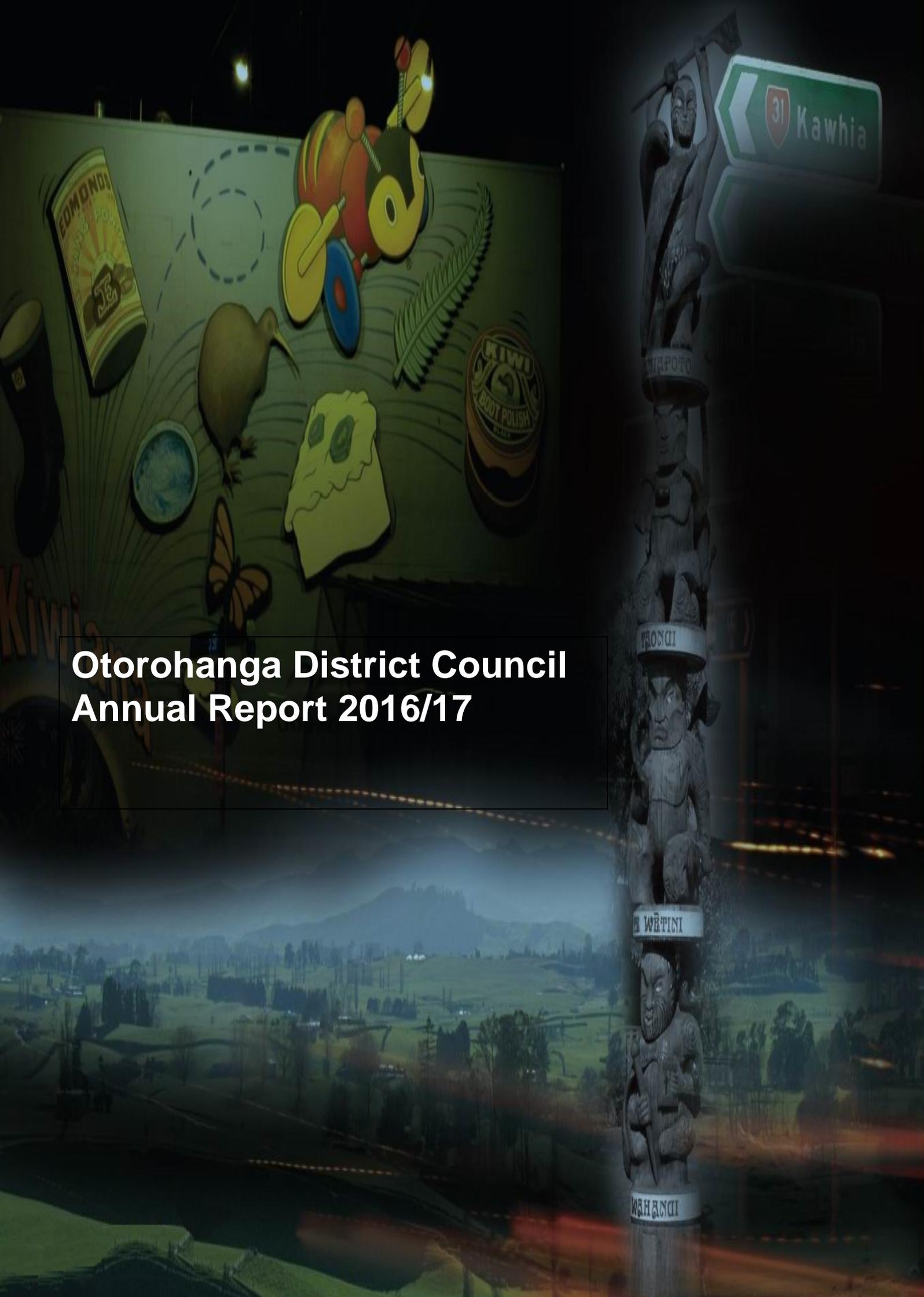


**Otorohanga District Council  
Annual Report 2016/17**





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*Annual Report 2017*

# **INTRODUCTION**



## COMMENTS FROM THE MAYOR AND CHIEF EXECUTIVE

### 2016/17 ANNUAL REPORT

The 2016/17 year saw Council 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.

This was reflected in the undertaking of an amendment to Council's Long Term Plan during the year to enable a number of significant growth related projects to commence, the most notable of which was Council-funded residential subdivision development in Otorohanga.

The decisions to sell Council's Te Raumauku Road farm property was another significant event in the year, a decision based on the limited financial return being achieved from that property and a belief that greater benefit would be achieved by investing in assets with more growth potential.

Council's financial results for the year were very sound, with expenditures generally very much in line with or below set budgets. A notable saving of more than \$500,000 was made in respect of sealed road resurfacing for the year, largely due to improvements in the method of assessing when resurfacing is required.

The most notable over-expenditures during the year were in respect of water supplies where higher than expected costs have been associated with the continuing challenge of meeting increasingly stringent standards. These challenges seem likely to further grow in the future as government responses to the Havelock North water contamination event shape the associated regulatory systems.

Overall Council recorded a surplus for the year of \$1.44 million against a budget figure of \$925,000, a satisfactory result. Council's external debt was \$9.6 million at the year end, but with over \$4 million of cash held at that time, and hence Council's real exposure to debt is presently only a little over \$6 million, which is again a very comfortable level.

Satisfactory levels of service and organisational performance also continue to be achieved, with 76% of applicable performance targets for the year being met or exceeded.

The transition to growth has however highlighted some weaknesses of the Council organisation, particularly in relation to staffing levels. Council's staff numbers have remained little changed over the last 20 years and have generally been considered adequate to support 'business as usual' operation despite steadily increasing regulatory complexity.

The additional need to support growth has however brought the organisation to the point where it is over-stretched and this has been reflected in slower than desired progress of some matters, and there is a considered need to bring ODC's human resources closer to the levels generally found in other councils of similar size.

Max Baxter  
**MAYOR**

24<sup>th</sup> October 2017

Dave Clibbery  
**CHIEF EXECUTIVE**

24<sup>th</sup> October 2017



## DISTRICT PERSONNEL

### OTOROHANGA DISTRICT COUNCIL

		<b>Telephone</b>
<b>Mayor:</b>	Max Baxter	(07) 871 2707
<b>Deputy Mayor:</b>	Deborah Pilkington	(07) 863 5475
<b>Councillors:</b>	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

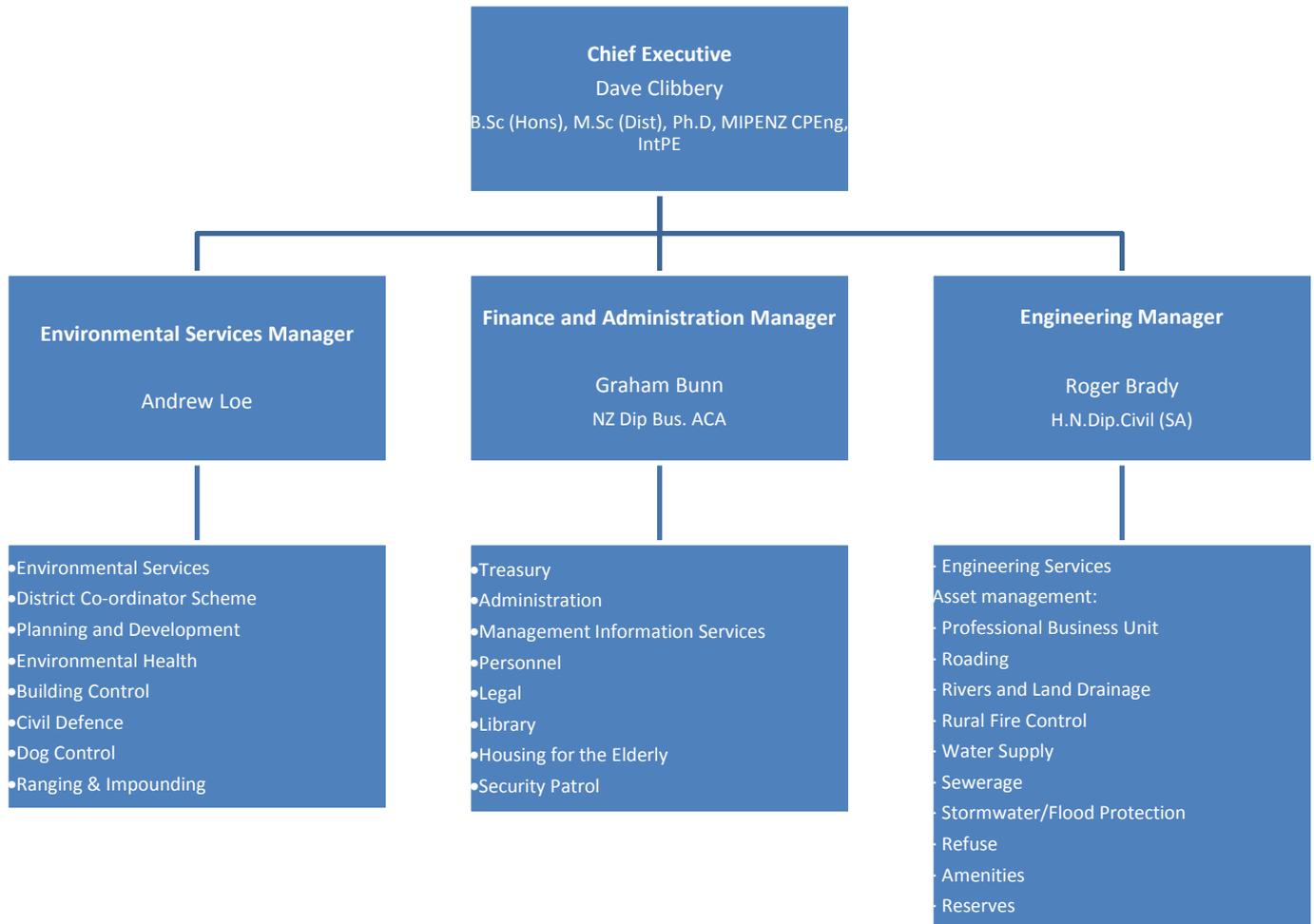
<b>Chairperson:</b>	Paul McConnell	(07) 873 6264
<b>Members:</b>	Katrina Christison	(07) 873 7779
	Peter Coventry	(07) 873 8982
	Liz Cowan	(07) 873 0849
	Neville Gadd	(021) 192 4933
	Alan Buckman	(07) 873 6535

### KAWHIA COMMUNITY BOARD

<b>Chairperson:</b>	Kit Jeffries	(07) 871 0891
<b>Members:</b>	Deborah Pilkington	(07) 863 5475
	Alan Rutherford	(07) 873 0533
	Dave Walsh	(07) 871 0552
	Annette Gane	(07) 871 0864



## 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	\$4,151,977,825
Date of Last revision of Values	1 September 2016

### Rates and Rating 2016/17

Total Rates (Excluding GST)	\$12,107,017
System of Rating	Capital Value

### Public Debt Outstanding as at 30/06/17

Public Debt Outstanding	\$9,574,071
-------------------------	-------------

### 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 2017**

Actual 30 June 2016 (000's)		Note	Budget 30 June 2017 (000's)	Actual 30 June 2017 (000's)
	<b>Revenue</b>			
11,056	Rates revenue	2	11,450	11,451
8	Contributions		10	40
712	Water by volume rates	2	782	656
3,057	Subsidies	2	3,671	3,366
1,652	Other income	2	1,293	2,266
85	Others gains/(losses) on asset disposal		66	(28)
16,570	Total revenue		17,272	17,751
	<b>Expenses</b>			
3,411	Employee benefit expenses	3	3,571	3,463
5,036	Depreciation and amortisation	11	4,780	5,386
6,929	Other expenses	4	7,433	7,029
440	Finance costs		563	436
15,816	Total expenses		16,347	16,314
754	Surplus/(deficit) for the year		925	1,437
	<b>Other Comprehensive Revenue and Expenses</b>			
(103)	Gain/(loss) on property revaluation		23,285	(31)
3	Gain/(loss) on available for sale financial assets		-	(1)
(100)	Total other comprehensive revenue and expenses		23,285	(32)
654	<b>Total Comprehensive Revenue and Expenses for the year</b>		24,210	1,405
	<b>Total comprehensive revenue and expense attributable to:</b>			
654	Otorohanga District Council		24,210	1,405
654			24,210	1,405

The accompanying notes on pages 14-48 form part of these financial statements.



**OTOROHANGA DISTRICT COUNCIL  
BALANCE SHEET  
AS AT 30 JUNE 2017**

Actual 30 June 2016 (000's)		Note	Budget 30 June 2017 (000's)	Actual 30 June 2017 (000's)
	<b>Assets</b>			
	<b>Current assets</b>			
2,837	Cash and cash equivalents	5	3,203	4,266
1,635	Receivables from non-exchange transactions	6	2,672	2,390
168	Receivables from exchange transactions	6	-	154
30	Inventory		31	30
423	Assets held for sale	8	668	348
5,093	<b>Total current assets</b>		6,574	7,188
	<b>Non-current assets</b>			
779	Investments	7	777	773
298,565	Property, plant and equipment	9	302,722	298,045
106	Intangible assets	10	131	111
299,450	<b>Total non-current assets</b>		303,630	298,929
304,543	<b>Total assets</b>		310,204	306,117
	<b>Liabilities</b>			
	<b>Current Liabilities</b>			
1,866	Payables under exchange transactions	12	1,808	2,013
1	Provisions	13	-	1
309	Employee benefit liabilities	14	256	326
563	Income in Advance	15	722	657
-	Borrowings	16	-	-
2,739	<b>Total current liabilities</b>		2,786	2,997
	<b>Non-current liabilities</b>			
19	Provisions	13	19	18
52	Employee benefit liabilities	14	82	50
9,660	Borrowings	16	9,574	9,574
9,731	<b>Total non-current liabilities</b>		9,675	9,642
12,470	<b>Total liabilities</b>		12,461	12,639
292,073	<b>Net Assets</b>		297,743	293,478
	<b>Equity</b>			
153,206	Accumulated Comprehensive Revenue and Expenses	17	155,150	153,388
2,127	Council Controlled Reserves	17	(1,225)	3,604
1,045	Reserve Funds	17	1,033	824
135,695	Revaluation Reserves	17	142,785	135,662
292,073	<b>Total equity</b>		297,743	293,478

The accompanying notes on pages 14-48 form part of these financial statements.



**OTOROHANGA DISTRICT COUNCIL  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2017**

Actual 30 June 2016 (000's)	Note	Budget 30 June 2017 (000's)	Actual 30 June 2017 (000's)
291,419	<b>Balance at 1 July</b>	273,533	292,073
654	Total comprehensive revenue and expense for the year	24,210	1,405
292,073	<b>Balance at 30 June</b>	297,743	293,478
	<i>Total comprehensive revenue and expense attributable to:</i>		
654	Otorohanga District Council	24,210	1,405
654	Total comprehensive revenue and expense	24,210	1,405

The accompanying notes on pages 14-48 form part of these financial statements.



**OTOROHANGA DISTRICT COUNCIL  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2017**

Actual 30 June 2016 (000's)	Notes	Budget 30 June 2017 (000's)	Actual 30 June 2017 (000's)
	<b>Cash flows from operating activities</b>		
11,693	Receipts from rates revenue	12,231	12,163
5,239	Receipts from other revenue	4,922	4,538
89	Interest received	41	90
11	Dividends received	12	9
(10,521)	Payments to suppliers and employees	(11,004)	(10,329)
(440)	Interest paid	(563)	(436)
<b>6,071</b>	<b>Net cash provided by Operating Activities</b>	<b>5,639</b>	<b>6,035</b>
	<b>Cash flows from investing activities</b>		
331	Proceeds from Sale of Property, Plant and Equipment	65	87
-	Proceeds from Sale of development property held for sale	602	100
(5,146)	Purchase of property, plant and equipment	(5,934)	(4,594)
-	Purchase of investments	-	5
(30)	Purchase of intangible assets	(56)	(118)
<b>(4,845)</b>	<b>Net cash (used in) Investing Activities</b>	<b>(5,323)</b>	<b>(4,520)</b>
	<b>Cash flows from financing activities</b>		
-	Proceeds from borrowings	-	-
(93)	Repayment of borrowings	(86)	(86)
<b>(93)</b>	<b>Net cash provided by/(used in) Financing Activities</b>	<b>(86)</b>	<b>(86)</b>
<b>1,133</b>	<b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>	<b>230</b>	<b>1,429</b>
1,704	Cash, cash equivalents and bank overdrafts at the beginning of the year	2,973	2,837
<b>2,837</b>	<b>Cash and cash equivalents at the end of the year.</b>	<b>3,203</b>	<b>4,266</b>

The accompanying notes on pages 14-48 form part of these financial statements.



**OTOROHANGA DISTRICT COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

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## **Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2017 - 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 financial reporting purposes.

The financial statements of ODC are for the year ended 30 June 2017. The financial statements were authorised for issue by Council on 24<sup>th</sup> October 2017. 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 Tier 2 PBE accounting standards. 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 2017 - 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 2017 - 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 2017 - 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 2016 (000's)	Actual 2017 (000's)
General Rates	4,352	4,553
<b>Targeted rates attributable to activities</b>		
Water	667	729
Sewerage	510	506
Refuse	262	276
Land Transport	4,989	5,081
Security	83	82
Erosion Protection	28	27
CBD Development	32	32
Halls	20	17
Rates penalties	113	148
<b>Total revenue from rates</b>	<b>11,056</b>	<b>11,451</b>
Metered Water Charges	712	656
<b>Total Water by Volume Rates</b>	<b>712</b>	<b>656</b>

### Breakdown of Subsidies and Grants

	Actual 2016 (000's)	Actual 2017 (000's)
<b>Subsidies</b>		
Land Transport NZ government grants	2,997	3,306
Other Subsidies	60	60
<b>Total Subsidies</b>	<b>3,057</b>	<b>3,366</b>

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 2017 - continued

### Breakdown of Other Income

	Actual 2016 (000's)	Actual 2017 (000's)
<b>Other Income</b>		
User charges	828	855
Metal Royalties	14	-
Regulatory revenue	593	895
Petrol tax	78	85
Vested assets revenue	40	332
Interest income for financial assets not at fair value through profit and loss		
- cash and cash equivalents	89	90
Dividend income	10	9
<b>Total other income</b>	<b>1,652</b>	<b>2,266</b>

### 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 2016/17 financial year is \$16,941,227 (2016: \$15,796,670).

Total revenue from exchange transactions includes the revenue from interest, rental, royalties and other revenue. Total exchange revenue for the 2016/17 financial year is \$837,608 (2016: \$688,583).

	Actual 2016 (000's)	Actual 2017 (000's)
Non-exchange revenue	15,796	16,941
Exchange revenue	689	838
<b>Total Revenue</b>	<b>16,485</b>	<b>17,779</b>
Total revenue per statement of comprehensive revenue and expenses	16,570	17,751
Add back: Other gains/(losses) on asset disposal	85	(28)
<b>Classified revenue per statement of comprehensive revenue and expenses</b>	<b>16,485</b>	<b>17,779</b>

### 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 2017 -**  
**continued**

	Actual 2016 (000's)	Actual 2017 (000's)
<b>Non-cancellable operating leases as lessor</b>		
Not later than one year	114	84
Later than one year and not later than five years	335	256
Later than five years	58	46
<b>Total non-cancellable operating leases</b>	<b>507</b>	<b>386</b>

### 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 2016 (000's)	Actual 2017 (000's)
Salaries and wages	3,313	3,361
Employer contributions to defined contribution plans	64	87
Increase/(decrease) in employee benefit liabilities	34	15
<b>Total employee benefit expenses</b>	<b>3,411</b>	<b>3,463</b>

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 2016 (000's)	Actual 2017 (000's)
Salaries and other short term employee benefits	795	838
Post-employment benefits (defined contribution plan)	16	34
	<b>811</b>	<b>872</b>



**Otorohanga District Council  
Notes to the Financial Statements for the year ended 30 June 2017 -  
continued**

Chief Executive

The Chief Executive received the following remuneration:

	Cost during the financial year	
	Actual 2016	Actual 2017
	(000's)	(000's)
Salary	205	217
Motor Vehicle	4	-
Telephone rental	1	1
Memberships	1	1
Fringe Benefit Tax	2	-
<b>Total Chief Executive's remuneration</b>	<b>213</b>	<b>219</b>

Elected representatives

	Total remuneration	
	Actual 2016	Actual 2017
	(000's)	(000's)
Max Baxter, Mayor	65	67
Deborah Pilkington, Deputy Mayor	25	30
Robert Prescott (until October 2016)	30	9
Ken Phillips	16	17
Roy Johnson	16	17
Robyn Klos	16	17
Phil Tindle (until October 2016)	23	7
Annette Williams	16	17
Paul McConnell (since October 2016)	-	21
Katrina Christison (since October 2016)	-	16

Council Employees

	Actual 2016	Actual 2017
Total remuneration by band for employees as at 30 June		
< \$60,000	30	28
\$60,000 - \$80,000	8	11
\$80,000 - \$100,000	8	7
\$100,000 - \$220,000	5	6
<b>Total Employees</b>	<b>51</b>	<b>52</b>

Total remuneration includes non-financial benefits provided to employees.



## Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2017 - continued

At balance date, the Council employed 42 (2016: 41) full-time employees, with the balance of 10 part time employees representing 2 (2016: 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 (2016: 7 Councillors and 1 Mayor). These equate to approximately 1 FTE.

### *Severance payments*

For the year ended 30 June 2017 ODC made no severance payments to employees (2016: one severance payment of \$53,200).

## 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 2016 (000's)	Actual 2017 (000's)
Deloitte fees for financial statement audit	115	115
Deloitte fees for other assurance services	4	4
Deloitte fees for long term plan amendment audit	-	28
Minimum lease payments under operating leases	11	11
Activity operation	1,413	1,420
Asset maintenance	570	708
Road maintenance	3,603	3,440
Other expenses	1,213	1,303
<b>Total other expenses</b>	<b>6,929</b>	<b>7,029</b>



**Otorohanga District Council  
Notes to the Financial Statements for the year ended 30 June 2017 -  
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 2016 (000's)	Actual 2017 (000's)
<b>Non-cancellable operating leases as lessee</b>		
Not later than one year	11	-
Later than one year and not later than five years	-	-
Later than five years	-	-
<b>Total non-cancellable operating leases</b>	<b>11</b>	<b>-</b>

**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 2016 (000's)	Actual 2017 (000's)
Cash and cash equivalents	2,837	4,266
<b>Total cash and cash equivalents</b>	<b>2,837</b>	<b>4,266</b>



## Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2017 - 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 \$162,893 (2016: \$148,776)

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 2016 (000's)	Actual 2017 (000's)
Rates receivables	742	779
Other receivables	621	528
Sundry debtors	560	1,308
	1,923	2,615
Less provision for impairment of receivables	(120)	(71)
	1,803	2,544
Represented by:		
Receivables from non-exchange transactions	1,635	2,390
Receivables from exchange transactions	168	154
	1,803	2,544

Rates are struck on the 1<sup>st</sup> of July each year, and are charged in two instalments. In the year ended 30 June 2017 these instalments were due on 26<sup>th</sup> August 2016 and 27<sup>th</sup> January 2017. A charge of 10% is added to all rates levied and due for the 2016/17 year that remains unpaid after 26<sup>th</sup> August 2016 and 27<sup>th</sup> January 2017. 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 2017 - continued

### *Impairment*

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

	Actual 2016 (000's)	Actual 2017 (000's)
Balance at beginning of the year	(101)	(120)
Amounts remitted	4	3
(Increase)/decrease in provision	(23)	46
Balance at end of the year	(120)	(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 2017 - 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 2017:

#### **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.

	<b>Actual 2016 (000's)</b>	<b>Actual 2017 (000's)</b>
<b>Available for sale Financial Assets</b>		
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	144
Listed shares – King Country Energy	45	46
Unlisted shares – Civic Financial Services	15	8
<b>Total equity investments</b>	<b>779</b>	<b>773</b>



## Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2017 - 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 2016 (000's)	Actual 2017 (000's)
Progress park	75	-
Waiwera Street	348	348
	423	348

The Progress Park development was an industrial park development and was completed in 2005 and comprised of 25 lots. All lots have now been sold (2016: 1 unsold). There is also a property on Waiwera Street in Kawhia that Council agreed to put on the market for sale prior to 30 June 2013.

This property is expected to be sold within the year ended 30 June 2018, and this sale is expected to occur through normal real estate transactions.



## Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2017 - continued

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.

Given the current property market, Council has decided that it is not wise to undertake the development of the property on Waiwera Street themselves at this time. Therefore they have decided to try to sell the land with the resource consent to a developer.

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

### 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



## Otorohanga District Council

### Notes to the Financial Statements for the year ended 30 June 2017 - continued

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 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>		



## Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2017 - continued

<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%

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,



## Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2017 - continued

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 2017 at \$272,300,000.

### **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 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 2017:

#### **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 are generally not sufficient to represent commercial return on the assets.

**Otorohanga District Council**  
**Notes to the Financial Statements for the year ended 30 June 2017 - continued**

2017

	Cost /revaluation 1 July 2016	Accumulated depreciation	Carrying amount	Additions	Disposals (cost)	Disposals (accumulated depreciation)	Transfers out of Fixed Assets	Depreciation	Cost /revaluation 30 June 2017	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)
<b>Council Operational assets</b>											
Land	7,099	-	7,099	97	-	-	-	-	7,196	-	7,196
Buildings	5,792	431	5,361	38	1	-	-	223	5,829	654	5,175
Plant & Machinery/ Motor Vehicles	1,035	479	556	129	144	78	-	130	1,020	531	489
Furniture & Equipment/ Library Books	1,951	1,354	597	126	312	267	-	103	1,765	1,190	575
Heritage Assets	-	-	-	250	-	-	-	-	250	-	250
Total operational assets	15,877	2,264	13,613	640	457	345	-	456	16,060	2,375	13,685
<b>Council infrastructural assets</b>											
Sewerage system	7,738	374	7,364	70	14	4	-	182	7,794	552	7,242
Water system	6,981	385	6,596	382	16	2	-	212	7,347	595	6,752
Rural water supply	8,062	430	7,632	348	1	-	-	210	8,409	640	7,769
Drainage network	6,094	196	5,898	57	2	1	-	97	6,149	292	5,857
Stopbanks	3,617	-	3,617	-	-	-	-	-	3,617	-	3,617
Roading, Bridges & Culverts	248,567	6,946	241,621	3,378	65	29	-	4,013	251,880	10,930	240,950
Work In Progress	81	-	81	81	49	-	-	-	113	-	113
Total infrastructural assets	281,140	8,331	272,809	4,316	147	36	-	4,714	285,309	13,009	272,300
<b>Council restricted assets</b>											
Land	6,328	-	6,328	24	-	-	-	-	6,352	-	6,352
Buildings	6,082	300	5,782	35	-	-	-	152	6,117	452	5,665
Work In Progress	33	-	33	38	28	-	-	-	43	-	43
Total restricted assets	12,443	300	12,143	97	28	-	-	152	12,512	452	12,060
Total ODC property, plant and equipment	309,460	10,895	298,565	5,053	632	381	-	5,322	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 2017 - continued**

**2016**

	Cost /revaluation 1 July 2015	Accumulated depreciation	Carrying amount	Cost /revaluation 30 June 2016	Accumulated depreciation	Carrying amount
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
<b>Council Operational assets</b>						
Land	7,109	-	7,109	7,099	-	7,099
Buildings	5,649	213	5,436	5,792	431	5,361
Plant & Machinery/ Motor Vehicles	953	502	451	1,035	479	556
Furniture & Equipment/ Library Books	1,905	1,318	587	1,951	1,354	597
Total operational assets	15,616	2,033	13,583	15,877	2,264	13,613
<b>Council infrastructural assets</b>						
Sewerage system	7,610	189	7,421	7,738	374	7,364
Water system	6,228	195	6,033	6,981	385	6,596
Rural water supply	8,012	218	7,794	8,062	430	7,632
Drainage network	6,094	100	5,994	6,094	196	5,898
Stopbanks	3,617	-	3,617	3,617	-	3,617
Roading, Bridges and Culverts	245,243	3,281	241,962	248,567	6,946	241,621
Work In Progress	35	-	35	81	-	81
Total infrastructural assets	276,839	3,983	272,856	281,140	8,331	272,809
<b>Council restricted assets</b>						
Land	6,420	-	6,420	6,328	-	6,328
Buildings	6,001	150	5,851	6,082	300	5,782
Work In Progress	5	-	5	33	-	33
Total restricted assets	12,426	150	12,276	12,443	300	12,143
Total ODC property, plant and equipment	304,881	6,166	298,715	309,460	10,895	298,565

Land under roads included in Roothing network totals \$53,816,203.



**Otorohanga District Council  
Notes to the Financial Statements for the year ended 30 June 2017 -  
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 2014 effective as at 1 July 2014 and does not materially differ from the value at 1 July 2014. The total fair value of Land and Building's valued by Quotable Value at 1 July 2014 after the revaluation was \$24,886,000. The carrying amount prior to the revaluation was \$22,471,218.

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 Stopbanks valuation was undertaken by Graeme Hughson (Independent Registered Valuer). 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 2014 effective as at 1 July 2014 and does not materially differ from the value at 1 July 2014. The total fair value of Infrastructural assets valued by in-house engineering staff at 1 July 2014 after the revaluation was \$273,562,274. The carrying amount prior to the revaluation was \$233,594,926.

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 2017 is \$1,633,975 (2016: \$1,683,441).

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.

**2017**

	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)	
<b>Infrastructural Assets</b>					
Water treatment plants & facilities	3,689	475	-	7,402	1 July 2014
Other water assets	10,832	258	-	19,064	1 July 2014
Wastewater treatment plants & facilities	2,191	70	-	3,905	1 July 2014
Other wastewater assets	5,050	-	-	9,104	1 July 2014
Stormwater drainage	5,470	56	-	8,921	1 July 2014
Flood protection and control works	4,005	-	-	3,617	1 July 2014
Roads & footpaths	240,948	3,273	104	317,782	1 July 2014
<b>Total infrastructural assets</b>	<b>272,186</b>	<b>4,132</b>	<b>104</b>	<b>369,795</b>	



## Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2017 - continued

### Capital commitments

	Actual 2016 (000's)	Actual 2017 (000's)
<b>Capital commitments</b>		
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment	1,564	724
<b>Other Expenditure Commitments</b>		
Maintenance Contracts	4,940	7,459

### **Sale of Property**

During the year ending 30 June 2017, Council agreed to sell the farm at Te Raumaku Road, with the proceeds to be put into a reserve for use by the Otorohanga Community for future property development opportunities. As at balance date separate title for the portions to be sold had not been received, therefore this asset has continued to be included in property, plant and equipment.

## **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 2017 -  
continued**

	Actual 2016 (000's)	Actual 2017 (000's)
Balance as at 1 July		
Cost	682	710
Accumulated amortisation	(566)	(604)
Opening carrying amount	116	106
Year ended 30 June		
Additions	30	68
Disposals – cost	(2)	(176)
Disposals – accumulated amortisation	2	176
Amortisation charge	(40)	(63)
Movement	(10)	5
Balance at 30 June		
Cost	710	602
Accumulated amortisation	(604)	(491)
Closing carrying amount	106	111

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 2016 (000's)	Actual 2017 (000's)
Depreciation	4,996	5,323
Amortisation	40	63
<b>Total depreciation and amortisation</b>	<b>5,036</b>	<b>5,386</b>



**Otorohanga District Council**  
**Notes to the Financial Statements for the year ended 30 June 2017 -**  
**continued**

*Depreciation by group of activity*

	Actual 2016 (000's)	Actual 2017 (000's)
Roads and Footpaths	3,696	4,013
Water Supply	410	429
Sewerage Treatment & Disposal	195	192
Flood Protection & Control Works	24	25
Stormwater Drainage	81	80
Community Services	343	344
Regulatory Services	6	4
Community Development	-	-
Governance & Leadership	281	299
	5,036	5,386

**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 2016 (000's)	Actual 2017 (000's)
Trade payables	1,360	1,552
Deposits and bonds	322	280
Accrued expenses	184	181
Total payables under exchange transactions	1,866	2,013

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 2017 - 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 2017 -  
continued**

	Actual 2016 (000's)	Actual 2017 (000's)
Opening Balance	21	20
Maintenance and Monitoring Costs	(1)	(1)
Closing balance	20	19
Represented by:		
Current portion	1	1
Non-current provisions	19	18
	20	19

**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% (2016: 7.00%).



**Otorohanga District Council  
Notes to the Financial Statements for the year ended 30 June 2017 -  
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.

	<b>Actual 2016 (000's)</b>	<b>Actual 2017 (000's)</b>
Accrued pay	52	76
Annual leave	257	250
Long service leave	47	44
Sick leave	5	6
<b>Total employee benefit liabilities</b>	<b>361</b>	<b>376</b>
Comprising:		
Current	309	326
Non-current	52	50
<b>Total employee benefit liabilities</b>	<b>361</b>	<b>376</b>



## Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2017 - continued

### 15. Income in advance

	Actual 2016 (000's)	Actual 2017 (000's)
Rates	464	519
Metered Water Charges	6	10
Debtors	62	69
Dog Registrations	7	39
Trade Waste	7	5
Health Licences	17	15
<b>Total income in advance</b>	<b>563</b>	<b>657</b>

### 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 2016 (000's)	Actual 2017 (000's)
<b>Current</b>		
Secured loans	-	-
Total current borrowings	-	-
<b>Non-current</b>		
Secured loans	9,212	9,126
Concessionary loan	448	448
<b>Total non-current borrowings</b>	<b>9,660</b>	<b>9,574</b>

#### Fixed-rate debt

The majority of ODC's secured debt of \$9,574,071 (2016: \$9,659,783) is issued at fixed rates of interest ranging from 5.00% - 6.00% (2016: 5.00% - 6.00%).

Total borrowing from the Local Government Funding Agency (LGFA) as at 30 June 2017 is \$9,126,458 (2016: \$9,212,170).

#### Security

The overdraft is unsecured. The maximum amount that can be drawn down against the overdraft facility is \$200,000 (2016: \$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 2017 - 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 29<sup>th</sup> June 2007, and \$283,000 on 14<sup>th</sup> March 2008. The interest rate on this loan is 0% (2015: 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 2017 -  
continued**

	Actual 2016 (000's)	Actual 2017 (000's)
<b>Accumulated Funds</b>		
Balance at 1 July	154,766	155,333
Transfers to restricted reserves	(189)	(58)
Transfers from property revaluation reserves on disposal	(6)	1
Transfers from restricted reserves	8	279
Surplus/(deficit) for the year	754	1,437
<b>Balance at 30 June</b>	<b>155,333</b>	<b>156,992</b>
<b>Restricted Reserves</b>		
Balance at 1 July	864	1,045
Transfers to accumulated funds	(8)	(279)
Transfers from accumulated funds	189	58
Balance at 30 June	1,045	824
<b>Asset Revaluation Reserves</b>		
Balance at 1 July	135,781	135,684
Net revaluation gains	(103)	(31)
Transfer to accumulated funds on disposal of property	6	(1)
Balance 30 June	135,684	135,652
Asset revaluation reserves consist of:		
<i>Operational assets</i>		
Land	4,472	4,472
Buildings	1,706	1,706
<i>Infrastructural assets</i>		
Sewerage system	3,548	3,541
Water system	3,987	3,975
Drainage network	3,655	3,655
Rural Water Supply	4,086	4,086
Roading network	104,844	104,831
Floodbank	2,443	2,443
<i>Restricted assets</i>		
Land	2,662	2,662
Buildings	4,281	4,281
Total Asset Revaluation Reserves	135,684	135,652
<b>Available for sale Revaluation Reserve</b>		
Balance at 1 July	8	11
Net change in fair value	3	(1)
Transfer to surplus or deficit on disposal	-	-
Balance at 30 June	11	10
<b>Total Reserves</b>	<b>136,740</b>	<b>135,662</b>

**Otorohanga District Council****Notes to the Financial Statements for the year ended 30 June 2017 - 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)
<b>2017</b>				
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
<b>Total Council Controlled Reserves - 2017</b>	<b>2,127</b>	<b>23,884</b>	<b>(22,437)</b>	<b>3,604</b>
<b>2016</b>				
Roads and Footpaths	711	12,634	(12,753)	592
Water Supply	(293)	2,319	(2,461)	(435)
Sewerage	45	847	(811)	81
Flood Protection	63	173	(121)	115
Regulatory Services	(10)	144	(168)	(34)
Community Services	19	677	(657)	39
Governance and Leadership	821	1,694	(1,618)	897
Community Development	(32)	34	(5)	(3)
General Funds	351	4,466	(3,942)	875
<b>Total Council Controlled Reserves - 2016</b>	<b>1,675</b>	<b>22,988</b>	<b>(22,536)</b>	<b>2,127</b>

**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 2017 - continued

### 18. Contingencies

#### Contingent Liabilities

	Actual 2016 (000's)	Actual 2017 (000's)
Guarantees	420	420
Uncalled Capital – Waikato Regional Airport Limited	300	-
Uncalled Capital – Local Government Funding Agency	100	100
Uncalled Capital – Waikato Local Authority Shared Services	1	1
Contingent Liability – Legal Claim	430	183
	1,251	704

#### *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 2017, LGFA had borrowings totalling \$7,784m (2016: \$6,501m).

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*

During May 2004, the shareholders of Waikato Regional Airport Ltd (WRAL) of which ODC has a 3.125% shareholding, authorised the company issuing further shares totalling \$21.6m to existing shareholders. This capital restructure is part of the WRAL Airport Development and allows WRAL to borrow at commercially favourable interest rates. Of this uncalled capital a sum of \$375,000 was called up by WRAL in July 2009. The contingent liability for the remaining uncalled capital reduced to \$300,000. There are no plans to call up the remaining capital. During the year ended 30 June 2016, WRAL purchased back all uncalled capital from the shareholders. This means no contingent liability exists at year end.

The uncalled share capital for Waikato Local Authority Shared Services amounts to \$1,000 as at 30 June 2017. At present ODC is not aware of any plan to call the capital in the near future.



## Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2017 - continued

### *Legal Claim*

A claim has been filed against ODC. The claim is for an amount of \$183,000. This is still in the process of being dealt with through the courts, the timing and value of any payment has not yet been determined. As such no provision has yet been recognised due to this uncertainty.

### **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 (2016: \$nil).

### **20. Events after balance sheet date**

On 13<sup>th</sup> October 2017 an offer for the sale of Waiwera Street went unconditional. It was sold for \$400,000 and the settlement date is 3 November 2017. This sale will be reflected in the 2018 Annual Report. (2016: Sale of property at Progress Park).



**Otorohanga District Council**  
**Notes to the Financial Statements for the year ended 30 June 2017 -**  
**continued**

**21. Financial instrument risks**

**Financial instruments categories**

	<b>Actual 2016 (000's)</b>	<b>Actual 2017 (000's)</b>
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	2,837	4,266
Receivables from non-exchange transactions	1,635	2,390
Receivables from exchange transactions	168	154
	4,640	6,810
<b>Available for sale financial assets</b>		
Listed shares	45	46
Unlisted shares	590	583
<i>Total available for sale financial assets</i>	635	629
<b>FINANCIAL LIABILITIES</b>		
<b>Financial liabilities at amortised cost</b>		
Payables under exchange transactions	1,866	2,013
Borrowings		
- secured loans	9,660	9,574
<i>Total financial liabilities at amortised cost</i>	11,526	11,587

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 2017 - continued

### 22. Explanation of major variances against budget

Explanations for major variations from the Council estimate figures in the 2016/17 Annual Plan are as follows:

#### Statement of Comprehensive Revenue and Expenses

Subsidies were \$305,000 below budget. This is due to spending on roading capital works being down due to unfavourable weather and resource issues meaning work was not able to be completed in time.

Other income was \$973,000 above budget. This is due to a number of factors, including additional funding from Waikato Regional Council for floodbank protection scheme as well as vested assets of \$332,000. Also income from interest was \$49,000 over budget due to favourable interest terms and timing of cash flows. There was also an increase in regulatory revenue of \$302,000 over budget due to increased building work and significant planning projects during the year.

Depreciation and amortisation was \$606,000 over budget due to increases in some of the capital expenditure, as well as a change to the methodology around disposal of some roading assets, resulting in increased depreciation costs.

Other expenses were \$404,000 under budget. This is due to a number of factors, partly due to a reduction in activity operation costs of \$55,000 under budget, as well as \$415,000 under budget for other expenses. Offsetting this was roading maintenance being \$30,000 over budget, due to increased general roading maintenance

Finance costs are \$127,000 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 \$1,063,000. This is due in large part to the savings in interest costs, as well as saving in a number of activities and increased revenue during the year.

Assets held for sale reduced by \$76,000 due to the sale of the last property at Progress Park.

Trade and other payables increased by \$147,000 as a result of the timing of payments around year end, as well as an increase in development contributions held.

#### Statement of Cash Flows

Cash flows from operating activities was up on budget by \$396,000, as a result of increased cash receipts for rates and other income as reflected in the increased income in the statement of comprehensive income.

Cash flows from investing activities is \$803,000 under budget. This is due to the deferral of some capital expenditure projects, as well as property sales being budgeted that did not eventuate as the development project has been delayed.



# **PERFORMANCE/ STATEMENT OF COMPLIANCE AND RESPONSIBILITY**



## **PERFORMANCE DURING 2016/17**

### **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 2016/17 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 2017 fairly reflect the financial position and operations of Otorohanga District Council.

Max Baxter  
**MAYOR**

Dave Clibbery  
**CHIEF EXECUTIVE**

Graham Bunn  
**FINANCE AND  
ADMINISTRATION MANAGER**

24<sup>th</sup> October 2017



## 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 2016/17 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 2016/17 year was the second 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 2017

2016 Actual \$ (000's)		2017 AP Estimate \$ (000's)	2017 Actual \$ (000's)
	<b>OPERATING REVENUE</b>		
4,669	Activity Revenue	4,964	5,300
7,302	Targeted Rates	7,527	7,405
7	Development Contributions	10	7
4,466	General Rates	4,704	4,702
5,589	Other General Sources	5,985	5,834
<b>22,033</b>	<b>TOTAL OPERATING REVENUE</b>	<b>23,190</b>	<b>23,248</b>
	<b>Reconciling Items:</b>		
(5,548)	Internal Recoveries	(5,985)	(5,795)
85	Gains/(losses) on asset disposal	66	(28)
-	Assets vested in Council	-	326
<b>16,570</b>	<b>TOTAL OPERATING REVENUE PER STATEMENT OF COMPREHENSIVE INCOME</b>	<b>17,272</b>	<b>17,751</b>
	<b>OPERATING EXPENDITURE</b>		
8,921	Roading	8,659	8,819
1,926	Water Supply	2,037	2,009
563	Sewerage	574	587
182	Stormwater	144	170
107	Flood Protection	184	158
1,490	Regulatory Services	1,621	1,793
2,515	Community Services	2,603	2,620
341	Community Development	378	298
5,339	Governance and Leadership	6,137	5,608
<b>21,384</b>	<b>TOTAL OPERATING EXPENDITURE</b>	<b>22,337</b>	<b>22,062</b>
	<b>Reconciling Items:</b>		
(5,548)	Internal Recoveries	(5,985)	(5,795)
-	Interest difference	-	-
1	Landfill Aftercare Provision	-	1
(21)	Doubtful Debt Provision adjustment	-	46
<b>15,816</b>	<b>TOTAL OPERATING EXPENDITURE PER STATEMENT OF COMPREHENSIVE INCOME</b>	<b>16,347</b>	<b>16,314</b>
<b>754</b>	<b>NET PROFIT/(LOSS)</b>	<b>925</b>	<b>1,437</b>

**Whole of Council Funding Impact Statement**

	2015/16 Long Term Plan \$ (000's)	2015/16 Actual \$ (000's)	2016/17 Long Term Plan \$ (000's)	2016/17 Actual \$ (000's)
<b>Sources of Operating Funding</b>				
General rates, uniform annual general charges, rates penalties	4,547	4,466	4,664	4,702
Targeted Rates (other than a targeted rate for water supply)	7,410	7,302	7,646	7,405
Subsidies and grants for operating purposes	1,483	2,236	1,529	1,918
Fees and charges	585	765	638	1,056
Interest and dividends from investments	52	99	53	99
Local authorities fuel tax, fines, infringement fees and other receipts	553	744	768	775
<b>Total Operating Funding</b>	<b>14,629</b>	<b>15,612</b>	<b>15,244</b>	<b>15,955</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	9,676	9,678	9,965	9,880
Finance Costs	563	440	666	436
Other operating funding applications	1,001	716	817	673
<b>Total application of operating funding</b>	<b>11,239</b>	<b>10,834</b>	<b>11,448</b>	<b>10,989</b>
<b>Surplus (deficit) of operating funding</b>	<b>3,390</b>	<b>4,778</b>	<b>3,795</b>	<b>4,966</b>
<b>Sources of Capital Funding</b>				
Subsidies and grants for capital expenditure	1,812	820	1,977	1,448
Development and financial contributions	10	7	10	7
Increase (decrease) in debt	9	(758)	1,671	(458)
Gross proceeds from sale of assets	210	330	554	187
Lump sum contributions	-	-	-	-
<b>Total sources of capital funding</b>	<b>2,042</b>	<b>399</b>	<b>4,212</b>	<b>1,184</b>
<b>Application of capital funding</b>				
Capital expenditure				
- To meet additional demand	55	12	51	-
- To improve the level of service	1,268	1,540	2,958	1,522
- To replace existing assets	4,594	3,508	5,077	3,141
Increase (decrease) in reserves	(486)	117	(79)	1,487
Increase (decrease) of investments	-	-	-	-
<b>Total application of capital funding</b>	<b>5,432</b>	<b>5,177</b>	<b>8,007</b>	<b>6,150</b>
<b>Surplus (deficit) of capital funding</b>	<b>(3,390)</b>	<b>(4,778)</b>	<b>(3,795)</b>	<b>(4,966)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 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	2016/17 Target	Achieved/ Not Achieved	2016/17 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	Achieved	6
		The average quality of ride of sealed roads measured by smooth travel exposure (as a	97%	96%	Achieved	97.56%

### Internal Borrowing

The Roads and Footpaths group of activities has internal borrowing as at 30 June 2017 of \$4,574,200. During the year no additional borrowing was taken, but repayments totalling \$417,146 were made. Interest on internal borrowings was paid of \$249,567.

### Capital Expenditure

	2017 AP Estimate \$ (000's)	2017 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	3,182	2,406
- Growth (Improving Service Capacity)	51	-
- Level of Service (Improvements to Service)	978	911

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/14	2016/17 Target	Achieved/ Not Achieved	2016/17 Actual
	provide quality transport networks for both current and future generations	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	51%
		The extent of unsealed road metalling programme that is completed annually	New measure	95%	Achieved	100%
		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	87%
		Percentage of service requests relating to roads and footpaths responded to within 10 working days	54%	85%	Not achieved	49%

### **Road Safety**

Overall a total of 1 fatality and serious injury occurred on local roads in the 2015/16 financial year (the last year where full data is available). This was an improvement of 6 over the previous year, where 7 occurred.

### **Sealed Road Resurfacing**

Overall 51% 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 97.6% 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.

### **Condition rating of footpaths**

87% 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.



### Service request responses

49% of service requests were responded to within 10 days, compared to the 85% target. This was due to under resourcing of staff, and prioritising of tasks within the department. While the work was completed in all cases, sometimes the service request was not signed off as completed at the time, due to the priority of work within the department. This is an issue that will be addressed in the coming year to ensure timely closing of service requests is done.

### Bulk Metalling

Council maintains 282 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 56.4 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 <sup>3</sup>
Braine Rd	0.003	0.861	0.858	43
Lake Rd	0.166	0.889	0.723	44
MacKenzie Rd	0.015	2.680	2.665	30
Moerangi Rd	0.010	3.010	3.000	241
Moerangi Rd	3.010	9.510	6.500	892
Moerangi Rd	9.510	11.510	2.000	270
Okupata Rd	8.813	12.313	3.500	856
Pirongia West Rd	0.026	5.826	5.800	943
Pirongia West Rd	9.826	18.266	8.400	1,096
Pirongia West Rd	18.266	20.226	2.000	380
Raglan Rd	0.003	2.920	2.917	376
Raglan Rd	2.920	5.330	2.410	276
Raglan Rd	5.330	7.740	2.410	281
Raglan Rd	7.740	11.305	3.565	514
<b>Totals</b>			<b>46.748</b>	<b>6,242</b>

### Roads and Footpaths – Cost of Service Statement

2016 Actual \$		2017 AP Estimate \$	2017 Actual \$
(000's)		(000's)	(000's)
	<b>OPERATING INCOME</b>		
3,079	Activity Revenue	3,711	3,445
4,989	Targeted Rates	5,075	5,081
-	Development Contributions	-	-
-	General Rates	-	-
871	Other General Sources	919	995
<b>8,939</b>	<b>TOTAL OPERATING INCOME</b>	<b>9,705</b>	<b>9,521</b>
	<b>OPERATING EXPENDITURE</b>		
8,116	Roading	7,752	7,992
805	Engineering Business Unit	907	827
<b>8,921</b>	<b>TOTAL OPERATING EXPENDITURE</b>	<b>8,659</b>	<b>8,819</b>
<b>18</b>	<b>NET COST OF SERVICE</b>	<b>1,046</b>	<b>702</b>



**Roads and Footpaths Funding Impact Statement**

	2015/16 Long Term Plan \$ (000's)	2016/17 Long Term Plan \$ (000's)	2016/17 Actual \$ (000's)
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted Rates (other than a targeted rate for water supply)	5,028	5,183	5,081
Subsidies and grants for operating purposes	1,430	1,476	1,858
Fees and charges	-	-	-
Internal charges and overheads recovered	827	844	966
Local authorities fuel tax, fines, infringement fees and other receipts	91	93	139
<b>Total Operating Funding</b>	<b>7,376</b>	<b>7,596</b>	<b>8,044</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	3,146	3,223	2,903
Finance costs	277	259	250
Internal charges and overheads applied	1,653	1,699	1,755
Other operating funding applications	1	1	2
<b>Total application of operating funding</b>	<b>5,076</b>	<b>5,182</b>	<b>4,910</b>
<b>Surplus (deficit) of operating funding</b>	<b>2,300</b>	<b>2,414</b>	<b>3,134</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	1,812	1,977	1,448
Development and financial contributions	-	-	-
Increase (decrease) in debt	(167)	(137)	(417)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<b>Total sources of capital funding</b>	<b>1,645</b>	<b>1,840</b>	<b>1,031</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	50	51	-
- To improve the level of service	583	593	911
- To replace existing assets	3,318	3,618	2,406
Increase (decrease) in reserves	(6)	(8)	848
Increase (decrease) of investments	-	-	-
<b>Total application of capital funding</b>	<b>3,945</b>	<b>4,254</b>	<b>4,165</b>
<b>Surplus (deficit) of capital funding</b>	<b>(2,300)</b>	<b>(2,414)</b>	<b>(3,134)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 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 2017 of \$920,362. During the year \$300,000 of additional borrowing was taken, and repayments totalling \$69,311 were made. Interest on internal borrowings was paid of \$34,484.

### 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	2016/17	Achieved/ Not achieved	2016/17
			2013/14	Target		Actual
The water provided is safe to drink	Providing continuous, efficient, quality water supply to communities ensures the health of consumers of both current and future generations	Drinking water supplies comply with Part 4 of the drinking-water standards (bacteria compliance criteria)				
		As measured by bacterial water sample results				
		Otorohanga Kawhia	Yes – Complies Yes – Complies	Complies Complies	Achieved Achieved	Complies Complies
		Drinking water supplies comply with Part 5 of the drinking-water standards (protozoal compliance criteria)				

### Capital Expenditure

	2017 AP Estimate \$ (000's)	2017 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	318	286
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	798	470

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline	2016/17	Achieved/ Not	2016/17
			2013/14	Target	achieved	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%	Not applicable	Not applicable
		Kawhia		30%	Not applicable	Not applicable
		Median response time to:	New measure			
		Urgent call-outs		<3hr 45mins	Achieved	1 hr 45 mins
		Non-urgent call-outs		<25hr 30mins	Not achieved	47 hrs 44 mins
		Median resolution times for	New measure			
		Urgent call-outs		<18hrs	Not applicable	Not applicable
		Non-urgent call-outs		<31hrs	Not applicable	Not applicable
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	Achieved	1 complaint
		Average consumption of drinking water per day per resident within the Otorohanga District.	New measure	350L per person per day	Not achieved	422.85L per person per day



### Percentage of real water loss

This measure is based on a calculation using movement in the reservoirs between 1am and 4am on randomly selected days during the year. The amount calculated does not represent what is believed to be the actual results, and therefore further calculations are required to ensure the accuracy of the result. We will be undertaking these calculations through the year to review the accuracy.

As Council is in the process of installing water meters on all properties in the Otorohanga township, this measure will be more accurately measured going forward. Kawhia will still require a calculation to determine water loss as not all properties are metered in the Kawhia water supply area.

### Response times to call-outs

Overall urgent call-outs were responded to with a median of 1 hour and 45 minutes. This was within the target of 3 hours 45 minutes. For non-urgent call-outs, the median response time was 47 hours 44 minutes, which is higher than the target of 25 hours 30 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 been completed, such as the backwashing of the Otorohanga Water treatment plant.

### Resolution times for call-outs

In total 211 call-outs were recorded in the system. 105 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, an accurate time for this measure cannot be recorded. Of the 106 that were accurately recorded, the median time for urgent call-outs was 1 hour and for non-urgent was 1.98 hours.

### Water Supply Cost of Service Statement

2016 Actual \$		2017 AP Estimate \$	2017 Actual \$
(000's)		(000's)	(000's)
	<b>OPERATING INCOME</b>		
32	Activity Revenue	42	11
1,379	Targeted Rates	1,511	1,385
-	Development Contributions	-	-
34	General Rates	34	37
348	Other General Sources	368	347
<b>1,793</b>	<b>TOTAL OPERATING INCOME</b>	<b>1,955</b>	<b>1,780</b>
	<b>OPERATING EXPENDITURE</b>		
250	Arohena RWS	250	283
88	Ranginui RWS	56	94
176	Tihiroa RWS	247	179
88	Waipa RWS	100	95
355	Otorohanga Water Supply	336	378
386	Otorohanga Water Treatment Station	382	385
27	Otorohanga Water Supply Loan	57	24
190	Kawhia Water Supply	222	199
366	Water Services	389	373
<b>1,926</b>	<b>TOTAL OPERATING EXPENDITURE</b>	<b>2,039</b>	<b>2,010</b>
<b>(133)</b>	<b>NET COST OF SERVICE</b>	<b>(84)</b>	<b>(230)</b>



**Water Supply Funding Impact Statement**

	2015/16 Long Term Plan \$ (000's)	2016/17 Long Term Plan \$ (000's)	2016/17 Actual \$ (000's)
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	32	33	37
Targeted rates (other than a targeted rate for water supply)	1,440	1,510	1,385
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	42	2
Internal charges and overheads recovered	713	723	754
Local authorities fuel tax, fines, infringement fees and other receipts	5	6	9
<b>Total operating funding</b>	<b>2,190</b>	<b>2,314</b>	<b>2,187</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	721	791	767
Finance costs	51	68	34
Internal charges and overheads applied	1,000	1,009	1,141
Other operating funding applications	48	50	45
<b>Total application of operating funding</b>	<b>1,820</b>	<b>1,918</b>	<b>1,987</b>
<b>Surplus (deficit) of operating funding</b>	<b>370</b>	<b>396</b>	<b>200</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	446	278	231
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<b>Total sources of capital funding</b>	<b>446</b>	<b>278</b>	<b>231</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	620	822	465
- To replace existing assets	403	302	284
Increase (decrease) in reserves	(207)	(558)	(318)
Increase (decrease) of investments	-	-	-
<b>Total application of capital funding</b>	<b>816</b>	<b>674</b>	<b>431</b>
<b>Surplus (deficit) of capital funding</b>	<b>(370)</b>	<b>(396)</b>	<b>(200)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>



## 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 2017 of \$1,522,753. During the year no additional borrowing was taken, and repayments totalling \$116,554 were made. Interest on internal borrowings was paid of \$81,965.

### Capital Expenditure

	2017 AP Estimate \$ (000's)	2017 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	98	71
- 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	2016/17 Target	Achieved/ Not achieved	2016/17 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	0 overflows
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	0 compliance issues

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/14	2016/17 Target	Achieved/ Not achieved	2016/17 Actual
		<p>Convictions, received by the territorial authority in relation to those resource consents</p>				
		<p>Median response times for attending to sewerage overflows attending to sewerage overflows resulting from a blockage or other fault in the sewerage system; measured</p> <p>Attendance time: from the time of notification to the time service personnel reach the site</p> <p>Resolution time: from the time of notification to the time service personnel confirm resolution of the blockage or fault</p>	New measure	<p>&lt;0hrs 50 mins</p> <p>&lt;32hrs 0mins</p>	<p>Not achieved</p> <p>Achieved</p>	<p>14 hrs 30 mins</p> <p>15 hrs 30 mins</p>
		<p>Total number of complaints received by the territorial authority about any of the following:</p> <p>Sewage odour;</p> <p>Sewerage system faults;</p> <p>Sewerage system blockages; and</p> <p>Response to issues with the sewerage system, expressed per 1000 connections to the sewerage system</p>	New measure	<p>&lt;12</p> <p>&lt;5</p> <p>&lt;12</p> <p>&lt;10</p>	<p>Achieved</p> <p>Achieved</p> <p>Achieved</p> <p>Achieved</p>	<p>1 incident</p> <p>4 incidents</p> <p>6 incidents</p> <p>5.2 incidents</p>



**Sewerage Overflows**

0 instances occurred within the current year, equating to 0 overflows per 1000 connections.

**Response times to sewerage overflows**

Overall median attendance times for staff to reach the site of sewerage overflow was 14

hours 30 minutes, above the target of 50 minutes. A main reason for this is that usually only one staff member is on call outside of normal office hours. Given the size of the district and travel times involved, as well as other potential call-outs that staff member may be attending, it can take some time for staff to reach the site of an overflow.

**Sewerage Treatment and Disposal Cost of Service Statement**

2016 Actual \$ (000's)		2017 AP Estimate \$ (000's)	2017 Actual \$ (000's)
	<b>OPERATING INCOME</b>		
65	Activity Revenue	47	77
510	Targeted Rates	505	507
-	Development Contributions	-	-
20	General Rates	22	21
2	Other General Sources	-	4
<b>597</b>	<b>TOTAL OPERATING INCOME</b>	<b>574</b>	<b>609</b>
	<b>OPERATING EXPENDITURE</b>		
469	Otorohanga Sewerage	492	502
94	Otorohanga Sewerage Loan	82	85
<b>563</b>	<b>TOTAL OPERATING EXPENDITURE</b>	<b>574</b>	<b>587</b>
<b>34</b>	<b>NET COST OF SERVICE</b>	<b>-</b>	<b>22</b>



**Sewerage Treatment and Disposal Funding Impact Statement**

	2015/16 Long Term Plan \$	2016/17 Long Term Plan \$	2016/17 Actual \$
	(000's)	(000's)	(000's)
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	22	22	21
Targeted rates (other than a targeted rate for water supply)	515	518	507
Subsidies and grants for operating purposes	-	-	-
Fees and charges	41	43	77
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	4	145	-
<b>Total operating funding</b>	<b>582</b>	<b>728</b>	<b>605</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	112	104	177
Finance costs	88	87	82
Internal charges and overheads applied	133	136	112
Other operating funding applications	20	21	19
<b>Total application of operating funding</b>	<b>353</b>	<b>348</b>	<b>390</b>
<b>Surplus (deficit) of operating funding</b>	<b>229</b>	<b>380</b>	<b>215</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(117)	193	(117)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<b>Total sources of capital funding</b>	<b>(117)</b>	<b>193</b>	<b>(117)</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	203	531	71
Increase (decrease) in reserves	(91)	42	27
Increase (decrease) of investments	-	-	-
<b>Total application of capital funding</b>	<b>112</b>	<b>573</b>	<b>98</b>
<b>Surplus (deficit) of capital funding</b>	<b>(229)</b>	<b>(380)</b>	<b>(215)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 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 2017 of \$198,786. During the year no additional borrowing was taken, and repayments totalling \$16,750 were made. Interest on internal borrowings was paid of \$10,777.

### Capital Expenditure

	2017 AP Estimate \$ (000's)	2017 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	19	58
- 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	2016/17 Target	Achieved/ Not achieved	2016/17 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	Not achieved	67%



**Flood Protection and Control Works Cost of Service Statement**

2016 Actual \$		2017 AP Estimate \$	2017 Actual \$
(000's)		(000's)	(000's)
	<b>OPERATING INCOME</b>		
135	Activity Revenue	115	223
28	Targeted Rates	27	27
-	Development Contributions	-	-
3	General Rates	8	3
3	Other General Sources	3	6
<b>169</b>	<b>TOTAL OPERATING INCOME</b>	<b>153</b>	<b>259</b>
	<b>OPERATING EXPENDITURE</b>		
3	Drainage Legalisation	8	3
93	Otorohanga Flood Protection	122	138
7	Aotea Erosion Maintenance	10	15
5	Aotea Erosion Loan	4	4
<b>108</b>	<b>TOTAL OPERATING EXPENDITURE</b>	<b>144</b>	<b>160</b>
<b>61</b>	<b>NET COST OF SERVICE</b>	<b>9</b>	<b>99</b>



**Flood Protection and Control Works Funding Impact Statement**

	2015/16 Long Term Plan \$ (000's)	2016/17 Long Term Plan \$ (000's)	2016/17 Actual \$ (000's)
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	33	8	3
Targeted rates (other than a targeted rate for water supply)	28	27	27
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	111	113	223
<b>Total operating funding</b>	<b>172</b>	<b>148</b>	<b>253</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	98	68	66
Finance costs	12	11	11
Internal charges and overheads applied	36	38	51
Other operating funding applications	1	1	1
<b>Total application of operating funding</b>	<b>147</b>	<b>118</b>	<b>129</b>
<b>Surplus (deficit) of operating funding</b>	<b>25</b>	<b>30</b>	<b>124</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(14)	(14)	(17)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<b>Total sources of capital funding</b>	<b>(14)</b>	<b>(14)</b>	<b>(17)</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	51	19	58
Increase (decrease) in reserves	(40)	(3)	49
Increase (decrease) of investments	-	-	-
<b>Total application of capital funding</b>	<b>11</b>	<b>16</b>	<b>107</b>
<b>Surplus (deficit) of capital funding</b>	<b>(25)</b>	<b>(30)</b>	<b>(124)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>



## 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 2017 of \$746,212. During the year no additional borrowing was taken, and repayments totalling \$54,832 were made. Interest on internal borrowings was paid of \$40,052.

### Capital Expenditure

	2017 AP Estimate \$ (000's)	2017 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	6	-
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	28	-

### 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	2016/17 Target	Achieved/ Not achieved	2016/17 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  0 habitable floors	Achieved  Achieved	0 flooding events  0 habitable floors



Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2013/14	2016/17 Target	Achieved/ Not achieved	2016/17 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	0 compliance issues
		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	No flooding events
		Number of complaints received about the performance of the Stormwater system, expressed per 1000 properties connected to the Stormwater system	New measure	2 complaints	Not achieved	4.3 complaints

**Number of Stormwater complaints**

A total of 6 complaints were received during the year, which works out to 4.3 complaints per 1000 properties connected. All these complaints related to blocked stormwater drains.



**Stormwater Drainage Cost of Service Statement**

2016 Actual \$ (000's)		2017 AP Estimate \$ (000's)	2017 Actual \$ (000's)
	<b>OPERATING INCOME</b>		
10	Activity Revenue	10	10
-	Targeted Rates	-	-
-	Development Contributions	-	-
173	General Rates	174	160
-	Other General Sources	-	-
<b>183</b>	<b>TOTAL OPERATING INCOME</b>	<b>184</b>	<b>170</b>
	<b>OPERATING EXPENDITURE</b>		
145	Otorohanga Stormwater	141	132
38	Kawhia Stormwater	43	38
<b>183</b>	<b>TOTAL OPERATING EXPENDITURE</b>	<b>184</b>	<b>170</b>
<b>-</b>	<b>NET COST OF SERVICE</b>	<b>-</b>	<b>-</b>

**Stormwater Drainage Funding Impact Statement**

	2015/16 Long Term Plan \$ (000's)	2016/17 Long Term Plan \$ (000's)	2016/17 Actual \$ (000's)
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	177	172	160
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
<b>Total operating funding</b>	<b>187</b>	<b>182</b>	<b>170</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	15	16	10
Finance costs	43	39	40
Internal charges and overheads applied	26	27	25
Other operating funding applications	17	17	15
<b>Total application of operating funding</b>	<b>101</b>	<b>99</b>	<b>90</b>
<b>Surplus (deficit) of operating funding</b>	<b>86</b>	<b>83</b>	<b>80</b>
<b>Sources of capital funding</b>			
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	-	-	-
<b>Total sources of capital funding</b>	<b>(55)</b>	<b>(55)</b>	<b>(55)</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	17	6	-
Increase (decrease) in reserves	14	22	25
Increase (decrease) of investments	-	-	-
<b>Total application of capital funding</b>	<b>31</b>	<b>28</b>	<b>25</b>
<b>Surplus (deficit) of capital funding</b>	<b>(86)</b>	<b>(83)</b>	<b>(80)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>



## COMMUNITY SERVICES

### Internal Borrowing

The Community Services group of activities has internal borrowing as at 30 June 2017 of \$945,473. During the year no additional borrowing was taken, and repayments totalling \$83,150 were made. Interest on internal borrowings was paid of \$51,431.

### Capital Expenditure

	2017 AP Estimate \$	2017 Actual \$
	(000's)	(000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	159	71
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	65	122

### **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 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.

### 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	2016/17	Achieved/	2016/17
			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	50% compliant
		Playground equipment comply with relevant standards**	15%	25% compliance	Achieved	25% compliant
		Park furniture meets safety and maintenance criteria	70%	70% meet safety criteria	Achieved	70% compliant
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	2 complaints

## 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	2016/17 Target	Achieved/ Not achieved	2016/17 Actual
			2013/2014			
Relevance of library services to the community is measured by:	Healthy, cohesive, and informed communities have access to a wide range of up to date library materials, in a variety of formats. People in the community have	Statistical data is maintained to record material issued	New measure	>45,900 physical items	Not achieved	38,201 physical items
<ul style="list-style-type: none"> <li>Material issued</li> </ul>				>770 e-books	Not achieved	705 e-books

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline	2016/17 Target	Achieved/ Not achieved	2016/17 Actual
			2013/2014			
<ul style="list-style-type: none"> <li>Physical items</li> <li>E-books</li> <li>Digital materials</li> <li>Physical visits</li> <li>Website visits</li> <li>Computer sessions</li> </ul>	access to public spaces offering programmes and activities which contribute to local identity, lifelong learning and recreation	Library visits per capita per year	New Measure	>5 visits per capita per year	Not achieved	4.18 visits per capita
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	89% have publication date less than 10 years

#### **Number of Books Issued**

38,201 physical books were issued at Otorohanga and Kawhia libraries between 1 July 2016 and 30 June 2017. This is a 3.2% reduction on the 2015/16 year when 39,434 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 2016/17 financial year, 705 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 2016/17 year, there were 39,476 visits to the Otorohanga Library. Visits to the Kawhia Library were not recorded. The Otorohanga Library's visitor figure equates to 4.18 visits per capita per year, over the entire District's population.

#### **Current Book Stock**

As of 30 June 2016, 89% of the stock has been published since 2006. 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	2016/17 Target	Achieved/ Not achieved	2016/17 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	Otorohanga 98.95%
		Kawhia 99.4%				Kawhia 96.47%
Good standards of maintenance and accommodation are maintained by Council		Maintenance items identified during annual inspections remedied to residents satisfaction, as measured by annual survey	100% satisfaction	>95% satisfaction	Achieved	100% satisfaction

### Occupancy Rates

During the year, units in Otorohanga were unoccupied for an approximate total of 12 weeks across only 1 unit. In Kawhia, one unit was unoccupied during the year for 11 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	2016/17 Target	Achieved/ Not achieved	2016/17 Actual
			2013/2014			
Ensure that all buildings and structures are maintained in a sound, sanitary and safe condition	Having safe 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	Urgent maintenance carried out within 1 day
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	All current

\* Buildings are Otorohanga Council Building, Swimming Pools, Kawhia Community Hall, 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	2016/17 Target	Achieved/ Not achieved	2016/17 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% indoor 93% outdoor

\* 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	2016/17 Target	Achieved/ Not achieved	2016/17 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 complaints received
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	>4000 page views	Not achieved	2,420 page views to 16 March 2017

#### **Number of Complaints**

4 complaints were received during the year, 3 for the Otorohanga cemetery and one for Kawhia cemetery. All related to issues around the upkeep of the cemeteries.

#### **Website Page Views**

A total of 2,420 page views were received for cemetery information pages on [www.otodc.govt.nz](http://www.otodc.govt.nz), up until 16 March 2017. During March an upgrade was made to the Council website, at which time the tracking code was incorrectly entered, and no data is available from March 2017 until August 2017.

## 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	2016/17 Target	Achieved/ Not achieved	2016/17 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	13.35% 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	3 complaints received
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	5 complaints

***Recycling Volumes***

Overall there was a decrease in recycling volumes over the previous year of 13.35%. 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 5 complaints have been recorded as being received related to kerbside collection. These all related to missed pickups. 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 2016/17 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	2016/17 Target	Achieved/ Not achieved	2016/17 Actual
To provide 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	<10 reported crimes	Achieved	7 reported crimes
		Number of reported instances of graffiti within the patrolled area	17 reported graffiti instances	<10 reported graffiti instances	Achieved	3 reported graffiti instances

**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	2016/17 Target	Achieved/ Not achieved	2016/17 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	Not applicable

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**

2016 Actual \$ (000's)		2017 AP Estimate \$ (000's)	2017 Actual \$ (000's)
	<b>OPERATING REVENUE</b>		
574	Activity Revenue	447	407
376	Targeted Rates	388	386
7	Development Contributions	10	7
1,561	General Rates	1,744	1,667
3	Other General Sources	3	4
<b>2,521</b>	<b>TOTAL OPERATING REVENUE</b>	<b>2,592</b>	<b>2,471</b>
	<b>OPERATING EXPENDITURE</b>		
730	Parks and Reserves (including Public Conveniences)	788	952
324	Library	350	332
355	Swimming Pools	373	349
158	Pensioner Housing	159	143
69	Halls	70	67
56	Harbour Services	50	46
78	Cemeteries	88	77
264	Other Council Property	134	153
375	Solid Waste Management	452	387
93	Security Patrol	112	92
13	Sport Waikato	28	22
<b>2,515</b>	<b>TOTAL OPERATING EXPENDITURE</b>	<b>2,604</b>	<b>2,620</b>
<b>6</b>	<b>NET COST OF SERVICE</b>	<b>(12)</b>	<b>(149)</b>



**Community Services Funding Impact Statement**

	2015/16 Long Term Plan \$ (000's)	2016/17 Long Term Plan \$ (000's)	2016/17 Actual \$ (000's)
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	1,780	1,744	1,667
Targeted rates (other than a targeted rate for water supply)	380	388	386
Subsidies and grants for operating purposes	30	31	37
Fees and charges	87	90	73
Internal charges and overheads recovered	7	8	7
Local authorities fuel tax, fines, infringement fees and other receipts	309	317	292
<b>Total operating funding</b>	<b>2,593</b>	<b>2,578</b>	<b>2,462</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	1,595	1,603	1,666
Finance costs	56	50	51
Internal charges and overheads applied	456	466	443
Other operating funding applications	131	133	115
<b>Total application of operating funding</b>	<b>2,238</b>	<b>2,252</b>	<b>2,275</b>
<b>Surplus (deficit) of operating funding</b>	<b>355</b>	<b>326</b>	<b>187</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	10	10	7
Increase (decrease) in debt	(83)	(83)	(83)
Gross proceeds from sale of assets	-	87	-
Lump sum contributions	-	-	-
<b>Total sources of capital funding</b>	<b>(73)</b>	<b>14</b>	<b>(76)</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	5	-	-
- To improve the level of service	39	42	120
- To replace existing assets	219	122	71
Increase (decrease) in reserves	19	176	(80)
Increase (decrease) of investments	-	-	-
<b>Total application of capital funding</b>	<b>282</b>	<b>340</b>	<b>111</b>
<b>Surplus (deficit) of capital funding</b>	<b>(355)</b>	<b>(326)</b>	<b>(187)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>

## REGULATORY SERVICES

### Internal Borrowing

The Regulatory Services group of activities has no internal borrowing as at 30 June 2017. Subsequently, no interest was paid during the year.

### Capital Expenditure

	2017 AP Estimate \$ (000's)	2017 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	3	-
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	41	11

### **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	2016/17 Target	Achieved/ Not achieved	2016/17 Actual
			Accreditation current as at 30 June 2014	Achieve BCA Accreditation	Achieved	Accreditation rating valid until 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	Not achieved	2% of registered 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%	Achieved	100%

**Accreditation**

An audit and review of Councils building consent process was undertaken in October 2015. 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 238 pools are currently listed on the swimming pools register. Inspections of pool fences at 4 properties were completed this year. This inspection rate represents only 2% 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 246 building consents. All consent applications were completed within 20 working days. The average processing time was 8 days. This is a 13% 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	2016/17 Target	Achieved/ Not achieved	2016/17 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	All information is up to date

**Non-notified Consents**

A total of 71 non-notified consents were issued during the year. The processing time for five consents exceeded 20 working days. Detailed information on resource consents and planning policy is provided annually to the Ministry for the Environment.

also available online. Viewers are directed to the Quality Planning Website for more detailed and technical advice on the Resource 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

Any publically notified applications are posted on the Council website. This includes technical reports and information on making submissions and the hearing process.

## 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	2016/17 Target	Achieved/ Not achieved	2016/17 Actual
			1	2 formal training exercises	Not achieved	1 exercise conducted
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	One meeting	Once between exercises	Achieved	Meeting undertaken
		The Civil Defence action team comprising key staff will meet at least once between formal exercises to ensure preparedness and training schedules are maintained.				

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 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.

This year the exercise programme for staff involved participation in National CDEM Exercise Tangaroa. On 17 August 2017 thirteen staff from Otorohanga participated in a joint activation at Te Kuiti alongside staff from Waipa and Waitomo Councils. In other activities associated with the national exercise key CD staff met with their counterparts from other Councils to workshop and discuss issues relating to the exercise scenario. Foundation training day to introduce new staff to civil defence and emergency management procedures which was initially programmed for this year had to be postponed until August 2017.



## 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	2016/17 Target	Achieved/ Not achieved	2016/17 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%	<5%	Achieved	4.4%
		Complaints about roaming dogs that are responded to	100%	100%	Achieved	100%

### ***Dog registrations and Impounding***

At 30 June 2017 there were 1296 owners and 2,364 dogs registered in the Otorohanga District. During the year 105 dogs, many of which were not registered, were impounded.

The contract for Animal and Dog Control services was awarded to a new contractor in April 2016. The contractor has had a productive first year in the role. He has overseen several improvements to the Pound in Otewa Road and implemented initiatives to promote compliance with dog owners.

### 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	2016/17 Target	Achieved/ Not achieved	2016/17 Actual
			100%	100%	Achieved	100%

### 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 Rooding contractor Services South West.

### 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	2016/17 Target	Achieved/ Not achieved	2016/17 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%	Not applicable due to changes in legislation	N/A
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 businesses from the Food Hygiene Regulations to Food Act 2012 regulations continues. Last year saw all food premises that held an alcohol licence moved to a Food Control Plan. It is now time for the remaining food premises to transition. There are currently 13 food premises in Otorohanga District operating under food control plans.

During the 2016/17 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 liquor monitoring, 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	2016/17 Target	Achieved/ Not achieved	2016/17 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%
		Recovery of the costs of fires from those responsible for lighting fire or their insurers.	80%	>90%	Achieved	100%

**Permits Issued**

In total, 77.4% or 120 of 155 fire permits were issued within 3 working days. This was below the target of greater than 90%, which was a result of changes of staffing levels and the outsourcing of the majority of the permit issuing to a part time staff member. This part time staff member was employed to make better use of resources.



**Regulatory Services Cost of Service Statement**

2016 Actual \$ (000's)		2017 AP Estimate \$ (000's)	2017 Actual \$ (000's)
<b>OPERATING REVENUE</b>			
597	Activity Revenue	491	900
-	Targeted Rates	-	-
-	Development Contributions	-	-
588	General Rates	881	609
279	Other General Sources	260	262
<b>1,464</b>	<b>TOTAL OPERATING INCOME</b>	<b>1,632</b>	<b>1,771</b>
<b>OPERATING EXPENDITURE</b>			
540	Building Control	523	505
221	Planning & Development	209	460
76	Civil Defence	126	76
168	Dog Control	156	204
13	Stock Ranging & Impounding	20	20
101	Environmental Health	130	102
65	Rural Fire Control	64	75
306	Environmental Services Manager	393	351
<b>1,490</b>	<b>TOTAL OPERATING EXPENDITURE</b>	<b>1,621</b>	<b>1,793</b>
<b>(26)</b>	<b>NET COST OF SERVICE</b>	<b>11</b>	<b>(22)</b>



**Regulatory Services Funding Impact Statement**

	2015/16 Long Term Plan \$ (000's)	2016/17 Long Term Plan \$ (000's)	2016/17 Actual \$ (000's)
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	806	829	609
Targeted rates (other than a targeted rate for water supply)	-	-	-
Subsidies and grants for operating purposes	2	-	-
Fees and charges	434	438	870
Internal charges and overheads recovered	224	229	573
Local authorities fuel tax, fines, infringement fees and other receipts	21	28	30
<b>Total operating funding</b>	<b>1,487</b>	<b>1,524</b>	<b>2,082</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	894	913	1,107
Finance costs	-	1	-
Internal charges and overheads applied	587	606	983
Other operating funding applications	6	6	9
<b>Total application of operating funding</b>	<b>1,487</b>	<b>1,526</b>	<b>2,099</b>
<b>Surplus (deficit) of operating funding</b>	<b>-</b>	<b>(2)</b>	<b>(17)</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	40	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>40</b>	<b>-</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	2	41	11
- To replace existing assets	3	3	-
Increase (decrease) in reserves	(5)	(6)	(28)
Increase (decrease) of investments	-	-	-
<b>Total application of capital funding</b>	<b>-</b>	<b>38</b>	<b>(17)</b>
<b>Surplus (deficit) of capital funding</b>	<b>-</b>	<b>2</b>	<b>17</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 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 2017 and, subsequently, no interest paid.

### **Property Development**

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

### 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	2016/17 Target	Achieved/ Not achieved	2016/17 Actual
That identified opportunities to address significant perceived shortages in the availability of particular types of property in the District are explored.	Contributes towards a vibrant community with available property	Decision making on physical works stage in respect of identified opportunities	Not achieved	Not applicable	Not applicable	Amendment made to LTP to reflect development opportunities

During the year the final section at Progress Park was sold. Also during the year, Council undertook an investigation of possible residential property development as a result of the large scale developments

### Capital Expenditure

	2017 AP Estimate \$ (000's)	2017 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	-	-
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	-	-

There was no capital expenditure in the current year as no property development projects are currently underway by the Council.

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.

happening within the district. This resulted in an amendment to the 2015-25 Long Term Plan to allow Council to undertake some residential development.

### 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	2016/17 Target	Achieved/ Not achieved	2016/17 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	1 report
Tourism activity in District is supported		Tourism Waikato provides 6 monthly reports to Council	New measure	6 monthly reports received	Not achieved	One 6 monthly report received



**Community Development Cost of Service Statement**

2016 Actual \$ (000's)		2017 AP Estimate \$ (000's)	2017 Actual \$ (000's)
	<b>OPERATING REVENUE</b>		
-	Activity Revenue	-	70
-	Targeted Rates	-	-
-	Development Contributions	-	-
351	General Rates	(137)	130
(2)	Other General Sources	-	-
<b>349</b>	<b>TOTAL OPERATING REVENUE</b>	<b>(137)</b>	<b>200</b>
	<b>OPERATING EXPENDITURE</b>		
5	Property Development	45	6
335	District Promotion	333	292
<b>340</b>	<b>TOTAL OPERATING EXPENDITURE</b>	<b>378</b>	<b>298</b>
<b>9</b>	<b>NET COST OF SERVICE</b>	<b>(515)</b>	<b>(98)</b>

**Community Development Funding Impact Statement**

	2015/16 Long Term Plan \$ (000's)	2016/17 Long Term Plan \$ (000's)	2016/17 Actual \$ (000's)
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	254	(41)	130
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	-	-	70
<b>Total operating funding</b>	<b>254</b>	<b>(41)</b>	<b>200</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	13	34	5
Finance costs	-	36	-
Internal charges and overheads applied	9	8	13
Other operating funding applications	520	325	280
<b>Total application of operating funding</b>	<b>542</b>	<b>415</b>	<b>298</b>
<b>Surplus (deficit) of operating funding</b>	<b>(288)</b>	<b>(456)</b>	<b>(98)</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	1,450	-
Gross proceeds from sale of assets	115	410	100
Lump sum contributions	-	-	-
<b>Total sources of capital funding</b>	<b>115</b>	<b>1,860</b>	<b>100</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	1,450	-
- To replace existing assets	-	-120	-
Increase (decrease) in reserves	(173)	(166)	2
Increase (decrease) of investments	-	-	-
<b>Total application of capital funding</b>	<b>(173)</b>	<b>1,416</b>	<b>2</b>
<b>Surplus (deficit) of capital funding</b>	<b>288</b>	<b>456</b>	<b>98</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>

## GOVERNANCE AND LEADERSHIP

### Depreciation Expense

Total depreciation for Governance and Leadership group of activities was \$298,639.

### Internal Borrowing

The Governance and Leadership group of activities has no internal borrowings as at 30 June 2017 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

	2017 AP Estimate \$ (000's)	2017 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	231	251
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	10	15

### **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	2016/17 Target	Achieved/ Not achieved	2016/17 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	96.0% 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 96.0% of council business was conducted in o-pen meetings. This includes all items except for adoption of previous minutes and general business. The Council had a total of 102 items, of which 4 were

conducted in closed meetings. Otorohanga Community Board had 38 items, of which 2 were conducted in closed meetings, and Kawhia Community Board had 34 items and only 1 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	2016/17 Target	Achieved/ Not achieved	2016/17 Actual
Management and provision of Creative Communities and SPARC 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 SPARC funding schemes on application from qualifying organisations	80.7% allocated from both schemes	> 85% allocated	Achieved	98.4% allocated from both schemes
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	Achieved	Within budget allocation

All but 3.8% 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	2016/17 Target	Achieved/ Not achieved	2016/17 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 2012)	Not applicable	Not applicable	Not applicable
		The Annual Plan will be adopted before 30 June annually	Achieved	Achieved	Achieved	2017/18 Annual Plan adopted 20 <sup>th</sup> June 2017
		The Annual Report will include an unqualified audit opinion	Achieved	Achieved	Achieved	2015/16 Annual Report audit opinion did not identify any issues
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	Not measured as only measured every 3 years	Not measured	Not applicable

### 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	2016/17 Target	Achieved/ Not achieved	2016/17 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	Local Alcohol Policy adopted 22 September 2016  Local Easter Shop Trading Policy adopted 13 December 2016
		Meetings and statutory hearing are conducted in accordance with all relevant legislation	100% compliance	100% compliance	Achieved	100% compliance
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	Gambling Venue Policies reviewed
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	Not applicable	No plan changes proposed during the year

### ***District Plan***

The Otorohanga District Plan was declared operative on 30 October 2014. There are no current plans to review any sections of the District Plan or to propose any plan change.

### ***Bylaws***

No new bylaws were adopted during the year. No current bylaws were reviewed during the year

### ***Policy Development***

#### *Local Alcohol Policy*

On 18 April 2016 a consent order was issued by the Alcohol Regulatory and Licencing Authority confirming the final version of the policy. A Council resolution to adopt the policy was passed on 21 June with the Local Alcohol Policy becoming fully effective on 22 September 2016.

### ***Review of the Gambling Venues Policies***

A review of the Class 4 Gambling Venues policy commenced on 16 August 2016. Council resolved to approve the TAB Board Venue Policy without change. It was decided to commence the special consultative process to seek confirmation or otherwise as to the continuation of the Class 4 Venue 'sinking lid' policy which had seen the number of venues drop to one in both Otorohanga and Kawhia. Following a public hearing of submissions on 16 May 2017 Council confirmed the existing policy would remain in place without change.

#### *Local Easter Sunday Shop Trading Policy*

Changes to the Shop Trading Hours Act allows Council to adopt a policy which will permit businesses to trade on Easter Sunday. Following consultation with the community during January and february 2017 the policy was approved by Council on 21 February 2017.



**Governance and Leadership Cost of Service Statement**

2016 Actual \$ (000's)		2017 AP Estimate \$ (000's)	2017 Actual \$ (000's)
	<b>OPERATING REVENUE</b>		
178	Activity Revenue	101	158
20	Targeted Rates	21	21
-	Development Contributions	-	-
1,735	General Rates	1,977	2,073
4,083	Other General Sources	4,432	4,215
<b>6,016</b>	<b>TOTAL OPERATING INCOME</b>	<b>6,531</b>	<b>6,467</b>
	<b>OPERATING EXPENDITURE</b>		
699	Otorohanga District Council	733	775
117	Otorohanga Community Board	150	133
56	Kawhia Community Board	70	55
75	Council Support	162	83
303	Corporate Planning	451	307
21	Resource Management Policy Development	42	23
4,068	Support Services	4,529	4,226
<b>5,339</b>	<b>TOTAL OPERATING EXPENDITURE</b>	<b>6,137</b>	<b>5,602</b>
<b>677</b>	<b>NET COST OF SERVICE</b>	<b>394</b>	<b>865</b>



**Governance and Leadership Funding Impact Statement**

	2015/16 Long Term Plan \$	2016/17 Long Term Plan \$	2016/17 Actual \$
	(000's)	(000's)	(000's)
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	1,441	1,896	2,073
Targeted rates (other than a targeted rate for water supply)	20	21	21
Subsidies and grants for operating purposes	21	21	23
Fees and charges	24	24	33
Internal charges and overheads recovered	3,562	3,698	3,638
Local authorities fuel tax, fines, infringement fees and other receipts	54	56	99
<b>Total operating funding</b>	<b>5,122</b>	<b>5,716</b>	<b>5,887</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	3,082	3,214	3,179
Finance costs	36	116	(32)
Internal charges and overheads applied	1,434	1,500	1,392
Other operating funding applications	257	263	187
<b>Total application of operating funding</b>	<b>4,809</b>	<b>5,093</b>	<b>4,726</b>
<b>Surplus (deficit) of operating funding</b>	<b>314</b>	<b>623</b>	<b>1,161</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	95	56	87
Lump sum contributions	-	-	-
<b>Total sources of capital funding</b>	<b>95</b>	<b>56</b>	<b>87</b>
<b>Application of capital funding</b>			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	25	10	15
- To replace existing assets	379	247	251
Increase (decrease) in reserves	5	422	982
Increase (decrease) of investments	-	-	-
<b>Total application of capital funding</b>	<b>409</b>	<b>679</b>	<b>1,248</b>
<b>Surplus (deficit) of capital funding</b>	<b>(314)</b>	<b>(623)</b>	<b>(1,161)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>



# **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 a net surplus of \$17,626,000 for the year ended 30 June 2017 (2016: \$4,736,000 surplus).

No dividend was paid in 2017 (2016: 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 2017 is summarised below:

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

	Actual to 30 June 2017	Statement of Corporate Intent
Net profit/(loss) after tax to Average Shareholders' Funds	(0.42%)	(1.00%)
Net profit/(loss) after taxation to total assets	(0.30%)	0.00%
Percentage of Non-Landing Charges Revenue	81%	76%
Earnings before Interest, Taxation and Depreciation	\$2.443m	\$2.279m
Net cash flow *(operating and investing)	(\$884k)	(\$451k)
Interest Rate Cover	8.63x	6.56x
Total Liabilities/Shareholders Funds: (Debt/Equity Ratio)	20:80	26:74

### *Waikato Local Authorities Shared Services (WLASS)*

	Ownership Interest	
	Actual 2016	Actual 2017
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 2016/17 Annual Report

Target	Performance Measure	Actual Outcome
<b>Procurement</b> Joint procurement initiatives for goods and services for LASS councils will be investigated and implemented	A minimum of three new procurement initiatives investigated per annum and business cases developed if considered appropriate	<b>Achieved.</b> Supply of Multi-function Devices was completed and Konica Minolta were accepted as the preferred supplier. Shared procurement of Thomson Reuters services, EMA membership and participation in the BOPLASS EFTPOS contract have been investigated, but no financial benefits were identified. A WLASS Master Agreement with Vertical Horizonz for the provision of health & safety training was completed in February 2017 and 11 councils have signed Joining Agreements.
	Initiatives which are implemented shall provide financial savings and/or improved service levels to the participating councils.	<b>Achieved.</b> A syndicated clause in three tendered Hamilton City Council contracts enables all shareholders to access: <ul style="list-style-type: none"> <li>(i) A library book buying contract at 37% discount on the RRP;</li> <li>(ii) a contract for the supply of</li> </ul>



Target	Performance Measure	Actual Outcome
		<p>pipes and fittings for water, wastewater and stormwater pipes, which provides discounts of between 30% and 80% off the list price;</p> <p>(iii) An HR panel of eight suppliers for the recruitment of permanent and temporary staff.</p> <p>Information on how to participate in syndicated contracts for Office Furniture, Media Monitoring and Employee Assistance Programmes was circulated to all shareholding councils.</p>
	New suppliers are awarded contract through a competitive tender process	Following an RFP process, a WLASS Master Agreement for Fleet Management has been entered into with FleetPartners/FleetSmart for a term of 1+2
<p><b>Collaborative Projects</b> Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented</p>	A minimum of three priority projects for collaboration are identified per annum.	Six projects (GIS, Procurement, Aligned Planning, Digital Strategy, Learning and Development, and Building Services) have been investigated
	If considered of value business cases are developed for approval by the Board; and the projects are implemented.	Achieved. Business cases for all six projects were approved by the Board.
<p><b>Existing WLASS Contracts</b> Existing contracts are managed and renegotiated as required</p>	The WLASS Contracts Register is maintained and managed	Achieved. The Contracts Register is up-to-date.
	Contracts which are due for renewal are tested for competitiveness and either renegotiated or tendered through a competitive process.	Achieved. Four current contracts have been extended, following a performance review.
<p><b>Cashflow</b> The company shall maintain a positive cashflow position</p>	Monthly financial statements show a positive cashflow position.	Achieved. Cash flow for the year shows a positive total cash balance of \$352,274.
<p><b>Cost Control</b> Administration expenditure shall be managed and monitored</p>	Administration expenditure shall not exceed budget by more than 5%, unless prior approval is obtained from the Board.	Achieved. Actual expenditure was 19% favourable compared to budget.
<p><b>Reporting</b> Six monthly reports provided to Shareholders</p>	The Board shall provide a written report on the business operations and financial position of the WLASS to the shareholders every six months.	Achieved. The 6-monthly report was distributed to shareholders on 9 February 2017.
	Every second report shall be the Annual Report, which includes a report that all of the statutory	Achieved.



Target	Performance Measure	Actual Outcome
	requirements of the WLASS are being adhered to.	
<b>Waikato Mayoral Forum</b> The company shall provide administrative support and updates on Mayoral Forum workstreams to the Mayoral Forum	The Mayoral Forum is regularly updated on the progress of each approved workstream.	Not applicable. Project sponsors are now responsible for updates
	Approved invoices for Mayoral Forum projects are paid by the 20 <sup>th</sup> of the month following their receipt.	Partly Achieved. All approved invoices, except for one, were paid by the 20 <sup>th</sup> of the month following their receipt.
<b>Shared Valuation Data Services (SVDS)</b> The SVDS is reliable, well maintained and available to all users.	The SVDS is available to users at least 99% of normal working hours.	Achieved. SVDS was available to users for 99.16% of normal working hours.
	All capital enhancement work is supported by a business case and approved by the SVDS Advisory Group	Not applicable. No capital enhancement work was undertaken during 2016/17.
	The SVDS Advisory Group meets at least 6-monthly.	Achieved. The Group met on 1 September and 17 November 2016, and on 9 March and 1 June 2017
<b>Insurance</b> 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.	N/A. Shareholders' survey is scheduled to be reported to the Board on 26 August 2017
	The day-to-day service provided by Aon is assessed as satisfactory in the annual WLASS Shareholders' survey by the participating councils	N/A. Shareholders' survey is scheduled to be reported to the Board on 26 August 2017
<b>RATA</b> 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. 6-monthly reports presented to Board meetings on 2 December 2016 and 7 July 2017.
	Reports include a summary of savings achieved	Achieved. A summary of savings was included in the July report to the Board
	All RATA councils participate in the tour	Achieved. All councils participated in the tour in October 2016.
	Report on tour outcomes prepared by 31 December each year, and circulated to stakeholders	Not achieved. Report delayed until February 2017.
	Contracts which are due for renewal are tested for competitiveness and either renegotiated or tendered through a competitive process.	N/A. No contracts due for renewal.
	Any data issues are identified and resolved, with any incidents reported to stakeholders.	Achieved. Asset Information Engineer identified and resolves all issues.
<b>Waikato Regional Transport Model</b>	All modelling reports requested from the model supplier are	Achieved. Reports were provided on 15 August and 18 November 2016.



Target	Performance Measure	Actual Outcome
<b>(WRTM)</b> The WRTM is reliable, well maintained and available to all users.	actioned within the agreed timeframe, scope and budget.	
	A report from RATA on any new developments and on the status of the model is provided to the WLASS Board at least every six months	Achieved. Reports presented to the Board in December 2016 and July 2017.
	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. Peer review of base model was completed in April 2017.
<b>Waikato Building Consent Group</b> Provide strategic direction and actively pursue improvements in Building Control across the Waikato region.	Internal audits completed annually for each Group member.	Partially achieved. 7 of 8 audits completed due to lack of staff resources to assist
	Provide Group members with a joint quality assurance system that meets statutory compliance.	Not achieved. Even though the audit and review of the QA systems was achieved within the calendar year, it was not achieved within 12 months from the last completion date
	Report at least six monthly to the WLASS Board on the Group's activities.	Achieved. Reports presented to the Board on 3 February and 7 July 2017.
<b>Future Proof</b> 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 to Board meetings on 2 December 2016 and 7 July 2017.
<b>Shareholder Survey</b> 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. Shareholders survey has been completed and will be reported to the Board on 26 August 2017.
<b>Review of Benefits</b> 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. Information included in Annual Report



***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.

Six performance targets are specified for LGFA in the Statement of Intent. Progress against each of these targets for 30 June 2017 is discussed below.

<b>Current Performance Targets</b>	<b>Target</b>	<b>Result</b>	<b>Achieved</b>
Average cost of funds relative to NZGS	≤0.50%	0.709%	No
Average base on-lending margin above LGFA's cost of funds	≤0.10%	0.104%	No
Annualised operating overheads	≤\$4.80 million	\$4.67 million	Yes
Lending to participating councils	≥\$7.341 million	\$7,736 million	Yes



## ANNUAL REPORT DISCLOSURE STATEMENT

### Annual report disclosure statement for year ending 30 June 2017.

#### 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.

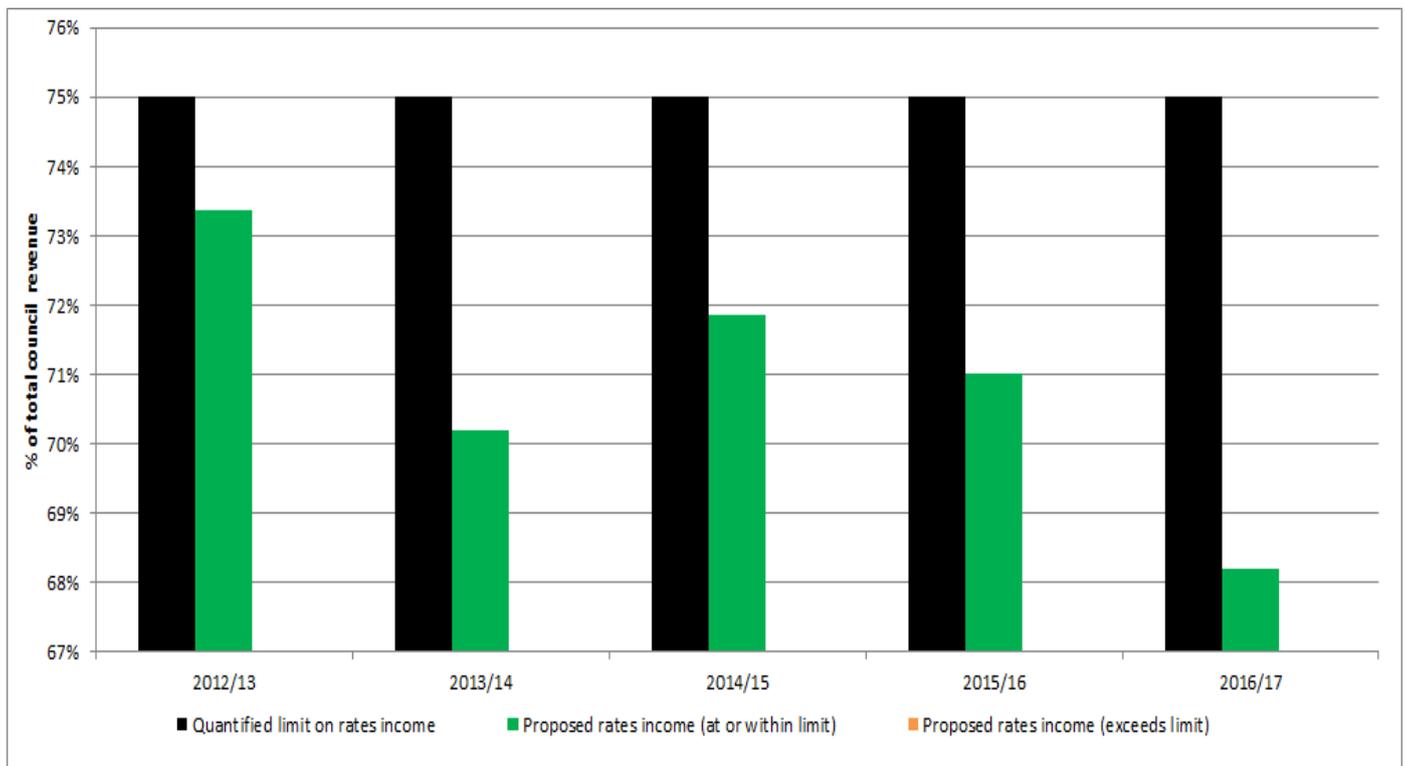
#### Rates affordability benchmark

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

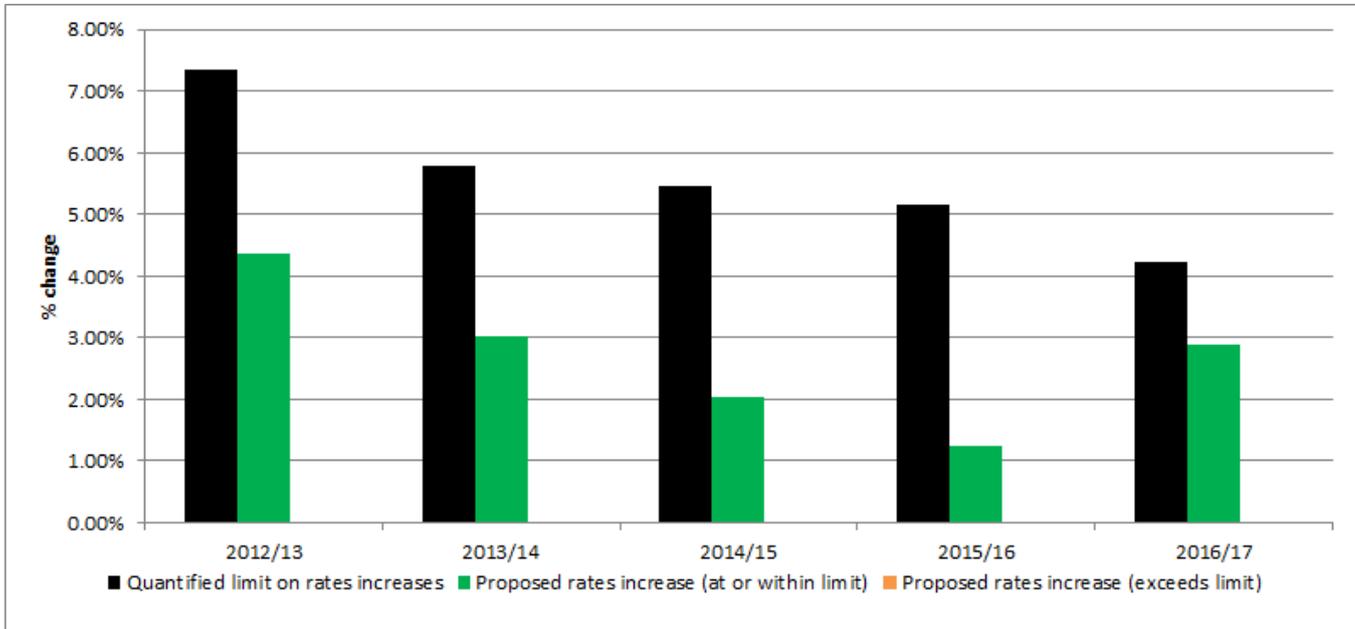
The following graph compares the council's actual rates income with a quantified limit on rates contained in the financial strategy included in the council's long-term plan. The quantified limit is 75% of total council revenue.





### Rates (increases) affordability

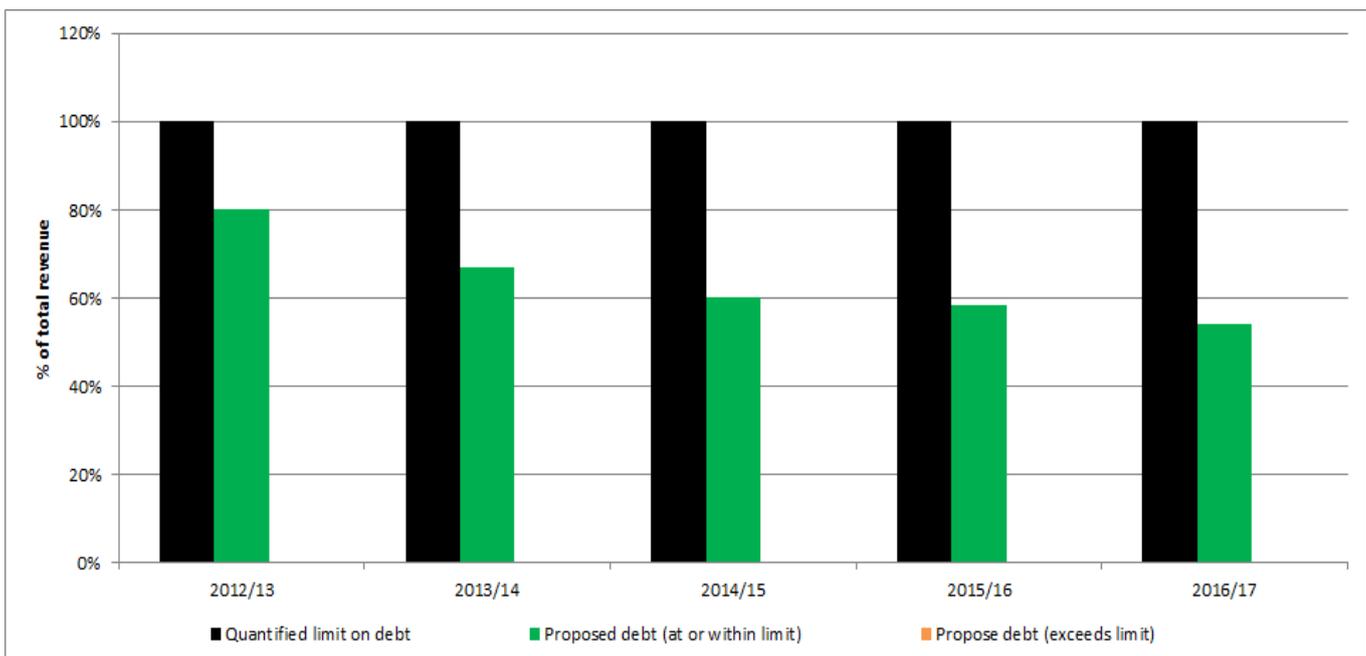
The following graph compares the council's actual rates increases with a quantified limit on rates increases included in the financial strategy in the council's long-term plan. The quantified limit is LGCI plus 2%. For the actual figures used refer to the council's long-term plan.



### 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.

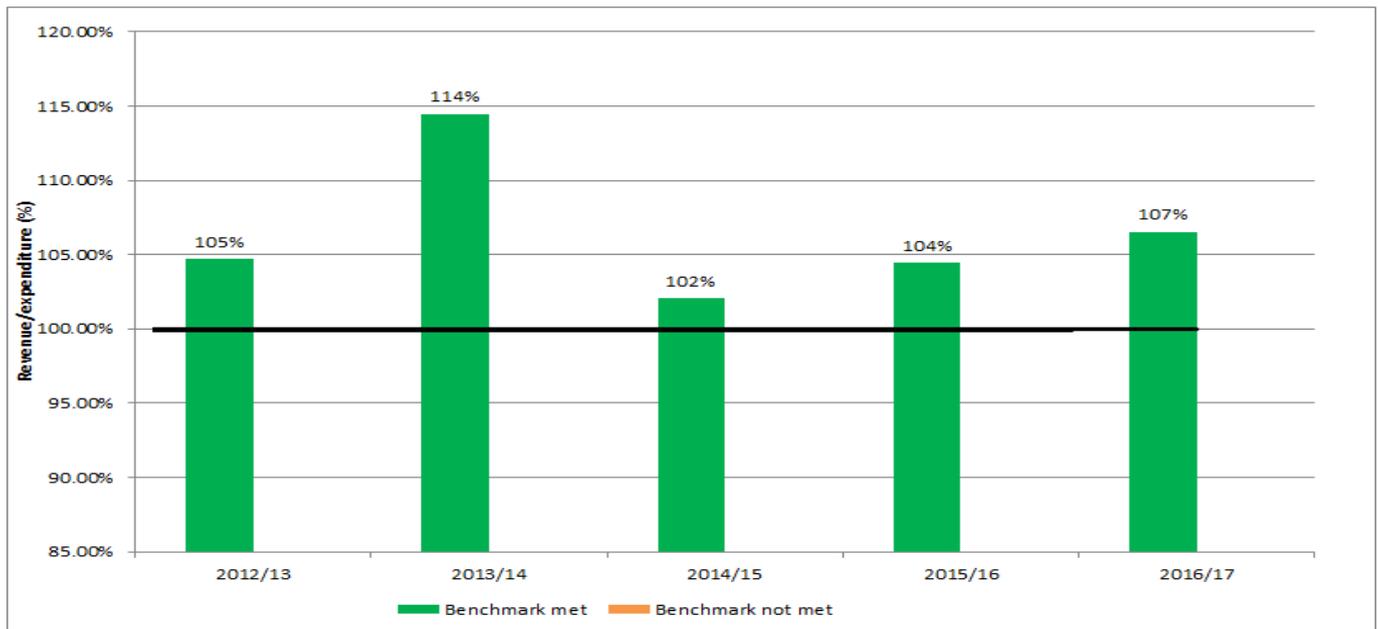




### Balanced budget benchmark

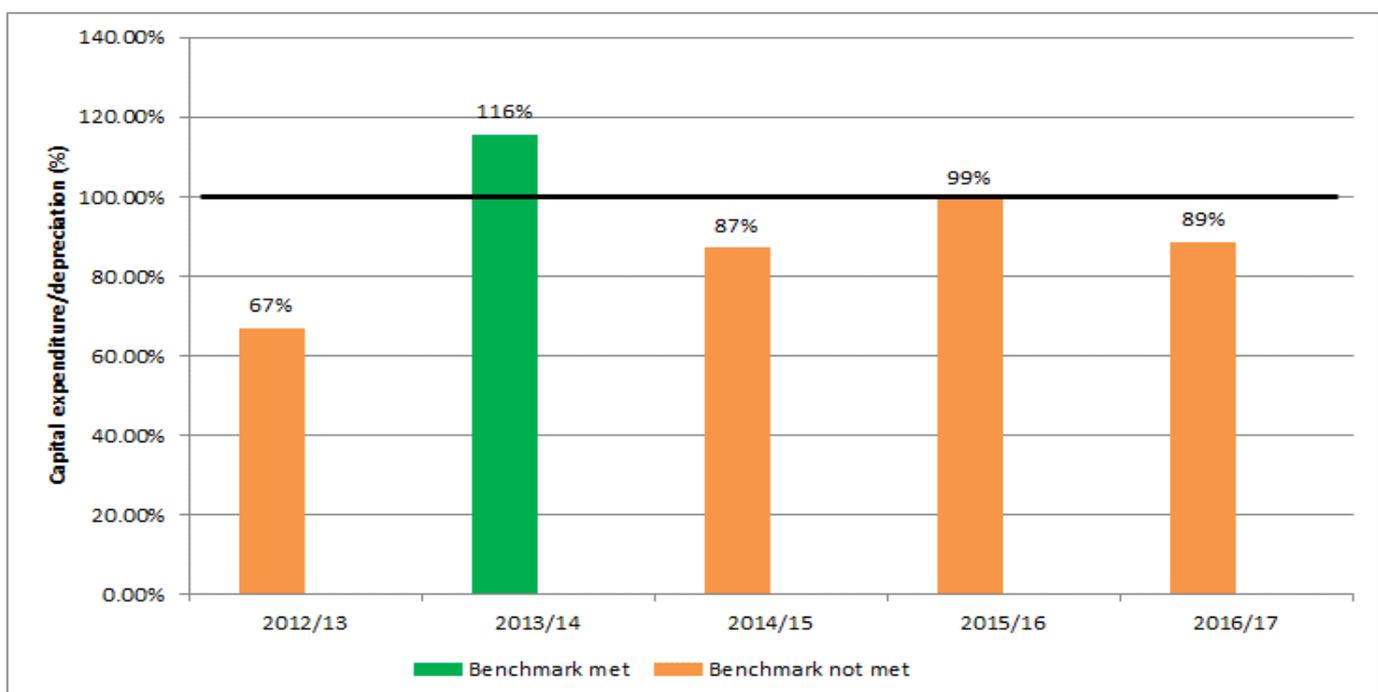
The following graph displays the council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant and equipment) as a proportion of operating expenses (excluding losses on derivative financial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

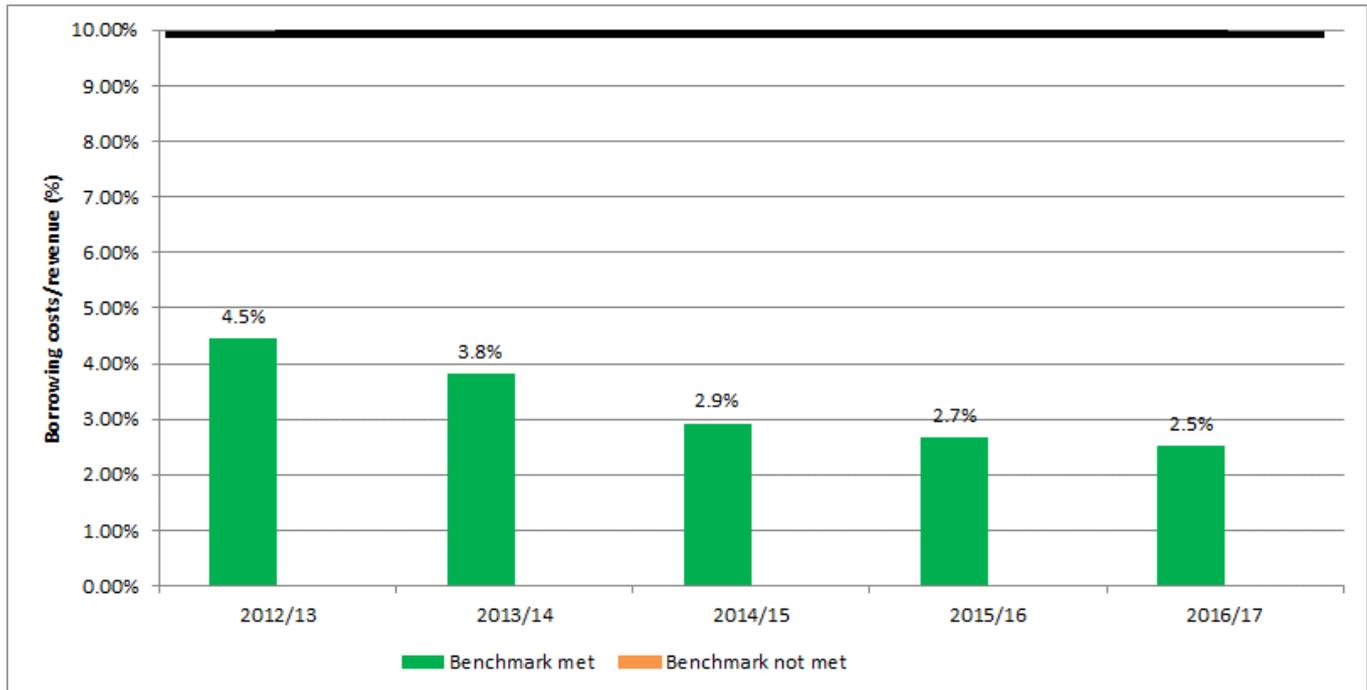




### Debt servicing benchmark

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).

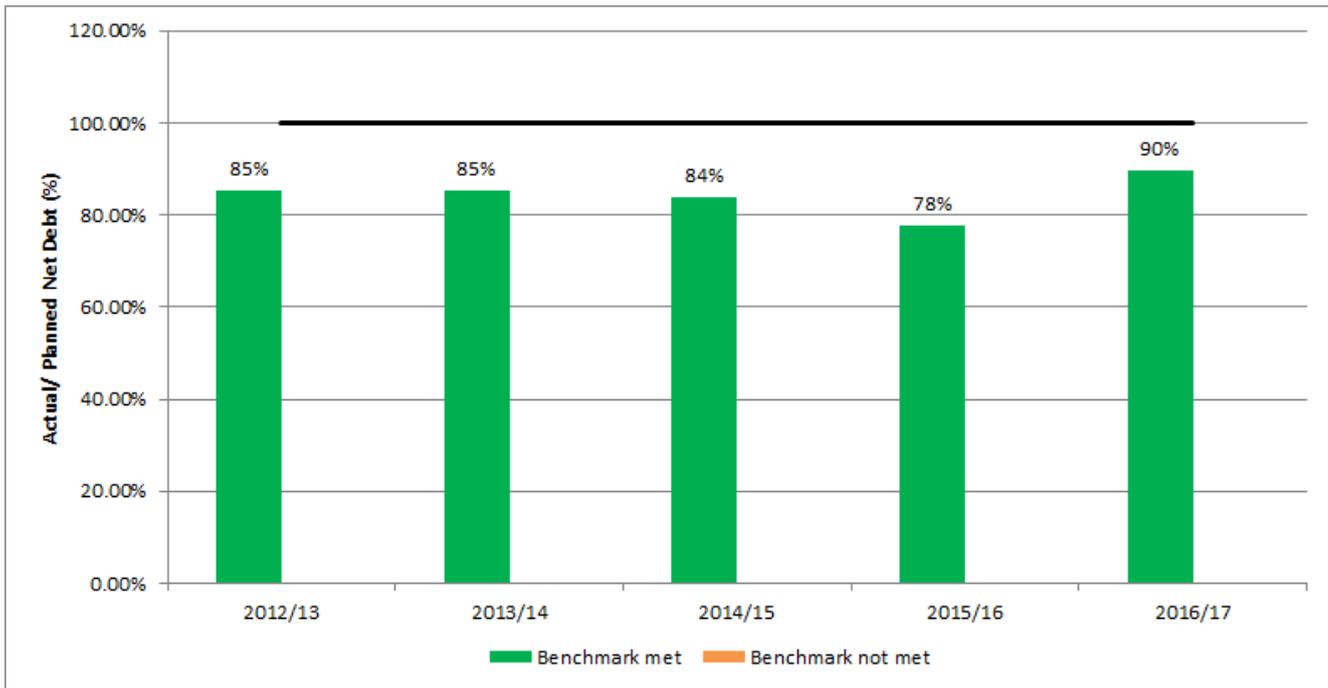
Because Statistics New Zealand projects the council's population will grow more slowly than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue.



### 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).

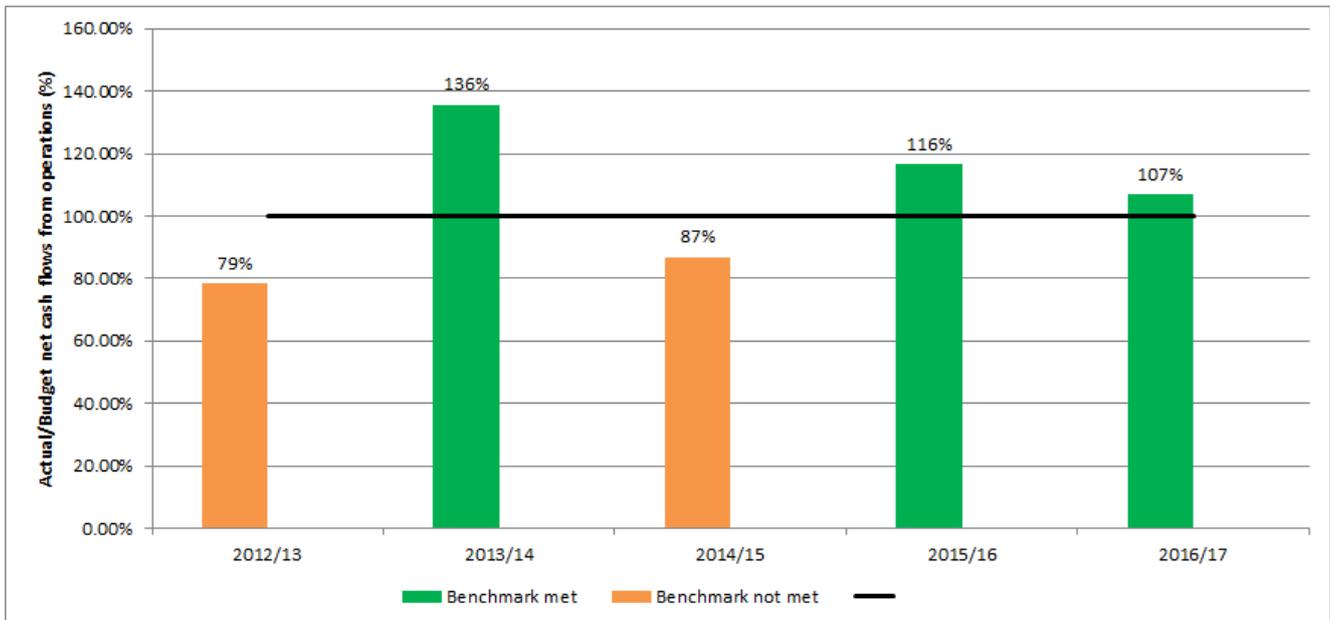
The council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



### 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:

	2017
Number of rating units	5,201
Total Capital value of rating units	\$4,222,527,900
Total Land value of rating units	\$2,953,862,200

### Insurance

	Carrying value 30 June 2017	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	39,774	60,394	-	-

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

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### INDEPENDENT AUDITOR'S REPORT

#### TO THE READERS OF OTOROHANGA DISTRICT COUNCIL'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

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, 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 24 October 2017. This is the date on which we give our report.

#### Opinion on the audited information

In our opinion:

- the financial statements on pages 9 to 48:
  - present fairly, in all material respects:
    - the District Council's financial position as at 30 June 2017;
    - the results of its 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;
- the funding impact statement on page 57, 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 on pages 56 to 112:
  - presents fairly, in all material respects, the District Council's levels of service for each group of activities for the year ended 30 June 2017, including:
    - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
    - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
  - complies with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities on pages 56 to 112, 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 56 to 112, 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.



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## 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 121 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 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 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.



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- 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'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 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 4 to 8, 49 to 55 and 113 to 120, but does not include the audited information and the disclosure requirements.

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.

Other than the audit and our report on the disclosure requirements, we have no relationship with or interests in the District Council.

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