WAIMAKARIRI
DISTRICT COUNCIL

Council Agenda

COUNCIL MEETING

Tuesday 8 October 2019

Commencing at 4.00pm

Waimakariri District Council Chamber
215 High Street
Rangiora

Members:

Mayor David Ayers
Deputy Mayor Kevin Felstead
Councillor Neville Atkinson
Councillor Kirstyn Barnett
Councillor Al Blackie
Councillor Robbie Brine
Councillor Wendy Doody
Councillor Dan Gordon
Councillor John Meyer
Councillor Sandra Stewart
Councillor Paul Williams

The Mayor and Councillors

WAIMAKARIRI DISTRICT COUNCIL

An extraordinary meeting of the **WAIMAKARIRI DISTRICT COUNCIL** will be held in the **COUNCIL CHAMBER, 215 HIGH STREET, RANGIORA** on **TUESDAY 8 OCTOBER 2019** at **4.00PM.**

Sarah Nichols
GOVERNANCE MANAGER

Recommendations in reports are not to be construed as Council policy until adopted by the Council

BUSINESS

Page No

1. APOLOGIES

2. CONFLICTS OF INTEREST

Conflicts of interest (if any) to be reported for minuting.

3. ACKNOWLEDGEMENTS

4. DEPUTATIONS AND PRESENTATIONS

5. ADJOURNED BUSINESS

6. REPORTS

6.1. Adoption of the Annual Report for the Year Ended 30 June 2019 – Jeff Millward (Manager Finance and Business Support)

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RECOMMENDATION

THAT the Council:

(a) **Receives** report No. 190930136327.

(b) **Adopts** the Annual Report for the year ended 30 June 2019 (TRIM 190812111951).

(c) **Approves** the Annual Report Summary for the year ended 30 June 2019 (TRIM 190916129384).

(d) **Notes** the Net Surplus before taxation of $29.5m is $10.1m less than budget, and primarily relates to a number of accounting adjustments, the most significant being $7.8m to the value of interest rate swaps held under the Council's Treasury Policy.

(e) **Authorises** the Manager Finance and Business Support, in conjunction with the Chief Executive to make necessary minor edits and corrections to the Annual Report prior to printing.

7. MATTERS REFERRED FROM COMMITTEES AND COMMUNITY BOARDS

7.1. Treasury Report – Jeff Millward (Manager Finance and Business Support)

(refer to attached copy of report no. 190906125141 to the Audit and Risk Committee meeting of 24 September 2019)

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RECOMMENDATION

THAT the Council:

(a) **Amends** its Treasury Policy, effective from 1 November 2019 with the following change to Hedging limits:

Section in Policy	To provide flexibility in the Council's hedging arrangements interest rates should be fixed as follows:	
	Current Hedging Limits	Proposed Hedging Limits
3.51	Minimum 50% to a Maximum 100% for years 0 – up to 3 years Minimum 30% to a Maximum 80% for years 3 – up to 6 years Minimum 0% to a Maximum 50% for years 6 – up to 10 years.	Minimum 40% to a Maximum 100% for years 0 – up to 2 years Minimum 25% to a Maximum 80% for years 2 – up to 4 years Minimum 0% to a Maximum 60% for years 4 – up to 10 years.

7.2. Kaiapoi Storage Ltd – Complaint about rates – Maree Harris (Customer Services Manager)

(refer to attached copy of report no. 190905121496 to the Audit and Risk Committee meeting of 24 September 2019)

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RECOMMENDATION

THAT the Council:

(a) **Approves** a review of the method of rating for the Kerbside Rubbish and Recycling Collection Rate be carried out prior to the preparation of the 2021/31 Long Term Plan.

(b) **Consider** the use of Separately Used or Inhabited Parts of a rating unit (SUIPs) for rating be considered at the next review of the Revenue and Financing Policy, prior to the preparation of the 2021/31 Long Term Plan.

(c) **Notes** that the rates have been applied to the property in accordance with Council's policy.

8. QUESTIONS

(under Standing Orders)

9. URGENT GENERAL BUSINESS

(under Standing Orders)

10. MATTERS TO BE CONSIDERED WITH THE PUBLIC EXCLUDED

Section 48, Local Government Official Information and Meetings Act 1987

RECOMMENDATION

THAT the public be excluded from the following parts of the proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution, are as follows:

Item No	Minutes/Report of	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
10.1	Report of Rob Hawthorne (Property Manager)	Property Tender	Good reason to withhold exists under Section 7	Section 48(1)(a)

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987, and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public are as follows:

Item Nº	Reason for protection of interests	Ref NZS 9202:2003 Appendix A
10.1	Protection of privacy of natural persons. To carry out commercial activities without prejudice	A2(a) A2(b)ii

CLOSED MEETING

See Public Excluded Agenda

OPEN MEETING

11. NEXT MEETING

This is the final meeting of the Council for the 2016-2019 electoral term.

The new Council will be sworn into office late October 2019, with Standard meetings resuming from mid-November 2019. Further information will be advertised and listed on the Council's website.

WAIMAKARIRI DISTRICT COUNCIL

REPORT FOR DECISION

FILE NO:	FIN-01 / 190930136327
REPORT TO:	Council
DATE OF MEETING:	8 October 2019
FROM:	Jeff Millward, Manager Finance & Business Support
SUBJECT:	Adoption of the Annual Report for the Year Ended 30 June 2019
SIGNED BY: (for Reports to Council or Committees)	Department Manager / Chief Executive

1. SUMMARY

1.1. The purpose of this report is to present the Annual Report for the year ended 30 June 2019 to the Council for adoption.

1.2. Overall, the year-end accounts show the Council is in a relatively sound position. The Net Operating Surplus, before taxation & other gains, for the year ended 30 June 2019 was $29.5million (2018:$20.5million) compared with a budgeted net operating surplus of $39.6 million.

1.3. There a number of reasons for the $10.1million dollar variance and generally relate to accounting treatment required by accounting standards and movement in valuations undertaken as at 30 June 2019. The single most significant movement was $7.8million to the value of interest swaps held under the Council's Treasury Policy, and due to declining interest rates.

1.4. After allowing for these movements, the overall actual expenditure is generally aligned to the budget that Council adopted when setting its Annual Plan.

1.5. The net surplus of $29.5m includes $39.7m assets transferred to council ownership as a result of subdivisions. A summary of main variances to budget is provided in section 3.2 and within note 31 of the Annual Report.

1.6. Borrowings have increased $15m (2018:$30m) over the last financial year from $130m to $145m, compared to the $173m budgeted. The lower borrowing that was required is primarily lower due to the delayed and reforecast capital work.

1.7. The Council achieved 75% (2018:57%) of all non-financial performance measures and a further 10% (2018:27%) were assessed has having been achieved to within 5% of the intended target.

1.8. Sixty-eight percent of capital projects were completed. There are a number of uncompleted projects to be completed over two financial years. The full capital works programme was reported to council in September (Trim No. 190823118101)

1.9. An Overview from the Mayor and Chief Executive is provided at the front of the Annual Report. Within each significant activity a summary of the year's key activity is provided, with the intention of providing the reader a better understanding of the scope of the work and achievements throughout the year.

1.10. The Annual Report also contains the financial reporting benchmarks section, as required by the Local Government (Financial Reporting Prudence) Regulations 2014. This is the

1st year (of three years) of reporting against the 2018-2028 Long Term Plan forecasts. The previous four financial period trends are also shown.

1.11. A Summary Annual Report has also been completed in conjunction with section 98 (4) b of the Local Government Act. The Summary Annual Report has also been audited by Audit New Zealand and provides the reader with a snapshot of the key information provided within the Annual Report. Both reports together with the Auditors report are placed on the Council's website.

1.12. The draft Annual Report was presented to the Audit & Risk Committee on 17 September 2019.

1.13. At the time of preparing this report, it is expected that the Auditors report will provide unmodified opinion.

Attachments:

i. Annual Report for the year ended 30 June 2019 (Trim 190812111951) (separately circulated)
ii. Annual Report Summary for the year ended 30 June 2019 (Trim 190916129384)
ii. The audit opinion and letter of representation for the year ended 30 June 2019 (is to be tabled by the Auditors)

2. RECOMMENDATION

THAT the Council:

(a) **Receives** report No. 190930136327.

(b) **Adopts** the Annual Report for the year ended 30 June 2019 (TRIM 190812111951).

(c) **Approves** the Annual Report Summary for the year ended 30 June 2019 (TRIM 190916129384).

(d) **Notes** the Net Surplus before taxation of $29.5m is $10.1m less than budget, and primarily relates to a number of accounting adjustments, the most significant being $7.8m to the value of interest rate swaps held under the Council's Treasury Policy.

(e) **Authorises** the Manager Finance and Business Support, in conjunction with the Chief Executive to make necessary minor edits and corrections to the Annual Report prior to printing.

3. BACKGROUND

3.1 The Council must adopt within 4 months of the end of the financial year which it relates (being the 30 June), an audited Annual Report to its community and stakeholders, as required under section 98 of the Local Government Act 2002.

4. ISSUES AND OPTIONS

3.2 The Net Surplus after Vested Assets and before Taxation for the year ended 30 June 2019 totalled $29.5m. This compared with the budget for the year of $39.6m.

3.3 The $10.1m variance to budget primarily relate to the following:

	$ million variance	Details
Fees and charges revenue	2.0	$0.4m rates penalties, $0.9m fees from consents and inspections, $0.5m Road subsidies
Gains	1.8	Gain on disposal of forestry assets
Vested Assets	5.8	Includes $4m from Redzone land vested from Crown

	$ million variance	Details
Total Revenue Variance	9.6	
Interest rate swaps accounting valuation	7.8	Interest rates have fallen against the Council's swaps
Accounting for assets disposed as part of renewals work	2.6	Includes Water $1.0m, Recreation $0.8m
Expenditure which was budgeted as capital but must be accounted for as operating expenditure	4.1	Includes Roads decommissioned in red zone $2.8m, Business $0.2m Intelligence, Asset management system $0.4m
Depreciation	1.5	Recreation $0.3m, Roads $0.8m
Earthquake claims not accepted by Department of Prime Minister and Cabinet	2.0	Revenue was accrued based upon the agreed work programme. DPMC reviewed the Crown contribution. (See Trim 190809111264)
All other activity	1.7	These variances are detailed in each of the activity variance that follow
Total Expenditure	19.7	
Net Variance	10.1	

3.4 Income Statement for the year ended 30 June 2019

Consolidated Income Statement for the Council Parent ($000s)

Income Statement	**Budget**	**Actual**	**Difference**
	$'000	**$'000**	**(unfavourable)**
Revenue			
Rates	59,396	59,829	433
Interest	472	629	157
Subsidies and grants	6,285	6,601	316
Other revenue	17,728	19,128	1,400
Fees and Charges	17,128	18,497	1,369
Development and other Contributions	12,399	12,224	(175)
Earthquake Recoveries - Government	3,616	3,338	(278)
Vested Assets	31,913	37,691	5,778
Total revenue excluding gains	**131,809**	**139,440**	**9,001**
Operating expenses by activity			
Governance	2,730	2,502	228
District Development	6,275	6,448	(173)
Roads and Footpaths	19,215	21,067	(1,852)
Water Supply	7,374	8,804	(1,430)

Income Statement	Budget	Actual	Difference
	$'000	$'000	(unfavourable)
Sewage/Treatment and Disposal	10,417	11,888	(1,471)
Stormwater Drainage	4,522	4,531	(9)
Refuse and Recycling	8,275	7,842	433
Libraries and Museums	5,092	4,590	502
Recreation	16,436	17,316	(880)
Community Protection	7,152	7,567	(415)
Community Development	1,899	1,957	(58)
Property Management	724	1,163	(439)
Earthquake Recovery	1,513	5,146	(3,633)
Non-Significant Activities	820	11,295	(10,475)
Total expenses	**92,444**	**112,116**	**(19,672)**
Operating Surplus / (Deficit) before gains	**39,365**	**27,324**	**(12,041)**
Other gains	250	2,136	1,886
Operating Surplus / (Deficit) after gains	**39,615**	**29,460**	**(10,155)**

Comparison with the Budgeted Net Surplus

3.5 The largest differences were as follows:

Income

- Subsidies and grants $0.3m over budget as footpath maintenance and construction are now subsidised via the NZ Transport Agency (NZTA) roading programme.
- Other revenue was $1.4m over budget mainly due to increased rates penalties, recoveries of private works, more than budgeted connection fees/lump sum contributions to connect to Council's infrastructural facilities and increased liquor licensing/food premises revenue. Revenue from resource consents/building consents were more than budgeted due to increased workload while revenue from solid waste transfer stations and rubbish bags sales was less than forecasted due to reduced waste volume.
- Vested assets were $5.8m over budget mainly due to Crown vested land in red zone.
- Other gains of $2.1m contains valuation of Council's forestry assets, which was not budgeted. More trees were harvested this year resulting in more gains on sale of forestry assets.

Expenditure

- Roads and Footpaths - Actual expenditure was $1.9m more than budget. Depreciation was more than budgeted due to revaluation of roading assets at 30 June 2018 and additional vested assets. Capital expensed from roading capital projects also contributed to the variance. There were costs incurred on private works/road accidents repairs. Some of the costs were recovered.
- Water Supply - Actual expenditure was $1.4m more than budget mainly due to increased depreciation as a result of new additions and unbudgeted asset deletions from the capital renewal programme. In addition, costs incurred on new connections were more than budgeted.
- Sewerage and the Treatment and Disposal of Sewage - Actual expenditure was $1.5m more than budget. Depreciation expenditure increased due to new

additions. Council also incurred costs on repairing the Ocean Outfall network. In addition, assets deletions due to the capital renewal programme were not budgeted. The rates remissions were higher than budget due to a change in rating policy for Eastern District rates.

- Refuse and Recycling - Actual expenditure was $0.4m less than budget as a result of reduced waste volume. Revenue was less than budgeted.
- Libraries and Museums - Expenditure was under budget by $0.5m as no payments for the Canterbury Museum Redevelopment Levy were required.
- Recreation - Expenditure was over budget by $0.9m. Assets deletions due to the capital renewal programme were not budgeted. Capital expensed from capital projects also contributed to the variance.
- Community Protection - Expenditure was over budget by $0.4m. More expenditure was incurred on dog control mainly due to bad debts and refunds. Expenditure incurred on rural fire was not budgeted but was recoverable from Fire and Emergency NZ.
- Property Management - Expenditure was over budget by $0.4m. Capital expensed from the Oxford Service Centre project in relation to costs incurred on asbestos testing was not budgeted. In addition, legal fees/consultancy fees were more than budgeted due to increased property projects/transactions.
- Earthquake recoveries - Expenditure was over budget by $3.6m. Capital expensed from capital projects was not budgeted (i.e. road decommissioning in red zone). Council also had to write off $2.0m of EQ receivables due to change in Crown funding of EQ programme. In addition interest was more than budgeted as additional internal loans were withdrawn last year.
- Non-Significant Activities - Expenditure was over budget by $10.5m. This is mainly due to the loss on revaluation of interest rate swaps of $7.8m. In addition, Capital expensed from capital projects also contributed to the variance (i.e. Business Intelligence Project; Asset Management System and Business Mobility Project/Strategy). These projects were funded by loans. Additional costs were incurred as a result of the improved Technology One (Enterprise Software) service agreement.

Financial Limits

A brief summary of treasury policy limits is provided as follows:

Measure	Limit	Actual 2018	Actual 2019
Gross interest paid on term debt will not exceed 15% of gross operating revenue	15%	5.4%	6.1%
Net cash inflow from operating activities exceeds gross annual interest expense by two times	2 times	5.9 times	4.3 times
Local Government Funding Agency. Interest as a maximum of 25% of rates revenue	25%	8%	9%
Net debt as percentage of operating revenue shall not exceed 175% or if WDC obtains a Standard and Poor's long term credit rating of 'A+' or better 250%	250%	148%	162%
Liquidity ratio of greater than 110%	110%	155%	154%

Non-financial performance measures and levels of service

3.6 There are 111 (2018: 107) performance measures across the organisation including those for the Council Controlled Organisations (CCO's). Of these, 83 (75%) were achieved, and

28 (25%) were not achieved. Of these measures not met, 11 or 10% of the total were within 5% of the target measure.

Capital Expenditure

3.7 Expenditure on capital works for the year ended 30 June 2019 totalled $58.5m (68%) (2018:$56.3), compared to a budget of $86.7m. The full status of the projects was reported to the Audit Committee meeting on the 24 September 2019 (Trim No. 190823118101).

Balance Sheet

3.8 Ratepayer Equity as at 30 June 2019 is $1,685m (2018: $1,620m). This is a $61m (4.01%) increase over that in 2018 and generally reflects movements in the additional capital and assets vested from growth that is occurring in the district.

3.9 Borrowings have increased $15m (2018:$30m) over the last financial year from $130m to $145m, compared to the $173m budgeted. The lower borrowing that was required is primarily lower due to the delayed and reforecast capital work.

Annual Report Summary

3.10 Under section 67, 98 & 99 of the Local Government Act 2002, the Council is required to make publicly available a summary of its Annual Report. The summary is required to be audited. A copy of the draft summary is attached. It comprises:

- The Mayor's report
- A summary of the Financial Statements
- Key performance measures from the LTP
- Summary of Activity

Letter of Representation

3.11 As at the time of preparing this report, the audit is approaching completion. It is anticipated that the audit will have been completed and clearance from the Auditors to issue the Auditors report and the Council to adopt by the time Council meets on 8 October.

3.12 There is a no disclosure required to be made for "events after balance date" to the Annual Report.

3.13 It is standard practice for the Mayor and the Chief Executive to sign a letter of representation relating to the audit.

The letter covers a large number of matters, but the essence is that the Mayor and Chief Executive believe the financial statements are correct and that they are not aware of any financial irregularities. The letter also states that Management consider the organisation to be a going concern.

3.14 Options

The Council could:

- Adopt the Annual Report for the Year Ended 30 June 2019; OR
- Request that modifications be made to the Annual Report for the year ended 30 June 2019; OR
- Hold a further meeting for the purpose of adopting the Annual Report. If the meeting is not held prior to the 31 October this would not meet the statutory timeframes as set out in the Local Government Act 2002.

3.15 The Management Team and Chief Executive have reviewed this report and support the recommendations.

3.16 Audit New Zealand is currently completing its audit of the Annual Report and is expected to have been completed by 16 October. The Audit report is expected to be an unmodified opinion.

5. COMMUNITY VIEWS

5.1. Groups and Organisation and wider Community

Not sought specially in relation to the report, but form part of the results and measures within the Annual Report.

6. FINANCIAL IMPLICATIONS AND RISKS

6.1. Financial Implications

A number of steps are taken to mitigate the risk of an error in the external financial statements. These include internal review and external audit.

Financial information is contained within the report.

6.2. Community Implication

6.3. Risk Management

At the time of preparing the report, the audit field work was completed and being provided to the technical review group. The opinion will be subject to this review. There have been no significant matters arising from the audit and therefore it is expected an unmodified opinion will be issued from Audit New Zealand, who are the auditors appointed by the Office of the Auditor General to audit the Council's Annual Report.

6.4. Health and Safety

Not applicable to adopting the Annual Report.

7. CONTEXT

7.1. These issues are not matters of significance in terms of the Council's Significance and Engagement Policy.

7.2. The production of the Annual Report contributes to the outcome that "Public organisations make information about their plans and activities readily available".

7.3. Section 98(1) of the Local Government Act 2002 requires that "a local authority must prepare and adopt in respect of each financial year an annual report ….".

7.4. Section 98(3) of the Local Government Act 2002 requires that "The annual report must be completed and adopted by resolution within 4 months of the end of the financial year to which it relates".

7.5. Section 98(4) provides that "A local authority must, within 1 month after the adoption of its annual report, make publicly available – (a) its annual report; and (b) a summary of the information contained in its annual report".

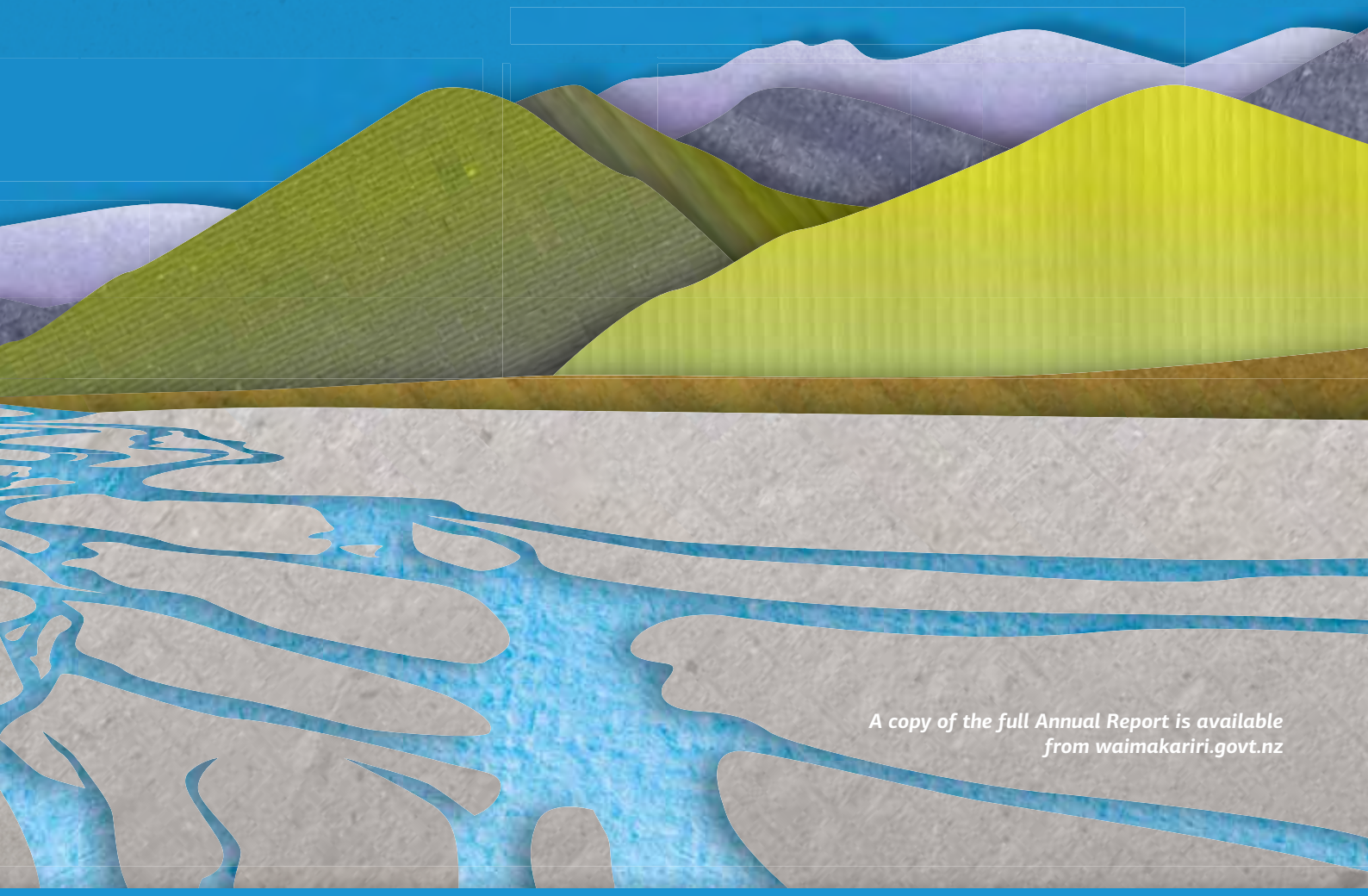
7.6. The Local Government (Financial Reporting and Prudence) Regulations 2014 requires Council to disclose performance in relation to benchmarks in the annual plan, annual report and long-term plan.

Jeff Millward
Manager Finance & Business Support

WAIMAKARIRI
DISTRICT COUNCIL

WAIMAKARIRI
Our District

Annual Report Summary 2018-2019
A YEAR IN REVIEW



A copy of the full Annual Report is available from waimakariri.govt.nz

MAKING WAIMAKARIRI A GREAT PLACE TO BE

Message from the Mayor

Kia ora koutou Waimakariri

I am pleased to present this year's Annual Report to you, my last as Mayor.

Having decided to retire after nine years as the District's Mayor and over 30 years as either a councillor or mayor, I reflect, with a great sense of pride, on the progress we have made as a Council during the year, which is summarised in the Chief Executive's message.

Having come to the mayoralty one month after the September 2010 earthquake I feel incredibly privileged to have been in a position to help the Waimakariri community recover from these events. Together with a strong and united Council, along with capable staff and community board support, we have achieved a lot during this time.

While catering for the growth in the District's population has remained a constant, and will do so for many years to come, the District has made great progress in recovering from the earthquakes assisted and supported by the Council. This work has been the top priority for this Council since 2010.

In the past year we have seen many of the earthquake recovery and regeneration projects completed or well under way, building solidly on the progress that has been made in recent years. I believe the Council has delivered on its promise to build back better, something we have been passionate about.

I would like to thank all the District's community groups and businesses for the fantastic work they do to make Waimakariri a great place to be. I would also like to acknowledge and thank my fellow council and community board colleagues over the last nine years for the commitment and leadership they have provided, as well as the outstanding support that Council staff have provided during my term.

I believe I leave the office of Mayor with our community in good heart and a Council that is well placed to meet the ongoing challenges and opportunities facing us all.

Ngā Mihi

David Ayers
Mayor

Message from the Chief Executive

Last year we spoke about the growth the District is facing and how we have been making good progress in our recovery from the Canterbury earthquakes. We're now in the second year of the 2018 – 2028 Long Term Plan (LTP).

We have made very good progress with our earthquake recovery works substantially complete, and most of the Regeneration projects in Kaiapoi, The Pines Beach and Kairaki either complete or well underway.

Appropriately we have now turned our focus to catering for the growth of the District, with our current population of 61,200 increasing potentially to more than 90,000 over the next 30 years. Having a clear plan of how that growth will be accommodated is a major focus of the Council's review of its District Plan. It has started consulting the community about the key issues of the review, and intends notifying the draft District Plan in mid-2020.

In related work, the Council has adopted a rural residential growth strategy, revised it Kaiapoi Town Centre Plan and has started reviewing Rangiora's Town Centre Strategy.

To cater for the anticipated growth we need to put in place infrastructure now to ensure that growth is managed appropriately and that funding this infrastructure is equitably spread across generations.

The 2018/19 year has very much focused on the building of infrastructure with accompanying work to further develop the value-add services the Council supplies on behalf of the community.

Key roading projects undertaken throughout the year included the opening of the West Belt extension to Townsend Road, the realignment of Feldwick Drive, reconstruction of Courtenay Drive and Jones Street in the Kaiapoi regeneration area and a number of walking and cycling pathways.

We've also been upgrading our three waters - drinking water, wastewater and stormwater - infrastructure. This is vital infrastructure which enables people to live safe and healthy lives.

For drinking water last year we commissioned the Oxford Rural No.1 water supply, created a new ultra-violet water treatment plant in Waikuku Beach, joined the Woodend and Pegasus schemes to make them both more resilient, drilled a second well for West Eyreton and undertook work to make sure wells across the District remain secure from outside contamination.

We've also been working to improve the capacity of our waste water infrastructure. This includes a significant 10-year programme of upgrades. In practice this means we have improved the capacity of Rangiora's primary sewer main, increased the

wastewater infrastructure in Tuahiwi to cater for cluster housing, and upgraded treatment systems at the Oxford plant. We've also been looking at the Eastern District plant operations to reduce the likelihood of avian botulism and midges.

In terms of stormwater management in February 2018 we had a significant amount of rainfall which highlighted areas which could be improved. Since then we've looked at and made improvements to stormwater management for the Springbrook development as well as other low-lying areas around The Pines Beach, Waikuku Beach, Mandeville and Oxford.

In regards to the 'three waters' this is a significant work programme for one year – most of which goes unseen but is exceptionally important in the health and safety of our District.

In terms of services offered, this year we rolled out the new kerbside collection service. It's been great to see how many residents have taken up this service which we believe will result in a significant amount of waste being diverted from the landfill – one of the key measures in our Waste Management and Minimisation Plan.

However, it's not only bins that we've been working on in this space. We've also been upgrading our recycling/transfer stations and are undertaking a study into how and when we should further expand the Southbrook recycling park.

From a recreation perspective we've made great progress towards building the Multi-use Indoor Sports Facility. The site is cleared, building and resource consents obtained and building work commenced in August 2019. We expect this $28 million facility to be open in May 2021.

There have also been a number of recreation parks which we have redeveloped in the last year. Visitors to the Ohoka Farmers Market will have noticed the upgrade which has taken place there, and we've also given Gladstone Park a significant upgrade and have started looking at other locations, such as Kairaki, where further upgrades are scheduled.

As mentioned earlier, we have been making great progress in recovering from the Canterbury earthquakes. Our Regeneration team handle this programme of work and residents will have no doubt seen the significant changes happening in the area over the past year.

Of particular note is the completion of the Beswick Stormwater Area, realignment of Feldwick Drive, developing sports fields, building the BMX track, dog park and the first stage of planting for the Honda Forest which is also well underway. Design work is progressing for car parking, changing rooms and public toilets.

We've also been making upgrades to the Kaiapoi River and the new terraces and boardwalk adjacent to Williams Street bridge are already a hugely popular spot for walkers and visitors to Kaiapoi. This work, along with completing a new boat ramp, floating pontoon and accompanying dredging, we hope will bring visitors and revitalise the area.

In terms of conducting our ongoing business we have been pleased to maintain the high level of services provided through our libraries and aquatic facilities. While the volumes of resource and building consents remain at a relatively high levels, over 99 percent of these consents have been processed with the statutory timeframes and pleasingly building consents have been issued, on average, within 11 working days.

I would like to acknowledge and thank Mayor David Ayers for his outstanding leadership during his term, and also thank all councillors, community board members and our staff of the contribution they have made during the past year. Their commitment and hard work helps make Waimakariri a great place to be.

Jim Palmer
Chief Executive

Where We Spent Your Rates

We deliver a broad range of services to our community or parts of the community in return for payment of rates.

This is a selection of the services we've provided over the year and the cost per day to you the ratepayer. These costs are based on average rates for properties where the service is provided.

Governance

Roads and Footpaths

Libraries

Planning
(Admin, District Development, Civil Defence)

Economic Development
(Promotion CBA's)

Stormwater Drainage
(Urban & Rural areas)

Swimming Pools

Sewage Disposal

Water and Water ways

Community Buildings

Parks and Reserves

Christchurch Museum

Health and Safety
Cemeteries, Rural Fire, Health, Animal & Buildings control)

Earthquake Recovery

Waste Collection and Disposal

Community Outcomes

Community Outcomes describe how Waimakariri District Council aims to achieve meeting the current and future needs of our communities with good-quality local infrastructure, providing local public services and performance of regulatory functions.

Community outcomes set the direction for our Long Term Plan (LTP) and all activities included in the 2018-2028 LTP that the Council undertakes contribute towards achieving these outcomes. The key groups of activities that contribute to each outcome are displayed.

There is a safe environment for all.

- Community Leadership, Property Management, Infrastructure Services and Community Services

There are areas of significant indigenous vegetation and habitats for indigenous fauna.

- Community Services, Council Controlled Organisations and Community Leadership

There are wide ranging opportunities for people to contribute to the decision making by local, regional and national organisations that affects our District.

- Community Leadership

Our community's needs for health and social services are met.

- Community Leadership

Public effect is given to the spirit of the Treaty of Waitangi.

- Community Leadership

The air and land is healthy.

- Community Leadership and Infrastructure Services

There is sufficient clean water to meet the needs of communities and ecosystems.

- Infrastructure Services

People have wide ranging opportunities for learning and being informed.

- Community Services

Public spaces and facilities are plentiful, accessible and high quality.

- Community Services

The distinctive character of our towns, villages and rural areas is maintained.

- Community Leadership and Council Controlled Organisations

Core utility services are provided in a timely, sustainable and affordable manner.

- Infrastructure Services and Council Controlled Organisations

People are friendly and caring, creating a strong sense of community in our District.

- Community Services and Community Leadership

The community's cultures, arts and heritage are conserved and celebrated.

- Community Services and Council Controlled Organisations

Businesses in the district are diverse, adaptable and growing.

- Community Leadership and Council Controlled Organisations

Transport is accessible, convenient, reliable, affordable and sustainable.

- Infrastructure Services

Overall Service Performance Results

In the Council's Long Term Plan 2018-2028 there are a total of 111 non-financial performance measures in place to gauge the service performance of Councils six groups of significant activities.

Non-financial performance measures have set targets to assess things like responsiveness, health and safety, timeliness and legislative compliance.

They also link to and demonstrate how the activities the Council undertakes contribute to outcomes sought by the community.

Overall the results for the 2018/2019 financial year show 75 percent of all measures achieved, this is an increase of 18% on 2017/2018. The number of mandatory performance measures increased in 2018/2019 from 107 to 111 therefore the overall results vary slightly from last year.

Measures that were not met

Water Supply and Quality
The system for checking samples for Bacterial compliance needs to be improved. Protozoal compliance requires capital project which are planned. The majority of complaints about drinking water relate to clarity and continuity of supply.

Stockwater
Number of water outages exceeding 24 hours in duration. A review of the two outages is being undertaken.

Recreation
The annual survey of the satisfaction of the sports grounds will be carried out with the Councils annual Customer Satisfaction Survey later in 2019.

Community Development
Facilitation of local collaborative networks

Red Zone Regeneration
Mahi Tahi Committee to attend to Heritage and Mahinga Kai discussions. Ecological Linkages are underway, this is part of a multi-year project.

Community Protection
The number of pools to be inspected has reduced due to a change in the Building Act.

Stormwater Drainage
Improvements continue to be made to the processing of requests for Drainage enquiries.

Measures that almost achieved target

Governance
The percentage of Council, Committee and Community Board meetings held per quarter *(96.5% with a target of 100%)*

District Development
The percentage of resource consents issued within statutory timeframes *(99.7% with a target of 100%)*

Stockwater
Percentage of service requests responded to within 48 hours *(97.2% with a target of 100%)*

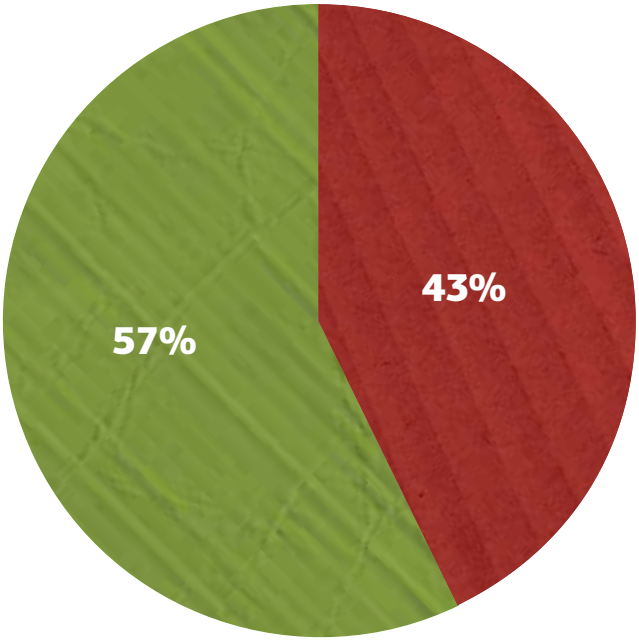
Aquatic Facilities
Customer satisfaction with the Aquatic Facilities, as measured by a biannual survey of facility users *(89% with a target of 90%)*

Property Management
The percentage of Pensioner and Community Housing occupancy per annum *(95.5% with a target of 97%)*

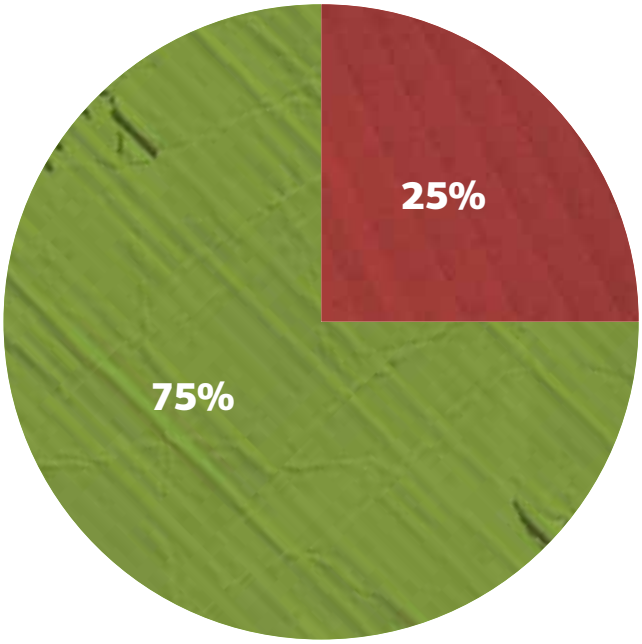
Animal Control
The percentage of calls for wandering stock on roads responded to within 1 hour *(89% with a target of 90%)*

Performance results

2017/2018



2018/2019



= **Met or exceeded target**

= **Not met target (variance greater than 5%)**

Of the 111 measures, 75% (83) were completed or met, with 25% (28) not being met. Of the measures not met there were 8 (or 7% of the total measures) within 5% of the measure being met.

Building Services
The percentage of Code Compliance Certificates issued within the Statutory 20 days. (99.7% with a target of 100%).
The percentage of Project Information Memoranda (PIM) applications issued within the Statutory 20 days. (99.7% with a target of 100%).


THE
HONDA FOREST
HONDA

HIGHLIGHTS FOR THE YEAR

There is sufficient clean water to meet the needs of communities and ecosystems.

Core utilities are provided in a timely, affordable and sustainable manner

Public spaces and facilities are plentiful, accessible and high quality

Transport is accessible, convenient, reliable, affordable and sustainable.

Infrastructure Services

Earthquake Recovery Road Works

The last of the earthquake recovery work is being carried out with the realignment of Feldwick Drive and the reconstruction of Courtenay Drive and Jones Street now complete.

There have also been a number of roads decommissioned.

Walking and Cycling

A new shared user path has been constructed along Gladstone Road, linking Petries Road to Gladstone Park in Woodend. The 760m long gritted shared path was completed in June 2019.

A gritted path was also constructed in Ohoka between Whites Road and Bradleys Road.

Refuge And Recycling

The Council adopted the Waste Management and Minimisation Plan in 2018, after the 2018-28 LTP was adopted. Council tendered and awarded the solid waste collection and facilities operation contracts.

The kerbside collection contract was based on providing an opt-in organics and rubbish bin collection service in addition to rubbish bag and recycling bin collections. Council sought bin orders from owners of all properties in the collection areas during August 2018 and confirmation of bin numbers in February 2019. Over 17,700 bins were ordered and deliveries commenced in mid-April 2019.

West Belt Extension to Townsend Road

Construction of the new road started in January 2018 and was completed in mid-2019. The road opened to traffic on 6th June.

Oxford Rural No.1

A new deep well has been drilled, developed, tested, consented and connected to the scheme, and a new 5km pipeline installed. This has ensured that safe and compliant water is now being provided, and the boil water notice has been lifted.

Central Rangiora Capacity

Construction work has progressed well on the new sewer main from the Rangiora waste water treatment plant into central Rangiora. Stage 1, Stage 2a and Stage 3 are complete, taking the works through to the intersection of Charles Street and King Street.

This is part of a 10-year programme of upgrades to reduce wastewater overflows and cater for further growth in the township

Waikuku Beach

A new UV plant was constructed at the Kings Avenue headworks in the 2017/18 year.

During 2018/19 a second well for the scheme has been connected at this site which should allow for the full flow for the scheme to be provided through the Kings Avenue plant, and reduce reliance on the backup headworks at the Campground.

Public spaces and facilities are plentiful, accessible and high quality

There is a safe environment for all.

Recreation

Multi-use Indoor Sports Facility

Significant progress has been made on the development of the sports facility with site clearance and preliminary earthworks completed. Building and Resource Consents have been obtained ready for construction.

Victoria park toilets Pegasus Beach Toilet and Changing Rooms

The Victoria park toilets were redeveloped to improve functionality and amenity value. This included taking an architectural led approach to increase customer satisfaction with the cleanliness of the toilets.

Ohoka park redevelopment

The Ohoka domain Advisory Group and Council staff worked together to improve the amenity and standard of the play space at the domain. This included new swings, timber climbing frame with slide and firepersons pole, pathways, gazebo, community notice board, bbq and planting.

Community network BBQ's

A series of seven community barbecues were held across the parks network with the intention of bringing people into spaces to interact with both staff and elected members.

These also provided an opportunity for communities to come together and feedback directly on what people liked and wanted to see improved in the local reserve.

Facilities booking system

The online booking system for the community facilities has gone live for users of the three facilities, Rangiora Town Hall, Oxford Town Hall and Woodend Community Centre.

Phase two of this project will see this rolled out to other community facilities across the district in the 2019/20 financial year.

Public spaces and facilities are plentiful, accessible and high quality

Core utilities are provided in a timely, affordable and sustainable manner

Earthquake Recovery and Regeneration

Wharf, Riverbanks and Marine Precinct

In the last year Council completed the construction of the upgrades to the Kaiapoi River Wall and the new Riverview Terraces and Boardwalk adjacent to the Williams Street bridge. The new boat ramp floating pontoon, and associated interim dredging works, were completed in time for the Kaiapoi River Carnival. Works are ongoing for the capital dredging of the Kaiapoi River, and the installation of the Riverview floating pontoon between the Williams Street bridge and the wharf. A new marine precinct management plan is in development, to manage the future berthing arrangements.

Sports field and BMX track

Development of the sports fields playing surfaces is underway. Design of the artificial softball diamonds and the sports changing rooms and public toilet was completed.

The Community BMX track was completed and opens to the public in October 2019

Beswick Stormwater Area

Construction was completed on the Enabling Works and Beswick Stormwater Management Area contract package, which includes the site clearances, bulk earthworks, drainage and roads and utilities removal in the Kaiapoi East Regeneration Area.

Property Management

Service Centres

Approval given for a refurbishment project for the Rangiora Service Centre resulted in the procurement of a design team lead by Athfield's architects in late 2018.

Several concept designs were presented in early 2019 with associated costings. One of these highlighted the opportunity to enhance the public spaces within the building and more appropriately respond to likely future developments on the site.

A comprehensive Business Case Review was implemented to test the rationale for the more substantial investment on the site and this confirmed it as being the long term home for the civic headquarters.

Housing for the Elderly

Occupancy levels at 97.9%. Capital expenditure was within budget but re-focused on new ceiling insulation and roof replacements for 24 units at Tyler Courts in Rangiora, the renewal and upgrading of paths, roading, drainage, channel and curbs at Meyer Courts in Oxford and the replacement of faulty showers in a number of units.

Forestry Management

The harvest of coastal forestry commenced in June 2018 and the contractors are close to completing the harvest with total revenue of $3.5 million being generated, less direct costs associated with the harvest.

OUR FINANCES

Financial Statements

Consolidated Statement of Financial Performance

For The Year Ended 30 June 2019

	Group 2019 Actual $'000	Parent 2019 Actual $'000	Parent 2019 Budget $'000	Group 2018 Actual $'000	Parent 2018 Actual $'000
Financial Performance					
Total operating revenue	139,440	139,440	131,809	118,091	118,091
Finance costs	5,454	5,454	7,827	4,716	4,716
Other operating expenditure	106,662	106,662	84,617	93,827	93,827
Other gains	2,136	2,136	250	913	913
Plus Share of Associates	94	-	-	674	-
Net Surplus / (Deficit) before Taxation	29,554	29,460	39,615	21,135	20,461
Less Taxation expense	-	-	(180)	-	-
NET SURPLUS / (DEFICIT)	**29,554**	**29,460**	**39,435**	**21,135**	**20,461**
Other comprehensive revenue and expense					
Gain/(Loss) on asset revaluation	36,012	35,789	13,498	41,132	41,132
Increase/(decrease) in asset revaluation reserve due to Impairment & impairment reversal	-	-	-	-	-
Financial assets at fair value through other comprehensive revenue and expense	(126)	(126)	-	(196)	(196)
TOTAL OTHER COMPREHENSIVE REVENUE AND EXPENSE	**35,886**	**35,663**	**13,498**	**40,936**	**40,936**
TOTAL COMPREHENSIVE REVENUE AND EXPENSE	**65,440**	**65,123**	**52,933**	**62,071**	**61,397**

Consolidated Statement of Changes in Net Assets/Equity

For The Year Ended 30 June 2019

	Group 2019 Actual $'000	Parent 2019 Actual $'000	Parent 2019 Budget $'000	Group 2018 Actual $'000	Parent 2018 Actual $'000
EQUITY AT BEGINNING OF THE YEAR	**1,623,721**	**1,620,314**	**1,576,286**	**1,561,650**	**1,558,917**
Net Surplus / (Deficit) for the year	29,554	29,460	39,435	21,135	20,461
Other comprehensive revenue and expense	35,886	35,663	13,498	40,936	40,936
TOTAL COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR	**65,440**	**65,123**	**52,933**	**62,071**	**61,397**
EQUITY AT END OF THE YEAR	**1,689,161**	**1,685,437**	**1,629,219**	**1,623,721**	**1,620,314**

Consolidated Statement of Financial Position

For The Year Ended 30 June 2019

	Group 2019 Actual $'000	Parent 2019 Actual $'000	Parent 2019 Budget $'000	Group 2018 Actual $'000	Parent 2018 Actual $'000
Current Assets	37,606	37,606	27,832	35,509	35,509
Non-current Assets	1,833,623	1,829,900	1,800,395	1,746,567	1,743,161
TOTAL ASSETS	**1,871,230**	**1,867,507**	**1,828,227**	**1,782,075**	**1,778,669**
Current Liabilities	49,261	49,261	27,404	48,169	48,169
Non-current Liabilities	132,808	132,808	171,604	110,186	110,186
TOTAL LIABILITIES	**182,069**	**182,069**	**199,007**	**158,355**	**158,355**
Accumulated general equity	865,924	862,881	863,400	833,866	830,917
Other reserves	5,889	5,889	6,771	6,701	6,701
Revaluation reserve	817,349	816,667	759,048	783,155	782,696
TOTAL EQUITY	**1,689,161**	**1,685,437**	**1,629,219**	**1,623,721**	**1,620,314**

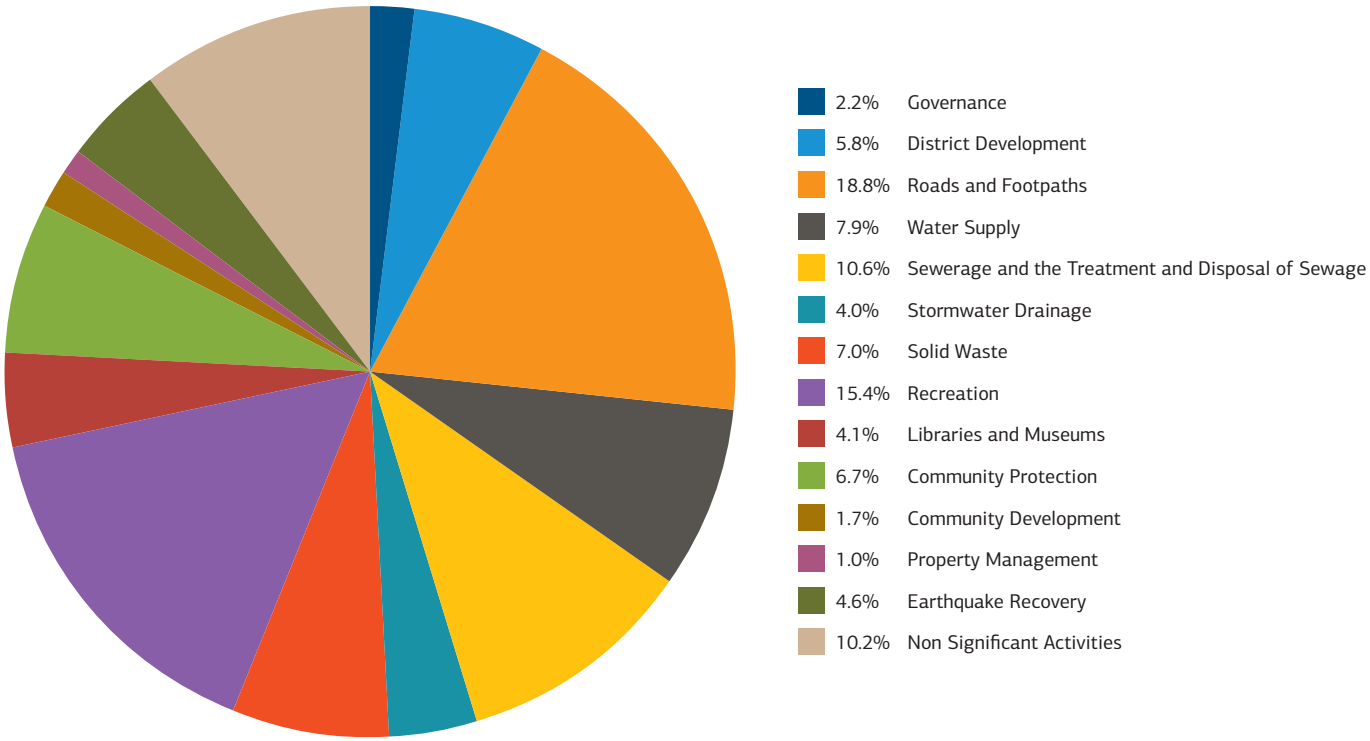
Consolidated Statement Of Cash Flow

For The Year Ended 30 June 2019

	Group 2019 Actual $'000	Parent 2019 Actual $'000	Parent 2019 Budget $'000	Group 2018 Actual $'000	Parent 2018 Actual $'000
Cashflows from operating activities	23,151	23,151	31,064	27,510	27,510
Cashflows from investing activities	(37,540)	(37,540)	(71,102)	(54,323)	(54,323)
Cashflows from financing activities	15,000	15,000	33,062	30,000	30,000
NET INCREASE (DECREASE) IN CASH HELD	**611**	**611**	**(6,976)**	**3,187**	**3,187**
Plus opening cash balance	19,330	19,330	23,121	16,143	16,143
CLOSING BALANCE	**19,941**	**19,941**	**16,145**	**19,330**	**19,330**

Expenditure Summary

The chart below shows how expenditure was spread among Council's activities. Council's total operating expenditure for 2018/19 was $112.1m.



Financial overview

Under the provisions of the Local Government Act (LGA) 2002 (s.101) Council is required to manage its revenues, expenses, assets, liabilities, investments and general dealings prudently and in a manner that promotes the current and future interests of its community.

The Council must ensure that each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses (breakeven).

The Annual Report shows that Council recorded a net surplus before taxation for the year ended 30 June 2019 of $29.5 million, which was $10.2 million less than budget. The surplus was $20.5 million for the 2017/18 financial year.

Revenue and other gains were $9.5 million over budget

Other revenue was $1.4m over budget due to increased rates penalties, recoveries of private works, more than budgeted connection fees/lump sum contributions to connect to Council's infrastructural facilities and increased liquor licensing/ food premises revenue.

Vested assets were $5.8m over budget mainly due to Crown vested land in red zone.

Other gains of $2.1m contains valuation of Council's forestry assets, which was not budgeted. More trees were harvested this year resulting in more gains on sale of forestry assets.

Operating expenses were $19.7 million over budget

Capital expensed of $4.1m are costs incurred which do not form part of the final assets and was not budgeted.

Loss on disposal of fixed and other infrastructual assets was $2.6m more than budget mainly due to unbudgeted write-offs of old asset values that were subsequently replaced.

Loss on revaluation of interest rate swaps was $7.8m and was not budgeted.

Council had to write off $2.0m of EQ receivables due to a change in Crown funding of the EQ recovery programme.

Other comprehensive revenue and expense

The Council recorded a $35.8m gain on asset revaluation (budget $13.5m). As at 30 June 2019, Council revalued its roading assets, greenspace assets and land/building assets.

Financial Position

Assets were $39.3m over budget mainly due to asset revaluations and new vested assets.

Borrowings (current and non-current) were $27.9m under budget mainly due to delays in Council's capital programme.

Financial Benchmarking

There are no major variances in the Council's financial performance in relation to various benchmarks which enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings.

Specific disclosures

The specific disclosures in the summary financial statements have been extracted from the full financial statements. The full financial statements were authorised for issue by Council on 8 October 2019.

The full financial statements of the Council and group have been prepared in accordance with the requirements of the LGA 2002, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The full financial statements have been preapred in accordance with Tier 1 Public Benefit Entity (PBE) accounting standards.

The summary financial statements do not include all the disclosures provided in the full financial statements and cannot be expeced to provide as complete an understanding as provided by the full financial statements.

The summary financial statements are in compliance with Public Benefit Entity Financial Reporting Standard 43 (PBE FRS 43).

An unmodified audit opinion was given on the full Annual Report by Audit New Zealand.

You can find a copy of the full Annual Report on the Council's website: waimakariri.govt.nz.

Contingent asset

The Council engaged an external contractor to construct the Ocean Outfall, where corrosion damage was identified and required replacement. Parties are seeking to achieve a negotiatied settlement outside of Court for damages. For the year to 30 June 2019, the Council's lawyers advise that it is probable that the Council will receive compensation for costs incurred remedying the corrosion damage.

Financial Benchmarking

Annual report disclosure statement for year ending 30 June 2019

What is the purpose of this statement?

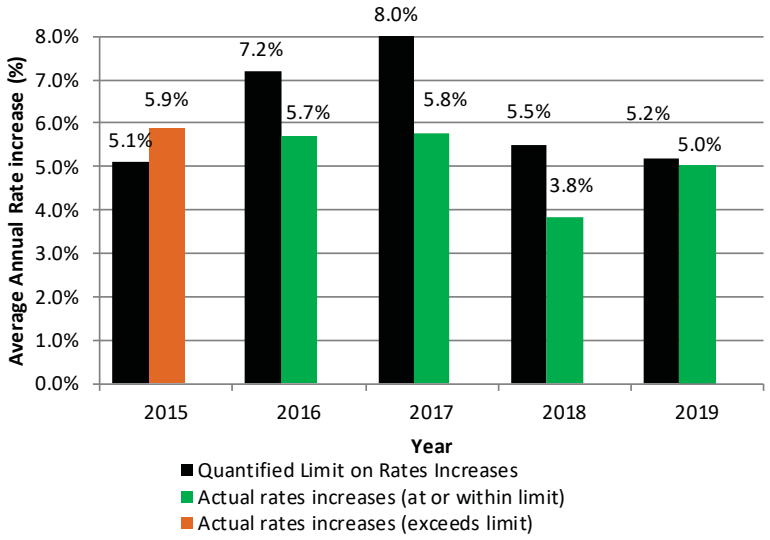
The purpose of this statement is to disclose the Council's financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

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

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 included in the Council's long-term plan. The quantified limit is the average rates increase per property and the limit for each year shown is sourced from the 2012-2022, 2015-2025 and 2018-2028 Ten Year Plans.

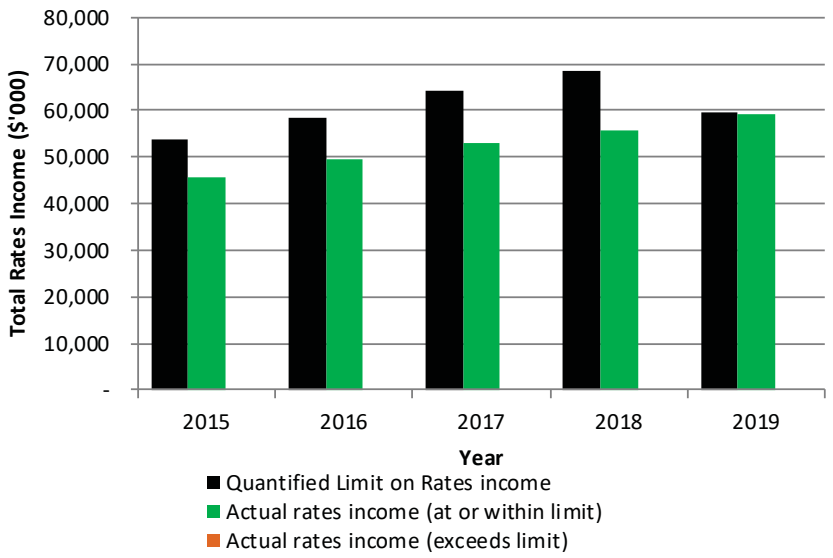
2015
The average increase was more than budgeted in 2015 as the actual rating units were less than what was forecasted.



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 the total rates income for the Council and the limit for each year shown is sourced from the 2012-2022, 2015-2025 and 2018-28 Ten Year Plans.

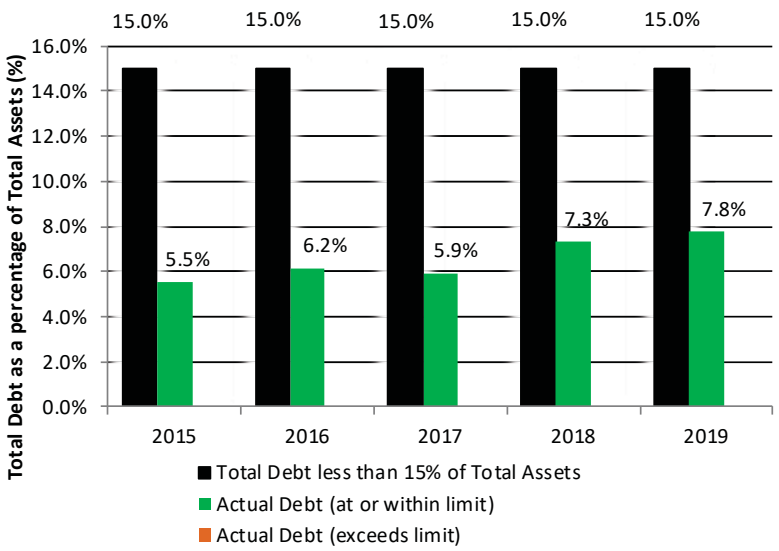
The rates income below excludes GST.



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.

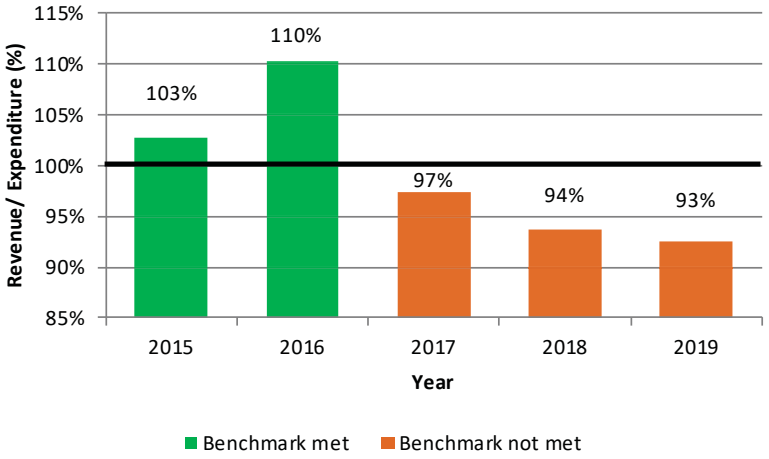
The quantified limit for the following graph is total debt as a percentage of total assets will not exceed 15%. The limit shown was sourced from the 2012-2022, 2015-2025 and 2018-28 Ten Year Plans.



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, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

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



2016
Council's revenue exceeded its operating expenses in 2016 by 10% mainly due to insurance recoveries for earthquake works.

2017-2019
Council's operating expenses exceeded its revenue in 2017, 2018 and 2019. Council considered rate affordability by smoothing the rates increase caused by the earthquake events to outer years.

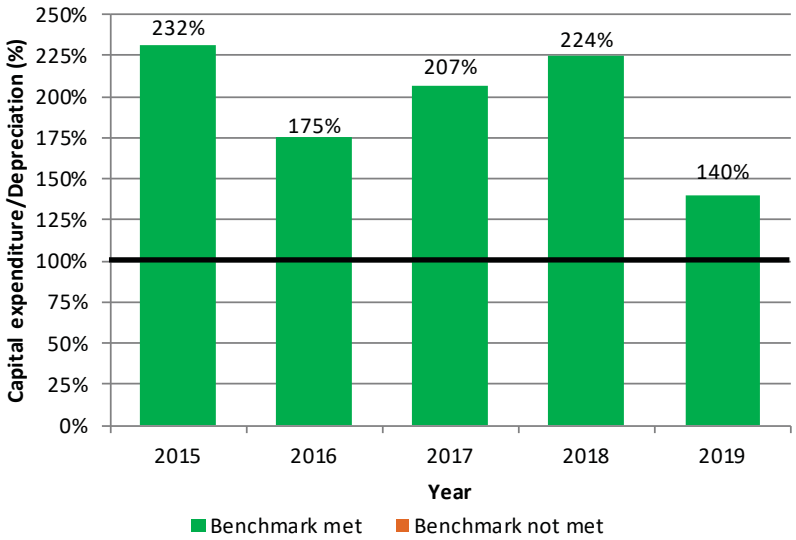
Also depreciation is not fully funded due to the depreciation fund able to be invested at a higher rate than inflation over the useful life of assets.

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.

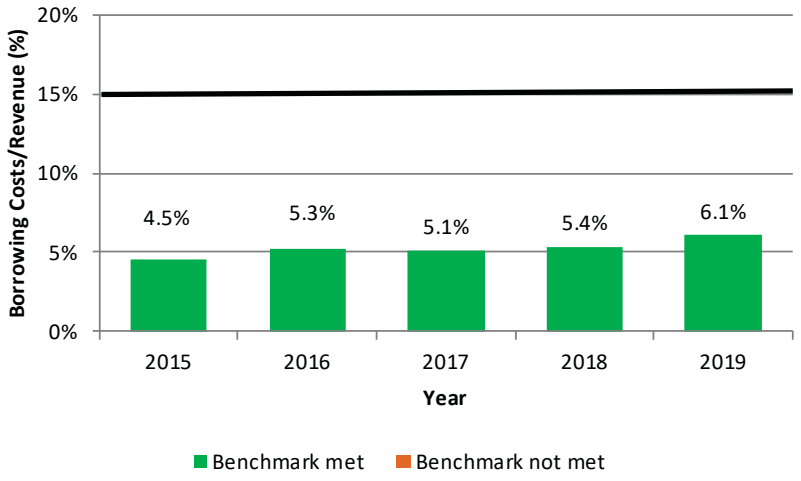
The Council expenditure on network services excludes earthquake repairs/replacements but includes new/growth works.



Debt servicing benchmark A

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).

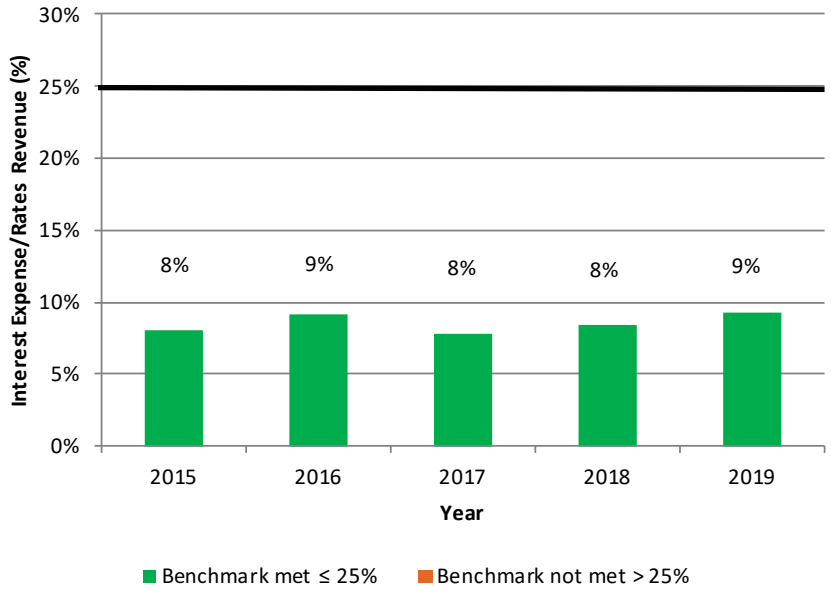
Because Statistics New Zealand projects the Council's population will grow as fast as, or faster than, the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 15% of its revenue.



Debt servicing benchmark B

The following graph compares Council's interest expense with the rates revenue and the limit was sourced from the 2012-2022, 2015-2025 and 2018-2028 Ten Year Plans.

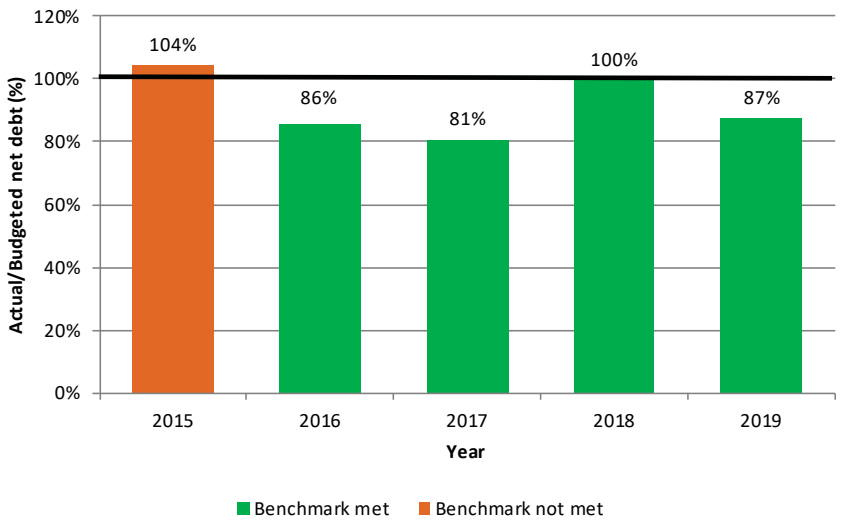
The Council meets this benchmark if interest expense as a proportion of rates revenue does not exceed 25%.



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).

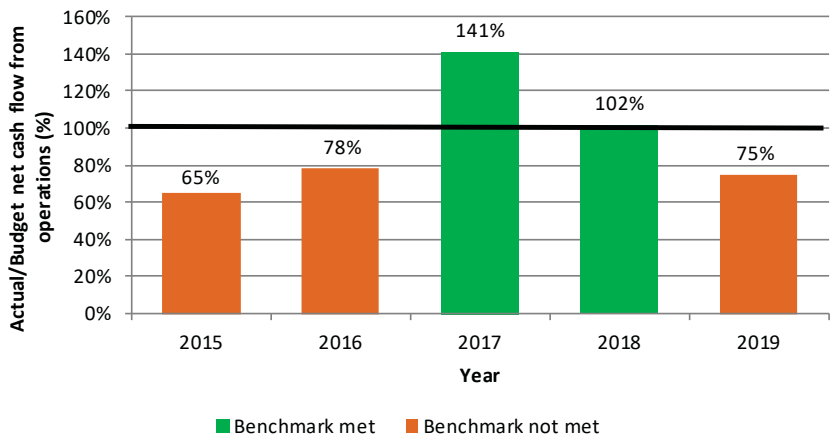
The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



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.



2015
The benchmark was not met as delays in the Earthquake recovery programme reduced the cash received from Canterbury Earthquake Recovery Authority (CERA).

2016
Council received less NZTA subsidies compared to the budget due to delay of roading capital programme.

2017
Council received more development and other contributions compared to the budget due to subdivisions completed in Rangiora, Kaiapoi and Woodend.

2019
Council received less Earthquake recovery subsidies due to a change in Crown funding. Also contributing are Business Improvement projects which are being loan funded.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditors Report

To the readers of Waimakariri District Council's summary of the annual report for the year ended 30 June 2019

WAIMAKARIRI
DISTRICT COUNCIL

MAKING WAIMAKARIRI A GREAT PLACE TO BE

WAIMAKARIRI DISTRICT COUNCIL

REPORT

FILE NO and TRIM NO:	FIN-01 / 190906125141
REPORT TO:	Audit & Risk Committee
DATE OF MEETING:	24 September 2019
FROM:	Jeff Millward, Manager Finance & Business Support
SUBJECT:	Treasury Report
SIGNED BY: (for Reports to Council or Committees)	Department Manager / Chief Executive

1. SUMMARY

1.1. The purpose of this report is to present the Treasury Report and update the Council on the current funding position, current and market forecasts in relation to the treasury function.

1.2. The Council's financial position is very strong, relative to other organisations. Our Council's Standard & Poors AA credit rating, although on negative watch is better than all the major trading banks in New Zealand, who currently have AA- credit ratings.

1.3. The Council currently has $145m in debt and a current average weighted cost of funding of 3.83%. Over the next year, relative to our capital expenditure, debt is expected to increase to $165-$170 million. The average cost of funding is expected to be about 3.7%. With interest rates likely to remain low for some time into the future this report recommends that the Council amends hedging policy limits in its Treasury Policy to give the Council more flexibility in the determining how much of its borrowing should be fixed rates versus floating rates.

1.4. Interest rates are likely to remain low for some time. Some agencies are forecasting the Reserve Bank to reduce the Official Cash Rate (OCR) three further times, of 25 basis-points, before June 2020. If this is correct, it means the OCR will move from 1.0% at present to 0.25% by June 2020.

1.5. All of the Council debt is expected to be secured through the Local Government Funding Agency. All external mandatory reporting requirements and internal policies will be easily achieved and met. The long term forecasts are also improving.

1.6. Standard and Poors will undertake the annual review in March/April 2020. Although our financial medium to longer term forecasts would be within the parameters of a AA rated entity, Standard & Poors may continue to identify the short term debt significant enough to either hold the Council on negative watch or downgrade the Council. A downgrading would mean a credit rating of AA-.

Attachments:

i. Financial Benchmarks
ii. Bancorp Treasury Report (Trim 190910126877)

2. RECOMMENDATION

THAT the Audit and Risk Committee:

(a) **Receives** report No. 190906125141.

(b) **Notes** the deterioration of the global and local markets and further cuts signalled in interest rates;

(c) **Notes** the Council's treasury position with external borrowing currently at $145 million, with it forecast to increase to $200 million in the next two to three years;

(d) **Notes** the Council holds a Standard and Poors AA credit rating (with a negative outlook), and that should a down-grade in rating occur to AA- it would have the effect of increasing Council's cost of funds by 0.05% on any new loans raised; and

(e) **Recommends** to the Council that it amends its Treasury Policy, effective from 1 November 2019 with the following change to Hedging limits:

Section in Policy	To provide flexibility in the Council's hedging arrangements interest rates should be fixed as follows:	
	Current Hedging Limits	Proposed Hedging Limits
3.51	• Minimum 50% to a Maximum 100% for years 0 – up to 3 years • Minimum 30% to a Maximum 80% for years 3 – up to 6 years • Minimum 0% to a Maximum 50% for years 6 – up to 10 years.	• Minimum 40% to a Maximum 100% for years 0 – up to 2 years • Minimum 25% to a Maximum 80% for years 2 – up to 4 years • Minimum 0% to a Maximum 60% for years 4 – up to 10 years.

3. BACKGROUND

3.1. The Treasury Policy was first adopted in August 1999 and is reviewed every three years in conjunction with the Long Term Plan. Under the reporting structure of the policy the Treasury management Committee, consisting of the Chief Executive, Manager Finance & Business Support, Finance Manager and an Independent Treasury Advisor reports to the Audit & Risk Committee of any strategies outside the parameters outlined in the Treasury Policy. Miles Connor of BANCORP Treasury Services Limited is the Council's independent Treasury Advisor.

3.2. The New Zealand Local Government Funding Agency (LGFA) is a Council-Controlled Organisation (CCO) operating under the Local Government Act 2002. LGFA specialises in financing the New Zealand local government sector, the primary purpose being to provide more efficient funding costs and diversified funding sources for New Zealand local authorities. LGFA was established December 2011, by the Local Government Borrowing Act 2011, to raise debt on behalf of local authorities on terms that are more favourable to them than if they raised the debt directly.

3.3. Prior to the establishment of the LGFA, our Council raised debt using rates as a security through Banks and other financial intuitions. The LGFA currently has a AA+ S&P credit

rating, two ratings better than New Zealand Banks that are AA-, meaning they are able to raise debt at consistently lower rates than banks.

3.4. The most recent S&P credit rating in April 2018 resulted in the Council maintaining a AA credit rating, but continued with the negative watch that was issued in April 2017. If the Council was to be downgraded to AA-, it would mean that the Council would pay 5 basis-points more for new debt raised. This would be offset by previous debt and the prevailing rates that have decreased significantly over the last two years. Although the Council is facing a potential downgrading, the cost of funding debt is much less than signalled within annual plans, due to interest rates dropping.

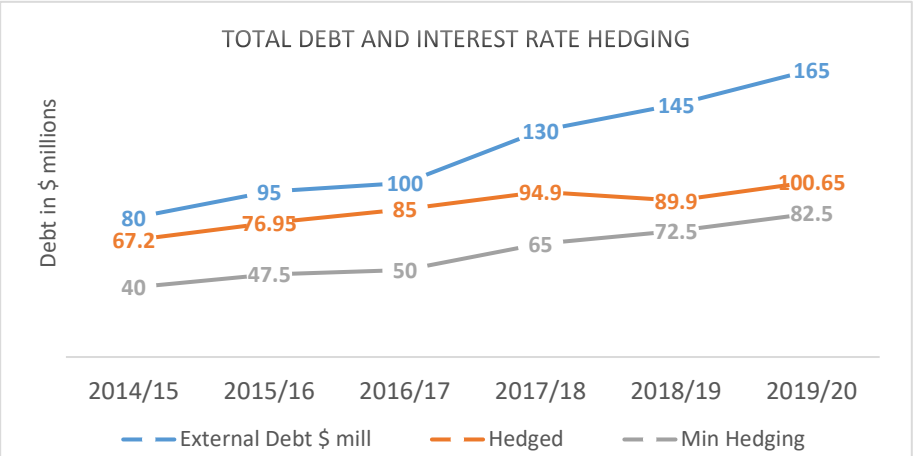
4. ISSUES AND OPTIONS

4.1. Based on the Council's capital works programme forecasted external debt is expected to increase and peak to $200m the next 2-3 years. Current external debt is $145million and at the end of the 2019-20 financial year is forecast to be about $165-$170 million, based on the completion of the current capital works programme for the year.

4.2. The cost of funding debt as at June 2019 is 3.83% and currently trending down in the short to medium term. The combination of decreasing interest rates and interest rates hedging previously "locked in" under the requirement of our Treasury Policy means that interest rates will be forecast lower in future annual plans than forecast in the current Long Term Plan.

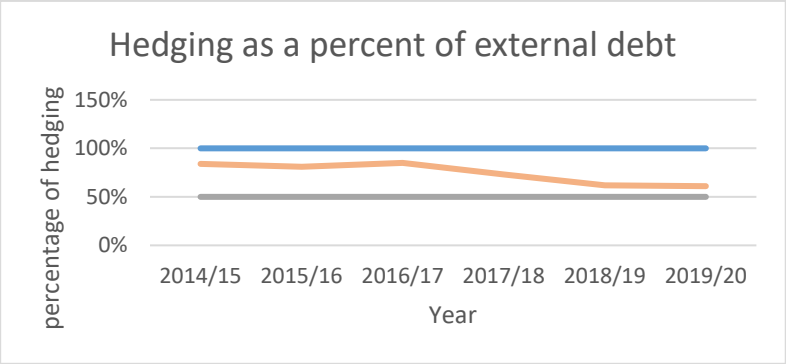
4.3. Figure 1 show the movement in interest rates and the amount of interest rate hedging that the council holds against risk rate risk exposure. This shows the Council holding interest rate hedging at lower levels to take advantage of the lower floating rates that are available.

Figure 1 Total debt to interest rate hedging



4.4. Figure 2 shows the council is maintaining hedging within the range expected under the Treasury Policy. It can be seen that since 2016/17, the percentage of hedging is being held closer to the minimum allowed under the policy, to take advantage of the lower floating rates.

Figure 2 Percentage of external debt with interest rate hedging

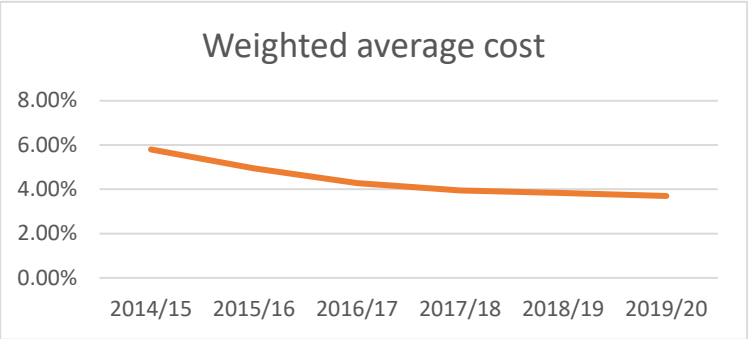


4.5. Total debt tends to be the greater issue to contend with in terms of a potential S&P down grading. Given all the other factors considered within a credit rating determination, the Total Debt to Adjusted Total Revenue Income ratio is the single most prominent measure that places pressure on the Council's AA credit rating. In March/April 2020 when S&P review our credit rating, we will once again impress upon them the prudent expenditure policies employed during a time when our region experienced a rare adverse natural event, the building back better and resilience programme that places our region in a better place for future events, and our internal financial policies that takes a prudent forward thinking position and by incorporating into our financial management limits the headroom and ability to borrow for future events. Our Council has also developed a depreciation funding model that provides the future funding and allows the ability to replace its infrastructure.

Council's Cost of Funds

4.6. Figure 3 shows the CoF trend over the last five years. The two primary factors in achieving a lower weighted average cost is the lower interest rates available and utilising a greater proportion of debt on floating rates.

Figure 3 Average weighted cost of funds



The effect of overseas market forces on interest rates

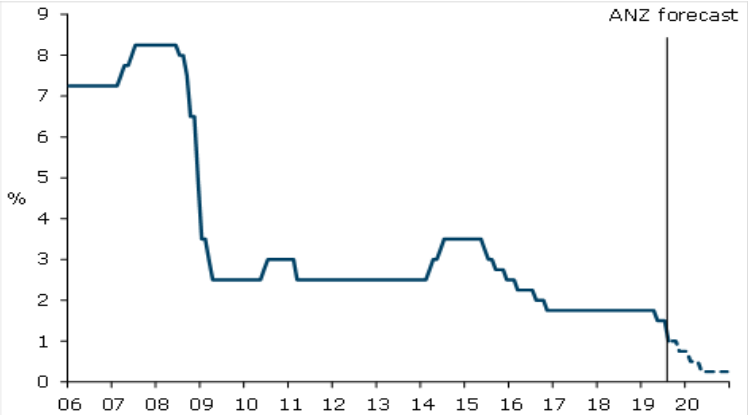
4.7. Generally New Zealand has little impact on overseas interest rates and reacts to what is occurring in the larger countries, such as the USA and China. In recent years interest rates have tumbled to unexpected levels. In some economies negatives interest rates are common and it is possible that it could occur in New Zealand and an OCR of zero is possible.

4.8. Banks and Economists are now forecasting at least three reductions in the OCR i.e. 25 points in each of Nov 2019, Feb 2019 and May 2020. Even as recently as one year ago it

was inconceivable that an OCR would be less than 1.0%. In May 2020 it is now likely to have an OCR of 0.25%. This would place a 90 day bill rate that floating rate loans are generally set on at about 0.5%, plus a margin of 80 points, which would mean the Council's Cost of Funds (CoFs) on new debt would be less than 1.50%.

4.9. Figure 4 shows the movement in the OCR which is set by the Reserve Bank of New Zealand. Based on global and domestic economic deteriorating further the ANZ is signalling the OCR to be 0.25% in May 2020

Figure 4



4.10. Table 1 indicates the effect of raising say a 5 year loan and the margins that would be applied through the LGFA.

Table 1 Interest rates for each credit rating are as follows:

Council rating	AA	AA-	A+
Base Rate based on a 90 day bill rate as at 12/9/2019	1.14%	1.14%	1.14%
Rating margin LGFA differential	0.00%	0.05%	0.10%
Lenders margin based on LGFA	0.80%	0.80%	0.80%
Total CoFs	1.94%	1.19%	2.04%

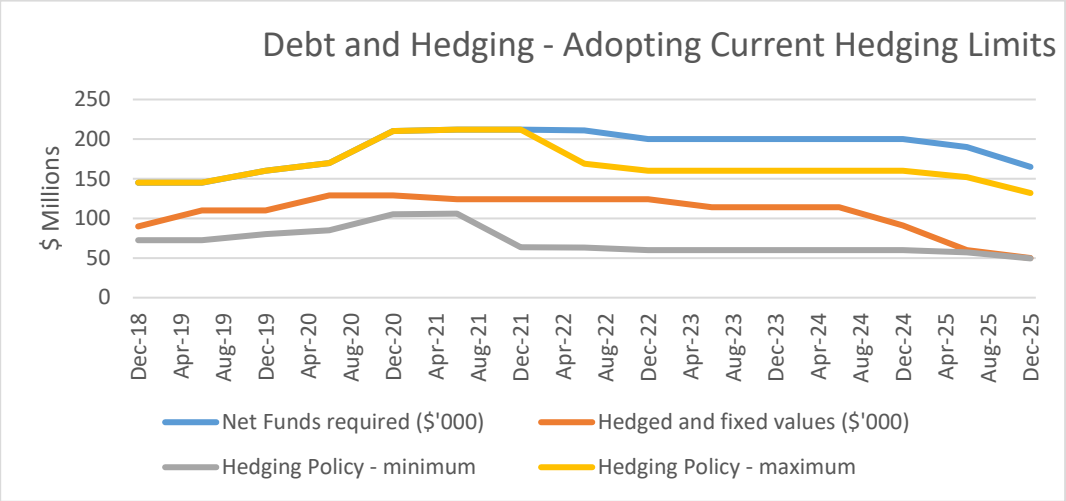
Refinement to the Treasury Policy - Interest Rate Hedging Limits

4.11. Section 3.5 of the policy refers to interest rate risk management and requirement to hold certain amounts of interest rate hedging to reduce the exposure to interest rate changes. Bancorp Treasury are recommending a minor change to the percentage interest rate hedging to be held to allow for more flexibility over the short term. A summary of the change is provided in the table below:

Section in Policy	To provide flexibility in the Council's hedging arrangements interest rates should be fixed as follows:	
	Current Hedging Limits	Proposed Hedging Limits
3.51	• Minimum 50% to a Maximum 100% for years 0 – up to 3 years • Minimum 30% to a Maximum 80% for years 3 – up to 6 years • Minimum 0% to a Maximum 50% for years 6 – up to 10 years.	• Minimum 40% to a Maximum 100% for years 0 – up to 2 years • Minimum 25% to a Maximum 80% for years 2 – up to 4 years • Minimum 0% to a Maximum 60% for years 4 – up to 10 years.

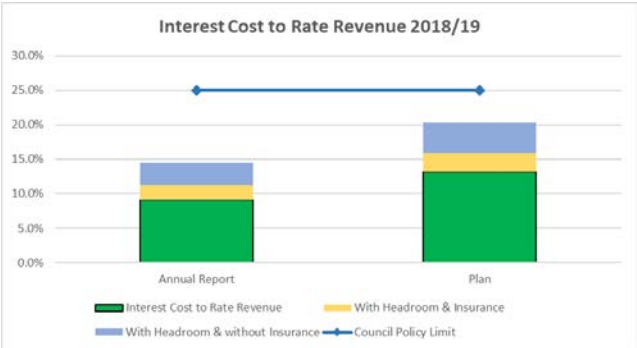
Figure 5 below shows the longer term interest rate hedging held within Treasury Policy limits.

Figure 5

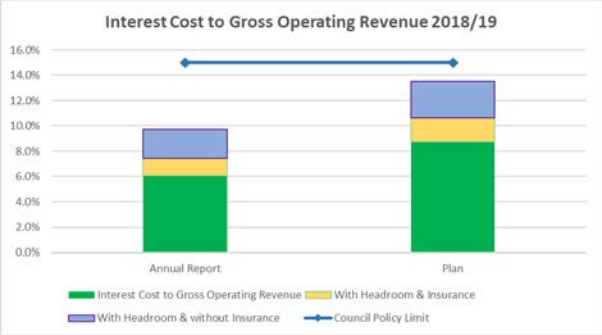


4.12. The following three tables provide the budget and actual position for the year ended 30 June 2019 in comparison to the Council's policy limits. The tables show that all of the measures are well within the policy limits set and budgeted.

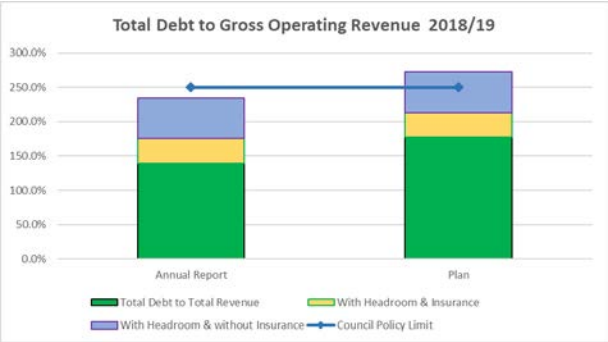
4.13. Table 2 Interest Cost to Rates Revenue



4.14. Table 3 Interest cost to Gross Operating Revenue



4.15. Table 4 Total Debt to Gross Operating Revenue



4.16. Options

4.16.1. The Council could receive the report and the recommended changes to the Treasury Policy; or

4.16.2. Decide to reject the changes and request staff to investigate further additions or deletions to the Policy.

4.17. The Management Team has reviewed this report and supports the recommendations.

5. COMMUNITY VIEWS

5.1. Groups and Organisations

BACORP Treasury Service Limited provide the Council with independent advice on Treasury Operations. The ANZ bank is the transactional banker with a treasury function that also provide treasury advice in conjunction with Bancorp Treasury review.

5.2. Wider Community

The Council reports through the Annual Report its Financial Statements and notes that are reviewed by the stakeholders, ratepayers, investors and community at large.

6. IMPLICATIONS AND RISKS

6.1. Financial Implications

The financial implications of key risk crystallising can be significant for the Council. The risks with the greatest financial exposure relate to a major earthquake and changes in economic conditions, particularly through the ability to raise finance and the amount paid on loans. The Council's Risk Assessment and Financing Strategy has signalled the need for headroom of $84 million in the Council's borrowing policy limits. The Council resolved

to maintain that level of headroom. The Council signals within its annual plan the CoFs used, with margins that allows for some change within the market.

6.2. Community Implications

Our intent is to ensure events or issues are managed so that should the risks crystallising the impact on the community and Council's operation are minimised.

6.3. Risk Management

The Council's Treasury Policy provides the framework and identifies the constraints and appetite for risk. Council's policy states it is adverse in taking risk.

Forecasts contained within the Annual Plan incorporates inflationary factors from BERL and these are relied upon for funding. The Council also conducts a sensitivity analysis for movements in rates and provides an allowance for movements within the forecast.

New Zealand economy is small in comparison a number of other countries and generally reacts to the events overseas. The effect on New Zealand interest rates are directly related to a number of events occurring overseas currently.

6.4. Health and Safety

Health & Safety risk is indirectly related to this topic.

7. CONTEXT

7.1. Policy

The Treasury Policy contains the controls and management framework for managing liabilities, debt and investment. The framework and policy is not a matter of significance in terms of the Council's Significance and Engagement Policy.

7.2. Community Outcomes

Directly or indirectly the Council management of its risk affects the Council's ability to deliver against all its community outcomes.

7.3. Legislation

Under section 14 of the Local Government Act 2002, local authorities are required to act in accordance with a number of principles, including:

(f) A local authority should undertake any commercial transactions in accordance with sound business practices; and

(g) A local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its region".

7.4. Delegations

Under delegation S-DM 1022, the Audit & Risk Committee is responsible for "monitoring corporate risk assessment and the internal risk measures that have been instituted".

7.5. There are no significant costs associated with approving the recommendations included in this report.

7.6. The Treasury Policy provides the framework, procedures, controls that mitigate the risks associated with Treasury management.

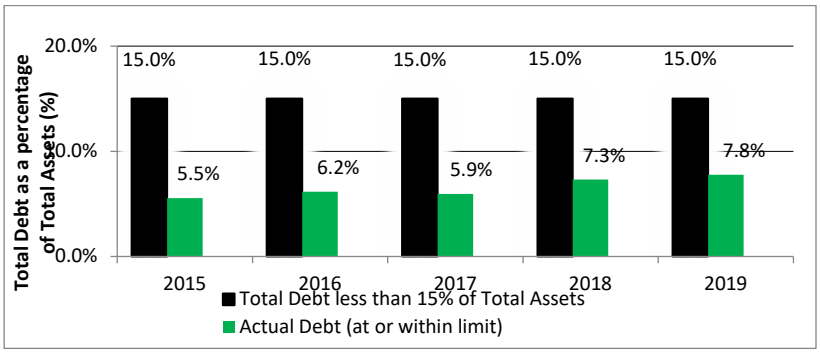
Jeff Millward
Manager Finance & Business Support

FINANACIAL BENCHMARKS Attachment 1

The Council is required to include information into the annual report in accordance with the Local Government (Financial Reporting Prudence) Regulation 2014.

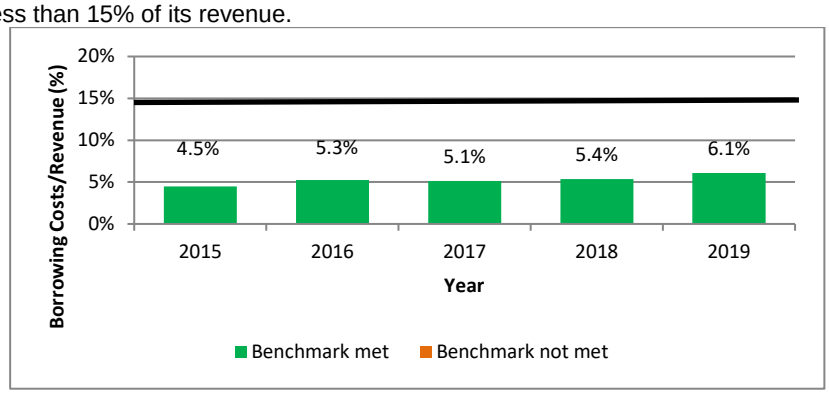
Debt affordability benchmark

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 for the following graph is total debt as a percentage of total assets will not exceed 15%. The limit shown was sourced from the 2012-2022, 2015-2025 and 2018-28 Ten Year Plans.



Debt servicing benchmark A

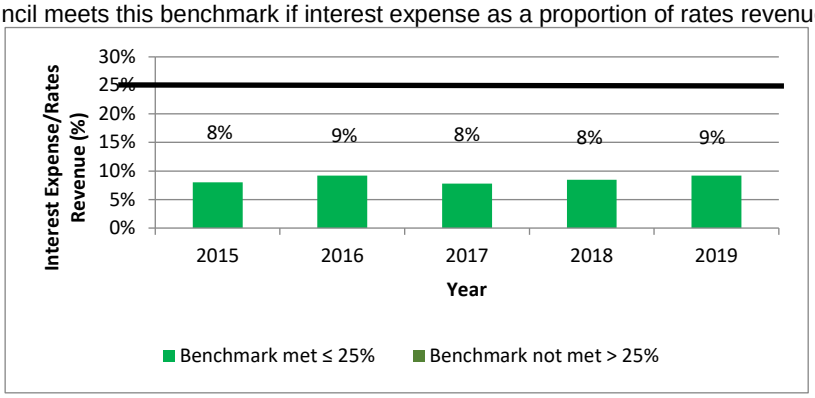
The following graph displays the Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment). Because Statistics New Zealand projects the Council's population will grow as fast as, or faster than, the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 15% of its revenue.



Debt servicing benchmark B

The following graph compares Council's interest expense with the rates revenue and the limit was sourced from the 2012-2022 and 2015-2025 Ten Year Plans.

The Council meets this benchmark if interest expense as a proportion of rates revenue does not exceed 25%.



CONFIDENTIAL

TREASURY REPORT

FOR

AS AT 30 JUNE 2019

BANCORP

BANCORP TREASURY SERVICES LIMITED

AUCKLAND • WELLINGTON • CHRISTCHURCH

CONTENTS

1. MARKET ENVIRONMENT

1.1 GLOBAL OVERVIEW (AS AT 30 JUNE 2019)

An escalation in in trade tensions between the US and China during the June quarter led to increasing rhetoric from central banks about global downside risks, worries about lack of wage and price inflation and strong signals of further interest rate cuts, augmented by suggestions of a possible return to using other monetary easing tools. Increased tensions in the Middle East and data showing further weakness in manufacturing activity in the main industrialised economies reinforced these central bank fears.

At the G20 summit at the end of June, US President, Donald Trump, and Chinese President, Xi Jinping, agreed to a truce on their trade dispute and to resume talks. As a sign of good will, the US promised to indefinitely defer more tariffs on Chinese imports and to allow US firms to sell high tech equipment to Huawei (but not goods related to national security), while China promised to buy large amounts of US agricultural products and, the next day, announced a relaxing of some restrictions on foreign investment.

The Federal Reserve's ("Fed") Open Market Committee ("FOMC") left the Fed Funds target range rate at 2.25% to 2.50% at its June meeting, as expected. However, the tone of the post-meeting statement was less dovish than expected. FOMC members' interest rate consensus (the dot plot) shows the Fed Funds rate to be 0.50% lower at the end of 2020 and 0.20% lower at the end of 2021 than projected in March. Also, consensus for the long run (neutral) Fed Funds rate fell from 2.80% in March to 2.50%.

European Central Bank ("ECB") President, Mario Draghi, signalled that the ECB is close to another round of policy easing through cutting interest rates or expanding its bond buying programme, or a combination of both. Draghi is worried about "*lingering softness*" in forward looking Eurozone data and warned that "*in the absence of improvement … additional stimulus will be required.*"

Bond yields fell dramatically over the June quarter. The benchmark US 10 year Treasury bond yield ended the March quarter at 2.41%. It flirted with the psychologically important 2.00% level in the June quarter, falling to a low of 1.97%, its lowest since November 2016, and ended the June quarter at 2.01%. German and French 10 year government bond yields hit record lows in June but recorded lesser falls than US Treasuries.

The Reserve Bank of Australia ("RBA") cut its cash rate by 25 basis points to 1.25% in June. Subsequent speeches by RBA Governor, Philip Lowe, and the minutes of the RBA's June meeting sent a very clear signal, viz. that "*it was more likely than not that a further easing in monetary policy would be appropriate in the period ahead.*"

1.2 New Zealand Overview (As at 30 June 2019)

	OCR	90 day	2 year swap	3 year swap	5 year swap	7 year swap	10 year swap
31-Mar-19	1.75%	1.85%	1.63%	1.64%	1.77%	1.93%	2.16%
30-Jun-19	1.50%	1.64%	1.35%	1.36%	1.44%	1.58%	1.79%
Change	-0.25%	-0.21%	-0.28%	-0.28%	-0.33%	-0.35%	-0.37%

The New Zealand CPI rose 0.1% over the March quarter, the same as in December and below consensus and RBNZ expectations. Annual CPI fell from 1.9% in December to 1.5% in March. Lower petrol prices over the March quarter swamped the annual rise in the tobacco tax and higher food prices. The Reserve Bank of New Zealand's ("RBNZ") underlying measures also reported lower inflation. The Factor Model rose 1.7% over the March year, from 1.9% over the December year, and the Sectoral Factor Model rose 1.7% over the March year, the same as December, both well below its 2.0% target.

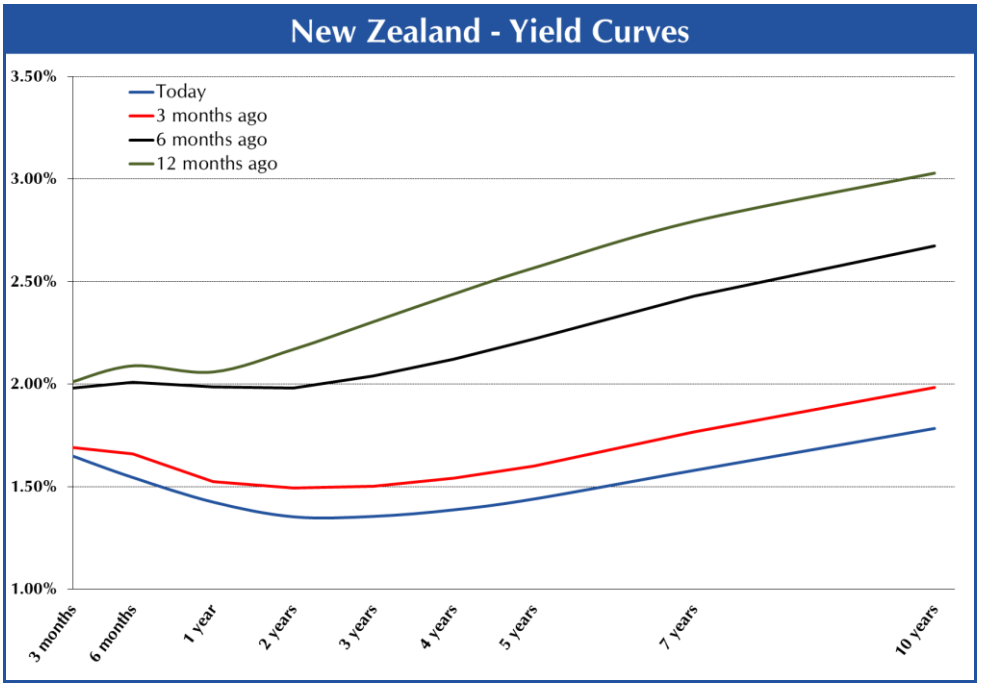
The New Zealand unemployment rate fell from 4.3% in the December quarter to 4.2% in the March quarter, outperforming market expectations but the rest of the labour market data disappointed. Over the quarter, the participation rate, i.e. the number of people employed, fell as did the number of jobs filled.

New Zealand's GDP rose 0.6% in the March quarter, matching the previous quarter, and was up 2.5% from the March 2018 quarter. The result beat expectations and was impressive given the slowdown of the global economy, the underperformance of the primary sector (due to dry conditions) and the services sector (which accounts for two thirds of the New Zealand economy) posting its weakest result since 2012. However, growth is expected to slow over the June quarter, particularly as the escalation in the US-China trade dispute only happened after the March quarter end.

The RBNZ's newly formed Monetary Policy Committee ("MPC") cut the Official Cash Rate ("OCR") from 1.75% to 1.50% in May in response to weaker than expected inflation, employment and wages data. The MPC's final decision came down to "*holding the OCR and committing to a downward bias, versus cutting the OCR now*." The MPC unanimously decided on a pre-emptive OCR cut.

The MPC held the OCR at 1.50% at its meeting in late June and declared that "*more support from monetary policy was likely to be necessary*" and that it is keenly watching "*the employment and inflation outlook*" in deciding when to next cut the OCR. Just so there was no ambiguity about the MPC's statement, it repeated that "*a lower OCR may be needed over time*." Market pricing implies two more (0.25%) OCR cuts within the next year. The MPC and markets will be closely analysing CPI and labour market data due for release in July ahead of the next MPC meeting and *Monetary Policy Statement* on 7 August.

Pushed down by increased market expectation for more OCR cuts (and interest rate cuts by other developed central banks) and falling global bond yields, New Zealand swap rates consistently fell to fresh record lows over the June quarter, extending their fall over the past year as shown in the following graph.

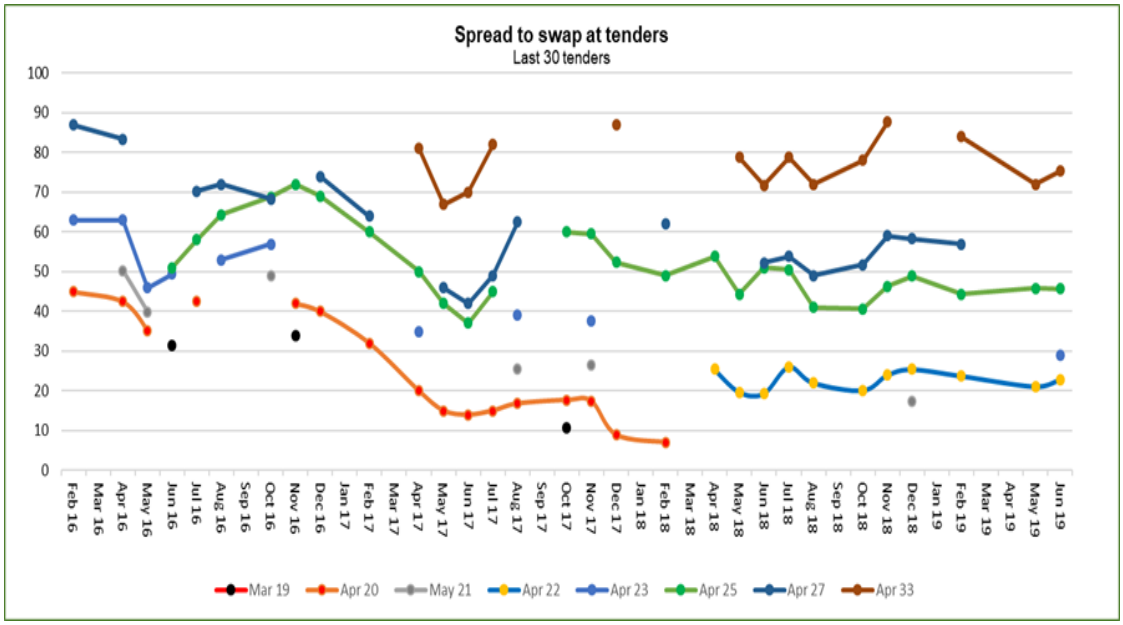


1.3 Local Authority Funding

Listed in the table on the following page are the credit spreads and applicable interest rates for Floating Rate Notes ("FRN") and Fixed Rate Bonds ("FRB") at which Waimakariri District Council ("WCC") could source debt from the Local Government Funding Agency ("LGFA").

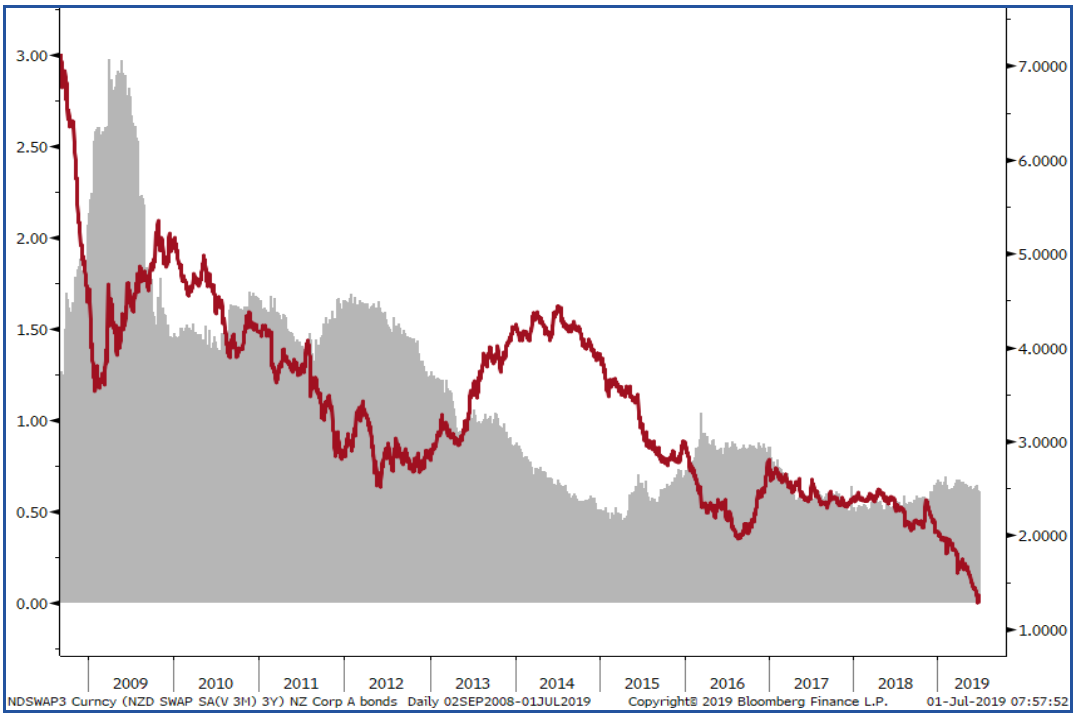
Maturity	Credit Spread	FRN Rate	FRB Yield
April 2020	0.23%	1.83%	1.67%
May 2021	0.28%	1.88%	1.59%
April 2022	0.35%	1.95%	1.65%
April 2023	0.47%	2.07%	1.75%
April 2024	0.52%	2.12%	1.86%
April 2025	0.27%	2.17%	2.00%
April 2027	0.70%	2.40%	2.21%
April 2033	0.87%	2.47%	2.78%

The graph below shows the margins over swap at which the various LGFA maturities have been issued at dating back to February 2016.



1.4 Credit Spreads

The chart on the following page shows the credit spreads for the S&P/NZX Corporate 'A' Grade Bond index (the grey shaded area) and the three year swap rate (red line) since 2008. At the end of the June 2019 quarter, the average credit spread of the index was 61 basis points, compared to 65 basis points at the end of March 2019 quarter.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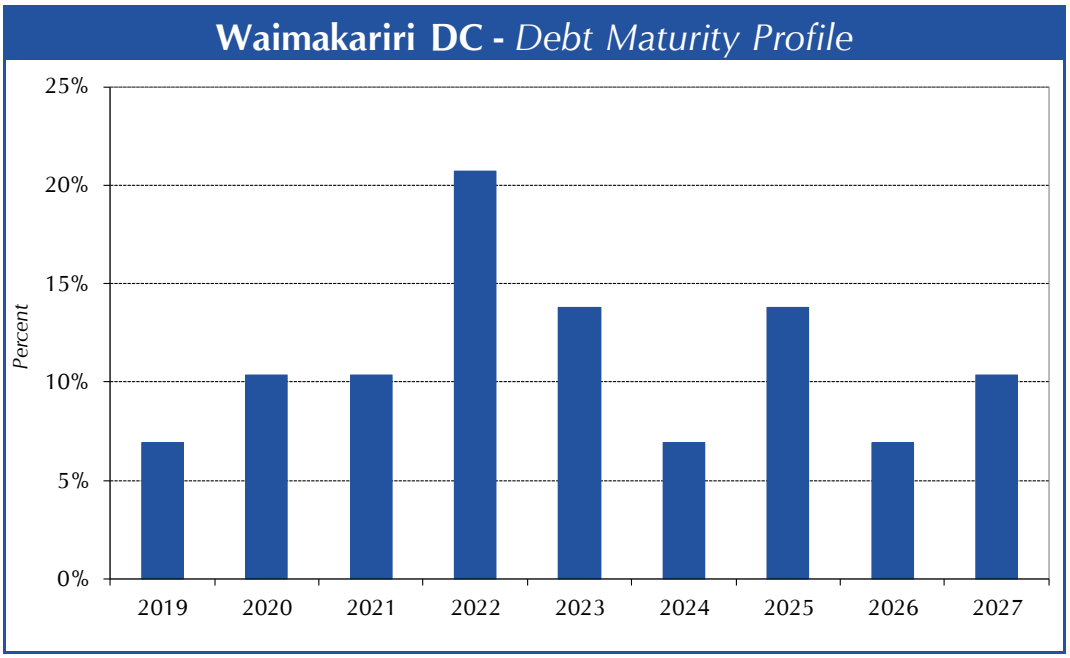
2. FUNDING

As at 30 June 2019, WDC had $145.0 million of core debt, all of which is sourced from the LGFA using Commercial Paper ("CP"), FRNs, and FRBs. Details of these are as follows:

Waimakariri DC Debt Maturities		
Notional ($m)	**Maturity**	**Margin (basis points)**
10.0 CP	10 Dec 2019	11
5.0 FRN	15 Apr 2020	49
10.0 FRN	15 Apr 2020	27
5.0 FRN	15 May 2021	80
5.0 FRN	15 May 2021	66
5.0 FRB	15 May 2021	74
10.0 FRN	14 Apr 2022	38
10.0 FRN	14 Apr 2022	53.25
10.0 FRN	15 Aug 2022	50
5.0 FRN	15 Apr 2023	81
5.0 FRN	15 Apr 2023	82.25
10.0 FRB	15 Apr 2023	82
10.0 FRN	15 Aug 2024	60.25
10.0 FRN	10 Apr 2025	52.25
10.0 FRB	15 Aug 2025	32
10.0 FRN	15 May 2026	56.25
5.0 FRN	15 Apr 2027	65.75
10.0 FRN	15 Apr 2027	45.25

WDC's debt maturity profile incorporating the CP, FRBs, and FRNs is depicted in the graph on the following page and indicates a spread of maturities between 2019 and 2027. The funding guideline in Section 1.3 of the Liability Management Policy ("LMP") states "*Where practicable no more than 33% or $10 million, (whichever is the highest) of total borrowing, is subject to refinancing in any financial year*." As at 30 June 2019, WDC's funding maturity profile complies with this guideline.



As at 30 June 2019, WDC's weighted average cost of funds was as supplied by WDC was 3.83%. This cost of funds is lower than many of WDC's peers in the local government sector, highlighting the benefits of WDC's funding and interest rate risk management activities carried out over the past few years.

3. DEBT AND HEDGING PROFILE

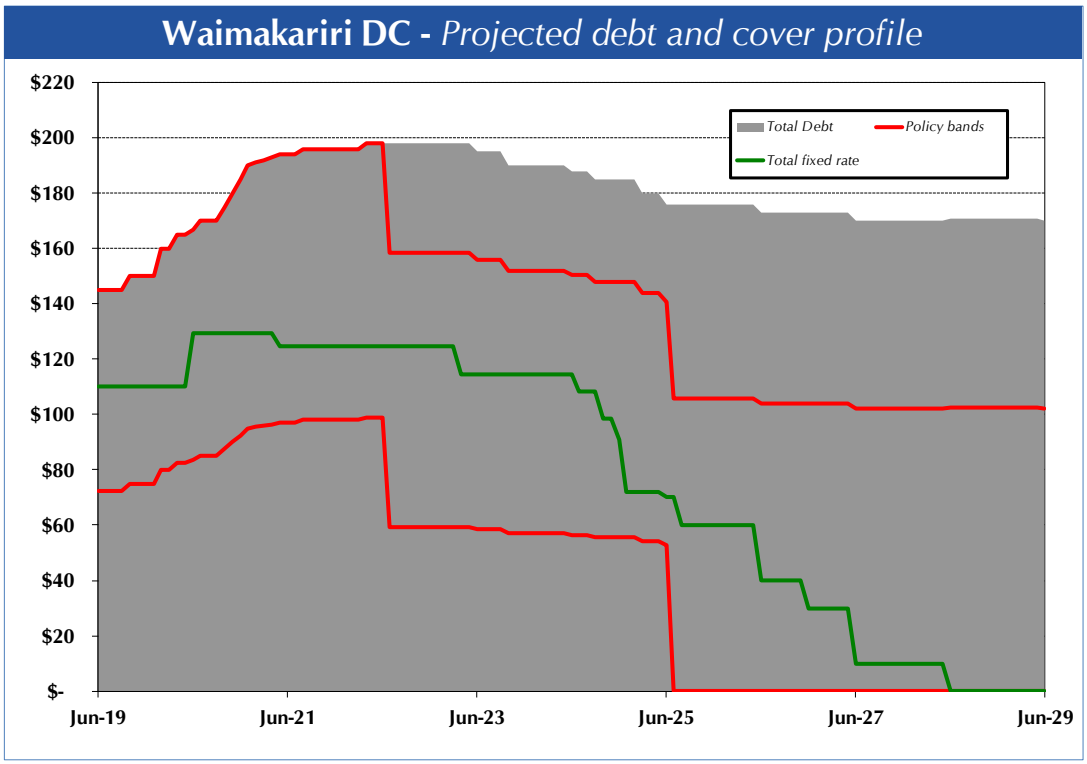
As at 30 June 2019, WDC had $145.0 million of core debt and fifteen interest rate swaps ("swaps"), ten of which were current and five forward starting, as detailed below:

Swaps			
Start Date	Maturity Date	Rate	Amount
18-May-15	18-Jun-20	3.970%	7,500,000
15-Jun-15	15-Jun-20	4.940%	5,000,000
9-Dec-14	9-Dec-21	4.190%	7,500,000
15-Jul-15	15-Jul-24	4.610%	6,000,000
15-Jul-16	15-Oct-24	3.825%	10,000,000
15 Apr-16	15-Jan-25	3.990%	10,000,000
15-Apr-19	15-Jan-25	3.990%	9,000,000
15-Jun-18	15-Jun-26	3.595%	10,000,000
15-Jun-19	15-Jun-26	3.500%	10,000,000
15-Jun-19	15-Jun-27	3.435%	10,000,000
Total current swaps			85,000,000
Forward starting swaps			
9-Dec-21	9-Dec-24	4.120%	7,500,000
18-Jun-20	18-Jun-25	3.325%	12,000,000
15-Jun-20	15-Dec-26	3.060%	10,000,000
15-Jun-20	15-Jun-27	3.100%	10,000,000
15-Jun-25	15-Jun-28	3.200%	10,000,000

Section 1.5 of the LMP details the Fixed Rate Hedging Percentages to which WDC shall adhere and are reproduced in the table below:

Fixed Rate Hedging Percentages		
	Minimum Fixed Rate	**Maximum Fixed Rate**
0 – 3 years	50%	100%
3 – 6 years	30%	80%
6 – 10 years	0%	50%

WDC's debt and hedging profiles incorporating these parameters are shown in the graph on the following page. The revised projected debt figure has debt peaking at $198.0 million in April 2022. The graph shows that, as at 30 June 2019, WDC was policy compliant.


Waimakariri DC - Projected debt and cover profile
$220
$200
$180
$160
$140
$120
$100
$80
$60
$40
$20
$-
Jun-19
Jun-21
Jun-23
Jun-25
Jun-27
Jun-29
Total Debt
Policy bands
Total fixed rate

4. POLICY COMPLIANCE (AS AT 30 JUNE 2019)

	Yes/No
Have all transactions been entered into compliance with policy?	√
Are the fixed rate hedging percentages within policy control limits?	√
Is WDC maintaining liquidity within policy control limits?	√
Are all counterparty exposures within policy control limits?	√

WAIMAKARIRI DISTRICT COUNCIL

REPORT FOR DECISION

FILE NO and TRIM NO:	RAT-08/190905124296
REPORT TO:	Audit & Risk Committee
DATE OF MEETING:	24 September 2019
FROM:	Maree Harris, Customer Services Manager
SUBJECT:	Kaiapoi Storage Ltd – Complaint about rates
SIGNED BY: (for Reports to Council, Committees or Boards)	Simon Markham — Department Manager; pp — Chief Executive

1. SUMMARY

1.1 This report informs the Committee of a complaint received from Paul Delis from Kaiapoi Storage Ltd regarding the water rates and kerbside rubbish and recycling collection rates that are set on his commercial property at 126 Courtenay Drive.

1.2 The rates are set in accordance with the Council's Revenue & Financing policy. The property has two businesses operating and therefore the rates are charged on the basis of separately used or inhabited parts of the property. This means that there are two water rates and two kerbside rubbish and recycling collection rates assessed on this property.

1.3 Mr Delis believes there should be only one of each rate assessed on the land and he will be attending the 24 September meeting to present his case.

Attachments:

i. Plan showing an aerial view of the land.

2. RECOMMENDATION

THAT the Audit & Risk Committee:

(a) **Receives** report No. TRIM 190905124296.

(b) **Recommends** to Council that a review of the method of rating for the Kerbside Rubbish and Recycling Collection Rate be carried out prior to the preparation of the 2021/31 Long Term Plan.

(c) **Recommends** to Council that the use of Separately Used or Inhabited Parts of a rating unit (SUIPs) for rating be considered at the next review of the Revenue and Financing Policy, prior to the preparation of the 2021/31 Long Term Plan.

(d) **Notes** that the rates have been applied to the property in accordance with Council's policy.

3. BACKGROUND

3.1 Mr Delis owns a commercial property at 126 Courtenay Drive, Kaiapoi. There are two businesses operated from the property, a storage units complex and a stone mason

business. Both premises have been in existence for a number of years, building consents indicate the early 2000's.

3.2 Following an audit of business properties in March 2018, it was found that there were two separate businesses operating from this site. This required an adjustment to the rates as additional rates would be payable due to the multiple units of use.

3.3 The property owner was advised of the change in rates and asked to confirm that there were two businesses operating from the site. Mr Delis did confirm the multiple uses, but was not happy about the additional rates incurred.

Mr Delis withheld the payment of the second water and kerbside rates in 2018/2019, leaving an unpaid balance of $299.08. This has since increased to $377.15.

Separately Used and Inhabited Parts

3.4 The Local Government (Rating) Act 2002 outlines the matters that may be used to define categories of rateable land in Schedule 2. Schedule 3 lists the factors that may be used in calculating liability for targeted rates. One of the options in Schedule 3 is "the number of separately used or inhabited parts of the rating unit" (SUIP).

3.5 The benefit of using a SUIP is that multiple rates can be set on a single rating unit (property). For example if there are five flats on one property, using SUIPs will allow the Council to charge five water rates If the factor of liability was a rating unit, only one rate would apply.

There are 169 business properties paying the kerbside rubbish collection and recycling rate of $103. Between them there are 633 rates assessed. The rates collected from the 633 SUIPs are $65,199. To collect this amount of revenue from 169 businesses would require a rate of $385.79.

SUIPs are used to collect a number of rates including some water rates, the parks, pools, library and museum rates and the kerbside rubbish/recycling rates. In some cases rates are collected by SUIP for residential properties and by rating unit on business/commercial properties.

3.6 If a Council uses SUIPs as a method of rating, it must include a definition of a SUIP in its Funding Impact Statement. A Council may have a different SUIP definition for different rate types. The following extract from the 2019/20 Annual Plan is this Council's definition.

5. Separately Used or Inhabited Parts of a Rating Unit (SUIP)

Includes any portion inhabited or used by [the owner/a person other than the owner], and who has the right to use or inhabit that portion by virtue of a tenancy, lease, licence, or other agreement.

This definition includes separately used parts, whether or not actually occupied at any particular time, which are used by the owner for rental (or other form of occupation) on an occasional or long term basis by someone other than the owner.

For the purpose of this definition, vacant land and vacant premises offered or intended for use or habitation by a person other than the owner and usually used as such are defined as "used".

For the avoidance of doubt, a rating unit that has a single use or occupation is treated as having one separately used or inhabited part.

Examples of separately used or inhabited parts include: Each flat within a block of flats, or each shop within a block of shops. The same applies to a rating unit with more than one dwelling, unless the second dwelling is a granny flat occupied by a member of the ratepayers household or the second dwelling is not let or available to be let.

For the purposes of the Kerbside Refuse and Recycling Collection Rates, the definition of a SUIP does not include individual units in a motel complex. Multiple motel units comprise one SUIP. Any areas for managers accommodation, office or restaurant facilities are separate SUIPs.

Rates as a Tax

3.7 There is case law determining that rates are a tax rather than a charge for services received. Most often quoted is Woolworths v Wellington City Council – "…it is implicit in the scheme of the legislation that a rating system in its diversity remains primarily a taxation system and not a system inherently based on a principle of user-pays."

3.8 While rates are essentially a tax on property, it is natural that ratepayers will try to reconcile the level of rates that they pay with what they see as the benefits received. Other than rating for water by meter, there are no options in rating legislation that closely match rates with consumption.

3.9 This doesn't mean that the Council should not take into account the beneficiaries of services when it is making its rating decisions. There is not going to be a perfect match, and anomalies will occur. The guiding principles in the Revenue & Financing Policy does aim to achieve this to a degree*. "Services relating to a property, such as sewer and water, are set and assessed per rating unit, separately used or inhabited part (SUIP) of a rating unit, per unit of water supplied or as a fixed charge per water closet or urinal."*

4. ISSUES AND OPTIONS

4.1. The rates have been set in accordance with the legislation, Council policies and the Funding Impact Statement. There is no opportunity to waive payment of the arrears or current rates. The only circumstance where rates can be amended during a rating year is when an error has been made in the assessment.

4.2. The Council could review its method of charging for future years as part of the Annual Plan process next year, or Long Term Plan the following year. A separate review of the Kerbside Rubbish and Recycling Collection rate with regard to multi-unit housing complexes is proposed for the 2021/22 Long Term Plan.

4.3. Both of the businesses on site benefit from the supply of water. The stone cutting operation is dependent on water; and there is value for the storage units in having a high pressure water supply for cleaning and fire management and control.

4.4. The Management Team have reviewed this report and support the recommendations.

5. COMMUNITY VIEWS

5.1. Groups and Organisations

Not sought.

5.2. Wider Community

Not sought at this point, but if the Council decided to review and change its method of rating, it would need to consult the community.

6. IMPLICATIONS AND RISKS

6.1. Financial Implications

Mr Delis has withheld the payment of rates. At the moment this is reasonably minor at $377.15. With arrears penalties of 10% six-monthly, this amount could increase quite quickly. (Penalties have not been charged so far due to the account being in dispute).

6.2. **Community Implications**

Not applicable.

6.3. **Risk Management**

There is a risk that Mr Delis could continue to withhold the payment of rates, and if there is publicity, others could follow suit.

6.4. **Health and Safety**

Not applicable.

7. CONTEXT

7.1. **Policy**

This matter is not a matter of significance in terms of the Council's Significance and Engagement Policy.

7.2. **Legislation**

Local Government (Rating) Act 2002 – Section 18 Calculating Liability for Targeted Rates

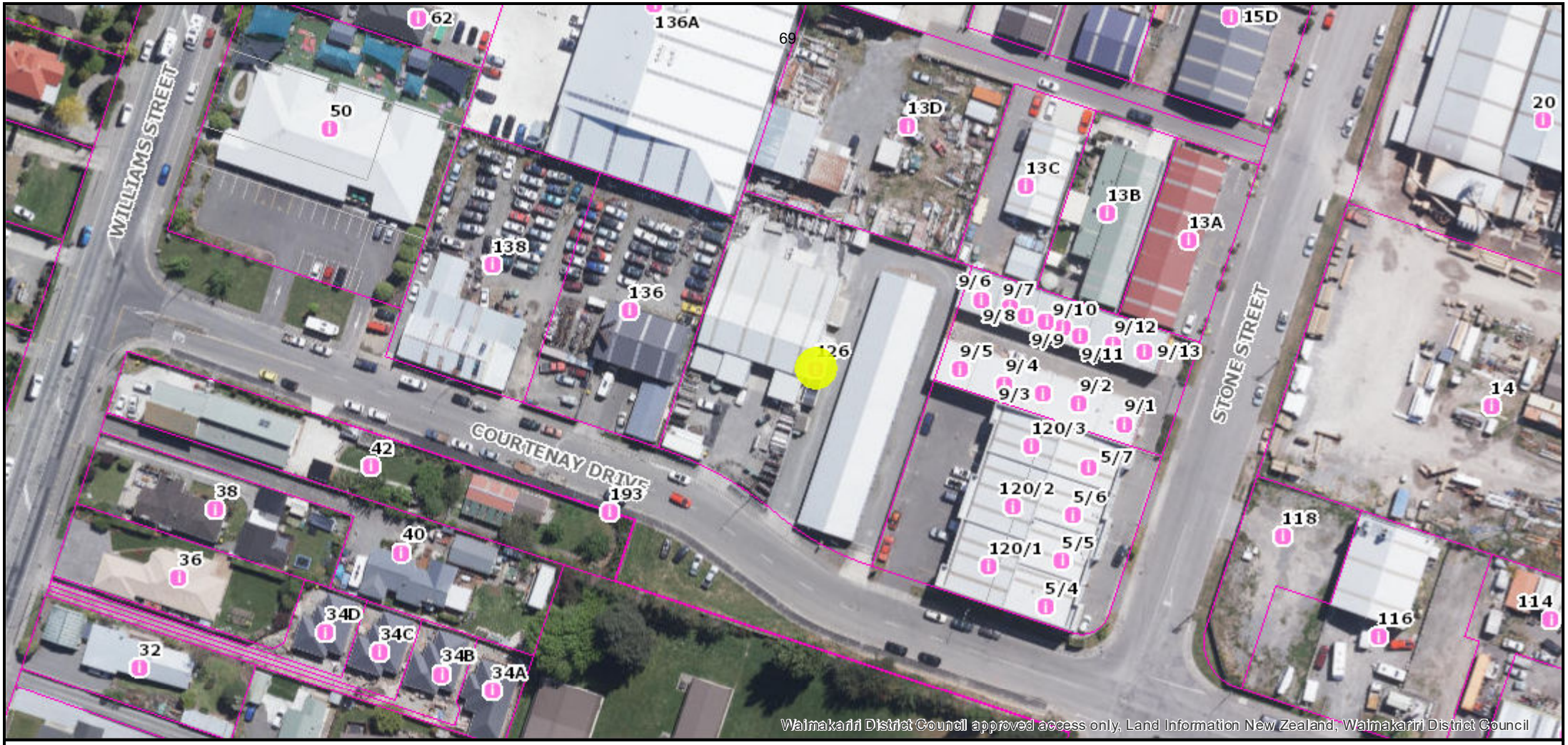
7.3. **Community Outcomes**

Core Utility Services are provided in a timely and sustainable manner.

7.4. **Delegations NA**

Maree Harris

Customer Services Manager



Legend

- Dog Alerts
- Property Alerts
- Person Alerts
- Properties < 1 ha
- Properties > 1 ha
- Approved to Survey Land Parcels
- Property Boundaries
- Deposited Land Parcels

N

WAIMAKARIRI DISTRICT COUNCIL

Property Administration

Date: 11/09/2019

Author: maree@WMK

0 10 20 30 40

Meters

Scale @ A4 - 1:1128

Map Created by WAIMAP Utilities at 10:30:18 AM