

**AUDIT & RISK
COMMITTEE MEETING**

ORDER PAPER

THURSDAY, 26 November 2020, 9am

Council Chamber, Rangitīkei District Council
46 High Street, Marton

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Chair - Mr Craig O'Connell

Deputy Chair – Councillor Nigel Belsham

Membership

Councillors Angus Gordon and Dave Wilson.

His Worship the Mayor, Andy Watson.

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.

Making this place home.



Rangitikei District Council

Audit and Risk Committee Meeting

Agenda – Thursday 26 November 2020 – 9:00 am

Contents

1	Welcome	2	
2	Council prayer	2	
3	Public Forum	2	
4	Apologies/Leave of Absence	2	
5	Members' conflict of interest	2	<i>Agenda note</i>
6	Confirmation of order of business	2	<i>Agenda note</i>
7	Confirmation of minutes	2	Attachment 1, page 6-12
8	Chair's report	2	<i>Verbal update</i>
9	Follow-up actions from previous meeting	2	Attachment 2, page 13-14
10	Update from the Sector Manager at the Office of the Auditor-General	2	<i>Verbal update</i>
11	2019/2020 Annual Financial Statements (draft)	3	Attachment 3, pages 15-84
12	Annual Report: Section 2	3	Attachment 4, pages 85-92
13	Rangitikei District Council Pandemic Plan	3	Attachment 5, pages 93-108
14	Strategic Risks for Rangitikei District Council	3	Attachment 6, pages 109-119
15	Work Programme Matrix - update	3	Attachment 7, pages 120-124
16	Road Reserve	4	Attachment 8, pages 125-137
17	Late items	4	<i>Agenda note</i>
18	Future items for the agenda	4	<i>Agenda note</i>
19	Next meeting	4	<i>Agenda note</i>
20	Meeting closed	4	

The quorum for the Audit and Risk Committee is 3.

Council's Standing Orders (adopted 31 October 2019) 11.2 provide: The quorum for Council committees and sub-committees is as for Council, i.e. half the number of members if the number of members (including vacancies) is even or a majority if the number of members is odd.

1 Welcome**2 Council prayer****3 Public Forum****4 Apologies/Leave of Absence****5 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.

6 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.

7 Confirmation of minutes

The Minutes of the Audit/Risk Committee meeting held on 24 September 2020 are attached.
File ref: 3-CT-17-2

Recommendation:

That the Minutes of the Audit/Risk Committee meeting held on 24 September 2020 [as amended/without amendment] be taken as read and verified as an accurate and correct record of the meeting.

8 Chair's report

A verbal report will be provided at the meeting.

9 Follow-up actions from previous meeting

A table of follow-up actions is attached.

Recommendation:

That the report 'Follow-up actions from previous meeting' to the 26 November 2020 Audit/Risk Committee meeting be received.

10 Update from the Sector Manager at the Office of the Auditor-General

An update from the Office of the Auditor-General will be provided at the meeting.

Recommendation:

That the 'Update from the Sector Manager at the Office of the Auditor-General' to the 26 November 2020 meeting of the Audit/Risk Committee meeting be received.

11 2019/2020 Annual Financial Statements (draft)

A report is attached.

Recommendation:

That the '2019/2020 Annual Financial Statements (draft)' to the 26 November 2020 Audit/Risk Committee be received.

12 Annual Report: Section 2

A report is attached.

Recommendation:

That the report 'Annual Report: Section 2' to the 26 November 2020 Audit/Risk Committee be received.

13 Rangitīkei District Council Pandemic Plan

A report is attached.

Recommendation:

That the report 'Rangitīkei District Council Pandemic Plan' to the 26 November 2020 Audit/Risk Committee be received.

14 Strategic Risks for Rangitīkei District Council

A report is attached.

Recommendation:

That the report 'Strategic Risks for Rangitīkei District Council' to the 26 November 2020 Audit/Risk Committee be received.

15 Work Programme Matrix - update

The Work programme matrix – update is attached. ELT will be reviewing the status of these matters prior to next Audit/Risk Committee. File: 3-CT-17-5

Recommendation:

That the 'Work programme matrix – update' to the 26 November 2020 Audit/Risk Committee be received.

16 Road Reserve

A report is attached.

Recommendations:

- 1 That the report 'Road Reserve' to the 26 November 2020 Audit/Risk Committee be received.
- 2 That the Audit/Risk Committee considers how it thinks the Road Reserve should be referenced in the 2021/31 Long Term Plan.

17 Late items

As agreed in item 6.

18 Future items for the agenda

These are included as part of the follow-up actions from previous meetings.

19 Next meeting

The 2021 calendar is going to Council for consideration on 26 November, future meeting dates will be provided once they have been confirmed.

20 Meeting closed

Attachment 1



Rangitikei District Council

Audit and Risk Committee Meeting

Minutes – Thursday 24 September 2020 – 9:00 am

Contents

1	Welcome	3
2	Council Prayer	3
3	Public Forum	3
4	Apologies/Leave of Absence	3
5	Members' Conflict of Interest.....	3
6	Confirmation of Order of Business.....	3
7	Confirmation of Minutes.....	3
8	Chair's Report	3
9	Update from the Sector Manager at the Office of the Auditor-General	3
10	Work Programme Matrix – Update	4
11	Strategic Risks – Updated Framework	5
12	Health & Safety Implications of Private Assets /Club Assets on Council Parks.....	5
13	Late Items.....	6
14	Future items for the Agenda.....	6
15	Next Meeting	6
16	Meeting Closed	6

Present: Mr Craig O'Connell (Chair)
Cr Nigel Belsham
Cr Dave Wilson
Cr Angus Gordon
His Worship the Mayor, Andy Watson

Also in attendance: Cr Waru Panapa

In attendance:

- Mr Peter Beggs, Chief Executive
- Mr Michael Hodder, Community & Regulatory Services Group Manager
- Mr Chris Webby, Audit New Zealand – *via zoom*
- Ms Amanda Gray, Sector Manager Office of the Auditor-General - *via zoom*
- Mr Dave Tombs, Group Manager, Finance & Business Support
- Mrs Carol Gordon, Manager – Executive Office
- Ms Kat McDonald, Accountant
- Mr Graeme Pointon, Strategic Property Advisor
- Ms Bonnie Clayton, Governance Administrator

UNCONFIRMED

1 Welcome

The Chair opened the meeting at 9.04am.

2 Council Prayer

Mr O'Connell read the Council Prayer.

3 Public Forum

Nil.

4 Apologies/Leave of Absence

That the apology for lateness of Cr Gordon and His Worship the Mayor, Andy Watson be received.

5 Members' Conflict of Interest

There were no conflicts of interest declared.

6 Confirmation of Order of Business

The order of business was confirmed with no changes.

7 Confirmation of Minutes

Resolved minute number	20/ARK/016	File Ref	3-CT-17-2
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That the Minutes of the Audit/Risk Committee meeting held on 20 August 2020 without amendment be taken as read and verified as an accurate and correct record of the meeting.

Cr Belsham/Cr Wilson. Carried

8 Chair's Report

There was no update to provide.

9 Update from the Sector Manager at the Office of the Auditor-General

Ms Amanda Gray, the Sector Manager at the Office of the Auditor-General took her paper as read and provided the following highlights of the work happening within the Audit sector:

- Recovery from Covid-19 is high on the list for some Councils, though not all.

- Looking into Conflicts of Interest
- Investment into Infrastructure
- Risk management (how Audit can manage and support Councils)
- Long Term Plan continues to be a key focus
- Review on Procurement

The Committee acknowledged that Conflicts of Interest and Perceived Conflicts can be a grey area for Elected Members. Ms Gray advised there are resources available on Conflicts of Interest, which she will pass on to the committee and can provide additional guidance if required.

The Committee discussed the Procurement review, with suggestions of Council having a Procurement Policy and have it reviewed by Audit. Mr Tombs noted that it is about risk management and where the risk lies.

Mr O'Connell expressed that the delivery of the Long Term Plan will be challenging and that the need to be conscious of staff / peoples mental health with large workloads.

Cr Gordon arrived to the meeting at 9.11am.

His Worship the Mayor arrived to the meeting at 9.33am.

Undertaking

Subject

Ms Gray to seek further information and circulate the paper on the Procurement review.

Undertaking

Subject

Staff to provide a report on Risk Management on Procurement.

Resolved minute number

20/ARK/017

File Ref

3-EX-2-5

That the briefing memo from the Sector Manager at the Office of the Auditor General to the 24 September 2020 meeting of the Audit/Risk Committee meeting be received.

Cr Belsham/Cr Wilson. Carried

10 Work Programme Matrix – Update

Mr Hodder took the Work programme as read.

Cr Wilson expressed there is a large amount work for staff included in the matrix, noting the newly employed Project Managers will be able to assist with the load, however did query whether Council was under resourced.

Mr Webby advised he has spoken to other Councils about the risk of the market being flooded with contracts, which will push prices up and the shortage of workers.

In response to a question, Mr Beggs confirmed that Rangitikei District Council do have a Pandemic Plan and will present this to a subsequent meeting.

Resolved minute number **20/ARK/018** **File Ref** **3-CT-17-5**

That the 'Work programme matrix – update' to the 24 September 2020 Audit/Risk Committee be received.

Cr Gordon/His Worship the Mayor. Carried

Undertaking **Subject**

Mr Beggs to present the Councils Pandemic Plan to a subsequent Audit/Risk Committee meeting.

Undertaking **Subject**

Mr Tombs to follow up on the road reserve fund that was being put aside annually to go towards maintenance costs on roads (which is no longer being funded by NZTA) in the instance of a major event. The report is to include clarification on whether the original concept is still valid, whether it is affordable and what the rules are.

11 Strategic Risks – Updated Framework

The current Strategic risks statement is attached. Changes are in italics in sections 9 and 10.

The Committee agreed a thorough review of sections 3, 8 and 9 are required.

Undertaking **Subject**

That further review on sections 3, 8 and 9 of the Strategic risks framework be required and any amendments be discussed in full at a subsequent Audit/Risk Committee meeting.

Resolved minute number **20/ARK/019** **File Ref** **3-CT-17-5**

That the 'Strategic risks – updated framework' to the 24 September 2020 Audit/Risk Committee be received.

Cr Wilson/Cr Gordon. Carried

12 Health & Safety Implications of Private Assets /Club Assets on Council Parks

Mr Pointon took the report as read, and noted the following key point that Council do hold a register of private/club assets on Council parks, with only one building on the list currently where the lessee has surrendered its lease. He noted it is a potential risk that a lessee

abandons their lease, however the Health and Safety at Work Act 2015 clearly states that no party can lease the asset out.

Resolved minute number

20/ARK/020

File Ref

6-RF-1-1

That the report 'Health & Safety Implications of private assets/Club assets on Council parks' to the 24 September 2020 meeting of the Audit/Risk Committee be received.

Cr Wilson/Cr Belsham. Carried

13 Late Items

Nil.

14 Future items for the Agenda

Risk Management – Procurement

Insurance

Payroll system review (as a topic for Internal Audit)

Regulatory practice – this will be a greater area of focus for the Auditor-General

15 Next Meeting

Thursday 26 November 2020, 9.00am

16 Meeting Closed

Mr O'Connell thanked Mr Hodder for his enormous work with the Committee, which he always delivered with good grace.

The meeting closed at 10.33am.

Confirmed/Chair: _____

Date: _____

Attachment 2

Follow-up Actions from Audit & Risk Meeting - 24 September 2020

Follow-up Action:	Person Assigned:	Status Comment:
Audit NZ to provide: <ul style="list-style-type: none"> - Conflict of Interest resources and additional guidance - Paper on Procurement - Timeframe for audit on LTP information 	Audit NZ	Audit NZ to provide these.
Workshop on Conflict of Interest and Privacy Act <ul style="list-style-type: none"> - Schedule workshop 	Sharon Grant	Presentation from Alastair Hall from Fitzherbert Rowe to be made at the LTP workshop being held on 18 November at 9.30am. [action now closed]
Review of Procurement Policy – suggestions: <ul style="list-style-type: none"> - Council undertake internal Audit then Audit NZ can review - Include ethical supply chain, social procurement; what our maturity is; tied in with contract management / project management - Review level of delegations - Training of staff is an important part of the Procurement Policy 	Dave Tombs	Report to go to March 2021 Audit & Risk Committee
Work programme for 2019-22 Triennium <ul style="list-style-type: none"> - Need to have discussion between Management and Council re budgets and ability to deliver 	Carol Gordon	For noting during LTP development [action now closed]
Pandemic Plan to future meeting	Sharon Grant	An agenda item is included for the November Audit & Risk Meeting [action now closed]
Roading Reserve discussion <ul style="list-style-type: none"> - how is the \$100k being used in 'peace' times; where does approval sit to spend this fund - is \$100k a year enough? 	Dave Tombs	An agenda item is included for the November Audit & Risk Meeting [action now closed]
Schedule comprehensive reviews by ELT of each of the Strategic Risks then bring these back to the Committee	Peter Beggs / Carol Gordon	Underway, paper included on November Agenda. [action now closed, ELT will continue to review risks until all have been completed]
Officers are liaising with the auditors to address matters to be included in the Management letter.	Carol Gordon	Future Audit & Risk Committee agendas will include a list of all outstanding Management letter points (from 2019/20 and earlier years) together with a status update on each.

Attachment 3

Report

Subject: **2019/2020 Annual Financial Statements (draft)**

To: Audit/Risk Committee

From: Dave Tombs, Group Manager Corporate Services

Date: 20 November 2020

1 Executive Summary

1.1 Purpose of the report

Provide the Committee with an updated copy of draft 2019/20 Annual Financial Statements (AFS).

An early copy of these draft AFS was presented to the September Committee 'for general information'. The AFS are now nearing finalisation and are being re-presented to the Committee.

1.2 Key Points

- Statement of Comprehensive Revenue and Expense shows that:
 - Total Operating Revenue was approximately \$3.5m below budget. This was primarily due to COVID delaying Council's works program which caused a delay in associated subsidy revenue; and
 - Depreciation was approximately \$2.5m above budget. This was primarily due to 2019/20 being the first full year of depreciation on the roading and three waters valuation.
 - The above two points result in Council reporting an operating deficit of \$0.4m for 2019/20 (against a budget surplus of \$5.4m).
- Statement of Cash Flows shows a significant difference between Budget and Actual "Purchases of property, plant and equipment" and "Proceeds from Borrowings". Main causes were delays in:
 - the completion the Bulls Community Centre
 - the construction of the Mangaweka bridge
 - repairs/rehabilitation to the Turakina Valley Road slip
 - the land purchase and investigation work required for the Marton to Bulls Pipeline project.
- Statement of Financial Position
 - Property, plant and equipment was approximately \$67m more than budget due to the revaluations mentioned above
 - Borrowings were \$13m less than budget : see above

2 Context

2.1 Significance

This matter is for noting and accordingly is considered Low in respect to Council's Significance and Engagement Policy.

3 Conclusions

As these draft financial statements are presented for information purposes, no options or similar considerations are presented.

4 Recommendation

4.1 That the report '2019/20 Annual Financial Statements (draft)' to the 26 November 2020 Audit/Risk Committee be received.

Dave Tombs
Group Manager Corporate Services



Rangitikei District Council

Section 3: Financial Statements and Policy Reports

Whole of Council – Funding Impact Statement

For the year ended 30 June 2020

	2019 Long-term plan (\$000)	2019 Actual (\$000)	2020 Annual Plan (\$000)	2020 Actual (\$000)
Sources of operating funding				
General rates, uniform annual general charge, rates penalties	7,006	6,715	7,345	7,613
Targeted rates	14,670	14,672	15,186	15,835
Subsidies and grants for operating purposes	3,579	6,007	3,486	5,552
Fees and charges	1,922	3,142	2,339	2,842
Interest and dividends from investments	220	164	225	106
Local authorities fuel tax, fines, infringement fees, and other receipts	467	492	466	606
Total operating funding (A)	27,864	31,091	29,047	32,554
Applications of operating funding				
Payment to staff and suppliers	21,352	21,091	22,181	22,533
Finance costs	8	49	117	96
Other operating funding applications	0	0	0	0
Total applications of operating funding (B)	21,360	21,140	22,298	22,629
Surplus (deficit) of operating funding (A - B)	6,504	10,051	6,749	9,925
Sources of capital funding				
Subsidies and grants for capital expenditure	5,762	3,223	9,428	3,798
Development and financial contributions	0	0	0	0
Increase (decrease) in debt	10,215	2,984	13,011	(16)
Gross proceeds from sale of assets	714	(378)	1,221	(440)
Lump sum contributions	0	0	0	0
Other dedicated capital funding	0	0	0	0
Total sources of capital funding (C)	16,691	5,828	23,660	3,342
Application of capital funding				
Capital expenditure				
- to meet additional demand	3,842	0	4,714	0
- to improve the level of service	2,081	2,823	4,631	5,558
- to replace existing assets	22,322	11,119	21,064	9,291
Increase (decrease) in reserves		1,885	0	(1,559)
Increase (decrease) in investments	(5,050)	51	0	(22)
Total applications of capital funding (D)	23,195	15,878	30,409	13,267
Surplus (deficit) of capital funding (C - D)	(6,504)	(10,051)	(6,749)	(9,925)
Funding balance ((A - B) + (C - D))	0	0	0	0
Note: Depreciation expense not included above	0	10,646	0	13,141

This statement complies with the Local Government (Financial Reporting and Prudence) Regulations 2014

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2020

	Notes	2019 Actual (\$000)	2020 Budget (\$000)	2020 Actual (\$000)
Revenue				
Rates	3	21,387	22,531	21,815
Subsidies and grants	5B	9,230	12,914	9,351
Other revenue	5A	3,633	2,805	3,449
Finance revenue	4	164	225	104
Vested and discovered assets		-	-	-
Gains	6	306	0	147
Total operating revenue		34,720	38,475	34,866
Expenditure				
Depreciation and amortisation expense	14,15	10,646	10,783	13,156
Personnel costs	7	4,306	4,417	4,895
Finance costs	4	49	117	96
Losses	6	10	-	12
Other expenses	8	16,800	17,763	17,1
Total operating expenditure		31,811	33,080	35,291
Operating surplus (deficit) before gains and losses on PPE and Investments		2,909	5,395	(425)
Reversal of previous losses on Roothing through operating surplus (deficit)		17,495	-	-
Operating surplus (deficit) before tax		20,404	5,395	(425)
Income tax expense	9	-	-	-
Operating surplus (deficit) after tax		20,404	5,395	0
Other comprehensive revenue and expense				
<i>Items that could be reclassified to surplus(deficit)</i>				
Financial assets at fair value through other comprehensive revenue and expense	6	12	-	18
<i>Items that will not be reclassified to surplus(deficit)</i>				
Gain on revaluation of property, plant and equipment	6	86,193	26,271	7,994
Total other comprehensive revenue and expense		86,205	26,271	8,012
Total comprehensive revenue and expense		106,609	31,666	7,587

Explanations of major variances against budget are provided in Note 31.

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2020

	Notes	2019 Actual (\$000)	2020 Budget (\$000)	2020 Actual (\$000)
Balance as at 1 July		492,961	494,376	599,570
Total comprehensive revenue and expense for the year		106,609	31,666	7,587
Balance as at 30 June		599,570	526,042	607,157

Explanations of major variances against budget are provided in Note 31.

The accompanying notes form part of these financial statements

Statement of Cash Flows

For the year ended 30 June 2020

	Notes	2019 Actual (\$000)	2020 Budget (\$000)	2020 Actual (\$000)
Cash flows from operating activities				
Receipts from rates revenue		21,400	22,463	21,965
Receipts from other revenue		12,663	15,719	11,889
Interest received		164	225	104
Payments to suppliers and employees		(22,636)	(22,113)	(19,687)
Interest paid		(49)	(117)	(96)
Goods and services tax (net)		(78)	-	(312)
Net cash inflows (outflows) from operating activities	22	11,464	16,177	13,863
Cash flows from investing activities				
Receipts from sale of property, plant and equipment		378	-	-
Receipts from sale of investments		2,000	1	-
Acquisition of investments		0	-	40
Purchases of property, plant and equipment		(13,110)	(30,410)	(14,984)
Purchases of intangible assets		23	-	0
Purchase of Biological Assets		82	-	0
Net cash inflows (outflows) from investing activities		(10,837)	(29,189)	(14,944)
Cash flows from financing activities				
Proceeds from borrowings		3,000	13,011	-
Repayment of borrowings		-	-	(16)
Net cash inflows (outflows) from financing activities		3,000	13,011	-
Net increase (decrease) in cash, and cash equivalents		3,627	(1)	(1,097)
Cash and cash equivalents at the beginning of the year		5,877	6,781	9,504
Cash and cash equivalents at the end of the year	10	9,504	6,780	8,407)

The accompanying notes form part of these financial statements

Statement of Financial Position

For the year ending 30 June 2020

	Notes	2019 Actual (\$000)	2020 Budget (\$000)	2020 Actual (\$000)
Assets				
Current Assets				
Cash and cash equivalents	10	9,504	6,781	8,407
Debtors and Other Receivables	11	3,414	3,382	4,370
Prepayments		133	97	217
Other financial assets	12	0	0	0
Total current assets		13,051	10,260	12,994
Non-current assets				
Plant, property and equipment	14	593,730	536,461	603,662
Intangible assets	15	109	111	145
Forestry assets	16	63	53	67
Other financial assets				
Corporate bonds	12	79	30	79
Investment in CCOs and other similar entities	12	71	70	49
Total non-current assets		594,052	536,725	604,002
Total assets		607,103	546,985	616,996
Liabilities				
Current Liabilities				
Creditors and other payables	17	2,849	4,397	5,011
Employee entitlements	19	544	342	645
Income in advance		715	112	764
Borrowings	18	16	16	16
Other Financial Liabilities		0	0	0
Total current liabilities		4,124	4,867	6,436
Non-current liabilities				
Employee entitlements	19	7	6	5
Provisions	20	290	276	302
Borrowings	18	3,112	16,140	3,096
Total non-current liabilities		3,409	16,422	3,403
Total liabilities		7,533	21,289	9,839
Net Assets		599,570	525,696	607,157
Equity				
Accumulated funds	21	463,839	450,145	445,720
Special and restricted reserves	21	4,293	71,294	4,492
Other reserves	21	131,438	4,257	156,945
Total equity		599,570	525,696	607,157

Explanations of major variances against budget are provided in Note 31.

The accompanying notes form part of these financial statements

Council-Controlled Organisations (CCO)

Manawatu-Wanganui LASS Limited

This company was set up in 2008 by seven local councils to investigate the possibilities of economies of scale by joint procurement.

Rangitikei District Council owns one seventh or 14% of this company and has a \$16,000 share capital.

The company is treated as a CCO under the Local Government Act 2002 but in March 2013 Rangitikei District Council resolved that it is exempt for the purposes of section 6(4)(i) of that Act until 30 June 2019²⁴. Other member councils passed similar resolutions. That has been extended a further three years, until 30 June 2022²⁵.

MW Regional Disaster Relief Fund Trust

After the Manawatu Wanganui Regional Disaster Relief Fund Trust was established in March 2004, each of the eight local authorities appointing trustees passed a resolution exempting the Trust for the status as a council-controlled organisation. In 2015, the administration of the Trust was transferred to Horizons Regional Council, and resolutions passed by participating councils to exempt it for the purposes of section 6(4)(i) of the Local Government Act 2002. At its meeting on 30 August 2018, Rangitikei District Council resolved that this exemption continue for a further three years, i.e. to 30 June 2021.

²⁴ Council, 29 September 2016: 16/RDC/230.

²⁵ Council, 26 September 2019: 19/RDC/270.

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The Rangitikei District Council (the Council) is a territorial authority established under the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The Council provides local infrastructure, local public services, and performs regulatory functions to the community. The Council does not operate to make a financial return.

The Council has designated itself as a public benefit entity for financial reporting purposes.

The financial statements of the Council are for the year ended 30 June 2020. The financial statements were authorised for issue by the Council on (TBC)

Basis of Preparation

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

Statement of compliance

The financial statements of the Council have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

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

These financial statements comply with PBE standards.

Presentation currency and rounding

The financial report is presented in New Zealand dollars, and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

Standards issued and not yet effective that have been early adopted

There are currently no standards that have been issued which are not yet effective.

Standards issued and not yet effective and not early adopted

Standards and amendments, issued but not yet effective that have not been early adopted, and which are relevant to the Council are:

Interests in other entities. In January 2017, the External Reporting Board issued new standards for interests in other entities (PBE IPSAS 34 - 38). These new standards replace the existing standards for interests in other entities (PBE IPSAS 6 - 8). The new standards are effective for annual periods beginning on or after 1 January 2019, with early application permitted. The Council plans to apply the new standards in preparing the 30 June 2020 financial statements.

Financial instruments

In January 2017, the External Reporting Board issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The main changes under PBE IFRS 9 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risks.

The Council plans to apply this standard in preparing its 30 June 2022 financial statements. The Council has not yet assessed the effects of the new standard.

Further new relevant standards are:

Amendment to PBE IPSAS 2 Statement of Cash Flows

An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021, with early application permitted. RDC does not intend to early adopt the amendment.

PBE IPSAS 34-38

PBE IPSAS 34-38 replace the existing standards for interests in other entities (PBE IPSAS 6-8). These new standards are effective for annual periods beginning on or after 1 January 2019. RDC will apply these new standards in preparing the 30 June 2020 financial statements. No effect is expected as a result of this change.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. RDC has not yet determined how application of PBE FRS 48 will affect its statement of performance.

Summary of Significant Accounting Policies

Revenue

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

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

Revenue from non-exchange transactions

General and targeted rates

General and targeted rates are set annually and invoiced within the year. The Council recognises revenue from rates when the Council has set the rates and provided the rates assessment. The Council considers the payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.

Rates arising from late payment penalties are recognised as revenue when rates become overdue.

Rates remissions are recognised as a reduction in rates revenue when the Council has received an application that satisfies its rates remission policy.

New Zealand Transport Agency roading subsidies

The Council receives funding assistance from the New Zealand Transport Agency, which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Other grants received

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

Vested assets

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as income unless there is a use or return condition attached to the asset.

Direct charges – subsidised

Rendering of services – subsidised

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

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

Sale of goods – subsidised

A sale of goods at a price that is not approximately equal to the value of the goods provided by the Council is considered a non-exchange transaction. This includes sales of goods where the price does not allow the Council to fully recover the cost of producing the goods (such as the supply of bulk water), and where the shortfall is subsidised by income from other activities such as rates.

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

Revenue from exchange transactions

Direct charges – full cost recovery

Sale of goods – full cost recovery

Revenue from the sale of goods (such as recyclable materials) is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods, and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council.

Interest and dividends

Interest revenue is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.

Dividends are recognised when the right to receive payment has been established. When dividends are declared from pre-acquisition surpluses, the dividend is deducted from the costs of the investment.

Expenses

Expenses are measured at the fair value of the consideration paid or payable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific accounting policies for significant expense items are explained below.

Borrowing costs

All borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Council incurs in connection with the borrowing of funds. The Council has chosen not to capitalise borrowing costs directly attributable to the acquisition, construction, or production of assets.

Grants

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

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant. The Council's grants awarded have no substantive conditions attached.

Income tax

Income tax expense includes current and deferred tax.

Current tax is the income tax payable on the taxable surplus for the year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates (and tax laws) that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and corresponding tax bases used in the computation of the taxable surplus.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Council expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting surplus nor the taxable surplus.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of the asset.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Receivables

Short-term receivables are recorded at their face value, less any provision for impairment.

Other financial assets

Financial assets are initially recognised at fair value plus transaction costs, unless they are carried at fair value through surplus or deficit, in which case the transaction costs are recognised in the surplus or deficit.

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

Financial assets are classified into the following categories for the purpose of measurement:

- fair value through surplus or deficit;
- loans and receivables;
- held to maturity investments; and
- fair value through other comprehensive revenue and expense.

The classification of a financial asset depends on the purpose for which the instrument was acquired.

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit taking.

Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified current assets.

After initial recognition, financial assets in this category are measured at their fair values with gains or losses on re-measurement recognised in the surplus or deficit.

Loans and receivables

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

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

Held-to-maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and there is the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets.

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

Fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date. Council includes in this category:

- a) investments that it intends to hold long term but which may be realised before maturity; and
- b) shareholdings that it holds for strategic purposes

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit.

On de-recognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Impairment of financial assets

Financial assets are assessed for objective evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Loans and other receivables, and held-to-maturity investments

Impairment is established when there is objective evidence that the Council will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, local authority stock, government bonds, and community loans, are recognised directly against the instrument's carrying amount.

Financial assets at fair value through other comprehensive revenue and expense

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

Non-current assets held for sale

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

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate distribution in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. The Council must be committed to the distribution expected within one year from the date of classification.

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

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

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Property, plant and equipment

Property, plant and equipment consist of:

Operational assets – These include land, buildings, library books, plant and equipment, motor vehicles, office equipment and computer hardware.

Infrastructural assets – Infrastructural assets are the fixed utility systems owned by the Council. Each asset class includes all items that are required for the network to function. For example, wastewater and other assets includes reticulation piping and sewer pumps.

Restricted assets - Restricted assets are parks and reserves that provide benefit to the community and cannot be disposed of because of legal or other restrictions.

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

Revaluation

Land and buildings (operational and restricted) and infrastructural assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. All other asset classes are carried at depreciated historical cost.

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

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

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

Additions

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

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

In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Disposals

Gains or losses on disposal are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When

revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Subsequent costs

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

The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation

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

Operational and restricted assets

Buildings

Structure	50-150 years
Roof.....	40 years
Services	40-65 years
Internal fit out.....	15-40 years

Plant30 years

Motor vehicles6 years

Office equipment10 years

Computer hardware.....5 years

Library books.....10 years

Infrastructural assets

Roading network

Top surface (seal)	3-20 years
Pavement sealed (base course).....	60-67 years
Pavement unsealed (base course).....	50-60 years
Formation	Not depreciated
Culverts	8-100 years
Footpaths.....	25-75 years
Drainage facilities	80-100 years
Traffic facilities and miscellaneous items.....	10-80 years
Street lights.....	25-70 years
Bridges	50-120 years

Water

Pipes.....	30-90 years
Pump stations	5-60 years
Pipe fittings	25-100 years

Wastewater	
Pipes	20-100 years
Manholes.....	100 years
Treatment plant	5-100 years
Stormwater	
Pipes	50-90 years
Manholes, cesspits	90 years
Waste transfer stations	50 years

Service concession arrangements

The Council may acquire infrastructural assets by entering into a service concession arrangement (SCA) with a private operator to build, finance, and operate an asset over a specified period.

Assets acquired through a SCA are initially recognised at their fair value, with a corresponding liability. The asset is subsequently measured following the accounting policies above for property, plant, and equipment.

The Council currently has not entered into any such SCA where a private operator has built and financed an asset.

The Council has only entered into SCAs where the Council itself owns the asset and any charges for services provided by the operator are recognised as an expense in the year to which it relates.

Intangible assets

Software acquisition

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software.

Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Easements

Easements are not considered material and any costs incurred are recognised in the surplus or deficit in the year in which they are incurred.

Carbon credits

Carbon credit purchases are recognised at cost on acquisition. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

Free carbon credits received from the Crown are recognised at fair value on receipt. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

Amortisation

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

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

Computer software 3-5 years

Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets subsequently measured at cost that have a finite useful life, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit. The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit a reversal of the impairment loss is also recognised in the surplus or deficit.

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value in use is determined by using the approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value for cash-generating assets and cash-generating units is the present value of expected future cash flows.

Forestry assets

Standing forestry assets are independently revalued annually at fair value less estimated costs to sell for one growth cycle. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined rate. This calculation is based on existing sustainable felling plans and assessments regarding growth, timber prices, felling costs, and silviculture costs and takes into consideration environmental, operational and market restrictions.

Gains or losses arising from a change in fair value less estimated costs to sell are recognised in the surplus or deficit.

Forestry maintenance costs are recognised in the surplus or deficit when incurred.

Payables

Short-term payables are recorded at their face value.

Borrowings

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

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

Employee benefits**Short-term employee entitlements**

Employee benefits expected to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salary and wages, and holiday pay.

These include salaries and wages accrued up to balance date, annual leave earned to but not yet taken at balance date.

Long-term employee entitlements

Long-term employee entitlements consists of long service leave that is payable beyond 12 months and have been calculated on the likely future entitlements accruing to staff, based on the years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and current salary. As there are few staff members that are actually entitled to long service leave, the total accrual is not considered to be material and no actuarial basis has been used.

Presentation of employee entitlements

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

Superannuation schemes

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit when incurred.

Provisions

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

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

Landfill aftercare

The Council has a legal obligation to provide on-going maintenance and monitoring service of its closed landfills.

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

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

Equity

Equity is the community’s interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- accumulated surplus/(deficit);
- special and restricted reserve funds;
- property revaluation reserves; and
- fair value through other comprehensive revenue and expense reserve.

Special reserve funds

Special reserve funds are reserves created by the Council for special purposes. The Council may alter them without reference to any third party or the Courts, and transfers to and from these reserves are at the discretion of the Council.

Restricted reserve funds

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

Property revaluation reserves

These reserves relate to the revaluation of property, plant and equipment to fair value.

Fair value through other comprehensive revenue and expense reserves

This reserve comprises the cumulative net change of financial assets classified as fair value through other comprehensive revenue and expense.

Goods and services tax (GST)

All items in the financial statement are exclusive of goods and services tax (GST) except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as an input tax credit then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Budget figures

The budget figures are those approved by the Council which reflect the 2019/20 Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

Cost allocation

The Council has determined the cost of significant activities using the cost allocation system outlined below:

- Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific activity.
- Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage based on time, staff number and floor area.

Critical accounting estimates and assumptions

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

Infrastructural assets

- The actual condition of an asset may not reflect the condition estimated in determining the carrying amount of the asset. This is particularly so for assets which are underground and difficult to assess the actual condition of, such as water, wastewater and stormwater assets.
- Estimates of any obsolescence or surplus capacity of an asset are based on judgements made with the best knowledge available at the time.
- Estimates of the useful remaining lives of an asset may vary with such things as soil type, rainfall, amount of traffic, natural disaster and other occurrences. The Council could be over- or under-estimating these, but assumptions are made based on the best knowledge available at the time.

Critical judgements in applying accounting policies

Management has exercised the following critical judgement in applying its accounting policies for the year ended 30 June 2020.

Classification of property

The Council owns a number of properties held to provide community housing. The receipt of market-based rental from these properties is incidental to holding them. The properties are held for service delivery objectives of the Council. The properties are therefore accounted for as property, plant and equipment rather than as investment property.

Impact of Covid-19

The Council's major revenue source is rates. After the initial lock down ended the final instalment of rates was owing, due 20 May 2020. The final collection take of rates was consistent with then prior year.

The 2018-28 Long Term Plan had originally projected an average rates increase of 6.27%. The Council was faced with a choice between reducing the the proposed rates increase whilst at the same time continuing to develop work programmes so people could retain employment. The rates increase for 2020/21 was reduced to 3.63%. This was partly achieved through having no market movements of salaries as at 1 July 2020.

During the lock-down period operating expenditure was significantly reduced. The Welfare Team assisted with food parcels and purchased groceries on behalf of some elderly residents. As there was a delay to capital works undertaken during Level 3 and 4 it has had an impact on the capital works expenditure. The other major works where there was a legislative requirement to perform were continued to be delivered. The Council's commercial tenants were granted 3 months' rent relief which caused a reduction in revenues of \$6.73K.

With regard to the council performance, the response time for a request for service, building consents and other general services were impacted. These services were deemed to be non-essential as part of the Council's Pandemic Plan. From a customer service perspective there was an inability to deliver public facing services during Levels 2 to 4.

Quotable Value is assigned to revalue the Council's land and buildings as part of the tri-annual revaluation. The lock down caused a delay in the production of this report and inspections on a selection of Council buildings were undertaken in July 2020.

Quotable Value acknowledges in the Valuation report as at 1 July 2019 that there is valuation uncertainty. The report stated “Given the information that we have available to date and the on-going uncertainty, we have adopted Fair Value Assessments towards the lower end of the market value ranges as indicated by comparable sales evidence”. This position was considered to be appropriate in the context of the uncertainty that Covid has caused.

Note 2: Reconciliation of funding impact statement to statement of comprehensive revenue and expense	Actual 2019 (\$000)	Actual 2020 (\$000)
Revenue		
Operating funding from funding impact statement	31,191	33,354
Operating revenue from statement of comprehensive revenue and expense	34,720	34,866
Difference	3,529	1,511
Reconciling items:		
Subsidies and grants for capital expenditure	3,223	2,997
Rates remissions	306	(1,129)
Internal Rates	0	(504)
Gains		147
Total reconciling items	3,529	1,511
Expenditure		
Application of operating funding from funding impact statement	21,140	22,629
Total operating expenditure from statement of comprehensive revenue and expense	31,811	35,291
Difference	10,671	12,662
Reconciling items:		
Depreciation and amortisation expense	10,646	13,141
Rates Remissions	0	(504)
Internal Rates	0	12
Losses	11	12
Movement in provisions	14	0
Total reconciling items	10,671	12,662

Note 3: Rates revenue	Actual 2019 (\$000)	Actual 2020 (\$000)
General rates	3,088	3,056
Uniform annual general charge	3,839	4,146
Targeted rates attributable to activities	0	0
roading	6,578	6,488
community services	70	74
libraries	0	0
solid waste disposal	623	591
wastewater	2,561	2,672
water	3,353	3,797
stormwater drainage	637	672
Targeted rates for water supply (water by volume)	1,440	1,392
Rate Penalties	593	560
Total rates	22,782	23,448
Less rates charged on Council properties	484	504
Less rates remissions	911	1,129
	21,387	21,815

Rates remissions

The Council's rates remission policy allows rates to be remitted on: development; community sporting and other not-for-profit organisations; contiguous rating units owned or leased by a single ratepayer; multiple toilet pans; penalties; land affected by natural calamity; and land protected for natural conservation purposes.

Multiple toilet pans	273	283
Penalties and other remissions	638	846
Total remissions	911	1,129

Non-rateable land

Under the Local Government (Rating) Act 2002, certain properties cannot be rated for general rates. These properties include schools, places of religious worship, public gardens, and reserves. These non-rateable properties may be subject to targeted rates in respect of wastewater and water supply. Non-rateable land does not constitute a remission under the Council's rates remission policy.

	Actual 2019 (\$000)	Actual 2020 (\$000)
Note 4: Finance revenue and finance costs		
Finance revenue		
Interest revenue		
bank deposits	163	103
local authority and government bonds	1	1
Total finance income	164	104
Finance costs		
Interest expense		
interest on borrowings	49	96
Total finance costs	49	96
Net finance costs	115	8

	Actual 2019 (\$000)	Actual 2020 (\$000)
Note 5A Other revenue		
<i>Non-exchange revenue</i>		
Residential rents (community housing)	608	653
Regulatory revenue	1,443	1,371
Petrol tax	120	136
Other	1,462	1,289
Total other revenue	3,633	3,449
Note 5B: Subsidies and Grants		
New Zealand Transport Agency - Operational Subsidy	5,328	6,065
New Zealand Transport Agency - Capital Subsidy	2,999	2,963
Non-government grants	0	0
Other operating grants	903	323
	9,230	9,051

There are no unfulfilled conditions and other contingencies attached to New Zealand Transport Agency subsidies and other operating grants recognised in the statement of comprehensive income.

Note 6: Gains and losses	Actual 2019 (\$000)	Actual 2020 (\$000)
Operating revenue and expense		
Gains		
Non-financial instruments		
Property, plant and equipment/ forestry gains on disposal	296	143
Gain on revaluation	0	0
Forestry asset revaluation gain (note 16)	10	4
Total gains	306	147
Losses		
Non-financial instruments		
Property, plant and equipment loss on disposal	10	12
Property, plant and equipment loss on revaluation	0	0
Total losses non-financial instruments	10	12
Other comprehensive revenue and expense		
Other gains (losses)		
Financial instruments		
Fair value through other comprehensive revenue and expense gain on revaluation	12	18
Fair value through other comprehensive revenue and expense loss on disposal	0	0
Fair value through other comprehensive revenue and expense loss on revaluation	0	0
Total gains (losses) financial instruments	12	18
Other gains (losses)		
Non-financial instruments		
Property, plant and equipment gain on revaluation	86,193	7,994
Total gains on non-financial instruments	86,205	8,012

Note 7: Personnel costs	Actual 2019 (\$000)	Actual 2020 (\$000)
Salaries and wages	4,191	4,757
Defined contribution plan employer contributions (KiwiSaver)	100	119
ACC levies	15	19
Total personnel costs	4,306	4,895

Note 8: Other expenses	Actual 2019 (\$000)	Actual 2020 (\$000)
Fees to auditors		
financial statements	121	126
fees to Audit New Zealand for other services	4	0
Emergency works	949	775
Maintenance	4,873	4,656
Contractors and Professional Services	5,184	4,820
Grants	647	749
Insurance premiums	450	522
Operating leases	4	9
Impairment of receivables (note 11)	11	(2)
Other operating expenses	4,557	5,492
Total other expenses	16,800	17,147

Note 9: Tax	Actual 2019 (\$000)	Actual 2020 (\$000)
Relationship between tax expense and accounting surplus		
Surplus (deficit) before tax	20,404	(425)
Tax at 28%	5,713	(119)
Plus (less) tax effect of:		
Non-taxable revenue	(5,713)	(119)
Tax expense	0	0

Note 10: Cash and cash equivalents	Actual 2019 (\$000)	Actual 2019 (\$000)
Cash at bank and on hand	4,504	4,407
Term deposits with maturities less than three months at acquisition	5,000	4,000
Total cash and cash equivalents	9,504	8,407

The carrying value of cash at bank and short-term deposits with maturities less than three months approximates their fair value

The Council holds unspent funds, included in cash at bank and investments, of \$964,000 (2019 \$925,400) that are subject to restrictions. These unspent funds relate to funds received from various sources but to be used for specific purposes. They include the Council's restricted reserves, and grants from agencies that have been unspent at balance date.

Note 11: Receivables	Actual 2019 (\$000)	Actual 2020 (\$000)
Non-exchange receivables		
Rates receivables	1,660	1,495
Related party receivables	0	0
Other receivables	2,172	3,289
Gross debtors and other receivables	3,832	4,784
Less provision for impairment	(430)	(415)
Total non-exchange receivables	3,402	4,369
Exchange receivables		
Other receivables	11	2
Less provision for impairment	0	0
Total exchange receivables	11	2
Total Receivables	3,413	4,371

Fair value

Debtors and other receivables are non-interest bearing and receipt is normally on 30-day terms. Therefore, the carrying value of debtors and other receivables approximates their value.

Impairment

The Council has various powers under the Local Government (Rating) Act 2002 to recover any outstanding rates. These powers allow the Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgement, then the Council can, in most cases, apply to the Registrar of the High Court to have the judgement enforced by sale or lease of the rating unit. Accordingly, the Council only provides for impairment of rates in those circumstances where an enforced sale or lease is not possible. Ratepayers can apply for payment plan options in special circumstances. Where such repayment plans are in place, debts are discounted to their present value of future payments if the effect of discounting is material. Repayment plans do not alter the ageing profile of the debt in the Council's records.

The ageing profile of receivables at year end is detailed below:

	2020		
	Gross (\$000)	Impairment (\$000)	Net (\$000)
Not past due	3,777	0	3,777
Past due 31-60 days	517	0	517
Past due > 60 days	492	(415)	77
Total	4,786	(415)	4,371
	2019		
	Gross (\$000)	Impairment (\$000)	Net (\$000)
Not past due	2,042	0	2,042
Past due 31-60 days	1,038	(1)	1,037
Past due > 60 days	763	(429)	334
Total	3,843	(430)	3,413

The impairment provision has been calculated based on a review of overdue receivables and an analysis of the Council's past collection history and debt write-offs. All receivables greater than 30 days in age are considered past due.

Receivables (continued)	Actual 2019 (\$000)	Actual 2020 (\$000)
--------------------------------	------------------------------------	------------------------------------

The impairment provision has been calculated based on a review of overdue receivables and an analysis of the Council's past collection history and debt write-offs. All receivables greater than 30 days in age are considered past due.

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

At 1 July	443	430
Additional provisions made during the year		
Provision increased (reversed) during the year Per note 2 and note 8	11	(2)
Receivables written off during the period	(24)	(11)
As at 30 June	430	415

The Council holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

Note 12 :Other financial assets	Actual 2019 (\$000)	Actual 2020 (\$000)
Current Portion		
Term deposits with original maturities of 4-12 months	0	0
Corporate bonds	0	0
Total current portion	0	0
Non-current portion		
Corporate bonds	79	79
<i>Investments in CCOs and similar entities</i>		
Unlisted shares in New Zealand Local Government Insurance Corporation Limited	55	33
Unlisted shares in Manawatu Wanganui LASS Limited	16	16
Total investments in CCOs and similar identities	71	49
Total non-current portion	150	128
Total other financial assets	150	128

Fair value

Term deposits

The carrying amount of term deposits approximates their fair value.

Corporate bonds

The fair value of corporate bonds has been determined by reference to published price quotations in an active market.

Unlisted shares

The fair value of unlisted shares in New Zealand Local Government Insurance Corporation Limited was determined by using the net asset backing of shares at 31 December 2018. The fair value of the unlisted share in Manawatu Wanganui LASS Limited was determined to be the nominal amount paid for the shares (\$16,000).

Manawatu Wanganui LASS Limited is a Council Controlled Organisation under the Local Government Act 2002 but the Council has resolved that it is exempt for the purposes of section 6(4)(i) of that Act.

Impairment

There were no impairment expenses or provisions for other financial assets. At balance date, none of these financial assets was either past due or impaired.

Note 13: Non-current assets held for sale

The Council has a number of properties, most of which are of low value, that it wishes to dispose of. None of these is included as non-current assets held for sale because they are not being actively marketed and do not fall within the criteria set out in PBE IFRS 5 Non-current Assets Held for Sale.

Note 14: Property, Plant and equipment

2020	Balances at 1 July 2019			Additional assets re- cognised \$000	Current year additions \$000	Current year disposals \$000	Revaluation surp(def) \$000	Current year depn \$000	Balances at 30 June 2020		
	Cost/ valuation \$000	Accum depn \$000	Carrying amount \$000						Cost/ valuation \$000	Accum depn \$000	Carrying amount \$000
Movements for each class of property, plant and equipment are as follows:											
Operational assets											
Land	4,398	(3)	4,395	0	59	(145)	1,556	(9)	5,862	(6)	5,856
Buildings	14,700	(2,393)	12,307	0	4,673	(82)	4,155	(1,465)	20,385	(797)	19,588
Plant and vehicles	3,049	(1,901)	1,149	0	150	(107)	0	(348)	3,092	(2,162)	930
Office equipment	886	(692)	194	0	34	0	0	(34)	920	(727)	193
Computer hardware	757	(714)	43	0	18	0	0	(37)	775	(751)	24
Library books	2,460	(1,916)	544	0	58	0	0	(89)	2,517	(2,006)	511
Total operational assets	25,883	(7,618)	18,632	0	4,992	(334)	5,711	(1,982)	33,551	(6,448)	27,103
Infrastructural assets											
Roading network	417,028	0	417,028	0	6,768	0	0	(7,850)	423,796	(7,850)	415,946
Land under roads	42,438	0	42,438	0	0	0	0	0	42,438	0	42,438
Water systems											
treatment plants and facilities	21,662	0	21,662	0	906	0	0	(580)	22,567	(580)	21,987
other assets	35,472	0	35,472	0	1,724	0	0	(1,067)	37,197	(1,067)	36,130
Wastewater systems											
treatment plants and facilities	13,209	0	13,209	0	151	0	0	(439)	13,360	(439)	12,921
other assets	19,842	0	19,842	0	249	0	0	(590)	20,091	(590)	19,501
Stormwater network	16,569	0	16,569	0	299	0	0	(332)	16,868	(332)	16,536
Waste transfer stations	1,968	(9)	1,968	0	0	0	(864)	(62)	1,066	(24)	1,042
Total infrastructural assets	568,188	(9)	568,188	0	10,097	0	(864)	(10,920)	577,383	(10,882)	566,501
Restricted assets											
Land	4,726	0	4,726	0	32	0	2,198	(1)	3,262	(1)	3,261
Buildings	2,621	(437)	2,184	0	202	0	952	(236)	6,956	(159)	6,797
Total restricted assets	7,347	(437)	6,910	0	234	0	3,150	(237)	10,218	(160)	10,058
Total property, plant and equipment	601,795	(8,064)	593,730	0	15,323	(334)	7,997	(13,139)	621,152	(17,490)	603,662

Work in progress at year end included in property, plant and equipment above comprises: buildings \$6,664,501 (2019 \$2,452,523) wastewater nil (2019 \$433,000), water nil (2019 \$915,000), storm water nil (2019 \$178,000) The additional assets recognised includes vested assets and assets transferred to council. The current year additions includes the assets constructed by council.

Note 14: Property, plant and equipment (continued)*Valuation*

Land and buildings (operational, restricted and infrastructural)

The valuation of land and buildings was performed by independent registered valuers, Andrew Parkyn (BCom (VPM), PG Dip Com, SPINZ, ANZIV), Maria McHugh (BCom (VPM)MPINZ) and Ashley Pont (BLPM (APINZ)), of Quotable Value Asset and Advisory. The valuation is effective at 1 July 2019. The total fair value of land and buildings valued was \$29,141,066 at that date.

Land and buildings are valued at fair value using market-based evidence where available. Where not available, depreciated replacement value has been used. All major buildings were also inspected and underwent a review of their condition rating when taking their fair value into consideration.

*Infrastructural assets**Roading network*

The valuation of the roading network was performed independently by Scott McIntyre (BBIM, CTech) of The Datastack. This was peer reviewed by Brian Smith (BCom CA) of Brian Smith Advisory. The valuation is effective at 30th June 2019. The total fair value of the roading network was \$456,828,797. at that date.

The roading network is valued at fair value based on the application of appropriate replacement costs and effective lives, and The Datastack experience of other local authorities' transport asset components. They are within the ranges specified in the New Zealand Infrastructural Valuation and Depreciation Guidelines. Land under roads is not re valued. On the transition to International Financial Reporting Standards on 01/07/2006 the council elected to use the FV of land under roads as at 30/06/2005 as deemed cost.

Water, wastewater and stormwater systems

The valuation of the water, wastewater and stormwater assets was performed by Lucy Riddle (BCom), John Vessey (BE Civil, BA Econs, CP Eng), Jamie Cable (BapplEcon Dip Eng Civil) of wsp Opus.. The valuation was peer reviewed by Brian Smith (BCom CA) of Brian Smith Advisory. The valuation is effective at 30th June 2019. The total fair value of water, wastewater and stormwater was \$108,798,000 at that date.

Water, wastewater and stormwater assets are valued at fair value using a brown fields approach that assumes the surface above underground components will need to be removed and then replaced. Current contract costs have been used to determine the value of materials.

Estimated replacement cost of major infrastructure	2,019 (\$000)	2,020 (\$000)
Water supply		
treatment plant and facilities	30,722	32,365
other assets	75,768	79,309
Sewerage		
treatment plant and facilities	19,040	19,648
other assets	47,755	49,152
Stormwater drainage	29,642	30,652
Flood protection and control works	0	0
Roads and footpaths	622,649	699,021
Total estimated replacement cost	825,576	910,147

Note 14: Property, Plant and equipment

2019	Balances at 1 July 2018			Additional assets re- cognised \$000	Current year additions \$000	Current year disposals \$000	Revaluation surp(def) \$000	Current year depn \$000	Balances at 30 June 2019		
	Cost/ valuation \$000	Accum depn \$000	Carrying amount \$000						Cost/ valuation \$000	Accum depn \$000	Carrying amount \$000
Movements for each class of property, plant and equipment are as follows:											
Operational assets											
Land	4,090	0	4,090	0	308	0	0	(3)	4,398	(3)	4,395
Buildings	12,455	(1,745)	10,710	0	2,354	0	0	(758)	14,700	(2,393)	12,307
Plant and vehicles	2,801	(1,578)	1,223	0	320	(75)	0	(363)	886	(1,901)	(1,015)
Office equipment	767	(662)	105	0	119	0	0	(30)	3,049	(692)	2,357
Computer hardware	737	(661)	76	0	20	0	0	(53)	757	(714)	43
Library books	2,373	(1,828)	546	0	87	0	0	(88)	2,460	(1,916)	544
Total operational assets	23,223	(6,473)	16,750	0	3,208	(75)	0	(1,295)	26,250	(7,618)	18,632
Infrastructural assets											
Roading network	333,130	(13,416)	319,714	0	6,712	0	97,394	(6,790)	417,028	0	417,028
Land under roads	42,438	0	42,438	0	0	0	0	0	42,438	0	42,438
Water systems											
treatment plants and facilities	18,813	(866)	17,947	0	471	0	3,686	(443)	21,662	0	21,662
other assets	38,945	(1,919)	37,026	0	2,152	0	(2,726)	(980)	35,472	0	35,472
Wastewater systems											
treatment plants and facilities	10,020	(571)	9,449	0	135	0	3,910	(285)	13,209	0	13,209
other assets	20,483	(862)	19,620	0	389	0	261	(430)	19,842	0	19,842
Stormwater network	16,770	(586)	16,185	0	264	0	415	(294)	16,569	0	16,569
Waste transfer stations	1,265	(124)	1,141	0	48	0	807	(27)	1,978	(9)	1,968
Total infrastructural assets	481,864	(18,344)	463,520	0	10,171	0	103,747	(9,249)	568,198	(9)	568,188
Restricted assets											
Land	4,735	0	4,735	0	50	(59)	0	0	4,726	0	4,726
Buildings	1,958	(345)	1,613	0	663	0	0	(92)	2,621	(437)	2,184
Total restricted assets	6,693	(345)	6,348	0	713	(59)	0	(92)	7,347	(437)	6,910
Total property, plant and equipment	511,780	(25,162)	486,618	0	14,092	(134)	103,747	(10,636)	601,795	(8,064)	593,730

Work in progress at year end included in property, plant and equipment above comprises: buildings \$2,452,523 (2018 \$264,126) wastewater \$433,000 (2018 nil), water \$915,000 (2018 1.792M), storm water \$178,000 (2018 252,000) The additional assets recognised includes vested assets and assets transferred to council. The current year additions includes the assets constructed by council.

Note 15: Intangible assets	Computer software (\$000)	Carbon credits (\$000)	Total (\$000)
Cost			
Balance at 1 July 2019	792	105	897
Increase due to revaluation	0	40	40
Additions	0	0	0
Disposals	0	0	0
Balance at 30 June 2020	792	145	937
Balance at 1 July 2018	792	96	888
Increase due to revaluation	0	9	9
Additions	0	0	0
Disposals	0	0	0
Balance at 30 June 2019	792	105	897
Accumulated amortisation and impairment			
Balance at 1 July 2019	788	0	788
Amortisation charge	4	0	4
Disposals	0	0	0
Balance at 30 June 2020	792	0	792
Balance at 1 July 2018	777	0	777
Amortisation charge	11	0	11
Disposals	0	0	0
Balance at 30 June 2019	788	0	788
Carrying Amounts			
Balance at 30 June 2019	4	105	109
Balance at 30 June 2020	0	145	145

There are no restrictions over the title of intangible assets. No intangible assets are pledged as security for liabilities.

Carbon credits

The Council holds carbon credits for the purpose of meeting its obligations under the Emissions Trading Scheme for carbon emissions from its forestry operations. The Council is required to forfeit carbon credits for emissions for any forests not replanted four years after deforestation. The carbon credits were revalued at 30 June 2020 using the spot market price for NZUs on the open market. Following the harvesting of the mature forest at Marton B and C Dams, Council has committed (by formal resolution in April 2017) to a programme of replanting, primarily natives. This has been discussed with the Ministry for Primary Industries, as the stocking and growth rates will be reviewed in four years time.

Impairment

There were no impairment expenses or provisions for intangible assets. At balance date, none of these intangible assets was impaired. Carbon credits are not impaired but recorded at current market value because the Council still has forests to be harvested in which case the credits may well be used to satisfy non-replanting requirements.

Note 16: Forestry assets	Actual 2019 (\$000)	Actual 2020 (\$000)
Balance at 1 July	53	63
Gains (losses) arising from changes in fair values	10	4
Decreases due to sales	0	0
Balance at 30 June	63	67

The Council owns 9.8 hectares of forest in 3 stands at varying stages of maturity.

There are no restrictions over the title of forestry assets. No forestry assets are pledged as security for liabilities.

Valuation assumptions

Independent valuers, Allan Bell & Associates, have valued forestry assets at 30 June 2020.

Information from recent and past harvesting operations has been used in the valuation including predicted yield, harvest costs, potential markets, and log prices. The following significant valuation assumptions have been adopted in determining fair value of forestry assets:

Basis for value- stand-based schedules using discounted future cashflows and, where applicable, compound costs.

Discount rate - 8.5% pre-tax

Compound rate - 3%

Basis of log prices - current prices from southern North Island prices. Trend prices are from 12 quarter average rolling log prices in the southern North Island.

Financial risk management

The Council is exposed to financial risks arising from fluctuations in the price of timber. As a long-term forestry investor, the Council does not expect timber prices to decline significantly in the foreseeable future. Therefore, no measures have been taken to manage the risk associated with a decline in timber prices. The Council regularly reviews timber prices in considering the need for active financial risk management.

Note 17: Creditors and other payables	Actual 2019 (\$000)	Actual 2020 (\$000)
<i>Payables under exchange transactions</i>		
Trade payables	1,430	3,188
Deposits	0	0
Accrued expenses	1,418	1,822
Total	2,848	5,010
<i>Payables under non-exchange transactions</i>		
Income tax payable	0	0
Other taxes (e.g. GST and FBT)	1	1
Total	1	1
Total creditors and other payables	2,849	5,011

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of creditors and other payables approximates their fair value.

Note 18: Borrowings	Actual 2019 (\$000)	Actual 2020 (\$000)
Current portion		
Secured bank loans	0	0
Community loan	16	16
Total current portion	16	16
Non-current portion		
Secured bank loans	0	0
Community loan	112	96
Loan- New Zealand Local Government Funding Agency	3,000	3,000
Total non-current portion	3,112	3,096
Total borrowings	3,128	3,112

Secured loans

The Council had no secured debt at balance date.

Community loan

The Council purchased property, plant and equipment from the Marton Aquatic Leisure Trust for the Marton swim centre. The purchase was financed by way of a loan from the Trust which is interest free. The Council has signed a lease agreement for 15 years with the Trust. The annual lease rental will be applied to repaying the loan so that it is extinguished at the end of the lease term.

Security

The Council's bank loans, if any, are secured over the Council's rates.

The community loan is unsecured.

The Council borrowed \$3,000,000 from the New Zealand Local Government Funding Agency. The terms are at a fixed interest rate of 3.12% with a maturity date of 15 April 2029.

Fair value

The carrying amounts of borrowings approximates their fair value as discounting is not considered significant.

Internal borrowing

Information about internal borrowing is provided under each group of activities in the annual report. Interest charged on internal borrowing for the year was 3.72%. Internal borrowings are eliminated on consolidation of activities in the Council's financial statements.

Note 19: Employee entitlements	Actual 2019 (\$000)	Actual 2020 (\$000)
Current Portion		
Accrued pay	205	212
Annual leave	300	387
Long service leave	39	41
Superannuation		
Total current portion	544	640
Non-current portion		
Accrued pay	0	0
Annual leave	0	0
Long service leave	7	5
Superannuation	0	0
Total non-current portion	7	5
Total employee entitlements	551	645

Long service leave

Long-term employee entitlements consist of long service leave that is payable beyond 12 months and have been calculated on the likely future entitlements accruing to staff, based on the years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and current salary. As there are few staff members that are actually entitled to long service leave, the total accrual is not considered to be material and no actuarial basis has been used

Sick leave

No provision is made for sick leave because absences in the coming years are not expected to exceed the annual entitlement of staff, and calculations show any amounts involved are likely to be immaterial.

Note 20: Provisions	Actual 2019 (\$000)	Actual 2020 (\$000)
Landfill aftercare		
Balance at 1 July	276	290
Additional(reduction) in provisions made	0	0
Amounts used	(14)	(18)
Unused amount reversed	(22)	(18)
Discount unwind	50	48
Balance at 30 June	290	302

The Council has responsibility to provide ongoing maintenance and monitoring of its 17 closed landfill sites.

The management of the landfills will influence the timing of recognition of some liabilities. The cash outflows for landfill post-closure costs are expected to occur over the next 14 years. The long-term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and legal requirements.

A discount rate of 2% (2019 4.6%) has been used in discounting the cash outflows.

Note 21: Equity	Actual 2019 (\$000)	Actual 2020 (\$000)
Accumulated funds		
Balance at 1 July	443,615	463,839
Transfers from property revaluation reserves on disposal	0	0
Other transfers	(180)	(25,706)
Surplus (deficit) for year	20,404	7,587
Balance at 30 June	463,839	445,720
Other reserves		
Property revaluation reserves		
Balance at 1 July	44,924	148,933
Net revaluation gains	86,401	7,994
Transfer to accumulated funds on disposal of property	0	0
Balance at 30 June	131,215	156,927
Property revaluation reserves for each class of assets consist of:		
Operational assets		
land	2,271	4,813
buildings	7,377	11,552
Infrastructural assets		
sewerage systems	12,260	12,260
water systems	17,627	17,627
stormwater drainage network	8,900	8,900
roading network	79,899	97,394
Restricted assets		
land	1,514	3,208
buildings	1,477	1,060
Total	131,325	156,814
Fair value through other comprehensive income reserve		
Balance at 1 July	100	113
Net revaluation gains (losses)	13	18
Transfer to net surplus/deficit	0	
Balance at 30 June	113	131
Total other reserves	131,438	156,945

Note 21: Equity (continued)**Special and restricted reserves 2020**

Name (* denotes restricted)	Purpose	Purpose	Balance 1 Jul 19	Deposits	With- drawals	Balance 30 Jun 20
Aquatic	Capital works	Capital works	86	75		161
Bulls courthouse*	Maintenance of courthouse	Maintenance of courthouse building	84	17	5	96
Flood damage	Road maintenance due to flooding		238	250	179	309
General purpose	Capital works		2,402			2,402
Haylock park*	Additional reserve area at park	Additional reserve area at park	30	1		31
Hunternville rural water	Water	Future loop line	206	8		214
Keep Taihape beautiful*	Property	Enhancement of Taihape	20			20
Marton land subdivision*	Parks and reserves	Improvement to reserves land	444	16		460
Marton marae*	Property	Marton marae project	4			4
McIntyre recreation*	Parks and reserves	Maintenance or upgrades of park	21	1		22
Putorino rural water	Water	Maintenance of scheme dam	22	1		23
Ratana sewer	Sewerage	Capital works	26	1		27
Revoked reserve land	Parks and reserves	Offset costs of other revoked land	238			238
Rural housing loan	Property	No longer required	150			150
Rural land subdivision*	Parks and reserves	Improvement to reserves land	198	7		205
Santoft domain*	Parks and reserves	Maintenance or upgrades of park	124	7	1	130
Total special and restricted reserves			4,293	384	185	4,492

Special and restricted reserves 2019

Name (* denotes restricted)	Associated activity	Purpose	Balance 1 Jul 18	Deposits	With- drawals	Balance 30 Jun 19
Aquatic	Swimming pools	Capital works	65	75	54	86
Bulls courthouse*	Property	Maintenance of courthouse building	67	17		84
Flood damage	Roading	Road maintenance due to flooding	372	250	384	238
General purpose	Capital works	Capital works	2,402			2,402
Haylock park*	Parks and reserves	Additional reserve area at park	29	1		30
Hunternville rural water	Water	Future loop line	199	7		206
Keep Taihape beautiful*	Property	Enhancement of Taihape	20			20
Marton land subdivision*	Parks and reserves	Improvement to reserves land	427	17		444
Marton marae*	Property	Marton marae project	4			4
McIntyre recreation*	Parks and reserves	Maintenance or upgrades of park	20	2	1	21
Putorino rural water	Water	Maintenance of scheme dam	21	1		22
Ratana sewer	Sewerage	Capital works	25	1		26
Revoked reserve land	Parks and reserves	Offset costs of other revoked land	238			238
Rural housing loan	Property	No longer required	150			150
Rural land subdivision*	Parks and reserves	Improvement to reserves land	191	7		198
Santoft domain*	Parks and reserves	Maintenance or upgrades of park	92	41	9	124
Total special and restricted reserves			4,322	419	448	4,293

Note 22: Reconciliation of net surplus (deficit) to net cash flow from operating activities	Actual 2019 (\$000)	Actual 2020 (\$000)
Surplus (deficit)	20,404	7,587
Add (less) non-cash items		
Depreciation and amortisation	10,646	13,141
Community loan repayment exchanged for accommodation	(16)	0
(Gains) losses in fair value on forestry assets	(10)	(4)
Reversal of previous losses on roading through operating surplus(deficit)	(17,495)	
Movement in employee entitlements (non current)	1	2
	(6,876)	13,139
Add (less) items classified as investing or financing activities		
(Gains) losses on disposal of property, plant and equipment	(286)	(131)
(Gains) losses on fair value financial assets	12	(18)
(Gains) losses revaluation land and buildings financial assets	0	(7,994)
(Gains) losses biological Assets	0	0
	(274)	(8,143)
Add (less) movements in working capital items		
(Increase) decrease in prepayments	(36)	(84)
(Increase) decrease in debtors and other receivables	(99)	(959)
Increase (decrease) in income in advance	33	49
Increase (decrease) in creditors and other payables	(1,774)	2,161
Increase (decrease) in provisions	14	12
Increase (decrease) in employee entitlements	72	101
	(1,790)	1,280
Net cash inflow (outflow) from operating activities	11,464	13,863

Note 23: Capital commitments and operating leases	Actual 20219 (\$000)	Actual 2020 (\$000)
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Capital commitments

Property, plant and equipment

Not later than one year	3,690	0
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Later than one year and not later than five years	0	0
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Total capital commitments	3,690	0
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These commitments may include some items that may turn out to be of an operational nature, rather than capital.

Operating leases as lessee

The Council leases property, plant and equipment in the normal course of its business. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

Not later than one year	62	22
-------------------------	----	----

Later than one year and not later than five years	122	72
---	-----	----

Later than five years	0	59
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Total non-cancellable operating leases	184	153
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Operating leases as lessor

Some property, including reserves land, is leased under operating leases. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

Not later than one year	32	59
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Later than one year and not later than five years	72	73
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Later than five years	78	0
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	182	132
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No contingent rents have been recognised during the period.

Note 24: Contingencies	Actual 2018 (\$000)	Actual 2019 (\$000)
Contingent Liabilities		
Emissions Trading Scheme	0	0
Building Act claims	0	0
Miscellaneous claims	0	0
Total contingent liabilities	0	0

Contingent Assets*Private facilities*

The Council has identified four facilities (for example, club rooms) on its reserves land owned by third parties that are not specified to be removed under the terms of their leases. The Council will gain control of these assets only if the various clubs vacate the facilities. Until this event occurs, the assets are not recognised as assets in the statement of financial position. As at 30 June 2018 these four facilities have an approximate value of \$350,000.

Contingent Liabilities

When a ratepayer purchased their land in Poplar Grove Bulls in the 1980s they were advised that the road boundary was on the line of their fence. This was later found to be incorrect. A council resolution on 30 July 2020 directed the Chief Executive to remedy the boundary encroachment. This requires the stopping of a rural road which requires the consent of the Minister of Land Information (granted by LINZ under delegated authority). This matter has been referred to Linz for its preliminary view. The estimated costs for the survey, legal and LINZ inputs are \$10,000.

Spooners Hill Road was originally part of the Turangi to Bulls State Highway. In the early 1950s the Public Works Department (PWD) widened and re aligned portions of the Road near the junction with Paengaroa Road. A small portion of the land was taken from the front of the Marae land by proclamation, endorsed by the Maori Land Court. The Court subsequently approved the PWD calculations of compensation payable to the Marae land owners. The Marae Trustees (landowners) can not progress their building programme for the Marae until the road boundary is formalised. This has prompted the trustees to seek compensation from the council for the land involved, and in recognition of the illegality of the original proclamation on the basis that the land was inalienable, being Maori Reserve Land. If the council is obligated to pay some form of "re compensation" the contingency has been estimated at \$15,000 being \$12,500 for "compensation" and \$2,500 for associated costs of road legalisation action.

During 2018, following substantial rainfall, the Rangitikei River changed its course in the river bed, scouring out land on the right bank near Hou Hou Road. This exposed a landfill, established by the Rangitikei County Council, which had not been used since the early 1990s. Horizons Regional Council has issued a consent which will allow the Rangitikei River to be diverted to its earlier channel, thus allowing an opportunity to examine the dump more closely. The likely approach is to erect a barrier on the river bed to prevent further erosion by the river should it change its course again. It is anticipated this will cost an estimated \$500,000.

This \$500,000 provision for the Putorino Landfill remediation will be funded over the next 10 years. A contingent liability does exist over 18 other landfills which are not currently subject to any remediation. It is anticipated that the investigation will be complete by July 2021.

Note 25: Related party transactions	Actual 2019 (\$)	Actual 2020 (\$)
Key management personnel compensation		
<i>Councillors</i>		
Remuneration	394,412	416,817
Full-time equivalent members	12	12
<i>Senior management team, including the chief executive</i>		
Remuneration	612,121	694,293
Full-time equivalent members	4	4
Total key management personnel remuneration	1,006,533	1,111,110
Total full-time equivalent personnel	16	16

Due to the difficulty in determining the full-time equivalent for Councillors, the full-time equivalent is taken as the number of Councillors.

The Councillor remuneration includes annual salary, allowances for mileage and telephone/fax.

The Council is a one-seventh shareholder in Manawatu Wanganui LASS Limited. Transactions between the Council and the company are disclosed below:

Regional archives project costs paid to the company by the Council	0	0
Other projects costs paid to the company by the Council	41,292	27,469

The following transactions have all been supplied on normal commercial terms.

During the year, the Council paid for a service contract to the Ratana Communal Board of Trustees, of which Councillor Soraya Peke-Mason is a member. This service cost \$71,906 (2019 \$53,629).

Councillor Peke-Mason also has interests in the Aorangi Awarua Trust. During the year the Council paid the Trust \$ 10,749 (2019 \$4,515)

During the year, the Council provided Project Marton with funding amounting to \$39,920 (2019 \$42,377). Councillor Cathryn Ash is an employee of Project Marton.

Councillor Nigel Belsham is a director of BJW Motors Ltd, Marton. During the year the Council made payments of \$2,666.75 (2019 \$6,891) to BJW Motors Ltd for the servicing of motor vehicles. Councillor David Wilson was previously a director of McVerry Crawford Motors, Marton until May 2019. As a result disclosure is not required to June 2020 (2019 \$30,121)

During the year, the Council gave grants to several entities on which Councillors served as board members or board chairs.

During the year, Councillors and senior management, as part of a normal customer relationship, were involved in minor transactions with the Council (such as the payment of rates etc).

Note: a) All amounts quoted in this disclosure are GST inclusive (where applicable).

Note: b) All transactions have been conducted at arms length

Note: c) There are no related party transactions that are on terms more favourable than those that it is reasonable to expect the council to have adopted in dealing with a party at arms length

Note 26: Remuneration	Actual 2019 \$	Actual 2020 \$
Chief Executive		
Ross McNeil		
Gross salary	231,680	168,995
Vehicle (market value plus FBT)	13,394	3,091
Superannuation contribution	7,218	5,070
Peter Beggs		
Gross salary		173,077
Vehicle (market value plus FBT)		17,500
Superannuation contribution		5,192
Total remuneration	252,292	372,925
Other Council employees		
Number of full-time employees	50	48
Number of full-time equivalents of part-time employees	18	21
A full-time employee is determined on the basis of a 40-hour working week		
Total annual remuneration by band for employees as at 30 June		
less than \$60,000 per annum	58	58
\$60,001 to \$79,999	8	10
\$80,000 to \$99,999	8	7
\$100,000 to 259,999	5	6
Total employees	79	81
Total remuneration includes the value of any non-financial benefit paid to an employee.		

Note 26: Remuneration (continued)	Actual 2019 \$	Actual 2020 \$
Elected representatives		
Council		
<i>Mayor</i>		
A Watson	105,174	117,068
<i>Councillors</i>		
C Ash	21,785	23,129
R Aslett	27,647	7,946
N Belsham	39,413	40,081
A Gordon	30,179	31,427
D McManaway	31,908	6,720
S Peke-Mason	22,133	6,524
R Rainey	26,197	8,344
L Sheridan	23,753	7,115
D Wilson	21,785	29,632
G Platt	23,052	6,826
J Dunn	21,385	23,704
G Duncan	0	18,761
F Dalgety	0	17,212
W Panapa	0	17,914
B Carter	0	17,231
R Lambert	0	17,698
T Hiroa	0	19,486
Total Council members remuneration	394,411	416,818
Community Boards		
<i>Taihape</i>		
M Fannin	9,835	6,050
A Abernathy	4,253	7,101
G Larsen	4,433	4,312
Y.Sicily	4,253	1,274
E Abernathy	0	3,037
<i>Ratana</i>		
C Mete	4,253	4,297
C Rourangi	2,126	2,126
T Tataurangi	2,126	637
M Thompson	2,526	760
L Meihana	0	1,489
J Nepia	0	1,489
Total Community Board members remuneration	33,805	32,572
Total elected representatives remuneration	428,216	449,390

The total remuneration for each elected member is made up of annual salary, non-salary benefits and mileage. The remuneration reflects 26 pay periods. The mileage allowances for Council total \$25,946 and Telephone \$8,434. The Telephone allowance for the Community Boards total \$464.

Note 27: Severance payments

For the year ended 30 June 2020, the Council made no (2019 Nil) severance payments to employees.

Note 28: Events after balance date

Council has not become aware of any events after balance date that require disclosure.

Note 29A: Financial instrument categories	Actual 2019 (\$000)	Actual 2020 (\$000)
Financial instrument categories		
<i>Financial assets</i>		
<i>Loans and receivables</i>		
Cash and cash equivalents	9,504	8,407
Debtors and other receivables	3,414	4,370
Other financial assets		
term deposits	0	0
Total loans and receivables	12,918	12,777
<i>Fair value through other comprehensive revenue and expense</i>		
Other financial assets		
corporate bonds	79	79
unlisted shares	71	49
Total fair value through other comprehensive revenue and expense	150	128
<i>Financial liabilities</i>		
Financial liabilities at cost		
creditors and other payables	3,010	5,011
Loans	3,000	3,000
community loan	128	112
Total financial liabilities	6,138	8,123

Note 29B: Fair value hierarchy disclosures

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

* Quoted market price (level 1) - Financial instruments with quoted prices for identical instruments in active markets.

* Valuation technique using observable inputs (level 2) - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

* Valuation techniques with significant non-observable inputs (level 3) - Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position:

	Valuation technique		
	Quoted market price	Observable inputs	Significant non-observable inputs
Total (\$000)	Quoted market price (\$000)	Observable inputs (\$000)	Significant non-observable inputs (\$000)

2020**Financial assets***Unlisted shares*

New Zealand Local Government Insurance

Corporation Limited	33	0	0	33
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Manawatu Wanganui LASS Limited	16	0	0	16
--------------------------------	----	---	---	----

<i>Corporate bonds</i>	79	79	0	0
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2019**Financial assets***Unlisted shares*

New Zealand Local Government Insurance

Corporation Limited	55	0	0	55
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Manawatu Wanganui LASS Limited	16	0	0	16
--------------------------------	----	---	---	----

<i>Corporate bonds</i>	79	79	0	0
------------------------	----	----	---	---

There were no transfers between the different levels of the fair value hierarchy.

The table below provides a reconciliation from the opening balance to the closing balance for level 3 fair value measurements:

	2019	2019
Balance at 1 July	70	71
Gains (losses) recognised in the surplus or deficit	1	
Gains (losses) recognised in other comprehensive income	0	(22)
Purchases		
Balance at 30 June	71	49

Note 29C: Financial instrument risks

The Council has policies to manage the risks associated with financial instruments. The Council is risk averse and seeks to minimise exposure from its treasury activities. It has established

liability management and investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. The Council is exposed to equity securities price risk on its investments, which are classified as financial assets held at fair value through other comprehensive income. Equity security price risk is not managed as the only share investments are unlisted shares in New Zealand Local Government Insurance Corporation Limited, and, Manawatu Wanganui LASS Limited.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Council has no financial instruments with foreign currency components and is therefore not exposed to currency risk.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investments issued at fixed rates of interest expose the Council to fair value interest rate risk. The Council's investment policy requires a spread of investment maturity dates to limit exposure to short-term interest rate movements. The Council currently has no fixed interest rate debt or investments.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Council to cash flow interest rate risk. The Council currently has no variable interest rate debt or investments.

Credit risk

Credit risk is the risk that a third party will default on its obligations to the Council, causing it to incur a loss. Due to the timing of its cash inflows and outflows, surplus cash is invested into term deposits and corporate bonds, which gives rise to credit risk. The Council only invests in deposits with registered banks and in high grade corporate bonds, and limits the amount of credit exposure to any one institution. Investments are made only in banks and companies with specified credit ratings.

Note 29C: Financial instrument risks (continued)	Actual 2019 (\$000)	Actual 2020 (\$000)
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Maximum exposure to credit risk

The Council's maximum credit risk exposure for each class of financial instruments is as follows:

Cash at bank and term deposits	9,504	9,504
Debtors and other receivables	3,414	3,414
Corporate bonds	79	79
Total credit risk	12,997	12,997

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by references to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates.

Counterparties with credit ratings

Cash at bank and term deposits		
AA-	9,504	9,504
Total cash at bank and term deposits	9,504	9,504

Corporate bonds

AA	48	48
A+	0	0
A	0	0
A-	0	0
BBB-	31	31
Total corporate bonds	79	79

Debtors and other receivables arise mainly from the Council's statutory functions. Therefore, there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. The Council has no significant concentrations of credit risk in relation to debtors and other receivables, as it has a large number of credit customers, mainly ratepayers, and the Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

Liquidity risk

Liquidity risk is the risk that the Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. The Council aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Council maintains a target level of investments that must mature within the next 12 months. The Council manages its borrowings in accordance with its funding and financial policies, which include a liability management policy.

Note 29C: Financial instrument risks (continued)**Contractual maturity analysis of financial liabilities**

The table below analyses the Council's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Further interest payments on floating rate debt are based on the floating rate on the instrument at balance date. The amounts disclosed are the contractual undiscounted cash flows and include interest payments.

	Carrying amount \$000	Contractual cash flows \$000	Less than 1 year \$000	1 to 5 years \$000	More than 5 years \$000
2020					
Creditors and other payables	5,011	5,011	5,011	0	0
Loans	3,000	3,000	0	0	3,000
Community loan	112	112	16	64	32
Total	8,123	8,123	5,027	64	3,032
2019					
Creditors and other payables	3,010	3,010	3,010	0	0
Secured loans	3,000	3,000	0	0	3,000
Community loan	128	128	16	64	48
Total	6,138	6,138	3,026	64	3,048

Contractual maturity analysis of financial assets

The table below analyses the Council's financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows and include interest receipts.

	Carrying amount \$000	Contractual cash flows \$000	Less than 1 year \$000	1 to 5 years \$000	More than 5 years \$000
2020					
Cash and cash equivalents	8,407	8,407	8,407	0	0
Debtors and other receivables	4,370	4,370	4,370	0	0
Other financial assets					
term deposits	0	0	0	0	0
corporate bonds	79	79	0	79	
Total	12,856	12,856	12,777	79	0
2019					
Cash and cash equivalents	9,504	9,504	9,504	0	0
Debtors and other receivables	3,414	3,414	3,414	0	0
Other financial assets					
term deposits	0	0	0	0	0
corporate bonds	79	79	0	79	
Total	12,997	12,997	12,918	79	0

Note 29C: Financial instrument risks (continued)**Sensitivity analysis**

The tables below illustrate the potential effect on the surplus or deficit and equity (excluding accumulated funds) for reasonably possible market movements, with all other variables held constant, based on the Council's financial instrument exposures at balance date.

Interest rate risk

		-100bps		+100bps	
	Note	Surplus \$000	Other Equity \$000	Surplus \$000	Other Equity \$000
2019					
Financial Assets					
Cash and cash equivalents		(84)	0	(84)	0
Corporate bonds		0	0	0	0
Total sensitivity to interest rate risk		(84)	0	(84)	0
2019					
Financial Assets					
Cash and cash equivalents		(95)	0	(95)	0
Corporate bonds		0	0	0	0
Total sensitivity to interest rate risk		(95)	0	(95)	0

Explanation of interest rate sensitivity risk

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a basis point (bps) movement. For example, a decrease in 100 bps is equivalent to a decrease in interest rates of 1%.

Note 30: Capital management

The Council's capital is its equity (or ratepayers' funds), which comprise accumulated funds and reserves. Equity is represented by net assets.

The Local Government Act (2002) (the Act) requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long-term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure that ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its long-term plan (LTP) and in its annual plans (where applicable) to meet the expenditure needs identified in those plans. The Act also sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTP.

The Council has the following Council-created reserves:

Special Reserves

Special reserve funds are reserves created by the Council for special purposes. The Council may alter them without reference to any third party or the Courts, and transfers to and from these reserves are at the discretion of the Council.

Restricted Reserves

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

Note 31: Explanation of major variances against budget

Revenue is lower than forecast by \$3.609 million mainly due to subsidies and grants being less than forecasted. Finance revenue was lower by \$0.121 million due to the decrease in interest rates for the Term Investments than that anticipated. Other Revenue was above budget by \$0.644 million, predominantly from: Rental Revenue from Investment Properties; Petrol Tax revenue; User Fees and Charges through an increase in resource consents and use of waste transfer stations.

Expenditure is above forecast by \$2.211 million. Personnel costs are up by \$0.478 million due to the timing of the transition to a new Chief Executive; increase in regulatory resources due to the increase in demand for consents; and as part of the annual remuneration process, salaries were reviewed to ensure they were consistent with market for a rural regional local authority.

Depreciation costs are above forecast by \$2.358 million mainly due to the first full year of depreciation on the roading and three waters revaluation. Other Expenses are below budget by \$0.616 million due to some expenditure consolidation.

Other Comprehensive revenue and expense (Gain on revaluation of property plant and equipment) are impacted by the Land and Buildings having a triannual revaluation as at 1st July 2019.

Statement of financial position

Current assets are \$2.734 million higher than forecasted with cash and cash equivalents being \$1.626 million higher; Debtors, Prepayments and Other financial assets above forecast by \$1.108 million.

Non-current assets are higher than forecasted by \$67 million predominantly due to the revaluation of land and buildings as at 1st July 2019.

Current liabilities are \$1.569 million above forecast with Creditors and Other payables being \$0.614 million higher. Against last year Current Liabilities are higher by \$2.312 million.

Non-current liabilities are \$13.019 million lower than the forecast due to lower than expected borrowings on capital expenditure, but it does contain the \$3.0m loan for the Bulls Community Centre. Against last year Non-current liabilities are \$0.006 million lower.

Net Assets and Equity as a result of the above these are \$81.461 million higher than forecast and are \$7.587 million higher than last year.

Note 32: Rating base information	Actual 2019	Actual 2020
Number of rating units preceeding year	8,528	8,556
	(\$000)	(\$000)
Total capital value of rating units preceeding year	4,481,745	4,490,565
Total land value of rating units preceeding year	2,855,466	2,852,716
Note: "preceeding year" for 2020 is as at 30 June 2019 and "preceeding year" for 2019 is as at 30 June 2018		

Note 33: Insurance of assets	Actual 2019 (\$000)	Actual 2020 (\$000)
Total value of assets covered by insurance contracts	65,059	75,122
Maximum amount of insurance	65,529	82,409
Total value of assets covered by financial risk sharing arrangements	140,134	159,113
Maximum amount available under those arrangements (40%)	56,054	63,645
Total value of assets that are self-insured	338,020	699,021
The value of funds maintained for that purpose	238	308
It is anticipated (but cannot be guaranteed) that under the terms contained in the Guide to the Civil Defence Emergency Plan, central government may fund 60% of the qualifying cost of reinstating essential infrastructure assets in the event of a major disaster.		
The Council has a balance of \$0.308M in its Flood Damage Reserve for roading. As the damage repair work for the 2015 flood is complete this balance and the annual rates contribution is a provision for future flood events and councils likely percentage contribution to these events in partnership with NZTA.		

Benchmarks Disclosure Statement

For year ending 30 June 2020

What is the purpose of this statement?

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

The Council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations).

Rates affordability benchmarks

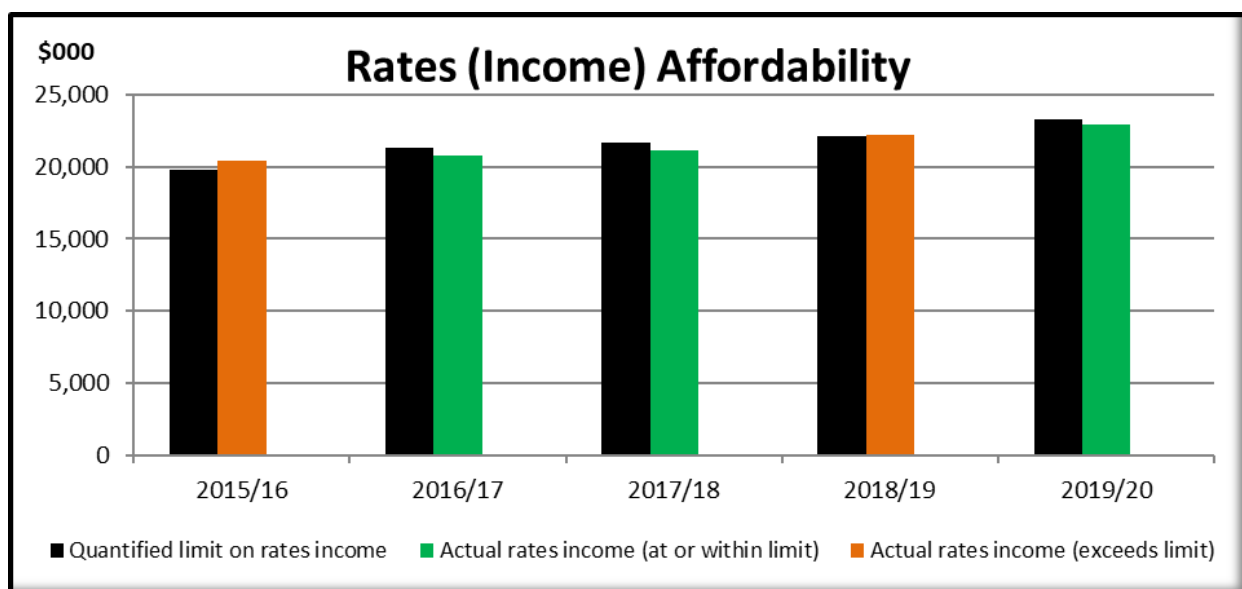
The Council meets the rates affordability benchmark if its—

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

Rates (income) affordability

The following graph compares the Council's actual rates income for 2015/16, 2016/17, and 2017/18 years with the quantified limit on rates contained in the Council's 2015-2025 long-term plan, and for 2018/19 and 2019/20 years, with the quantified limit on rates contained in the Councils 2018-2028 long-term plan.

All limits are based on the previous year's actual rates income adjusted for the projected maximum rates increases noted in the next benchmark (rates increases affordability).

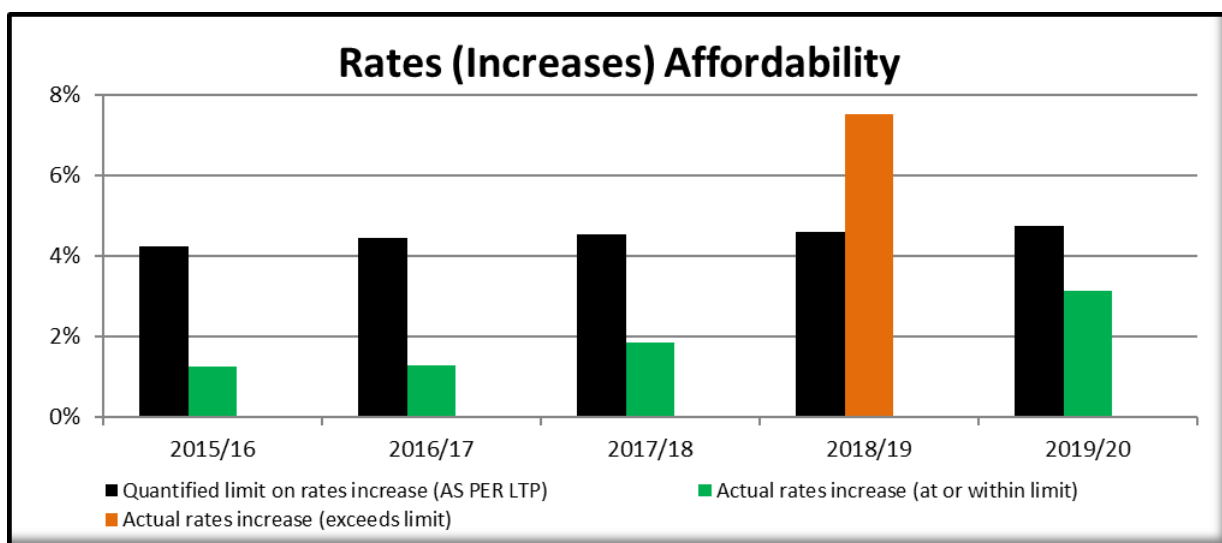


Rates (increases) affordability

The following graph compares the Council's actual rates increases for 2015/16, 2016/17, and 2017/18 with the quantified limit on rates increase contained in the Council's 2015-2025 long-term plan, and for 2018/19 and 2019/20 years with the limits contained in the Council's 2018-2028 long-term plan.

The quantified limits are as follows:

2015/16.....	4.24%
2016/17.....	4.45%
2017/18.....	4.53%
2018/19.....	4.61%
2019/20.....	4.75%



Debt affordability benchmark

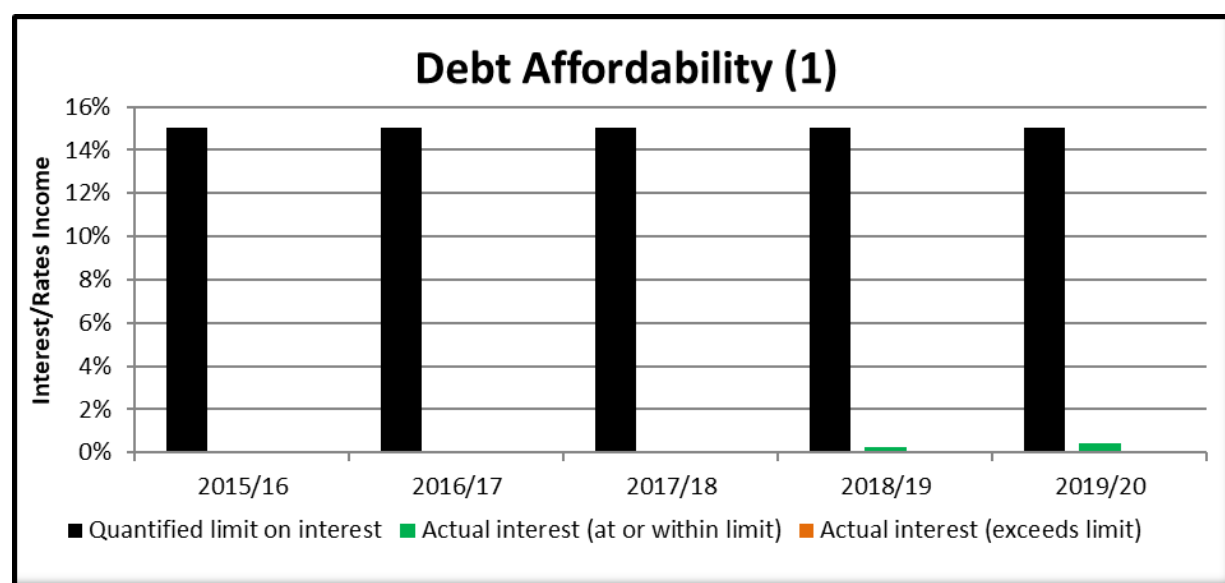
The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing. For 2015/16, 2016/17 and 2017/18 years, the financial strategy included in the 2015-2025 long-term plan contains the quantified limits on borrowing. For 2018/19 and 2019/20 years it is the financial strategy included in the 2018-2028 long-term plan. Interest is defined in the current liability management policy slightly differently but for comparative purposes, the same definition has been used for 2019/20.

The limits are as follows:

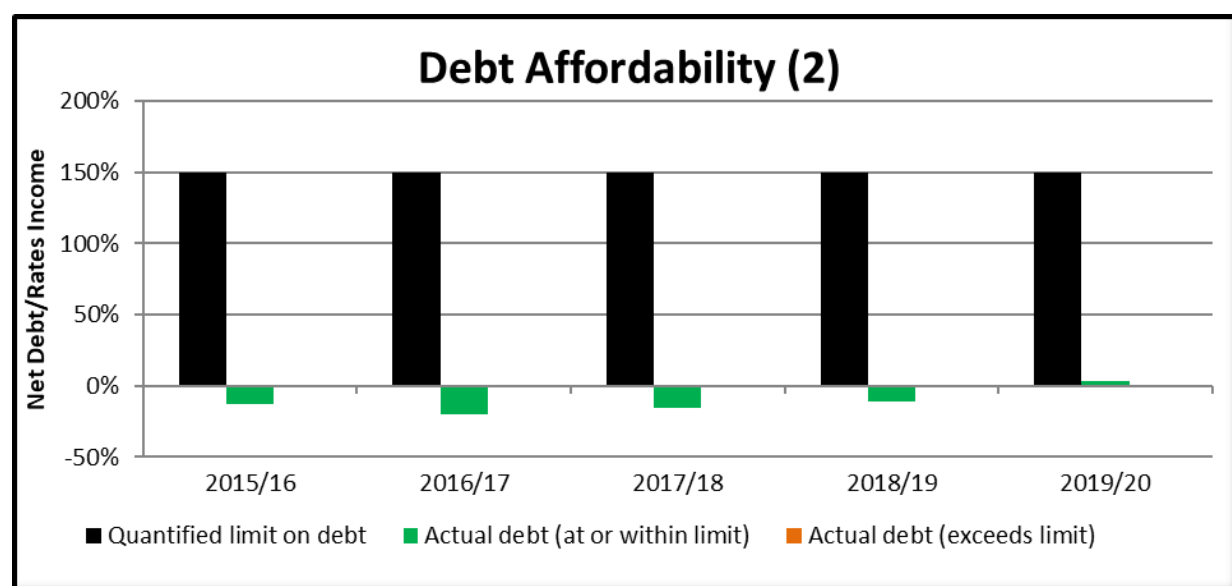
- interest expense on net external debt will not exceed 15% of total rates income; Debt Affordability (1)
- the ratio of net external debt to annual rates income will not exceed 150%; Debt Affordability (2) and,
- net external debt per capita will not exceed \$2,500 for the last ensuing five years. Debt Affordability (3) -31,074

(Note: Council's current liability management policy defines "net debt", but the definition is slightly different to the definition laid down in the regulations. For the purposes of this benchmarking exercise, the same definition stated in the regulations has been used.)

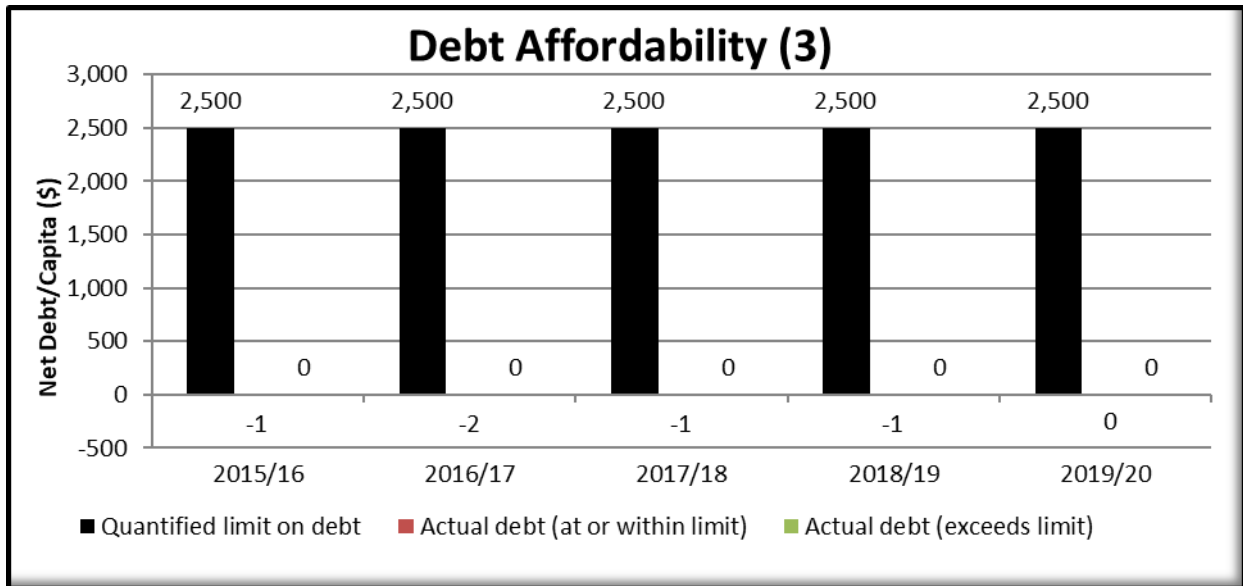
The following graph compares the Council's actual interest expense as a proportion of total rates income.



The following graph compares the Council's actual net debt as a proportion of annual rates income. (The graph shows negative values when financial liabilities are less than financial assets, excluding trade and other receivables.)



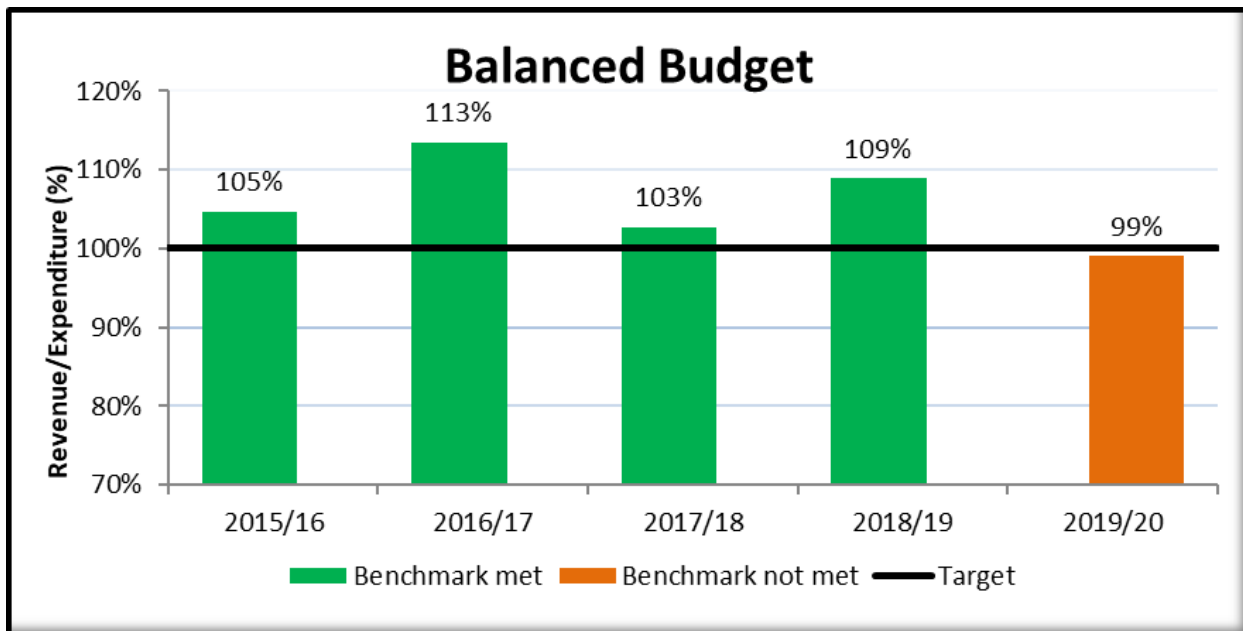
The following graph compares the Council's actual net debt divided by the total population of the district to provide a per capita outcome. (The graph shows negative values when financial liabilities are less than financial assets, excluding trade and other receivables.)



Balanced budget benchmark

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

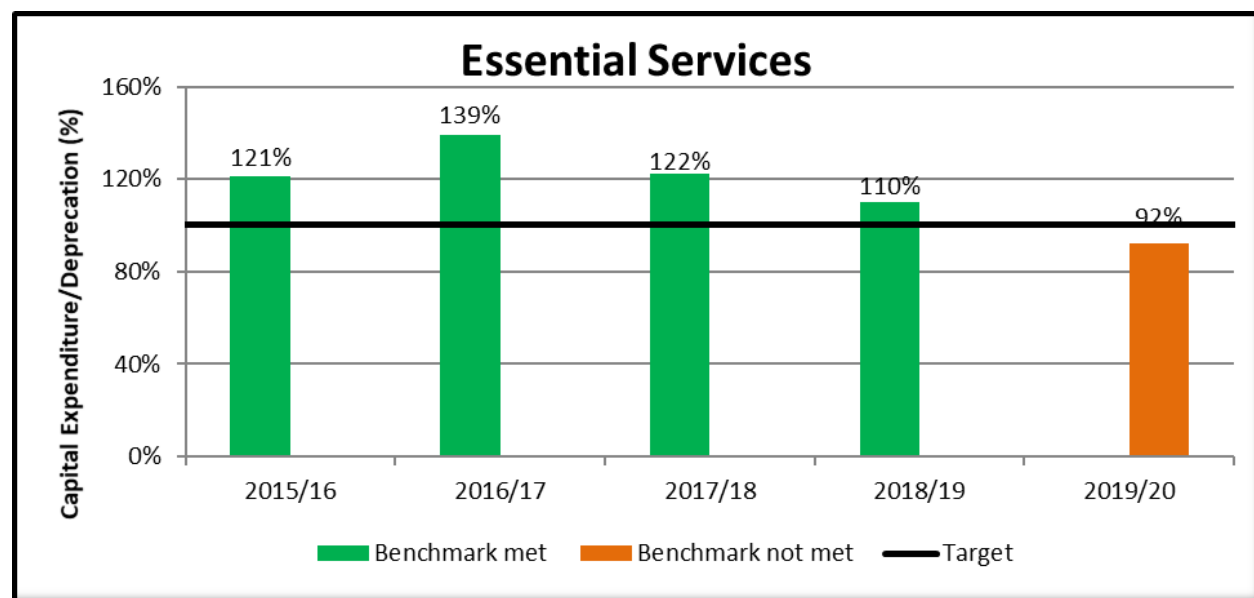
The Council meets this benchmark if its revenue equals or is greater than its operating expenses.



Essential services benchmark

The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services. (Capital work includes both renewals of existing infrastructure as well as new capital work undertaken.)

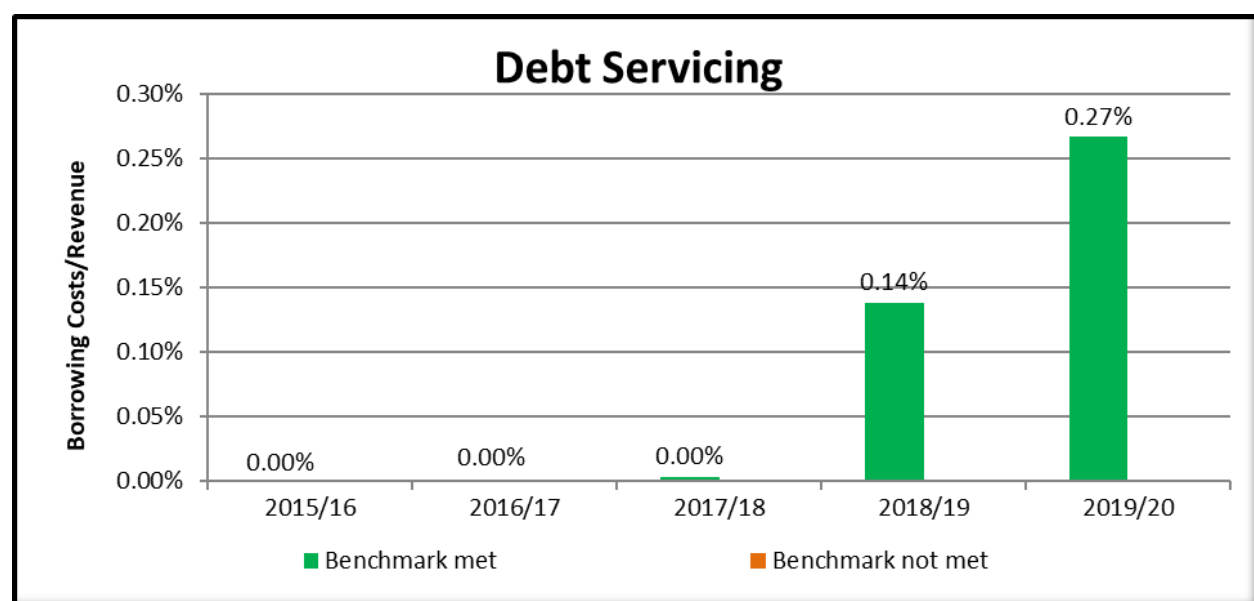
The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services. Network services is defined in the regulations as infrastructure related to water supply, sewerage and the treatment and disposal of sewage, storm water drainage, flood protection and control works, and the provision of roads and footpaths. The Council owns no infrastructure related to flood protection and control work.



Debt servicing benchmark

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

Because Statistics New Zealand projects the Council's population will decline over the next 15 years, the Council meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue.

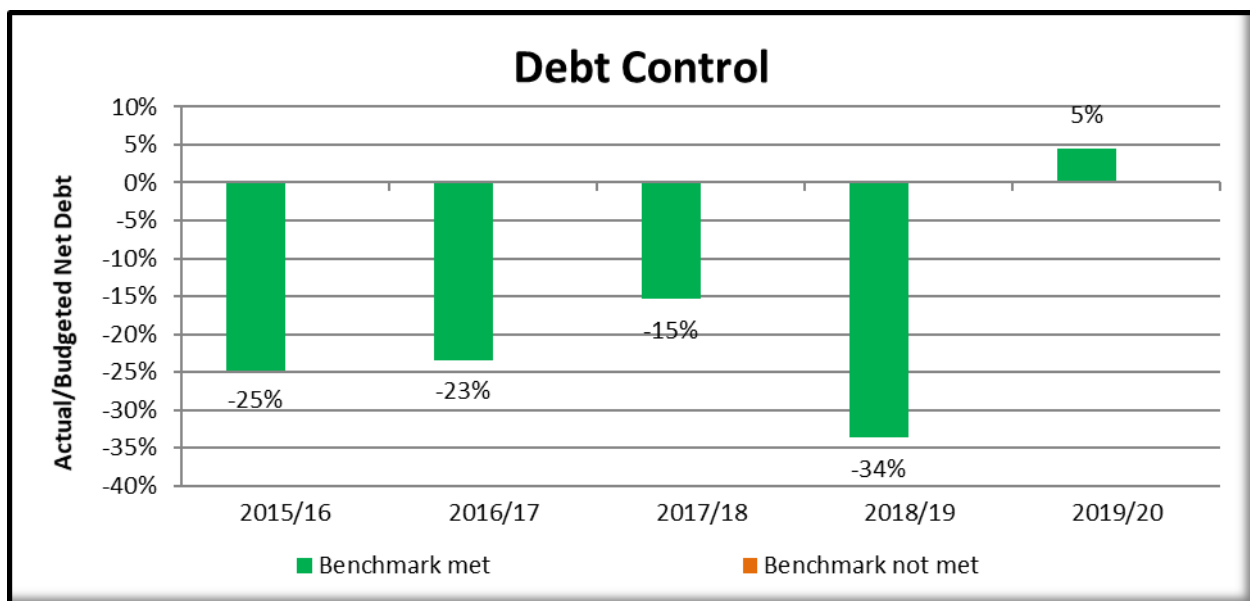


Debt control benchmark

The following graph displays the Council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables). (The graph shows negative values when financial liabilities are less than financial assets, excluding rate and other receivables.)

The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt. The regulations do not state what plans the Council should use when determining planned net debt. This benchmark has used the 2015-2025 long-term plan for the first three years, and the 2018-2028 long-term plan for the final two years.

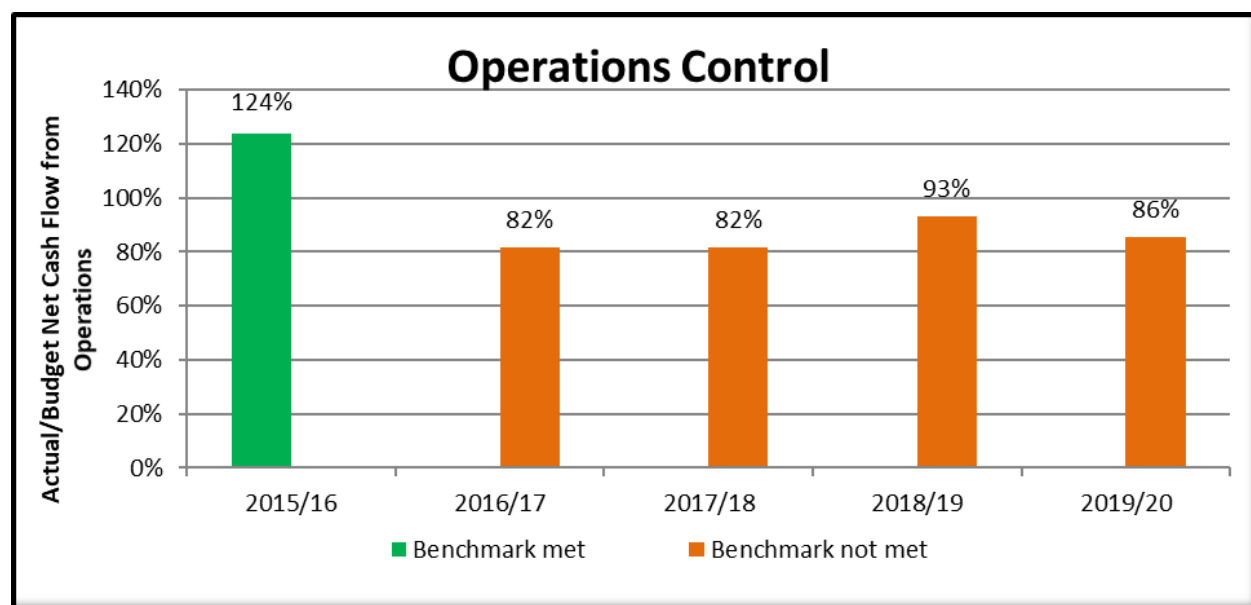
(The graph shows negative values when financial liabilities are less than financial assets, excluding trade and other receivables.)



Operations control benchmark

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

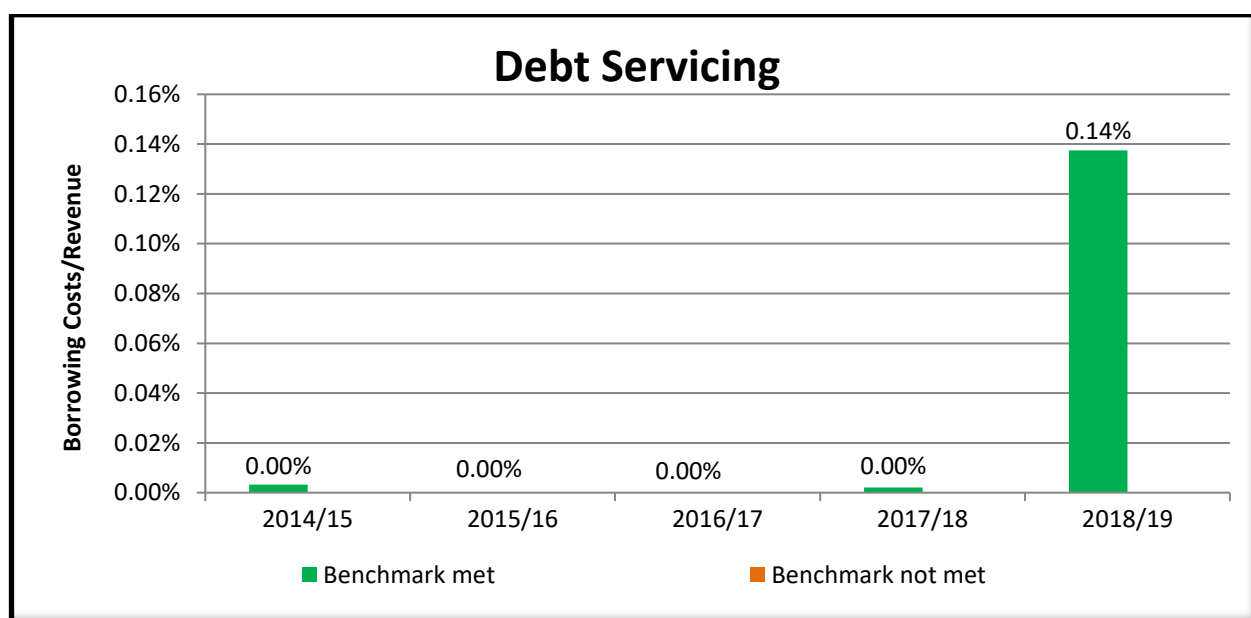
The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



Debt servicing benchmark

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

Because Statistics New Zealand projects the Council's population will decline over the next 15 years, the Council meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue.



Attachment 4

Report

Subject: **Annual Report : Section 2**

To: Audit / Risk Committee

From: Dave Tombs, Group Manager Corporate Services

Date: 19 November 2020

1 Executive Summary

- 1.1 Audit NZ have advised that they will be looking at Council's interpretation of 'complaints' that is used in Section 2 of the Annual Report. Last year New Plymouth received a qualified audit report due to similar concerns and Audit NZ have advised that this will be an area of focus for them during the 2019/20 audit.
- 1.2 Attached is a memo from Mr Michael Hodder summarising this matter and Council's current position.
- 1.3 Also attached, for information, is a copy of the audit report received by New Plymouth last year.

2 Significance

This matter is for noting and accordingly is considered Low in respect to Council's Significance and Engagement Policy.

3 Recommendation

- 3.1 That the report 'Annual Report: Section 2' to the 26 November 2020 Audit/Risk Committee be received.

Dave Tombs
Group Manager Corporate Services

Memorandum

To: Dave Tombs

From: Michael Hodder

Date: 17 November 2020

Subject: **Possible Audit qualification to the 2019/20 Annual Report**

File: 5-FR-1-3

Dave

You have asked for a note on the potential for an Audit qualification to the 2019/20 Annual Report because of the reporting of the mandatory performance measure for customer satisfaction with water supply.

1 Background

1.1 The rules for reporting mandatory performance measures were gazetted in 2013 and became effective from 31 July 2014. That means the first time they appear in the Council's performance framework is for the 2015-25 long term plan (and thus the 2015/16 Annual Report).

1.2 One of the measures in the rules, for water supply, is customer satisfaction, as below:

The total number of complaints received by the local authority about any of the following:

- (a) drinking water clarity*
- (a) drinking water taste*
- (b) drinking water odour*
- (c) drinking water pressure or flow*
- (d) continuity of supply, and*
- (e) the local authority's response to any of these issues*

expressed per 1000 connections to the local authority's networked reticulation system.

1.3 In addition to the rules, the Department of Internal Affairs issued guidance to assist local councils. For the customer satisfaction measure for water supply this is what the guidance states:

This performance measure should be reported as a single, city or district wide assessment (count). Reporting on complaints per town or complaints by type is not required.

The number of water connections may be calculated from the number of customers charged in their rates (or otherwise specifically) for use of the reticulated water service.

The complaints data will be collected as part of the councils (or CCOs or contracted) RFS processes.

Where there is more than one complaint per event, each complaint is counted separately, not each event or occurrence. This records the public's response to the event.

- 1.4 The term 'complaints' is not otherwise defined in the gazetted rules or the guidance.

2 The results as stated in the draft Annual Report

<p><i>*Customer satisfaction</i></p> <p>The total number of complaints (expressed per 1000 connections to the reticulated networks) received by the Council about</p> <p>(a) drinking water clarity (b) drinking water taste (c) drinking water pressure or flow (d) continuity of supply, and (e) The Council's response to any of these issues</p> <p>There were 4,535 connections as at 30 June 2020.</p>	<p>Total number of complaints is less than the previous year or no more than 13 complaints per 1,000 connections</p> <p><i>In 2018/19 total complaints were 58.21 per 1,000 connections.</i></p> <p><i>In addition, there were 63 complaints about water leaks throughout the network, 55 about water leaks at the meter or toby, 47 requests to replace a toby or meter, and 16 requests to locate a meter, toby or other utility.</i></p>	<p>Achieved</p> <p>10.4 complaints per 1000 connections There were 47 complaints</p> <p>(a) 5 (b) 16 (c) 10 (d) 16 (e) nil¹</p> <p>This improved result reflects the lack of complaints about dirty water in Marton which was a major cause of complaints in 2018/19.</p>
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3 The issue for Audit New Zealand

- 3.1 During the interim audit, Audit New Zealand focused on Council's processes. This included a review of the mandatory measure on customer satisfaction for water supply. However, during the final audit, staff were questioned about the completeness of the recording of complaints about continuity of supply. Audit believes that 'complaints' includes all calls, whether or not the loss of continuity of supply is the result of a planned outage.
- 3.2 Council has a different view. If there are phone calls which relate to a planned outage of supply (to conduct repairs) – which are typically advised to the Council's customer service team (and posted on Council's Facebook page) – such calls are not lodged as service requests as there would be no follow-up action, since staff or contractors are already on site. They are treated as information requests and not specifically recorded.
- 3.3 This has been the stance taken by Council since the measures became operative, and has not previously been questioned by Audit. As required by the rules, Council has consistently used its service request system to record complaints (and take the necessary action).
- 3.4 Audit accepts that there is no certainty about the number of calls about planned outages. However, they define as material where there is a discrepancy of more than 8%. Given that

¹ This is intended to refer to complaints about Council's response or resolution of any of the four issues specified. They are not distinguishable within the Council's request for service system but are included in (a) to (d).

the total number of complaints about water supply is 47 for the 2019/20 year, the Audit Director has stated he would need to be satisfied that the calls about planned outages did not exceed four. Infrastructure staff are checking the number and extent of planned outages during 2019/20. However, that cannot provide evidence on the number of phone calls about such outages.

4 Council's current position

- 4.1 The requirements of the rule for the mandatory performance measure on customer satisfaction for water supply have been met. All complaints are recorded in the service request system.
- 4.2 Council's approach has been consistent since the 2015-25 Long Term Plan and has not been previously questioned by Audit.
- 4.3 Audit's view on 'complaints' has no foundation in the gazetted rules.

5 The risks of a qualified Audit opinion

- 5.1 Council has yet to hear back from the Audit Director about the view of Audit New Zealand's internal control group on this matter
- 5.2 In its 2018/19 Annual Report, New Plymouth District Council received a qualified opinion on the Council Services statement on the basis of incomplete information about the number of complaints for some services. This covered all aspects of drinking water (i.e. clarity, taste, odour, pressure or flow, continuity of supply and the Council's response to any of these issues, sewage (odour, faults or blockages, and the Council's response to any of these issues) and the performance of the stormwater system. This qualification was not commented on in the introduction to the Annual Report from the Mayor and the Chief Executive.
- 5.3 For Rangitikei, Audit's concern has been on the recording of complaints about continuity of supply, so this is a much narrower issue than for New Plymouth.

Michael Hodder
Advisor to the Chief Executive

The Auditor-General is the auditor of New Plymouth District Council (the District Council) and its subsidiaries and controlled entities (the Group). The Auditor-General has appointed me, Debbie Perera, using the staff and resources of Audit New Zealand, to report on the information in the District Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

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

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

We completed our work on 10 October 2019. This is the date on which we give our report.

Unmodified opinion on the audited information, excluding the Council Services statement

In our opinion:

- the financial statements on pages 68 to 120:
 - present fairly, in all material respects:
 - the District Council and Group's financial position as at 30 June 2019;
 - the results of the operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards;
- the funding impact statement on page 121, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long-term plan;
- the statement about capital expenditure for each group of activities on pages 20 to 65, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's Long term plan; and
- the funding impact statement for each group of activities on pages 20 to 65, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long term plan.

Qualified opinion on the Council Services statement – incomplete information about the number of complaints for some services

The District Council is required to report against the performance measures set out in the Non-Financial Performance Measure Rules 2013 (the Rules) made by the Secretary for Local Government. These mandatory performance measures include the total number of complaints (per 1,000 connections) received about the following:

- drinking water clarity, taste, odour, pressure or flow, continuity of supply, and the District Council's response to any of these issues.
- sewage odour, sewerage system faults or blockages, and the District Council's response to issues with the sewerage system.
- the performance of the stormwater system.

These measures are important because the number of complaints are indicative of the quality of services received by ratepayers.

The Department of Internal Affairs has issued guidance to assist local authorities in applying the Rules, including on how to count complaints. Our audit testing found that the District Council has not been counting complaints in accordance with this guidance and that the Council's method of counting was likely to have understated the actual number of complaints received both in the current year and in the comparative year to 30 June 2018.

Auditor's Report

Complete records for all complaints made to the Council were not available and we were unable to determine whether the Council's reported results for these performance measures were materially correct. As a result, our work was limited and there were no practical audit procedures we could apply to obtain assurance over the number of complaints reported against these three performance measures.

In our opinion, except for the possible effects of the matter described above, the Council Services statement on pages 18 to 64:

- presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2019, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
- complies with generally accepted accounting practice in New Zealand

Report on the disclosure requirements

We report that the District Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 122 to 123, which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council and Group's audited information and, where applicable, the District Council's long term plan and annual plans.

Basis for our qualified opinion

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

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

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

Responsibilities of the Council for the audited information

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

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

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

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

Responsibilities of the auditor for the audited information

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

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

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

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

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

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

Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 2 to 17, 66, and 124 to 132 but does not include the audited information and the disclosure requirements, and our auditor's report thereon.

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

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

Independence

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

In addition to our audit of the audited information and our report on the disclosure requirements, we have performed a limited assurance engagement related to the District Council's debenture trust deed. Other than this engagement, we have no relationship with, or interests in, the District Council or its subsidiaries and controlled entities.

Debbie Perera
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand

Attachment 5

Report

Subject: **Rangitikei District Council Pandemic Plan**

To: Audit & Risk Committee

From: Sharon Grant, Group Manager People & Culture / Local Incident Controller

Date: 19 November 2020

1 Executive Summary

- 1.1 The purpose of this report is to provide Members with a copy of Council's Pandemic Plan (Covid-19 Response Plan). The Pandemic Plan details Rangitikei District Council's (RDC's) response to a pandemic, and outlines the actions that will be taken internally to ensure that the critical Council services continue throughout the event. The Pandemic Plan does not detail the Civil Defence and Emergency Management (Emergency Management) response to a pandemic as this is covered by RDC's Emergency Management Manual and Covid-19 resurgence planning documents.

2 Context

- 2.1 Members recently requested a copy of Council's Pandemic Plan. The most recent version of the Pandemic Plan is attached to this report.
- 2.2 Council's Pandemic Plan has been written in the context of a Covid-19 response and can be applied to a different pandemic event, if required. The Pandemic Plan is a living document which has been designed to be responsive to changes in alert level criteria and any other emerging government requirements.
- 2.3 At a high level, the Pandemic Plan covers RDC's intended actions across the different phases of a pandemic response. The Plan considers national alert level requirements and applies these within the context of Council operations. The Plan covers readiness for an emerging pandemic event; response to a pandemic; and, recovery from a pandemic, together with the triggers for entering and transitioning out of each phase.
- 2.4 At a more detailed level, the Plan identifies RDC's critical and essential services which must continue at all alert levels during a pandemic event. The Plan also outlines what will happen to, or be undertaken within, various Council services at different alert levels. For example, the Pandemic Plan identifies which of Council's community facilities will close if the District enters alert level 3 or 4.
- 2.5 RDC's Pandemic Plan does not cover the emergency management response (community welfare) that Council would also be involved in during a pandemic event. The emergency management response plan is provided for in RDC's Emergency Management Manual and Covid-19 resurgence planning documents. The Covid-19 Resurgence Plan will be progressively updated to reflect the Manawatū-Whanganui Civil Defence and Emergency Management Group's Covid-19 resurgence planning, including any additional

requirements within the Manawatū-Whanganui Regional Leadership Group (RLG) Resurgence Strategy.

- 2.6 In the case of an impending Covid-19 resurgence, both the Council Pandemic Plan and the Emergency Management Covid-19 Resurgence Plan would be activated. To support its emergency management response, Council has identified and trained a group of employees who will be redeployed to deliver the Covid-19 community welfare response (or any other emergency management event response) within RDC's Emergency Operations Centre.

3 Recommendation

- 3.1 That the report 'Rangitikei District Council Pandemic Plan' to the 26 November 2020 Audit/Risk Committee be received.

Sharon Grant

Group Manager People and Culture / Emergency Management Incident Controller



RANGITIKEI
DISTRICT COUNCIL

PANDEMIC (COVID-19) PLAN

November 2020

Making this place home.

www.rangitikei.govt.nz

Contents

Overview.....	3
Most at risk business units and staff	4
Critical services during a pandemic	4
Phases of Plan	5
Detailed actions for each Phase and Code	8
Yellow - Readiness to an emerging pandemic event	8
Red - Respond to a Pandemic	9
Green - Recover from a Pandemic	10
Appendix 1 – Sanitisation and PPE resources, station set up and use.....	12

Version History

Name	Date	Reason for change	Version number
Paul Chaffe	8/6/2020	Modified Pandemic plan to account for AOG response to Covid 19	1.0 draft
Sharon Grant	6/11/2020	Changed payroll services from essential to critical.	2.0

Definition of Acronyms used in document:

AOG – All of Government

BAU – Business as Usual

BU – Business Unit

CDC – Civil Defence Centre

CDEM – Civil Defence and Emergency Management

DHB – MidCentral District Health Board

EMO – Emergency Management Officer

EOC – Emergency Operations Centre

FoH – Front of House / Reception of any public facility

HR – Human Resources

IMT – Incident Management Team / CDEM Managers – Staff specifically identified to fulfil specialist roles

MoH – Ministry of Health

RDC – Rangitikei District Council

WHO – World Health Organisation

Overview

Context	<p>The Ministry of Health (MoH) leads the Government’s response to a Covid-19 pandemic in New Zealand. Their current framework for action sets out a four-phase public health strategy, and has associated alert codes (level One, level Two, level Three and level Four).</p> <p>Pandemics are characterised by “the global spread of a novel type of virus that may cause unusually high morbidity and mortality rates for an extended period.”* Previous pandemics have shown that Māori and Pacific peoples are more susceptible to pandemic influenza, than other groups.</p> <p>The scale of pandemics can vary greatly, but MoH advocate planning for a severe-level event, which could result in 40% of the population becoming ill over an eight-week period and assumes a fatality rate of 2%. This is not a prediction but allows all sectors to plan for a very large event impacting all aspects of society.</p>
Purpose	<p>This plan provides a flexible framework of action, outlining Rangitikei District Council’s response steps, tailored to the specifics, severity and phase of the pandemic event.</p> <p>RDC:</p> <ul style="list-style-type: none">• Triggers are informed by the MoH’s alert levels.• Alert levels apply our local actions specific for RDC. <p>This ensures our planning reflects the local situation and services, whilst accounting for national and international terminology and alert levels.</p> <p>RDC along with other agencies must plan for and respond to a pandemic within our sector for the benefit of staff and our communities.</p>
Scope	<p>This plan covers the RDC response to a pandemic. It outlines the action that will be taken internally, to ensure that the critical services RDC delivers continue throughout the event.</p> <p>This plan excludes the intricacies of response that will be led by Public Health, District Health Board or CDEM mechanisms.</p>
Using this plan	<p>The actions within this plan are laid out depending on the declared level of alert from the MoH, with added elements to reflect RDC local variations.</p> <p>Actions are focused on protecting staff, minimising the spread of the infection and continuing to deliver critical services.</p>

*NZ Influenza Pandemic Plan – framework for action

Most at risk business units and staff

Customer Services, Compliance and Community Facilities staff will have the highest risk of exposure in the event of a pandemic:

- Front of House / Customer Contact
- Animal Control Team
- Parks & Reserves Staff
- Library Staff
- Cleaning Staff
- Compliance Officers
- Planning Consent Officers
- Building Consents Officers
- CDEM Welfare Team Staff

Each business unit listed above should review and if necessary insert an additional action plan for their staff to follow.

Critical services during a pandemic

Whilst customer facing services are most at risk, other services must continue to be delivered throughout the response to a pandemic event. These are highlighted below in a descending order of importance.

	RDC Managed	RDC Contracted
Priority 1 Critical Services	Water and Wastewater (MDC Shared Service)	Waste Collection – Rangitikei Wheelie Bins and Envirowaste
	Reticulation Team (MDC Shared Service)	Burial Services – Andrew Morriss Ratana (Hine to liase with Charlie Mete)
	Incident Management Team (IMT)	Afterhours Call Centre – Alarmwatch; TK Security (Building security)
	Governance (except Policy)	Environmental Health – Whanganui DC
	Public Information	
	Information Technology	
	Payroll	
	Public toilet (outside Council buildings)	
	Animal Control (stock on roads; & attack on human)	
	Critical RFS's (CS Team)	
Priority 2 Essential Services	Human Resources	Roading – Higgins Contractors
	Health and Safety	Street Lighting – Alf Downs
	Finance	
	Animal Control (exc stock on roads & attack on human)	
	Social housing	
	Essential RFS's (CS Team)	

Priority 3 Non-Essential Services	Planning Consents	
	Building – Building Services	
	Swim Centres	Nicholls Swim Centres
	Libraries	
	Compliance and Enforcement	
	Parks & Reserves	
	Information Centres	
	Policy & Strategy, Youth Spaces	Mokia Patea – Youth in Taihape
	Front office and all other services	Noise Control (TK Security)

Phases of Plan

Prior to an event being declared there is a BAU level – termed as ‘White’ by the MoH. As this is a tactical continuity plan, the actions required under BAU or ‘White’ are not included in the main body of this plan.

Activation	<p>This plan can be activated by any of the RDC Group Managers or a nominated alternative.</p> <p>The following conditions would make the use of this plan necessary:</p> <ul style="list-style-type: none"> • The MoH declares a pandemic alert – range from level 1 to 4. • This RDC Plan will be activated depending on the specifics of the case; our alert levels range from white, yellow, red, to green. • At the first declaration of a Pandemic, RDC will review and activate at the equivalent MoH all of government level.
Stand-down	<p>MoH declares they are moving into Recovery Phase or return to BAU.</p> <p>Prior to re-opening of sites and alongside staff returning to BAU, specific considerations should be made to ensure that Māori cultural impacts are taken into account and cared for.</p>
Assumptions	<p>The following assumptions have been made in the development of this plan:</p> <ul style="list-style-type: none"> • A pandemic is imminent. • RDC sites will remain open for as long as safely practical. • The CDEM (EOC and DHB) response is separate from this planned pandemic response. • The DHB will assume all action planning aspects of the event. • A cluster is defined (by the MoH) as >1 linked cases of the outbreak.

Sources: <https://www.health.govt.nz/our-work/diseases-and-conditions/covid-19-novel-coronavirus>

NZ Influenza Pandemic Plan: A framework for action <https://www.health.govt.nz/publication/new-zealand-influenza-pandemic-plan-framework-action>

New Zealand COVID-19 Alert Levels Summary

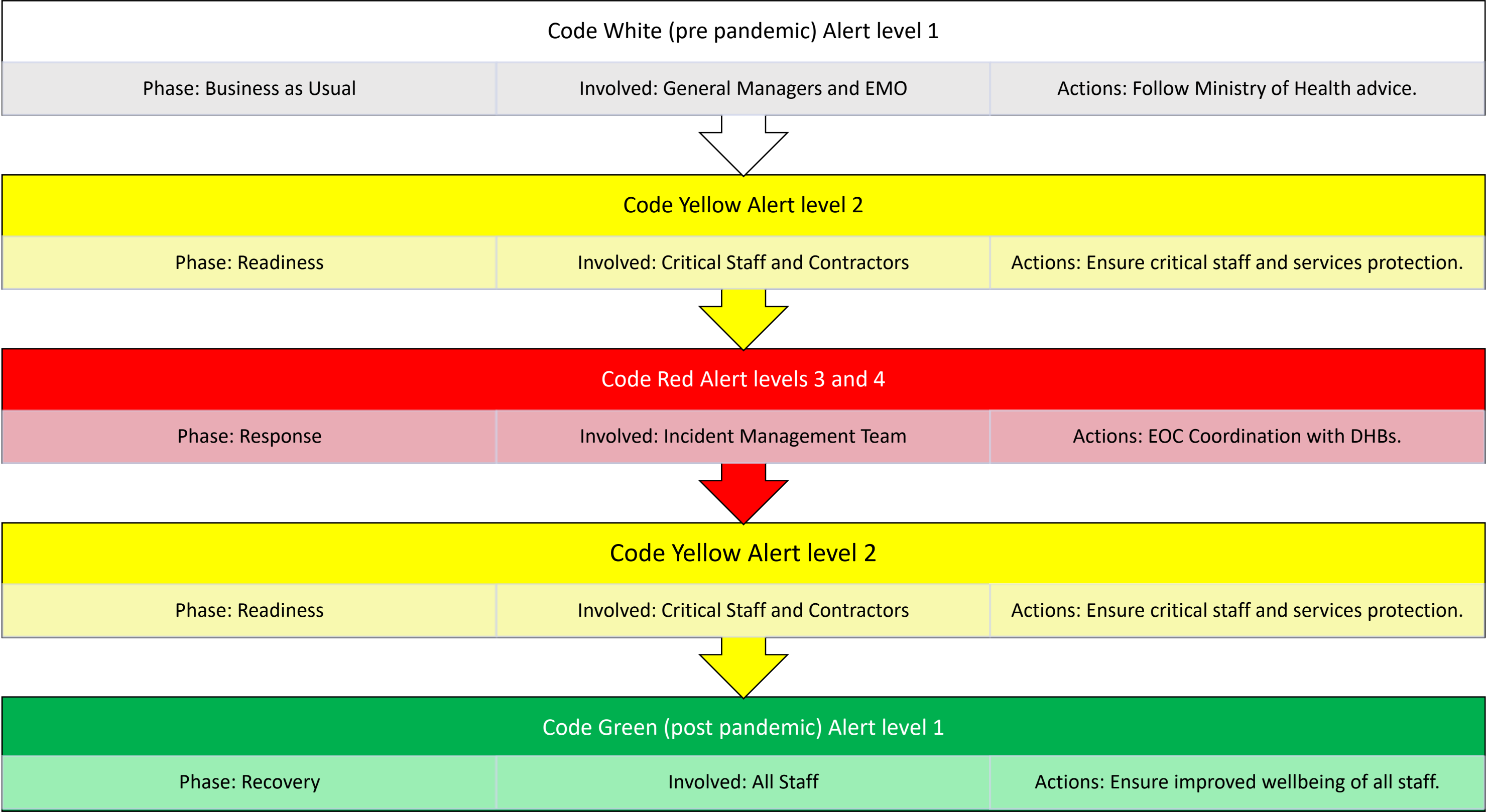
- The Alert Levels are determined by the Government and specify the public health and social measures to be taken in the fight against COVID-19. Further guidance is available on the [Covid19.govt.nz](https://www.covid19.govt.nz) website.
- The measures may be updated based on new scientific knowledge about COVID-19, information about the effectiveness of control measures in New Zealand and overseas, or the application of Alert Levels at different times (e.g. the application may be different depending on if New Zealand is moving down or up Alert Levels).

- Different parts of the country may be at different Alert Levels. We can move up and down Alert Levels.
- Essential services including supermarkets, health services, emergency services, utilities and goods transport will continue to operate at any level. Employers in those sectors must continue to meet health and safety obligations.
- Restrictions are cumulative (e.g. at Alert Level 4, all restrictions from Alert Levels 1, 2 and 3 apply).

Updated 5 June 2020

ELIMINATION STRATEGY – New Zealand is working together to eliminate COVID-19

Alert Level	Risk Assessment	Range of Measures (can be applied locally or nationally)
Level 4 – Lockdown Likely the disease is not contained	<ul style="list-style-type: none"> • Community transmission is occurring. • Widespread outbreaks and new clusters. 	<ul style="list-style-type: none"> • People instructed to stay at home in their bubble other than for essential personal movement. • Safe recreational activity is allowed in local area. • Travel is severely limited. • All gatherings cancelled and all public venues closed. • Businesses closed except for essential services (e.g. supermarkets, pharmacies, clinics, petrol stations) and lifeline utilities. • Educational facilities closed. • Rationing of supplies and requisitioning of facilities possible. • Reprioritisation of healthcare services.
Level 3 – Restrict High risk the disease is not contained	<ul style="list-style-type: none"> • Community transmission might be happening. • New clusters may emerge but can be controlled through testing and contact tracing. 	<ul style="list-style-type: none"> • People instructed to stay home in their bubble other than for essential personal movement – including to go to work, school if they have to, or for local recreation. • Physical distancing of two metres outside home (including on public transport), or one metre in controlled environments like schools and workplaces. • People must stay within their immediate household bubble, but can expand this to reconnect with close family / whānau, or bring in caregivers, or support isolated people. This extended bubble should remain exclusive. • Schools (years 1 to 10) and Early Childhood Education centres can safely open, but will have limited capacity. Children should learn at home if possible. • People must work from home unless that is not possible. • Businesses can open premises, but cannot physically interact with customers. • Low risk local recreation activities are allowed. • Public venues are closed (e.g. libraries, museums, cinemas, food courts, gyms, pools, playgrounds, markets). • Gatherings of up to 10 people are allowed but only for wedding services, funerals and tangihanga. Physical distancing and public health measures must be maintained. • Healthcare services use virtual, non-contact consultations where possible. • Inter-regional travel is highly limited (e.g. for essential workers, with limited exemptions for others). • People at high risk of severe illness (older people and those with existing medical conditions) are encouraged to stay at home where possible, and take additional precautions when leaving home. They may choose to work.
Level 2 – Reduce The disease is contained, but the risk of community transmission remains	<ul style="list-style-type: none"> • Household transmission could be occurring. • Single or isolated cluster outbreaks. 	<ul style="list-style-type: none"> • People can reconnect with friends and family, and socialise in groups of up to 100, go shopping, or travel domestically, if following public health guidance. • Keep physical distancing of two metres from people you don't know when out in public or in retail stores. Keep one metre physical distancing in controlled environments like workplaces, where practicable. • No more than 100 people at gatherings, including weddings, birthdays and funerals and tangihanga. • Businesses can open to the public if following public health guidance including physical distancing and record keeping. Alternative ways of working are encouraged where possible. • Hospitality businesses must keep groups of customers separated, seated, and served by a single person. Maximum of 100 people at a time. • Sport and recreation activities are allowed, subject to conditions on gatherings, record keeping, and – where practical – physical distancing. • Public venues such as museums, libraries and pools can open if they comply with public health measures and ensure 1 metre physical distancing and record keeping. • Event facilities, including cinemas, stadiums, concert venues and casinos can have more than 100 people at a time, provided that there are no more than 100 in a defined space, and the groups do not mix. • Health and disability care services operate as normally as possible. • It is safe to send your children to schools, early learning services and tertiary education. There will be appropriate measures in place. • People at higher-risk of severe illness from COVID-19 (e.g. those with underlying medical conditions, especially if not well-controlled, and seniors) are encouraged to take additional precautions when leaving home. They may work, if they agree with their employer that they can do so safely.
Level 1 – Prepare The disease is contained in New Zealand	<ul style="list-style-type: none"> • COVID-19 is uncontrolled overseas. • Isolated household transmission could be occurring in New Zealand. 	<ul style="list-style-type: none"> • Border entry measures to minimise risk of importing COVID-19 cases. • Intensive testing for COVID-19. • Rapid contact tracing of any positive case. • Self-isolation and quarantine required. • Schools and workplaces open, and must operate safely. • No restrictions on personal movement but people are encouraged to maintain a record of where they have been. • No restrictions on gatherings but organisers encouraged to maintain records to enable contact tracing. • Stay home if you're sick, report flu-like symptoms. • Wash and dry hands, cough into elbow, don't touch your face. • No restrictions on domestic transport – avoid public transport or travel if sick. • No restrictions on workplaces or services but they are encouraged to maintain records to enable contact tracing.



Detailed actions for each Alert level and Code

Yellow - Readiness to an emerging pandemic event	
Triggers	MoH announces ALERT LEVEL 2
Objectives	Minimise staff exposed to the virus, prepare for potential site closures, meeting restrictions and ensure services continue to be delivered.

Who	Action
Group Managers and Emergency Management Officer (EMO)	Based on MoH advice, brief CDEM Managers via email on planned actions and review the Pandemic and Communicable Disease Plan.
Exec Leadership Team	<p>Authorise, in light of situation specifics:</p> <ul style="list-style-type: none"> • Additional cleaning regime • Meeting restrictions (e.g. reduce face-to-face, have anti-viral spray in rooms etc.)
IT Team - Objective	Evaluate remote access capability for critical staff and arrangements – increase where possible.
Comms / Health and Safety / HR	<p>Issue reminders to staff of infection control.</p> <p>Issue reminders of leave arrangements & process for reporting absence.</p> <p>Issue notification to all staff of face-to-face meeting restrictions.</p> <p>Start monitoring staff sickness numbers and any concern or staff shortages in critical service areas.</p>
Parks and Property	<p>Initiate additional cleaning arrangements:</p> <ul style="list-style-type: none"> • Include 'high-touch' surfaces & areas such as pool cars. • Determine any other additional cleaning measures, based on situational specifics. • Increase frequency.
Communications (to issue to All Staff)	<ul style="list-style-type: none"> • Disseminate MoH FAQs and localise if required. • Encourage Self Isolation if previous recent travel to high risk areas. • Follow travel advice on Ministry of Foreign Affairs and Trade website. • Alert staff to international / domestic areas that are at risk – any recommend self-imposed travel restrictions. • "Stay home when sick" and on-going good hygiene practice reminders – additional to BAU. • Remind public about other 'channels' rather than face-to-face, and encourage use of them.
ALL Managers / Team Leaders	<ul style="list-style-type: none"> • Disseminate HR advice. • Check contact details for all team and key stakeholders. • Run a familiarisation exercise with team members of this plan.

	<ul style="list-style-type: none"> Brief staff members providing critical services (pg 4) to prepare to work remotely if event escalates e.g. take laptops & chargers home each day.
FoH BU	<ul style="list-style-type: none"> Set up cleansing stations for public and staff (see Appendix 1). Allocate, conduct supply monitoring, & restock where necessary of PPE – based on situational specifics.

Red - Respond to a Pandemic	
Triggers	MoH announces ALERT LEVEL 3 or 4
Objectives	Protect staff and minimise the potential spread of the pandemic, close / cancel public areas and events. Public interaction to be via phone and internet based services only .

Who	Action
IMT Pandemic Group	<ul style="list-style-type: none"> Activate IMT (via teleconference) & EOC – brief with latest information from MoH. Identify possible recovery requirements. Ensure PPE available for all public facing roles.
Group Managers	<ul style="list-style-type: none"> Initiate remote working arrangements Notify previously identified ‘critical’ staff to work from home or an alternate location. Authorise closure of all public areas. Instruct all non-critical staff to stand down and await further instruction – depending on remote access capability some may be able to work from home etc.
Objective	<ul style="list-style-type: none"> Ensure on-going remote access has sufficient capacity for critical service delivery (should situation worsen).
Health and Safety / HR	<ul style="list-style-type: none"> Prepare, assist and monitor teams with high incidence of absence or any incidents of fatalities. Report numbers and location of staff absences and incidents of staff affected by fatalities. Provide phone support to affected staff through EAP. Identify critical service staffing gaps and necessary secondments from other non-critical units.
Community Facilities	<ul style="list-style-type: none"> Close Libraries, Information Centres, Swim Centres. Maintain increased frequency of cleaning arrangements – e.g. in offices and pool vehicles etc.
Communications (to issue to All Staff)	<ul style="list-style-type: none"> Cancel or postpone all face-to-face meetings, use teleconferencing or phone calls. Emphasise the importance of good hygiene practices, especially if using shared facilities or resources.

	<ul style="list-style-type: none"> • Issue 'how to keep safe when travelling' (e.g. wear mask and/or gloves) messages. • Issue any updated FAQs from MoH. • Reminder to follow the travel advice on the Ministry of Foreign Affairs and Trade website, including any travel restrictions / quarantine requirements that may have been implemented. • Display signs at all RDC sites that public have access to, to explain why they are closed. • Notifications to be sent out via all media channels, and all channels to be updated.
ALL Managers / Team Leaders	<ul style="list-style-type: none"> • Communicate (via non-face-to-face methods) leave & absence stance "if you are ill, stay home" – make use of H&S and MoH advice. • Communicate frequently (via phone or email) with individual staff and teams delivering services remotely. • All staff that can safely get to their normal place of work (driving themselves) should continue to do so – if they are well and able to – unless they are notified by their managers that they are not to come to work.
FoH BU	<ul style="list-style-type: none"> • Closure of FoH of main Council Building, no public allowed entry, only EOC staff allowed in. • Move usual FoH staff to phone based customer interactions. • Monitor and restock (if necessary) required PPE.
Priority 1 - Critical service providing BU's outside of the EOC	<ul style="list-style-type: none"> • Activate RDC mobile incident control point (bus) to external facilities, where critical staff can be located to provide critical services. • Ensure clear separation of EOC staff and Critical service staff.
Priority 2 - Essential service providing BU's	<ul style="list-style-type: none"> • BU staff to respond to priority 1 urgent work only, i.e. Animal control respond to aggressive dogs, stock on roads, dog attacks only.
Priority 3 - Non-essential service providing BU's	<ul style="list-style-type: none"> • Staff stand down – do not come to work • Managers to keep in close contact with team to monitor incidents of illness • Report to IMT/EOC with possible staff reinforcements / secondments for critical services.
CDEM Welfare Team	<ul style="list-style-type: none"> • Ensure support is given to the DHB in public interaction roles. • DHB to provide action plans and PPE for assisting team members.

Green - Recover from a Pandemic	
Triggers	MoH notifies stand-down of response, move to RECOVERY
Objectives	Commence recovery, return to BAU and provide support for staff.

Who	Action
<p>Group Managers</p> <p>(IMT Pandemic Group - stand-down)</p>	<p>Develop and implement recovery plan:</p> <ul style="list-style-type: none"> • Determine actions required for recovery to BAU • Assess priorities for resumption • Analyse interventions and any restrictions still in place from previous alert phases • Assess longer term staff absences – start with critical services, identify gaps and secondments required. <p>Arrange debrief with staff involved in the response phase and any other affected staff:</p> <ul style="list-style-type: none"> • Evaluate the success of the pandemic plan. • Review cleaning protocols, policies, practices and supplies. • Make necessary modifications. <p>Ongoing monitoring, assessment and review – lessons learned:</p> <ul style="list-style-type: none"> • Watch for symptoms of grief and trauma (may surface a number of weeks after returning to work). • Review protocols for managing staff who become ill at work. • Revisit, review and revise this plan and other plans accordingly.
<p>Health and Safety / HR</p>	<p>Arrange trauma and/or counselling as necessary, for individuals and teams</p> <ul style="list-style-type: none"> • Acknowledge casualties and arrange ceremonies for colleagues, these should take account of the range of cultural protocols to be observed. • Employ temporary staff, appoint new staff, or redeploy staff with necessary skill sets to cover shortages. • Arrange Pastoral care from BU Managers, Group Managers, CEO etc.
<p>EMO</p>	<p>Replenish supplies of PPE etc.</p>

Appendix 1 – Sanitisation and PPE resources

Where are PPE and sanitisation products stored?

- The orange Civil Defence cupboard by the tearoom has facemasks and disposable gloves stored in it. These are to be the first products used until supply is exhausted and normal supply arrangements are unavailable.
- Once normal supply arrangements are exhausted and unavailable there is another cache of bottles of hand sanitiser, disposable gloves and facemasks stored in the RDC mobile incident control point (CDEM bus).

What should a cleansing station include?

- Face masks
- Hand sanitiser
- Tissues
- Disposable gloves
- Signage – different for Codes Yellow and Red.

Where should they be positioned?

- Positioned at entrance and egress of swim centres, Libraries and Information Centres and Rangitikei District Council public areas of buildings.
- In the staff tearoom (all sites).

Who are they for?

- Available to public and staff

Face Masks Management

If medical or P1 masks are worn, appropriate use and disposal is essential to ensure they are effective and to avoid any increase in risk of transmission associated with the incorrect use and disposal of masks.

However, the use of a mask **alone** is insufficient to provide the adequate level of protection and other equally relevant measures should be adopted. If masks are to be used, this measure must be combined with hand hygiene and other infection prevention control measures to prevent the human-to human transmission of pandemic virus or communicable diseases.

The following information on correct use of medical masks derives from the practices in health-care settings:

- place mask carefully to cover mouth and nose and tie securely to minimise any gaps between the face and the mask;
- while in use, avoid touching the mask;
- remove the mask by using appropriate technique (i.e. do not touch the front but remove the cord from behind);
- after removal or whenever you inadvertently touch a used mask, clean hands by using an alcohol-based hand rub or soap and water if visibly soiled;
- replace masks with a new clean, dry mask as soon as they become damp/humid;
- do not re-use single-use masks;
- discard single-use masks after each use and dispose of them immediately upon removal.

Cloth (e.g. cotton or gauze) masks are not recommended under any circumstance.

Attachment 6

Report

Subject: **Strategic Risks for Rangitikei District Council**

To: Audit/Risk Committee

From: Dave Tombs, Group Manager Corporate Services

Date: 19 November 2020

1 Executive Summary

- 1.1 At the last Audit and Risk Committee meeting the Committee requested that the Executive Leadership Team review the Rangitikei District Council's Strategic Risks, suggesting one or two be reviewed each month, and the update be brought back to this Committee.

2 Context

- 2.1 The revised Strategic Risk Framework is attached as **appendix 1**.
- 2.2 This shows this that Executive Leadership team has reviewed item 4 (Capital Programme Falters), 8 (Business Continuity is Compromised) and 9 (Obligations with Health and Safety and Environmental Protection are not met). These reviews have resulted in significant amendments to the existing Register. Accordingly, instead of using track changes, the updated versions are written underneath the existing version (which have a light shade).

3 Recommendation

- 3.1 That the report 'Strategic Risks for Rangitikei District Council' to the 26 November 2020 Audit/Risk Committee be received.

Dave Tombs
Group Manager Corporate Services

Strategic risks for Rangitikei District Council

Introduction

One of the areas of improvement for the Council identified in the 2017 report from the Independent Assessment Board was for all elected members to be actively engaged in, and have a detailed understanding of, strategic risk issues. These are 'risk that affect or are created by an organisation's business strategy and strategic objectives'¹: they arise from adverse business decisions, improper implementation of decisions or lack of responsiveness in the business environment.

The Committee has discussed this question at its meetings in November 2018 and February 2019 and considered a draft at its meeting on 27 June 2019. Council reviewed this draft at a workshop on 18 July 2019. Focus is on the long-term, organisation-wide and something which Council can do something about. There needs to be clarity on the likelihood of the risk and its impact. This revised statement was further considered on 5 December 2019.

The following explores the ten risks discussed and offers suggestions on how each risk might be addressed:

1. Trust and confidence is tarnished
2. Human capital is weakened
3. Legal and political environment requires excessive resources
4. Capital programme falters
5. Financial stability is lost
6. Regulatory effectiveness is questioned
7. Climate change responsiveness is ineffective
8. Business continuity is compromised
9. Obligations with health and safety and environmental protection are not met.
10. Changes to Government legislation are transformational

The final set of strategic risks will be the starting point to review the current risk framework, for consideration by the Committee at its December meeting. It would be helpful for Council to include this as a workshop topic before then so all elected members have an early understanding.

What is the risk (and its consequences)?	How to address the risk?
1. Trust and confidence is tarnished The risk is that Council misunderstands community expectations or fails to work with advocacy group either of which may lead to continuous public criticism, particularly in social media and division among elected members and staff.	Council regularly samples community views and individual elected members have a wide range of contacts in the community. These could be reinforced by more informal polls, sample questioning of those submitting service requests and inviting

¹ Deloitte, 'Exploring strategic risk', 2013, page 4.

<p>Inept handling of sensitive issues involving (for example) drinking water, wastewater discharges, lwi, privacy, or information disclosures can lead to a loss of confidence in Council's effectiveness.</p> <p>Likelihood – Medium Impact – High</p>	<p>identified advocacy groups to speak to Council.</p> <p>Developing and applying protocols for sensitive issues would be a useful initial step. Longer-term, priority could be given to procedures and policies which would reduce the likelihood of such issues arising.</p> <p>Analysing social media comments more closely in conjunction with similar (rural) councils could help alert Council to sensitive issues, to understand their degree of uniqueness and to develop targeted responses (not necessarily in social media but in Council policies and practices).</p> <p>The Auditor General has begun a programme of work about the future of public accountability – the first phase being a discussion paper 'Public accountability: A matter of trust and confidence'². Keeping informed about this work is certain to be helpful for Council, not just in how it manages public engagement but also in its behaviours.</p>
<p>2. Human capital weakens</p> <p>The risk is that Council loses a number of specialist staff which exposes a knowledge gap. This may compromise an ability to deliver and lead to a reduction in service standards and additional costs to buy in external expertise. In addition, there may not be enough staff to cope with increased work expectations, especially capital projects.</p> <p>An associated risk comes from a change in Elected Members and the potential loss of knowledge and experience</p> <p>Likelihood – High Impact – Medium</p>	<p>A small council inevitably has single points of knowledge. There are three complementary approaches –</p> <ul style="list-style-type: none"> (a) promoting documentation of processes (b) Establishing career pathways, and (c) rotation of staff (both within the council and with neighbouring councils) – <p>Together, they would be likely to reduce that dependency on individual expertise and increase staff understanding of how roles can develop and become more effective.</p> <p>A comprehensive induction for Council after the triennial elections is critical.</p>

² <https://www.oag.govt.nz/2019/public-accountability/docs/public-accountability.pdf>

<p>3. Legal and political environment requires excessive resources³</p> <p>The risk is that Council is unable to respond in a timely and efficient way to changes in central government policies and legal requirements, which may mean unexpected costs, a focus on achieving compliance, and a consequential reduced service standards</p> <p>An associated risk is that Horizons Regional Council changes its stance with local authorities, increasing cost and perception that Council has insufficient regard for its environmental impacts.</p> <p>Likelihood – Medium Impact - High</p>	<p>Council could maximize its dialogue with other local councils, and stress the potential benefits in a partnership approach to influence central government policy and legislation. This would require discussion with LGNZ and SOLGM to clarify issues which those organisations would lead and how councils participate in those initiatives.</p>
<p>4. Capital programme falters</p> <p>The risk is that Council is unable to secure contractors for major capital works (and thus doesn't achieve its targeted works programme) because of</p> <ul style="list-style-type: none"> (i) other councils' programmes and central government initiatives such as the road replacement for the Manawatū Gorge and new social housing complexes in the larger centres of the region and (ii) the increasing dominance of larger contractors, a result of increasing compliance costs. <p>This situation may lead Council to be a price leader in contracts, may frustrate the community (because of delays/and or increased costs and rates) and may discourage new external investment.</p> <p>Likelihood – Medium Impact - Medium</p>	<p>By establishing a project management office Council will be better placed to deal with the market and to have effective project management (an outcome valued by both contractors and Council).</p> <p>Council could promote a more consistent, open sharing of intended capital programmes, testing of the market, and agreeing where priorities lie.</p> <p>Council could also help increase the supply of contractors by</p> <ul style="list-style-type: none"> (a) running apprenticeships, (b) insisting on engagement of local contractors as part of awarding a contract and (c) sponsoring workshops to clarify compliance requirement for local contractors.

³ See also risk 10.

<p>4 Capital Programme Falterers (NEW)</p> <p>The risk is that Council is unable to achieve its capital works programme because of:</p> <ol style="list-style-type: none"> 1. Overall capacity in the market to deliver nationally and regionally 2. The increasing dominance of larger contractors 3. The cost of delivery is higher than allocated budget <p>This situation may lead to failure of major infrastructure, reduction in investment and frustration in the community.</p> <p>Inherent Risk Likelihood – Medium/High Impact – High</p>	<p>Strategies to address the risk:</p> <ol style="list-style-type: none"> 1. Capital works to be prioritized, realistic and achievable 2. Establish a Project Management Office 3. Establish a pipeline of works with contractors 4. Establish meaningful and long lasting relationships with contractors 5. Consider alternative procurement strategies <p>Mitigated Risk Likelihood – Low/Medium Impact – Medium</p>
<p>5. Financial stability is lost</p> <p>The risk is that Council's financial projections, in terms of operating expenditure and revenue, prove substantially incorrect. This could require a substantial increase in rates and increase the cost of borrowing. This could arise from unanticipated but unavoidable expenditure which is not covered by insurance, including legal costs. Council is fortunate in almost entirely avoiding the impact of weather-tightness failure but the recent exposure of the historic Putorino landfill (and an appreciation there are others) is an example of an unexpected issue.</p> <p>An associated risk is that insurance cover is insufficiently targeted</p> <p>Likelihood – Low Impact – High</p>	<p>Council's current prudent approach means that all operating expenditure is funded through rates and not by loan. By ensuring that projected capital expenditure on planned new works or upgrades is kept below the borrowing threshold provides headroom should Council need additional funds to address a previously unknown issue.</p> <p>While Council cannot influence the state of international markets and commodity prices, it needs to be sensitive to the impact on these on local businesses and developers.</p> <p>Council benefits from joint procurement of insurance with other councils. However, this increasingly requires accurate documentation of asset condition (i.e. risk of failure) alongside known natural hazards. Council could run a few scenarios so it understands the extent of cover that would</p>

	be available for Rangitikei in a range of circumstances.
<p>6. Regulatory effectiveness is questioned</p> <p>The risk is that Council loses community confidence that it is being consistent and fair in exercising its regulatory responsibilities, including building and resource consents. That may arise if different responses are provided depending on where a matter is raised – i.e. an elected member, the chief executive, regulatory staff or customer service staff or where there is consistent failure to meet the prescribed timelines.</p> <p>Likelihood – High Impact - Medium</p>	<p>Council may be about the extent of this risk since it is a matter of holding a balance between (i) development and facilitating initiatives and (ii) compliance with central government requirements and Council bylaws and policies.</p> <p>One way to test the community's appreciation of this risk could be to offer an amnesty period to those who knew or thought it possible that they (or someone else) was in breach of regulations. During that period Council could facilitate compliance by providing advice and/or reducing or waiving its fees.</p> <p>Longer-term, it would be beneficial to establish (and publicise) the decision-making and discretion and appeal processes – with the latter being public reported, either in a Council (Committee) meeting or through the Council website.</p>
<p>7. Climate change responsiveness is ineffective</p> <p>The risk is that Council does not take sufficient steps to protect the community against the impacts of increasingly severe weather events and erosion</p> <p>Likelihood – Low/Medium Impact – Low/Medium</p>	<p>Council is already taking a more proactive stance in its roading programme by increasing expenditure on larger culverts and more stringent oversight of their maintenance and of roadside drains. The strategic look being taken over stormwater will also mean Council is more informed about the points of greatest risk and failure.</p> <p>The request from Kauangaroa Marae for dialogue and support from Council for relocation might be a prompt to reopen dialogue about Whangaehu and also to reconsider the likely scenario at Scotts Ferry and Koitiata, both of which are at risk from sea level rise,</p> <p>Council could develop and implement a plan to reduce its own carbon footprint, looking to engage local businesses in similar efforts.</p>

<p>8. Business continuity is compromised</p> <p>The risk is that Council suffers a cyber-attack which leads to compromised integrity and/or loss of information. However, there are lesser (but more likely) risks from staff anywhere in the organisation who lack training and understanding how to use Council's IT systems and manage their record-keeping in a consistent and adequate fashion. That increases cost to the Council in trying to find relevant information and may mean that records critical to establishing what Council did and why cannot be found and disclosed.</p> <p>While Archives Central houses most of the Council's pre-1989 records, some of the more recent hard-copy records (including building consent files) are unprotected from fire.</p> <p>Likelihood – Medium/High Impact – High</p>	<p>Council has a range of protective barriers and procedures to minimize the likelihood of a cyber-attack. This includes an increasing robust back-up procedure so that if data is lost or compromised, it can be recovered.</p> <p>Increasing staff knowledge of safe IT protocols and sound records management practices would reduce the risk of information unable to be found.</p> <p>An information audit could be a useful early step in understanding the extent of this risk.</p> <p>The information systems strategic plan now being developed is a key mechanism.</p>
<p>8 Business Continuity is Compromised (NEW)</p> <p>The risk is that Council is unable to perform one or more essential services and/or statutory functions due to disruptions such as</p> <ul style="list-style-type: none"> • Cyber attacks • Systems failure • Natural disaster or other emergency • Pandemic • Loss of critical staff • Loss of critical assets or infrastructure • Terrorism • Staff competencies 	<p>Council has a range of protective barriers and procedures that includes (or are under development)</p> <ul style="list-style-type: none"> • Business continuity plan • IT recovery plan • Data protection plan • Pandemic plan • Staff learning and development framework • Identification of critical positions • Succession plans • Partnership relationships with neighbouring Councils • Staff policies and procedures <p>The Information Systems Strategic Plan now being implemented is a key mechanism.</p>

<p>Inherent Risk Likelihood – Medium/High Impact – High</p>	<p>Mitigated Risk Likelihood – Low/Medium Impact – Medium</p>
<p>9. Obligations with health and safety and environmental protection are not met.</p> <p>The risk is that staff or the public are injured or killed or there is damage to the environment in the course of Council carrying out its work, and that there are substantial fines imposed on Council as a result.</p> <p>Likelihood – Low Impact – High</p>	<p>This is a sector-wide risk, with no relationship to the size of councils or whether they are primarily urban or rural. <i>It is critical to focus on developing sound and consistent judgment.</i></p> <p>The Chief Executive is committed to establishing and maintaining a strong health and safety culture within the organisation ('what you walk past you accept') is essential. A new health and safety engagement process has been undertaken so all staff members are involved. All members of the Senior Leadership Team will receive intensive training on this topic during the next six months.</p> <p>Environmental protection has a high dependency on regular maintenance of Council assets, especially wastewater, and management of contractor and staff working in sensitive areas.</p>
<p>9 Obligations with health and safety and environmental protection are not met (NEW)</p> <p>The risk is that staff or the public are injured or killed or there is damage to the environment in the course of Council carrying out its work, and that there are substantial fines imposed on Council as a result.</p>	<p>The Executive Leadership Team have an unrelenting focus on the health, safety and wellbeing of all staff and contractors and is committed to establishing and maintaining a strong health and safety culture within the organisation.</p> <p>Active employee participation frameworks are in place to encourage employee engagement in health, safety and wellbeing matters..</p> <p>Council strives to minimise environmental harm by balancing network maintenance and operation within fiscal constraints. This</p>

<p>Inherent Risk – Health & Safety Likelihood – Medium Impact – High</p>	<p>is consistent with the Local Government sector within New Zealand.</p> <p>Council works with Horizons Regional Council to prioritise capital works to effectively manage wastewater treatment plant consents.</p> <p>Mitigated Risk – Health & Safety Likelihood – Low Impact – High</p> <p>Mitigated Risk – Environmental Harm Likelihood – Low Impact – Medium</p>
<p>10. Changes to government legislation are transformational</p> <p>The risk is that new or amended legislation, regulations or policy statements cause systemic changes in affordability to the local government sector. <i>The speed of change and the cumulative effects may detract from achieving statutory requirements (e.g. the long-term plan) and meeting community expectations.</i></p> <p>For example, the proposed freshwater reforms could have the following impacts:</p> <ul style="list-style-type: none"> a) the annual GDP contribution from dairying could shrink from \$350 million to \$50 million; b) reduced pasture land and increasing forestry (on the way it is presently rated) could mean that rates might need to rise 30% to provide the current level of services and facilities (including roads); c) reduction in farm incomes could be 30% which will result in diminished investment, loss of productivity and closure of farms. 	<p>This is a sector-wide risk, but greatest for non-metro councils.</p> <p><i>Council needs to have at front of mind that capacity gives resilience (and vice versa). COVID-19 demonstrated how the conventional view of understanding the risk of losing control over complying with policy and procedures is modified: new situations arose which lack these precedents but where staff nonetheless must make decisions. This necessarily lowered the risk threshold for loss of control.</i></p> <p>Longer timeframes enable alternative productive uses of land to be implemented.</p> <p>To what extent is Council willing to facilitate such changes, including investment?</p> <p>If forestry becomes the dominant rural enterprise, how feasible is it for Council to rate public roads servicing such blocks on a differential basis (so that the costs are not District wide) or to remove such roads from the public network (so that Council would no longer bear the costs of maintenance)?</p>

Likelihood – High Impact – High	
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26 September 2019, updated and adopted 5 December 2019; reviewed 30 July 2020 (italicized text in sections 9 and 10) provided to the Committee's meeting on 24 September 2020.

Attachment 7

AUDIT/RISK COMMITTEE - WORK PROGRAMME FOR THE 2019-22 TRIENNium

Topic	What	Why	Who/How	Priority	Committee decision/action	Progress to 17 November 2020
1. Trust and confidence is tarnished						
Alignment with Council strategic framework and key priorities	Progress with key priorities (reported monthly to relevant Council committees)	Ensure that the identified key priorities are implemented or modified to give effect to the strategic direction	Chief Executive	High	Review draft consultation document for 2021-31 LTP and determine whether risks and uncertainties have been adequately addressed.	Strategic vision document accepted by Council. More detailed strategies and key actions are being developed by Executive Leadership Team for inclusion in the LTP. A new dimension is the actual and potential impacts of Covid-19. Priorities being reviewed as part of the LTP workshops with Elected Members.
Reviews of Council operations (other than Audit New Zealand)	(Will include the reassessment under CouncilMARK, June 2020)	Ensure recommendations are well-founded and there is a robust plan of action	Chief Executive	Medium	As required	In December 2019 MBIE advised its finding from its visit to monitor progress with earthquake-prone building assessments. The major concern was whether sufficient regard had been given to vehicle/pedestrian thoroughfares between unreinforced masonry buildings. Council has made a formal request to the Independent Assessment Board to postpone the CouncilMARK process until 2021. <i>This has been agreed to.</i>
Project management	High-profile, high value or strategic projects - e.g. Bulls Community Centre, Marton Civic Centre, Taihape Memorial Park facilities, Ratana wastewater, Marton-Bulls wastewater	Ensure significant projects meet Council's outcome, time, risk and cost expectations	GM Assets and Infrastructure	High	Review and comment on project plan and exception reporting to each meeting	Management of timeline and costs of the Bulls Community Centre contracted to specialist adviser.
	Implementation of Project Management Office	Ensure consistent, 'traffic light' approach which is easily understood, fosters transparency and provides for robust governance	GM Assets and Infrastructure	High	Exception reporting ('red light')	Four project managers have been recruited to provide this capability to other projects and other parts of the organisations.
Customer-focussed services	A more effective and efficient customer focus in all public offices of the Council and internally.	A well-managed customer interface will provide an improved and more consistent level of service and be more efficient	GM Corporate Services	Medium/High	Review periodic updates on implementation of the Customer Experience Strategy and the associated performance measurement.	Initial briefing to Finance/Performance Committee, 27 February 2020. Implementation delayed by Covid-19 but <i>commenced</i> in October 2020.
Information management	Progress in implementing robust, integrated and accessible electronic corporate records systems	Ensure Council meets Public Records Act and LGOIMA requirements and aligns with the Government's Cyber-security Strategy (2019)	GM Corporate Services	Medium	Review periodic updates on implementation of the Information Services Strategic Plan. The most recent compliance reporting undertaken by Archives New Zealand was across the entire local government sector.	Part of the Information Services Strategy being implemented
Prosecution of Council for breaches of consents or statutory requirements	Approach taken to avoid prosecution when this is being contemplated and, if prosecution proceeds, how Council presents its case	Ensure the community understands the circumstances leading to the prosecution and actions being taken to avoid a similar incident	GM Assets and Infrastructure	High	Review briefings and, if necessary, recommend changes in approach to Council	Active preparation and negotiation in response to prosecution by Horizons of discharge of Taihape wastewater into the Hautapu River. That prosecution resulted in a conviction and a fine.

Topic	What	Why	Who/How	Priority	Committee decision/action	Progress to 17 November 2020
2. Human capital is weakened						
External investor perception	Progress in presenting the District as a desirable location for new or expanding businesses	Builds a more sustainable community and economy	Chief Executive	High	Review briefings and, if necessary, recommend changes in approach to Council	Formal presentation in February made to convince an existing Marton business to remain and expand. The independent Commissioner's decision on the Council-initiated The District Plan Change to rezone a rural area as industrial was issued in August 2020. (Appeals closed 2 October 2020. <i>One appeal was received, and three submitters have joined the appeal as interested parties.</i>)
A resilient organisation	Organisation change in place by September 2020	Ensure balanced workload and clear lines of accountability	Chief Executive	Medium		Consultation with affected staff and more generally showed general support. New structure <i>came into</i> effect from 28 September
	Increased focus on mentoring, job overlap and succession planning	Ensure low ongoing dependency on sole specialists	Chief Executive	Medium/High	Review summary results of survey and updates on progress to addressing issues raised.	
	Revised annual survey of staff perceptions of themselves and the work environment	Ensure clear understanding of issues for staff and an approach to addressing these	GM Corporate Services	Medium/High		
	Implement regular one on one sessions between staff and their line manager	Build trust. Provide constructive and effective feedback	All GMs			
3. Legal and political environment requires excessive resources						
Water supply	Drinking-water standards compliance	Ensure Council's potable water supplies address changes in requirements from the independent Drinking-water Regulator	GM Assets & Infrastructure	Very high	Understand government policy setting; review project plan for giving effect to this and exception reporting to each meeting, and recommend Committee's view to Council.	The Government has yet to announce the commitments required from territorial authorities after 30 June 2021.
Impact of Government's fresh-water direction	New standards affecting discharge of wastewater and stormwater	Impact on Council's expenditure (and thus rates)	GM Assets & Infrastructure	High	Understand government policy setting as it evolves	
Planning standards	New standards affecting the presentation of the District Plan	Ensure the District Plan has the national definitions embedded and meets the required level of e-access.	GM Democracy & Planning	Medium/ High	Review progress updates at each meeting	The foundation requirements in terms of electronic accessibility and functionality, due by 5 April 2020, are now met (except for the formal notification of the update to the Addendum which is adopted by reference). All other requirements, except having an online interactive plan, are due by 5 April 2024; the online interactive plan requirement is due by 5 April 2029.
<i>National Policy Standards and National Environmental Standard</i>	<i>New standards with high reporting requirements</i>	<i>Ensure the new standards are embedded into Council work processes</i>	<i>GM Democracy & Planning</i>	<i>Medium</i>	<i>Periodic updates from GM</i>	
Topic	What	Why	Who/How	Priority	Committee decision/action	Progress to 17 November 2020

4. Capital programme falters						
Ongoing analysis of capital expenditure	Capacity	Ensure that the projected capital work programme is realistic (i.e. affordable and achievable) and that carry-overs are minimised and validated against external factors	GM Corporate Services	Very high	Review proposed capital programme at October or December meetings. Recommend changes to Council if warranted.	This will be a major focus for the 2021-31 Long Term Plan, in both the financial strategy and the infrastructure strategy.
Consenting requirements	Timelines for new consents and variations to existing ones are those agreed with Horizons Regional Council	Ensure that consenting requirements (including required remedial actions) are reflected in capital programme	GM Assets & Infrastructure	High	Consider exception reporting when necessary. Review update briefing on consenting requirements at October meetings	No new issues arising. Approach to the exposed historic landfill at Putorino <i>has</i> been determined with Iwi and Horizons <i>and a contract let for remediation</i> .
5. Financial stability is lost						
Annual Audit review	Interim management report (2018/19, 2019/20, 2020/21)	Ensure Council operating procedures and policies are appropriate and managed	Council management and Audit Director	Very high	Review Audit comment and Council response; recommendation to Council	Interim audit planned for late March-early April was delayed by Covid-19 and occurred late June-early July. Final audit to start 12 October for three weeks.
Access to external funds	Borrowing is at sustainable levels and other external funding is as projected.	Ensure short-term and long-term implications of borrowing are understood and accepted by Council	GM Corporate Services	Medium	Review updates provided to each meeting of the Committee	This was a focus in developing the 2020/21 Annual Plan.
6. Regulatory effectiveness is questioned						
Appetite for risk around consents	Policy and procedure for exercise of discretion and enforcement of Code requirements	Ensure Council and local building sector are clear on balance between compliance and discretion	Team Leader, Regulatory	High	Consider periodic updates from Chief Executive and determine whether a recommendation to Council is warranted in terms of perceived risks	One critical test of the balance between discretion and compliance is the construction of the new Bulls Community Centre. The external project management adviser has assessed the BCA's approach and finds it is strict but is within accepted practice.
Customer experience with consenting	Timeliness of approvals and communication at all stages	Ensure applicants are well informed at all stages of the consenting process	Team Leader, Regulatory	Medium/ High	Review updates provided to each meeting of the Committee	This will be part of the Customer Service Experience Strategy <i>now being</i> implemented.
7. Climate change responsiveness is effective						
Potential to disrupt people's lives and livelihoods	Engagement with community on proposed strategy and policies, and subsequent actions	Ensure Council understands the degree of potential risks and takes appropriate action (including advocacy to central government)	GM Democracy & Planning	Medium	Review periodic updates	Focus is on regional collaboration on developing a vulnerability assessment. <i>At its 22 October 2020 meeting, Council agreed to be a member of the regional joint Climate Change Committee.</i>
Council's initiatives	Action plan for Council's operations: 'walking the talk'	Council needs to show leadership in reducing emissions	GM Democracy & Planning	Medium	Review periodic updates	

Topic	What	Why	Who/How	Priority	Committee decision/action	Progress to 17 November 2020
8. Business continuity is compromised						
Natural disaster events	Annual insurance reviews	Ensure accurate, appropriate and cost-effective cover for all built assets	GM Corporate Services	Medium	Review periodic updates from GM (Finance and Business Support) Committee has already reviewed decision to cease membership of LAPP.	
	Business continuity	Ensure Council can maintain business operations	GM Corporate Services	High	Review periodic updates from GM	Part of the Information Systems Strategy <i>being</i> implemented.
	Disaster recovery	Ensure robust processes aligned with MCDEM requirements	Chief Executive	Very high	Review six-monthly updates on development of internal capability and external liaison, periodic MCDEM reviews, and recommend any changes or enhancements	
	Pandemic plan	Ensure robust processes learn from COVID-19 experience	Chief Executive	High	Review periodic updates from the Chief Executive	Debrief following return to alert level 1 and consideration of lessons learned during the lockdown period
Cyber attacks	Mitigating business disruption	Ensure threats are identified early	GM Corporate Services	High	Review periodic updated from GM	Alerts to staff . Part of the Information Services Strategic Plan
9. Obligations with health and safety and environmental protection are not met						
Health and safety	High awareness of potential health and safety issues and willingness to take corrective action	Proactive attitude to health and safety is the strongest assurance that Council's facilities and operations are safe for staff and the public	GM Assets & Infrastructure	High	Review six-monthly updates on health and safety considerations at unit toolbox meetings, Council's health and safety committee, to the senior leadership team	
	Focus on all aspects of physical and mental health for staff	Proactive approach to encourage individual staff members to be at their best and to be sensitive when circumstances warrant assistance.	Chief Executive	High	Review periodic updates	
10. Changes to government legislation are transformational						
Sustainable future for the District	High awareness of potential risks to delivery of services, maintenance of infrastructure	Significant and sudden changes in standards for freshwater and emissions may threaten existing agriculture enterprises and thus affordability of Council services. In addition, significant and sudden changes in what local councils are expected to do for their communities may prove costly and of no value.	Chief Executive	Medium/High	Review periodic updates and make recommendations to Council	Council has expressed its concerns to the Ministry for the Environment on the proposed National Standard for indigenous biodiversity, highlighting affordability and potential negative impact on farming.

Attachment 8

Report

Subject: **Road Reserve**

To: Audit/Risk Committee

From: Dave Tombs

Date: 21 November 2020

1 Executive Summary

1.1 Purpose of the report

This Report provides information regarding Council's Roding Reserve as requested at the September Audit and Risk Committee meeting.

1.2 Major recommendations

That the Audit and Risk Committee:

- a) Note this report; and
- b) Considers how it thinks the Road Reserve should be referenced in the 2021/31 Long Term Plan.

2 Context

2.1 Background

A staff report on "Special Reserve Accounts" dated October 2012 includes the following with respect to the Flood damage (Roadworks) reserve:

"This fund was set up to be used for the remediation of Roding in the event of flood damage. It was last used in 2005 when \$500k was transferred out to repair flood damage. In the 2010/11 financial year \$150k was transferred to the Reserve. Council is aware that recently it has been decided to use the balance of this reserve for recent remedial work. The \$150k from 2011/12 has also been used. Going forward, \$150k pa will accumulate here until such time as an event requires its use."

Reference to 'Flood damage – Roding Reserve' is made in the Long Term Council Community Plan 2009-2019. The LTCCP shows that \$100k was transferred to the Flood Reserve in 2007/8 and that a further \$100k was planned to be transferred in 2008/9 (Appendix 1).

The Long Term Plan 2012/22 states that:

- "Council sets aside an emergency works reserve each year of \$250k" (Page 74); and that
- "(Total) emergency reserves totalled \$3.5m at 30 June 2011".

The Annual Report 2012/13 provides a breakdown of the \$3.5m and shows that the 'Flood damage – Roothing reserve' had a balance of \$301k at 1 July 2011 (the previous year's Annual Report did not contain sufficient detail to ascertain how this balance changed in the year ended June 2011).

The Annual Plan 2011/12 (Page 20) refers to \$150k of the savings (of a reduced renewals expenditure) being placed in the general road reserve (Appendix 2).

The Annual Plan 2013/14, under the heading "Variations from the Long Term Plan" explains that increased subsidy income enabled the flood damage reserve to be increased to \$1m by June 2013 and "consequently the transfer to that reserve has been reduced and a further reduction in rates applied to avoid a similar surplus in 2013/14". (Appendix 3)

For both years ended June 2014 and June 2015 an amount of \$100k was transferred to the reserve, leaving a balance at June 2014 of \$1.2m. Work papers indicate that the rates for these two years included a specific adjustment to include this \$100k.

Appendix 4 includes all movements to this reserve since June 2012.

The Long Term Plan 2015/25 states that (Page 106):

"... the contribution to the roading reserve (in 2015/16) will be \$550k, that the total contribution over the first five years will be \$1.8m (an average of \$360k pa) and then reduce the contribution to \$100k pa for the second five years to reach a maximum of \$3.5m by year 10; and that this contribution may be adjusted in intervening years if large withdrawals are required from the fund."

However no transfers were made to the reserve in years ended June 2016 or June 2017.

Council's Financial and Infrastructure Strategy, included in the Long Term Plan 2018/28 includes the following (Page 25):

"Because of the impact (storm and drought) events can have on the roading network, there may be sections where improvement is regarded as providing greater certainty of resilience in extreme weather conditions. Council's approach to addressing this risk is to put at least \$0.5 million into the roading reserve each year (funded from rates), until it reaches a total of \$3.5m (*see note below*). Further to this consideration is being given to a debt facility to fund emergencies where the response would exceed reserves."

Note: exception is 2019/20 with the expected construction costs of the Mangaweka Bridge.

For years ended June 2018, 2019 and 2020 an amount of \$250k was transferred to the reserve. Work papers indicate that, contrary to the LTP extract above, the rates for these three years did not include a specific adjustment to include this \$250k.

As significant withdrawals were also made from the reserve the reserve balance at June 2020 was \$309k.

As there was no specific rating for the reserve in 2020/21 and as the adjustments from the reserve are typically made at end of each financial year, the balance of the reserve at end of October 2020 was \$309k.

2.2 Significance

This report is considered Low with respect to Council's Significance and Engagement Policy as it is for noting only.

3 Analysis

3.1 Views

Note 21 to the annual Financial Statements shows the amounts 'going into and out of' the Roothing Reserve. These amounts are reflected in transfers direct into/from Accumulated Funds – i.e. there is no Balance Sheet or Profit/Loss impact from these transfers (apart from the Rates Income including a specific amount that was included in the calculation of the rates for 2018, 2019 and June 2020).

It appears that the intention in 2018 was to 'rate' for a transfer into this reserve each year that could then be used for emergency repairs.

The Annual Plan 2020/21 does not include the 'road reserve rate' and shows no planned movements in the Flood Damage reserve.

The attachments show that the 2020/21 Annual Plan provides a Total Balance on Special and Restricted Reserves at June 2021 of around \$4.5m. These reserves will be reviewed in 2021 with a view to creating a 'management plan' for each of these.

4 Recommendations:

- 4.1 That the report 'Road Reserve' to the 26 November 2020 Audit/Risk Committee be received.
- 4.2 That the Audit/Risk Committee considers how it thinks the Road Reserve should be referenced in the 2021/31 Long Term Plan.

Dave Tombs
Group Manager - Corporate Services

ROADING COST OF SERVICE STATEMENT

	Actual 2007/08 (\$000)	Annual Plan 2008/09 (\$000)	Forecast 2009/10 (\$000)	2010/11 (\$000)	2011/12 (\$000)	2012/13 (\$000)	2013/14 (\$000)	2014/15 (\$000)	2015/16 (\$000)	2016/17 (\$000)	2017/18 (\$000)	2018/19 (\$000)
Operational Expenditure and Funding												
Operating Costs												
Roading	10,646	10,793	11,341	11,706	12,540	12,759	12,974	13,696	13,927	14,172	14,953	15,196
Under Veranda Lighting	51	60	61	61	61	61	61	61	61	61	61	61
Internal Charges	448	952	302	308	298	325	317	314	302	391	305	311
Total Operating Costs	11,145	11,805	11,704	12,076	12,900	13,145	13,352	14,071	14,290	14,624	15,318	15,568
Group Activity Income												
Activity Revenue	103	120	120	124	127	130	133	136	139	142	145	149
Subsidies	8,035	10,896	11,374	7,987	8,482	9,677	8,996	9,199	9,426	9,653	9,888	10,131
Rates Revenue	5,922	5,813	6,355	6,692	6,897	7,346	7,325	7,382	7,521	7,781	7,771	7,878
Total Group Activity Income	14,060	16,829	17,849	14,803	15,505	17,153	16,453	16,716	17,085	17,575	17,804	18,158
Net Cost of Service - Surplus (Deficit)	2,915	5,024	6,145	2,727	2,606	4,009	3,101	2,646	2,796	2,951	2,485	2,590
Operating Surplus (Deficit) Transferred To/(From)												
Retained Earnings	611	342	8	-	-	-	-	-	-	-	-	-
Capital Expenditure	5,772	8,441	9,591	6,205	6,482	7,965	7,104	7,015	7,232	7,440	7,375	7,518
Unfunded Depreciation	(3,468)	(3,759)	(3,454)	(3,478)	(3,876)	(3,956)	(4,004)	(4,369)	(4,436)	(4,489)	(4,890)	(4,928)
Total Funding Operational	2,915	5,024	6,145	2,727	2,606	4,009	3,101	2,646	2,796	2,951	2,485	2,590
Capital Expenditure and Funding												
Renewals	6,382	6,030	6,944	7,471	8,187	10,029	8,750	8,955	9,169	9,398	9,627	9,840
Capital Development	1,933	6,584	5,472	885	909	932	954	977	1,000	1,025	1,050	1,073
Loan Repayments	19	38	73	117	119	106	108	106	107	106	108	107
Transfer to Flood Reserve	100	100	-	-	-	-	-	-	-	-	-	-
Funding Required	8,434	12,752	12,489	8,473	9,215	11,067	9,812	10,038	10,276	10,529	10,785	11,020
Funded by:												
Loans	223	1,457	722	33	34	34	36	36	37	38	39	40
Depreciation Reserves	2,439	2,854	2,176	2,235	2,699	3,068	2,672	2,987	3,007	3,051	3,371	3,462
Transfers (To)/From Operational Reserves	5,772	8,441	9,591	6,205	6,482	7,965	7,104	7,015	7,232	7,440	7,375	7,518
Total Funding	8,434	12,752	12,489	8,473	9,215	11,067	9,812	10,038	10,276	10,529	10,785	11,020
Depreciation*	5,909	6,115	6,024	6,061	6,752	6,831	6,914	7,501	7,592	7,687	8,317	8,420
Interest*	-	104	79	161	156	157	150	146	142	138	133	129

* The above costs are included in the Operating Costs above

Appendix 1

Intended Levels of Service 2009-2019	Monitoring Method	Results in 2009/10
Council will employ contractors to carry out emergency repairs as they occur (where practical).	Contractors respond to after hours call-outs within 12 hours, and working hours call-outs within 6 hours, in each year 2009/10, 2010/11, 2011/12.	No records: This information was not available from the roading services contractor. However all callouts have been responded to and there are none outstanding. ¹²
Council will provide footpaths on all urban streets.	250 metres per year of new footpath to residential streets that currently have no footpaths on either side	Achieved: Footpaths completed in Oakley Avenue, Marton (129 metres) and Whangaehu (95 metres). The latter includes stormwater improvements on the corner of Ruatangata Road and Whangaehu Valley Road.
Council will provide street lights to meet community needs.	In the 2007 Communitrak survey, 81% of people surveyed were satisfied with the street lighting in the District. In the 2010 survey, this will be maintained or improved.	Achieved: 83% of residents responding in the 2010 Communitrak survey were very/fairly satisfied. 8% (9% in 2007) were not very satisfied, while 9% (10%) didn't know or were unable to say.

Main points to note about the Statement of Cost of Service

The large change from 2010/11 to 2011/12 is the reduction in capital expenditure and subsidy as a result of the completion of the sealing of the Rangitikei section of the Taihape Napier Road.

The 2011/12 LTCCP planned to increase expenditure on pavement rehabilitation by \$330,000. New Zealand Transport Agency (NZTA) has indicated it will not give a subsidy on this increase because it has set its funding levels based on Council's 2009/10 roading budget. For the 2011/12 Annual Plan it is proposed again to defer this increase in expenditure, and instead put aside a further \$150,000 in a general road reserve.

Unfunded depreciation refers to that proportion of roading works which is funded by NZTA. There is no need to seek a further ratepayer contribution to accumulate a depreciation reserve since the funding is secure.

¹² Effective 1 July 2010, the management of roading services is being managed in-house and a record-keeping system has been put in place.

Intended Levels of Service

Intended Levels of Service 2012-22	Performance measure	Target for 2013/14
Provide a safe roading network which allows people to travel from A to B, free of loose gravel or potholes and maintaining the level of sealed roads currently available.	Smooth travel exposure rating (i.e. NAASRA roughness counts).	96.5%
	<p>The number of callouts to the contractor, both within working hours and after-hours, with the response and resolution times (with the percentage resolved within a specified time).</p> <p>Specific note to be made of</p> <p>(i) time to respond/resolve callouts relating to potholes; and</p> <p>(ii) incidents of crashes on Council's roading network and whether the road condition was a cause of each crash.</p>	<ul style="list-style-type: none"> 100% after-hours callouts responded to within 12 hours 100% callouts during working hours, responded to within 6 hours 80% of all callouts resolved (i.e. completed) within one month of the request. Specific reference to callouts relating to potholes <p>No fatal crashes attributable to the condition of the roading network.</p>
Increase asset length and footpath renewal programme	Adequacy of provision and maintenance of footpaths, street-lighting and local roads (annual survey) ⁷ .	A greater proportion (than in the benchmark ⁸) of the sample believe that Council's service is getting better.

Variations from the Long Term Plan

An increase in subsidies predicted is due to increased expenditure in some maintenance work offset by decreased non-subsidised expenditure. The reduction in rates is due to a surplus occurring in the operating account in the 2011/12 and predicted in the current 2012/13 year, resulting in enough funds being available to bring the flood damage reserve to \$1,000,000 by the end of 2013. Consequently the transfer to that reserve has been reduced and a further reduction in rates applied to avoid a similar surplus occurring in the 2013/14 year. The difference in the movement in reserves reflects this change.

The proposed replacement of Wylies Bridge in 2013/14 has been deferred until 2014/15, subject to NZTA funding and reaching agreement with Wanganui District Council on the appropriate cost-share by Rangitikei.

⁷ Groups which are targeted for consultation:

- Residents where programmed renewal has taken place,
- Community Boards/ Committees,
- Community group database,
- Business sector database

⁸ A "report card" produced in April/May 2012 established the benchmark of perceptions of adequacy of provision and maintenance of Council's footpaths, street-lighting and local roads: 13% believed it was better than last year, 71% about the same, 15% worse than last year (1% didn't know).

APPENDIX 4

Rangitikei District Council | Annual Report for 2012-2013

Note 21: Equity (continued)

Special and restricted reserves 2013

Name (* denotes restricted)	Associated activity	Purpose	Balance 1 Jul 12	Deposits	With- drawals	Balance 30 Jun 13
Bulls courthouse*	Property	Maintenance of courthouse building	17	11	0	28
Flood damage	Roading	Road maintenance due to flooding	119	881	0	1,000
General purpose	Capital works	Capital works	2,402	0	0	2,402
Haylock park*	Parks and reserves	Additional reserve area at park	22	2	0	24
Hunterville rural water	Water	Future loop line	159	9	14	154
Keep Taihape beautiful*	Property	Enhancement of Taihape	22	0	1	21
Marton land subdivision*	Parks and reserves	Improvement to reserves land	98	234	0	332
Marton marae*	Property	Marton marae project	4	0	0	4
McIntyre recreation*	Parks and reserves	Maintenance or upgrades of park	20	1	0	21
Putorino rural water	Water	Maintenance of scheme dam	15	1	0	16
Ratana sewer	Sewerage	Capital works	19	1	0	20
Revoked reserve land	Parks and reserves	Offset costs of other revoked land	238	0	0	238
Rural housing loan	Property	No longer required	150	0	0	150
Rural land subdivision*	Parks and reserves	Improvement to reserves land	152	8	0	160
Santoft domain*	Parks and reserves	Maintenance or upgrades of park	65	3	0	68
Total special and restricted reserves			3,502	1,151	15	4,638

Special and restricted reserves 2012

Name (* denotes restricted)	Associated activity	Purpose	Balance 1 Jul 11	Deposits	With- drawals	Balance 30 Jun 12
Bulls courthouse*	Property	Maintenance of courthouse building	7	10	0	17
Flood damage	Roading	Road maintenance due to flooding	301	155	(337)	119
General purpose	Capital works	Capital works	2,285	117	0	2,402
Haylock library*	Libraries	Library maintenance	2	0	(2)	0
Haylock park*	Parks and reserves	Additional reserve area at park	21	1	0	22
Hunterville rural water	Water	Future loop line	152	7	0	159
Keep Taihape beautiful*	Property	Enhancement of Taihape	27	1	(6)	22
Marton land subdivision*	Parks and reserves	Improvement to reserves land	93	5	0	98
Marton marae*	Property	Marton marae project	4	0	0	4
McIntyre recreation*	Parks and reserves	Maintenance or upgrades of park	19	1	0	20
Putorino rural water	Water	Maintenance of scheme dam	14	1	0	15
Ratana sewer	Sewerage	Capital works	18	1	0	19
Revoked reserve land	Parks and reserves	Offset costs of other revoked land	227	11	0	238
Rural housing loan	Property	No longer required	142	8	0	150
Rural land subdivision*	Parks and reserves	Improvement to reserves land	144	8	0	152
Santoft domain*	Parks and reserves	Maintenance or upgrades of park	62	3	0	65
Total special and restricted reserves			3,518	329	(345)	3,502

APPENDIX 4

Note 21: Equity (continued)**Special and restricted reserves 2015**

Name (* denotes restricted)	Associated activity	Purpose	Balance 1 Jul 14	Deposits	With- drawals	Balance 30 Jun 15
Aquatic	Swimming pools	Capital works	75	75		150
Bulls courthouse*	Property	Maintenance of courthouse building	39	12		51
Flood damage	Roading	Road maintenance due to flooding	1,100	100		1,200
General purpose	Capital works	Capital works	2,402	0		2,402
Haylock park*	Parks and reserves	Additional reserve area at park	25	1	1	25
Hunterville rural water	Water	Future loop line	163	9		172
Keep Taihape beautiful*	Property	Enhancement of Taihape	21	0	1	20
Marton land subdivision*	Parks and reserves	Improvement to reserves land	350	19		369
Marton marae*	Property	Marton marae project	4	0		4
McIntyre recreation*	Parks and reserves	Maintenance or upgrades of park	22	1	2	21
Putorino rural water	Water	Maintenance of scheme dam	17	1		18
Ratana sewer	Sewerage	Capital works	21	1		22
Revoked reserve land	Parks and reserves	Offset costs of other revoked land	238	0		238
Rural housing loan	Property	No longer required	150	0		150
Rural land subdivision*	Parks and reserves	Improvement to reserves land	169	9		178
Santoft domain*	Parks and reserves	Maintenance or upgrades of park	72	7		79
Total special and restricted reserves			4,868	235	4	5,099

Special and restricted reserves 2014

Name (* denotes restricted)	Associated activity	Purpose	Balance 1 Jul 13	Deposits	With- drawals	Balance 30 Jun 14
Aquatic	Swimming pools	Capital works	0	75	0	75
Bulls courthouse*	Property	Maintenance of courthouse building	28	11	0	39
Flood damage	Roading	Road maintenance due to flooding	1,000	100	0	1,100
General purpose	Capital works	Capital works	2,402	0	0	2,402
Haylock park*	Parks and reserves	Additional reserve area at park	24	1	0	25
Hunterville rural water	Water	Future loop line	154	9	0	163
Keep Taihape beautiful*	Property	Enhancement of Taihape	21	0	0	21
Marton land subdivision*	Parks and reserves	Improvement to reserves land	332	18	0	350
Marton marae*	Property	Marton marae project	4	0	0	4
McIntyre recreation*	Parks and reserves	Maintenance or upgrades of park	21	1	0	22
Putorino rural water	Water	Maintenance of scheme dam	16	1	0	17
Ratana sewer	Sewerage	Capital works	20	1	0	21
Revoked reserve land	Parks and reserves	Offset costs of other revoked land	238	0	0	238
Rural housing loan	Property	No longer required	150	0	0	150
Rural land subdivision*	Parks and reserves	Improvement to reserves land	160	9	0	169
Santoft domain*	Parks and reserves	Maintenance or upgrades of park	68	4	0	72
Total special and restricted reserves			4,638	230	0	4,868

Note 21: Equity (continued)**Special and restricted reserves 2017**

Name (* denotes restricted)	Associated activity	Purpose	Balance 1 Jul 16	Deposits	With- drawals	Balance 30 Jun 17
Aquatic	Swimming pools	Capital works	225	75		300
Bulls courthouse*	Property	Maintenance of courthouse building	41	12	1	52
Flood damage	Roading	Road maintenance due to flooding	1,138		410	728
General purpose	Capital works	Capital works	2,402			2,402
Haylock park*	Parks and reserves	Additional reserve area at park	26	1		27
Hunternville rural water	Water	Future loop line	181	9		190
Keep Taihape beautiful*	Property	Enhancement of Taihape	20			20
Marton land subdivision*	Parks and reserves	Improvement to reserves land	388	19		407
Marton marae*	Property	Marton marae project	4			4
McIntyre recreation*	Parks and reserves	Maintenance or upgrades of park	22	12	14	20
Putorino rural water	Water	Maintenance of scheme dam	19	1		20
Ratana sewer	Sewerage	Capital works	23	1		24
Revoked reserve land	Parks and reserves	Offset costs of other revoked land	238			238
Rural housing loan	Property	No longer required	150			150
Rural land subdivision*	Parks and reserves	Improvement to reserves land	187	9	15	181
Santoft domain*	Parks and reserves	Maintenance or upgrades of park	83	4		87
Total special and restricted reserves			5,147	143	441	4,850

Special and restricted reserves 2016

Name (* denotes restricted)	Associated activity	Purpose	Balance 1 Jul 15	Deposits	With- drawals	Balance 30 Jun 16
Aquatic	Swimming pools	Capital works	150	75		225
Bulls courthouse*	Property	Maintenance of courthouse building	51	13	23	41
Flood damage	Roading	Road maintenance due to flooding	1,200	0	62	1,138
General purpose	Capital works	Capital works	2,402	0		2,402
Haylock park*	Parks and reserves	Additional reserve area at park	25	1		26
Hunternville rural water	Water	Future loop line	172	9		181
Keep Taihape beautiful*	Property	Enhancement of Taihape	20	0		20
Marton land subdivision*	Parks and reserves	Improvement to reserves land	369	19		388
Marton marae*	Property	Marton marae project	4	0		4
McIntyre recreation*	Parks and reserves	Maintenance or upgrades of park	21	1		22
Putorino rural water	Water	Maintenance of scheme dam	18	1		19
Ratana sewer	Sewerage	Capital works	22	1		23

Special and restricted reserves 2018			Balance	Deposits	With-	Balance
Name (* denotes restricted)	Associated activity		1 Jul 17		drawals	30 Jun 18
Aquatic	Swimming pools	Capital works	300	75	310	65
Bulls courthouse*	Property	Maintenance of courthouse building	52	15		67
Flood damage	Roading	Road maintenance due to flooding	728	250	606	372
General purpose	Capital works	Capital works	2,402			2,402
Haylock park*	Parks and reserves	Additional reserve area at park	27	2		29
Huntermville rural water	Water	Future loop line	190	9		199
Keep Taihape beautiful*	Property	Enhancement of Taihape	20			20
Marton land subdivision*	Parks and reserves	Improvement to reserves land	407	20		427
Marton marae*	Property	Marton marae project	4			4
McIntyre recreation*	Parks and reserves	Maintenance or upgrades of park	20	2	2	20
Putorino rural water	Water	Maintenance of scheme dam	20	1		21
Ratana sewer	Sewerage	Capital works	24	1		25
Revoked reserve land	Parks and reserves	Offset costs of other revoked land	238			238
Rural housing loan	Property	No longer required	150			150
Rural land subdivision*	Parks and reserves	Improvement to reserves land	181	10		191
Santoft domain*	Parks and reserves	Maintenance or upgrades of park	87	7	2	92
Total special and restricted reserves			4,850	392	920	4,322

Note 21: Equity (continued)**Special and restricted reserves 2020**

Name (* denotes restricted)	Purpose	Purpose	Balance 1 Jul 19	Deposits	With- drawals	Balance 30 Jun 20
Aquatic	Capital works	Capital works	86	75		161
Bulls courthouse*	Maintenance of courthouse	Maintenance of courthouse building	84	17	5	96
Flood damage	Road maintenance due to flooding		238	250	179	309
General purpose	Capital works		2,402			2,402
Haylock park*	Additional reserve area at pa	Additional reserve area at park	30	1		31
Huntermville rural water	Water	Future loop line	206	8		214
Keep Taihape beautiful*	Property	Enhancement of Taihape	20			20
Marton land subdivision*	Parks and reserves	Improvement to reserves land	444	16		460
Marton marae*	Property	Marton marae project	4			4
McIntyre recreation*	Parks and reserves	Maintenance or upgrades of park	21	1		22
Putorino rural water	Water	Maintenance of scheme dam	22	1		23
Ratana sewer	Sewerage	Capital works	26	1		27
Revoked reserve land	Parks and reserves	Offset costs of other revoked land	238			238
Rural housing loan	Property	No longer required	150			150
Rural land subdivision*	Parks and reserves	Improvement to reserves land	198	7		205
Santoft domain*	Parks and reserves	Maintenance or upgrades of park	124	7	1	130
Total special and restricted reserves			4,293	384	185	4,492

Special and restricted reserves 2019

Name (* denotes restricted)	Associated activity		Balance 1 Jul 18	Deposits	With- drawals	Balance 30 Jun 19
Aquatic	Swimming pools	Capital works	65	75	54	86
Bulls courthouse*	Property	Maintenance of courthouse building	67	17		84
Flood damage	Roading	Road maintenance due to flooding	372	250	384	238
General purpose	Capital works	Capital works	2,402			2,402
Haylock park*	Parks and reserves	Additional reserve area at park	29	1		30
Huntermville rural water	Water	Future loop line	199	7		206
Keep Taihape beautiful*	Property	Enhancement of Taihape	20			20
Marton land subdivision*	Parks and reserves	Improvement to reserves land	427	17		444
Marton marae*	Property	Marton marae project	4			4
McIntyre recreation*	Parks and reserves	Maintenance or upgrades of park	20	2	1	21
Putorino rural water	Water	Maintenance of scheme dam	21	1		22
Ratana sewer	Sewerage	Capital works	25	1		26
Revoked reserve land	Parks and reserves	Offset costs of other revoked land	238			238
Rural housing loan	Property	No longer required	150			150
Rural land subdivision*	Parks and reserves	Improvement to reserves land	191	7		198
Santoft domain*	Parks and reserves	Maintenance or upgrades of park	92	41	9	124
Total special and restricted reserves			4,322	419	448	4,293

Notes – Reserves

For the year ending 30 June 2021

		Balance 2020 (\$000)	Deposits (\$000)	Withdrawals (\$000)	Balance 2021 (\$000)
Special and restricted reserves (* denotes restricted reserves)					
Name of reserve and (activity)	Purpose				
Aquatic (Swimming pools)	Replacement of swimming pools	161	75	-	236
Bulls courthouse* (Property)	Maintenance of courthouse building	75	14	-	89
Flood damage (Roeading)	Road maintenance due to flooding	238	-	-	238
General purpose	Capital works	2,402	-	-	2,402
Haylock park* (Parks)	Additional reserve area at park	31	1	-	32
Hunterville rural water (Water)	Future loop line	210	5	-	215
Keep Taihape beautiful* (Property)	Enhancement of Taihape	20	-	-	20
Marton land subdivision* (Parks)	Improvements to recreational land	453	9	-	462
Marton marae* (Property)	Marton Marae project	4	-	-	4
McIntyre recreation* (Parks)	Maintenance or upgrades of park	22	-	-	22
Putorino rural water (Water)	Maintenance of scheme dam	22	1	-	23
Ratana sewer (Sewerage)	Capital works	27	1	-	28
Revoked reserve land (Parks)	Offset costs of other revoked land and buildings	238	-	-	238
Rural housing loan (Property)	No longer required	150	-	-	150
Rural land subdivision* (Parks)	Improvements to reserves land	201	4	-	205
Santoft domain* (Parks)	Maintenance or upgrades of park	128	3	-	131
Total special and restricted reserves		4,382	113	-	4,495

			Deposits (\$000)	Withdrawals (\$000)	Balance 2021 (\$000)
Asset revaluation reserves					
Land			7,479	-	7,479
Buildings			10,181	-	10,181
Sewerage systems			9,536	-	9,536
Water supplies			23,850	-	23,850
Stormwater network			9,968	-	9,968
			61,014	-	61,014
Fair value through equity			131	-	131
Total asset revaluation reserves			61,145	-	61,145