	7,136
Rural water supply	7,478	-	7,478	76	84	1	-	862	208	7,470	207	7,263
Drainage network	6,829	-	6,829	28	161	3	-	(334)	111	6,696	108	6,588
Stopbanks	3,617	-	3,617	-	-	-	-	-	-	3,617	-	3,617
Roading, Bridges & Culverts	238,803	-	238,803	5,414	153	6	-	(2,211)	3,963	244,064	3,957	240,107
Work In Progress	113	-	113	84	40	-	-	-	-	157	-	157
Total infrastructural assets	272,038	-	272,038	5,805	447	10	-	(484)	4,764	277,396	4,754	272,642
Council restricted assets												
Land	6,301	-	6,301	145	-	-	-	(51)	-	6,446	-	6,446
Buildings	6,134	-	6,134	65	-	-	-	479	154	6,199	154	6,045
Work In Progress	43	-	43	15	38	-	-	-	-	20	-	20
Total restricted assets	12,478	-	12,478	225	38	-	-	428	154	12,665	154	12,511
Total ODC property, plant and equipment	300,340	1,721	298,619	6,615	1,017	288	-	(115)	5,374	304,315	6,808	297,507

Land under roads included in Rooding network totals \$42,110,922.

Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2018 - continued

2017

	Cost /revaluation 1 July 2016	Accumulated depreciation	Carrying amount	Cost /revaluation 30 June 2017	Accumulated depreciation	Carrying amount
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Council Operational assets						
Land	7,099	-	7,099	7,196	-	7,196
Buildings	5,792	431	5,361	5,829	654	5,185
Plant & Machinery/ Motor Vehicles	1,035	479	556	1,020	531	556
Furniture & Equipment/ Library Books	1,954	1,354	597	1,765	1,190	575
Heritage Assets				250		250
Total operational assets	15,877	2,264	13,613	16,060	2,375	13,685
Council infrastructural assets						
Sewerage system	7,738	374	7,364	7,794	552	7,242
Water system	6,981	385	6,596	7,347	595	6,752
Rural water supply	8,062	430	7,632	8,409	640	7,769
Drainage network	6,094	196	5,898	6,149	292	5,857
Stopbanks	3,617	-	3,617	3,617	-	3,617
Roading, Bridges and Culverts	248,567	6,946	241,621	251,880	10,930	240,950
Work In Progress	81	-	81	113	-	113
Total infrastructural assets	281,140	8,331	272,809	285,309	13,009	272,300
Council restricted assets						
Land	6,328	-	6,328	6,352	-	6,352
Buildings	6,082	300	5,782	6,117	452	5,665
Work In Progress	33	-	33	43	-	43
Total restricted assets	12,443	300	12,143	12,512	452	12,060
Total ODC property, plant and equipment	309,460	10,895	298,565	313,881	15,836	298,045

Land under roads included in Roothing network totals \$53,822,561.



**Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2018 -
continued**

An independent valuation of the entity's land and buildings was performed by Quotable Value, independent registered valuers not related to the entity, to determine the fair value of the land and buildings. Where possible market values were obtained, and where these couldn't be obtained, depreciated replacement cost was used. The valuation was performed in November 2017 effective as at 1 July 2017 and does not materially differ from the value at 1 July 2017. The total fair value of Land and Building's valued by Quotable Value at 1 July 2017 after the revaluation was \$25,221,100. The carrying amount prior to the revaluation was \$24,387,887.

The infrastructural assets, excluding Roothing and Stopbanks, were valued by sufficiently experienced in-house engineering staff. The valuations were independently reviewed and confirmed to have met the appropriate valuation and financial reporting standards, and deemed suitable for inclusion in the financial statements by Graeme Hughson (Independent Registered Valuer). The Roothing valuation was undertaken by Opus International Consultants Ltd, using information held by Council in the RAMM database. The assets were valued by determining their depreciated replacement cost as no market value is available for these types of assets. The valuation was performed in November 2017 effective as at 1 July 2017 and does not materially differ from the value at 1 July 2017. The total fair value of Infrastructural assets valued by in-house engineering staff at 1 July 2017 after the revaluation was \$268,308,297. The carrying amount prior to the revaluation was \$268,568,410.

As at balance date no items of property, plant and equipment were temporarily idle. No items of property, plant and equipment were retired from active use and not classified as held for sale.

Rental property held by the Council is held to provide housing for the elderly, and the carrying amount as at 30 June 2018 is \$1,880,340 (2017: \$1,633,975).

Council has assessed the current book value against the most recent estimate of replacement cost, and it has deemed that the current book value represents a fair value of assets held, and that any difference between the current book value and fair value is not material.

2018

	Closing book value	Additions		Estimated replacement cost	Date of Estimate
		Constructed by Council	Assets transferred to Council		
	(000's)	(000's)	(000's)	(000's)	
Infrastructural Assets					
Water treatment plants & facilities	1,372	116	-	5,182	1 July 2017
Other water assets	13,027	50	-	20,795	1 July 2017
Wastewater treatment plants & facilities	2,416	113	-	4,115	1 July 2017
Other wastewater assets	5,358	-	-	10,911	1 July 2017
Stormwater drainage	6,234	7	-	11,277	1 July 2017
Flood protection and control works	3,972	21	-	3,617	1 July 2017
Roads & footpaths	240,107	2,937	2,476	326,844	1 July 2017
Total infrastructural assets	272,486	3,244	2,476	382,741	



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2018 - continued

Capital commitments

	Actual 2017 (000's)	Actual 2018 (000's)
Capital commitments Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment	724	1,283
Other Expenditure Commitments Maintenance Contracts	7,459	1,660

10. Intangible assets – Computer Software

Accounting Policy

Intangible assets

Software acquisition

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the profit or loss.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software (finite life)	3 years	33.3%
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Impairment of intangible assets

Intangible assets subsequently measured at cost that have an indefinite useful life, are not subject to amortisation and are tested annually for impairment.

Intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.



Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2018 -
continued

	Actual 2017 (000's)	Actual 2018 (000's)
Balance as at 1 July		
Cost	710	602
Accumulated amortisation	(604)	(491)
Opening carrying amount	106	111
Year ended 30 June		
Additions	58	43
Disposals – cost	(176)	(1)
Disposals – accumulated amortisation	176	1
Amortisation charge	(63)	(75)
Movement	5	(32)
Balance at 30 June		
Cost	602	645
Accumulated amortisation	(491)	(566)
Closing carrying amount	111	79

Amortisation of intangibles is included in the depreciation and amortisation line within the Statement of Comprehensive Income. Refer to note 11 for a breakdown of this item.

Some items of software have been fully amortised but are still in use by the council. These items include operating systems and other key software used in the day-to-day running of council.

Other intangibles

ODC has a number of easements over properties, giving Council access to inspect and maintain items of infrastructural importance. These easements hold no commercial value, and therefore no amount has been recorded for these easements.

11. Depreciation and Amortisation

	Actual 2017 (000's)	Actual 2018 (000's)
Depreciation	5,323	5,376
Amortisation	63	75
Total depreciation and amortisation	5,386	5,451



Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2018 -
continued

Depreciation by group of activity

	Actual 2017 (000's)	Actual 2018 (000's)
Roads and Footpaths	4,013	3,963
Water Supply	429	436
Sewerage Treatment & Disposal	192	269
Flood Protection & Control Works	25	26
Stormwater Drainage	80	95
Community Services	344	341
Regulatory Services	4	1
Governance & Leadership	299	320
	5,386	5,451

12. Payables under exchange transactions

Accounting Policy

Payables under exchange transactions

Payables under exchange transactions are recognised when ODC becomes obliged to make future payments resulting from the purchase of goods and services. Subsequent to initial recognition, payables under exchange transactions are recorded at amortised cost.

	Actual 2017 (000's)	Actual 2018 (000's)
Trade payables	1,552	1,901
Deposits and bonds	280	544
Accrued expenses	181	186
Total payables under exchange transactions	2,013	2,631

Payables under exchange transactions are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of trade and other payables approximates their fair value. The entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2018 - continued

13. Provisions

Accounting Policy

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

Landfill post-closure costs

ODC, as operator of the Otorohanga and Kawhia closed landfills, has a legal obligation under the resource consents to provide ongoing maintenance and monitoring services at the landfill. A provision for post-closure costs is recognised as a provision.

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology.

The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the Council to make specified payments to reimburse the holder of the contract for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contract liabilities are measured initially at their fair value. If a financial guarantee was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received, the fair value of the liability is initially measured using a valuation technique, such as considering the credit enhancement arising from the guarantee or the probability that the Council will be required to reimburse a holder for a loss incurred discounted to present value. If the fair value of a guarantee cannot be reliably determined, a liability is only recognised when it is practicable there will be an outflow under the guarantee.

Financial guarantees are subsequently measured at the higher of:

- The present value of the estimated amount to settle the guarantee obligation if it is probable there will be an outflow to settle the guarantee; and
- The amount initially recognised less, when appropriate, cumulative amortisation as revenue.



**Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2018 -
continued**

	Actual 2017 (000's)	Actual 2018 (000's)
Opening Balance	20	19
Maintenance and Monitoring Costs	(1)	(1)
Closing balance	19	18
Represented by:		
Current portion	1	1
Non-current provisions	18	17
	19	18

Landfill aftercare provision

ODC gained resource consents to operate its Otorohanga and Kawhia landfills. ODC has responsibility under the resource consent to provide ongoing maintenance and monitoring of the landfill after the sites are closed.

Both landfills are closed. There are closure and post-closure responsibilities such as the following:

Closure responsibilities

- Final cover application and vegetation
- Incremental drainage control features
- Completing facilities for leachate collection and monitoring
- Completing facilities for water quality monitoring
- Completing facilities for monitoring and recovery of gas.

Post-closure responsibilities

- Treatment and monitoring of leachate
- Ground water and surface monitoring
- Gas monitoring and recovery
- Implementation of remedial measures such as needed for cover, and control of systems.
- Ongoing site maintenance for drainage systems, final cover and vegetation.

Capacity of the Site

The Otorohanga and Kawhia landfills have been capped.

The cash outflows for landfill post-closure responsibilities are expected to occur between 2011 and 2033. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and is discounted using a discount rate of 7.00% (2017: 7.00%).



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2018 - continued

14. Employee benefit liabilities

Accounting Policy

Employee entitlements

Short-term employee entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where the Council has a contractual obligation or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave, have been calculated on an actuarial basis. The calculations are based on:

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- The present value of the estimated future cash flows.

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested long service leave expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

	Actual 2017 (000's)	Actual 2018 (000's)
Accrued pay	76	77
Annual leave	250	277
Long service leave	44	30
Sick leave	6	2
Total employee benefit liabilities	376	386
Comprising:		
Current	326	354
Non-current	50	32
Total employee benefit liabilities	376	386



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2018 - continued

15. Income in advance

	Actual 2017 (000's)	Actual 2018 (000's)
Rates	519	552
Metered Water Charges	10	12
Debtors	69	75
Dog Registrations	39	69
Trade Waste	5	7
Health Licences	15	9
Total income in advance	657	724

16. Borrowings

Accounting Policy

Borrowings

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

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

	Actual 2017 (000's)	Actual 2018 (000's)
Current		
Secured loans	-	-
Total current borrowings	-	-
Non-current		
Secured loans	9,126	6,066
Concessionary loan	448	448
Total non-current borrowings	9,574	6,514

Fixed-rate debt

The majority of ODC's secured debt of \$6,514,310 (2017: \$9,574,071) is issued at fixed rates of interest ranging from 5.00% - 6.00% (2017: 5.00% - 6.00%).

Total borrowing from the Local Government Funding Agency (LGFA) as at 30 June 2018 is \$6,066,697 (2017: \$9,126,458).

Security

The overdraft is unsecured. The maximum amount that can be drawn down against the overdraft facility is \$200,000 (2017: \$200,000). There are no restrictions on the use of this facility.

ODC's loans are secured over either separate or general rates of the district.



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2018 - continued

Refinancing

ODC manages its borrowings in accordance with its funding and financial policies, which includes a Liability Management policy. These policies have been adopted as part of the ODC's Long Term Plan (LTP).

Concessionary loan

This concessionary loan was advanced to the Council by the Government in order to fund repairs on Council social housing in Otorohanga. This loan was advanced in two amounts, \$165,000 on 29th June 2007, and \$283,000 on 14th March 2008. The interest rate on this loan is 0% (2017: 0%). This loan is a suspensory loan with a 20 year term. Should ODC meet the conditions of the loan, including retaining ownership of the pensioner housing units, the loan will not be required to be repaid at the end of the term.

17. Equity

Accounting Policy

Equity

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- Accumulated comprehensive revenue and expenses
- Restricted reserves
- Asset revaluation reserves
- Available for sale revaluation reserve

Restricted reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Council.

Restricted reserves include those subject to specific conditions accepted as binding by ODC and which may not be revised by ODC without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Council decision. The Council may alter them without references to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

Asset revaluation reserve

The asset revaluation reserve arises on the revaluation of land, buildings and infrastructural assets to fair value.

Available for sale revaluation reserve

Available for sale revaluation reserve arises on the revaluation of investments held. Where a revalued investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is reclassified from equity to surplus or deficit.



**Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2018 -
continued**

	Actual 2017 (000's)	Actual 2018 (000's)
Accumulated Funds		
Balance at 1 July	155,333	156,992
Transfers to restricted reserves	(58)	(2,397)
Transfers from property revaluation reserves on disposal	1	-
Transfers from restricted reserves	279	126
Surplus/(deficit) for the year	1,437	5,014
Balance at 30 June	156,992	159,735
Restricted Reserves		
Balance at 1 July	1,045	824
Transfers to accumulated funds	(279)	(126)
Transfers from accumulated funds	58	2,397
Balance at 30 June	824	3,095
Asset Revaluation Reserves		
Balance at 1 July	135,684	135,652
Net revaluation gains	(31)	(619)
Transfer to accumulated funds on disposal of property	(1)	-
Balance 30 June	135,652	135,033
Asset revaluation reserves consist of:		
<i>Operational assets</i>		
Land	4,472	3,541
Buildings	1,706	2,085
<i>Infrastructural assets</i>		
Sewerage system	3,541	4,220
Water system	3,975	4,495
Drainage network	3,655	4,517
Rural Water Supply	4,086	3,752
Roading network	104,831	102,620
Floodbank	2,443	2,443
<i>Restricted assets</i>		
Land	2,662	2,611
Buildings	4,281	4,749
Total Asset Revaluation Reserves	135,652	135,033
Available for sale Revaluation Reserve		
Balance at 1 July	11	10
Net change in fair value	(1)	(9)
Transfer to surplus or deficit on disposal	-	-
Balance at 30 June	10	1
Total Reserves	135,662	135,034



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2018 - continued

Restricted reserves relate to:

- Subdivision reserves, which are used to record financial contributions on subdivisions. These financial contributions are accepted in lieu of the developer creating a reserve, and the money is used by Council for work on reserves within the area.
- General funds reserve, which is used for specific purposes that Council elects to use it for. Any use of money from this reserve has to be designated within the LTP or Annual Plan. This reserve is typically used for one-off non-operational items.

Information about Council controlled reserves is provided below

	Balance 1 July	Transfer into fund	Transfers out of fund	Balance 30 June
	(000's)	(000's)	(000's)	(000's)
2018				
Roads and Footpaths	1,137	13,506	(12,182)	2,461
Water Supply	(505)	1,841	(2,005)	(669)
Sewerage	109	815	(879)	45
Flood Protection	201	190	(123)	268
Regulatory Services	(62)	204	(203)	(61)
Community Services	174	652	(685)	141
Governance and Leadership	893	1,593	(1,623)	863
Community Development	-	1	(1)	-
General Funds	1,657	4,980	(4,781)	1,856
Total Council Controlled Reserves - 2018	3,604	23,782	(22,482)	4,904
2017				
Roads and Footpaths	592	13,232	(12,687)	1,137
Water Supply	(435)	2,391	(2,461)	(505)
Sewerage	81	802	(774)	109
Flood Protection	115	316	(230)	201
Regulatory Services	(34)	176	(204)	(62)
Community Services	39	717	(582)	174
Governance and Leadership	897	1,498	(1,502)	893
Community Development	(3)	7	(4)	-
General Funds	875	4,745	(3,963)	1,657
Total Council Controlled Reserves - 2017	2,127	23,884	(22,407)	3,604

Purpose of each Council Controlled Reserve fund

All Council Controlled Reserves arise from situations where the income generated from an activity is larger than the expenditure, or expenditure has been higher than income, and these savings or deficits are ring-fenced to the related activity. The reserves are grouped by Group of Activities and can only be spent for those purposes they were collected for.



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2018 - continued

18. Contingencies

Contingent Liabilities

	Actual 2017 (000's)	Actual 2018 (000's)
Guarantees	420	420
Uncalled Capital – Local Government Funding Agency	100	100
Uncalled Capital – Waikato Local Authority Shared Services	1	1
Contingent Liability – Legal Claim	183	-
	704	521

Guarantees

The value of guarantees disclosed as contingent liabilities reflects ODC's assessment of the undiscounted portion of financial guarantees that are not recognised in the Balance Sheet. At the year-end it was not probable that the counterparty to the financial guarantees contract will claim under the contract.

New Zealand Local Government Funding Agency

Otorohanga District Council is a shareholder of the New Zealand Local Government Funding Agency Limited (LGFA). The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating from Standard and Poor's of AA+.

ODC is one of 30 shareholders of the LGFA. In that regard it has uncalled capital of \$100,000. When aggregated with the uncalled capital of other shareholders, \$20m is available in the event that an imminent default is identified. Also, together with the other shareholders, Council is a guarantor of all of LGFA's borrowings. At 30 June 2018, LGFA had borrowings totalling \$7,976m (2017: \$7,784m).

The Council considers the risk of LGFA defaulting on repayment of interest or capital to be very low on the basis that:

- a. We are not aware of any local authority debt default events in New Zealand; and
- b. local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

Uncalled Capital

The uncalled share capital for Waikato Local Authority Shared Services amounts to \$1,000 as at 30 June 2018. At present ODC is not aware of any plan to call the capital in the near future.

Legal Claim

During the year the legal claim previously allowed for was lodged, and this was settled during the year. No additional legal claims were outstanding or expected at 30 June 2018.

Carter Holt Harvey

In 2013, the Ministry of Education (MoE) initiated High Court proceedings against Carter Holt Harvey (CHH) and other alleging inherent defects in the shadowclad plywood cladding sheets manufactured and distributed by CHH. The MoE's original claim was for 833 school buildings, of which 3 are located within the Otorohanga District.



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2018 - continued

In 2016, CHH commenced proceedings against 48 Councils, including Otorohanga District Council, alleging a breach of duty in the processing of building consents, undertaking building inspections and issuing Code Compliance Certificates.

During the current year the Councils sought to strike out CHH's claims against them. The High Court declined the strike out of the claim, but struck out proceedings in relation to 28 school buildings built outside the 10 year long stop contained within the Building Act 2004. None of these 28 buildings were in the Otorohanga District. Further, CHH applied for trial staging, with proceeding to commence in relation to 20 buildings. MoE opposed the application, seeking a trial on the determination of whether shadowclad is inherently defective. The High Court accepted the MoE proposal. CHH has appealed this decision.

At present, there is still insufficient information to conclude on potential liability and claim quantum, if any.

19. Related party transactions

The following transactions were carried out with related parties:

Key management personnel

Key management personnel include the Mayor, Councillors, Chief Executive and other senior management personnel.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect the Council would have adopted in dealing with the party at arm's length in the same circumstances.

No provision has been required, nor any expense recognised for impairment of receivables to related parties (2017: \$nil).

20. Events after balance sheet date

No significant events have occurred since balance date.



Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2018 -
continued

21. Financial instrument risks

Financial instruments categories

	Actual 2017 (000's)	Actual 2018 (000's)
FINANCIAL ASSETS		
Cash and cash equivalents	4,266	5,258
Receivables from non-exchange transactions	2,390	4,283
Receivables from exchange transactions	154	299
	6,810	9,840
Available for sale financial assets		
Listed shares	46	-
Unlisted shares	583	583
<i>Total available for sale financial assets</i>	629	583
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Payables under exchange transactions	2,013	2,631
Borrowings		
- secured loans	9,574	6,514
<i>Total financial liabilities at amortised cost</i>	11,587	9,145

Otorohanga District Council has a series of policies to manage the risks associated with financial instruments. ODC is risk averse and seeks to minimise exposure from its treasury activities. ODC has established Council approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2018 - continued

22. Explanation of major variances against budget

Explanations for major variations from the Council estimate figures in the 2017/18 Annual Report are as follows:

Statement of Comprehensive Revenue and Expenses

Subsidies were \$241,000 above budget. This is due to spending on roading capital works being up on the previous year, as well as additional funding for road safety work.

Other income was \$3,019,000 above budget. This is due to a number of factors, including vested assets of \$2,476,000. This related to work on the road and bridge leading to Waikeria Prison, which was funded largely by the Department of Corrections. There was also an increase in regulatory revenue of \$694,000 over budget due to significant planning consents during the year such as Waikeria Prison and Happy Valley Milk dairy factory.

Finance costs are \$196,000 under budget. This is due to savings in interest costs made from borrowing from the Local Government Funding Agency compared to budgeted interest costs, as well as an overall reduction in external borrowing.

Balance Sheet

Cash and cash equivalents is up on budget by \$4,356,000. This is due in large part to the savings in interest costs, as well as the sale of some council owned properties towards the end of the year, including the land at Te Raumauku Road.

Assets held for sale reduced by \$3,897,000 due to the sale of the Waiwera Street and Te Raumauku Road properties.

Receivables from non-exchange transactions was above budget by \$2,688,000, due to invoicing at the end of the year for the construction work on Waikeria Road and the resource consents for Waikeria Prison.

Borrowings was down \$3,500,000 on budget due to borrowings not needing to be taken as the planned subdivision did not commence during the year.

Statement of Cash Flows

Cash flows from operating activities was below budget by \$1,200,000, as a result of decreased cash receipts for other income, which is not reflected in the increased income in the statement of comprehensive income due to a large amount of non-cash income from vested assets.

Cash flows from investing activities is \$6,824,000 under budget. This is due to the deferral of some capital expenditure projects such as the subdivision, as well as income from property sales higher than had been budgeted.



PERFORMANCE/ STATEMENT OF COMPLIANCE AND RESPONSIBILITY



PERFORMANCE DURING 2017/18

Statement of Service Performance

The Local Government Act 2002 contains a requirement for Council to report on non-financial information in the Annual Report. In developing its Annual Plan for the 2017/18 year, Council set a number of performance measures which are reported on by activity.

These performance measures contain elements of quality, quantity, timeliness and location (where applicable).

Quality Management

The Council is committed to the principles of quality service and continuous improvement and, to this end, has controls in place for monitoring and improving the quality of the service it provides.

Capital Works

Capital works are constructed to design specifications. Inspections of works are undertaken by suitably qualified and experienced engineers and progress is reported on a regular basis to the Council.

Project Management

The Engineering Management Department undertakes the functions of planning, programming, supervision and technical audit of professional services and physical contracts let for the council, either through the in-house Business Unit or through independent consulting engineers. Substantial works are undertaken by consultants and contractors under separate contracts. For all professional services or physical contracts monies are retained until after a satisfactory maintenance period, when the contract is deemed complete.



STATEMENT OF COMPLIANCE AND RESPONSIBILITY

Statement of Compliance

The Council and Management of Otorohanga District Council confirm that all the statutory requirements of the Local Government Act 2002, regarding financial management and borrowing, have been complied with.

Statement of Responsibility

The Council and Management of Otorohanga District Council accept responsibility for the preparation of the annual Financial Statements and Statement of Service Performance and the judgements used in them.

The Council and Management of Otorohanga District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and Management of Otorohanga District Council, the annual Financial Statements for the year ended 30 June 2018 fairly reflect the financial position and operations of Otorohanga District Council.

Max Baxter
MAYOR

Dave Clibbery
CHIEF EXECUTIVE

Graham Bunn
**CORPORATE SERVICES
MANAGER**

23rd October 2018



REPORT ON LONG TERM PLAN AND POLICIES

Introduction

Each local authority is required to prepare and adopt a long term plan, funding policy, investment policy, and borrowing and investment policy.

Section 98(2) of the Local Government Act 2002 specifies that every local authority must provide, in its Annual Report, sufficient information about each of the documents listed above to enable an informed assessment of the extent to which the objectives and provisions of the strategy and policies have been met during that year.

Overview

During 2017/18 the Council made significant progress toward the achievement of objectives and policies for the year as set out in the Long Term Plan, Funding Policy and Borrowing and Investment Policy. Details of achievement against the objectives and policy are set out below.

Long Term Plan

Background

The Long Term Plan (LTP) identifies significant activities of the Council and provides for the associated estimated future expenses, revenues, cashflows and other movements in the Balance Sheet. The general aim of the LTP is to ensure that the Council has adequately considered and accounted for its future operations in accordance with the following six principles.

- Prudent management of Council activities in the interest of the District and its inhabitants.
- Adequate provision for expenditure needs of the council.
- Adequate consideration and assessment of benefits and costs of different options.
- Lawful funding mechanisms that on reasonable grounds can be considered as appropriate.
- Maintaining prudent levels of debt in accordance with borrowing management policy.
- Operating revenue to cover all operating expenses.

The 2017/18 year was the third year of the 2015/25 LTP.



BORROWING AND INVESTMENT POLICY

Background

The Borrowing and Investment Policy incorporates the Investment and Borrowing Policies. The investment policy sets the parameters within which investment activity can occur, approved organisations for investment, and the type of approved investment vehicles. The mix of investments between current and non-current is determined according to Council's working capital needs. The purpose of the borrowing policy is to ensure that Council's debt and associated risks are maintained at prudent levels. It sets the parameters within which debt may be raised and the types of debt instruments available. Refer to the Annual Plan for an outline of the policy.

Overall Performance

There are no significant variations or material departures from the Councils' Borrowing and Investment Policy as reported in the 2015/25 Long Term Plan.



OPPORTUNITIES FOR MAORI TO CONTRIBUTE TO COUNCILS' DECISION-MAKING PROCESSES

The Council is committed to acting cooperatively and in good faith showing flexibility and responsiveness and a desire to engage with Maori for the good governance of the District. This is done in a manner that is inclusive and makes the best use of the resources of both Maori and the Council.

Various mechanisms to enhance current practices were considered, and have been discussed with Maori. These include the development of a Consultative Committee, ongoing meetings with representative groups such as the Nehenehenui and Nga Tai O Kawhia Regional Management Committees, the holding of Council meetings on Marae, and the provision of information concerning resource management processes. Council is committed to continuing investigation of these opportunities.

The commitments contained in Council's Policy on Maori Involvement in Decision Making were also observed.

The Waikato River Settlement Act recognizes the connection and significance of Waikato-Tainui, Tuwharetoa, Affiliate Te Arawa Iwi/Hapu, Raukawa and Maniapoto with the Waikato River.

The Act streamlines the co-governance and co-management arrangements, establishes a single co-governance entity, the Waikato River Authority, and seeks to restore and protect the health and wellbeing of the Waikato River through the incorporation of the Vision and Strategy for the Waikato River into the Waikato Regional Policy Statement.

The area considered by the Waikato River Authority does not include Otorohanga District and as such there are no implications at a Governance level for the Council. However the incorporation of the Vision and Strategy into the Waikato Regional Policy Statement requires Council in reviewing its District Plan and making decisions on resource consents give effect to the relevant provisions of the Vision and Strategy. This is to be undertaken as part of the relevant review or consent processes.

Further to the above Crown have signed two separate Deeds of Settlement with Raukawa and Maniapoto which will affect Council. The detail of this is not clear at present however indications are that implications to Councils will be largely similar to that defined in the Waikato River Settlement Act.



SIGNIFICANT ACTIVITIES

COMBINED COST OF SERVICE STATEMENT

For the Year ended 30 June 2018

2017 Actual \$ (000's)		2018 AP Estimate \$ (000's)	2018 Actual \$ (000's)
	OPERATING REVENUE		
5,300	Activity Revenue	5,254	6,037
7,405	Targeted Rates	7,636	7,664
7	Development Contributions	10	11
4,702	General Rates	4,850	4,911
5,834	Other General Sources	6,405	5,656
23,248	TOTAL OPERATING REVENUE	24,155	24,279
	Reconciling Items:		
(5,795)	Internal Recoveries	(6,405)	(5,562)
(28)	Gains/(losses) on asset disposal	175	1,007
326	Assets vested in Council	-	2,476
17,751	TOTAL OPERATING REVENUE PER STATEMENT OF COMPREHENSIVE INCOME	17,925	22,200
	OPERATING EXPENDITURE		
8,819	Roading	9,277	8,619
2,009	Water Supply	2,124	2,159
587	Sewerage	595	649
170	Stormwater	166	91
158	Flood Protection	190	195
1,793	Regulatory Services	1,648	2,606
2,620	Community Services	2,695	2,215
298	Community Development	683	384
5,608	Governance and Leadership	6,518	5,833
22,062	TOTAL OPERATING EXPENDITURE	23,896	22,751
	Reconciling Items:		
(5,795)	Internal Recoveries	(6,405)	(5,562)
-	Interest difference	-	-
1	Landfill Aftercare Provision	1	1
46	Doubtful Debt Provision adjustment	-	(3)
16,314	TOTAL OPERATING EXPENDITURE PER STATEMENT OF COMPREHENSIVE INCOME	17,492	17,187
1,437	NET PROFIT/(LOSS)	435	5,013

Whole of Council Funding Impact Statement

	2016/17 Long Term Plan \$ (000's)	2016/17 Actual \$ (000's)	2017/18 Long Term Plan \$ (000's)	2017/18 Actual \$ (000's)
Sources of Operating Funding				
General rates, uniform annual general charges, rates penalties	4,664	4,702	4,758	4,911
Targeted Rates (other than a targeted rate for water supply)	7,644	7,405	8,077	7,664
Subsidies and grants for operating purposes	1,529	1,918	1,612	2,002
Fees and charges	638	1,056	695	1,357
Interest and dividends from investments	-	99	-	109
Local authorities fuel tax, fines, infringement fees and other receipts	768	775	646	556
Total Operating Funding	15,243	15,955	15,788	16,599
Applications of operating funding				
Payments to staff and suppliers	9,965	9,880	10,350	10,683
Finance Costs	666	436	749	365
Other operating funding applications	817	673	861	819
Total application of operating funding	11,448	10,989	11,960	11,867
Surplus (deficit) of operating funding	3,795	4,966	3,828	4,732
Sources of Capital Funding				
Subsidies and grants for capital expenditure	1,977	1,448	1,836	2,013
Development and financial contributions	10	7	11	11
Increase (decrease) in debt	1,671	(458)	1,500	(767)
Gross proceeds from sale of assets	554	187	1,315	2,436
Lump sum contributions	-	-	-	-
Total sources of capital funding	4,212	1,184	4,662	3,693
Application of capital funding				
Capital expenditure				
- To meet additional demand	51	-	52	-
- To improve the level of service	2,958	1,522	4,178	473
- To replace existing assets	5,077	3,141	4,266	3,611
Increase (decrease) in reserves	(79)	1,487	(6)	4,341
Increase (decrease) of investments	-	-	-	-
Total application of capital funding	8,007	6,150	8,490	8,425
Surplus (deficit) of capital funding	(3,795)	(4,966)	(3,828)	(4,732)
Funding balance	-	-	-	-

ROADS AND FOOTPATHS

The road network forms the backbone of Otorohanga's infrastructure and impacts on the potential for development in the District. The purpose of this activity is to provide for the safe and efficient passage of traffic throughout the District and Council acknowledges its interdependency on the State Highway network, as well as partnerships with key stakeholders in the transport arena.

This is the single largest activity of Council, and provides for road improvement and maintenance works such as pavement rehabilitation, reseals, bridge repairs, storm damage restoration, general maintenance, vegetation control, landscaping, sign posting and pavement marking (traffic services), street lighting, street cleaning, minor safety projects, and footpath repairs.

The rationale for Council's involvement stems in part, from statutory requirements. The Local Government Acts 1974 and 2002 empower Council to construct, upgrade and repair all roads, which is done with the help of Government funding. It also ensures common law rights of public access.

Key Roads and Footpaths Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/14	2017/2018 Target	Achieved/ Not Achieved	2017/18 Actual
The design and maintenance of District roads ensures that they are safe and comfortable to travel on	Reliable roading around the District will ensure that the transportation needs of communities are met. Providing safe vehicular access helps keep our communities safe and also helps	The numerical change from the previous financial year (for which all data is available) in the total number of fatalities and serious injuries resulting from road crashes on local roads	Current performance (2011/12 to 2012/13) 5-3=2	0	Not achieved	3
		The average quality of ride of sealed roads measured by smooth travel exposure (as a	97%	95%	Achieved	98%

Internal Borrowing

The Roads and Footpaths group of activities has internal borrowing as at 30 June 2018 of \$4,157,054. During the year no additional borrowing was taken, but repayments totalling \$417,146 were made. Interest on internal borrowings was paid of \$192,116.

Capital Expenditure

	2018 AP Estimate \$ (000's)	2018 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	3,356	2,682
- Growth (Improving Service Capacity)	52	-
- Level of Service (Improvements to Service)	885	254

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/14	2017/2018 Target	Achieved/ Not Achieved	2017/18 Actual
	provide quality transport networks	percent of travel distance above a NAASRA smoothness value of 150)				
		The extent of the sealed network by surface area that is resurfaced annually	New measure	95%	Not achieved	6.4%
		The extent of unsealed road metalling programme that is completed annually	New measure	95%	Achieved	96%
		Percentage of the footpath network which meets or is above the condition rating standard 3 or better (minor cracking)	96% (of the 56% of footpaths rated so far)	95%	Not achieved	88%
		Percentage of service requests relating to roads and footpaths responded to within 10 working days	54%	90%	Not achieved	77%

Road Safety

Overall a total of 4 fatal and serious injuries occurred on local roads in the 2016/17 financial year (the last year where full data is available). This was an increase of 3 over the previous year, where 1 occurred. None of these recorded accidents however had road condition as a contributing factor.

Sealed Road Resurfacing

Overall 6.4% of the sealed roads in the district were resealed during the year. This is down on the target due to an error made when setting the target, where the target was set as a percentage of the reseal programme completed, not the roads resealed.

Quality of ride

Overall 98.2% of local roads within the district have a smoothness rating above a NAASRA smoothness value of 150). This information is calculated

from Council data held within RAMM, and is reported using a reporting tool developed by the Road Efficiency Group. This data is broken down by roading classification and reported at both this level and the total.

Measuring of road smoothness is undertaken every two years, with the last time being May 2017. The next measurement is due to take place in the 2018/19 financial year.

Condition rating of footpaths

88% of footpaths in the district have a rating of 3 or above. This is below the target of 95%. This target was set prior to a full condition rating survey, and was based on the best estimate of where Council's footpaths were likely to be rated. Given the results are now available, programming will be undertaken to improve those footpaths that have the lowest rating first. This will take place as budgets allow. The last rating was done in 2015/16, and this information has been used to inform the footpath programming. The next rating is planned to take place in the next 5 years.



Service request responses

77% of service requests were responded to within 10 days, compared to the 90% target. Whilst a great improvement on the previous year (49% in 2016/17), it still falls short of the target. This was due in the main to issues generated by the poor performance of the road maintenance contractor generating more services requests and also making greater demands on staff time. During this year the roading team continued to be under resourced and unfortunately some key team members suffered poor health. It is anticipated that with a Roding Manager now in place that the improvement under this performance criterion will continue.

Bulk Metalling

Council maintains 271 km of unsealed rural roads and has in place a programme to bulk metal all roads every 5 years on average. The programme does allow some variation to this cycle to cater for USWP works, urgent needs etc. This cycle gives an annual average length of 54.2 km and an average 9000 cubic metre of metal per year. These quantities annually vary due to different road widths.

The work is currently undertaken by Inframax Construction Ltd under contract 1028.

ROAD	START RP	END RP	LENGTH km	QUANTITY m ³
Bonner Rd	0.000	1.594	1.594	120
Bromley Rd	0.000	4.087	4.087	412
Bush Rd	2.207	6.830	4.623	812
Carlin Rd	0.000	0.473	0.473	60
Honikiwi Rd	17.285	17.840	0.555	157
Honikiwi Rd	17.897	19.728	1.831	489
Honikiwi Rd	19.789	24.488	4.699	538
Innes Rd	0.000	0.242	0.242	45
Ireland Rd	0.000	0.315	0.315	48
Ngapeke Rd	0.000	2.187	2.187	393
Ngapeke Rd	2.277	4.260	1.983	357
Owawenga Rd	0.000	3.346	3.346	441
Owawenga Rd	3.480	7.075	3.595	413
Owawenga Rd	7.152	9.550	2.398	249
Owawenga Rd	9.550	11.190	1.640	139
Pinny Rd	0.000	0.256	0.256	36
Puketawai Rd	6.800	9.370	2.570	150
Smith Rd	0.000	0.757	0.757	135
Tapuae Rd	2.371	7.100	4.729	645
Te Raumauku Rd	2.447	9.050	6.603	765
Veale Rd	0.000	1.617	1.617	240
Waimahora Rd	0.000	2.255	2.255	372
Waimahora Rd	2.258	5.640	3.382	558
Wooster Rd	0.000	0.509	0.509	45
Totals			52.246km	7,619m³



Roads and Footpaths – Cost of Service Statement

2017 Actual \$ (000's)		2018 AP Estimate \$ (000's)	2018 Actual \$ (000's)
	OPERATING INCOME		
3,445	Activity Revenue	3,816	4,037
5,081	Targeted Rates	5,206	5,246
-	Development Contributions	-	-
-	General Rates	-	-
995	Other General Sources	978	870
9,521	TOTAL OPERATING INCOME	10,000	10,153
	OPERATING EXPENDITURE		
7,992	Roading	8,359	7,797
827	Engineering Business Unit	919	823
8,819	TOTAL OPERATING EXPENDITURE	9,278	8,620
702	NET COST OF SERVICE	722	1,533

Roads and Footpaths Funding Impact Statement

	2016/17 Long Term Plan \$ (000's)	2017/18 Long Term Plan \$ (000's)	2017/18 Actual \$ (000's)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted Rates (other than a targeted rate for water supply)	5,183	5,478	5,246
Subsidies and grants for operating purposes	1,476	1,556	1,936
Fees and charges	-	-	-
Internal charges and overheads recovered	844	866	823
Local authorities fuel tax, fines, infringement fees and other receipts	93	95	87
Total Operating Funding	7,596	7,995	8,092
Applications of operating funding			
Payments to staff and suppliers	3,223	3,268	3,065
Finance costs	259	239	192
Internal charges and overheads applied	1,699	1,748	1,348
Other operating funding applications	1	1	4
Total application of operating funding	5,182	5,256	4,609
Surplus (deficit) of operating funding	2,414	2,739	3,483
Sources of capital funding			
Subsidies and grants for capital expenditure	1,977	1,836	2,013
Development and financial contributions	-	-	-
Increase (decrease) in debt	(137)	(279)	(417)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	1,840	1,557	1,596
Application of capital funding			
Capital expenditure			
- To meet additional demand	51	52	-
- To improve the level of service	593	888	254
- To replace existing assets	3,618	3,363	2,682
Increase (decrease) in reserves	(8)	(7)	2,143
Increase (decrease) of investments	-	-	-
Total application of capital funding	4,254	4,296	5,079
Surplus (deficit) of capital funding	(2,414)	(2,739)	(3,483)
Funding balance	-	-	-

WATER SUPPLY

Council has historically provided potable water to the urban communities of Otorohanga and Kawhia and to some rural areas to assist in facilitating economic development, and in recognition that such delivery of water is preferable to reliance on individual supply arrangements, particularly in the urban areas.

Having established such services Council is now limited in its ability to discontinue this activity, due to the provisions of the Local Government Act 2002.

Internal Borrowing

The Water Supply group of activities has internal borrowing as at 30 June 2018 of \$839,051. During the year no additional borrowing was taken, and repayments totalling \$81,311 were made. Interest on internal borrowings was paid of \$38,655.

Key Water Supply Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline	2017/18	Achieved/ Not achieved	2017/18
			2013/14	Target		Actual
The water provided is safe to drink	Providing continuous, efficient, quality water supply to communities ensures the health of consumers	Drinking water supplies comply with Part 4 of the drinking-water standards (bacteria compliance criteria)				
		As measured by bacterial water sample results				
		Otorohanga	Yes – Complies	Complies	Achieved	Complies
		Kawhia	Yes – Complies	Complies	Achieved	Complies
		Drinking water supplies comply with Part 5 of the drinking-water standards (protozoal compliance criteria)				

Capital Expenditure

	2018 AP Estimate \$ (000's)	2018 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	469	135
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	147	32

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline	2017/18	Achieved/ Not achieved	2017/18
			2013/14	Target		Actual
		Otorohanga	Yes – Complies	Complies	Not achieved	Doesn't Comply
		Kawhia	Yes – Complies	Complies	Not achieved	Doesn't Comply
		Percentage of real water loss from the networked reticulation system	New measure			
		Otorohanga		30%	Achieved	17%
		Kawhia		30%	Not achieved	38%
		Median response time to:	New measure			
		Urgent call-outs		<3hr 35mins	Achieved	1 hr 5 min
		Non-urgent call-outs		<25hrs	Not achieved	65hr 40 min
		Median resolution times for	New measure			
		Urgent call-outs		<18hrs	Achieved	1 hr
		Non-urgent call-outs		<31hrs	Achieved	2hrs 30 min
		The Council provides reliable drinking water supplies	Providing continuous, efficient, quality water supply to communities ensures the health of consumers	Number of complaints, per 1000 connections, relating to water clarity, water taste, water odour, water pressure or flow, continuity of supply and Council's responses to those issues	New measure	≤5 complaints
		Average consumption of drinking water per day per resident within the Otorohanga District.	New measure	300L per person per day	Not achieved	393L per person per day



Percentage of real water loss

For Kawhia this measure is based on a calculation using movement in the reservoirs between 1am and 4am on randomly selected days during the year. This is done as not all properties in Kawhia are metered.

Within Otorohanga this measure is based off the production coming through the bulk meter at the Otorohanga Water Treatment Plant, compared to usage data from the reading of the individual water meters on each property within the town.

Response times to call-outs

Overall urgent call-outs were responded to with a median time of 1 hour and 5 minutes. This was within the target of 3 hours 55 minutes. For non-urgent call-outs, the median response time was 65 hours 40 minutes, which is higher than the target of 26 hours 20 minutes.

The reason for non-urgent call-outs being higher than the target comes down to a

number of factors. While a staff member is always on call outside normal business hours, given the size of the district it can take time to reach an event. Also if a non-urgent event occurs while an urgent event is being addressed, then staffing levels can make it difficult to attend both events. There is also routine maintenance procedures that are manual that cannot be left until they have completed, such as the backwashing of the Otorohanga Water treatment plant.

Resolution times for call-outs

In total 339 call-outs were recorded in the system. 182 of these were recorded with a resolution time that was the same as the time the request was received. As this would have an impact on the median resolution time that was the same as the time the request was received. As this would have an impact on the median resolution time, an accurate time for this measure cannot be recorded.

Water Supply Cost of Service Statement

2017 Actual \$		2018 AP Estimate \$	2018 Actual \$
(000's)		(000's)	(000's)
	OPERATING INCOME		
11	Activity Revenue	44	10
1,385	Targeted Rates	1,557	1,545
-	Development Contributions	-	-
37	General Rates	39	43
347	Other General Sources	363	388
1,780	TOTAL OPERATING INCOME	2,002	1,986
	OPERATING EXPENDITURE		
283	Arohena RWS	263	244
94	Ranginui RWS	59	101
179	Tihiroa RWS	254	198
95	Waipa RWS	111	91
378	Otorohanga Water Supply	394	431
385	Otorohanga Water Treatment Station	386	410
24	Otorohanga Water Supply Loan	41	31
199	Kawhia Water Supply	226	242
373	Water Services	391	412
2,010	TOTAL OPERATING EXPENDITURE	2,125	2,160
(230)	NET COST OF SERVICE	(123)	(174)



Water Supply Funding Impact Statement

	2016/17 Long Term Plan \$	2017/18 Long Term Plan \$	2017/18 Actual \$
	(000's)	(000's)	(000's)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	33	26	43
Targeted rates (other than a targeted rate for water supply)	1,510	1,613	1,545
Subsidies and grants for operating purposes	-	-	-
Fees and charges	42	44	1
Internal charges and overheads recovered	723	765	830
Local authorities fuel tax, fines, infringement fees and other receipts	6	9	8
Total operating funding	2,314	2,456	2,427
Applications of operating funding			
Payments to staff and suppliers	791	806	858
Finance costs	68	71	39
Internal charges and overheads applied	1,009	1,058	1,220
Other operating funding applications	50	51	48
Total application of operating funding	1,918	1,986	2,165
Surplus (deficit) of operating funding	396	470	262
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	278	(85)	(81)
Gross proceeds from sale of assets	-	-	2
Lump sum contributions	-	-	-
Total sources of capital funding	278	(85)	(79)
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	822	-	32
- To replace existing assets	412	273	135
Increase (decrease) in reserves	(558)	112	16
Increase (decrease) of investments	-	-	-
Total application of capital funding	674	384	183
Surplus (deficit) of capital funding	(396)	(470)	(262)
Funding balance	-	-	-

SEWERAGE TREATMENT AND DISPOSAL

This activity (encompassing collection, reticulation and treatment of sewerage) is undertaken in the Otorohanga Community to prevent nuisance and health risks, and to meet the expectations of residents of larger communities.

Whilst there is no legal obligation on Council to maintain this activity it is strongly believed that such a service makes a significant contribution to community wellbeing, and that it should therefore be continued.

Internal Borrowing

The Sewerage Treatment and Disposal group of activities has internal borrowing as at 30 June 2018 of \$1,406,199. During the year no additional borrowing was taken, and repayments totalling \$116,554 were made. Interest on internal borrowings was paid of \$63,956.

Capital Expenditure

	2018 AP Estimate \$	2018 Actual \$
	(000's)	(000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	704	113
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	-	-

Key Sewerage Treatment and Disposal Levels of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/14	2017/18 Target	Achieved/ Not achieved	2017/18 Actual
The Council provides wastewater services that effectively collect and dispose of wastewater	Ensure that the needs of local and visitor communities are met. Contributes to the public health of the community	Number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections	New measure	0 overflows	Achieved	Zero
Wastewater disposal as provided by the Council does not create any smells, spills or health issues and causes minimal impact on the natural environment	Ensures that the natural and physical environment is not seriously affected by wastewater services.	Compliance with the resource consents for discharge from the sewerage system measured by the number of: Abatement notices Infringements notices; Enforcement orders; and	New measure	0 compliance issues	Achieved	Zero Zero Zero

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/14	2017/18 Target	Achieved/ Not achieved	2017/18 Actual
		Convictions, received by the territorial authority in relation to those resource consents				Zero
		Median response times for attending to sewerage overflows resulting from a blockage or other fault in the sewerage system; measured Attendance time: from the time of notification to the time service personnel reach the site Resolution time: from the time of notification to the time service personnel confirm resolution of the blockage or fault	New measure	<0hrs 50 mins	Achieved	There had been no sewer overflows 0 Hrs
		Total number of complaints received by the territorial authority about any of the following: Sewage odour; Sewerage system faults; Sewerage system blockages; and Response to issues with the sewerage system, expressed per 1000 connections to the sewerage system	New measure	<12 <5 <12 <10	Achieved Achieved Achieved Achieved	0 incidents 0 incidents 4 incidents 3 incidents



Sewerage Overflows

There were no sewerage overflows this year.

Sewerage Complaints Six instances of sewerage complaints occurred within the current year, equating to 3 issues relating to the sewerage system per 1000 connections. These related to blockages of slit within the sewerage lines that were easily cleaned out or heavy rain in a short amount of time where we had to wait for the rain to subside.

Sewerage Treatment and Disposal Cost of Service Statement

2017 Actual \$ (000's)		2018 AP Estimate \$ (000's)	2018 Actual \$ (000's)
	OPERATING INCOME		
77	Activity Revenue	202	70
507	Targeted Rates	487	488
-	Development Contributions	-	-
21	General Rates	22	23
4	Other General Sources	3	5
609	TOTAL OPERATING INCOME	714	586
	OPERATING EXPENDITURE		
502	Otorohanga Sewerage	514	583
85	Otorohanga Sewerage Loan	73	67
	Kawhia Sewerage	8	-
587	TOTAL OPERATING EXPENDITURE	595	650
22	NET COST OF SERVICE	119	(64)



Sewerage Treatment and Disposal Funding Impact Statement

	2016/17 Long Term Plan \$	2017/18 Long Term Plan \$	2017/18 Actual \$
	(000's)	(000's)	(000's)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	22	24	23
Targeted rates (other than a targeted rate for water supply)	518	550	488
Subsidies and grants for operating purposes	-	-	-
Fees and charges	43	78	70
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	145	4	-
Total operating funding	728	656	581
Applications of operating funding			
Payments to staff and suppliers	104	121	184
Finance costs	87	85	64
Internal charges and overheads applied	136	139	106
Other operating funding applications	21	21	21
Total application of operating funding	348	366	375
Surplus (deficit) of operating funding	380	290	206
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	193	(128)	(117)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	193	(128)	(117)
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	531	221	113
Increase (decrease) in reserves	42	(59)	(24)
Increase (decrease) of investments	-	-	-
Total application of capital funding	573	162	89
Surplus (deficit) of capital funding	(380)	(290)	(206)
Funding balance	-	-	-

FLOOD PROTECTION AND CONTROL WORKS

A system of flood control works to protect the Otorohanga community was constructed after a devastating flood in 1958, and Council is committed to working with the Waikato Regional Council to continue to operate and maintain these works.

Internal Borrowing

The Flood Protection and Control Works group of activities has internal borrowing as at 30 June 2018 of \$198,786. During the year no additional borrowing was taken, and repayments totalling \$13,847 were made. Interest on internal borrowings was paid of \$8,349.

Capital Expenditure

	2018 AP Estimate \$ (000's)	2018 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	30	21
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	-	-

Key Flood Protection and Control Works Levels of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/14	2017/18 Target	Achieved/ Not achieved	2017/18 Actual
Retention of assets in substantially the same form as when they were initially constructed	Effective maintenance of flood protection systems will ensure that communities are safe and healthy and ensure that efficient and effective water services are provided, to meet both current and future demands.	Quantitative assessment of condition and serviceability of flood protection assets based on an annual inspection conducted by Council staff and elected members, as well as monthly maintenance checks by water services staff	All flood protection assets meet assessment criteria	80% against quantifiable standardised assessment criteria as set by Regional Council	Achieved	91%



Flood Protection and Control Works Cost of Service Statement

2017 Actual \$		2018 AP Estimate \$	2018 Actual \$
(000's)		(000's)	(000's)
	OPERATING INCOME		
223	Activity Revenue	170	130
27	Targeted Rates	26	26
-	Development Contributions	-	-
3	General Rates	4	3
6	Other General Sources	4	8
259	TOTAL OPERATING INCOME	204	167
	OPERATING EXPENDITURE		
3	Drainage Legalisation	4	3
138	Otorohanga Flood Protection	144	72
15	Aotea Erosion Maintenance	15	13
4	Aotea Erosion Loan	3	3
160	TOTAL OPERATING EXPENDITURE	166	91
99	NET COST OF SERVICE	38	76



Flood Protection and Control Works Funding Impact Statement

	2016/17 Long Term Plan \$ (000's)	2017/18 Long Term Plan \$ (000's)	2017/18 Actual \$ (000's)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	8	3	3
Targeted rates (other than a targeted rate for water supply)	27	27	26
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	113	116	130
Total operating funding	148	146	159
Applications of operating funding			
Payments to staff and suppliers	68	75	24
Finance costs	11	10	8
Internal charges and overheads applied	38	39	23
Other operating funding applications	1	1	1
Total application of operating funding	118	125	56
Surplus (deficit) of operating funding	30	21	103
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(14)	(14)	(14)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	(14)	(14)	(14)
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	19	18	21
Increase (decrease) in reserves	(3)	(11)	68
Increase (decrease) of investments	-	-	-
Total application of capital funding	16	7	89
Surplus (deficit) of capital funding	(30)	(21)	(103)
Funding balance	-	-	-

STORMWATER DRAINAGE

Council is required to administer urban drainage maintenance under the Land Drainage Act 1908, and considers that this activity also makes a positive contribution towards the potential for beneficial development in the urban areas. The provision of urban drainage protects private property (including land and assets) from flooding and subsequent erosion, and enables Council to fulfil its statutory responsibilities under the Building Act 1991.

Environment Waikato has largely relieved Council of their responsibility for managing rural land drainage schemes.

Internal Borrowing

The Stormwater Drainage group of activities has internal borrowing as at 30 June 2018 of \$691,380. During the year no additional borrowing was taken, and repayments totalling \$54,832 were made. Interest on internal borrowings was paid of \$31,341.

Capital Expenditure

	2018 AP Estimate \$ (000's)	2018 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	6	7
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	-	-

Key Stormwater Drainage Levels of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/14	2017/18 Target	Achieved/ Not achieved	2017/18 Actual
Council stormwater systems are well operated and maintained	Sound planning of appropriate stormwater systems will ensure that communities are healthy and ensure that efficient and effective water services are provided, to meet both current and future demands.	Number of flooding events that occur in the district For each flooding event, the number of habitable floors affected (expressed per 1000 properties connected to the Stormwater systems)	New Measure	0 flooding events	Achieved	0
				0 habitable floors	Achieved	0

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/14	2017/18 Target	Achieved/ Not achieved	2017/18 Actual
		Compliance with resource consents for discharge from the Stormwater systems, measured by the number of: Abatement notices; and Infringement notices; and Enforcement notices; and Successful prosecutions, received in relation to the resource consents	New measure	0 0 0 0	Achieved Achieved Achieved Achieved	0 0 0 0
		The median response time to attend a flooding event, measured from the time we receive notification to the time service personnel reach the site	New measure	<4hr 30 mins	Achieved	0
		Number of complaints received about the performance of the Stormwater system, expressed per 1000 properties connected to the Stormwater system	New measure	2 complaints	Achieved	2 complaints

Number of Flooding events

Overall there was no flooding event that was recorded in the district, which affected the main street of Otorohanga Township. The 2 complaints recorded were more on the condition of the asset which calls for a more frequent maintenance schedule.



Stormwater Drainage Cost of Service Statement

2017 Actual \$		2018 AP Estimate \$	2018 Actual \$
(000's)		(000's)	(000's)
	OPERATING INCOME		
10	Activity Revenue	10	10
-	Targeted Rates	-	-
-	Development Contributions	-	-
160	General Rates	180	185
-	Other General Sources	-	-
170	TOTAL OPERATING INCOME	190	195
	OPERATING EXPENDITURE		
132	Otorohanga Stormwater	145	154
38	Kawhia Stormwater	45	41
170	TOTAL OPERATING EXPENDITURE	190	195
-	NET COST OF SERVICE	-	-

Stormwater Drainage Funding Impact Statement

	2016/17 Long Term Plan \$	2017/18 Long Term Plan \$	2017/18 Actual \$
	(000's)	(000's)	(000's)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	172	182	185
Targeted rates (other than a targeted rate for water supply)	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	10	10	10
Total operating funding	182	192	195
Applications of operating funding			
Payments to staff and suppliers	16	17	26
Finance costs	39	34	31
Internal charges and overheads applied	27	27	24
Other operating funding applications	17	18	19
Total application of operating funding	99	96	100
Surplus (deficit) of operating funding	83	96	95
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(55)	(55)	(55)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	(55)	(55)	(55)
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	6	6	7
Increase (decrease) in reserves	22	35	33
Increase (decrease) of investments	-	-	-
Total application of capital funding	28	41	40
Surplus (deficit) of capital funding	(83)	(96)	(95)
Funding balance	-	-	-

COMMUNITY SERVICES

Internal Borrowing

The Community Services group of activities has internal borrowing as at 30 June 2017 of \$862,541. During the year no additional borrowing was taken, and repayments totalling \$82,932 were made. Interest on internal borrowings was paid of \$39,710.

Parks and Reserves (including Public Conveniences)

Council's involvement in parks, reserves and associated activities is, in part, based upon provisions of the Reserves Act 1977 and the Resource

Key Parks, and Reserves (including Public Conveniences) Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline	2017/18	Achieved/	2017/18
			2013/2014	Target	Not achieved	Actual
Providing Council parks and reserves that enhance our communities quality of life	Parks and reserves provide for a number of things – a sense of place, active recreation spaces and opportunities for communities to interact – all contributing to our community outcomes	Paths and tracks comply with relevant standards*	60%	50% compliance	Achieved	90%
		Playground equipment comply with relevant standards**	15%	30% compliance	Achieved	100%
		Park furniture meets safety and maintenance criteria	70%	70% meet safety criteria	Achieved	70%
Public toilets as provided by Council are maintained in good condition	Having safe toilets helps achieve safe and healthy communities	Number of complaints received about public conveniences recorded in the service request system	1 complaint	<12 complaints	Achieved	5 complaints

* New Zealand Standard NZS 8630 sets out legislation and best practice for outdoor tracks and structures

** New Zealand Standards NZS 5828 sets out legislation and best practice for playground equipment and surfacing

Capital Expenditure

	2018 AP Estimate \$ (000's)	2018 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	170	285
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	149	163

Management Act 1991 and is also intended to improve the general quality of life for the residents in the District. In particular, the parks and reserves provide facilities for passive or active enjoyment by residents and visitors alike.

Library

Our public libraries have been supplying our communities with a library service for many years. While the technology and delivery options may change over time the core roles of the library remain unchanged. Our libraries support and are actively involved in the following core roles;

a) Reading and literacy

Libraries are a trusted source of information and provide extensive collections in range and depth. They encourage and support reading and literacy in people of all ages. Book and leisure resource lending will remain a key role. Increasingly libraries are enabling people to acquire information and digital literacy – essential skills in a digital world.

b) Community identity and local heritage

Libraries provide community identity and reflect the communities we serve.

Libraries are a key institution for collecting, conserving and making available local information and resources. Libraries are an important gateway for our community.

c) As a public place

Libraries are venues in which groups and individuals can participate in community activities. They provide a non-commercial community public space for research, programmes and activities.

d) Opportunities for lifelong learning and leisure

By providing opportunities for informal learning and by supporting formal education, libraries contribute to the economic and social wellbeing of people.

The need for retraining and ongoing learning has become a feature of modern economic life.

Libraries continue to be a key leisure provider. Traditionally this was through book circulation; increasingly, it is through different formats and services.

Key Library Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline	2017/18	Achieved/ Not achieved	2017/18 Actual
			2013/2014	Target		
Relevance of library services to the community is measured by: <ul style="list-style-type: none"> • Material issued • Physical items • E-books • Digital materials • Physical visits • Website visits • Computer sessions 	Healthy, cohesive, and informed communities have access to a wide range of current library materials, in a variety of formats. People in the community have access to public spaces offering programmes and activities which contribute to local identity, lifelong learning and recreation	Statistical data is maintained to record material issued	New measure	>46,800 physical items	Not achieved	38244 physical items
				≥850 e-books	Achieved	850 e-books
		Library visits per capita per year	New Measure	>5 visits per capita per year	Not achieved	3.5 visits per capita

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline	2017/18	Achieved/ Not achieved	2017/18 Actual
			2013/2014	Target		
Currency of physical book stock is maintained		Book stock has an average publication date of 10 years or less	76%	>75% have publication date less than 10 years	Achieved	80% have publication date less than 10 years

Number of Books Issued

38,244 physical books were issued at Otorohanga and Kawhia libraries between 1 July 2017 and 30 June 2018. This is a 0.11% increase on the 2016/17 year when 38,201 physical books were issued. It should be noted that issues of physical library books is now only one of the indicators by which library materials usage is measured. In the 2017/18 financial year, 850 e-books and e-audiobooks were downloaded. A reduction in issues of physical materials continues to be a trend amongst many libraries nationwide.

Visits per Capita per Year

During the 2017/18 year, there were 32,236 visits to the Otorohanga Library. Visits to the Kawhia Library were not recorded. The Otorohanga Library's visitor figure equates to 3.5 visits per capita per year, over the entire District's population.

Current Book Stock

As of 30 June 2018, 80% of the stock has been published since 2008. This measure has not been applied to the Kawhia Library book stock – the Kawhia Library holdings consist primarily of donated materials, most of which are not of recent publication.

Housing for the Elderly

Though not considered part of Council's core business, housing for the elderly is owned and managed to meet community expectations, fulfil

social obligations and ensure that there is a good standard of affordable rental accommodation available to elderly residents.

Key Housing for the Elderly Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline	2017/18 Target	Achieved/ Not achieved	2017/18 Actual
			2013/2014			
Provide Housing for the Elderly that is fully utilised	This service ensures Otorohanga District has housing that satisfies the needs of the community and is seen to be an ideal place for retirement	Percentage of the year units are occupied	Otorohanga 99.9%	>95% occupied	Achieved	97.91%
			Kawhia 99.4%		Not achieved	92.95%
Good standards of maintenance and accommodation are maintained by Council		Maintenance items identified during quarterly inspections remedied to residents satisfaction, as measured by annual survey	100% satisfaction	>95% satisfaction	Achieved All maintenance items are dealt with the next day	98%

Occupancy Rates

During the year, units in Otorohanga were unoccupied for an approximate total of 24 weeks across all units. In Kawhia, one unit was unoccupied during the year for 22 weeks. Council attempts to maintain waiting lists for these units in order to reduce the instances of empty units, however even this takes time to process and empty units will occur.

Other Property

Council owns various types of property, which are managed in the best interests of the residents and ratepayers of the District. These properties are classified as commercial or community investments.

Key Other Property Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline	2017/18 Target	Achieved/ Not achieved	2017/18 Actual
			2013/2014			
Ensure that all buildings and structures are maintained in a sound, sanitary and safe condition	Having buildings that are maintained in a sound, sanitary and safe condition – ensures our communities are safe	Building maintenance is regularly assessed and carried out	Urgent maintenance carried out within 5 working days	Urgent maintenance carried out within 5 working days	Achieved	Within 24 hrs
Ensure that all buildings with a Compliance Schedule meet the requirements of the Building Act		All applicable buildings have a current Building Warrant of Fitness (BWOFF)	4 of 4 applicable buildings have current BWOFF*	Current BWOFF in place	Achieved	3 out of 3

* Buildings are Otorohanga Council Building, Swimming Pools and Otorohanga Public Library.

Of the council buildings which require a compliance schedule under the Building Act 2004 and Fire Safety and Evacuation of Buildings Regulations 2006 all 4 are up-to-date with their building warrants of fitness.



Swimming Pool

Council carries out this activity to meet the expectations of the Community. There is no legal obligation to do so.

Key Swimming Pool Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/2014	2017/18 Target	Achieved/ Not achieved	2017/18 Actual
Provision of a clean, safe, public swimming pool that can be accessed by the District	Ensuring that the public's access to a safe public swimming facility helps create safe communities and a range of recreational facilities	The water quality of the pools meets acceptable standards* for the safety and health of users	98.4% of acceptable standards each month	Daily testing meets acceptable standards* 85% of each month	Achieved	100%

* Acceptable standards as defined in the contract including NZS 5826

The pool facility is considered to provide a sound level of service for a community of this size. The contractor is required to meet standards of supervision recommended in NZRA Aquatic Facility Guidelines 2007, and to test pool water quality in accordance with NZS 5826: 2000. Pool Management is also to comply with Water Safety NZ / ACC Poolsafe Quality Management Scheme.

Water Quality Tests

From the testing completed by the pool contractor, the indoor and outdoor pools fully complied with the requirements of NZS 5826. It has also met all requirements of the Aquatic Facilities Quality Management Scheme (AFQMS) each month.

Cemeteries

The Activity is undertaken to comply with legislation under Section 4 of the Burial and Cremations Act 1964, and to meet the expectations of the Community.

Key Cemeteries Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/2014	2017/18 Target	Achieved/ Not achieved	2017/18 Actual
The Cemeteries are well maintained and developed for future use	Well maintained and conveniently located cemeteries will be provided and planned for ahead of growth and development, ensuring these needs are met in the future	Number of complaints received regarding maintenance of the cemeteries	New Measure	Less than 10 complaints	Achieved	4
Information about cemeteries and internments are readily available	Providing information about internments at the cemeteries provides a link to the history of the District	Number of page views of cemetery information on Council website	3,987	>4,000 page views	Achieved	5,192

Number of Complaints

4 complaints for the Otorohanga cemetery were received during the year, all related to issues around the upkeep of the cemetery.

Website Page Views

A total of 5,192 page views were received for cemetery information pages on www.otodc.govt.nz, up until 30 June 2018.

Solid Waste

There is a community expectation that household waste is removed from properties and managed in an environmentally sound manner.

Council has no legal requirement to carry out this activity but believes that it will better protect the environment by providing cost effective and efficient methods of refuse disposal and recycling. It is also generally expected by the community that the Council will provide this service.

Following a public consultation process, Council adopted the Waste Management and Minimisation Plan 2012-2018 on 19 June 2012, which sets out Council's proposals for achieving effective and efficient waste diversion throughout the District. Council receives Waste Minimisation funding by way of a Waste Disposal Levy from the Ministry for the Environment. Council is required to report on this spending to them and to spend this levy as it has proposed in the plan.

Key Solid Waste Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/14	2017/18 Target	Achieved/ Not achieved	2017/18 Actual
Refuse and recycling collection services are provided and recycling actively promoted	Councils planning for the future of the District will consider growth and development in its waste management strategies, and will involve recycling as a key aspect for communities – engraining the importance of the character and natural values of our District	Increase in recycling volumes over previous year	4.28% decrease	1% increase	Not achieved	10% decrease
		Complaints received from people whose rubbish was not collected during kerbside collection as recorded in the service request system	3 complaints	<10 complaints	Achieved	8 complaints
The closed landfills the Council is responsible for meet environmental compliance		Extent of compliance with associated Resource Consent conditions for the closed landfills in Otorohanga and Kawhia	High Level of Compliance	Full Compliance	Achieved	Full Compliance
Provide a roadside litter collection service throughout the rural area	This service ensures that Otorohanga's clean green image is maintained and the rural environment is not a dumping ground	Number of complaints received regarding roadside litter	6 complaints	<12 complaints	Achieved	2 complaints

Recycling Volumes

Overall there was a decrease in recycling volumes over the previous year of 10%. This can be attributed to a reduction in the amount of education being undertaken due to changes in staffing resources during the year.

Number of Complaints

A total of 8 complaints have been recorded as being received related to kerbside collection. These related to missed pickups and early collections. The contractor returned to pick up the refuse/recycling after being informed.

Landfill Resource Consents

The sampling contractor, Food and Health Environmental, has completed the sampling and testing at both closed landfills for 2017/18 and all reports have been forwarded to Waikato Regional Council with Council's report as required.

Security Patrol

A Security Patrol service is provided due to an approach by local businesses to provide the service, as the demand for a privately owned scheme did not exist.

Key Security Patrol Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/2014	2017/18 Target	Achieved/ Not achieved	2017/18 Actual
			To provide through the Otorohanga Business Association Security Patrol services for a defined area within Otorohanga Community during night time hours	By ensuring that Otorohanga is a safe environment to live, work and play	Number of crimes against property in the patrolled area (excluding graffiti)	14 reported crimes
	Number of reported instances of graffiti within the patrolled area	17 reported graffiti instances	<10 reported graffiti instances		Achieved	2

District Sports Co-ordinator

Council's role in this scheme satisfies part of its Mission Statement by recognising the social need to promote physical activity. Through the

District Sports Co-ordinator scheme, Council delivers a range of leisure programmes and events which increase participation in leisure activities.

Key District Sports Co-ordinator Scheme Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/2014	2017/18 Target	Achieved/ Not achieved	2017/18 Actual
Delivery of sport and leisure activities as per agreement between Sport Waikato and Otorohanga District Council	The Council supports the development of communities by providing funding to agencies where it sees that such funding will positively support and make our communities more healthy and active	100% compliance with agreement monitored through quarterly reports to Council	100% Compliance	100% Compliance	Not applicable	No agreement in place

During the year no agreement was in place with Sport Waikato, meaning there is no agreement to measure this performance against.



Community Services Cost of Service Statement

2017 Actual \$		2018 AP Estimate \$	2018 Actual \$
(000's)		(000's)	(000's)
	OPERATING REVENUE		
407	Activity Revenue	407	397
386	Targeted Rates	339	336
7	Development Contributions	10	11
1,667	General Rates	1,912	1,916
4	Other General Sources	2	7
2,471	TOTAL OPERATING REVENUE	2,670	2,667
	OPERATING EXPENDITURE		
952	Parks and Reserves (including Public Conveniences)	819	754
332	Library	362	341
349	Swimming Pools	379	382
143	Pensioner Housing	173	170
67	Halls	73	65
46	Harbour Services	54	58
77	Cemeteries	89	73
153	Other Council Property	143	245
387	Solid Waste Management	473	404
92	Security Patrol	102	98
22	Sport Waikato	28	16
2,620	TOTAL OPERATING EXPENDITURE	2,695	2,606
(149)	NET COST OF SERVICE	(25)	61



Community Services Funding Impact Statement

	2016/17 Long Term Plan \$ (000's)	2017/18 Long Term Plan \$ (000's)	2017/18 Actual \$ (000's)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	1,744	1,788	1,916
Targeted rates (other than a targeted rate for water supply)	388	388	336
Subsidies and grants for operating purposes	31	32	38
Fees and charges	90	92	67
Internal charges and overheads recovered	8	8	-
Local authorities fuel tax, fines, infringement fees and other receipts	317	326	292
Total operating funding	2,578	2,634	2,649
Applications of operating funding			
Payments to staff and suppliers	1,603	1,616	1,545
Finance costs	50	44	40
Internal charges and overheads applied	466	480	536
Other operating funding applications	133	136	137
Total application of operating funding	2,252	2,276	2,258
Surplus (deficit) of operating funding	326	358	391
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	10	11	11
Increase (decrease) in debt	(83)	(83)	(83)
Gross proceeds from sale of assets	87	-	1,950
Lump sum contributions	-	-	-
Total sources of capital funding	14	(72)	1,878
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	42	38	163
- To replace existing assets	122	128	285
Increase (decrease) in reserves	176	120	1,821
Increase (decrease) of investments	-	-	-
Total application of capital funding	340	286	2,269
Surplus (deficit) of capital funding	(326)	(358)	(391)
Funding balance	-	-	-

REGULATORY SERVICES

Internal Borrowing

The Regulatory Services group of activities has no internal borrowing as at 30 June 2018. Subsequently, no interest was paid during the year.

Capital Expenditure

	2018 AP Estimate \$ (000's)	2018 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	-	-
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	38	12

Building Control

The rationale for this group of activities is to safeguard people and property by monitoring, inspecting and controlling all building construction and modifications in accordance with the Building Act 2004.

Key Building Control Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/2014	2017/18 Target	Achieved/ Not achieved	2017/18 Actual
			Accreditation current as at 30 June 2014	Accreditation current as at 01 September 2017	Achieved	Accreditation current as at 01 September 2017
The Council processes, inspects and certifies work in Otorohanga District	The Council remains a Building Consent Authority to help ensure buildings are safe	Otorohanga District Council maintains its processes so that it meets BCA accreditation every two years	2.7% of registered pools inspected	>15% of pools on register	Achieved 16.6% of pools inspected (53 out of 319)	16.6% of pools inspected
Building consent applications are processed within 20 working days as required by Sec 48 of the Building Act 2004	Council certifies all consented building work complies with the Building Code – ensuring our communities are safe	Percentage of consents processed within 20 working days	95.24%	100%	Not achieved	99.62%

Accreditation

An audit and review of Councils building consent process was undertaken in September 2017. International Accreditation New Zealand signed off the audit with no corrective actions required. This assessment of the BCA functions covers all aspects of plan review and building inspections.

Swimming Pool Inspections

A total of 319 pools are currently listed on the swimming pools register. Inspections of pool fences at 53 properties were completed this year. This inspection rate represents only 16.6% of all the pools on the register. In preparation for the regular mandatory inspections of pool fences now

required by changes to the Building Act an inspection schedule has been developed which will be rolled out over the coming year.

Building Consent Applications

During the year Council issued 292 building consents. All but one consent application was completed within 20 working days. The average processing time was 8 days. This is an 18.7% increase from the previous year of the number of consents issued.

Planning and Development

This activity exists as a result of the statutory requirements of the Resource Management Act 1991. Under this Act Council is required to

Key Planning and Development Level of Service Targets and Performance

promote the sustainable management of natural and physical resources and to enable people and communities to provide for their social, economic, and cultural well-being.

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/2014	2017/18 Target	Achieved/ Not achieved	2017/18 Actual
			All resource consent decisions will be notified within the time limits of Sec 115 of the Resource Management Act 1991	Efficiently processing resource consent applications enables the Council to regulate land-use activities consistently with its District Plan (Land use regulations), demonstrating that the Council values the natural environment	The time to process non-notified land use and subdivision consents will be no more than 20 working days	100%
Good advice will be delivered to help people understand the District Plan rules	Good advice from the Council, in accordance with the District Plan, will contribute to ensuring that growth and development is managed appropriately and that the natural environment of the District is treated respectfully	Current and consistent information available to the public	Up to date information available on Council website	Updated information available on Council website	Achieved	Achieved

Non-notified Consents

A total of 75 non-notified consents were issued during the year. The processing time for two consents exceeded 20 working days. Detailed information on resource consents and planning policy is provided annually to the Ministry for the Environment.

Management Act 1991. Application packs for land use and subdivision application are available over the counter or can be mailed out upon request. The information and forms in these packs are reviewed on a regular basis or when there is a change of legislation or policy.

Information Available

The District Plan and planning maps can be viewed and downloaded from Council's website. Application forms and other planning information are also available online. Viewers are directed to the Quality Planning Website for more detailed and technical advice on the Resource

Information on notified applications was regularly updated on the Council website. This includes technical reports and final decisions at the conclusion of the hearing process. New forms for Permitted Boundary Activity applications were created and made available online.

Civil Defence

The rationale for this activity is to fulfil Council's legal obligation under the Civil Defence Emergency Management Act 2002 and to fulfil the Community's expectation that this service will be provided.

Key Civil Defence Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/2014	2017/18 Target	Achieved/ Not achieved	2017/18 Actual
People are prepared for a civil defence emergency	This service means the Council has a direct role in ensuring communities are prepared for emergencies	Formal training exercises are conducted each year	1	2 formal training exercises	Not achieved	Nil
		The Civil Defence action team comprising key staff will meet at least once between formal exercises to ensure preparedness and training schedules are maintained.	One meeting	Once between exercises	Not achieved	Nil

Waipa, Waitomo and Otorohanga are members of a shared service arrangement which we call the Western Waikato Emergency Operating Area. The member councils have signed a service level agreement and jointly fund an Emergency Management Officer that is based in Te Awamutu, but has office space in both Te Kuiti and Otorohanga. Senior managers from all three councils meet regularly to coordinate emergency management issues and the implementation of the Waikato Civil Defence Plan.

In November 2017 the Emergency Management Officer for WWEOA resigned. This position was not filled until 23 April 2018. In addition an Emergency Management Co-ordinator has been appointed to provide extra support and coverage for the three Districts. A normal schedule of staff training and exercises will resume during the 2018/2019 year. Key personnel with roles in the emergency operations centre have continued to attend training events provided for Controllers, Welfare officers and Public Information Managers.



Dog Control

The rationale for this activity is to service the Community's expectation for health, order and safety and to meet the Council's statutory obligations under the Dog Control Act 1996.

Key Dog Control Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/2014	2017/18 Target	Achieved/ Not achieved	2017/18 Actual
			Dogs roaming outside property boundaries and on public reserves will be impounded. The dog control officer responds to public complaints about roaming dogs and uplifts and impounds dogs found wandering the streets. Regular patrols are carried out in urban areas	Through this service, the public feel safe from roaming dogs	Percentage of registered dogs impounded	4.36%
Complaints about roaming dogs that are responded to	100%	100%	Achieved		100%	

Dog registrations and Impounding

At 30 June 2018 there were 1,188 owners and 2,503 dogs registered in the Otorohanga District. During the year 146 dogs, many of which were not registered, were impounded.

The Animal and Dog Control is now in the second year of the contract. Now operating with a greater understanding of the role and the District he has been very effective in this role and the discharge of his duties. There have been continued improvements to the Pound in Otewa Road and further initiatives have been trialled to promote compliance among dog owners and increase dog registration numbers.

Stock Ranging and Impounding

The law relating to the establishment and management of public pounds, trespassing and wandering stock, and the impounding of stock provided under the provisions of the Impounding Act 1955.

Key Stock Ranging and Impounding Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/2014	2017/18 Target	Achieved/ Not achieved	2017/18 Actual
			100%	100%	Achieved	100%
Wandering animals are removed from roadways, public places and private property.	Public safety is enhanced because wandering animals are removed from roads and public places.	Calls about stock wandering on roads are actioned immediately. Response time depends on location of stock and travelling times				

Stock on Roads and Highways

The Animal Control Officer is contracted to respond to callouts and complaints about stock on Council controlled roads and State Highways within the Otorohanga District during working/daylight hours. After hours response to stock on roads is provided by Councils Roding contractor. Services South West.

Services South West surrendered responsibility for after hours callouts on 31 May 2018 at which time Council contracted Inframax to provide this service. Inframax have since won the Roding contract and continue to provide after hours callout response to stock on the roads in Otorohanga District.

Environmental Health

The rationale for this group of activities is to fulfil Council's duty to provide Environmental Health services to meet the requirements of the Health Act

1956, the Local Government Act 2002 and the Resource Management Act 1991.

Key Environmental Health Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/2014	2017/18 Target	Achieved/ Not achieved	2017/18 Actual
Any cases of communicable disease identified are investigated	The cause of communicable disease is identified and further transmission of the infection is avoided	All communicable disease reports received from the District Health Board are investigated within 10 working days. The result of the investigation is reported back to the Medical Officer of Health no later than 14 working days from receiving the report.	100%	100%	N/A Responsibility for responding to and investigating cases of communicable disease now lies with the Public Health Unit, District Health Board.	
Premises are inspected to ensure they are producing safe food	Having healthy food services, helps achieve safe communities	All premises in which food is sold or processed that require registration, hold a current licence.	100%	100%	Achieved	100%
		All licenced premises receive at least one annual inspection. All inspections recorded in the Magiq database.	Minimum of one inspection per premise	1 annual inspection per licensed premise	Achieved	100%
		All premises in the District that require a Food Control Plan will undertake at least one annual audit	No premises operate under a Food Control Plan in the district	100% compliance	Achieved	100%
The sale and supply of liquor is controlled to prevent bad behaviour	The Council will help to achieve safe and healthy communities through preventing bad behaviour as a result of liquor supply	A liquor licence is held in respect of all premises at which liquor is sold or supplied, and every premise licensed for the sale or supply of liquor is managed by an appropriately qualified person	100%	100%	Achieved	100%

Communicable Diseases

Due to the changes in workloads and responsibilities brought about by the commencement of the Food Act 2012 there has been a reallocation of duties between Territorial Authorities, District Health Board and Ministry for Primary Industries. As a result the task of investigating and reporting on communicable diseases now rests entirely with the District Health Board

Food Premise Inspections

The transition of food premises from the Food Hygiene Regulations to Food Act 2012 regulations is complete. On 30 June 2018 the final group of operators moved to a Food Control Plan regime for the management of food safety in their businesses. All food premises in Otorohanga District are now operating under food control plans.

During the 2017/18 year all food premises were inspected. A record of the inspection and the outcome is recorded in the Council database.

Sale of Alcohol Licenses

All premises involved in the selling of alcohol are required to have a licence, which has to be renewed every three years. These licences are recorded in the Councils database, and reminders are generated when a licence renewal is required. Any new premises that were to open would be identified by any of a number of organisations involved in monitoring the sale of alcohol, including Council, Public Health Officers, NZ Police or the Alcohol Regulatory and Licensing Authority. Any premises found to be operating without a licence is committing an offence under the Sale and Supply of Alcohol Act 2013 and would be liable for prosecution.

Rural Fire Control

Council provides a Rural Fire Service to fulfil its obligations under the Forest and Rural Fires Act and the Fire Service Amendment Act 1987.

The public's expectation is Council will provide rural fire protection and fire prevention services.

Key Rural Fire Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/2014	2017/18 Target	Achieved/ Not achieved	2017/18 Actual
To provide a rural fire service to meet the requirements of the Forest and Rural Fires Act and Regulations.	Aid in the reduction of uncontrolled fires and reduce the cost of rural fires to the ratepayers which will ensure that our essential services and the environment are protected.	Permits are to be issued within 3 working days Annual Restricted Fire Season.	92%	>90%	Not applicable	
		Recovery of the costs of fires from those responsible for lighting fire or their insurers.	80%	>90%	Not applicable	

From 1 July 2017, responsibility for the rural fire function was taken over by Fire and Emergency New Zealand, and was no longer the responsibility of the council. As such, we have not measured these targets.



Regulatory Services Cost of Service Statement

2017 Actual \$		2018 AP Estimate \$	2018 Actual \$
(000's)		(000's)	(000's)
	OPERATING REVENUE		
900	Activity Revenue	501	1,207
-	Targeted Rates	-	-
-	Development Contributions	-	-
609	General Rates	881	721
262	Other General Sources	266	297
1,771	TOTAL OPERATING INCOME	1,648	2,225
	OPERATING EXPENDITURE		
505	Building Control	535	592
460	Planning & Development	210	831
76	Civil Defence	127	96
204	Dog Control	178	203
20	Stock Ranging & Impounding	20	10
102	Environmental Health	129	115
75	Rural Fire Control	51	9
351	Environmental Services Manager	397	361
1,793	TOTAL OPERATING EXPENDITURE	1,647	2,217
(22)	NET COST OF SERVICE	1	8



Regulatory Services Funding Impact Statement

	2016/17	2017/18	2017/18
	Long Term Plan	Long Term Plan	Actual
	\$	\$	\$
	(000's)	(000's)	(000's)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	829	856	743
Targeted rates (other than a targeted rate for water supply)		-	-
Subsidies and grants for operating purposes		2	7
Fees and charges	438	455	1,182
Internal charges and overheads recovered	229	235	628
Local authorities fuel tax, fines, infringement fees and other receipts	28	28	18
Total operating funding	1,524	1,576	2,578
Applications of operating funding			
Payments to staff and suppliers	913	917	1,536
Finance costs	1	2	-
Internal charges and overheads applied	606	635	998
Other operating funding applications	6	6	12
Total application of operating funding	1,526	1,560	2,546
Surplus (deficit) of operating funding	(2)	16	32
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	40	(2)	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	40	(2)	-
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	41	2	12
- To replace existing assets	3	3	-
Increase (decrease) in reserves	(6)	9	20
Increase (decrease) of investments	-	-	-
Total application of capital funding	38	14	32
Surplus (deficit) of capital funding	2	(16)	(32)
Funding balance	-	-	-

COMMUNITY DEVELOPMENT

Depreciation Expense

There was no depreciation for Community Development group of activities.

Internal Borrowing

The Community Development group of activities has no internal borrowings as at 30 June 2018 and, subsequently, no interest paid.

Capital Expenditure

	2018 AP Estimate \$	2018 Actual \$
	(000's)	(000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	-	-
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	3,379	-

There was no capital expenditure in the current year as property development project has been carried over to 2018/19.

Property Development

Council has undertaken this activity to stimulate community growth through provision of sites suitable for residential, commercial or industrial

purposes where it has been felt that an adequate resource of such sites has not existed in the market. This undertaking is dependent on favourable market conditions for these types of developments.

Key Property Development Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/2014	2017/18 Target	Achieved/ Not achieved	2017/18 Actual
That identified opportunities to address significant perceived shortages in the availability of particular types of property in the District are pursued.	Contributes towards a vibrant community with available property	Development	Not achieved	Creation of additional 60 residential lots by subdivision	Not Achieved	Creation of Additional 60 Lot Subdivision is awaiting Resource Consent Application and carried over to 2018/19

District Promotion

This group of activities is undertaken to:

- a) Assist coordinated multi-agency contributions to the economic vitality of the District that will support local businesses and the general well-being and sustainability of communities.
- b) Actively market the District as a good place to visit, and in which to live, work and do business.

Such promotion should be undertaken in a manner that builds upon the historical, cultural and environmental character of the District.

The District Promotion group of activities is complementary to Council's Property Development activity, in that whilst this helps provide places for new residents and businesses to come to, District Promotion helps provide the incentives for such parties to move to and remain in those places.

Key District Promotion Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/2014	2017/18 Target	Achieved/ Not achieved	2017/18 Actual
District is effectively promoted as a place to visit or live in	Promoting Tourism and higher tourist spending will contribute to a stronger district economy	Otorohanga District Development Board provides quarterly reports to Council	New measure	4 quarterly reports	Not achieved	2 Quarterly reports received
Tourism activity in District is supported		Tourism Waikato provides 6 monthly reports to Council	New measure	6 monthly reports received	Achieved	6 Monthly reports received



Community Development Cost of Service Statement

2017 Actual \$		2018 AP Estimate \$	2018 Actual \$
(000's)		(000's)	(000's)
	OPERATING REVENUE		
70	Activity Revenue	-	-
-	Targeted Rates	-	-
-	Development Contributions	-	-
130	General Rates	347	384
-	Other General Sources	(9)	-
200	TOTAL OPERATING REVENUE	338	384
	OPERATING EXPENDITURE		
6	Property Development	336	1
292	District Promotion	347	383
298	TOTAL OPERATING EXPENDITURE	683	384
(98)	NET COST OF SERVICE	(345)	-

Community Development Funding Impact Statement

	2016/17 Long Term Plan \$	2017/18 Long Term Plan \$	2017/18 Actual \$
	(000's)	(000's)	(000's)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	(41)	342	384
Targeted rates (other than a targeted rate for water supply)	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
Total operating funding	(41)	342	384
Applications of operating funding			
Payments to staff and suppliers	35	104	1
Finance costs	36	121	-
Internal charges and overheads applied	9	108	12
Other operating funding applications	325	357	371
Total application of operating funding	415	690	384
Surplus (deficit) of operating funding	(456)	(348)	-
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	1,450	2,146	-
Gross proceeds from sale of assets	410	1,260	400
Lump sum contributions	-	-	-
Total sources of capital funding	1860	3,406	400
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	1,450	3,240	-
- To replace existing assets	120	-	-
Increase (decrease) in reserves	(166)	(182)	400
Increase (decrease) of investments	-	-	-
Total application of capital funding	1,404	3,058	400
Surplus (deficit) of capital funding	456	348	-
Funding balance	-	-	-

GOVERNANCE AND LEADERSHIP

Depreciation Expense

Total depreciation for Governance and Leadership group of activities was \$245,217.

Internal Borrowing

The Governance and Leadership group of activities has no internal borrowings as at 30 June 2018 and, subsequently, no interest paid.

Democracy

One of the main purposes of territorial authorities is to enable democratic decision making and action.

At a basic level, this involves people being involved in the decisions that affect them. However, effective democracy is about more than Council's decision making; democracy in New Zealand is synonymous with human rights, fairness, justice and equity. This means that everyone should have the same opportunities to achieve their potential, everyone should be able to participate and be part of our communities, and should have access to recreational, educational and employment opportunities.

Council now has a broader mandate from central government to consider how they meet the needs of the community. A consequence of this is Council's increased responsibility to ensure that the community is well informed and involved in Council decision making.

Democratic activities represent Council's commitment to ensuring equity and positive growth throughout our district. In many cases Council is not alone in seeking to maximise community participation and equity. This requires Council to identify and collaborate with other district, regional and national agencies with similar or complementary goals.

Capital Expenditure

	2018 AP Estimate \$ (000's)	2018 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	328	370
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	10	13

Governance

What is Governance?

Governance encompasses providing community leadership, balancing community views, resources and needs to make decisions that are best for the community. Governance focuses on establishing a vision and objectives for the community, and making high-level decisions on policies and actions that will support these objectives.

In the Otorohanga District Council governance functions are undertaken by the elected Mayor, Councillors and Community Board members.

Governance is not about the detailed practical 'hands on' implementation of policies or actions; that is the responsibility of Council's management and staff, who are delegated powers by Council to undertake those duties in accordance with the objectives and policies set by the elected members.

Governance Structures of Otorohanga District Council

Governance of the Otorohanga District is currently undertaken by the persons elected to the following positions:



- A Mayor, elected at large by the residents and ratepayers of the District
- Seven Councillors (two representing the Otorohanga Community Ward and one each for the five rural Wards) elected by the residents and ratepayers of the particular wards.
- Four members of the Otorohanga Community Board, elected by the residents and ratepayers of that community
- Four members of the Kawhia Community Board, of which three are elected by the residents and ratepayers of the Kawhia Community, and the other elected by residents and ratepayers of the Aotea subdivision of that community.

Governance Roles of Elected Members

The Mayor and Councillors of Otorohanga District Council collectively have the following roles:

- Setting the policy direction of Council.
- Monitoring the performance of Council.
- Representing the interests of the people of the District
- Representing the District and Council at a wide variety of forums
- Employing the Chief Executive of Council, who in turn employs all other staff on its behalf.
- Making decisions in relation to:
 - Notified Resource Consent applications, with submissions;
 - Matters which involve a financial implication for Council
 - Matters which involve non-urgent enforcement;
 - Notified Resource Consent applications recommended to be declined.

- A wide variety of other issues relating to the social, environmental, economic and cultural wellbeing of the District.

In addition to performing these duties, the Mayor is responsible for:

- Ensuring the orderly conduct of business during meetings, as determined in Council's Standing Orders.
- Advocating on behalf of the community.
- Acting as the ceremonial head of Council.
- Providing leadership and feedback to other elected members

Community Boards

Community Boards represent the interests of particular local communities which are, in the opinion of Council, sufficiently distinct to warrant additional representation.

Within the Otorohanga District the Communities of Otorohanga and Kawhia have been judged to meet this criterion.

It is the expectation of Council that Community Board members will establish strong relationships with the communities they serve, so that the needs and expectations of the community are well understood.

Based upon the expectation that Community Boards will effectively understand and reflect the needs of their communities, the Otorohanga District Council has delegated a high level of authority to its Community Boards, which is not a common practice in New Zealand.

In particular Otorohanga District Council has delegated to the Otorohanga and Kawhia Community Boards all of Council's functions, duties and powers relating to the following activities in those communities:

Activity	Otorohanga Community Board	Kawhia Community Board
Refuse collection and disposal	✓	✓
Water supply operation and maintenance	✓	✓
Sewerage treatment and reticulation	✓	
Flood protection	✓	
Storm water drainage	✓	✓
Community Property (Buildings)	✓	✓
Housing for the elderly	✓	✓

Though it is not included in the above delegations, the Otorohanga and Kawhia Community Boards have also traditionally had substantial input into matters relating to parks, reserves and public toilets within their communities.

The above delegations to the Community Boards are subject to the following conditions:

1. The respective Community Account not going into a financial deficit situation without the prior approval of Council.
2. Full allowance having been made for any proposed expenditure in the estimates approved by Council.
3. Compliance with any relevant policies or directions specified by Council.

4. Community Boards are precluded by statute from acquiring, holding or disposing of property.

Community Boards may make recommendations to Council on any matter, and may seek approval for any initiative for which delegated authority has not already been given.

The relationship that Community Boards have with their communities is typically more intimate than that between Councillors and their Wards, but it is expected that all elected members will be aware of the prevailing views amongst their constituents.

Decision Making Processes

Decision making by elected members and Council staff is in accordance with the previous descriptions of governance roles.

Public consultation on specific issues, outside of the routine Council planning processes (such as the LTP) is undertaken in circumstances where it is believed that there is a relatively high level of community interest in the issue and potential for significantly differing views amongst community members.

Such consultation is generally conducted in accordance with the Special Consultative Procedure of the Local Government Act 2002.

The financial implications associated with the particular issue is generally not a major factor in determining whether such public consultation is undertaken, since previous experience has shown that there may be substantial public interest in matters that are of little economic value. Very substantial proposed expenditure on any project (greater than 10% of total annual operating expenditure) will, however, trigger Council's Policy on Significance and an associated requirement for public consultation.

Key Democracy Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/2014	2017/18 Target	Achieved/ Not achieved	2017/18 Actual
Communicate and consult with the community on key issues	An active supportive community is achieved through the Council providing opportunities for residents and ratepayers to contribute to decision-making processes by providing their community views	Minimum % of Council business conducted in open meeting	New measure	>90%	Achieved	98.3% conducted in open meetings
		Number of complaints upheld against the election process	New measure	0	Achieved	No complaints upheld against the election process
		Agenda's for meeting (other than extraordinary meetings) of council and its committees are publically available (either via the internet or in Council service centres)	New measure	All agendas are publically available two clear working days before each meeting	Achieved	All agendas available at least two days prior to meetings

Council Business in Open Meeting

Overall 98.3% of council business was conducted in open meetings. This includes all items except for adoption of previous minutes, the public forum and general business. The Council had a total of 188 items, of

which 3 were conducted in closed meetings. Otorohanga Community Board had 31 items, of which 1 was conducted in closed meetings, and Kawhia Community Board had 13 items and no items were conducted in a closed meeting.



Council Support

Council is required by legislation to disperse grants. It facilitates the distribution of funds from Sport New Zealand and Creative Communities New Zealand. Local Residents and staff are represented on the distribution committees along with Councillors.

The provision of grants is an integral component of Council's strategy to empower local communities and assist them in achieving their vision and strategic outcomes, by encouraging and rewarding community spirit.

Key Council Support Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/2014	2017/18 Target	Achieved/ Not achieved	2017/18 Actual
Management and provision of Creative Communities and Sport NZ funding schemes	The Council supports the development of communities by providing funding to agencies where it sees that such funding will positively support and make our communities more healthy, active and creative	Distribution of funds to Creative Communities and Sport NZ funding schemes on application from qualifying organisations	80.7% allocated from both schemes	> 85% allocated	Achieved	Creative Communities – Balance of \$245.00 not allocated. Sport NZ – Balance of \$25 not allocated
Management and provision of Otorohanga District Council community funding	The Council supports the development of communities by providing funding to agencies where it sees that such funding will positively support and make our communities more healthy, active and creative and also support the vulnerable and those at risk	Provision of Otorohanga District Council General Grants and ongoing Grants within budget allocation	Within budget allocation	Within annual budget allocation 17/18 \$9,000	Achieved	No grants made

All but 2% of the Creative Communities funding was allocated. All of the Sport NZ money was allocated.

Corporate Planning

The Local Government Act 2002 requires every local authority to carry out a process to identify community outcomes – statements of community aspirations for the immediate to long-term future.

The process provides opportunities for people to discuss their desired community outcomes in terms of present and future social, economic, environmental and cultural well-being. The intention is that these outcomes become the basis for increased transparency and

accountability by councils and other stakeholders, as a base for improving community well-being and sustainable development.

In addition to developing the community outcomes, Council must identify what it will contribute towards these, along with other agencies within its Long Term Plan and Annual Plans. Council must monitor its performance and achievement towards these outcomes as well as monitoring the achievement of the community outcomes.

Key Corporate Planning Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/2014	2017/18 Target	Achieved/ Not achieved	2017/18 Actual
Meet Local Government Act 2002 statutory planning and reporting requirements	By achieving statutory planning and reporting requirements a high standard of accountability is demonstrated to the community	The Long Term Plan is completed within the statutory timeframe	Achieved (June 2015)	Adopted before 30 June	Achieved	Adopted 26 th June 2018
		The Annual Plan will be adopted before 30 June annually	Achieved	Not applicable	Not applicable	
		The Annual Report will include an unqualified audit opinion	Achieved	Achieved	Achieved	No qualifications on 2016/17 Annual Report
Existing levels of service as identified in Councils triennial survey meets the needs of the community	Having plans in place to ensure growth and change is managed will help ensure our community's vision will happen	A triennial Levels of Service Survey to all affected ratepayers	Not applicable	2017 survey, target 50% response	Not achieved	No survey undertaken.

Policy Development

The purpose of this activity is to formulate strategic direction in all policies, by-law and planning matters. Predominant drivers for policy

development stem from legislative requirements. Council is involved in this activity because of public demand and statutory responsibility.

Key Policy Development Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/2014	2017/18 Target	Achieved/ Not achieved	2017/18 Actual
Ensure major decisions are made in a democratically accountable way	Ensures Council's decision making processes involves and engages the community	100% of all significant decisions are made subject to respective consultative procedures that meet the requirements of the Local Government Act 2002 and/or RMA 1991	100%	100%	Achieved	100%
Policy development is visible and accountable	Ensures transparency in policy development to provide better information supporting community involvement and awareness	Key draft policy documents subject to consultation are available on Council's website	Proposed Local Alcohol Policy notified on 18 February 2014	100% are available by the date of public notification of the policy/planning document	Achieved	100%
		Meetings and statutory hearing are conducted in accordance with all relevant legislation	100% compliance	100% compliance	Achieved	100%
Provide location legislation	Put in place management controls that address issues and are consistent with Council policies, Central Government legislation, and which reflect the Community Outcomes	Assess need to review, and where necessary review bylaws	Policy & bylaw register updated bylaw reviewed	Assessment undertaken of bylaws and policy that are due review	Achieved	Update completed
Council meets statutory planning requirements	Ensures processes and policies are developed in a consistent manner and reflective of community input	All relevant statutory plans and reports are produced and made available to the public in accordance with statutory requirements and timeframes under relevant legislation	Achieved	100% compliance	Achieved	100%

District Plan

The Otorohanga District Plan was declared operative on 30 October 2014. Plan changes will be required when phase 2 of the Resource Legislation Amendment Act 207 commences in early 2019. This Act will require territorial authorities to amend District Plans to fit within a standard template in order to provide a nationwide format for planning documents. Most Councils will have 5 years from commencement to enact the changes.

Bylaws

No new bylaws were adopted during the year. No current bylaws were reviewed during the year. During 2018/2019 the Dog Control Policy and Bylaw, the Trade waste Bylaw and the Traffic Bylaw will be reviewed.

Policy Development***Waste Management and Minimisation Plan***

The Waste Management and Minimisation Plan
Was reviewed by Council and adopted on 24 July 2018.



Governance and Leadership Cost of Service Statement

2017 Actual \$ (000's)		2018 AP Estimate \$ (000's)	2018 Actual \$ (000's)
	OPERATING REVENUE		
158	Activity Revenue	103	177
21	Targeted Rates	21	23
-	Development Contributions	-	-
2,073	General Rates	1,467	1,636
4,215	Other General Sources	4,798	4,201
6,467	TOTAL OPERATING INCOME	6,389	6,037
	OPERATING EXPENDITURE		
775	Otorohanga District Council	725	891
133	Otorohanga Community Board	150	115
55	Kawhia Community Board	71	45
83	Council Support	100	73
307	Corporate Planning	559	387
23	Resource Management Policy Development	32	18
4,226	Support Services	4,881	4,304
5,602	TOTAL OPERATING EXPENDITURE	6,518	5,833
865	NET COST OF SERVICE	(129)	204



Governance and Leadership Funding Impact Statement

	2016/17 Long Term Plan \$ (000's)	2017/18 Long Term Plan \$ (000's)	2017/18 Actual \$ (000's)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	1,896	1,537	1,614
Targeted rates (other than a targeted rate for water supply)	21	21	23
Subsidies and grants for operating purposes	21	22	22
Fees and charges	24	25	36
Internal charges and overheads recovered	3,698	3,915	3,709
Local authorities fuel tax, fines, infringement fees and other receipts	56	57	119
Total operating funding	5716	5,577	5,523
Applications of operating funding			
Payments to staff and suppliers	3,214	3,428	3,443
Finance costs	116	142	(9)
Internal charges and overheads applied	1,500	1,551	1,381
Other operating funding applications	263	270	207
Total application of operating funding	5,093	5,391	5,022
Surplus (deficit) of operating funding	623	186	501
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	56	55	84
Lump sum contributions	-	-	-
Total sources of capital funding	56	55	84
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	10	11	13
- To replace existing assets	247	254	370
Increase (decrease) in reserves	422	(24)	202
Increase (decrease) of investments	-	-	-
Total application of capital funding	679	240	585
Surplus (deficit) of capital funding	(623)	(186)	(501)
Funding balance	-	-	-



SUPPORTING INFORMATION



EQUAL EMPLOYMENT OPPORTUNITIES POLICY

POLICY STATEMENT

The Otorohanga District Council is committed to supporting the principles of equal opportunity in recruitment, selection, employment, training and promotion.

The policy of the Council is to ensure that no employee, or potential employee, shall gain any advantage or suffer any disadvantage by reason of their race, colour, ethnic or national origin, gender, marital status, sexual preference, age, religious or political beliefs, or personal disability where said disability is irrelevant to an individual's ability to carry out the job.

This policy will remain consistent with:

- Good personnel policy and practices.
- The Human Rights Act 1993.
- Employment Relations Act 2000.
- Local Government Act 2002.

Council is committed to a programme of action to ensure its activities are carried out without discrimination.



STATEMENT OF FINANCIAL INVOLVEMENT IN COUNCIL CONTROLLED ORGANISATIONS (CCO's)

Waikato Regional Airport Limited (WRAL)

This Company, established in 1989, operated the Airport situated at Rukuhia within Waipa District. The local authority part owners negotiated the purchase of the Crown's former shareholding to secure the retention of the airport as a major infrastructural facility important to the economy of the Waikato.

The objective of the airport company is to operate a successful commercial business, providing safe, appropriate and efficient services for the transportation of people and freight in and out of the airport of Hamilton.

Council holds 3.125% of the airport company's shares. The remaining shares are owned by Hamilton City Council, Matamata-Piako, Waipa and Waikato District Councils.

Waikato Regional Airport Ltd Group reported total comprehensive revenue and expenses of \$2,380,000 for the year ended 30 June 2018 (2017: \$18,351,000 surplus).

A dividend totalling \$6.4M was paid in 2018 (2017: nil).

Council intends to maintain its current shareholding for the foreseeable future. There are no formal policies or objectives relating to ownership and control of Waikato Regional Airport.

A comparison of the company's financial and performance measures for the year ended 30 June 2018 is summarised below:

Waikato Regional Airport Limited (WRAL) *Targets and Achievements*

	Actual to 30 June 2018	Statement of Corporate Intent
Percentage of Non-Landing Charges Revenue	85%	76%
Earnings before Interest, Taxation and Depreciation	\$3.023m	\$2.374m
Net operating cash flow	2,760	1,700
Net investing cash flow	(4,710)	(1,500)
Interest Rate Cover	6.0x	5.0x
Total Liabilities/Shareholders Funds: (Debt/Equity Ratio)	26:74	35:65

Waikato Local Authorities Shared Services (WLASS)

	Ownership Interest	
	Actual 2017	Actual 2018
Waikato Local Authority Shared Services	0.26%	0.26%



The contingent liability arising from ODC's interest is disclosed in note 18. There are no capital commitments arising from ODC's interest in the WLASS.

The Waikato Local Authority Shared Service Ltd (WLASS) CCO was incorporated in December 2005.

LASS objective

The objective of the company is to provide Waikato region local authorities with a vehicle to develop shared services that demonstrate a benefit to the ratepayers and provide those services to local authorities.

Introduction

Waikato Local Authority Shared Service Ltd (WLASS) was developed as a joint initiative between the 13 councils of the Waikato region. Its evolution can be traced from a range of projects that were implemented between local councils. These projects highlighted the benefits of a jointly owned governance structure to provide an opportunity for collaborative management and development. Central government devolution, closer working relationships between councils and a desire to benefit from cost saving opportunities offered by jointly progressing shared initiatives have fostered more efficient services.

WLASS provides an effective structure that can promote such developments to the benefit of those councils that choose to be actively involved in a particular joint service. Each council owns an equal number of shares in WLASS and as such has an equal say in its development.

The WLASS governance structure enables the directors appointed by the shareholders to decide on the future direction of those services that will be promoted under its auspices. Any such services will be operated as a stand-alone business unit with an advisory group appointed by the shareholders participating in that service to provide direction but answerable to the directors.

Performance Measures as per 2017/18 Annual Report

Target	Performance Measure	Actual Outcome
Procurement Joint procurement initiatives for goods and services for LASS councils will be investigated and implemented	Implement the recommendations of the Procurement review, as approved by the Board.	Achieved. In line with the recommendations: <ul style="list-style-type: none"> • A procurement specialist has been engaged to assist Councils; and • Work has commenced on developing a standard procurement framework, policies, templates and supporting tools which will be applied across Councils.
	New suppliers are awarded contracts through a competitive tender process.	Achieved. New shared service contracts were procured following competitive tender processes for On-line Driver Assessment and Training Services and Occupational Health Services, and Vehicle Fleet Management and Maintenance (where WLASS agreed to exercise the contract right of renewal).
Collaborative Projects Priorities for collaboration are	A minimum of three priority projects for collaboration are identified per annum.	Achieved. Board approved business cases to: <ul style="list-style-type: none"> • Develop the Waikato Data



Target	Performance Measure	Actual Outcome
identified, business cases are developed for the highest priority projects, and the projects are implemented	If considered of value, business cases are developed for approval by the Board; and the projects are implemented.	<p>Portal</p> <ul style="list-style-type: none"> • Execute the digital strategy • Transform WLASS into a service delivery agent • Establish a new platform for shared valuation data <p>A single suite of resource consent applications was developed</p> <p>Regional Infrastructure Technical Specifications relating to the design and construction of infrastructure assets was completed.</p>
WLASS Contracts Existing contracts are managed and renegotiated as required	The WLASS Contracts Register is maintained and managed	Achieved. The Contracts Register is maintained.
	Contracts which are due for renewal are tested for competitiveness and either renegotiated or tendered through a competitive process.	Achieved. Throughout the period 18 contracts due for renewal were reviewed and where appropriate renegotiated prior to extension.
Cashflow The company shall maintain a positive cashflow position	The WLASS Board reviews the financial statements quarterly.	Achieved. The cash surplus for the period was ~\$616k, although this is largely a result of revenue being invoiced in advance. The Board received management accounts at each Board meeting.
Cost Control Administration expenditure shall be managed and monitored	Administration expenditure shall not exceed budget by more than 5%, unless prior approval is obtained from the Board.	Achieved. Company administration costs were ~\$54k less than budgeted – 83% of the budgeted amount. Specific line items materially greater than budget were approved by the Board in advance.
Reporting Six monthly reports provided to Shareholders	The Board shall provide a written report on the business operations and financial position of the WLASS to the shareholders every six months.	Achieved. Completed via Half and Full-year report prepared and circulated to shareholding Councils.
	Every second report shall be the Annual Report, which includes a report that all of the statutory requirements of the WLASS are being adhered to.	Achieved. Completed as set out in this annual report.
Waikato Mayoral Forum The company shall provide administrative support and updates on Mayoral Forum workstreams to the Mayoral Forum	Approved invoices for Mayoral Forum projects are paid by the 20 th of the month following their receipt.	Achieved.
Shared Valuation Data	The SVDS is available to users	Achieved. SVDS was available to



Target	Performance Measure	Actual Outcome
Services (SVDS) The SVDS is reliable, well maintained and available to all users.	at least 99% of normal working hours.	users for 99.84% of normal working hours.
	All capital enhancement work is supported by a business case and approved by the SVDS Advisory Group	N/A. There were no capital enhancements during the period.
	The SVDS Advisory Group meets at least 6-monthly.	Achieved. The Advisory Group had four scheduled meetings throughout the year. There was an additional meeting in April 2018 to discuss the business case for the SVDS replacement.
Insurance Achieve the relevant KPI's in Appendix 4 of the Insurance Brokerage contract with Aon.	Strategic advice provided by Aon on the insurance programme structure is assessed as satisfactory in the annual WLASS Shareholders' survey by participating councils.	Achieved. Based on the shareholders' survey undertaken in March 2018, all respondents regarded the advice as either satisfactory or very satisfactory.
	The day-to-day service provided by Aon is assessed as satisfactory in the annual WLASS Shareholders' survey by the participating councils	Achieved. All respondents regarded the advice as either satisfactory or very satisfactory.
RATA All stakeholders are kept informed about RATA's projects and achievements. Sub-regional data collection contracts deliver good quality data on roading assets.	Reports presented to WLASS Board as at 30 December and 30 June, and circulated to stakeholders	Achieved. Half and full-year reporting presented to Board (half year reporting on 13 April 2018 and final report on 28 September 2018 as part of year end reporting).
	Reports include a summary of savings achieved	Achieved. Report presented savings to Councils.
	All RATA councils participate in the tour	Achieved. The tours were undertaken in August/September 2017.
	Report on tour outcomes prepared by 31 December each year, and circulated to stakeholders	Partially achieved. Report on outcomes completed and shared but in January 2018.
	Contracts which are due for renewal are tested for competitiveness and either renegotiated or tendered through a competitive process.	Achieved. The three RATA contracts related to High Speed Data Collection, Condition Rating Surveys and Traffic Counting awarded during the year follow tender process and contract renewals were reviewed and renegotiated. All suppliers are operating in accordance with contract requirements.
	Any data issues are identified and resolved, with any incidents reported to stakeholders.	Achieved. All performance criteria met with no data issues identified.
Waikato Regional Transport Model (WRTM) The WRTM is reliable, well maintained and available to all users.	All modelling reports requested from the model supplier are actioned within the agreed timeframe, scope and budget.	Achieved. During the year 22 reports have been completed.
	A report from RATA on any new developments and on the status	Achieved. Half and full-year reporting presented to Board (half year reporting



Target	Performance Measure	Actual Outcome
	of the model is provided to the WLASS Board at least every six months	on 13 April 2018 and final report on 28 September 2018 as part of year end reporting).
	The quality of the base model complies with NZTA guidelines (as set out in the NZTA's Economic Evaluation Manual), and is independently peer reviewed each time the model is updated.	Achieved. The model has been developed in accordance with an agreed approach with the NZTA, and it has been peer reviewed by an independent traffic modelling consultant. NZTA have received the peer review and have endorsed the model.
Waikato Building Consent Group Provide strategic direction and actively pursue improvements in Building Control across the Waikato region.	Internal audits completed annually for each Group member.	Not achieved. Lack of resource has compromised the audit programme. This issue is being addressed as part of the WBCG Strategy for FY19.
	Provide Group members with a joint quality assurance system that meets statutory compliance.	Achieved. QA manual, standard documents and public information on www.Buildwaikato.co.nz has been signed off by IANZ at 6 assessments since 1 July 2017. Only minor changes required.
	Report at least six monthly to the WLASS Board on the Group's activities.	Achieved. Reporting to WLASS Board provided in January 2018 and September 2018 as part of the year end process.
Future Proof All stakeholders are kept informed about Future Proof's projects and achievements.	Reports presented to WLASS Board as at 30 December and 30 June, and circulated to stakeholders.	Achieved. 6-monthly reports presented at the December 2017 and July 2018 Board meetings.
Shareholder Survey Shareholders are satisfied with the performance of WLASS.	A survey of shareholders is undertaken each year, and the results are reported to all shareholders.	In Progress. The survey has been completed although the response rate was low, at 42%. Results reported as part of annual report.
Review of Benefits Shareholders are informed of the benefits being provided to shareholding councils by WLASS.	Information on the financial and non-financial benefits being achieved by WLASS are included in the 6-monthly and Annual Report to shareholders.	Achieved. Benefits are set out in the Statement of Intent.
	The "Collaboration in Action" document, which summarises the achievements of WLASS, is updated and circulated to shareholders by 31 December 2017.	Partially achieved. The Collaboration in Action document is complete and included on WLASS's website, with shareholding Council's being notified, although this occurred in the first half of 2018.



New Zealand Local Government Funding Agency Ltd (LGFA)

New Zealand Local Government Funding Agency Ltd was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current rating from Standard and Poor's of AA+.

Council became a shareholder in the LGFA along with 30 other local authorities. Council contributed \$100,000 for its shareholding in LGFA.

Four performance targets are specified for LGFA in the Statement of Intent. Progress against each of these targets for 30 June 2018 is discussed below.

Current Performance Targets	Target	Result	Achieved
Average margin above LGFA's cost of funds charged to the highest rated Participating Local Authorities for the period	≤0.10%	0.105%	No
Annualised annual issuance and operating expenses (excluding AIL)	≤\$5.45 million	\$5.18 million	Yes
Lending to Participating Local Authorities	≥\$8.128 billion	\$7.976 billion	No
Savings on borrowing costs for council borrowers relative to other sources of financing and compared to previous years	Improvement since prior year end relative to borrowing by councils directly. Council borrowing spreads as at June 2017: 2019s 12 bps, 2021s 20 bps and 2025s 17 bps	Council borrowers spreads as at June 2018: 2019s 11 bps, 2021s 19bps and 2025s 10 bps	No



ANNUAL REPORT DISCLOSURE STATEMENT

Annual report disclosure statement for year ending 30 June 2018.

What is the purpose of this statement?

The purpose of this statement is to disclose the council's financial performance in relation to various benchmarks to enable the assessment of whether the council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

The council is required to include this statement in its annual report in accordance with Local Government (Financial Reporting and Prudence) Regulations 2014 (the **regulations**). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

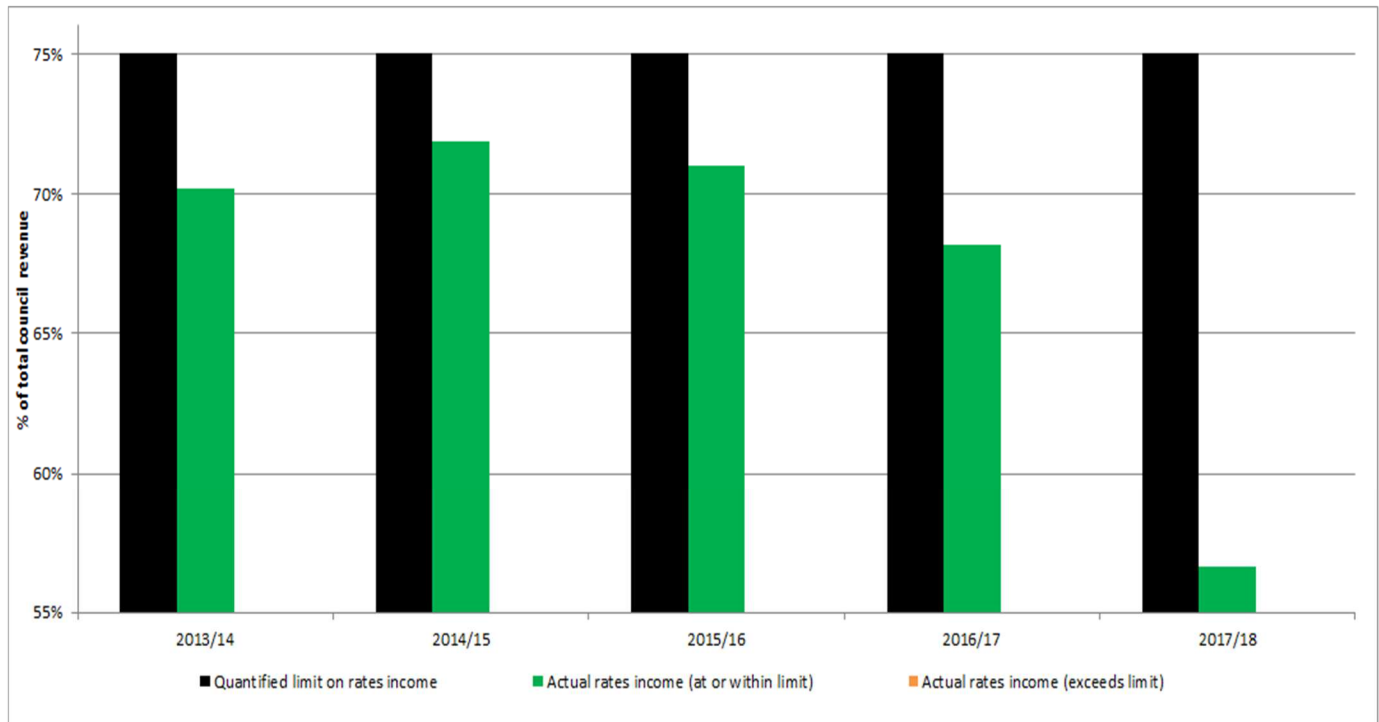
Rates affordability benchmark

The council meets the rates affordability benchmark if-

- Its actual rates income equals or is less than each quantified limit on rates; and
- Its actual rates increases equal or are less than each quantified limit on rates increases.

Rates (income) affordability

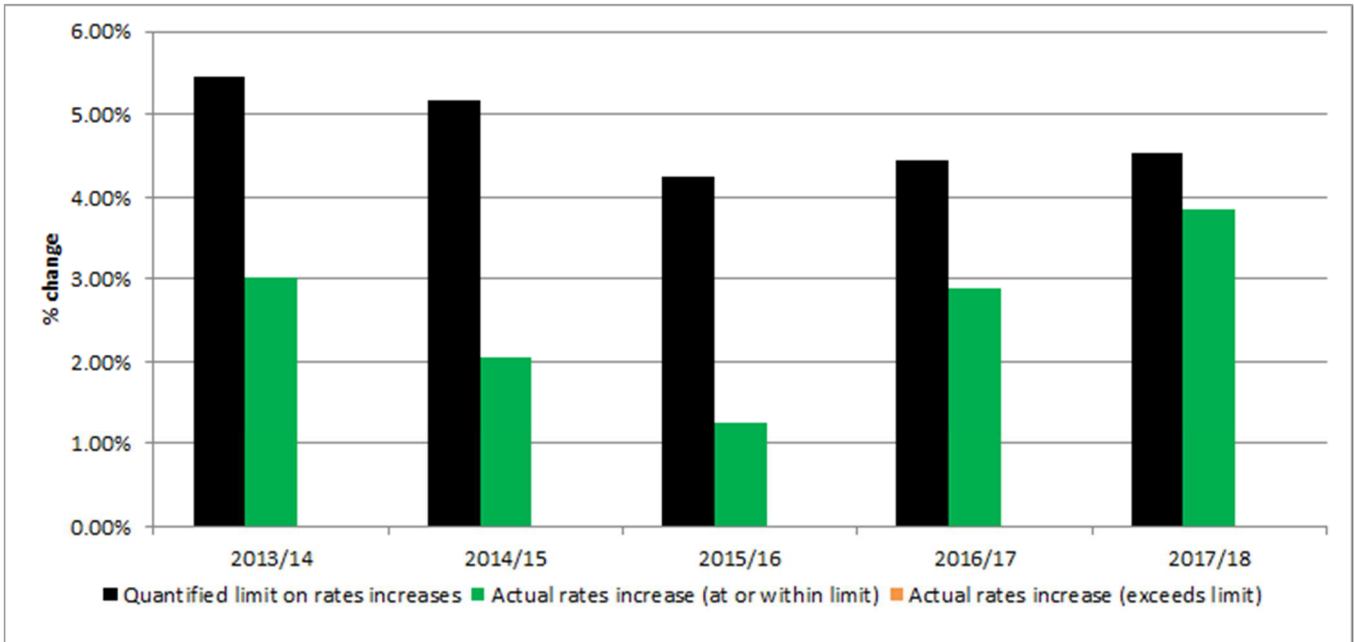
The following graph compares the council's actual rates income with a quantified limit on rates contained in the financial strategy included in the council's long-term plan. The quantified limit is 75% of total council revenue.





Rates (increases) affordability

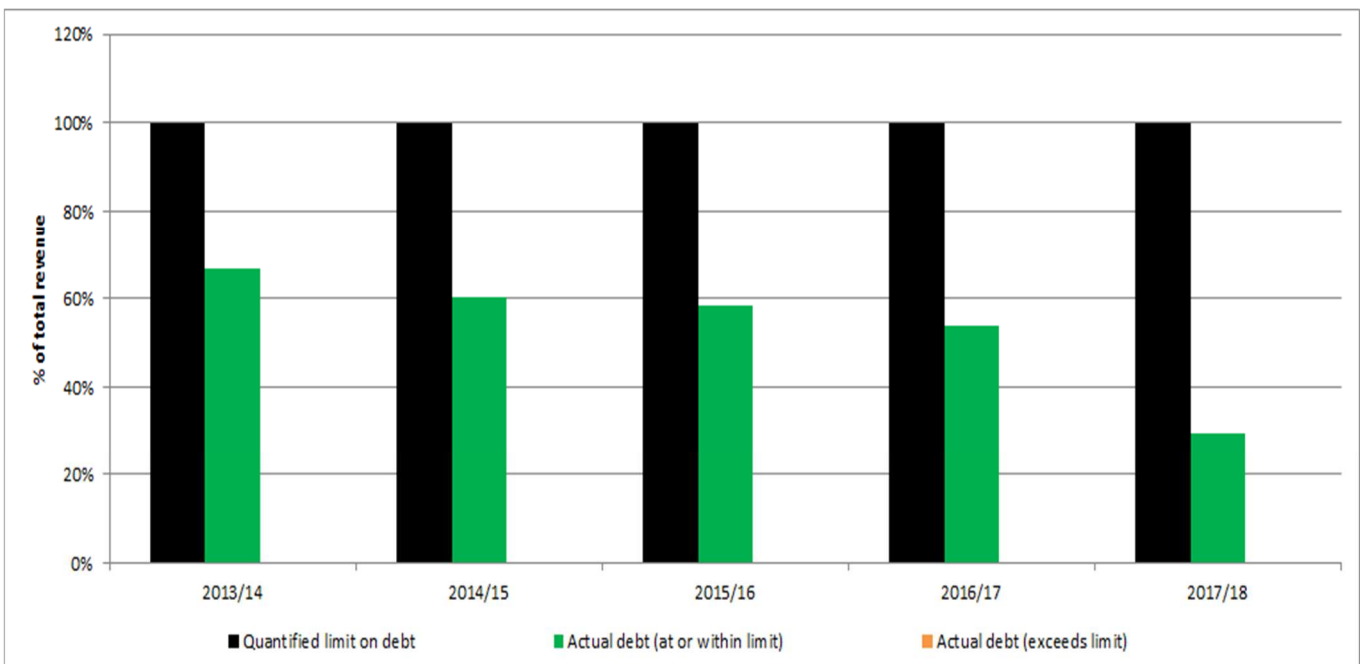
The following graph compares the council's actual rates increases with a quantified limit on rates increases included in the financial strategy in the council's long-term plan. The quantified limit is LGCI plus 2%. For the actual figures used refer to the council's long-term plan.



Debt affordability benchmark

The council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

The following graph compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the council's long-term plan. The quantified limit is borrowing cannot exceed 100% of total revenue.

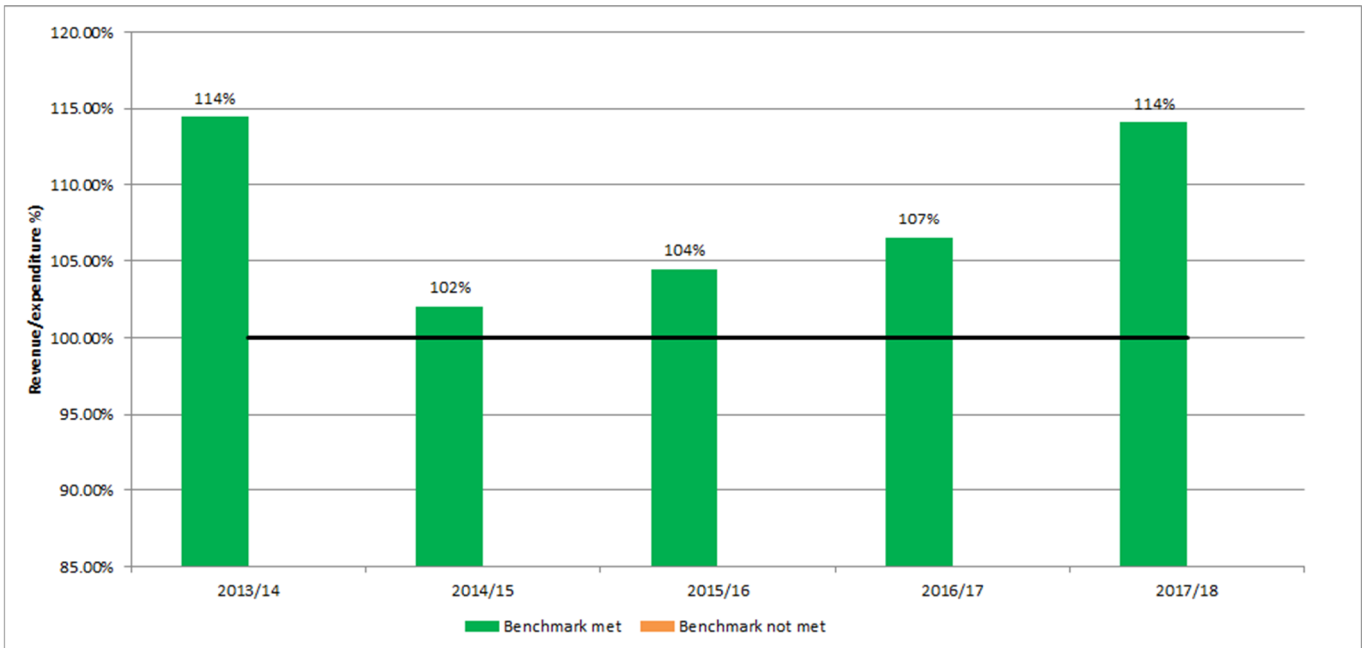




Balanced budget benchmark

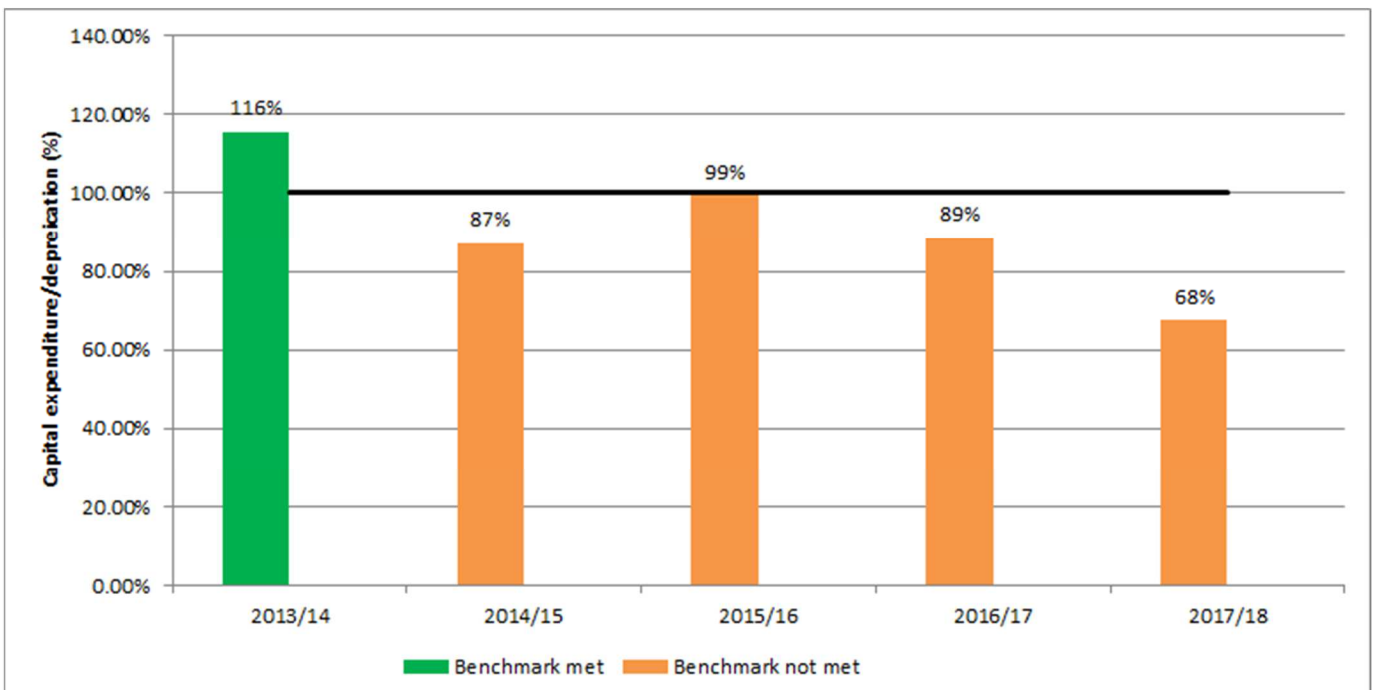
The following graph displays the council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant and equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant and equipment)

The council meets this benchmark if its revenue equals or is greater than its operating expenses.



Essential services benchmark

The following graph displays the council's capital expenditure on network services as a proportion of depreciation on network services. The council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.

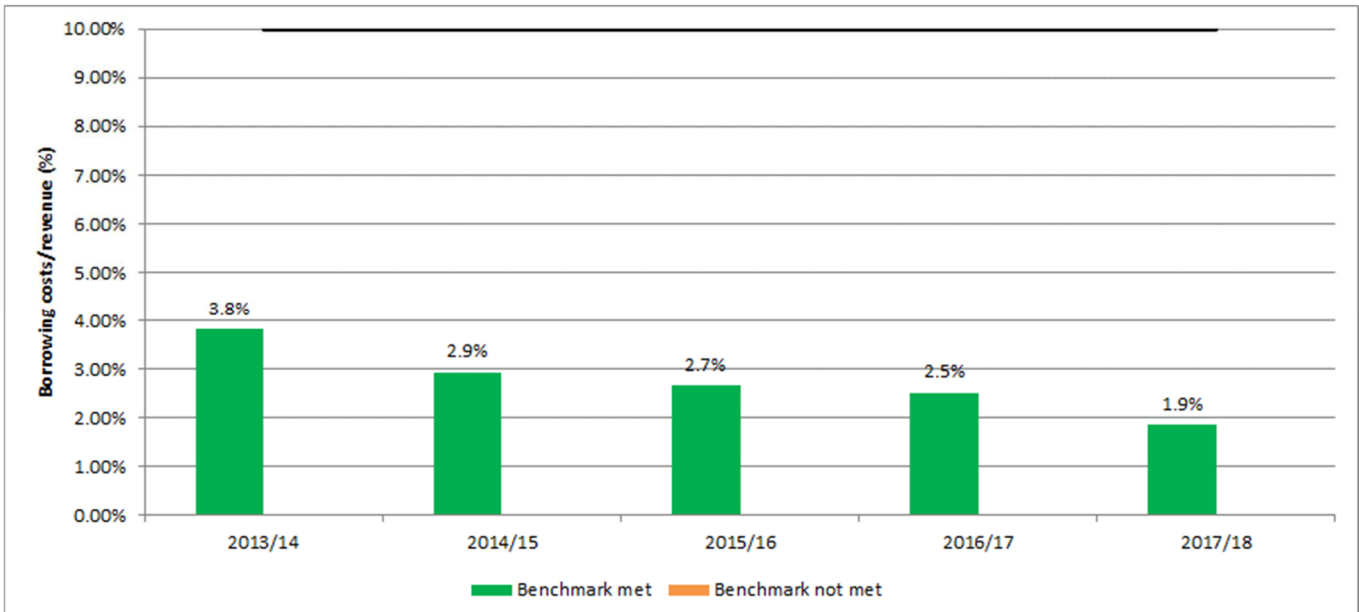




Debt servicing benchmark

The following graph displays the council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment).

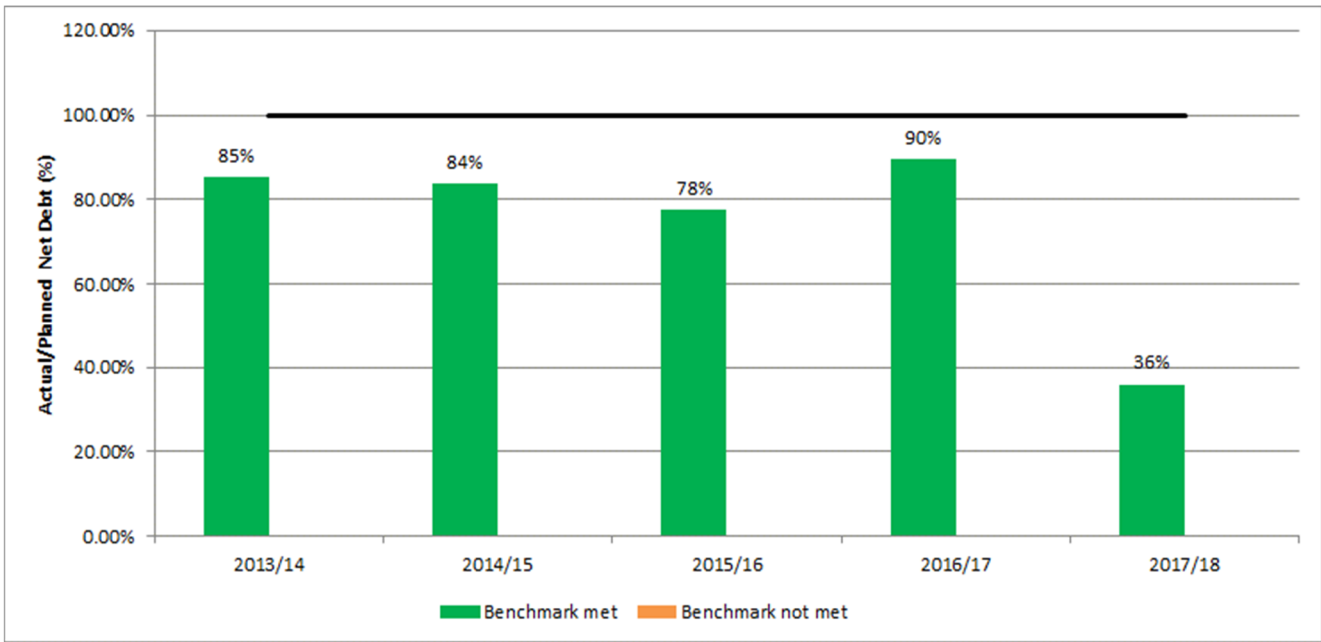
Because Statistics New Zealand projects the council's population will grow more slowly than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue.



Debt control benchmark

The following graph displays the council's actual net debt as a proportion of planned net debt. In this statement, **net debt** means financial liabilities less financial assets (excluding trade and other receivables).

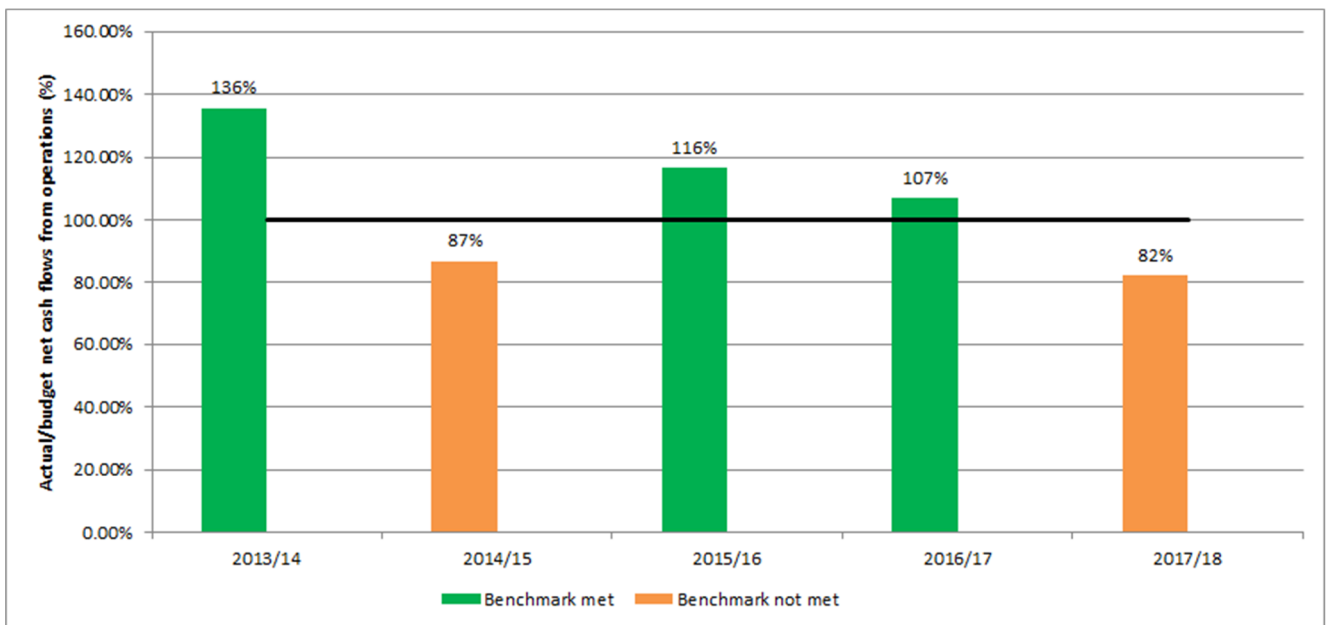
The council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



Operations control benchmark

This graph displays the council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.





LOCAL GOVERNMENT ACT DISCLOSURES

Rating base information

Under the Local Government Act 2002, the Council is required to disclose the following information:

	2018
Number of rating units	5,201
Total Capital value of rating units	\$4,214,685,900
Total Land value of rating units	\$2,946,573,200

Insurance

	Carrying value 30 June 2018	Covered by Insurance Contracts	Covered by Financial Risk Sharing Arrangement	Covered by Self Insurance
	(000's)	(000's)	(000's)	(000's)
Total Assets covered	41,486	58,953	-	-

Please note for motor vehicles the cover is up to \$200,000 for any one vehicle, and \$10,000,000 for Third Party Liability in any one accident. The covered by insurance contracts figure above includes \$200,000, not the \$10,000,000.



AUDIT REPORT



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF OTOROHANGA DISTRICT COUNCIL'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

The Auditor-General is the auditor of Otorohanga District Council (the District Council). The Auditor-General has appointed me, Bruno Dente, using the staff and resources of Deloitte Limited, to report on the information in the District Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the District Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the District Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 23 October 2018. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 11 to 49:
 - present fairly, in all material respects:
 - the District Council's financial position as at 30 June 2018;
 - the results of the operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Reporting Standards Reduced Disclosure Regime;
- the funding impact statement on page 58, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Annual Plan;
- the Statement of Service Performance (referred to as 'Significant Activities') on pages 57 to 113:
 - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2018, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - complies with generally accepted accounting practice in New Zealand; and



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- the statement about capital expenditure for each group of activities on pages 57 to 113, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's Annual Plan; and
- the funding impact statement for each group of activities on pages 57 to 113, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long-term plan.

Report on the disclosure requirements

We report that the District Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 122 to 126, which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council's audited information and, where applicable, the District Council's long-term plan and annual plans.

Basis for our opinion on the audited information

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

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

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

Responsibilities of the Council for the audited information

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the District Council or there is no realistic alternative but to do so.

Responsibilities of the auditor for the audited information

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or



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disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the District Council's Annual Plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

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

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

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

Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 5 to 9, 51 to 55, 115 to 121 and 127, but does not include the audited information and the disclosure requirements.



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Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

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

Independence

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

In addition to our audit and our report on the disclosure requirements, we have carried out engagements in the areas of the audit of the 2018-2028 Long Term Plan, which are compatible with those independence requirements. Other than these engagements we have no relationship with or interests in the District Council.

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