



Rangitikei District Council

Telephone: 06 327-0099

Facsimile: 06 327-6970

Rangitikei
UNspoilt...

Audit/Risk Committee Meeting

Order Paper

Thursday 20 April 2017 9 am

Council Chamber, Rangitikei District Council
46 High Street, Marton

Website: www.rangitikei.govt.nz

Email: info@rangitikei.govt.nz

Chair

Mr Craig O'Connell

Membership

Councillors Nigel Belsham, Angus Gordon and Dean McManaway
His Worship the Mayor, Andy Watson (ex-officio)

Please Note: Items in this agenda may be subject to amendments or withdrawal at the meeting. It is recommended therefore that items not be reported upon until after adoption by the Council. Reporters who do not attend the meeting are requested to seek confirmation of the agenda material or proceedings of the meeting from the Chief Executive prior to any media reports being filed.

Rangitikei District Council

Audit and Risk Committee Meeting

Order Paper – Thursday 20 April 2017 – 9:00 AM



Contents

1	Welcome.....	2	
2	Council prayer.....	2	
3	Apologies/leave of Absence	2	
4	Members' conflict of interest.....	2	
5	Confirmation of order of business.....	2	
6	Confirmation of minutes	2	Attachment 1, pages 5-12
7	Maintaining financial protection for Council's underground infrastructure assets	2	Attachment 2, pages 13-111
8	Late items	3	
9	Future items for the agenda.....	3	
10	Next meeting	3	
11	Meeting closed	3	

1 Welcome

2 Council prayer

3 Apologies/leave of Absence

4 Members' conflict of interest

Members are reminded of their obligation to declare any conflicts of interest they might have in respect of items on this agenda.

5 Confirmation of order of business

That, taking into account the explanation provided why the item is not on the meeting agenda and why the discussion of the item cannot be delayed until a subsequent meeting, be dealt with as a late item at this meeting.

6 Confirmation of minutes

Recommendation

That the Minutes of the Audit/Risk Committee meeting held on 13 February 2017 be taken as read and verified as an accurate and correct record of the meeting.

7 Maintaining financial protection for Council's underground infrastructure assets

At its meeting on 30 March 2017, Council resolved (17/RDC/054):

That Council gives notice of its intention to withdraw from the Local Authorities Protection Programme (LAPP) from 1 July 2017 and requests the Chief Executive to arrange an additional meeting of the Audit/Risk Committee to consider whether Council should exercise its right to withdraw from LAPP and to make a recommendation to Council's meeting on 25 May 2017.

Council has contacted both LAPP and Aon (the Horizons region's insurance brokers) informing them of the Committee's meeting and requesting specific information on maintaining financial protection for Council's underground infrastructure from 1 July 2017. What comes to hand will be tabled.

Attached are

- a. The presentation from the Group Manager, Finance & Business Support to the Finance/performance Committee's meeting of 30 March 2017
- b. The Annual Report for LAPP year ending 30 June 2016
- c. Letter from Civic Assurance dated 7 February 2017 (with Draft 2017 Statement of Intent)

- d. Letter from Civic Financial Services dated 10 March 2017 advising AGM on 16 June 2017
- e. Letter from Civic Financial Services dated 31 March 2017 with 2017 Statement of Intent and Civic's Annual Report for 2017
- f. Letter from LAPP dated 12 April 2017

Recommendation

That, having regard to the information available from both the Local Authorities Protection Programme (LAPP) and Aon (the Horizons' region's insurance brokers), the Audit/Risk Committee recommends to Council that it:

EITHER

continues to be a member of LAPP

OR

exercises its right to withdraw from LAPP and takes up insurance cover as proposed by Aon

8 Late items

9 Future items for the agenda

10 Next meeting

12 June 2017, 2.00 pm

11 Meeting closed

Attachment 1

Rangitikei District Council

Audit and Risk Committee Meeting

Minutes – Monday 13 February 2017 – 2:00 p.m.

Contents

1	Welcome.....	2
2	Council prayer.....	2
3	Apologies	2
4	Members' conflict of interest	2
5	Confirmation of order of business	2
6	Confirmation of minutes.....	2
7	Work Priorities for the Current Triennium	2
8	Actions from the Risk Management Framework to Address Risk	3
9	Understanding Council's Risk Appetite – Building Consents as a Test Case.....	4
10	Local Government Excellence Programme	4
11	Committee review	5
12	Late items	5
13	Future items for the agenda	5
14	Next meeting	5
15	Meeting closed	5

Present

Mr Craig O'Connell (Chair)
His Worship the Mayor, Andy Watson
Cr Angus Gordon

In Attendance:

Mr Ross McNeil, Chief Executive
Mr Michael Hodder, Community & Regulatory Services Group Manager
Mr George McIrvine, Finance & Business Support Group Manager
Mr Hamish Waugh, General Manager – Infrastructure, Manawatu District Council
Ms Linda Holman, Governance Administrator

Tabled documents: Item 11: Rangitikei Audit and Risk Committee Evaluation 2017

1 Welcome

The Chair welcomed everyone to the meeting.

2 Council prayer

The Chair read the Council prayer.

3 Apologies

Apologies from Cr Belsham and Cr McManaway were received.

Cr Gordon / His Worship the Mayor. Carried

4 Members' conflict of interest

Members were reminded of their obligation to declare any conflicts of interest they might have in respect of items on this agenda. No conflicts of interest were noted by the Committee.

5 Confirmation of order of business

That, taking into account the explanation provided why the item is not on the meeting agenda and why the discussion of the item cannot be delayed until a subsequent meeting, the Chair accepted the request from the Mayor for guidance on whether changes to the infrastructure shared services arrangement was a matter to be dealt with in the long-term plan process.

6 Confirmation of minutes

Resolved minute number	17/ARK/001	File Ref	3-CT-17-2
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That the Minutes of the Audit/Risk committee meeting held on 5 December 2016 be taken as read and verified as an accurate and correct record of the meeting.

Mr O'Connell / Cr Gordon. Carried.

7 Work Priorities for the Current Triennium

At its meeting on 5 December 2016 the Committee compiled the following list of suggested tasks and projects for the 2016-19 triennium:

- Annual Audit review, and periodically other reviews requiring attention
- Natural disaster events: insurance, business continuity, disaster recovery, and understanding areas of unstable ground
- Community facilities being built, in addition to existing capital works

- Risk Management framework, most likely working at a national level through a Local Government Risk Agency
- Ongoing analysis of capital expenditure
- Water billing and future water-related risks
- Risk management framework and register
- Investigation of Fire Emergency NZ funding risk
- Alignment with Council strategic framework and key priorities
- Information management
- Carry-overs and risks around the consenting process

This list was also distributed at all Committee members on 22 December 2016.

Two additions to the list were suggested:

- 'Future structure of Local Government' (the Chief Executive)
- 'Appetite for Risk around Consents' (His Worship the Mayor)
- Infrastructure inspection regimes (Cr Gordon)

The Mayor noted that anticipated changes to the regulatory environment and central government funding could have a negative impact on planned projects, which may mean it is wise to move them forward. Mr O'Connell suggested that scrutinising upcoming changes in legislation and the political situation is a useful role for the Committee to play.

Discussion was held around the problem of assets not performing at a high level. Cr Gordon gave the example of the Mangaweka Bridge and the Mayor gave the example of minor roads being used in the future for forestry and substantially damaged. It was decided that issues around risks of assets could be raised by the Committee to Council in terms of the risks involved, but the ultimate responsibility for asset management is held by the Assets/Infrastructure Committee.

Mr O'Connell asked how best to get a work programme together. Mr McNeil said the Committee needs to define the systems and processes that Council needs to have to articulate, quantify, and manage risk. Mr O'Connell suggested a good start might be to look at some current plans. The Committee agreed that a long-term view was important.

Mr McNeil suggested that a matrix rather than a list be developed, with sections for actions / projects / initiatives. A descriptor is also needed, in order to explain why the item is of concern. It was decided that Mr McNeil and Mr Hodder will draft this and will then share it with Mr O'Connell. Then it will go to Council and come back to the Committee.

8 Actions from the Risk Management Framework to Address Risk

Mr Hodder spoke to the report, noting that for item 2.6 (Inability to recover/continue business following disaster) there is currently no specific plan written down but strong elements are in place, which just need to be drawn into a coherent plan.

Mr McNeil noted that there are fundamental changes coming for local government, and discussion was held on the future of consenting and the future role of Audit NZ in that process. He noted that the code is the minimum standard not the gold standard.

Resolved minute number**17/ARK/002****File Ref****5-PO-1-3**

That the report 'Actions from the Risk Management Framework to Address Risk' for July to December 2016 be received.

His Worship the Mayor / Cr Gordon. Carried

9 Understanding Council's Risk Appetite – Building Consents as a Test Case

Mr McNeil led the discussion, aided by a whiteboard diagram which is attached to these Minutes as *Appendix 1*. Mr McNeil suggested that there has to be a building consent philosophy. With regards to the building code, this is the minimum compliance level, and staff currently exercise a (variable) degree of discretion – meeting the intent not the letter of the code.

At the other end of spectrum is zero compliance. In theory the Council has full discretion but this is not the assumed intent of the Building Act. The further from the standard we go, the higher the risk. There is an area where staff could exercise discretion – how do we make sure that level of discretion / flexibility is clear? This needs to be documented.

A rational, documented process will provide confidence to the Council. In the past, the District seemed to have accepted a culture of “do it and hope you don't get caught” but equally people came to Council to say they can't quite make code – this was approved but not documented, which causes issues in the future.

Not all areas of non-compliance deliver the same level of risk, for example the road speed limit has a great risk when not complied with than other non-compliant activities (such as over-long parking). So where are the areas of greatest risk? Life safety – fire, structure; also access for people with disabilities. This is the bottom line; everything else is up for discussion.

Discussion was held around the difference between systemic failure and a local risk, and the risk of design being carried out by underqualified persons. Mr McNeil noted that new builds are considered to be at 100%, but this would be at the Council's discretion.

The Chair noted that the next step is writing the “consenting philosophy”, bringing it back to the Committee, then sending to Council. This will come back to the next meeting.

10 Local Government Excellence Programme

Mr McNeil said that there are two steps to this programme: self-assessment and compilation of reference material. There are 90 indicators that Council will be measured against. One of the main focus areas is audit and risk, with questions such as: *do we have a committee? Are we managing risk appropriately? How do we demonstrate we are effective?* Assessors will spend part of their time on this, and the final assessments and reports will be out in May this year.

The Chair asked whether, due to the short time frame, there was any point in changing risk frameworks, and whether the small size of the Council would be taken into consideration during assessment. Mr McNeil said that the rating may be lower for smaller councils to reflect the reality of what can be achieved. Whatever the final assessment for the Council, it does give a benchmark for continuous improvement.

11 Committee review

The Chair tabled the document “Rangitikei A&R Committee Evaluation 2017” and noted that the content was reduced from the first version. The Committee was happy for the Chair to circulate this electronically to the Committee members.

12 Late items

The Mayor asked for clarification on when something becomes a long term plan item, and what the parameters are. Mr McNeil noted that, for shared services, the method of delivery potentially triggers a Long Term Plan item for a CCO (Council Controlled Organisation).

The Chair noted that various options are available for defining when a LTP item is triggered, and usually only when the issue becomes significant – and that will depend on various factors. For example, high cost may be a trigger for some projects but not where that cost is predictably high, for roading contracts and other predictably expensive projects.

13 Future items for the agenda

Update on the list of work priorities for the current triennium.

14 Next meeting

Monday 12 June 2017, 2.00 pm

15 Meeting closed at 4:31pm

Confirmed/Chair: _____

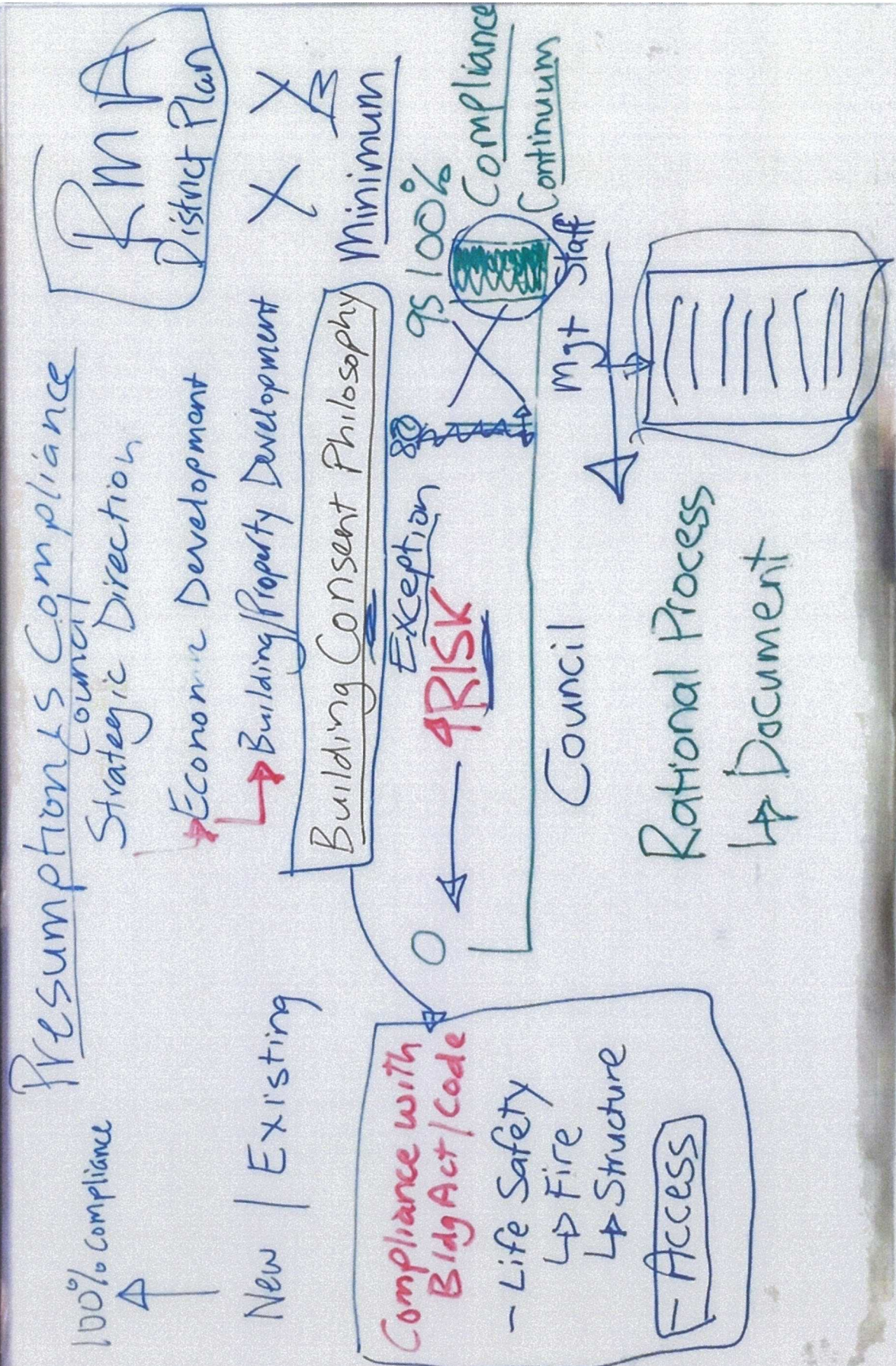
Date:

Appendix 1

Unconfirmed

Panasonic

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Attachment 2

Appendix 1



ANNUAL REPORT 2016

NEW ZEALAND LOCAL AUTHORITY
PROTECTION PROGRAMME
DISASTER FUND

CONTENTS

CHAIRMAN'S REPORT	2
INDEPENDENT AUDITOR'S REPORT	5
STATEMENT OF FINANCIAL PERFORMANCE	7
STATEMENT OF MOVEMENTS IN EQUITY	8
BALANCE SHEET	9
CASH FLOW STATEMENT	10
NOTES TO THE FINANCIAL STATEMENTS	11
TRUSTEE INFORMATION	19
2015 – 2016 FUND YEAR MEMBERSHIP	20
DIRECTORY	21
TRUST DEED	22
PARTICIPATION DEED	33

CHAIRMAN'S REPORT

EARTHQUAKE CLAIMS SETTLED

I report with great pleasure that our Canterbury earthquake claims from 2010 and 2011 have finally been settled. Mediation between Christchurch City Council, LAPP, Civic Assurance and the principal reinsurers took place in December 2015 and settlement was completed in February 2016. At \$635 million, the settlement with Christchurch City Council is the largest insurance pay out in New Zealand history and is on top of the \$217 million that LAPP had already paid for the damage to the below-ground assets of Christchurch City Council and Waimakariri District Council.

My sincere thanks go to Cunningham Lindsey as LAPP's loss adjuster and Civic Assurance as LAPP's administration manager for their tireless work on these claims. Without their expertise we could not have reached such a satisfactory result.

FLOOD CLAIMS SETTLED

In 2010 the Nelson-Tasman region was hit by severe weather which resulted in extensive flooding and damage to both Nelson City Council's and Tasman District Council's three-waters infrastructure. Both Councils made claims on the LAPP Fund and these claims have now been settled. A claim from Westland District Council following the Franz Josef flooding in March 2016 is possible.

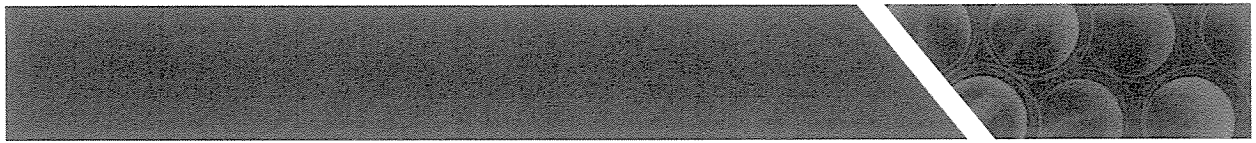
LAPP IN 2016–17

The Canterbury earthquake claims exhausted the LAPP fund. However, thanks to the loyalty of our members the Fund has been able to rebuild. Unallocated funds at 1 July 2016, including members' contributions for the 2016–17 year, stand at \$21.5 million.

For 2016–17, the Trustees decided that the bulk of the investment income expected to be earned by the Fund in 2016–17 should be used to supplement members' contributions. This resulted in a 10% reduction in contributions for members of the 2015–16 fund year who maintained their membership for 2016–17. In committing to a concerted effort to build membership of the Fund, the Trustees also decided that for 2016–17 there would still be no joining fee for new members.

Looking forward, there will also be more of a focus on member visits. Understandably the primary focus of the Fund over the past few years has been on settling the earthquake claims, but with those now behind us your Trustees want to work on strengthening relationships with our members and providing members with risk management assistance wherever we are able.

Until otherwise advised, the Trustees, based on members' feedback, have determined that the notice period for cancelling LAPP membership has reduced from a minimum of a year to two months.



RETIREMENT OF LAPP'S CHAIRMAN

LAPP's Chairman since 2009, Kinsley Sampson, retired from the Board on 30 June 2016. A familiar face in New Zealand local government, Kinsley was on the working party that set LAPP up in 1993 and has been involved with LAPP ever since. Kinsley played an important part in the settlement of the Canterbury earthquake claims and represented LAPP at a number of the mediations. We would like to thank Kinsley for his foresight and leadership and wish him the very best for the future.

60/40 REVIEW

A joint LAPP-Riskpool Member meeting was held in March following SOLGM's Strategic Finance Forum. The main focus at the LAPP meeting was the proposed central government review of the 60/40 financial split for repairing/replacing local government three-waters infrastructure following a natural disaster. LAPP's Trustees and administration manager are actively involved in assisting Treasury with this review and are working hard to look after members' interests.

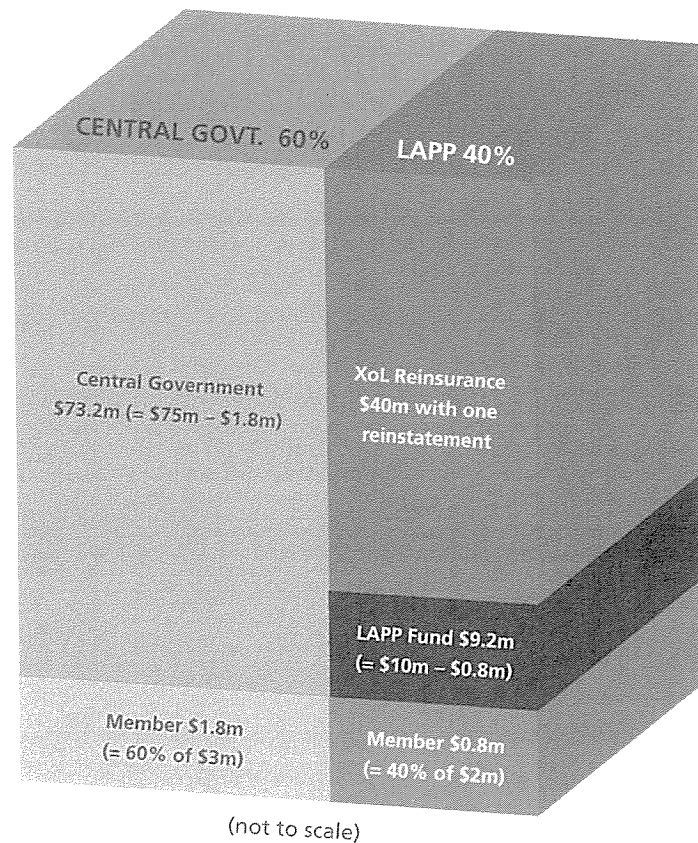
The cheapest forms of insurance where there is capacity to do it are self-insurance and pooled self-insurance. This is because non-claims costs for insurance typically eat up 50% of the insurance premiums and for rare events, such as those covered by LAPP, the non-claims costs are around 75% of the insurance premiums. The role that LAPP can play in helping councils to reduce the cost of their risk-financing will be even more important if central government as expected increase the percentage of natural hazard risk to be covered by local authorities.

LAPP REINSURANCE PROGRAMME FOR 2016–17

LAPP has again secured reinsurance of \$40 million in excess of \$10 million for covering members' three-waters infrastructure. Along with central government's current 60% contribution, LAPP in 2016–17 protects members for two events of up to \$125 million each without the Fund being exhausted. Even without allowing for any further mitigation (such as buying extra reinsurance following a major event as was done by LAPP after the September 2010 earthquake), LAPP's actuaries, Melville Jessup Weaver, have put the probability of net claims on the LAPP Fund exceeding \$15 million in the next twelve months at just 0.1%, which will provide comfort to our Members regarding LAPP's resilience.

The diagram on the next page illustrates LAPP's reinsurance arrangements for 2016–17 assuming an event of \$125 million for a member with a government claims threshold of \$3 million and a LAPP claims threshold of \$2 million.

LAPP REINSURANCE PROGRAMME FOR 2016–2017



THANK YOU

My thanks go to the Civic staff, Tim Sole, Frank Heaton, Alistair Hanning, Oliver Gilmore, Roger Gyles and Caroline Bedford, who provide administration services to LAPP including claims management; to Bryan Whitefield and Marlene Kanga of Risk Management Partners; to Mark Crosby of Cunningham Lindsey loss adjustors; to Jeremy Holmes of Melville Jessup Weaver, LAPP's actuaries; and to my fellow trustees. The collective in-depth skill they provide in a wide range of disciplines is what makes the LAPP programme such a valuable option for local government.

Langley Cavers
Chairman

**TO THE MEMBERS OF NEW ZEALAND LOCAL AUTHORITY PROTECTION PROGRAMME
DISASTER FUND'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

The Auditor-General is the auditor of the New Zealand Local Authority Protection Programme Disaster Fund ("the Fund"). The Auditor-General has appointed me, Brent Manning, using the staff and resources of KPMG, to carry out the audit of the financial statements of the Fund on her behalf.

Opinion

We have audited the financial statements of the Fund on pages 7 to 18, that comprise the balance sheet as at 30 June 2016, the statement of financial performance, statement of movements in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Fund:

- present fairly, in all material respects:
 - its financial position as at 30 June 2016; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Standards Reduced Disclosure Regime (PBE RDR).

Our audit was completed on 24 August 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Trust Board and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Fund's financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Trust Board;
- the adequacy of the disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also, we did not evaluate the security and controls over the electronic publication of the financial statements.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Trust Board

The Trust Board is responsible for the preparation and fair presentation of financial statements for the Fund that comply with generally accepted accounting practice in New Zealand.

The Trust Board's responsibilities arise from clause 5.3 of the Trust Deed of the Fund.

The Trust Board is responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Trust Board is also responsible for the publication of the financial statements, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and clause 4.4.1 of the Trust Deed of the Fund.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship or interests in the Fund.



Brent Manning

KPMG

On behalf of the Auditor-General

Wellington, New Zealand

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
INCOME			
Members' Below-Ground Contributions		4,155,960	5,326,100
Interest		500,638	598,373
TOTAL INCOME		4,656,598	5,924,473
EXPENDITURE			
Direct Expenses			
Claims Expense	5	(2,397,572)	(6,948,317)
Reinsurance Recoveries	5	1,617,786	6,947,724
Net Claims Expense		(779,786)	(593)
Risk Management Programme		136,949	80,636
Excess of Loss Insurance Premium		2,300,000	1,937,025
		1,657,163	2,017,068
Other Expenses			
Administration Fees		473,908	468,331
Audit Fees		36,989	42,875
Other Fees Paid To Auditors		-	6,825
Consultancy		96,095	50,844
Legal Fees		92,768	25,346
Marketing		10,994	4,435
Meeting/Travel Expenses		30,057	23,152
Printing and Stationery		10,767	11,359
Trust Board Liability Insurance		45,499	70,000
Trust Board Remuneration		56,650	55,000
Sundry Expenses		5,491	2,495
		859,218	760,662
TOTAL EXPENDITURE		2,516,381	2,777,730
NET SURPLUS BEFORE TAX		2,140,217	3,146,743
Tax Expense		-	-
NET SURPLUS		2,140,217	3,146,743

The notes to the Financial Statements form part of, and are to be read in conjunction with, these Statements.

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
Net Surplus for the Year	2,140,217	3,146,743
TOTAL RECOGNISED REVENUES AND EXPENSES	2,140,217	3,146,743
EQUITY AT BEGINNING OF THE YEAR	17,568,087	14,421,344
EQUITY AT END OF THE YEAR	19,708,304	17,568,087

The notes to the Financial Statements form part of, and are to be read in conjunction with, these Statements.

BALANCE SHEET

AS AT 30 JUNE 2016

	Note	2016 \$	2015 \$
TOTAL EQUITY		19,708,304	17,568,087
Represented By:			
Current Assets			
Bank – ANZ Bank New Zealand Ltd		4,413,288	3,656,891
Short Term Deposits – Bank Deposits	8	15,770,498	11,466,112
Accrued Interest		111,157	22,738
Accounts Receivable		24,557	8,006,332
Reinsurance Recoveries Receivable	6	-	477,510,784
GST Receivable		49,171	182,853
Total Current Assets		20,368,671	500,845,710
TOTAL ASSETS		20,368,671	500,845,710
Current Liabilities			
Accounts Payable		77,390	494,128
Deferred Income		413,540	-
Provision for Claims	7	169,437	482,783,495
Total Current Liabilities		660,367	483,277,623
TOTAL LIABILITIES		660,367	483,277,623
EXCESS OF ASSETS OVER LIABILITIES		19,708,304	17,568,087

Approved for and on behalf of the Board on 24 August 2016:



L D CAVERS – CHAIRMAN



D LOTT – TRUST BOARD MEMBER

The notes to the Financial Statements form part of, and are to be read in conjunction with, these Statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was Provided from:			
Members' Contributions		4,265,000	4,620,260
Interest Received – Bank		412,220	607,844
		4,677,220	5,228,104
Cash was Applied to:			
Net Claims		(2,478,027)	1,176,729
Risk Management Programme		152,147	133,872
Excess of Loss Insurance		2,276,556	1,937,025
Administration Fees		473,908	468,331
Meeting/Travel Expenses		30,057	23,560
Trust Board Remuneration		56,650	55,000
Other Expenses		272,138	262,463
Net GST Paid		(1,166,992)	171,601
		(383,563)	4,228,581
NET CASH FLOW FROM OPERATING ACTIVITIES	10	5,060,783	999,523
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was Applied to:			
Investments – Short Term Bank Deposits		(4,304,386)	141,809
		(4,304,386)	141,809
NET CASH FLOW FROM INVESTING ACTIVITIES		(4,304,386)	141,809
Net Increase / (Decrease) in Cash Held		756,397	1,141,332
Opening Cash Balance		3,656,891	2,515,559
CLOSING CASH BALANCE		4,413,288	3,656,891
Represented by:			
Bank – ANZ Bank New Zealand Ltd		4,413,288	3,656,891
		4,413,288	3,656,891

The notes to the Financial Statements form part of, and are to be read in conjunction with, these Statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1 REPORTING ENTITY

The purpose of the New Zealand Local Authority Protection Programme Disaster Fund, ("The Fund") is to provide cover to member local governments for losses or damage to infrastructure assets resulting from flooding, earthquakes and other damaging events.

The Fund is a charitable trust registered on 8 May 2008 and is governed by a Deed of Trust dated 14 December 2007.

Statement of Compliance

The financial statements have been prepared in accordance Tier 2 Public Sector Public Benefit Entity (PBE) Standards. The criteria under which the Fund is eligible to report in accordance with Tier 2 PBE Standards are that it is not publicly accountable and is not large and disclosure concessions have been applied.

NOTE 2 ONGOING OPERATIONS

Following consultation with its members, from 1 July 2013 LAPP opted for a mix of self-reinsurance and reinsurance cover.

This option was adopted as a means of speeding up the rebuild of the LAPP fund while keeping the LAPP contributions manageable for the members. From 1 July 2014, the LAPP reinsurance programme is such that there is no contingent liability on members should a disaster occur to another member.

NOTE 3 GOING CONCERN

The financial statements have been prepared on a going concern basis. The Trust Board believe that while members have the right to leave the fund, the increased equity (\$19.6 million) provides a solid basis to conclude that the Fund will continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 4 STATEMENT OF ACCOUNTING POLICIES

General Accounting Policies

The reporting currency is New Zealand dollars. Income and expenses are accounted for on an accruals basis.

Particular Accounting Policies

The following are particular accounting policies which materially affect the measurement of financial performance and financial position. Further particular accounting policies are contained in the relevant notes to the financial statements.

INCOME RECOGNITION

Contributions are recorded in the Statement of Financial Performance in the year in which they relate.

TAXATION

The Fund has been granted charitable status under section CW 34(1) of the Income Tax Act 2004 by the Inland Revenue Department, hence no taxation has been provided for in the financial statements.

GOODS AND SERVICES TAX

The Financial Statements are prepared on a GST exclusive basis, except for receivables and payables that are stated inclusive of GST.

Changes in Accounting Policies

There have been no changes in accounting policies during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2016

NOTE 5 CLAIMS AND REINSURANCE RECOVERIES**Critical Accounting Policies**

There are no critical estimates and judgements taken in respect to the accounts for the year ended 30 June 2016.

Gross outstanding claims liabilities total \$0.017 million (2015: \$483 million).

On 11th December 2015 a global settlement was signed between LAPP, its insurer (Civic Assurance) and the Christchurch City Council in relation to the Canterbury earthquakes claims. All reinsurance monies have been received and the final payment to the Council made in February 2016.

For the year ended 30 June 2015 the critical estimates and judgements were in respect of the quantification of the losses arising from the Canterbury earthquakes and the subsequent reinsurance recoveries.

Loss assessors performed assessments on all claims and the extent of these assessments ranges from initial visual assessments, to full details reviews including structural engineering considerations. The estimates or projections were based on known facts and circumstances and assumptions regarding future events and key variables. The uncertainties surrounding the measurement of gross claim liabilities and the related reinsurance recoveries arose from a number of factors including longer than normal claim development periods and the extent of damage.

NOTE 6 REINSURANCE RECOVERIES RECEIVABLE*Accounting Policy:*

Reinsurance recoveries are provided for when the claims incurred exceed the reinsurance excess level. These debtors are stated at estimated realisable value.

	2016	2015
	\$	\$
Reinsurance Recoveries	-	477,510,784

All reinsurance monies were received in February 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2016

NOTE 7 PROVISION FOR CLAIMS

*Accounting Policy:**A provision for a claim is recognised when:*

- a claim has been received;
- a potential obligation has been recognised by the Trust Board;
- it is probable that an outflow of resources will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

	2016	2015
	\$	\$
Opening Balance	482,783,495	507,208,523
<i>Less: Claims Paid</i>		
Below ground (Chch EQ 4 Sept 2010)	-	-
Below ground (Chch EQ 22 Feb 2011)	-	-
Below ground (Other)	(272,194)	(860)
Above ground (Chch EQ 4 Sept 2010)	(377,595)	(2,534,300)
Above ground (Chch EQ 26 Dec 2010)	(734,011)	-
Above ground (Chch EQ 22 Feb 2011)	(474,755,589)	(12,262,941)
Above ground (Chch EQ 13 June 2011)	(4,243,770)	(2,679,501)
Above ground (Other)	166,674	891
	(480,216,486)	(17,476,711)
<i>Plus: Claims Reassessed</i>		
Below ground (Other)	(558,340)	-
Above ground (Chch EQ 4 Sept 2010)	(24,935,112)	(1,306,928)
Above ground (Chch EQ 26 Dec 2010)	(950,146)	-
Above ground (Chch EQ 22 Feb 2011)	46,809,112	(527,192)
Above ground (Chch EQ 13 June 2011)	(22,593,038)	(5,113,307)
Above ground (Other)	(170,048)	(890)
	(2,397,572)	(6,948,317)
CLOSING BALANCE	169,437	482,783,495

Claims payments are made as claims are quantified and approved by the Trust Board.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 8 FINANCIAL INSTRUMENTS

Accounting Policy:

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Fund's contractual rights to the cash flows from the financial assets expire or if the Fund transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or designated as such upon initial recognition. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the Statement of Financial Performance.

Other

Subsequent to initial recognition, other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

The Fund is involved with a number of financial instruments in the course of its normal activities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 8 FINANCIAL INSTRUMENTS *(continued)***Financial Assets and Liabilities**

The carrying amounts of all financial assets and liabilities are considered to be equivalent to their market value, which for these assets and liabilities is also considered to be fair value. All fixed interest investments were managed around a 90 day duration and carry a minimum Standard and Poor's credit rating of "A1" or equivalent.

Carrying value of Financial Assets and Financial Liabilities

	2016 \$	2015 \$
<i>Financial Asset: Loans and Receivables</i>		
Bank & Cash Equivalents	20,183,786	15,123,003
Sundry Debtors	184,885	8,211,923
Reinsurance Receivable	-	477,510,784
Total Loans and Receivables	20,368,671	500,845,710
<i>Financial Liability: Amortised Cost</i>		
Accounts Payable	77,390	494,128
TOTAL AMORTISED COST	77,390	494,128

NOTE 9 COMMITMENTS AND CONTINGENT LIABILITIES

The Fund has the ability to provide support to Members based on its reserves and its ability to make reinsurance recoveries.

Protection is only available to Members at the discretion of the Trust Board exercised in accordance with the provisions of the Trust Deed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 10 RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

Accounting Policy:

The following are definitions of the terms used in the Cash Flow Statement:

Cash: comprises cash balances held with banks in New Zealand and overseas. Cash excludes term deposits that are not used as part of the Fund's day to day cash management.

Investing activities: comprise acquisition and disposal of investments. Investments include securities not falling within the definition of cash.

Operating activities: include all transactions and other events that are not investing activities.

	2016	2015
	\$	\$
Net Surplus	2,140,217	3,146,743
Add/(less) movements in other working capital items		
Accrued Interest	(88,418)	9,472
GST Receivable	133,682	(173,215)
Accounts Receivable	485,492,559	23,342,286
Accounts Payable & Provisions	(482,617,257)	(25,325,764)
	2,920,566	(2,147,221)
NET CASH FLOW FROM OPERATING ACTIVITIES	5,060,783	999,522

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 11 EVENTS AFTER BALANCE DATE

There have been no material events subsequent to 30 June 2016 that requires adjustment to or disclosure in the financial statements.

TRUSTEE INFORMATION

The Trustees and their nominating bodies are:

LD Cavers	SOLGM	CEO, Hauraki District Council
JH McFarlane	SOLGM	Manager, Legal and Corporate, Waipa District Council
DA Lott	Civic Assurance	Company Director
KN Sampson MNZM	Civic Assurance	Former Chairman, Civic Assurance
LA Yule	LGNZ	Mayor, Hastings District Council and President, Local Government New Zealand
Vacant	LGNZ	

During the year, the Trustees met for formal meetings on 7 occasions.

Attendance was:

LD Cavers	7
DA Lott	7
JH McFarlane	6
KN Sampson (resigned 30 June 2016)	7
LA Yule	4

2015 – 2016 FUND YEAR MEMBERSHIP

Ashburton District Council	Invercargill City Council	Stratford District Council
Buller District Council	Kaikoura District Council	Tasman District Council
Carterton District Council	Manawatu District Council	Timaru District Council
Christchurch City Council	Marlborough District Council	Waimakariri District Council
Environment Southland	Masterton District Council	Waimate District Council
Gore District Council	Nelson City Council	Wairoa District Council
Grey District Council	New Plymouth District Council	Waitaki District Council
Hastings District Council	Palmerston North City Council	Waitomo District Council
Hauraki District Council	Rangitikei District Council	Westland District Council
Horowhenua District Council	South Taranaki District Council	Whangarei District Council
Hurunui District Council	South Wairarapa District Council	

DIRECTORY

ADMINISTRATION MANAGER

Civic Assurance
PO Box 5521
Wellington 6140

REINSURANCE MANAGER

Aon Benfield
Sydney
Australia

RISK MANAGER

Risk Management Partners Pty Ltd
Beacon Hill
Sydney
Australia

THE ADDRESS FOR CORRESPONDENCE IS

Jane Brown
Administration Manager
NZ Local Authority Protection Programme Disaster Fund
PO Box 5521
Wellington 6140

Phone: 04 978 1268
Facsimile: 04 978 1260
Email: jane.brown@civicassurance.co.nz

New Zealand Local Authority
Protection Programme Disaster Fund

TRUST DEED

Burrowes and Company
Barristers and Solicitors
PO Box 24515, Wellington 6142
Ph. 04 473 7733: Fax. 04 471 1121

CLAUSE	PAGE
1	DEFINITIONS AND INTERPRETATION
1.1	Definitions
1.2	Interpretation
2	CONSTITUTION OF THE FUND
2.1	New Zealand Local Authority Protection Programme Disaster Fund
3	TRUSTEES
3.1	Appointment and Removal of Trustees
3.2	Meetings of Trustees
3.3	Subcommittees
3.4	Validity of Acts of Trustees
3.5	Resolutions in Writing
3.6	Remuneration of Trustees
3.7	Indemnity and Limitation of Trustee's Liability
4	POWERS OF TRUSTEES
4.1	General Powers
4.2	Investments Authorised
4.3	Exercise of Discretion
4.4	Appointment of Auditor
5	MANAGEMENT AND ADMINISTRATION
5.1	Appointment of Administration Manager
5.2	Records to be Kept
5.3	Accounts
5.4	Annual Report of the Fund
5.5	Delegation
5.6	Expenses of Administration
5.7	Indemnity of Administration Manager
5.8	Execution of Deeds
6	MEMBERSHIP COVERAGE
6.1	Admission of Members
6.2	Withdrawal from Membership
6.3	Suspension or Termination of Membership
6.4	Coverage
7	GENERAL PROVISIONS RELATING TO CONTRIBUTIONS
7.1	Annual Contributions
7.2	Method of Payment
7.3	Disputes regarding Quantum of Annual Contributions
7.4	Extraordinary Contributions
8	DISTRIBUTIONS FROM THE FUND
9	ALTERATION
9.1	Alteration of the Trust Deed
9.2	Notice to Members
9.3	Alteration of Participation Deeds
10	WINDING UP OF THE FUND
10.1	Procedures
10.2	Allocation of Proceeds
11	MISCELLANEOUS
11.1	Notices
11.2	Succession
11.3	Waiver and Precedent
11.4	Office

THIS DEED is made the 14th day of December 2007

BETWEEN **NEW ZEALAND LOCAL GOVERNMENT ASSOCIATION INCORPORATED**, a society incorporated in Wellington pursuant to the Incorporated Societies Act 1908 ("the Settlor")

AND **ROBERT DAVID RENNIE ELLIOTT** of Gisborne, formerly Chief Executive Officer now retired, **WYNNE ARCHDALL RAYMOND**, formerly Mayor now retired, **IAN ROBERT FLOCKHART MCKELVIE**, Mayor of Manawatu, **KINSLEY NEVILLE SAMPSON** of New Plymouth, formerly General Manager now Company Director, **DALE ALWYN LOTT** of North Shore City, Auckland, Accountant, and **LANGLEY DAVID CAVERS** of Hauraki District, District Manager (together "the Trustees")

WHEREAS

- A The Settlor established a fund for the reinstatement of lost or damaged generally uninsurable local government infrastructure known as the New Zealand Local Authority Protection Programme Disaster Fund, by Deed of Trust dated 29 June 1993 ("the Establishment Trust Deed")
- B Only those Local Authorities that are contributing to the fund are to be eligible for distributions in the event of loss or damage to their infrastructure.
- C The Fund is to be accumulated and applied for the purpose by the Trustees in accordance with this Trust Deed.
- D The Trust Deed provides that the Trustees may amend the Trust Deed by unanimous resolution of the Trustees present at any validly convened meeting, provided such amendment is not inconsistent with the charitable scope of the trusts contained in the Trust Deed.
- E The Trust Deed was amended by Deeds of Variation dated 14 February 1997 and 5 June 2003, both times with the consent of the Settlor as required by the Establishment Trust Deed.
- F At a meeting of the Trustees held on 9 November 2007 the Trustees resolved that:
 - (a) the Trust Deed would be further amended, and
 - (b) such amendments would be incorporated into this deed once the consent of the Settlor had been obtained.

NOW THIS DEED WITNESSES AND IT IS AGREED AND DECLARED AS FOLLOWS:

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

Each of the following words and expressions shall, unless the context otherwise requires, have the following meanings, as indicated:

"the Act" means the Charitable Trusts Act 1957;

"Administration Manager" means the person appointed to that office;

"Advisory Trustee" means any advisory trustee appointed pursuant to clause 3.1.8;

"Alternate Trustee" means any alternate trustee appointed pursuant to clause 3.1.3;

"Annual Accounts" means statements of income and expenditure and balance sheets of the Fund prepared or to be prepared in accordance with the provisions of this Trust Deed;

"Annual Contribution" means the annual payment to the Fund made by each Member in return for Coverage by the Fund for a Fund Year;

"Asset Value" means the cost of reinstatement of a Member's Infrastructure as determined pursuant to clause 7.1.1(a);

"Auditor" means the office of auditor or auditors to the Fund for the time being;

"Commencement Date" means 1 July 1993;

"Coverage" means protection for the cost of reinstatement of the Members' Infrastructure required as a result of a Damaging Event;

"Damaging Event" includes flooding, earthquake, volcanic eruptions (including the effects of volcanic ash), storm surge, tsunami, wildfire, gas explosion, hail, snow, wind damage, landslide, lahar and any other sudden event or sudden situation causing serious disruption, loss or damage to Infrastructure;

"Deductible" means any uninsured first amount of any loss or damage following a Damaging Event that the Trustees determine shall be borne by the Member;

"Distribution" means payment, made to a Member from the Fund, consequent upon their Coverage;

"Extraordinary Contribution" means any contribution to the Fund which a Member is required to make as:

(i) a condition of their entry to membership of the Fund at any time after the Commencement Date; or

(ii) any contribution for Coverage for any part or portion of a year;

"Fund" means the New Zealand Local Authority Protection Programme Disaster Fund, established by the Establishment Trust Deed;

"Fund Year" means each year of the Fund commencing on 1 July and ending on 30 June in the calendar year following;

"Infrastructure" means any asset accepted as such by the Trustees and registered with the Trustees for Coverage for which a Local Authority has an insurable interest and may include reticulation, storage and treatment facilities (water, sewage, stormwater); tunnels other than road tunnels; dams; canals; stopbanks; flood control protection works; drainage works; detention ponds; sea walls; and harbour risks (including buoys, beacons and foreshore lighthouses).

"Investment Manager" means any person to whom the Trustees have contracted the investment of some or all of the assets of the Fund pursuant to clause 4.1.1(b);

"Local Authority" means any New Zealand Local Authority or Territorial Authority or Regional Council as defined in section 5 of the Local Government Act 2002, and includes any Council-Controlled Organisation as defined by section 6 of that Act.

"Member" means any Local Authority admitted as a member of the Fund, the membership of which has not been terminated.

"Participation Deed" means the agreements so called entered into by Local Authorities on admission to membership of the Fund;

"Stated Value" means the Member's estimate of the reinstatement value of its Infrastructure.

"the Trustees" means the trustees named in this Trust Deed (until removed from office), any new trustees appointed either pursuant to clause 3.1.2 or clause 3.1.6, any Alternate Trustees appointed pursuant to clause 3.1.3 and any Advisory Trustees appointed pursuant to clause 3.1.8 collectively.

"written" or "in writing" includes printing, engraving, lithography, telegraphy, facsimile or any other communication by written word.

1.2 Interpretation

1.2.1 Words importing any one gender shall include the other.

1.2.2 Plurals shall include the singular and vice versa.

1.2.3 Reference to persons shall include body corporates.

- 1.2.4 Reference to any Act of Parliament shall be deemed to include every amendment or re-enactment of it and every Act of Parliament substituted for it, and any regulations made under the Act.
- 1.2.5 All references in this Trust Deed, or to provisions or clauses of this Trust Deed, shall be deemed to be references to this Trust Deed and to those provisions or clauses as altered from time to time pursuant to the provisions of this Trust Deed.
- 1.2.6 Except as otherwise defined in this Trust Deed, the terms used in this Trust Deed which have been defined in the Act shall have the same meaning as ascribed to those terms in the Act.

2 CONSTITUTION OF THE FUND

2.1 New Zealand Local Authority Protection Programme Disaster Fund

- 2.1.1 A fund is hereby established by the New Zealand Local Government Association Incorporated, with the charitable purposes set out in clause 2.1.3.
- 2.1.2 The name of the fund shall be the New Zealand Local Authority Protection Programme Disaster Fund.
- 2.1.3 The charitable purposes of the Fund shall be:
- To assist New Zealand local government to carry out its responsibilities under central government's disaster recovery policies and plans; and
 - To provide funds for Members for the purpose of reinstatement of lost or damaged Infrastructure as a result of Damaging Events; and
 - To facilitate effective programmes to enable New Zealand local government to identify and manage risks to their Infrastructure by minimising and reducing the exposure, limiting the risks and diminishing the potential for loss or damage; and
 - To provide Members with the capacity for self-help to recover from consequences of Damaging Events; and
 - To do anything else which the Trustees may think is conducive or incidental to the attainment of the above charitable purposes.
- 2.1.4 There are no non-charitable purposes for the Fund.
- 2.1.5 The Fund shall consist of all property for the time being held by or on behalf of the Trustees, derived from:
- Any gifts or donations;
 - Extraordinary Contributions;
 - Annual Contributions;
 - Income from investments;
 - Proceeds of realisation of investments;
 - Any policies or contracts of re-insurance;
 - Any recoveries;
 - Any other source.
- 2.1.6 The Fund shall be held in trust by the Trustees upon the trusts and for the charitable purposes contained in this Trust Deed and shall be managed, administered and applied by the Trustees, in accordance with the powers contained in this Trust Deed, in order to attain those charitable purposes.
- 2.1.7 The Trustees are and shall remain responsible for the safe custody of all money, policies, certificates and other documents of title and value in connection with the Fund and for the safe custody, realisation and distribution of all of the assets from the Fund, from time to time vested in them.

3 TRUSTEES

3.1 Appointment and Removal of Trustees

- 3.1.1 The number of Trustees shall be not less than four nor more than six. The Trustees shall be one or two appointees of the Settlor; one or two appointees of the New Zealand Local Government Insurance Corporation Limited; and one or two appointees of the NZ Society of Local Government Managers Incorporated (together called the "Appointors").
- 3.1.2 The power of appointing new Trustees shall be vested in the Appointors each of which shall have the power to appoint two persons as Trustees and they having been appointed as Trustees to remove and/or replace them, by notice in writing given to the Administration Manager.
- 3.1.3 The Appointors shall be entitled to appoint any person as an Alternative Trustee in place of any Trustee appointed by them, by notice in writing given to the Administration Manager, either for a specified period, or for a specified meeting or any part of a meeting, or for any particular subject matter at any meeting, or generally during the absence of any such Trustee, and from time to time, in the same manner, to remove any Alternate Trustee.
- 3.1.4 An Alternate Trustee appointed pursuant to clause 3.1.3 shall:
- not be remunerated otherwise than out of the remuneration of the Trustee in whose place the Alternate Trustee acts;
 - be deemed to have automatically vacated office when the Trustee in whose place the Alternate Trustee acts vacates office;
 - unless otherwise provided by the terms of appointment of the Alternate Trustee, have the same rights, powers and privileges (including without limitation, the right to receive notice of meetings of Trustees, the power to sign resolutions of Trustees and the power to witness the affixing of the common seal) as the Trustee in whose place the Alternate Trustee is appointed;
 - discharge all the duties of, and be subject to the same provisions in this Trust Deed as the Trustee in whose place the Alternate Trustee acts.
- 3.1.5 The Administration Manager shall within seven days of it being notified in writing of the appointment, removal or resignation of a Trustee give to every Member and Appointor (other than an Appointor exercising its powers of appointment or removal) written notice of the appointment, removal or resignation of the Trustee.
- 3.1.6 Notwithstanding the provisions of clause 3.1.2 of this Trust Deed, if any Appointor shall fail at any time to exercise its power of appointment and notify the Administration Manager in writing accordingly, within fourteen days of:
- it being notified in writing of the removal or resignation of their appointee; or
 - it becoming aware of the occurrence of another event which creates a vacancy (as provided for in clause 3.1.7); and
 - the number of Trustees falls below four – then the Trustees shall forthwith appoint further or additional Trustees on behalf of any Appointors so failing, so as to ensure there are not less than four nor more than six Trustees and every Trustee then appointed may thereafter only be removed by unanimous resolution of the Trustees.
- 3.1.7 A vacancy in the office of Trustee shall arise if:
- a Trustee is adjudged bankrupt; or
 - a Trustee resigns by notice in writing to the Administration Manager; or
 - a Trustee refuses to act; or

- (d) a Trustee becomes of unsound mind; or becomes subject to a property order under the Protection of Personal and Property Rights Act, 1988; or
 - (e) a Trustee is removed by their Appointor in accordance with the provisions of this Trust Deed; or
 - (f) a Trustee is otherwise removed by operation of law.
- 3.1.8 The Trustees shall have power to appoint any person at any time as an Advisory Trustee to the Fund, and to prescribe the function of such Advisory Trustee. An Advisory Trustee shall not be counted in the number of Trustees required by clause 3.1.1, or in the quorum required for meetings of the Trustees, nor be entitled to vote thereat.
- 3.2 Meetings of Trustees**
- 3.2.1 The Trustees shall from time to time meet for the despatch of business of the Fund, and subject to the provisions of this Trust Deed and particularly this clause 3.2 shall have the power to adjourn or otherwise regulate their meetings and proceedings, and vary the regulation and procedure of such meetings and proceedings, as the Trustees think fit.
- 3.2.2 Questions arising at any meeting of the Trustees shall be determined by a majority of the votes of those present and voting.
- 3.2.3 (a) The Trustees shall at their inaugural meeting and again before the end of each Fund Year elect one of their number to be the chairman of Trustees for the ensuing Fund Year. The person so elected shall hold office as chairman of Trustees during the ensuing Fund Year, and shall be eligible for re-appointment.
- (b) The person so appointed shall chair all meetings of the Trustees at which they are present. If at any meeting the chairman is not present within fifteen minutes of the appointed time for holding the meeting the Trustees present shall then choose one of their number to be the chairman of that meeting.
- (c) A chairman shall not be entitled to a second or casting vote.
- 3.2.4 Every meeting of the Trustees shall be called by giving not less than seven days notice in writing to the Trustees provided that a meeting of the Trustees shall be deemed to have been duly called if it is so agreed by all the Trustees entitled to attend and vote thereat.
- 3.2.5 Upon the written request of three Trustees giving notice of the subject matter of that meeting, the Administration Manager shall summon a special meeting of the Trustees, within seven days of that request.
- 3.2.6 Every notice of a meeting of the Trustees shall:
- (a) be given in writing by the Administration Manager to each Trustee at their last known address;
 - (b) be exclusive of the day on which it is served and of the day of the meeting;
 - (c) specify the place, day and hour of the meeting;
 - (d) specify, in the case of special business, the general nature of that business.
- 3.2.7 The accidental omission to give notice of a meeting to, or the non receipt of notice of a meeting by, any Trustee shall not invalidate the proceedings at the meeting.
- 3.2.8 (a) No business shall be transacted at any meeting of the Trustees unless a quorum is present at the time when the meeting proceeds to business. The quorum for meetings of the Trustees shall be as fixed by resolution of the Trustees and until so fixed any number of the Trustees more than one-half of the total number of the Trustees entitled to vote thereat shall constitute a quorum. Where one-half in number of the Trustees so entitled to vote is a fraction it shall be rounded-up to the next whole number and such number shall be the quorum for a meeting of the Trustees.
- (b) If within half an hour from the time appointed for a meeting of the Trustees a quorum is not present the meeting shall stand adjourned to the same day in the next week at the same time and place, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the Trustees present shall constitute a quorum.
- (c) Every Trustee present shall, notwithstanding their conflict between interest and duty (if any), be counted in a quorum present.
- 3.2.9 A validly called meeting of the Trustees at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under this Deed vested in or exercisable by the Trustees.
- 3.2.10 Any Trustee who is in any way, whether directly or indirectly:
- (a) personally interested in a contract or arrangement or any proposed contract or arrangement with the Trustees or with any Member; or
 - (b) is an elected member, officer or employee of any Member or proposed Member which is interested –
- shall declare the nature of the interest and unless the interest is no greater than or any different from –
- (c) in the case of an interest to which subclause (a) of this clause applies, that of the other Trustees present; or
 - (d) on the case of an interest to which subclause (b) of this clause applies, that of the Members generally, they shall thereafter take no further part in the deliberations in respect of that matter.
- 3.2.11 The foregoing rule shall not operate to prevent any Trustee taking part in discussions and decisions regarding rules, guidelines, or policies regarding Annual Contributions.
- 3.2.12 All disclosures of interest by any Trustee, and whether or not they took part in discussion on or voted on the matter before the meeting, shall be recorded in the minutes of the meeting.
- 3.2.13 (a) The Trustees may meet by means of a Telephone Meeting, the Trustees having been given notice of the meeting as required by the provisions of this Trust Deed.
- (b) In this clause:
- “Telephone Meeting” means the contemporaneous linking together by telephone of Trustees comprising a quorum (whether or not any one or more of those persons is outside New Zealand);
- “Telephone” means and indicates any instant electronic means of communication.
- (c) Before a Telephone Meeting proceeds to business:
- (i) each of the Trustees taking part must be able to hear each of the other Trustees taking part;
 - (ii) the chairman shall ask each Trustee taking part in turn to respond by way of confirmation that they are in fact linked to and are taking part in the Telephone Meeting;
 - (iii) the chairman shall thereupon announce to the Telephone Meeting the names of those Trustees who have so responded.
- (d) The Trustees so named by the chairman shall be conclusively deemed to be present at the Telephone Meeting and, unless given permission to leave under subclause (e) of this clause, to have been present all the time during the Telephone Meeting.
- (e) No Trustee may leave a Telephone Meeting by disconnecting their telephone unless the chairman has first granted that Trustee permission to leave.
- (f) A minute of the proceedings at a Telephone Meeting shall be conclusive evidence of the proceedings and the regularity of the meeting if certified as a correct minute by the chairman.

3.3 Subcommittees

- 3.3.1 (a) The Trustees may at any time, for any specified purpose, appoint such of their number as they think fit to be members of any one or more subcommittees.
- (b) Each such subcommittee shall have such powers and duties as are delegated to it by the Trustees.
- (c) Each such subcommittee shall have power to co-opt such person or persons whether or not Trustees as the Trustees think fit, provided that:
- (i) in relation to each subcommittee the number of co-opted members shall not exceed the number of Trustees who are members of the subcommittee; and
- (ii) such co-option shall be subject to the approval of the Trustees at the first meeting of the Trustees following the co-option.
- (d) The Trustees may appoint a chairman of each subcommittee. If no such chairman is appointed or if at any meeting the chairman is not present within 15 minutes after the time appointed for holding the same, the members of the subcommittee present shall then choose a chairman of the meeting.
- (e) Each subcommittee may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority of votes of all those present and voting. In the case of an equality of votes the chairman shall have a second or casting vote.

3.4 Validity of Acts of Trustees

- 3.4.1 All acts done in good faith at any meeting of the Trustees or any subcommittees of the Trustees, or by any person acting as a Trustee, shall, notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of such Trustee or that such Trustee was disqualified, be as valid as if every such Trustee had been duly appointed, and was qualified to be a Trustee.

3.5 Resolutions in Writing

- 3.5.1 A resolution in writing, signed by all of the Trustees entitled to vote thereon shall be as valid as if it had been passed at a meeting of the Trustees duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more of the Trustees so entitled. Any such document sent by a Trustee by telegram, cable, facsimile, copier, telex or other electronic means of communication shall be deemed to have been signed by the Trustee.

3.6 Remuneration of Trustees

- 3.6.1 The Trustees shall not make any private pecuniary profit from the Fund, except that the Trustees shall be entitled to reasonable fees for their services in respect of the management and administration of the Fund. The amount of the fees shall be determined from time to time by the Administration Manager after consultation with the Settlor and the Trustees.

3.7 Indemnity and Limitation of Trustee's Liability

- 3.7.1 The Trustees shall be indemnified and shall be entitled to reimburse themselves out of the Fund in respect of all costs, charges and expenses which they incur in or about management or administration of the Fund.
- 3.7.2 No Trustee acting or purporting to act in execution of the trusts created by this Trust Deed shall be liable for any loss not attributable to their own dishonesty or their wilful commission of or omission to do any act known by them to be a breach of trust, and in particular (without limitation) no Trustee shall incur any liability in respect of:
- (a) Any act done or not done in the exercise of or in respect of any discretion vested in them.
- (b) Anything done or suffered by them in good faith in reliance upon any advice or opinion (whether or not obtained by the Trustees)

of any professional person, or upon any advice the Trustees may obtain directly or indirectly from any company, firm or person as shall, in the opinion of the Trustees, be qualified to provide advice.

- (c) Any failure or refusal to perform or do any act or thing which by reason or provision of any law of New Zealand they are hindered or prevented from doing or performing.

- 3.7.3 No Trustee shall be bound to or be liable for any failure to take any proceedings against a co-Trustee for any breach or alleged breach of trust committed by the co-Trustee.

4 POWERS OF TRUSTEES

4.1 General Powers

- 4.1.1 In addition to the powers conferred by law and elsewhere in this Trust Deed the Trustees shall have the power:
- (a) Subject to clause 5.1.3, from time to time to appoint and remove the Administration Manager and, subject to the specific duties imposed on the Administration Manager by this Trust Deed, define the duties and responsibilities of the Administration Manager, on terms to be agreed in writing between the Trustees and the Administration Manager.
- (b) From time to time to appoint and remove one or more investment managers. The Investment Managers shall have such powers and duties in relation to the investment of the fund as the Trustees shall determine and agree in writing between the Trustees and the Investment Managers.
- (c) To appoint and remove a custodian trustee to hold in safe custody all policies, certificates and other documents of title in connection with the whole or any part of the Fund, on terms to be agreed in writing between the Trustees and the custodian trustee.
- (d) To otherwise retain the services of professional advisors and managers in relation to the management, administration and investment of the Fund, to delegate powers and discretions to professional advisors and managers as the Trustees see fit, and to determine and to pay out of the Fund, any fees payable to those professional advisors and managers.
- (e) To make rules or guidelines, and to adopt procedures, consistent with the provisions of this Trust Deed, including, without limitation, in relation to membership; calculating and fixing Asset Values, Deductibles, Extraordinary Contributions, Annual Contributions and Distributions; determining from time to time which of a Member's assets can be registered with the Trustees as Infrastructure; and to make rules or guidelines and to adopt procedures as shall be appropriate for the convenient administration of the Fund.
- (f) To borrow money for the purpose of providing Distributions where the assets of the Fund are not immediately realizable, or if realizable are only realizable at a material loss to the Fund, and to secure the repayment of such moneys in any manner and upon any terms the Trustees consider advisable, whether by charge over all or any portion of the Fund or any particular property or otherwise, provided however the Trustees shall first have had and obtained the consent in writing of the Settlor thereto and provided further that in no event shall the amount borrowed exceed the then estimated values of the assets of the Fund, less any existing liabilities of the Fund, contingent or otherwise.
- (g) To seek reinsurance protection in support of the Fund.
- (h) Generally to do all such acts and things as the Trustees may consider necessary or expedient for the administration, maintenance and preservation of the Fund and in performance of their obligations under this Trust Deed.

4.2 Investments Authorised

- 4.2.1 All moneys belonging to the Fund and available for investment shall be invested in accordance with the provisions of the Trustee Act 1956 as to the investment of trust funds.

4.3 Exercise of Discretion

- 4.3.1 The Trustees may exercise or enforce all of the authorities, discretions and powers vested in them from time to time, and at any time and may refrain from exercising all or any such powers.

4.4 Appointment of Auditor

- 4.4.1 The Trustees shall from time to time appoint an Auditor (being the holder of a certificate of public practice issued by the Institute of Chartered Accountants of New Zealand) of the Fund at a remuneration to be fixed, and payable, by the Administration Manager, out of the Fund.

5 MANAGEMENT AND ADMINISTRATION

5.1 Appointment of Administration Manager

- 5.1.1 The Trustees shall appoint an Administration Manager which shall, in addition to other duties or responsibilities conferred on the Administration Manager elsewhere in this Trust Deed, and as from time to time agreed by the Administration Manager with the Trustees:
- (a) Receive applications for membership of the Fund;
 - (b) Ascertain and audit the infrastructural assets of Members;
 - (c) Issue debit notes for and maintain records of all Annual Contributions and Extraordinary Contributions paid to the Fund;
 - (d) Use its best endeavours to secure economic reinsurance support of the Fund;
 - (e) Facilitate effective programmes to enable Members to identify and manage risks to their Infrastructure by minimising and reducing the exposure, limiting the risks and diminishing the potential for damage by Damaging Events;
 - (f) Receive and process applications for Distributions, within the scope of guidelines laid down by the Trustees;
 - (g) Furnish the Trustees with full and complete reports of all losses by and of all payments made out of the Fund;
 - (h) Liaise with local government agencies with respect to the application of their appropriate disaster recovery and emergency plans;
 - (i) Make recommendations to the Trustees regarding any matters pertaining to the administration and management of the Fund;
 - (j) Undertake such services as may be required by the Trustees or as may be reasonably necessary for the management, administration and investment of the Fund, and the operation of the trusts contained in this Trust Deed.
- 5.1.2 The Administration Manager shall be responsible to the Trustees for the proper management, and administration of the Fund and the trusts contained in this Trust Deed.
- 5.1.3 The first Administration Manager shall be the New Zealand Local Government Insurance Corporation Limited which shall hold office for an initial term of six years from the Commencement Date (unless removed earlier) on such terms (including terms relating to performance) as may be agreed in writing with the Trustees.

5.2 Records to be Kept

- 5.2.1 The Administration Manager shall keep or cause to be kept a complete record of:

- (a) The membership of the Fund including the dates on which Members were admitted to membership and when they ceased to be or were suspended as Members of the Fund.
- (b) Proper records of all meetings, resolutions and decisions of the Trustees.
- (c) The affairs, matters and transactions of the Fund.
- (d) All other matters, information and data necessary or expedient for the proper and effective working of the Fund and the operation of this Trust Deed.

5.3 Accounts

- 5.3.1 The Administration Manager shall ensure that:

- (a) All assets of the Fund are kept separate and apart from any assets or funds of the Administration Manager, with all moneys received by the Administration Manager to be banked in a separate bank account in the name of the Fund;
- (b) Proper books of account are kept in respect of the Fund;
- (c) Annual Accounts are prepared in respect of the Fund, presenting a true and fair view of the Fund's financial affairs at the end of each Fund Year; and
- (d) The Auditor appointed in accordance with the provisions of this Trust Deed examines and reports upon the Annual Accounts.

5.4 Annual Report of the Fund

- 5.4.1 The Administration Manager shall within six months after the end of each Fund Year:

- (a) Prepare an Annual Report for the Fund for the previous Fund Year.
- (b) Provide each Member with a copy of the Annual Report.

- 5.4.2 The following matters shall be contained in the Annual Report:

- (a) A statement of numerical changes in the membership of the Fund during the Fund Year;
- (b) The Annual Accounts for the Fund in respect of the previous Fund Year;
- (c) The Auditor's report on the Annual Accounts;
- (d) A statement by the Administration Manager as to whether all the Annual Contributions and Extraordinary Contributions required to be made to the Fund in accordance with the Participation Deeds and this Trust Deed have been made by the Members, and if not the amount or amounts outstanding;
- (e) A summary of any amendments to this Trust Deed that have been made during the Fund Year;
- (f) The names of and any changes since the last Annual Report in the Trustees, the Administration Manager, re-insurers, and changes in any actuaries, auditors and solicitors to the Fund (either by reference to their own names or the names of their firms);
- (g) The name and address of the person to whom all correspondence from the Members to the Trustees should be sent.

5.5 Delegation

- 5.5.1 Subject to this clause, the Administration Manager may at any time with the consent of the Trustees and from time to time, delegate any of its powers to any person.

- 5.5.2 A delegation pursuant to this clause may be:

- (a) Subject to such conditions and on such terms for the protection and convenience of persons dealing with the delegate as the person making the delegation thinks fit; and
- (b) Amended or revoked at any time.

- 5.5.3 If the Trustees or the Administration Manager exercise a power that is for the time being delegated that shall not revoke the delegation.
- 5.5.4 The Trustees shall not be liable for any act or defaults of any delegatee of the Administration Manager.
- 5.6 Expenses of Administration**
- 5.6.1 The Administration Manager may pay from the Fund such costs, charges and expenses of management, administration and investment of the Fund as are properly payable by the Administration Manager on behalf of the Fund.
- 5.6.2 The Administration Manager shall be paid from the Fund such fees or charges for its administration of the Fund and the trusts contained in this Trust Deed, as shall from time to time be authorised by the Trustees.
- 5.7 Indemnity of Administration Manager**
- 5.7.1 The Administration Manager shall not be liable for any loss which is not attributable to the Administration Manager's own dishonesty and the Trustees shall indemnify and keep indemnified the Administration Manager from the Fund against all claims demands and liabilities from Members or persons not parties to this Trust Deed, howsoever arising.
- 5.8 Execution of Deeds**
- 5.8.1 If the Trustees are incorporated as a Board the Trustees shall obtain and adopt a common seal of the Board. The common seal of the Board shall be kept in the safe custody of the Administration Manager. The common seal shall only be used by the authority of the Board or of a committee of the Board authorised by the Board in that behalf, and every instrument to which the common seal is affixed shall be signed by a member of the Board and shall be countersigned by a second member of the Board or by some other person appointed by the Board for the purpose.

6 MEMBERSHIP COVERAGE

6.1 Admission of Members

- 6.1.1 Only Local Authorities shall be eligible for admission as Members of the Fund.
- 6.1.2 A Local Authority shall not be admitted to membership without first entering into a Participation Deed with the Fund in the form and on the terms acceptable to the Trustees.
- 6.1.3 In executing a Participation Deed the Local Authority shall agree to be bound by the terms of this Trust Deed.

6.2 Withdrawal from Membership

- 6.2.1 Any Member may withdraw from membership of the Fund by giving notice in writing to the Trustees of its desire to withdraw from membership, on or before the end of any Fund Year, and their membership shall terminate at the end of the Fund Year following.
- 6.2.2 Any notice in writing of a Member's desire to withdraw from membership may itself be withdrawn at any time prior to the termination of its membership.
- 6.2.3 Members who have given notice of their desire to withdraw from the Fund shall pay their Annual Contributions due for the following Fund Year.

6.3 Suspension or Termination of Membership

- 6.3.1 Membership of the Fund may be terminated or membership rights suspended, by resolution of the Trustees, in the event that a Member:
- (a) Refuses or fails to comply with the reasonable directions of the Trustees given for the purpose of minimizing or reducing the exposure, limiting the risks and diminishing the potential for loss or damage to its Infrastructure; or
 - (b) Refuses or fails to allow an audit of the Member's management of the risk to its Infrastructure; or

- (c) Omits to make or unduly delays payment of its Annual Contribution; or
- (d) Commits any breach of the provisions of this Trust Deed or its Participation Deed which in the opinion of the Trustees warrants the termination or suspension of membership.

- 6.3.2 A former Member may if so desiring re-apply for membership, but if successful shall not thereby gain any benefit credit or entitlement accruing consequent upon their former membership.
- 6.3.3 The action or decision of the Trustees in any matter relating to membership or suspension or termination of membership shall be final and binding.
- 6.4 Coverage**
- 6.4.1 Coverage of Members shall commence from the later of the date of payment of the initial Annual Contribution (or part thereof if so agreed) and the Extraordinary Contribution (if any, or part thereof if so agreed) as required by the Trustees or such other date as may be agreed in writing by the Trustees.
- 6.4.2 There shall be no Coverage of Local Authorities that are not Members.
- 6.4.3 Upon termination or suspension of membership all Coverage shall cease from the date of termination or suspension as the case may be, and the Member shall not be eligible for Coverage until re-admission to membership (in the case of termination) or (in the case of suspension) the lifting of the suspension by further resolution of the Trustees, or the satisfaction of any pre-condition imposed for the automatic lifting of the suspension of the Member.
- 6.4.4 On termination of membership all claim, right, title or interest or benefit in the assets of the Fund shall forthwith cease.

7 GENERAL PROVISIONS RELATING TO CONTRIBUTIONS

7.1 Annual Contributions

- 7.1.1 The Trustees shall before the end of each Fund Year:
- (a) Fix the Asset Value of each Member's Infrastructure, having regard to:
 - (i) their Stated Value;
 - (ii) any actual valuation made of a Member's Infrastructure, or any parts of it;
 - (iii) any other measure (including valuations) which may enable or assist the Trustees to assess the value of Members' Infrastructure;
 - (iv) any appropriate method or principles of valuation whether or not they are the same as those applied in any other valuation of the Members' Infrastructure or parts of it.
 - (b) Determine the approximate amount of total Annual Contributions to be sought from Members for the ensuing Fund Year having regard to:
 - (i) the combined Asset Values of Members as determined in clause 7.1.1(a) above; and
 - (ii) the risk or exposure of the Members' Infrastructure to Damaging Events; and
 - (iii) possible Deductibles; and
 - (iv) any other factors that seem relevant;
- 7.1.2 The Trustees shall after determining the approximate amount of the total Annual Contributions to be sought from Members for the ensuing Fund Year fix the Annual Contributions to be paid by individual Members, and in fixing the Annual Contributions to be paid by individual Members the Trustees shall have regard to:

- (a) The risk or exposure of the Member to a Damaging Event in its region compared with the risk or exposure of Members to Damaging Events generally;
 - (b) The Asset Value of the Member, as determined by the Trustees pursuant to clause 7.1.1(a);
 - (c) The likely availability to the Member of other monies by way of compensation, indemnity, replacement or subsidy for the loss or damage to its Infrastructure, including any payment from central government, from insurance claims, and any rights against persons not party to this Trust Deed;
 - (d) The quantum of any Deductible for the Member which the Trustees may fix;
 - (e) The state of repair, maintenance and condition generally of the Member's Infrastructure or parts of it;
 - (f) The nature of any particular risks affecting the Member's Infrastructure;
 - (g) Any refusal or persistent failure by the Member to comply with any reasonable directions given by the Administration Manager for the purpose of identifying and managing risk.
- 7.1.3 Members shall then be advised of the Annual Contribution payable by them, and the amount of any Deductible.
- 7.1.4 Notwithstanding anything hereinbefore contained the Trustees may adopt or determine such methods of setting Annual Contributions or Extraordinary Contributions as they in their absolute discretion think fit.
- 7.2 Method of Payment**
- 7.2.1 Payment of the Annual Contributions shall be effected by the Members in accordance with any provisions of the Participation Deed for payment, or in the absence of any such provisions as from time to time determined by the Trustees.
- 7.2.2 Any unpaid Annual Contribution as determined by the Administration Manager shall be recoverable by the Fund as a debt with associated interest and recovery costs.
- 7.3 Disputes regarding Quantum of Annual Contributions**
- 7.3.1 If the Member disputes the quantum of any Annual Contribution it shall give written notice to the Administration Manager within twenty-one days of receipt of advice of the quantum, following which the quantum of the Annual Contribution payable by the Member shall be reviewed by the Trustees, whose decision as to the appropriate quantum to be paid shall be final and binding.
- 7.3.2 Where the quantum of the Annual Contribution is not determined until after the date on which payment of the Annual Contribution was due, the Member shall have ten days following receipt of advice in writing of the determination of the dispute in which to pay the Annual Contribution.
- 7.3.3 Except as otherwise provided above the action or decision of the Trustees in fixing the Annual Contributions shall be final and binding.
- 7.4 Extraordinary Contributions**
- 7.4.1 The Trustees may fix Extraordinary Contributions.
- 7.4.2 Subject to clause 7.1.4 in determining the quantum of any Extraordinary Contribution as a condition of entry to membership the Trustees shall have regard to:
- (a) The number of Fund Years completed since the Commencement Date;
 - (b) The net value of the assets of the Fund had there been no Distributions from the Fund;
 - (c) The current value of the assets, and the amount of any liabilities of the Fund;
 - (d) Any other factors which seem relevant to the Trustees.

- 7.4.3 In determining the quantum of any Extraordinary Contribution being fixed for Coverage of a part or portion of a Fund Year the Trustees shall have regard to the Annual Contribution that would have been payable by the Member for Coverage for the full Fund Year and, that part or portion of the Fund Year for which Coverage is being provided.
- 7.4.4 Any decision of the Trustees regarding the quantum of any Extraordinary Contribution shall be final and binding.
- 7.4.5 Any Extraordinary Contribution fixed by the Trustees that is not paid may be recovered in the same way as an Annual Contribution including associated interest and recovery costs.

8 DISTRIBUTIONS FROM THE FUND

- 8.1 A Member may at any time within nine calendar months (time being of the essence) of a Damaging Event apply to the Trustees for a Distribution from the Fund in respect of any loss or damage caused to the Member's Infrastructure by that Damaging Event.
- 8.2 Upon receiving an application for a Distribution in respect of a Damaging Event, the Trustees shall satisfy themselves that:
- (a) the loss or damage is to Infrastructure;
 - (b) the loss or damage was caused by the Damaging Event.
- 8.3 Once the Trustees have satisfied themselves as to the matters specified in clause 8.2, they may make a Distribution to the Member in respect of its application, subject to:
- (a) any Asset Value or Stated Value of the Member's Infrastructure;
 - (b) the state of repair, maintenance and condition generally of the Infrastructure or of any particular parts of the Infrastructure before and after the Damaging Event for which the Distribution is claimed;
 - (c) the Member's Deductible;
 - (d) the expected availability when the Annual Contribution was set and the actual availability to the Member of other monies by way of compensation, indemnity, replacement or subsidy for the loss or damage to its Infrastructure, including any payment from central government, from insurance claims, and any rights against persons not party to this Trust Deed;
 - (e) the desirability of the Fund maintaining reserves for future Damaging Events;
 - (f) the length of time that the Member has been a Member of the Fund;
 - (g) any other factors which seem relevant to the Trustees.
- The Trustees at their sole discretion will determine what if any Distribution will be made in any situation where in the Trustees' opinion the damage is a consequence of an act of war or terrorism.
- 8.4 Without being bound to see or being liable for not seeing to the application of any Distributions from the Fund, the Trustees shall take reasonable steps to ensure each Distribution from the Fund is applied by its Members for the reinstatement of their Infrastructure, and for that purpose, the Trustees may require from the Member reasonable evidences of the expenditure, and may make progress payments.
- 8.5 The Trustees may also pay the whole or any part of the Fund to any other charity that is charitable under New Zealand law and has purposes similar or related to those of the Fund.

9 ALTERATION

9.1 Alteration of the Trust Deed

- 9.1.1 The Trustees may amend this Trust Deed in any way, subject to this clause 9.

9.1.2 The Trustees may by unanimous resolution of the Trustees present at any validly convened meeting revoke, vary or add to any of the provisions of this Trust Deed provided no such revocation, variation or addition may be made if it would result in the Fund ceasing to qualify for registration as a charitable entity under the Charities Act 2005 or would vary the terms of this proviso or would otherwise be inconsistent with the general charitable scope of the trusts contained in this Trust Deed.

9.1.3 Every amendment shall be conditional upon and come into effect upon the Settlor giving its consent in writing.

9.1.4 Amendments shall not be retrospective in effect.

9.2 Notice to Members

9.2.1 The Trustees shall notify Members forthwith in writing of every amendment to this Trust Deed made pursuant to these provisions.

9.2.2 Any accidental failure or omission on the part of the Trustees to give a Member notice as required by this clause, or its non-receipt by a Member, shall not affect the validity of the amendment.

9.3 Alteration of Participation Deeds

9.3.1 The Trustees, with the agreement of a Member, may from time to time:

- (a) Amend any of the provisions of the Participation Deed relating to the Member; or
- (b) Cancel any Participation Deed and in substitution, enter into a new Participation Deed with a Member.

10 WINDING UP OF THE FUND

10.1 Procedures

10.1.1 The Trustees shall wind up the Fund and shall apply the provisions of this Clause in relation to every Member:

- (a) If the Trustees unanimously resolve that the Fund shall be wound up, and advise the Settlor accordingly, and the Settlor consents thereto; or
- (b) Upon the determination of the trusts hereof; or
- (c) Upon any insolvency of the Fund; or
- (d) Upon any order of the Court that the Fund be wound up.

10.1.2 The Trustees shall within fourteen days after they have resolved to wind up the Fund, lodge a copy of that resolution with the Settlor and (the Settlor consenting thereto) with the Registrar of Incorporated Societies.

10.1.3 The Trustees shall for the purpose of winding up the Fund:

- (a) Ensure that final accounts of the Fund are prepared showing the financial position of the Fund as at the date on which the winding up commenced; and
- (b) Ensure that those final accounts are audited; and
- (c) As soon as practicable after the final accounts have been audited send a copy of those accounts to the Settlor and all the Members as at the date the winding up commenced.

10.2 Allocation of Proceeds

10.2.1 Members shall have no right or claim against the Fund on winding up except in respect of any application for a Distribution made prior to the commencement of the winding up.

10.2.2 The Trustee shall apply the proceeds of the Fund in accordance with the following priority:

- (a) First, in providing for the payment of the costs of the winding up;
- (b) Secondly, in providing for the payment of all liabilities and debts of the Fund;

(c) Thirdly, paying any outstanding Distributions which the Trustees have resolved to pay any Member prior to the commencement of the winding up and remain unpaid at that date;

(d) Fourthly, in providing for payment of any Distributions for which applications have been made immediately prior to the commencement of the winding up;

(e) Finally, payment of any balance in the Fund is to be made or transferred to another organisation as decided by the Trustees that is charitable under New Zealand law and has purposes similar or related to those of the Fund, or in default of a decision by the Trustees, as directed by the Court pursuant to section 27 of the Act.

11 MISCELLANEOUS

11.1 Notices

11.1.1 Any notice or document shall be deemed to have been served upon the Trustees if left at the registered office of the Fund or if sent through the post in a registered letter addressed to the Administration Manager at that office. Any notice or document shall be deemed to have been duly given to a Member, if given generally or sent to the Member at the address of the Member last known to the Administration Manager.

11.1.2 Any notice or document delivered by post shall be deemed to have been delivered in the ordinary course of post and in proving such service it shall be sufficient to prove that the envelope or wrapper containing it was properly addressed and posted. A statement signed by the Administration Manager that a notice was so addressed and posted to a Member and when, shall be conclusive evidence of those facts.

11.2 Succession

11.2.1 If the activities of any of the Appointors are assigned to or succeeded by any other undertaking (whether a corporation, association partnership or natural person) then that other undertaking may, with the written approval of the Trustees as from the date of the assignment or succession, take the place of that Appointor for the purposes of the Fund, and assume all rights and obligations of that Appointor under the Trust Deed.

11.2.2 If the Trustees do not give their written approval of such other undertaking taking the place of that Appointor, then the Fund shall either be wound up in accordance with the provisions of this Trust Deed, or the Trustees may appoint another body to take over the role of that Appointor.

11.3 Waiver and Precedent

11.3.1 No failure by the Trustees to enforce any breach of any obligation or provision contained or implied in by this Trust, in one, or more instances shall constitute a waiver of the right of the Trustees to enforce any other provision, or any subsequent breach, whether against the same Member or another.

11.3.2 No action on the part of the Trustees or the Administration Manager whether taken in accordance with any specific provisions contained in this Trust Deed or otherwise shall be taken as a precedent for any like or similar action on either part and neither the Trustees nor the Administration Manager may thereafter be compelled to take similar or identical action consequent thereupon.

11.4 Office

11.4.1 The office of the Fund shall be at the offices of the New Zealand Local Government Insurance Corporation Limited, 9th Floor, Civic Assurance House, 114 Lambton Quay, Wellington, or at such other place as the Trustees may from time to time by resolution determine.

IN WITNESS WHEREOF this Deed has been executed on the day and year first hereinbefore written.

THE COMMON SEAL of the)
NEW ZEALAND LOCAL GOVERNMENT)
ASSOCIATION INCORPORATED was)
hereunto affixed in the presence of:)

Signed by)
ROBERT DAVID RENNIE ELLIOTT)
in the presence of:)

Signed by)
WYNNE ARCHDALL RAYMOND)
in the presence of:)

Signed by)
DALE ALWYN LOTT)
in the presence of:)

Signed by)
KINSLEY NEVILLE SAMPSON)
in the presence of:)

Signed by)
IAN ROBERT FLOCKHART MCKELVIE)
in the presence of:)

Signed by)
LANGLEY DAVID CAVERS)
in the presence of:)

PARTICIPATION DEED

ADMITTING

.....

To membership of the
New Zealand Local Authority
Protection Programme Disaster Fund

THIS DEED is made the ___ day of _____ 201__.

BETWEEN NEW ZEALAND LOCAL AUTHORITY PROTECTION
PROGRAMME DISASTER FUND ("the Fund") and
NEW ZEALAND LOCAL GOVERNMENT INSURANCE
CORPORATION LIMITED ("the Administration Manager")
(together called "the Administration")

AND _____, being a Local Authority as
defined in the Trust Deed ("the Member")

BACKGROUND

- A. The Trustees of the New Zealand Local Authority Protection Programme Disaster Fund are incorporated as a Board pursuant to the Charitable Trusts Act, 1957 ("the Board").
- B. The Fund is also registered as a charitable entity under the Charitable Trusts Act 1957.
- C. The Settlor of the Fund is the New Zealand Local Government Association Incorporated. The Settlor established the Fund as a self funding disaster protection scheme for the purposes of and for the objects set out in the original trust deed dated 29 June 1993. The trust deed was amended by deeds of variation dated 14 February 1997 and 5 June 2003. The trust deed was further amended and all amendments consolidated by a new trust deed dated 14 December 2007 ("the Trust Deed").
- D. The New Zealand Local Government Insurance Corporation Limited is the Administration Manager of the Fund.
- E. The Trust Deed contains provision for Local Authorities to apply for membership of the Fund, and for their admission to membership of the Fund, on the terms required by the Board.
- F. The Member has applied to become a member of the Fund, and is being admitted as a member on the terms and conditions contained herein.

NOW THIS DEED WITNESSES AND IT IS AGREED AND DECLARED

as follows:

1 MEMBERSHIP

Admission to Membership

1. The Member hereby covenants and agrees with the Administration to be bound by
 - (a) the terms of the Trust Deed, as if it were a party to the Trust Deed; and
 - (b) this Participation Deed;and acknowledges and accepts the powers, discretions and authorities of the Board, and the Administration Manager appointed pursuant to the Trust Deed, as provided in the Trust Deed.
2. In consideration of the Member agreeing to be bound by the terms of the Trust Deed, and of this Participation Deed, the Member is hereby admitted as a Member of the Fund.

Withdrawal, Suspension or Termination of Membership

Withdrawal from, termination and suspension of membership shall be effected in accordance with the provisions of the Trust Deed.

2 COVERAGE AND DEDUCTIBLE

Coverage

Coverage of the Member shall commence on the date appearing in the First Schedule and shall continue until the Member's membership of the Fund is either terminated, or the Member is suspended, as provided in the Trust Deed.

Deductible

The level of any deductible shall be fixed by the Board and the first such deductible shall be as provided in the First Schedule.

3 CONTRIBUTIONS AND DISTRIBUTIONS

Payment of Annual Contributions

1. The Member shall pay to the Fund its Annual Contribution as determined by the Board, within 14 days of the commencement of each Fund Year, or as otherwise agreed by the Administration in writing.
2. The Member shall pay the sum set out in, and in the manner provided in the First Schedule, as its first Annual Contribution.

Payment of Extraordinary Contributions

The Member shall forthwith pay to the Fund the Extraordinary Contribution set out in the First Schedule.

Distributions

1. The Member shall in making an application for a Distribution use any form of application which the Administration may prescribe, and shall from time to time provide such information as the Administration may reasonably require to enable it to consider the Member's application.
2. Any Distribution from the Fund shall be at the sole and absolute discretion of the Board, which shall, having regard to the factors set out in the Trust Deed, act in accordance with the objectives of the Fund and in the interests of all members.
3. The amount of the Deductible applying at the time of any Natural Disaster or Emergency or event shall be deducted from any Distribution from the Fund in respect of the same.

4 ASSET VALUES

Information Regarding Assets

1. The Member shall within 3 months of the commencement of each Fund Year or such lesser period as the Administration may from time to time advise:
 - (a) supply the Administration with any information regarding categories, details and condition of its Infrastructure, including any list of or register of its Infrastructure, both insured and uninsured, and any insurance particulars, which the Administration may reasonably require;
 - (b) state to the Administration in writing its estimate of the cost of reinstatement of its Infrastructure;
2. The Member shall advise the Administration of any additions or deletions to its Infrastructure, during the Fund Year.

5 RISK MANAGEMENT AND AUDIT

Risk Management

The Member agrees to:

- (a) introduce and maintain such programs to identify, assess and control risks applicable to its Infrastructure, as may from time to time be reasonably required by the Administration; and

- (b) notify the Administration of any matters, events or things which might be reasonably considered relevant to the assessment and management of the risk or exposure of the Member's Infrastructure to Natural Disasters and Emergencies.

Audit of Infrastructure

The Member agrees that the Administration Manager may from time to time inspect and audit the Member's Infrastructure and all records and information pertaining thereto.

6 ALTERATION

Alteration of the Trust Deed

- 1 The Member acknowledges that every alteration or amendment to the Trust Deed shall upon the consent of the Settlor being given in writing, be binding on the Member as to its terms and conditions, as if it were a party thereto.
- 2 This Participation Deed shall be deemed to be amended to the extent and in the manner (if any) required as a consequence of the amendment of the Trust Deed.

7 MISCELLANEOUS

Co-operation

The Member agrees to take all such other actions and supply such information and assistance as the Administration may reasonably require from time to time in order to give effect to the provisions and purposes of the Trust Deed and this Participation Deed, including (without limitation) following any rules or guidelines or prescribed procedures required by the Administration, not being rules guidelines or procedures inconsistent with this Participation Deed or the Trust Deed.

No Assignment

The Member may not assign its rights under this Participation Deed or any of its rights or obligations as a member of the Fund to any other person, or encumber, charge or otherwise dispose of any of its right, entitlement or interest in the Fund.

Notices

- 1 Any notice or document shall be deemed to have been served upon the Administration if left at the registered office of the Fund or if sent through the post in a letter addressed to that office.
- 2 Any notice or document shall be deemed to have been duly served on the Member, if delivered personally to the Member's chief executive officer, or if sent through the post to the Member at the address of the Member last known to the Administration.
- 3 Any notice or document delivered by post shall be deemed to have been delivered in the ordinary course of post, and in proving such service it shall be sufficient to prove that the envelope or wrapper containing it was properly addressed and posted.

8 DEFINITIONS AND INTERPRETATION

Definitions

- 1 Each of the following words and expressions shall, unless the context otherwise requires, have the following meanings:

"the Trust Deed" means the consolidated Trust Deed dated 14 December 2007;

"the Board" means the Trustees of the Fund and vice versa.
- 2 The words and expressions used in this Participation Deed shall unless the context otherwise requires have the same definitions as given them in the Trust Deed.

Interpretation

- 1 Unless the context otherwise requires the same interpretations shall be placed on words and phrases used in this Participation Deed as contained in the Trust Deed.
- 2 In the event of any conflict between the terms and conditions of this Deed and the provisions of the Trust Deed, the provisions of the Trust Deed shall prevail.
- 3 Nothing in this Participation Deed shall be taken to excuse the failure of the Member to perform any and each of its obligations as a Member of the Fund, nor the commission of any act in breach of its obligations as a Member of the Fund, as set out in the Trust Deed.

FIRST SCHEDULE

Annual Contribution:

The Annual Contribution for the period 30 June 201_ to 30 June 201_ is assessed at \$_____ plus GST, less full member discount. This is the Member's first annual contribution.

Extraordinary Contribution:

The Extraordinary Contribution is assessed at \$_____ plus GST.

In consideration of the payment of the Extraordinary Contribution Council shall immediately be entitled to full rights of Fund Membership including any discount on the assessed Annual Contribution for future years that the Fund Trustees may declare from time to time.

Deductible:

The Deductible shall be

IN WITNESS WHEREOF this Deed has been executed on the day and year first herein before written.

THE COMMON SEAL of the NEW ZEALAND LOCAL AUTHORITY)
PROTECTION PROGRAMME DISASTER FUND was hereunto affixed)
in the presence of:-)

THE COMMON SEAL of NEW ZEALAND LOCAL GOVERNMENT)
INSURANCE CORPORATION LIMITED was hereunto affixed)
in the presence of:-)

THE COMMON SEAL of the COUNCIL)
was hereunto affixed pursuant to a resolution of the Council,)
in the presence of:-)

www.lappfund.co.nz

Appendix 2



LAPP

Local Authority Protection Programme
underground infrastructure insurance



Lapp

- What is it and its cover
- 60/40 split history and future.
- Some history from RDC
- Mutual funds vs insurances issues
- Councils options



Local Authority Protection Programme (LAPP)

- Since its inception in 1993, the Council has been a member of the Local Authority Protection Programme ('LAPP').
- LAPP It was set up in response to the offer from the Government to pay 60% (down from 100%) of the costs for repairing or replacing below ground infrastructure owned by councils damaged by natural disasters,
- Councils contributed 40% to LAPP. It is a mutual fund, administered by trustees. This fund covers the first loss so is most likely to be called on, first \$10-20M.
- Christchurch City Council was a member of LAPP when the earthquakes in September 2010 and February 2011 occurred.
- While LAPP met its obligations, the balance of the fund was exhausted and the cost of reinsurance soared as its availability shrunk.



Contd

- As a result, in addition to their individual contributions, members entered into a contingent liability in 2012/13 and 2013/14 for mutual self-insurance, in the event of a major disaster. This reduced the amount of reinsurance.
- For Rangitikei, the 2012/13 Annual Report calculated this contingent liability as \$805,000.
- Of the original 78 local authorities in New Zealand who were in LAPP, 33 are currently Fund members from 46 in 2014.
- Rangitikei remains a member for its underground assets.
- Only underground we cover above ground via the AON MWLASS insurances.
- The Local Authority Protection Programme Disaster Fund (LAPP) is a cash accumulation mutual pool.
- Civic Financial Services Ltd is the Fund's Administration Manager.



Central Govt 60/40

- Central government will only provide their 60% following a major catastrophe provided that the local authority can demonstrate it can meet the remaining 40% through:
 - • proper maintenance;
 - • the provision of reserve funds;
 - • effective insurance, and/or
 - • participation in a mutual assistance scheme with other local authorities.

60/40 contd

- Government Via Treasury has signalled the establishment of a Local Government Risk Management Agency and that the 60/40 split is under review.
- Kaikoura seems to have put this move by central Govt on hold although LGNZ view is that it highlights the need.
- Likely that beyond an election further movement in this space.
- A number of Councils have already moved into 100% insurance



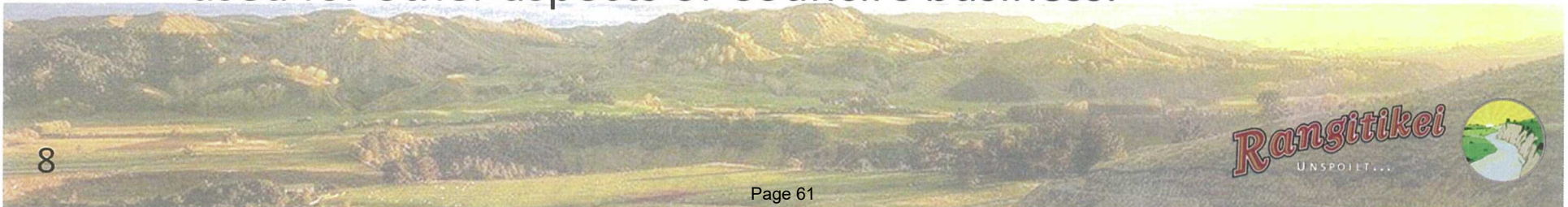
Mutual funds vs Insurance contracts

- As noted in an earlier report to Council, comparing LAPP with other insurance providers is complex.
- This is because LAPP is a mutual fund. Part of the contributions from members is used to purchase reinsurance and to cover administrative costs.
- The remainder goes into building up the fund. In 2013/14, around \$27,000 of the Council's contribution was used for reinsurance and administrative costs balance of 66,700 was used to build the fund i.e., \$39,700.
- Need to be conscious of this when comparing the projected cost of insurance from Aon or any other provider.
- As the amount of the fund increases, less reinsurance is needed. That in turn lowers the level of contribution sought.



LAPP Situation pre Kaikoura

- If no major event occurs to a member of LAPP in the next few years (2014), the size of the fund will increase, the level of reinsurance (and its cost) will diminish, and the contribution required will fall.
- In that scenario, insurance premiums would also be likely to fall, although perhaps to a smaller extent; however, it is not possible to project the relative movements with any certainty.
- In the end, the choice is firstly on the different cash amounts required for 2017/18 and
- Secondly on the principle of continuing to contribute to a mutual fund compared with relying on an insurance broker used for other aspects of Council's business.



Post Kaikoura

- Fund as at 30 June 2016 over \$20M
- Already distributed \$2M to three councils, KDC \$1m 0.5 to Marlborough and Hurunui.
- Estimated Claim on Fund is now at \$7M so leaves \$13M
- LAPP's Re-Insurance trigger point \$10m so no call so far.
- Issues - fund needs rebuilding of \$7M
- Re-insurance although this has not been called on will likely to be more expensive and trigger point higher or both. LAPP saying no but?

Council History and Options

- Council considered it prudent to exercise its right to give notice of its intention to withdraw from LAPP from 1 July 2014, and subsequently examined alternatives, including taking insurance through Aon, which acts as insurance brokers for MW LASS.
- Council gave notice in 2014 but did not withdraw as LAPP Trustees extinguished the Contingent Liability of some \$805,000.
- Council has two options for insuring its below-ground infrastructure assets in 2017/18.
- One option is to remain in the Local Authority Protection Programme (LAPP), a mutual fund, with an contribution of \$66,000 currently but likely to rise.
- The other option is to give notice of potential withdrawal from LAPP by 30 April 2017 need to be confirmed or withdrawn.
- This will enable the option to take out insurance through Aon as part of the MWLASSS, at an estimated premium of \$?.
- Both options preserve the Government's contribution of 60% for the cost of making good damage from natural disasters.



➤ Recommendations

➤ EITHER

- That Council does not give notice by 30 April 2017 to withdraw from the LAPP Fund for 2017/18 and remains in LAPP (acknowledging that the exact contribution to LAPP in 2017/18 for Council's below ground infrastructure assets has yet to be determined on the basis of updated infrastructure records and re-insurers reaction to Kaikoura).

➤ OR

- That Council give notice of intention to withdraw from the LAPP Fund from 1 July 2017



Recap Local Authority Protection Programme (LAPP)

- The LAPP Fund was established in 1993, to help its New Zealand local authority members pay their share of infrastructure replacement costs for water, sewage and other essential services damaged by natural disaster.
- Since 1991, central and local government has shared responsibility for these costs. Beyond a threshold, central government will pay 60% of the restoration costs, leaving local authorities 40%. Before this Central Government was expected to bear this cost.

Appendix 3



Civic Assurance

PROTECTING COMMUNITY ASSETS

RECEIVED

- 9 FEB 2017

To: 5 - FM - 6 - 1

File: R M c N

Doc: 17 0051

Mr Ross McNeil
Chief Executive
Rangitikei District Council
Private Bag 1102
MARTON 4741

7 February 2017

Dear Ross,

Civic Assurance Announcements and Draft 2017 Statement of Intent

In 2016 Civic celebrated 75 years of service to local government, the finalizing of its Canterbury earthquake claims, and its third consecutive profitable year since those earthquakes. I am pleased to report that Civic is also projecting its next three years to be profitable, as you will see from your enclosed copy of Civic's draft Statement of Intent for 2017. Please let me have any comments you wish to make on this draft by 9 March 2017.

Your Board decided at the end of last year to withdraw Civic's application for a full insurance licence and not offer property insurance. This decision was not taken lightly, but in the current market Civic cannot write insurance profitably. However, Civic will be able to provide property covers through CPP (Civic Property Pool) in the future if this is what the sector wants and market conditions favour doing so.

Civic will continue to administer the local government KiwiSaver and SuperEasy schemes and the four local government mutual pools: LAPP, Riskpool, CLP and CPP.

A company without an insurance licence is not allowed to have the word insurance in its name. Recognising this and its changed focus, Civic will be changing its formal name from *New Zealand Local Government Insurance Corporation Ltd* to *Civic Financial Services Ltd*. As Civic will not be offering insurance directly and any future cover offered by CPP will be 100% reinsured, Civic is able to return some of its capital to shareholders. To this end the attached Statement of Intent includes a proposal to sell Civic Assurance House.

Civic will be changing its CEO with effect from 20 March 2017 and I will be taking on a part-time consultancy role with Civic to ensure that LAPP, Riskpool, CLP and CPP continue to be provided with all the technical support they need. The new CEO will be Ian Brown, and I am sure you will join me in congratulating him.

Yours sincerely

Tim Sole
Chief Executive

Civic Assurance,
116 Lambton Quay,
PO Box 5521, Wellington 6140,
<http://www.civicassurance.co.nz>
Tel: (04) 978 1250 Fax: (04) 978 1260

**NEW ZEALAND LOCAL GOVERNMENT
INSURANCE CORPORATION LIMITED**
trading as Civic Assurance

DRAFT STATEMENT OF INTENT

FOR THE YEAR ENDED 31 DECEMBER 2017

TABLE OF CONTENTS

1.0	<i>Mission Statement</i> _____	2
2.0	<i>Corporate Goals</i> _____	2
3.0	<i>Nature and Scope of Activities</i> _____	2
4.0	<i>Profits, Dividend Policy and Capital</i> _____	3
5.0	<i>Performance Targets & Projections</i> _____	4
6.0	<i>Reporting to Shareholders</i> _____	4
7.0	<i>Acquisitions/Disposals</i> _____	4
8.0	<i>Transactions with Related Parties</i> _____	4

1.0 Mission Statement

Mission Statement of Civic Assurance
To provide superannuation and risk-financing solutions to the local government sector

2.0 Corporate Goals

The specific goals of the Company are:

- 2.1 To operate as a sound and successful business.
- 2.2 To be the primary supplier of risk-financing and superannuation services to the local government sector.
- 2.3 To investigate and facilitate, as appropriate, new products and markets in risk-financing and superannuation and such other markets that it believes could prove beneficial to its shareholders and the local government sector.

3.0 Nature and Scope of Activities

- 3.1 The Company provides superannuation services for local government and local government staff via SuperEasy and the SuperEasy KiwiSaver Superannuation Scheme.
- 3.2 The Company provides administration, reinsurance, accounting, and a range of other services to LAPP, Riskpool, CLP (Civic Liability Pool) and CPP (Civic Property Pool).
- 3.3 The Company investigates and facilitates as appropriate such new risk-financing and superannuation services and/or markets that it believes will prove beneficial to its shareholders and the local government sector.
- 3.4 In a modest and selective way the Company provides sponsorship for a range of local government activities at regional and national level.

4.0 Profits, Dividend Policy & Projections

Civic is projecting a total profit over the next three years of approximately \$1,000,000. This follows three profitable years in 2014, 2015 and 2016.

The Company historically has had three main sources of revenue: fees from providing administration services, insurance premiums, and investment income. The profit outlook from these three sources is as follows:

Profits from providing administration services: The bulk of Civic's income in 2017 will come from providing administration services. See the three-year projections below.

Profits from providing insurance: There will be no profits from providing insurance in 2017. In December 2016, your Board decided to withdraw Civic's application for a full insurance licence. This was not a decision taken lightly. The Board's main reason for this action was that in the current market Civic could not have written insurance profitably. There is nothing to prevent the Company in the future applying for a full insurance licence and/or re-opening a 100% reinsured Civic Property Pool if this is what the sector wants and market conditions make this viable.

Profits from investment income: Civic's investment income is mainly from its rental income from Civic Assurance House, a ten-storey Wellington CBD office building. Shareholders will be asked at the AGM in June whether they wish Civic to retain ownership of this building. A report listing the pros and cons of retaining ownership will be provided to shareholders before they are asked to vote on this matter. If shareholders support a sale and a satisfactory price can be obtained, then the building will be sold and the sale price of the building net of selling costs will be distributed to shareholders. The sale would allow a special dividend of around 70 cents per share.

Financial projections for 2017 to 2019 are:

	2017	2018	2019
Fee Income	\$2,760,000	\$2,764,000	\$2,900,000
Investment Income	\$328,000	\$91,000	\$95,000
Revenue	\$3,088,000	\$2,855,000	\$2,995,000
Expenses	\$2,750,000	\$2,546,000	\$2,586,000
Surplus before tax	\$338,000	\$309,000	\$409,000

Please note that these are projections, not firm predictions.

5.0 Performance Targets and Measures

- 5.1 To provide superannuation services to at least 90% of local authorities.
- 5.2 To continue to be an efficient and effective administration manager for LAPP, Riskpool, CLP and CPP.

6.0 Reporting to Shareholders

- 6.1 An audited annual report for 2016 by 30 April 2017.
- 6.2 A report on the first half of 2017 by 30 September 2017 containing a review of the Company's operations during the half year and unaudited half-yearly accounts.

7.0 Acquisitions/Disposals

Any acquisition or disposal that is equivalent to 50% or more of the Company's assets will constitute a "major transaction" under the Company's constitution and approval of the shareholders will be sought in accordance with the constitution. Any acquisition that is equivalent to 25% or more but less than half of the Company's assets will constitute a "minor transaction" under the Company's constitution and consultation with shareholders will take place. The disposal of Civic Assurance House would be deemed to be a major transaction and as such would require 75% of those voting to vote in favour if the sale is to proceed.

8.0 Transactions with Related Parties

The Company has 72 local authority shareholder members plus TrustPower (holding 1.21% at 7 February 2017). Local Government Superannuation Trustee Limited and Local Government Mutual Funds Trustee Limited are wholly owned subsidiaries of the Company. Because it is sharing management resources, the Local Authority Protection Programme (LAPP), Riskpool, CLP and CPP are also considered to be related parties. Transactions with shareholder members include risk-financing services and superannuation related financial services.

Charges to and from shareholder members will be made for services provided as part of the normal trading activities of the Company and its subsidiaries. Transactions with shareholder members are on a wholly commercial basis.

***** END *****

Appendix 4

10 March 2017

Ross McNeil
Chief Executive
Rangitikei District Council
Private Bag 1102
MARTON 4741

RECEIVED

13 MAR 2017

To: RMCN
File: S-FM-6.1
Doc: 17 0116

Civic Annual General Meeting

The Annual General Meeting of Civic Financial Services Limited, formerly trading as Civic Assurance, will be held in Wellington on Friday 16 June 2017 commencing at 11.30am. The formal notice for the Annual General Meeting will be circulated at a later date.

The Constitution of the Company provides for at least two Directors retiring by rotation each year.

The Directors retiring at this year's Annual General Meeting are Messrs Mike Hannan and Tony Gray. Staying on the Board are Messrs Mark Butcher, Tony Marryatt, John Melville and Basil Morrison. Messrs Hannan and Grey will be offering themselves for re-election.

Nominations

Clause 15.6 of the Company's Constitution provides:

"No person may be elected as a director at an annual meeting (other than a director retiring at that meeting) unless that person has been nominated:

- a) By a shareholder not more than three months nor less than two months before that meeting, by written notice to the company, accompanied by the consent of that person to the nomination; or
- b) Being neither a member nor an employee of a local authority, has been nominated by the Board, not less than one month before that meeting."

All nominations for the office of a Director of the Company by shareholders must be received by the Company at the Company's address before 16 April 2017. Nominations received at any other time are invalid.

The nomination must be in writing, accompanied by the consent of that person to the nomination. Nominees are asked to provide a brief resume which will be forwarded to Shareholders with the formal Notice of Meeting assuming the Nominee meets the Company's 'Fit and Proper' requirements (see below).

Nominations are unable to be made from the floor of the meeting.

The Company anticipates that all persons who are nominated by shareholders will have been nominated with the authority of the council of the shareholder, and that the nomination will be signed by a person to whom the council has delegated authority for the purpose.

The Company will accept a signed nomination provided there is no irregularity apparent from the face of the document or any circumstance which leads the Company to believe the nomination may have been made without the authority of the shareholder or the nominee.

Fit & Proper Policy requirements:

The Company has adopted a Fit & Proper Policy as required by the Companies Act 1993. The Policy applies to all Directors and relevant officers of the Company. To ensure compliance with the Policy, nominees need to be aware that the Risk and Audit Committee and ultimately the Board of the Company is required to ensure there will be a broad set of skills and experience represented at the Board. If a nominee, in the Board's assessment, does not meet the Policy the nominee will be advised and their name will not go forward for the election.

The Fit and Proper Policy requires various checks including criminal history and credit reference checks to be undertaken. Further, the nominees must advise if they have been adjudged bankrupt or involved with, in NZ or overseas, the management of a company that has failed, been put into liquidation, receivership, voluntary administration, wound up, dissolved, subject to statutory administration or judicial management. If elected the nominee will be required to sign a statutory declaration certifying that in their opinion they are a Fit & Proper person to hold the position of Director of the Company.

Voting

Shareholders will be advised in May of the names of the eligible nominees with the formal Notice of the Annual General Meeting where the election of Directors will take place.



Caroline Bedford
Chief Financial Officer
Civic Financial Services Ltd
Phone: 04 978 1264
Fax: 04 978 1260
Email: caroline.bedford@civicfs.co.nz

The Rangitikei District Council being a shareholder

of Civic Financial Services Ltd hereby nominates

_____ of _____ for
(Name of Nominee)

election as Director of the Company at the Annual General Meeting to be held on 16 June 2017, or at any adjournment thereof.

EXECUTED the _____ day of _____ 2017.

Signature of Shareholder(s) Position(s) Held

Acceptance of Nomination.

I, _____ of _____ accept the

nomination for Directorate. My date of birth is _____.

Further, I hereby give my consent to:

- (a) Civic Financial Services Ltd ("Civic") to collect, store and use any information about me, including my personal information (including a credit history check and criminal history check), in order to:
 - (i) Assess me in accordance with its Fit and Proper Policy;
 - (ii) Comply with relevant legislation and regulatory requirements.
 - (iii) Perform administrative functions including risk management, record keeping, archiving, staff training and conflicts management.
- (b) Civic to disclose, for the purpose of administering its Fit and Proper Policy, any information about me to a third party (including Veda Advantage and the Ministry of Justice) and to such third party giving to Civic information and records about me for this purpose. *A copy of my Driver licence or current Passport (including the signature page) is attached.*

I hereby acknowledge that privacy of information relating to me is governed by the Privacy Act 1993. I have the right to access, and to request correction of, any personal information held by Civic concerning me.

Signature of Applicant

Date

Please return this form to Civic Financial Services Ltd by Post: PO Box 5521, Lambton Quay, Wellington 6140, Fax: 04 978 1260 or Email: caroline.bedford@civicfs.co.nz

Appendix 5

RECEIVED

- 3 APR 2017

To: C.M.
File: S-FM-6-1
Doc: 17 0438

Mr Ross McNeil
Chief Executive
Rangitikei District Council
Private Bag 1102
MARTON 4741

31 March 2017

Dear Ross

Civic Financial Services Statement of Intent and Annual Report

I am delighted to be writing this letter to you as the new CEO of Civic Financial Services, formerly known as New Zealand Local Government Insurance Corporation Ltd and formerly trading as Civic Assurance.

The name change is because Civic has withdrawn from offering property insurance and no longer holds an insurance licence. Exiting a market that the Company has occupied for 76 years was not an easy decision, but a necessary one. In the current market Civic could not write insurance profitably.

Civic Financial Services provides administration and financial services to LAPP, Riskpool and the SuperEasy and SuperEasy KiwiSaver Superannuation Schemes. Funds under management for our superannuation schemes as of today are \$281 million. Out of the 73 councils that have appointed a preferred provider for KiwiSaver, 69 have selected our SuperEasy KiwiSaver Superannuation Scheme as their KiwiSaver employer chosen scheme.

Enclosed is your copy of Civic's Annual Report for the year ended 2016 and Civic's Statement of Intent for 2017. For the latter, please note the Special General Meeting proposed for September. The meeting is for shareholders to vote on whether the Company should sell Civic Assurance House.

From Civic's Report and Accounts you will see that the Canterbury earthquakes have been settled and 2016 was another successful year for Civic.

Over the next few months I would like to visit your Council and arrange to meet with you and be able to take you through this information in person.

Yours sincerely

Ian Brown
Chief Executive
DDI: 04-978-1263
Email: ian.brown@civicfs.co.nz



CIVIC FINANCIAL SERVICES LIMITED
(formerly trading as Civic Assurance)

STATEMENT OF INTENT

FOR THE YEAR ENDED 31 DECEMBER 2017

TABLE OF CONTENTS

1.0	<i>Mission Statement</i> _____	2
2.0	<i>Corporate Goals</i> _____	2
3.0	<i>Nature and Scope of Activities</i> _____	2
4.0	<i>Profits, Dividend Policy and Capital</i> _____	3
5.0	<i>Performance Targets & Projections</i> _____	4
6.0	<i>Reporting to Shareholders</i> _____	4
7.0	<i>Acquisitions/Disposals</i> _____	4
8.0	<i>Transactions with Related Parties</i> _____	4

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Charges to and from shareholder members will be made for services provided as part of the normal trading activities of the Company and its subsidiaries. Transactions with shareholder members are on a wholly commercial basis.

***** END *****

**ANNUAL
REPORT
2016**



Human potential, realised.



CIVIC

PROVIDING THE RIGHT SUPPORT AT THE RIGHT MOMENT.

Civic supports people with disability to exercise choice and control in their lives, achieve their goals and participate in the community. We practice Person Centred Active Support and firmly believe that **Every Moment has Potential.**

CONTENTS

2	CHAIR & CEO ADDRESS
4	ABOUT CIVIC
6	YEAR IN REVIEW
9	OUR SERVICES
10	CIVIC SERVICES: HOME
13	CIVIC SERVICES: WELLBEING
14	CIVIC SERVICES: WORK
16	CIVIC SERVICES: SOCIAL
17	CIVIC SERVICES: LEARN
18	BOARD & MANAGEMENT
20	TREASURER & CFO REPORT
22	GOVERNANCE
23	OUR STAFF
24	SUPPORT US

Civic Disability Services Limited

South East Sydney Office
103 Cawarra Rd
Caringbah NSW 2229

South West Sydney Office
14 Mill Road
Liverpool NSW 2170

Blue Mountains Office
PO Box 215
Blackheath NSW 2785

ABN: 16 000 744 141
CFN: 12380

Phone
1800 253 743

Email
enquiries@civic.org.au

Fax
(02) 9575 1999

civic.org.au

FROM THE CHAIR AND CEO

We are delighted to present this year's Civic Annual Report and to share our stories, the highlights of our year and many of the activities we have undertaken.

Civic has been in existence for over 50 years and in this time we have delivered excellent disability and mental health services to assist clients to achieve their life goals, enabled them to be a part of their community and provided supported accommodation, community programs and employment options.

We are pleased to report a successful and fiscally responsible year showing a 17% growth in revenue. We tendered and won three new group homes; opened new community hubs at Wattle Grove and Hurstville; and are showing rapid growth in our post-school programs. Civic Industries is incredibly busy being well supported by local business clients, and the newly won employment contract with the Department of Defence is off to a great start. The financial results also tell a good story – an operational surplus of \$1.124m compared to \$916k surplus in 2015 which allows us to reinvest in the business.

This is the first full year under the guidance of CEO Annie Doyle. The organisational and cultural changes that she has instigated deliver on the promise we made to clients, staff, families and stakeholders. Annie is a champion of business transformation and innovation, and these changes mean that Civic is agile and responsive to the evolving needs of our clients under the National Disability Insurance Scheme (NDIS).

The Senior Leadership Team has driven the significant change required under the NDIS. Their passion and dedication shines – and is another reason that Civic has been so successful this year. Their leadership has been inspirational and has led to a culture of staff excellence on behalf of clients and their families. Our strong reputation as service provider of choice is evidenced by the high retention of both staff and clients.

A major cultural change this year has been facilitated by La Trobe University who have been



invaluable in providing training and support in embedding active support throughout the organisation. Staff have embraced the concept enthusiastically and have been putting this ethos into practice. We would like to thank our amazing staff for their 'above and beyond' approach to working with clients which has helped deliver our vision of 'human potential, realised'.

We have had a busy year supporting clients in South West Sydney, Western Sydney and the Nepean Blue Mountains regions for the NDIS roll-out on 1 July 2016. Our preplanning support and the development of unit costing tools ensured existing clients were seamlessly transitioned over. We were also very pleased to welcome our new NDIS clients in these areas.

Clients in the rest of NSW will transition to the NDIS from July 2017 so we are gearing up for an extensive year of planning, preparation and support for that changeover.

We have been able to balance the demands of quality service delivery utilising our Quality and Safety framework, with person-focused active support. We have strategically invested time and money to ensure we are developing and delivering great programs, have effective and robust business systems to enable staff, collect client data and measure outcomes whilst reducing overheads. This has allowed us to future proof our organisation to ensure Civic is here to support clients and families for the long haul.

“Our partnership with La Trobe University has helped to embed our active support approach throughout Civic,”

You may have noticed that we look a little different. The new Civic brand ensures we have clear messages and that our refreshed values are aligned with our Strategic Plan. This two year Strategic Plan gives the needed direction to enable Civic to be nimble under the social policy reform environment we operate in. Our values of integrity, empowerment and diversity are at the root of all of our decisions.

This year Civic won grants for upgrading facilities at various locations and for the Civic Arts Therapy program. We would like to thank all of our funding bodies and supporters for their invaluable assistance. We were delighted that Minister John Ajaka and MP Mark Speakman could help us celebrate the opening of our new Caringbah group home. We would also like to thank FACS, DSS, DOHA and our local members and councillors. We are looking forward to working closely with them as we transition to the new NDIS and SDA funding arrangements.

We would like to acknowledge our Board of Directors. We are fortunate to possess such a high level of diverse skills at the table and thank them for their professionalism and commitment to the long-term sustainability of Civic.



Annie Doyle
CEO

Luke Streater
Chair

**“People
are at the
centre of
everything
we do.”**

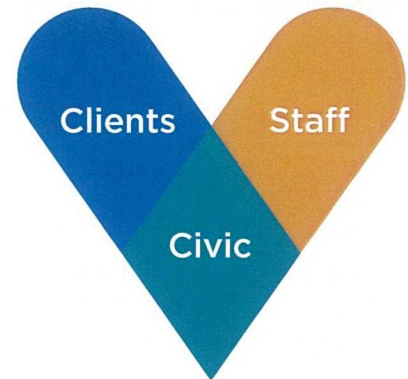


WHO WE ARE

Civic's vision is to see the potential of all people realised.

The reason we exist is to support the people within the Civic community to achieve their goals - whether it's assisting an ageing parent to plan for the future, supporting a client with a new social activity or training staff to expand their skill set.

Our Vision, Mission and Values capture the beliefs which guide all our decisions and practice, to deliver a quality service for our clients.



VISION

Human Potential, Realised.

MISSION

Providing the right support at the right moment.

VALUES

Integrity

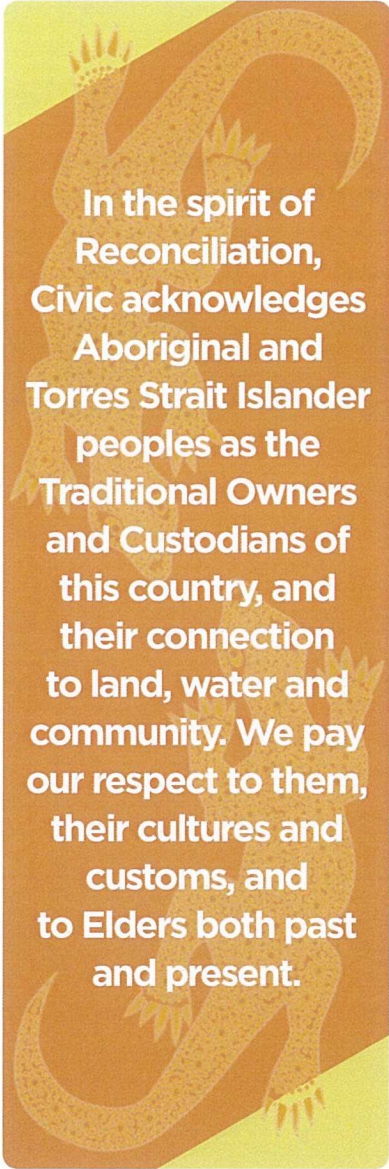
We are honest, grounded and committed

Empowerment

We enable choice and opportunity

Diversity

We respect and learn from all individuals



In the spirit of Reconciliation, Civic acknowledges Aboriginal and Torres Strait Islander peoples as the Traditional Owners and Custodians of this country, and their connection to land, water and community. We pay our respect to them, their cultures and customs, and to Elders both past and present.

STRATEGIC PLAN

Progress on Strategic Plan 2015-2016

Our Strategic Plan for 2015-16 highlighted seven key goals and a number of key initiatives. A total of 90 strategic initiatives were either completed throughout the year or are on track for completion. These include:

- Implementation of a Person Centred Active Support program.
- Improvement of the staff induction program.
- Development and rollout of Civic's own NDIS pre-planning tool & approach.
- Customer Relationship Management (CRM) system in use across all sites.
- Launch of a new corporate visual identity that represents Civic's values and purpose.
- Development of a risk framework to address key risk areas for the organisation.
- Growth of Civic's offering across all locations.

Future Roadmap 2016-2017 and 2017-2018

Civic has evolved into an agile and responsive organisation in order to meet the demands of the NDIS and this evolving sector. All of our actions and outcomes are linked to the five strategic priorities listed below, enabling us to work towards realising our **Vision** and **Mission** for clients. Our **Values** are firmly embedded in our practice and decisions.

Strategic Priorities	Key Actions	What this means for our clients	What this means for our staff
Service Optimisation	Exceed quality service standards	I'm happy with the service I receive from Civic	I feel encouraged and motivated to exceed the service standards of my role
Talent Management	Attract, retain and harness the potential of quality staff	I think my Civic staff are great	I am proud to be a Civic employee and I am recognised and satisfied in my work
Systems & Processes	Improve systems and processes to support the customer journey	I get what I need when I need it	I operate efficiently with robust systems to support me
Marketing & Communications	The brand represents the nature of Civic and is known in the community	I am happy that I am part of Civic and I know what's going on	I am well informed about Civic activities and future plans as they affect me
Service Growth	Provide new services in additional locations	I have more choice	There are more opportunities for me to grow with Civic

2015-2016 YEAR IN REVIEW

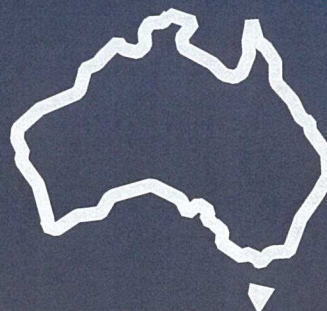


NEW LOOK CIVIC BRAND

New branding across all Civic
communications, website
and vehicles

7 NEW LOCATIONS

- New shared accommodation at Voyager Point
- New shared accommodation at Caringbah
- New shared accommodation at Oatley
- New shared accommodation at Loftus
- New Community Hub at Wattle Grove
- New Community Hub at Hurstville
- New office at Liverpool



WON 3 NEW TENDERS

- Won tenders to manage 3 new shared homes
- Grants won for:
 - Industrial kitchen project
 - Upgrading facilities at Campbelltown and Sutherland
 - Civic Art Therapy program



12% INCREASE IN INDUSTRIES REVENUE

- 20% increase in number of customers
- New employment contract with Schindler Lifts
- 15% increase in number of supported employees
- New employment contract with Department of Defence

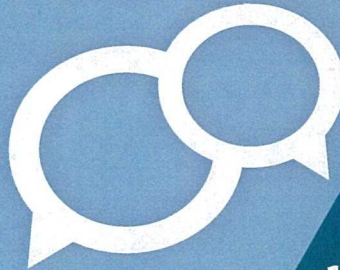


NEW SYSTEMS

Improved efficiencies in place to deliver seamless NDIS services

9,500 NEW CONNECTIONS

Connected with thousands of people about the NDIS through forums, planning sessions and expos



0% USE OF AGENCY STAFF

- 28% in growth in support staff
- New management structure in place
- 12,800 hours spent training staff
- Speech Pathologist joins clinical team
- New role of Customer Service Manager created



STRATEGIC PARTNER

Formed 2 year partnership with La Trobe University to measure Person Centred Active Support outcomes and train staff in this practice



EXTERNAL ACCREDITATIONS

- ISO 9001: 2015 re-certified to the new standard
- Community Housing Provider (re-certified)
- Re-certified to Homecare Standards
- National Standards for Disability Providers (Industries) re-certified

**“We practise
Person Centred
Active Support
enabling individuals
to exercise choice
and control in
their lives.”**



CIVIC SERVICES

AGE GROUPS

CHILDREN
5-11

YOUTH
12-17

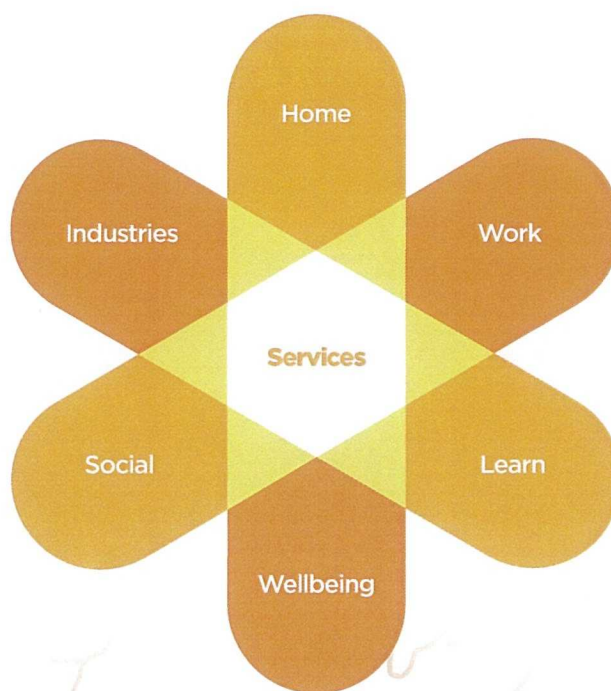
ADULTS
18-64

SENIORS
65+

Civic is a leading provider of supports for people with disability. We offer tailored programs to people of all stages of life from children to adults and seniors in various locations throughout Greater Sydney and Western NSW.

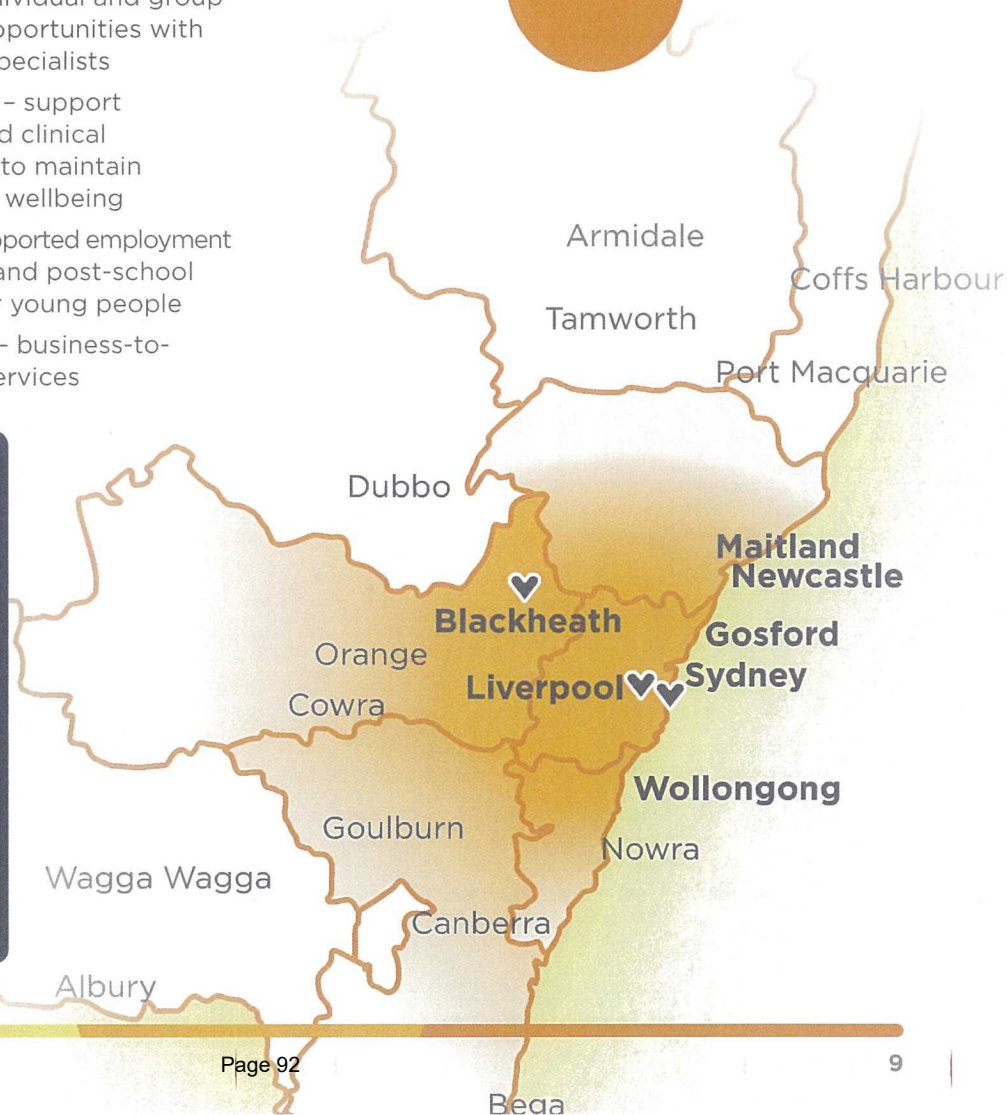
Services include:

- **Home** – shared group living, short-stay accommodation and transitional accommodation
- **Social** – group-based and one-to-one activities from our Hubs and in the community
- **Learn** – individual and group learning opportunities with staff and specialists
- **Wellbeing** – support by staff and clinical specialists to maintain health and wellbeing
- **Work** – supported employment for adults and post-school options for young people
- **Industries** – business-to-business services



Service Locations

Civic services stretch as far north as Maitland, as far west as Orange and as far south as Nowra. Speak to one of our team members to find out what services are available in your area.



HOME

It's where the heart is

Home is where we spend so much time – sleeping, eating, having fun and generally just being. Home is the place where everyone should feel safe, secure and happy.

Civic has a long and successful history in supporting people with disability to live at home. We support them to think about their goals for how they would like to live and how they would like to be actively supported in their day-to-day activities and interests.

This year we were delighted to open two new homes for people who have spent many years in large residential centres. It is a privilege for us to have been chosen by clients and their families to support them to exercise greater choice in their own lives. More new shared homes are in the pipeline for next year.

We offer a range of community-based supported living options including short stay, transitional and shared living which cater for a wide range of needs.

Short Stay

Civic's short-stay accommodation is ideal for those looking to build on, or learn new living skills while socialising with a range of people in a 'home away from home' environment.

While staying in short-term accommodation, Civic supports individuals to engage in their choice of social and learning activities such as cooking, communal dinners and visiting local places of interest.

Civic's short stay services are currently available for all ages in South East Sydney, with new sites planned across New South Wales.

Civic provides 'cottage style' accommodation services to elderly clients both with and without disability. Based in South East Sydney, individuals come from across Sydney to our fully-equipped Aged Care facility. Qualified, experienced staff ensure needs are met in a friendly and supportive environment.

Transitional Accommodation

Moving out of the family home to your own place is a big step.

Civic supports individuals who want to live independently or with friends. We can provide assistance to build on current abilities and learn new skills such as cooking, cleaning, travel training, budgeting and decision-making.

"We start with small steps and gradually build up. It's really about getting to know the individual and being led by them at their own pace. For some it's a quick process, for others it may take months."

If you think this is for you, Civic's transitional accommodation service can help to build your confidence as you prepare for the change at your own pace.

Short-term stays can give families reassurance about new living arrangements as it is good practice before any big move. It also allows needs to be assessed for the



**“The ache for home lives in all of us.
The safe place where we can go as we are
and not be questioned.” - Maya Angelou**



future and helps smooth the transition to increased levels of independence with appropriate support.

We are taking expressions of interest from people who want to live independently. Visit civic.org.au to find out more.

Shared Living

Civic has a range of options for shared living – from self-contained and villa style units to shared accommodation options.

Our shared living services are located throughout **Sutherland Shire, St George, Western Sydney, South Western Sydney** and the **Blue Mountains** with further locations in the planning.

Clients living in Civic’s shared living services are actively supported to engage in

daily tasks and meaningfully participate in various activities at home and in the community. We understand the importance of stability and consistency – of routine, activities and people. As housemates and staff grow to know each other, they create routines which are familiar but also stimulating. Our staff assist with things like:

- Setting goals
- Budgeting
- Planning
- Cleaning
- Laundry
- Preparing meals
- Shopping
- Gardening
- Visiting new places
- Using local recreation services such as the library, swimming pool and other local amenities

Just as in any shared accommodation, you will have

your own bedroom and may share kitchen, bathroom, living and outdoor areas.

Wherever you choose to live, Civic can assist you to develop a plan that works towards achieving your living goals.

Housemates

See an example of Civic’s shared living in practice on civic.org.au and Civic’s YouTube channel.

The Civic housemates featured in the video have developed their own routines, keeping their independence but also working together as a household. Their week is full with work and activities such as netball, swimming, bowling, dinners and social outings. The housemates also do things such as gardening, BBQs and holidays together as a group.

All the individuals within the house are involved in every aspect of the important decisions which impact their lives. From the weekly menus, to staff recruitment and the flowers to plant in the garden – the housemates and their families participate in the decision-making.

“The guys love their home – because that’s exactly what it is – a home, not just a house.”
- Bronwyn, Team Leader

Zeinab's Story

Zeinab moved into a shared home in March 2016 after more than two years in emergency respite where she was moved around a number of times.

Transition

Prior to moving into her new home with Civic, Zeinab was supported during a six week transition period which consisted of regular visits to the new house, dinners with the other four residents and eventually an overnight stay.

Zeinab and her family chose the new paint colour for her room – pink – and all her new furniture and bedding before she moved in.

Knowing of her love of photographs, staff made Zeinab two photo albums of her new house, one for her to look at when she visited her new home, and one to stay with her as a reminder of where she was moving to.

Cultural Awareness

Zeinab is Lebanese and Muslim so Civic staff enrolled in cultural training prior to her arrival so they understood and could cater for her needs. This included an explanation of customs, particularly around food, appropriate eye contact, shaking hands and general etiquette.

Zeinab's diet is 100% Halal, so one of the fridges in the house now has a separate compartment for her food, and female members of staff take care of her personal needs.

Changes

Zeinab's key worker said: **"In the six months that Zeinab has been in her new home, she has lost weight and there have been noticeable improvements in her speech and how she interacts with the other residents. She learns new words and phrases every day and is getting better with everyday tasks such as emptying the dishwasher, wiping the table and helping to prepare meals."**

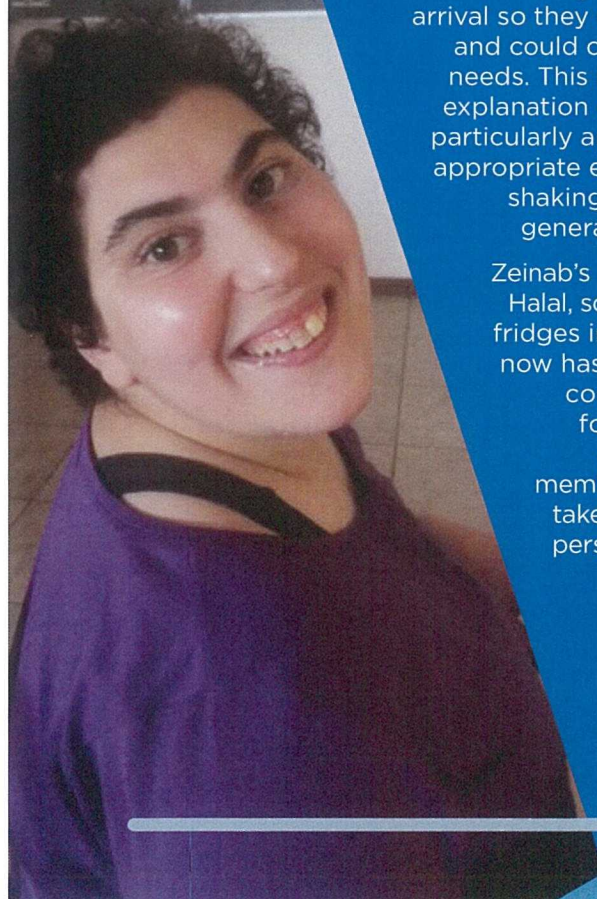
Practice Leader Liz said: **"Zeinab has a smile that could light up a room. On a recent visit to the dentist she cheered up all the waiting patients by greeting them individually."**

Family

Zeinab's family live locally and visit regularly. Her sisters bring her nieces and nephews to visit – along with lots of beautiful homemade food. Her family are delighted with how Zeinab's health and wellbeing have improved since moving into her new home. In fact her sister Fatima has recently nominated Zeinab's key worker Maria for a staff award for going over and above to make sure Zeinab is settled, happy and comfortable in her home.

Fatima said:

"The family are delighted to see Zeinab so settled and happy. We can tell that she is coping well and indeed thriving in her new home. She is getting all the attention she needs and her weight loss is tremendous. We were particularly happy with the practical arrangements – the fact that such care is taken with her Halal diet with her separate fridge and utensils is great. My mother has another child with disability to look after, so the fact that Zeinab is in such good hands is one less worry for us all. It is evident that this transition was in the best of interest of Zena, as we can see that she is very happy. We have no complaints whatsoever and the results speak for themselves.**"**



WELLBEING

Your physical and mental health

Civic supports people with disability by providing a range of everyday services. These include personal, household and also specialist services. Experienced staff use a Person Centred Active Support approach – stepping back and encouraging individuals to take an active part in everyday activities where possible, providing assistance when needed.

This year Civic welcomed a full-time speech pathologist to the specialist support team who provide:

- Communication devices and assistance with hearing
- Counselling, psychology, and behavioural support
- Speech therapy including communication, feeding, nutrition and swallowing assessments
- Occupational therapy and assessments

“The clients have taught me to never underestimate anyone’s potential. Every day I am inspired to assist clients to reach their potential, irrespective of the size or nature of their problems. It is an absolute privilege to work with clients, carers and their families to achieve their communication and feeding goals.” - Lauren, Speech Pathologist

Andrew's story

Andrew is a husband and proud father of two young kids. He has motor neurone disease, a degenerative disease affecting the body's ability to move efficiently, which has meant that he and his family have had to overcome some significant challenges. One of those challenges was the family vehicle, which could not accommodate Andrew's wheelchair and the kids' child seats.

Struck by Andrew's determination to maintain a regular family life, Civic worked with him to overcome these challenges. Recently Andrew took delivery of a new custom van which incorporates a ramp that Andrew can access independently, and a space to turn the chair within the vehicle. This means that Andrew can sit in the front next to his wife with the kids in the back as they travel together as a family. See Andrew's new van in action at civic.org.au

“I chose Civic because they are in my local area... and I've been happy with the service. The process of getting the van was quite expensive and time consuming but definitely worth it. We were extremely lucky to have friends and family that helped raise the money...”

CIVIC Provides Support Coordination

Our support coordination team can help you to get the type of supports you need, when and how you want it.

If your NDIS plan includes support coordination we can assist you to:

- Understand how you can best utilise your NDIS plan to meet your goals
- Liaise with Government, NDIA and agencies on your behalf
- Understand the choice of providers and services available
- Link to appropriate services within the local community
- Coordinate, oversee and monitor the quality of service and assist in times of crisis
- Obtain quotes for services
- Work with you to develop skills, capacity and resilience
- Support to set up contracts and service agreements

Civic is a registered NDIS service provider and can provide assistance with NDIS plans including:

- Plan Management
- Financial Management
- Support Coordination
- Therapy Assessments

WORK

Civic Industries continues to go from strength to strength with a 20% increase in customers, 15% increase in the number of supported employees and a 12% increase in revenue.

With a workforce of around 120 supported employees, we are an Australian Disability Enterprise providing meaningful, paid employment and work-readiness programs. We support school leavers and adults with disability and/or mental illness in an inclusive and encouraging environment. Employment positions are available in South Sydney and Western Sydney, with new positions opening in the coming year.

This year Civic was selected as the NSW partner for the Australian Department of Defence's Diversity Program. Working out of Holsworthy Army base, Civic supported employees will carry out a range of administrative tasks in their roles. The Deputy Director of the Defence

Diversity Directorate said: **"The professionalism and organisation of the Civic team was great to watch. The partnership with Civic is important to us in the delivery of an administrative capability at Holsworthy and in the contribution they make to Defence's goals."**

All employees are supported by Civic to build their skills with a personal career plan. Training undertaken this year included Cert II in Warehousing Operations, Cert III in Process Manufacturing and an Open University Leadership course.

Civic's Transition to Work program is an accredited course and awards a 'Work skills for life' statement of attainment to trainees who successfully complete all the theoretical and practical work experience. The current group of trainees enjoy a collegiate and friendly environment where they learn but also have fun. This year our trainees found work experience opportunities in administration, technology, retail, automotive, hospitality and horticulture.

Travis' story

Travis joined Civic's Transition to Work program in January 2016. He attends the program three days a week and is employed at Civic Industries the other two days.

After a thorough assessment, Civic supported Travis to improve his reading and writing skills and attend speech therapy. He has enrolled in the 'Statement of attainment in work skills for life' and completed work experience with Coles, Newton Real Estate, BC Sands Building & Landscaping Supplies as well as the Tramway Museum.

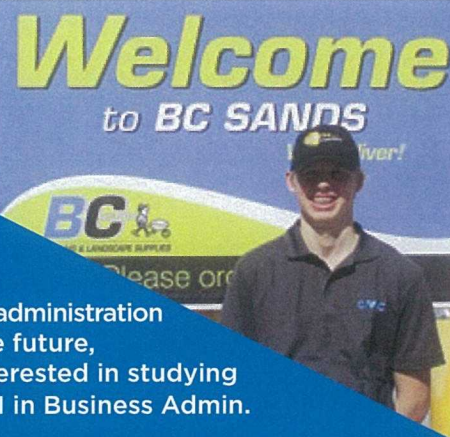
Travis is currently working on his administration skills in preparation for a part-time supported employment role with Schindler Lifts. He was selected for this new opportunity as he has displayed

abilities in completing administration tasks. In the future, Travis is interested in studying for a Cert III in Business Admin.

Travis said:

“So far the best work experience has been at BC Sands, I like meeting new people, they were really nice staff and I had fun there. Also seeing the Volvo truckies was the coolest.

I really like Civic TTW, it's the funnest, I have eight new friends now, and before I came here I did not have any. We go on team building outings and so far we've been to Jamberoo, whale watching, an animal park, swimming at the beach and BBQs.”



Business-to-Business Services

Civic's wide range of efficient and cost-effective business-to-business services continues to grow. The contract to provide lawn-mowing services at Woronora Cemetery has been extended and this year **confidential paper shredding** was added to the already wide range of services provided.

This year we invested in major new equipment from Taiwan, which allows us to provide additional services in a more efficient manner. Continual investment in our equipment keeps the business competitive, ensuring viability into the future, while providing varied work opportunities for supported employees.

Services on offer include:

- Promotional packaging
- Warehouse storage
- Decanting bulk items and putting them in more convenient packs
- Mailing and labelling
- Kitting and rework
- Paper shredding
- Lawn mowing



The popular Civic File Bands launched a new website this year, with a more efficient ordering and supply system for customers. File Bands are a simple and effective way to bind files together and keep them looking professional. They are popular with the legal and medical professions, as well as accountants and government. Check them out at thefileband.com.au

The Charity Hamper continues to supply premium gifts of Australian made products sourced from socially responsible organisations. 100% of profits are reinvested in generating fulfilling employment opportunities for people with disability. Hampers are available for purchase at thecharityhamper.com.au

"Every Thursday on the grounds at Woronora, we see so many smiles and great enthusiasm from the lawn mowing crew. Our team look forward to working with the Civic crew each week."

- Mr Graham Boyd, CEO Southern Metropolitan Cemeteries Trust

"The Civic lawn mowing team come to work with a hardworking and happy attitude every day and we are so delighted with the service that the team provide."

- Mr Matt Tiley, Operations Manager
Woronora Memorial Park



**This year we packed more than
7,000 showbags and
3 million+ bars of soap**



Supported employees Andrew, Zakka and Reagan recently completed a six-week Leadership Program through Open 2 Study (Open University). The three were also promoted to the position of 'Mentor' within Civic Industries at Caringbah, demonstrating one of our key values 'Empowerment' in action - we promote choice and opportunity.

SOCIAL

Make new connections

Civic supports individuals with disability to get involved in the community, forge new bonds and learn important life skills.

We encourage people to build on relationships that are important to them, understanding and valuing the choices they make in their own lives.

Civic offers engaging and varied social activities in the Sutherland Shire, St George, the Blue Mountains, South Western Sydney and Western Sydney. All the supports we offer are tailored for you, whether you require support individually or would prefer to be part of a group.

Through our social programs people are invited to take part in activities such as music, sport, volunteering, art, community events and much more. We are here to support you explore your interests and develop the relationships that are important to you.

Individuals are matched according to their interests and abilities. Clients choose what they would like

**Civic staff have travelled more than
1 Million kms
over the past year supporting
clients across NSW.**

to do and our focus is to work with them to deliver what they want in the way they want it.

In the past few months alone, Civic has supported individuals and groups to visit Terrigal, Berry, Windsor, Wollongong, The Rocks, Darling Harbour, Homebush Bay, the Daffodil festival at Rydal, Train Works, Audley and Aqua Golf to name a few.

“Since my brother joined Civic’s Group Program he does more activities and visits more places than I have ever done in my life.”

– Family member of client Richard

Anthony’s Story

Anthony wanted to find some work and make new friends but found the prospect quite challenging. So Anthony and his Practice Leader Mauricio created a plan together to develop his communication skills and confidence.

Anthony found his calling when he became involved with Foodbank distribution, which provides discounted food items to charities across Sydney.

Once goods are ordered online, Anthony assists with the collection, sorting and delivery of food to clients living across South West Sydney from Civic’s Liverpool base.

Mauricio said: “With his sharp navigation skills and his enthusiasm to engage with people, Anthony has been instrumental to

the success of the Foodbank project. He has made new friends who are always pleased to see him on a Wednesday.”

Anthony said:

“ I have been volunteering for about a year now. On Wednesday afternoons I help deliver food to different people. I can carry many bags and I like helping others. I am good at finding the houses. I like meeting new people and going new places. People are always happy to see me and know me by name. We have a bit of a chat and a catch-up when I see them. ”

Adrian's story

Adrian, who lives in one of Civic's Blue Mountains shared living homes, has been attending Music Therapy sessions for more than six months. During this time he has learned new communication techniques and made huge improvements in his speech which in turn has grown his confidence.

As part of his therapy, Adrian composed the music and lyrics to an original song entitled Heat Sun. At the 'Christmas in July' celebration Adrian performed this composition, accompanied by music therapist Frauke, in front of more than 50 proud family members and staff.

Listen to Adrian's composition and see all his lyrics at civic.org.au

Adrian's original lyrics:

Heat Sun

I'm sitting under the bright sun, and it beams hot from above.

I can't wait for the cool to come so that I stop sweating for the day.

In my dreams, I can see myself swimming in the water, feeling the cool on my skin.

Only to discover, that I'm still suffering from the hot sun feeling strenuous.

Chorus:

I always wish for what I cannot have in my life,
Dreaming of cold coke in summer, hot chocolate in winter time.

© Adrian



LEARN

Gain new skills and have fun

Civic's community hubs offer engaging and enriching activities in locations across greater Sydney and Western NSW. Individuals are supported to achieve their personal goals in a friendly and supportive environment.

Our new community hub at Wattle Grove near Liverpool has fantastic sports amenities including tennis and basketball courts and more great facilities nearby.

Swimming programs are available at Sutherland, Wattle Grove and our new community hub at Hurstville. A fully equipped gym with training sessions by a qualified instructor is run on a weekly basis at Caringbah. Our personal trainer also visits clients for one-to-one training sessions in their home or a local park.

One of the most popular programs we offer is travel training. We have rebuilt this program from the ground up this year, and rolled it out to clients throughout Civic. Trainees learn how to access public transport with confidence and safety – an important step towards independence for many.

We offer a range of activities and programs including:

- Cooking
- Computer classes
- Music therapy
- Money handling and budgeting skills
- Drama classes
- Arts and crafts
- Gardening
- Work readiness training

The large mural created by the Art Therapy class this year will be display at the Hazelhurst Gallery for International Day of Persons with Disability.



BOARD MEMBERS



Luke Streater

Chair / BBus (Land Economy)

Luke specialises in property and construction, is a Licensed Builder and is principal of his own construction company.



Dunstan De Souza

Deputy Chair / BEc, LLB

Admitted to the High Court of Australia and Supreme Court of NSW, Dunstan has been a practising solicitor for more than 30 years.



Liz Clowes / Director

LLB(Hons), BA(Psych)

Liz is a senior human resources and industrial relations professional with experience in workplace relations and a passion for increasing corporate engagement and performance.



Glenn Coleman / Director

GradDipAppFin

Glenn brings his business and community experience to the role of Director. He is CEO of the Coleman Group and a Property Developer specialising in affordable housing.



Michael Coughtrey / Treasurer

BBus, LLB, CA

As a Chartered Accountant, Michael has more than 30 years of experience in the profession specialising in taxation and business services across a broad industry base.



Kathryn Dunkley / Director

BComm(Acc), BSc(Bio), CA

Kathryn has more than 15 years of M&A, strategy and business transformation experience across both the private and public sectors in NZ, the UK and Australia.



David Edwards / Director

GradDipCorpMgmt

David brings a strategic focus towards organisational development to his role. He has decades of experience in complex program management and change management.



David Gibney / Director

CPA

David has served as a Director of Civic since 1992. He is a passionate advocate for people with a disability and was a Director and President of the Handicapped Children's Centre.



Peter Lewis / Director

Peter served as a Civic Director from 1996 to 2008 and was re-appointed in 2011. He brings his vast experience as a Councillor in Sutherland Shire and Sydney County Councils, as well as involvement in Rotary.



Simon Rez / Director

MBA, LLB, CTA, FAIM, ACIS

As a qualified Company Secretary, Simon is passionate about best practice governance. As a keen Rotarian he brings a strong sense of community to his role.



Kelly Wood / Director

BE(Hons), ME(mgt), FRAeS

Kelly has been recognised for her contribution to aeronautics and specialises in strategy development and fostering leadership potential.

MANAGEMENT TEAM



Annie Doyle
Chief Executive Officer

BBus(Acc) , currently studying Law at University of Sydney

A management professional with more than twenty years' experience across a variety of sectors including the last six years in NFP disability.



Mike Churchman
Chief Financial Officer

MA (Oxon), ACA, AGIA

A Chartered Accountant and member of the Governance Institute with broad international commercial and strategic experience.



Nicole Fitze
Human Resources Manager

CPM AHRI, MMgt (Business & HR)

Nicole, a trained nurse, joined Civic in 2000 and worked in a variety of roles before being appointed as Human Resource Manager.



Peter Moore
Operations Manager - Civic Industries

Peter brings more than 12 years' experience in warehouse production in the disability sector to his role.



Demelza O'Keefe
Strategy & Development Manager

MPM, GradCertBUSMGT (Project Mgt), Sydney Leadership 2016

Passionate about business transformation Demelza has a diverse background in leading IT, communications and marketing programs.



Kate Smith
General Manager

B.Soc.Sci, Cert IV Community Services - Disability, Cert IV Frontline Management

Kate has worked for 18 years in non-government organisations in the disability sector across NSW and the ACT.



Carrie Voysey
Quality and Business Improvement Manager

BA (Welfare Studies), currently studying for Dip (Quality Mgt & Safety Mgt)

Carrie has 22 years of experience in the disability sector and more than eight years working with quality, risk and safety management systems.

"Whilst Civic is sizeable in reach and impact, we carry the heart of a small organisation - every single person matters."

"I chose to work for Civic because of the organisation's vision, mission and values. It's important for me that my personal values align with where I work, and I am passionate about working in a not-for-profit organisation that makes a difference in the community and I believe that Civic does this."

"Civic is developing a culture where new ideas and innovation are encouraged; staff are supported to try new things to achieve better outcomes for clients; clients are supported to live the life they want. I like being a part of making that happen!"

"We are a dynamic and agile organisation where our Organisational EQ enables us to be client focused, practical, mission driven and yet innovative and adaptable to change."

FROM THE TREASURER AND CFO

The 2016 Financial Year has been an excellent one for Civic with 17% growth in Revenue and 23% growth in Surplus leaving us well placed to take advantage of the changes in the sector over the next few years.

The Balance Sheet continues to strengthen with an increase in cash of \$1.2m and a keen focus on the management of working capital. The NDIS business model will place pressure on working capital as the current government funds received in advance transition to payments in arrears through the NDIS. This management and forecasting of cash and working capital will be top of mind for the Audit & Finance Committee throughout 2017.

There has also been significant focus on financial rigour with the Finance team growing to ensure it is appropriate, in terms of size and acumen, for the future. This focus has resulted in an unqualified audit report and a Finance team keen to take on the challenges and opportunities that change brings.

2017 promises to be another significant year with the continuing rollout of the NDIS. Our healthy financial position enables us to invest in talent and technology in readiness for these changes and this investment is included in a 2017 budget that results in growth in Revenue and Surplus at similar levels to 2016.

Our success as an organisation relies on the ongoing dedicated work of the entire Civic workforce, but also the support of



funding bodies, commercial customers and the tremendous backing we receive from the community. We wish to thank all our dedicated champions for contributing to these excellent results.

Michael Coughtrey
Treasurer

Mike Churchman
Chief Financial Officer

17%

**Revenue growth
in the last year**

52%

**Revenue growth
since 2010**

4.8%

**Surplus on
Revenue**

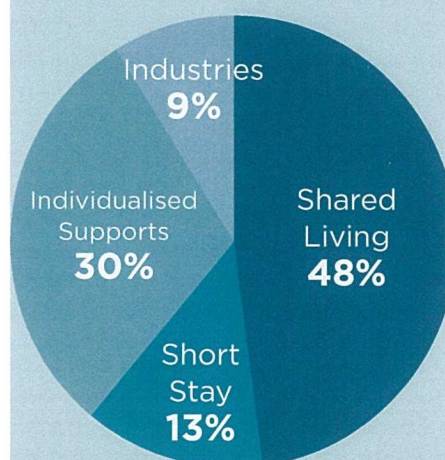
STATEMENT OF FINANCIAL PERFORMANCE

	2016	2015
	\$m	\$m
Government Funding	20.9	17.7
Other Revenue	2.6	2.4
TOTAL REVENUE	23.5	20.1
Expenses	22.4	19.2
SURPLUS	1.1	0.9

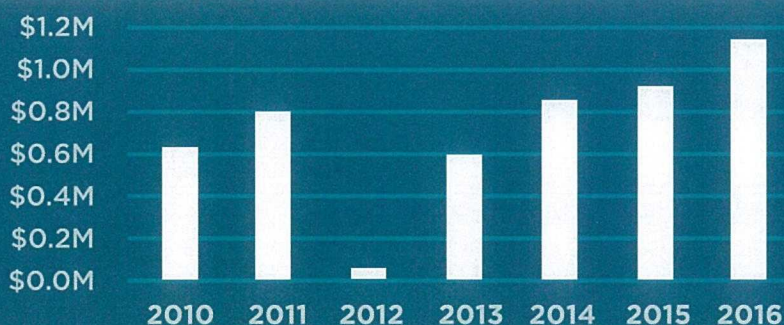
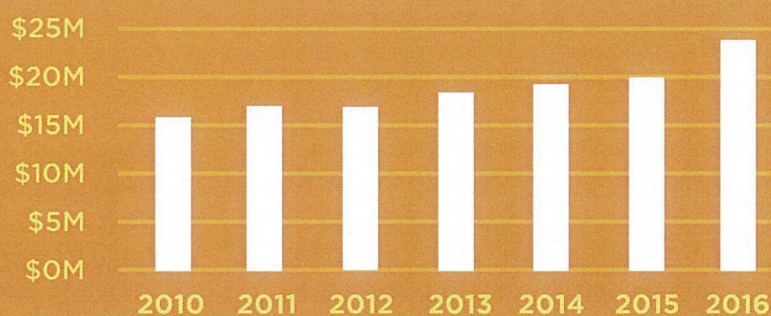
STATEMENT OF FINANCIAL POSITION

	2016	2015
	\$m	\$m
Current Assets	3.1	1.7
Non Current Assets	21.4	21.5
TOTAL ASSETS	24.5	23.2
Current Liabilities	4.1	3.5
Non Current Liabilities	3.0	3.4
TOTAL LIABILITIES	7.1	6.9
NET ASSETS	17.4	16.3

REVENUE BY SERVICE TYPE



PROFITABLE REVENUE GROWTH



INCREASING SURPLUSES

A LEADING SERVICE PROVIDER

Civic is committed to creating a quality experience that is valued by our clients and provides the best possible outcomes for them. We take a person-centred approach to our support – providing just the right amount of support at the right moment.

Civic's Board and Management are passionate about providing a quality service for clients and an environment where the health, safety and welfare of clients and staff is paramount.

We make effective use of standards and related compliance activities to inform good practice and improvements in our services. Quality enhancement within Civic results from a culture of improvement, innovation and being client focused.

Regular external and internal audits are integral components of our quality management system, which is accredited to international standard ISO 9001:2015. We were pleased to be one of the first organisations to be accredited to the 2015 updated standards soon after its launch.

“The organisation has demonstrated a solid improvement across their systems and processes over the certification period and since the last year audit.” - 9001 Audit report quote, SAI Global, March 2016

‘I was very privileged to receive an invitation to celebrate an event with residents and staff. This was a great day for family and friends to come together with residents in their home and I think the day's success is summed up in the residents' beaming smiles and a statement by one that: “This is my home”.’ - Official Community Visitor

Governance

Civic's Governance framework, policies and procedures are based on the Australian Standard AS8000 -2003 “Corporate Governance - Good Governance principles”. Underpinned by this, the experienced and skills-based Board of Directors has ultimate responsibility for Civic's strategic direction and performance, and for ensuring significant risks are identified and understood.

- Civic complies with both the **National and the NSW Disability Service Standards** and is a **Registered Community Housing Provider**. We are also certified to **Homecare Standards**.
- Civic Industries is an **Australian Disability Enterprise**.
- As a **registered charity**, we follow best practice guidelines and abide by the requirements of the **Charitable Fundraising Act 1991** and **Lotteries and Art Unions Act 1901**.



Disability
Support
DSS
SAI GLOBAL



Quality
ISO 9001
SAI GLOBAL



**“We are what we repeatedly do.
Excellence, then, is not an act, but a habit.”**

- Aristotle

CIVIC STAFF

The staff of Civic form the heart of our organisation and their hard work allows us to deliver the standard of service we are renowned for. Our workforce operates 24 hours a day, seven days a week providing support to people in their homes and out in the community.

Our Senior Leadership and Operations Management Teams have a collective 167 years of experience in the disability sector between them – as well as professional experience in accounting, nursing, life coaching and project management.

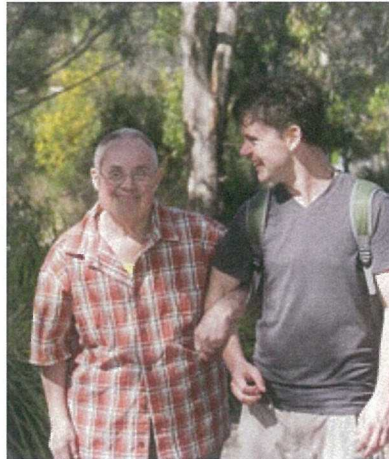
Civic champions an inclusive and collaborative culture; in a 2015 staff survey 95% of staff reported that they understand how their job contributes to the overall success of Civic.

Recently, the organisation's new Vision, Mission and Values were developed using feedback gathered from staff across all areas of the business as well as our clients and families.

We achieved our target of zero use of agency staff this year, and our figure for staff retention remains above the industry average.

Training

Civic is committed to the personal development of all staff. Every quarter Civic management participate in a conference aimed at progressing key strategic initiatives and during 2015-2016 we spent more than **12,800 hours** training staff and supported employees.



To prepare staff for the NDIS, Civic has delivered regular face to face training sessions, presentations, e-learning courses and one-to-one support sessions in areas such as NDIS preplanning, client bookings, goal tracking, pricing and financial management.

In comparison to the top ten disability service providers, Civic staff ranked 23% higher for a commitment to ongoing training and development of staff – with 89% of staff agreeing that they are encouraged to continually improve their performance.

Marhaba مرحبا We speak your language

Many Civic staff are multi-lingual and speak a range of languages including:

Arabic, Mandarin, Hindi, Spanish, Greek, Italian, Vietnamese, Albanian, Assyrian, Bengali, Danish, Fijian, French, German, Gujarati, Korean, Malayalam, Maori, Marathi, Nepali, Polish, Portuguese, Punjabi, Sinhalese, Swahili, Tagalog and Tongan.

What's the best thing about your job?

"I love the people I work with, both residents and staff."

"Being a part of a team with the passion to improve people's quality of life."

"Actively supporting clients in their daily activities and seeing the immediate impact."

Why do you work for Civic?

"Because Civic puts their clients first."

"It's a rare thing to work so closely with people by assisting with their daily living. Making a difference to a person's life in that context is highly rewarding."

"To align myself with a service that has the best interests of the clients at heart."

19%
of staff have
10+ years
of service

SUPPORT US

As a Not-for-Profit organisation, all Civic's donations and surpluses are re-invested to ensure that we can continue to provide support and opportunities for individuals to reach their goals.

Any donations made to Civic will assist us to invest in machinery to improve the business-to-business services offered by Civic industries and also to further develop the facilities for supported employees.

Donations also help to purchase technology and communications equipment to further assist our clients.

You can also support us by becoming a customer of Civic Industries, working with your organisation to implement socially responsible procurement practices by using an Australian Disability Enterprise. See pages 14-15 for more information.



You can support Civic by:

Phone

Call 1800 253 743 and ask to make a donation.

Email

enquiries@civic.org.au

Online

At civic.org.au using a credit card.

In person

You can make a donation in person by visiting our offices during business hours. We are located at 103 Cawarra Road, Caringbah, NSW 2229.

Bequest

You may choose to leave a bequest to Civic Disability Services in your Will. This will ensure you leave a lasting legacy. Speak to us about what your bequest could mean to the lives of people with disability and ask your solicitor for advice.

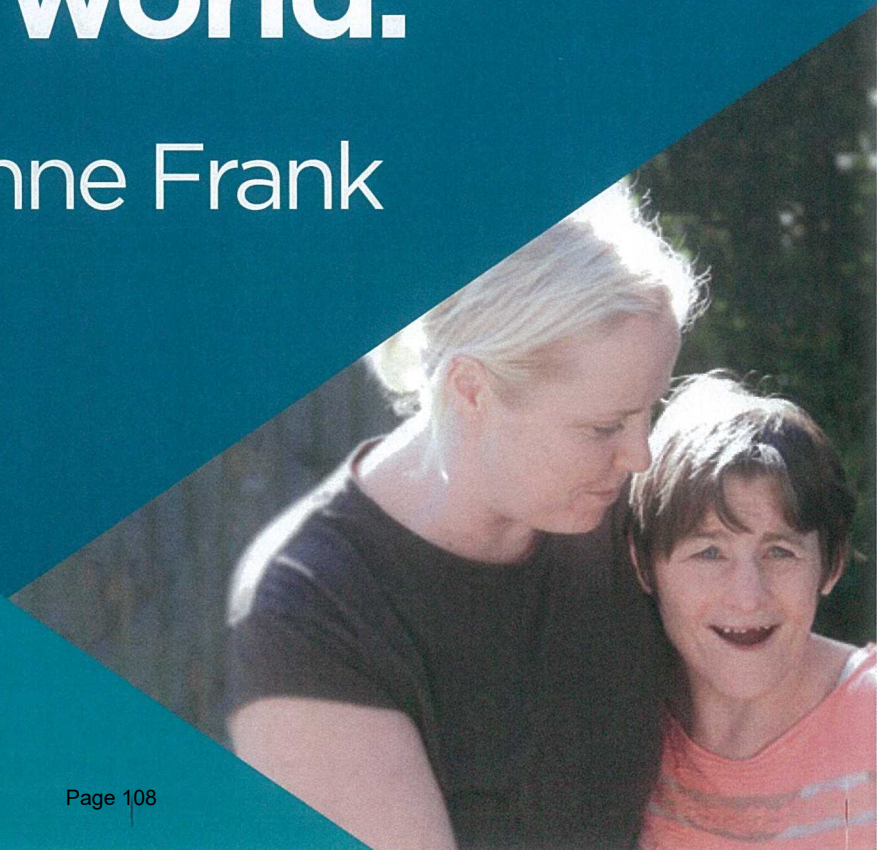
THANK YOU

We would like to thank all those individuals and organisations that have supported Civic and our work throughout the year. This includes funding bodies, customers, suppliers and individuals who support our fundraising efforts in cash and in-kind.

**Each and every
one of you makes
a difference.
Thank you.**

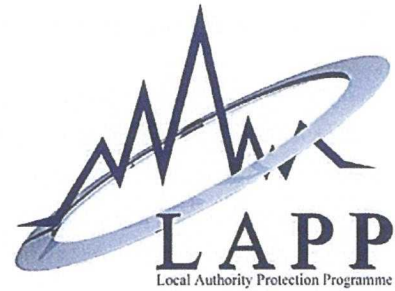
**“How
wonderful it
is that nobody
need wait a single
moment to improve
the world.”**

- Anne Frank



Appendix 6

George McIrvine
Rangitikei District Council
Private Bag 1102
Marton 4741



12 April 2017

Dear George

LAPP FUND

I write to address some concerns which have been raised surrounding the LAPP Fund. If you think it would be helpful to submit this letter to the Council's Audit and Risk Committee please feel free to do so.

Contributions for 2017-18 Year

Contributions across the Fund have risen this year which is largely due to an increase in reinsurance costs. The current reinsurance structure is as follows:

- \$0 to \$10 million, made up of:
 - 40% of the member's deductible and
 - the remainder from the Fund.
- \$10 million to \$50 million (\$40 million in total) from LAPP's reinsurers.

With \$50 million in cover from LAPP providing the local government 40% share, at 100% (with central government's 60% contribution) this allows cover for an event of up to \$125 million. LAPP also currently has one reinstatement available which means it could cover two events up to \$125 million. For the year ahead however we are looking to improve this cover to better suit our members' needs. We are in the process of extending cover to three events per year, at levels yet to be confirmed. The LAPP Board has made the decision to extend cover to give members more flexibility and comfort that should a large event occur during the year there would still be cover remaining for two further events.

Individual members in the Fund have also had increases in their contributions due to their increased asset valuations.

Liability Arising from Hurunui/Kaikoura Earthquake

We have received claims from Kaikoura, Hurunui and Marlborough District Councils due to the 7.8 – magnitude earthquake on the 14th of November 2016. So far the LAPP Board has made advances of \$1 million to Kaikoura and \$500,000 each to Hurunui and Marlborough to help them with repairs to their infrastructure. This means at present there is around \$19 million in the Fund. Initial advice prepared by Cunningham Lindsey New Zealand (CLNZ), as LAPP's loss adjusters shows that we should not expect that these claims will require any reinsurance contribution. This should reflect favourably for the Fund when reinsurers are setting their rates for the coming year. CLNZ are currently in the process of reviewing their initial loss estimates in preparation for the 27 April LAPP Board meeting which we will keep our members advised of, as we fully appreciate that there will be ongoing interest in what impact these claims will have on the Fund. Even with adjustments to the current loss estimates being made there is no question of LAPP's ability to meet the claims in full.

Risk in the Manawatu-Whanganui Region

Concern arises around the situation where there is a very large event in the Manawatu-Whanganui (MW) region which affects a number of councils in the LAPP Fund. Of the MW region Palmerston North City Council, Horowhenua District Council, Manawatu District Council and Rangitikei District Council are all LAPP members. The most likely event to affect these councils would be an earthquake due to the rupture of the Pahiatua Segment of the Wellington Fault. The likelihood of this event occurring is very low with a recurrence interval of 850 years. However, even if this event were to occur we believe with a very high level of probability that there would be sufficient cover from LAPP. When placing reinsurance LAPP models both for events affecting an individual council as well as for the region to ensure that should an event have region-wide effects there will be sufficient cover. Information recently provided for LAPP by the Institute of Geological and Nuclear Science Ltd (GNS) estimates that the median loss estimate at 100% if a 7.5-magnitude earthquake were to occur on the Wellington Pahiatua Fault would be \$43 million which, as shown on the first page of this letter could easily be covered by the LAPP Fund.

In terms of Rangitikei District Council's individual damage, the most likely source of damage is from earthquakes on the Marton Anticline Fault which is able to produce earthquakes of a magnitude up to 6.8 and has a recurrence interval of 8700 years. The median loss estimate for a 6.8-magnitude quake on that fault line for Rangitikei District Council is \$4 million, a figure that is much lower than for most LAPP members and one that is reflected in the calculation of Rangitikei District Council's annual LAPP contribution.

If you have any questions regarding this letter or if there are any other matters which I have not addressed please feel free to contact me directly.

Yours sincerely



Jane Brown

Legal Officer Civic Financial Services Ltd, LAPP Administration Manager

Email: jane.brown@civicfs.co.nz

DDI: (04) 978 1268