



# **A G E N D A**

## **Executive Committee**

### **Council Chambers**

**Tuesday**

**11 August 2015**

**commencing at 1.30pm**

Cr. M.S. Dawson (**Chairperson**)  
His Worship the Mayor, M.T. Havill  
Deputy Mayor Cr. P.M. Cox  
Cr. J.H. Butzbach, Cr. D.G. Hope,  
Cr. L.J. Martin, Cr. M.D. Montagu,  
Cr A. P. Thompson, Cr. C.A. van Beek

**NOTICE IS HEREBY GIVEN THAT A MEETING OF THE EXECUTIVE COMMITTEE WILL BE HELD IN THE COUNCIL CHAMBERS, 36 WELD STREET, HOKITIKA, ON TUESDAY 11 AUGUST 2015 COMMENCING AT 1.30 PM**

### **COUNCIL VISION**

Westland District Council will facilitate the development of communities within its district through delivery of sound infrastructure, policy and regulation.

This will be achieved by:

- Involving the community and stakeholders.
- Delivering core services that meet community expectations and demonstrate value and quality.
- Proudly promoting, protecting and leveraging our historic, environmental, cultural and natural resource base to enhance lifestyle and opportunity for future generations.

#### **Purpose:**

The Council is required to give effect to the purpose of local government as prescribed by section 10 of the Local Government Act 2002. That purpose is:

- (a) To enable democratic local decision-making and action, by and on behalf of, communities; and
- (b) To meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses

#### **1. MEMBERS PRESENT AND APOLOGIES:**

##### **1.1 Apologies**

##### **1.2 Register of Conflicts of Interest**

## **2. CONFIRMATION OF MINUTES:**

### **2.1 Confirmation of Minutes of Executive Committee Meeting**

#### **2.1.1 Minutes of the Executive Committee Meeting – 7 May 2015** (Pages 10-15)

## **3. PUBLIC FORUM**

*The public forum section will commence at the start of the meeting.*

## **4. BUSINESS:**

### **4.1 Insurance Renewal 2015-16** (Pages 16-41)

### **4.2 Westland Holdings Limited Statement of Intent 2015-16** (Pages 42-63)

## **5. MATTERS TO BE CONSIDERED IN THE 'PUBLIC EXCLUDED SECTION'**

Resolutions to exclude the public: Section 48, Local Government Official Information and Meetings Act 1987.

Council is required to move that the public be excluded from the following parts of the proceedings of this meeting, namely:

### **5.1 CE's Performance Review.**

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

| GENERAL SUBJECT OF THE MATTER TO BE CONSIDERED |                          | REASON FOR PASSING THIS RESOLUTION IN RELATION TO THE MATTER                       | GROUND(S) UNDER SECTION 48(1) FOR THE PASSING OF THIS RESOLUTION |
|--|--------------------------|--|--|
| 1.   | CE's Performance Review. | To protect the privacy of individuals/organisations under Section 7(2) (a) and (i) | 48(1)(a)(i) & (d)  |

## **TERMS OF REFERENCE FOR THE EXECUTIVE COMMITTEE**

**REPORTING TO:** Council

**CONSTITUTION:** Cr Dawson (Chairperson)  
All other Elected Members

**MEETING FREQUENCY:** As required.

**QUORUM:** Chairperson and any three members.

**OBJECTIVE:**

1. To enable Council to carry out its statutory and contractual responsibilities as employer of the Chief Executive.
2. To implement Council policies and processes for the selection, appointment and remuneration of directors to Council Controlled Organisations and trustees to Council Organisations.
3. To maintain an on-going liaison with Boards of Directors of Council-Controlled Organisations in regard to Council's interest as a shareholder.
4. To undertake the role of Audit Committee.
5. To undertake the role of Risk Management Committee.
6. To determine matters within the authority of Council where the urgency of those matters precludes an Extraordinary Meeting of the full Council.

**SCOPE OF ACTIVITY:**

**Employment of Chief Executive**

1. All matters arising under Section 42 and Clauses 33, 34, 35 and 36 of Schedule 7 of the Local Government Act 2002.
2. All matters arising from Council's employment agreement with the Chief Executive, including but not limited to the conduct of performance reviews and remuneration reviews.

## **Appointment of Directors and Trustees**

3. All matters pertaining to the selection, appointment and remuneration of directors to Council-controlled organisations and trustees to Council organisations, in accordance with Council's Policy on Appointment and Remuneration of Directors.

## **Audit and Risk**

4. All matters pertaining to good practice for Audit and Risk, including consideration of the following matters.

### **(a) Internal Control Framework**

- i. Review whether management's approach to maintaining an effective internal control framework is sound and effective.
- ii. Review whether management has taken steps to embed a culture that is committed to probity and ethical behaviour.
- iii. Review whether there are appropriate systems, processes and controls in place prevent, detect and effectively investigate fraud.

### **(b) Internal Reporting**

- i. Consider the processes for ensuring the completeness and quality of financial and operational information being provided to the Council.
- ii. Seek advice periodically from internal and external auditors regarding the completeness and quality of financial and operational information that is provided to the Council.

### **(c) External Reporting and Accountability**

- i. Agree the appropriateness of the Council's existing accounting policies and principles and any proposed change.
- ii. Enquire of internal and external auditors for any information that affects the quality and clarity of the Council's financial statements and statements of service performance, and assess whether appropriate action has been taken by management in response to the above.
- iii. Satisfy itself that the financial statements and statements of service performance are supported by appropriate management signoff on the statements and on the adequacy of the systems of internal control (i.e. letters

of representation), and recommend signing of the financial statements by the Chief Executive/Mayor and adoption of the Annual Report or Long Term Plan.

- iv. Confirm that processes are in place to ensure that financial information included in the entity's Annual Report and Long Term Plan is consistent with the signed financial statements.

(d) Risk Management

- i. Review whether management has in place a current and comprehensive risk management framework and associated procedures for effective identification and management of the Council's significant risks.
- ii. Review Council's annual insurance renewal and ensure the appropriateness of the level of self-insured risk.
- iii. Consider whether appropriate action is being taken by Management to mitigate Council's significant risks.

(e) Internal Audit

- i. Review and approve the internal audit coverage and annual work plans, ensuring these plans are based on the Council's risk profile.
- ii. Review the adequacy of management's implementation of internal audit recommendations.
- iii. Review the internal audit charter to ensure appropriate organisational structures, authority, access, independence, resourcing and reporting arrangements are in place.

(f) External Audit

- i. At the start of each audit, confirm the terms of the engagement, including the nature and scope of the audit, timetable and fees, with the external auditor.
- ii. Receive the external audit report(s) and review action to be taken by management on significant issues and audit recommendations raised within.
- iii. Conduct a members-only session (i.e. without any management present) with external audit to discuss any matters that the auditors wish to bring to the Committee's attention and/or any issues of independence.

- iv. Consider any recommendation by management that the Office of the Auditor-General replace the external auditor.

(g) Compliance with Legislation, Standards and Good Practice Guidelines

- i. Review the effectiveness of the system for monitoring the Council's compliance with laws (including governance legislation, regulations and associated government policies), with Council's own standards, and Good Practice Guidelines as applicable.

**Emergency Powers**

- 5. All matters within the authority of Council, other than those reserved to Council under s.48 and Sch. 7 of the Local Government Act 2002.

**POWER TO ACT:**

**Employment of Chief Executive**

- (a) To decide all matters arising under s.42 and Cl. 33, 34, 35 and 36 of Sch. 7 of the Local Government Act 2002 and all matters arising from Council's employment agreement with the Chief Executive, except for:
  - (i) The appointment of a Chief Executive; and
  - (ii) The re-appointment of a Chief Executive for a second term under Cl. 34 Sch. 7 of the Local Government Act 2002; and
  - (iii) The termination of employment of the Chief Executive.
- (b) In undertaking performance reviews, whilst the process for undertaking the review is at the Committees discretion; the Committee must:
  - (i) Seek the views of all Councillors, prior to assessing the Chief Executives performance review.
  - (ii) Seek the advice of an independent employment advisor, at least annually, on good practice, in undertaking a review.
- (c) In undertaking a remuneration review the Committee must seek the advice of an independent employment advisor, on good practice, in undertaking a review.

## **Appointment of Directors and Trustees**

- (d) All matters pertaining to the selection, appointment and remuneration of directors to Council Controlled Organisations and trustees to Council Organisations, except for the appointments of directors and trustees.
- (e) All matters are to be in accordance with Council adopted policy on Appointment and Remuneration of Directors.

## **Emergency Powers**

- (f) To decide all matters within the authority of Council where urgency precludes convening an Extraordinary meeting of the full Council, except for those matters reserved to Council under s.48 and Sch. 7 of the Local Government Act 2002.

## **Other**

- (g) Approve Executive Committee meeting minutes.
- (h) Appoint sub committees with written terms of reference, resolved by the Committee.

## **POWER TO RECOMMEND**

### **Employment of Chief Executive**

- (a) The appointment of the Chief Executive;
- (b) The re-appointment of a Chief Executive for a second term under Cl. 34 Sch. 7 of the Local Government Act 2002.
- (c) The termination of employment of the Chief Executive.

## **Appointment of Directors and Trustees**

- (d) Appointees for directors to Council Controlled organisations and trustees to Council organisations that meet the requirements of s.57 of the Local Government Act 2002.

## **Council Controlled Organisations**

- (e) Any matters pertaining to Council's interest as a shareholder in Council Controlled Organisations, including:
  - i. Consideration of Statements of Intent



- ii. Review of six monthly and annual performance against the statements of intent.
- iii. Consideration of major transactions.
- iv. Consideration of major transactions, acquisitions and disposals.

**Adopted by Council on 28 November 2013**  
**Amended and Readopted by Council on 27 February 2014**  
**Amended and Readopted by Council on 26 March 2015**



# Executive Committee Minutes

## MINUTES OF A MEETING OF THE EXECUTIVE COMMITTEE OF THE WESTLAND DISTRICT COUNCIL, HELD IN THE COUNCIL CHAMBERS, 36 WELD STREET, HOKITIKA ON THURSDAY 7 MAY 2015 COMMENCING AT 4.03 PM

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### 1. MEMBERS PRESENT

His Worship the Mayor, M.T. Havill (**Chairperson from 5.26 pm**)

Cr. M.S. Dawson (**Chairperson until 5.26 pm**)

Deputy Mayor Cox P.M. Cox, Cr. D.G. Hope (until 4.48 pm), Cr M.D. Montagu, Cr A.P. Thompson, Cr. C.A. van Beek.

#### 1.1 Apologies

Cr. J.H. Butzbach, Cr L.J. Martin.

Moved Cr Hope, seconded Cr van Beek and **Resolved** that the apologies from Cr Butzbach and Cr Martin be received and accepted.

#### Staff in Attendance

T.L. Winter, Chief Executive; G. Borg, Group Manager: Corporate Services; L. Crichton, Finance Manager; V. Goel, Group Manager: District Assets (for part of the meeting); D.M. Maitland, Executive Assistant.

#### 1.2 Interest Register

The Interest Register was circulated and amendments were noted to the name of the register.

## **2. CONFIRMATION OF MINUTES**

### **2.1 Confirmation of Minutes of Executive Committee Meeting**

#### **2.1.1 Minutes of the Executive Committee Meeting – 16 October 2014**

Moved His Worship the Mayor, seconded Deputy Mayor Cox and **Resolved** that the Minutes of the Executive Committee Meeting held on the 16 October 2014 be confirmed as a true and correct record of the meeting.

*The following items were then taken out of order to the agenda papers.*

## **3. WESTLAND HOLDINGS LIMITED**

Graeme King, Chairman, Westland Holdings Limited attended the meeting and provided an update on the Half Yearly Report for Westland Holdings Limited for the six months to 31 December 2014.

## **4. PUBLIC FORUM**

*No members of the public attended the public forum section of the meeting.*

## **5. BUSINESS**

### **5.1 Omnibus Report**

#### **Half Year Result: Westland Holdings Ltd**

Moved His Worship the Mayor, seconded Cr Thompson and **Resolved** that the Westland Holdings Limited (Group) half yearly report to 31 December 2014 be received.

### **5.2 Executive Committee Action Items**

The Committee reviewed the Action Items from previous meetings.

### **5.3 Executive Committee Workplan 2014-15**

Moved Deputy Mayor Cox, seconded Cr Montagu and **Resolved** that progress on the Executive Committee Workplan for 2014-2015 be noted, and the Chief Executive draft and circulates a 2015-2016 Workplan, noting that the Chief Executive's Performance Review be moved to August 2015.

#### **5.4 Insurance**

*The Group Manager: Corporate Services provided a verbal update regarding Council's insurance.*

Moved Cr Thompson, seconded Deputy Mayor Cox and **Resolved** that the verbal update from the Group Manager: Corporate Services be received, and an update on insurance be provided to the Executive Committee Meeting in June 2015 regarding refining the data, the LAPP Report and quotes.

*Cr Hope left the meeting at 4.49 pm and did not return.*

#### **5.5 Risk Reporting Process**

*The Group Manager: District Assets provided a verbal update and demonstration on how Council's Executive Team are currently recording and managing risk within the organisation.*

Moved Cr van Beek, seconded Cr Dawson and **Resolved** that the verbal update and demonstration be received, and that the risks identified by the Executive Team as being high or extreme, be reported to the Executive Committee or Council as soon as they are identified.

#### **5.6 Health and Safety**

Moved Cr Dawson, seconded Cr Montagu and **Resolved** that by 31 August 2015, a reporting mechanism to Council on health and safety be recommended by the Chief Executive.

#### **5.7 2014-2015 Audit Management Report**

*The Group Manager: Corporate Services spoke to this item.*

The Group Manager: Corporate Services advised that the draft 2014-15 Audit Management Report has been received from Audit New Zealand, and staff are providing comments on this and will return it to Audit New Zealand for finalising.

Moved His Worship the Mayor, seconded Deputy Mayor Cox and **Resolved** that this item be deferred to the June Executive Committee Meeting and June Council Meeting.

## **5.8 Debt Collection**

*The Group Manager: Corporate Services and the Finance Manager spoke to this item.*

Moved His Worship the Mayor, seconded Cr van Beek and **Resolved** that the verbal update from the Group Manager: Corporate Services and Finance Manager be received.

## **5.9 Treasury Management**

*The Group Manager: Corporate Services provided a verbal update.*

Moved His Worship the Mayor, seconded Cr Dawson and **Resolved** that the verbal update be received.

## **5.10 Refining the Monthly Financial Reporting Process**

*The Group Manager: Corporate Services provided a verbal update and demonstrated how Budget Managers and the Executive Team are providing input into monthly financial reporting to Council.*

*Cr Dawson left the meeting at 5.26 pm and did not return, His Worship the Mayor chaired the remainder of the meeting.*

Moved His Worship the Mayor, seconded Deputy Mayor Cox and **Resolved** that the Executive Committee receives the information.

## **5.11 Post CCO Review Work**

*The Chief Executive spoke to this item.*

The Chief Executive advised that the SOI, the Board Structure and Directors Appointment Policy will be discussed in a Council Workshop.

Moved Deputy Mayor Cox, seconded Cr van Beek and **Resolved** that the Executive Committee receives the information.

## 6. **MATTERS CONSIDERED IN THE 'PUBLIC EXCLUDED SECTION'**

Moved Cr Thompson, seconded Cr van Beek and **Resolved** that Council exclude the public in accordance with Section 48, Local Government Official Information and Meetings Act 1987 at 6.00 pm.

Council is required to move that the public be excluded from the following parts of the proceedings of this meeting, namely:

### 6.1 **Confirmation of Minutes**

### 6.2 **Chief Executive's Six Month Performance Review**

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

| Item No. | Minutes/ Report of | General subject of each matter to be considered  | Reason for passing this resolution in relation to each matter | Ground(s) under Section 48(1) for the passing of this resolution |
|----------|--------------------|--|---|--|
| 1.       | Minutes            | Confirmation of October Public Excluded Minutes. | Good reasons to withhold exists under Section 7.              | Section 48(1)(a)   |
| 2.       | Report             | Chief Executive's Six Month Performance Review.  | Good reasons to withhold exists under Section 7.              | Section 48(1)(a)   |

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

| No.       | Item  | Section         |
|-----------|---|-----------------|
| 5.1 & 5.2 | Protection of privacy of natural persons/organisations. | Section 7(2)(a) |

Moved Cr van Beek, seconded Cr Thompson and **Resolved** that the business conducted in the “Public Excluded Section” be confirmed and the public be readmitted at 6.30 pm.

**MEETING CLOSED AT 6.30 PM**

**Confirmed by:**

\_\_\_\_\_  
**Cr Mark Dawson**  
**Chair**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Mayor Mike Havill**  
**Chair**

\_\_\_\_\_  
**Date**

# Report



**DATE:** 11 August 2015

**TO:** Executive Committee

**FROM:** Finance Manager

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## **INSURANCE RENEWAL 2015-16**

### **1.0 SUMMARY**

- 1.1 The purpose of this report is to present the Committee with the proposal for Council's insurance renewal for the year ending 30 June 2016.
- 1.2 This matter arises because insurance, as a component of risk management is contained in the Committee's Terms of Reference.
- 1.3 This report concludes by recommending that the Committee endorses the renewal of insurances under the terms of the proposal to Council.

### **2.0 CURRENT SITUATION**

- 2.1 Council's subterranean assets continue to be insured under LAPP. The contribution for 2015-16 is \$76,320 (2014-15: \$95,400).
- 2.2 Aon is the appointed broker for the West Coast LASS for all other insurances.
- 2.3 The following matters are highlighted for the Committee's attention:
  - 2.3.1 The quotation for the commercial policies represents a reduction of \$73,338 versus 2014-15 and a favourable variance of \$21,622 against budget for 2015-16.
  - 2.3.2 The proposal advocates spreading risk by placing portions of cover for liability and indemnity policies with more than one insurer.



- 2.3.3 The report reminds Council of its responsibilities under the Health and Safety at Work Act and Sentencing Amendment Act 2014.
- 2.3.4 Additional areas including business interruption and key person insurance will be considered as Council develops its risk management programme.

### **3.0 RECOMMENDATION**

A) **THAT** the Committee endorses the renewal of insurances as proposed

**Lesley Crichton**  
**Finance Manager**

**Appendix 1: Aon Insurance Renewal Proposal 2015-16**



# **Renewal Summary**

## **2015-2016**



# **AON**



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National Complaints Manager  
Aon New Zealand  
PO Box 1184  
Shortland Street  
Auckland 1140

If you are not satisfied with the outcome determined by the National Complaints Manager, you may contact Financial Services Complaints Limited by calling 0800 347 257.





## Contact Information

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## Introduction

Firstly, we would like to thank Gary at Westland District Council (WDC) who provided the required information to allow the renewal process to be completed. We are pleased to present to you a summary of renewal terms negotiated with insurance markets in respect of WDC's insurance programme for the period 30 June 2015 to 30 June 2016.

The following pages outline a summary of the renewal outcome with commentary around the results and the changing New Zealand market.

## Executive Summary

- **Material Damage**

After several years of increasing premiums after the Christchurch Earthquakes the corporate property market has seen increasing competition and rating reductions. This has seen a 40% saving for WDC on the insurer's 2014 rates. The following table shows past two years sums insured and insurer premiums paid.

|                        | 2014         | 2015         |
|------------------------|--------------|--------------|
| <b>Sum Insured</b>     | \$40,737,500 | \$43,928,638 |
| <b>Insurer Premium</b> | \$160,494.59 | \$96,638.41  |

Whilst the actual premium for the 2015-16 year hasn't decreased in line with the rating reduction, this is due to a 7.8% increase in the declared values.

- **Commercial Motor**

The commercial motor market has seen increased competition over the past 12 months. It is however important to get the right balance with an insurer that has a sustainable premium as opposed to large increases after a bad claims year.

The policy has been renewed with NZI based on the updated schedule of vehicles and market values provided. NZI have provided a 12.5% reduction in rate from last year. Excesses remain the same as 1% of sum insured, subject to a minimum of \$500, plus underage as applicable.

A summary of the past three years sums insured, premiums and rates follow.

|                        | 2014       | 2015       |
|------------------------|------------|------------|
| <b>Sum Insured</b>     | \$302,688  | \$302,688  |
| <b>Insurer Rates</b>   | 2.0%       | 1.75%      |
| <b>Insurer Premium</b> | \$6,053.76 | \$5,297.04 |



- **Crime**

This was previously insured with Civic Assurance; however this has now been placed with QBE in line with the rest of the Council's policies. Cover has been offered on the same basis as per last year's sums insured and excess levels.

QBE has provided a premium reduction of 7.5% from last year.

|                    | 2014      | 2015      |
|--------------------|-----------|-----------|
| <b>Sum Insured</b> | \$500,000 | \$500,000 |
| <b>Excess</b>      | \$5,000   | \$5,000   |
| <b>Premium</b>     | \$4,950   | \$4,500   |

- **General Liability**

This was previously insured with QBE; however this has now been placed with NZI 40% (Lead), QBE 40% and Zurich 20% in line with the rest of the Council's policies. Cover has been offered on the same basis as per last year.

Insurers have provided a premium reduction of 7.5% from last year.

|                    | 2014        | 2015        |
|--------------------|-------------|-------------|
| <b>Sum Insured</b> | \$5,000,000 | \$5,000,000 |
| <b>Excess</b>      | \$2,000     | \$2,000     |
| <b>Premium</b>     | \$3,937.50  | \$3,642.19  |

- **Professional Indemnity**

This was previously insured with QBE; however this has now been placed with NZI 40% (Lead), QBE 40% and Zurich 20% in line with the rest of the Council's policies. Cover has been offered on the same basis as per last year.

Insurers have provided a premium reduction of 7.5% from last year.

|                    | 2014        | 2015        |
|--------------------|-------------|-------------|
| <b>Sum Insured</b> | \$5,000,000 | \$5,000,000 |
| <b>Excess</b>      | \$10,000    | \$10,000    |
| <b>Premium</b>     | \$13,125    | \$12,141    |

- **Statutory Liability and Employers Liability**

This policy was previously insured with QBE; however this has now been placed with NZI 60% & QBE 40% in line with the rest of the Councils. Cover has been offered on the same basis as per last year's sums insured and excess levels.

NZI/QBE has provided a premium reduction of 7.5% from last year.

|                                  | 2014        | 2015        |
|----------------------------------|-------------|-------------|
| <b>Statutory Liability Limit</b> | \$1,000,000 | \$1,000,000 |
| <b>Employers Liability Limit</b> | \$500,000   | \$500,000   |
| <b>Excess</b>                    | \$2,000     | \$2,000     |
| <b>Premium</b>                   | \$1,875     | \$1,734     |



- **D&O Liability – Westland Holdings Limited**

This policy was previously insured with QBE and has continued with them for the 2015/2016 period. The policy remains status quo in respect of Limits and Deductible levels.

QBE has provided a 7.5% reduction in premium from last year.

|                    | 2014        | 2015        |
|--------------------|-------------|-------------|
| Limit of Indemnity | \$5,000,000 | \$5,000,000 |
| Excess             | \$5,000     | \$5,000     |
| Premium            | \$3,000     | \$2,775     |

- **Airport Owner/Operator Liability**

This was previously insured with QBE Australia; however this has now been placed with Tokio Marine Kiln in line with the rest of the Council's policies. Cover has been offered on the same basis as per last year.

The Insurer has confirmed that these premiums are provisional at this stage, subject to their Proposal Form being completed and returned.

|                    | 2014         | 2015         |
|--------------------|--------------|--------------|
| Limit of Indemnity | \$20,000,000 | \$20,000,000 |
| Excess             | \$5,000      | \$5,000      |
| Premium            | \$4,874      | \$1,250      |





## Insurance Market Overview

The following is a summary of the current market conditions for the major relevant covers.

- **Material Damage/Business Interruption**

The pricing impact felt from the Canterbury earthquakes has all but evaporated.

On the back of increased reinsurance capacity and competitive tensions in the insurance market, corporate property pricing is soft and premium reductions are available. Competition has also seen downwards pressure on natural disaster deductibles in areas of the country with a lower perceived earthquake risk.

- **General Liability/Employers Liability/ Statutory Liability**

The market remains relatively stable however rates in primary and excess liability are increasingly competitive, and capacity remains plentiful. Good quality, well-presented risks are sought after by underwriters. Generally only unprofitable or under-priced risks are experiencing rate increases.

The new Health and Safety at Work Act and will likely come into force in the second half of 2015 establishing stronger penalties, enforcement tools, graduated offence categories and court powers. The new law has serious implications for all persons conducting a business or undertaking to ensure as far as is "reasonably practicable" the health and safety of workers and others affected by the work. While these Health and Safety fines cannot be insured, insurance can still provide valuable cover for legal costs of defence and reparations.

Organisations, particularly those in higher risk environments, should ensure health and safety issues are managed professionally and accordance with official guidance documentation and standards. Demonstrating good risk management processes to underwriters will assist in ensuring competitive terms and pricing.

Changes brought about by the Sentencing Amendment Act which came into effect in December 2014, raise the possibility that injured persons may be able pursue compensation for losses as a result of bodily injury, including loss of earnings not covered by ACC. Insurers are seeking clarification from the government that this change was deliberate and not an unforeseen side effect of the act. If confirmed then changes may be necessary in the underwriting and pricing of Statutory Liability policies. Motor Vehicle third party liability policies may also be affected.

Aon will continue to monitor developments to determine any revised needs for protection that may arise.

- **Motor**

The Motor Fleet market continues to experience reasonably strong competition, particularly for well-managed fleets and rates are generally flat to declining. Lumley Insurance has traditionally been the leading commercial motor underwriter and IAG (following the Lumley acquisition) appears to be investing to retain this position. Terms are still being predominately dictated by claims performance and loss outturn.



## Emerging Risks/ Considerations

- **Cyber Risks**

There is a growing incidence of cyber events including hacking and denial of service losses, privacy breaches and data security issues.

Cyber insurance continues to gather awareness in the market with multiple recent data breaches hitting the headlines. The far-reaching ramifications of the loss of personal data and loss of corporate data and information, such as intellectual property and proprietary information, can in the hands of a competitor or an extortionist severely disadvantage business.

There are several insurance solutions now on the market (local and London options) which provide risk transfer solutions to address protection needs in these areas.

Insurer responses and covers vary, being nuanced to address different coverage drivers, and expert advice is required to select the most appropriate policy.

- **Sentencing Amendments Act 2014**

With effect from the 6 December 2014, under the Sentencing Amendment Act 2014 people injured by an offender conducting a crime will be able to receive reparation for the difference between the compensation received from ACC and their actual loss.

This has implications as to how the following policies respond:

### **Motor Vehicle**

There could be a claim by a third party against your policy for the additional reparations they may be entitled to under the Act. An example of the circumstances where this could be applicable would be if one of your drivers has an accident resulting in a conviction of dangerous/careless driving, where they have caused injury to a third party. The Act allows the Third Party to claim amounts over and above ACC. The existing third party limit under your policy is \$10,000,000.

Insurers are currently working with the legislative body to make sure that the intention of the act was to encompass this type of circumstance. We will advise as the situation becomes more defined.

### **Statutory Liability**

The policy pays for reparation orders under this Act in relation to Health and Safety in Employment (HSE) breaches. However, it should be noted that a Statutory Liability policy does not pay for the fines imposed following a Health and Safety in Employment (HSE) breach. This is standard and has always been the case with Statutory Liability policies and is not as a consequence of this act.

### **Workplace Health and Safety Reform**

The enactment of the new Health & Safety legislation was supposed to be effective 1 April 2015, however this has been delayed. We understand that the Bill will be reported back to the House on 29 May 2015 and is now not expected to come into effect until late this year. This is a situation that the insurance industry is monitoring closely, and at this stage, until the act is finalised, a definitive answer cannot be given.

We are currently working with your Statutory Liability insurer to ensure that when the changes are implemented, there is adequate insurance protection in place, to the extent allowed by the legislation.



## Premium Comparison

The following is a comparison of the Insurer premiums for the past two years on all lines.

| Policy                                       | 2014                | 2015                |
|--|---------------------|---------------------|
| <b>Material Damage</b>                       |                     |                     |
| Premium                                      | \$162,067.77        | \$ 96,638.41        |
| EQC  | \$ 8,713.55         | \$ 8,713.55         |
| Fire Service Levy                            | \$ 21,521.69        | \$ 21,521.69        |
| <b>Commercial Motor</b>                      | \$ 6,053.76         | \$ 5,297.04         |
| Fire Service Levy                            | \$ 121.60           | \$ 121.60           |
| <b>Statutory Liability</b>                   | \$ 1,500.00         | \$ 1,387.50         |
| <b>Employers Liability</b>                   | \$ 375.00           | \$ 346.88           |
| <b>General Liability</b>                     | \$ 3,937.50         | \$ 3,642.19         |
| <b>Professional Indemnity</b>                | \$ 13,125.00        | \$ 12,141.00        |
| <b>Airport Liability</b>                     | \$ 4,874.20         | \$ 1,250.00         |
| <b>D&amp;O Liability – Westland Holdings</b> | \$ 3,000.00         | \$ 2,775.00         |
| <b>Crime</b>                                 | \$ 4,950.00         | \$ 4,500.00         |
|  |                     |                     |
| <b>TOTAL</b>                                 | <b>\$230,260.07</b> | <b>\$158,334.86</b> |

**Note:**

*The Material Damage premium for 2014 has been calculated based on the 2015 sums insured with the 2014 rates. This allows you to compare the premiums “apples for apples”.*



## Material Damage

|                            |  |        |              |
|----------------------------|--|--------|--------------|
| <b>Insured</b>             | <p>Westland District Council and/or associated and/or subsidiary companies for their respective rights and interests</p> <p>Also including:</p> <ul style="list-style-type: none"> <li>a) Any Council Controlled organisation and/or Subsidiary Companies unless excluded;</li> <li>b) Any committee or any community board lawfully established by such Local Authority or Council Controlled Organisation;</li> <li>c) Any pension fund, social club or sports club or similar entity formed and undertaken with the consent of such Local Authority or Council Controlled Organisation;</li> <li>d) In respect of Property Insured under this Policy as provided for under property in the course of installation, construction, erection or testing, the Insured is extended to include contractors and sub-contractors to the extent required by any such written contract</li> </ul> |        |              |
| <b>Period of Insurance</b> | From:  | 4:00pm | 30 June 2015 |
|                            | To:  | 4:00pm | 30 June 2016 |
| <b>Covering</b>            | <p>Including, but not limited to all tangible and personal property of every type and description either:</p> <ul style="list-style-type: none"> <li>• owned in whole or in part by the Insured.</li> <li>• and/or the interest of the Insured in property of others held on commission.</li> <li>• and/or on consignment and/or for which they have assumed or may assume liability.</li> <li>• and/or property of others which the Insured has agreed to insure whether held by the Insured or by others.</li> <li>• and/or property for which the Insured is legally liable all while located anywhere in New Zealand.</li> </ul>   |        |              |
| <b>Sums Insured</b>        | Buildings – Insured for Replacement Value  | \$     | 35,927,687   |
|                            | Buildings – Insured for Indemnity Value  | \$     | 4,270,638    |
|                            | Plant/Contents – Insured for Replacement Value   | \$     | 4,938,500    |
|                            | Plant/Contents – Insured for Indemnity Value   | \$     | 166,000      |
|                            | Stock  | \$     | 40,000       |
|                            | <i>Note: Property schedule forms part of the policy</i>  |        |              |
| <b>Underwriter</b>         | NZI, a business division of IAG NZ Limited   |        | 100%         |



|                           |   |    |            |
|---------------------------|---|----|------------|
| <b>Limit of Indemnity</b> | Alterations and Additions to Buildings        | \$ | 1,000,000  |
|                           | Capital Additions                             |    |            |
|                           | any one situation                             | \$ | 1,000,000  |
|                           | annual limit                                  | \$ | 1,000,000  |
|                           | Demolition & Removal of Debris (any one loss) | \$ | Included   |
|                           | Employee Tools                                | \$ | 10,000     |
|                           | Hazardous Substance Emergencies               | \$ | 100,000    |
|                           | Money:  |    |            |
|                           | during business hours                         | \$ | 100,000    |
|                           | outside business hours                        | \$ | 5,000      |
|                           | Subsidence / Landslip                         | \$ | 1,000,000  |
|                           | Theft   |    | Full Cover |
|                           | Property in transit (full cover)              | \$ | 100,000    |
|                           | Refrigerated / frozen goods                   | \$ | 25,000     |
|                           | Stolen keys                                   | \$ | 25,000     |

|                    |                    |    |        |
|--------------------|--------------------|----|--------|
| <b>Deductibles</b> | All claims, except | \$ | 10,000 |
|                    | Weather Perils     | \$ | 25,000 |

#### **Natural Disaster**

The excess for Earthquake, Tsunami, Volcanic Eruption, and Hydrothermal Activity, or fire following any of these is as follows:

***The Regions of Auckland, Northland, and the Districts of Dunedin City and Clutha***

2.5% of the Site Sum Insured

***The rest of New Zealand***

5% of the Site Sum Insured

#### ***Pre-1935 Risks***

10% of the site Sum Insured

In all cases, the minimum Site Sum Insured deductible is \$2,500 or any different amount shown in the Schedule.

#### **Endorsements**

If any buildings of any age are identified as EPB's, then Indemnity Value Basis of Settlement will apply in all cases. If NBS % details of all pre-1935 buildings are unknown at the time of renewal, then coverage is to be limited to an IV basis of settlement only. If NBS is 34% or more, then current Basis of Settlement will apply.

#### **NOTE:**

The Museum & Carnegie Complex will remain insured on an Indemnity Value basis until a DEE or IEP is done which shows the building has a NBS of 34% or more.

Jackson Wharf will also remain insured on an Indemnity Value basis – same sum insured as last year.



## Commercial Motor Vehicle

|                            |  |        |              |
|----------------------------|--|--------|--------------|
| <b>Insured</b>             | Westland District Council<br>and/or associated and/or subsidiary companies for their respective rights and interests<br>Also including:<br>a. Any Council Controlled organisation and/or Subsidiary Companies unless excluded;<br>b. Any committee or any community board lawfully established by such Local Authority or Council Controlled Organisation;<br>c. Any pension fund, social club or sports club or similar entity formed and undertaken with the consent of such Local Authority or Council Controlled Organisation.   |        |              |
| <b>Period of Insurance</b> | From:  | 4:00pm | 30 June 2015 |
|                            | To:  | 4:00pm | 30 June 2016 |
| <b>Covering</b>            | Including, but not limited to:<br><u><b>Section 1</b></u> <ul style="list-style-type: none"> <li>All vehicles, mobile plant and auxiliary equipment of every description, either owned, used, leased, lent, borrowed, hired or under the Insured's care.</li> <li>Loss of personal effects and/or damage to clothing of any passenger.</li> </ul><br><u><b>Section 2</b></u> <ul style="list-style-type: none"> <li>Any liabilities causing damage, bodily injury or financial loss to third parties arising from or in connection with the Insured's use of any vehicle.</li> </ul> |        |              |
| <b>Sums Insured</b>        | <u><b>Section 1</b></u><br>As per Schedule \$ 302,688<br><br><u><b>Section 2</b></u> (per insured event) \$ 10,000,000   |        |              |
| <b>Deductibles</b>         | <u><b>Section 1</b></u><br>Each and every claim \$ 500<br><br>Plus Underage deductible (additional to above) :<br>drivers under 21 years of age \$ 1,000<br>drivers aged 21 years and under 25 years \$ 500<br><br>Hoists (additional to above) \$ 500<br>Windscreens, window glass and/or sunroof glass Nil<br>Fire, Illegal Conversion or Theft Nil<br><br><u><b>Section 2</b></u><br>All claims Nil   |        |              |
| <b>Underwriter</b>         | NZI, a business division of IAG NZ Limited   |        | 100%         |



## Public Liability

|                                     |  |                     |             |
|-------------------------------------|--|---------------------|-------------|
| <b>Insured</b>                      | Westland District Council, Westland Holdings Limited and/or associated and/or subsidiary companies for their respective rights and interests   |                     |             |
| <b>Period of Insurance</b>          | From:  | 4:00pm 30 June 2015 |             |
|                                     | To:  | 4:00pm 30 June 2016 |             |
| <b>Business Activities</b>          | Local Authority  |                     |             |
| <b>Limit of Indemnity</b>           | Public Liability – any one occurrence  |                     | \$5,000,000 |
|                                     | Products Liability – any one occurrence & in the aggregate   |                     | \$5,000,000 |
| <b>Deductible</b>                   | \$2,000 any one occurrence   |                     |             |
| <b>Territory &amp; Jurisdiction</b> | Worldwide, excluding North America   |                     |             |
| <b>Extensions</b>                   | Forest & Rural Fires Act   |                     | \$1,000,000 |
| <b>Endorsements</b>                 | <ul style="list-style-type: none"> <li>• Business Advice or Service Exclusion</li> <li>• Aviation Exclusion</li> <li>• Westroads Limited &amp; Hokitika Airport Exclusion</li> </ul> |                     |             |
| <b>Underwriters</b>                 | NZI, a business division of IAG NZ Limited (Lead)  |                     | 40%         |
|                                     | QBE Insurance (International) Limited  |                     | 40%         |
|                                     | Zurich New Zealand Limited   |                     | 20%         |



## Professional Indemnity

|                                     |  |        |              |
|-------------------------------------|--|--------|--------------|
| <b>Insured</b>                      | Westland District Council, Westland Holdings Limited and/or associated and/or subsidiary companies for their respective rights and interests                                   |        |              |
| <b>Period of Insurance</b>          | From:  | 4:00pm | 30 June 2015 |
|                                     | To:  | 4:00pm | 30 June 2016 |
| <b>Business Activities</b>          | Local Authority  |        |              |
| <b>Limit of Indemnity</b>           | \$5,000,000 any one claim and \$10,000,000 in the policy aggregate   |        |              |
| <b>Deductible</b>                   | \$10,000 each and every claim costs exclusive  |        |              |
| <b>Territory &amp; Jurisdiction</b> | New Zealand  |        |              |
| <b>Policy Extensions</b>            | Breach of Professional Duty<br>Defamation<br>Loss of Documents<br>Cover to Employees<br>Fair Trading Act<br>Fraud and Dishonesty<br>Prior Corporate<br>Automatic Reinstatement |        |              |
| <b>Retroactive Date</b>             | Unlimited  |        |              |
| <b>Endorsements</b>                 | Building Defects Exclusion<br>Asbestos Exclusion<br>Terrorism Exclusion  |        |              |
| <b>Underwriters</b>                 | NZI, a business division of IAG NZ Limited (Lead)  |        | 40%          |
|                                     | QBE Insurance (International) Limited  |        | 40%          |
|                                     | Zurich New Zealand Limited   |        | 20%          |





## Crime

|                            |  |      |
|----------------------------|--|------|
| <b>Insured</b>             | Westland District Council and/or associated and/or subsidiary companies for their respective rights and interests<br>Also including:<br>a) Any Council Controlled organisation and/or Subsidiary Companies unless excluded;<br>b) Any committee or any community board lawfully established by such Local Authority or Council Controlled Organisation;<br>c) Any pension fund, social club or sports club or similar entity formed and undertaken with the consent of such Local Authority or Council Controlled Organisation |      |
| <b>Covering</b>            | Provides protection against theft or embezzlement by employees   |      |
| <b>Business</b>            | Local Authority  |      |
| <b>Period of Insurance</b> | From 30 June 2015 to 30 June 2016<br>Both days at 4.00 p.m. Local Standard Time  |      |
| <b>Territorial Limit</b>   | New Zealand  |      |
| <b>Retroactive Date</b>    | Unlimited  |      |
| <b>Limit of Liability</b>  | \$500,000 any one loss or series of losses arising from any one event and in the annual aggregate  |      |
| <b>Deductibles</b>         | \$5,000 each and every event   |      |
| <b>Underwriter</b>         | QBE Insurance (International) Limited  | 100% |



## Statutory Liability

|                                     |  |    |         |
|-------------------------------------|--|----|---------|
| <b>Insured</b>                      | West Coast Regional Council and/or subsidiary companies and/or associated companies and joint ventures for their respective rights and interests   |    |         |
| <b>Business</b>                     | Any activity now or hereafter carried on by the Insured, including but not limited to: <ul style="list-style-type: none"> <li>• Local Authority</li> </ul>   |    |         |
| <b>Covering</b>                     | Defence Costs, Fines & Penalties arising from unintentional breaches of the Insured Acts.<br>Excluded Acts <ul style="list-style-type: none"> <li>• Arms Act 1983</li> <li>• Aviation Crime Act 1972</li> <li>• Crime Act 1961</li> <li>• Proceeds of Crimes Act 1961</li> <li>• Summary Offences Act 1981</li> <li>• Real Estate Agents Act 2008</li> <li>• Transport Act 1962</li> <li>• Transport (Vehicle and Driver Registration and Licensing) Act 1986</li> </ul> |    |         |
| <b>Period of Insurance</b>          | 30 June 2015 to 30 June 2016, at 4pm NZ  |    |         |
| <b>Territory &amp; Jurisdiction</b> | New Zealand  |    |         |
| <b>Limit of Liability</b>           | Loss Limit – any one claim and in the policy aggregate   | \$ | 500,000 |
|                                     | Defence Costs – any one claim and in the policy aggregate  | \$ | 500,000 |
| <b>Deductibles</b>                  | Each and every claim inclusive of costs and expenses   | \$ | 2,000   |
| <b>Endorsements</b>                 | Legal Costs and Expenses in Addition   |    |         |
| <b>Retroactive Date</b>             | Unlimited, including known circumstances   |    |         |
| <b>Underwriter</b>                  | NZI Professional Risk, a business division of IAG NZ Ltd (Lead)  |    | 60%     |
|                                     | QBE Insurance (International) Limited  |    | 40%     |



## Employers Liability

|                                     |  |    |         |
|-------------------------------------|--|----|---------|
| <b>Insured</b>                      | Westland Regional Council, it's Directors & Officers and/or subsidiary companies and/or associated companies for their respective rights and interests     |    |         |
| <b>Business</b>                     | Any activity now or hereafter carried on by the Insured, including but not limited to: <ul style="list-style-type: none"> <li>• Local Authority</li> </ul> |    |         |
| <b>Covering</b>                     | Liability arising out of claims made by Employees for injuries outside the scope of Accident Compensation Legislation                                      |    |         |
| <b>Period of Insurance</b>          | 30 June 2015 to 30 June 2016, at 4pm NZ  |    |         |
| <b>Territory &amp; Jurisdiction</b> | New Zealand  |    |         |
| <b>Limit of Liability</b>           | Loss Limit – any one claim and in the policy aggregate   | \$ | 500,000 |
|                                     | Defence Costs – any one claim and in the policy aggregate  | \$ | 500,000 |
| <b>Deductibles</b>                  | Each and every claim inclusive of costs and expenses.  | \$ | 2,000   |
| <b>Endorsement</b>                  | Legal Costs and Expenses in Addition   |    |         |
| <b>Retroactive Date</b>             | Unlimited, excluding known circumstances   |    |         |
| <b>Underwriter</b>                  | NZI Professional Risk, a business division of IAG NZ Ltd (Lead)  |    | 60%     |
|                                     | QBE Insurance (International) Limited  |    | 40%     |



## Directors & Officers Liability

|  |   |    |           |
|--|---|----|-----------|
| <b>Insured</b>                         | Directors & Officers of Westland Holdings Limited and/or subsidiary companies and/or associated companies and joint ventures for their respective rights and interests  |    |           |
| <b>Covering</b>                        | <ul style="list-style-type: none"> <li>• Indemnity to each Insured Person for Loss arising from a Wrongful Act for which they do not receive indemnity from the named Company</li> <li>• Indemnity to the named Company for Loss for which it grants indemnity to any Insured Person as permitted or required by law</li> <li>• First made against any Insured Person and notified during the Period of Insurance or subsequent Discovery Period</li> </ul> |    |           |
| <b>Period of Insurance</b>             | 30 June 2015 to 30 June 2016<br>Both days at 4.00 p.m. Local Standard Time  |    |           |
| <b>Territory &amp; Jurisdiction</b>    | New Zealand   |    |           |
| <b>Limit of Liability</b>              | Limit of Indemnity – in the annual aggregate  | \$ | 4,000,000 |
|  | Defence Costs Limit of Indemnity – in the annual aggregate  | \$ | 1,000,000 |
|  | <i>Including costs and expenses plus GST</i>  |    |           |
| <b>Deductibles</b>                     | Each and every claim inclusive of costs and expenses in respect of any one Insured Person   | \$ | Nil       |
|  | Each and every claim inclusive of costs and expenses in respect of Company Indemnification  | \$ | 5,000     |
| <b>Special Conditions/Endorsements</b> | <ul style="list-style-type: none"> <li>• Prospectus Liability Exclusion</li> <li>• Total Shareholder Exclusion</li> <li>• Proposal Form Exclusion</li> <li>• Terrorism and War Exclusions</li> </ul>  |    |           |
| <b>Retroactive Date</b>                | Unlimited, excluding known circumstances  |    |           |
| <b>Underwriter</b>                     | QBE Insurance (International) Limited   |    | 100%      |



## Airport Owners & Operators Liability

|                            |   |    |            |
|----------------------------|---|----|------------|
| <b>Insured</b>             | Westland District Council and/or subsidiary companies and/or associated companies and joint ventures for their respective rights and interests                        |    |            |
| <b>Business</b>            | Any activity now or hereafter carried on by the Insured, including but not limited to: <ul style="list-style-type: none"><li>• Airport Operators and Owners</li></ul> |    |            |
| <b>Period of Insurance</b> | 30 June 2015 to 30 June 2016<br>Both days at 4.00 p.m. Local Standard Time  |    |            |
| <b>Premises</b>            | Hokitika Airport, Westland, New Zealand   |    |            |
| <b>Limit of Liability</b>  | Limit of Indemnity – any one claim<br><i>Including costs and expenses plus GST</i>  | \$ | 20,000,000 |
| <b>Deductibles</b>         | Each and every claim in respect of Property Damage  | \$ | 5,000      |
| <b>Underwriter</b>         | Tokio Marine Kiln   |    | 100%       |



## Classes of Insurance Available

This is a list of some of the more common classes of insurances offered to businesses in New Zealand. We suggest that you review the list from time to time in the light of changing needs and circumstances, and discuss any uninsured risks for which insurance may be available, with your Aon Broker. The list is not exhaustive, and if you know of any other uninsured risks, please contact us and we will advise you whether insurance is available.

Tick indicates the classes of insurance you have elected to take ☒

### PROPERTY & BUSINESS INTERRUPTION

|  |  |                                     |
|--|--|-------------------------------------|
| Business Interruption                          | Covers loss of income and increased costs resulting from damage to assets; sometimes referred to as "Loss of Profits" or "Consequential Loss" insurance. Can include a number of optional extensions, including Gross Rentals, Book Debts, & Severance or Redundancy payments. | <input type="checkbox"/>            |
| Computer                                       | Covers computers and computer media against a wider variety of risks than those covered under a Material Damage policy   | <input type="checkbox"/>            |
| Computer Consequential Loss                    | Covers financial losses and extra costs, including data reconstruction, following damage covered under a computer policy   | <input type="checkbox"/>            |
| Contract Works and Advanced Loss of Profits    | Covers physical loss or damage and, as an option, to cover public liability arising in connection with a contract works. Cover can include loss of future income where completion of a construction project is delayed by damage.  | <input checked="" type="checkbox"/> |
| Fidelity/ Crime                                | Covers theft by employees; this risk is commonly excluded from cover under Material Damage insurance. Computer Crime policies can extend a traditional Fidelity policy to include Fraudulent activity from a number of sources and systems.                                    | <input checked="" type="checkbox"/> |
| Machinery Breakdown including Boiler Explosion | Covers breakdown risks, boilers and other pressure vessels against risk of explosion (such risks are commonly excluded from cover under Material Damage insurance)   | <input type="checkbox"/>            |
| Machinery Business Interruption                | Covers loss of income and increased costs resulting from damage by a peril insured under a Machinery policy. Works as a partner to the Machinery Breakdown policy.   | <input type="checkbox"/>            |
| Material Damage                                | A general form of policy to cover loss of buildings, plant and stock   | <input checked="" type="checkbox"/> |
| Money  | Covers cash and other forms of money against loss or damage whilst it is at your premises or in transit. Small limits can often be included under a Material Damage policy.  | <input checked="" type="checkbox"/> |
| Natural Disaster Excess Buydown                | Provides an opportunity to reduce the Natural Disaster Excess applicable under a Material Damage and/or Business Interruption policy   | <input type="checkbox"/>            |
| Terrorism                                      | This risk is commonly excluded from cover under Material Damage insurance  | <input type="checkbox"/>            |

### TRANSPORT

|   |  |                                     |
|---|--|-------------------------------------|
| Aviation Hull                               | Covers aircraft against physical loss or damage  | <input type="checkbox"/>            |
| Aviation Liabilities                        | Covers Public Liability arising out of the use of aircraft (Public Liability insurance does not normally cover liability arising out of the use of aircraft) | <input checked="" type="checkbox"/> |
| Charterers Liability (Aviation/Marine Hull) | Protection tailored to meet the conditions of a Marine or Aviation charter agreement for hull and/or liabilities   | <input type="checkbox"/>            |
| Marine Cargo                                | Covers shipments of goods by land, sea or air  | <input type="checkbox"/>            |
| Marine Hulls                                | Covers watercraft against physical loss or damage  | <input type="checkbox"/>            |
| Marine Liabilities                          | Covers Public Liability arising out of the use of watercraft   | <input type="checkbox"/>            |
| Motor Vehicle                               | Covers direct loss or damage to vehicles & Public Liability (third party liability) in connection to the vehicles  | <input checked="" type="checkbox"/> |

### AGRICULTURAL & BLOODSTOCK

|          |  |                          |
|----------|--|--------------------------|
| Farm     | Covers can be included for your Farm Assets Farm Business Interruption, Liabilities and Farm Vehicles                        | <input type="checkbox"/> |
| Forestry | Covers forests against specified perils; including but not limited to Fire and Lightning. Optional extensions are available. | <input type="checkbox"/> |

### LIABILITY

|                                |   |                                     |
|--------------------------------|---|-------------------------------------|
| Bailees Liability              | Covers liability for damage to property held under bailment, or in your custody and/or control  | <input checked="" type="checkbox"/> |
| Directors & Officers Liability | Covers Directors & Officers against liability they might incur in carrying out the duties of a company director or officer. The insurance will also reimburse the company where it has already indemnified its directors for any such liability; cover includes associated defence costs. | <input checked="" type="checkbox"/> |
| Employers Liability            | Covers the employer company's liability for injury to employees that falls outside the scope of ACC; cover includes associated defence costs  | <input checked="" type="checkbox"/> |



#### LIABILITY (continued)

|  |  |                                     |
|--|--|-------------------------------------|
| Employment Disputes Liability                                  | Covers damages and costs arising out of certain employment related disputes such as wrongful termination, harassment and discrimination; cover includes associated defence costs   | <input type="checkbox"/>            |
| Environmental Impairment                                       | A special form of pollution liability insurance  | <input type="checkbox"/>            |
| Exemplary Damages<br>(Also called Punitive Damages)            | Covers damages arising out of bodily injury in New Zealand where the law otherwise prevents legal action for compensatory damages  | <input checked="" type="checkbox"/> |
| Extra Territorial<br>Workers Compensation                      | Covers liabilities where employees are injured outside their normal country or state of employment and are not covered by the relevant statutory policy  | <input type="checkbox"/>            |
| Forest & Rural Fires Act                                       | For costs imposed by statutory authorities under legislation   | <input checked="" type="checkbox"/> |
| Legal Expenses   | Covers legal expenses incurred in civil action   | <input type="checkbox"/>            |
| Liability Consequential Loss                                   | To partially cover loss of gross profit and increased costs arising from an event that also gives rise to a valid claim on a liability policy; this limited form of cover is only available where the liability insurance is provided by the same insurer  | <input type="checkbox"/>            |
| Libel & Slander/Defamation                                     | Covers legal liability arising out of defamatory remarks made in either written or oral form; cover includes associated defence costs  | <input type="checkbox"/>            |
| Private Legal Aid  | Covers private persons and their families for private legal aid costs for defending a variety of criminal, traffic & civil actions   | <input type="checkbox"/>            |
| Product Guarantee  | Covers liability for correcting defects in products or for replacing defective products  | <input type="checkbox"/>            |
| Product Liability  | Covers liability arising for damage arising out of products supplied; cover includes associated defence costs  | <input checked="" type="checkbox"/> |
| Product Recall   | Covers liability for the cost of recalling products which are defective or suspected of being defective  | <input type="checkbox"/>            |
| Professional Indemnity<br>&/or Errors & Omissions              | Covers legal liability incurred by giving negligent advice or through a breach of professional duty; cover includes associated defence costs   | <input checked="" type="checkbox"/> |
| Prospectus Liability   | Covers the Company, its directors and senior executives for liabilities arising from the issue of a prospectus, information memorandum or other sale/purchase documents. This liability is generally excluded from Directors & Officers Liability policies unless they are specifically extended to cover it. Cover includes associated defence costs. | <input type="checkbox"/>            |
| Public Liability<br>(General Liability or Broadform Liability) | Covers general liability for damage or injury happening in connection with the business; cover includes associated defence costs   | <input checked="" type="checkbox"/> |
| Statutory Liability  | Covers fines or penalties imposed for unintentional breaches of certain statutes; cover includes associated costs  | <input checked="" type="checkbox"/> |
| Trustees Indemnity   | Covers Trustees for personal liability arising from a breach of their fiduciary duties and to reimburse the trust when it has provided an indemnity to the trustees; cover includes associated defence costs   | <input type="checkbox"/>            |

#### HUMAN RESOURCE

|                   |  |                          |
|-------------------|--|--------------------------|
| Employee Benefits | Includes a variety of special forms of insurance including life insurance, long term disability, salary continuance, medical expenses and superannuation | <input type="checkbox"/> |
| Key Person        | To provide cash benefits to the company in the event of death or disablement of key personnel  | <input type="checkbox"/> |
| Personal Accident | To provide cash benefits in the event of death or disablement following accident to insured person   | <input type="checkbox"/> |

#### TECHNOLOGY

|                                    |   |                          |
|------------------------------------|---|--------------------------|
| Cyber Risk                         | Covers Liability and expenses incurred as a result of unauthorised use or access to an organisation's computer systems and software. Can also include cover for liability costs and expenses arising from network outages, transmission of viruses, computer theft and extortion. | <input type="checkbox"/> |
| Intellectual Property Pursuit      | Covers legal expenses to enforce intellectual property rights that are infringed by a Third Party   | <input type="checkbox"/> |
| Media Liability/Internet Liability | Covers advertising injury, defamation, breach of third party intellectual property through operating on the internet or via email; includes liability to third parties from inadvertent transmission of viruses   | <input type="checkbox"/> |

#### MISCELLANEOUS

|   |   |                          |
|---|---|--------------------------|
| Accidental & Malicious<br>Product Damage/Tamper | Crisis Management providing cover for Product Recall, Restoration Costs, Loss of Income and Incident Response Costs (following product tamper)                  | <input type="checkbox"/> |
| Bonds   | Financial devices (rather than insurance policies) designed to avoid the need to provide a bond in cash   | <input type="checkbox"/> |
| Credit Insurance & Trade Debtors                | Covers risk of trade debtors failing to pay debts due to their insolvency or protracted default   | <input type="checkbox"/> |
| Extortion                                       | Includes kidnap, ransom and product tampering insurance   | <input type="checkbox"/> |
| Political Risk                                  | Covers confiscation, expropriation or nationalisation of overseas assets and contracts; can also include cover against frustration or repudiation of a contract | <input type="checkbox"/> |
| Travel  | Covers baggage, medical costs and other travel related risks  | <input type="checkbox"/> |



## Insurer Ratings

### Insurance (Prudential Supervision) Act 2010 As At 04 June 2014

In accordance with the Insurance (Prudential Supervision) Act 2010, Insurers' Financial Strength ratings are as follows:

| COMPANY  | RATING | RATING AGENCY     |
|--|--------|-------------------|
| ACE Insurance Limited  | A+     | Standard & Poor's |
| AIG Insurance New Zealand Limited  | A      | Standard & Poor's |
| Allianz Australia Insurance Limited<br>(including Motor & General, Club Marine, Euler Hermes Trade Credit, CPF 4)                                    | AA-    | Standard & Poor's |
| Atradius Insurance NV  | A      | AM Best           |
| Civic Assurance/NZ Local Government  | B+     | AM Best           |
| Dual New Zealand Limited (Underwriting Agency Lloyds Syndicates)   | A+     | Standard & Poor's |
| Lloyds (including UKUF)  | A+     | Standard & Poor's |
| Lumley General Insurance (including Australis Marine, Star Underwriting Agents)  | A-     | Standard & Poor's |
| Mitsui Sumitomo Insurance Co   | A+     | Standard & Poor's |
| NZI – a Business Division of IAG NZ Limited<br>(including Mike Henry, NTI, NZI Marine, National Auto Club, Swann, CPF 4)                             | AA-    | Standard & Poor's |
| QBE Insurance (International) Limited  | A+     | Standard & Poor's |
| Sunderland Marine  | A      | Standard & Poor's |
| The New India Assurance Co   | A-     | AM Best           |
| Tokio Marine & Nichido Fire Insurance Co   | AA-    | Standard & Poor's |
| TOWER Insurance Limited  | A-     | AM Best           |
| Vero Insurance New Zealand Limited<br>(Incl Vero Liability, Axiom, Vero Specialist Risks, Vero Marine, Mariner, Classic Cover, Vero Aviation, CPF 4) | A+     | Standard & Poor's |
| Zurich New Zealand (Including Associated Marine, Zurich Australian Insurance, Zurich Auto)   | A+     | Standard & Poor's |
| CPF 5 (Client Placement Facility) NZI 51%, Vero 39%, Allianz 10%   |        |                   |

| STANDARD & POOR'S   |   | AM BEST  |                   | FITCH         |   |
|---------------------|---|----------|-------------------|---------------|---|
| AAA                 | Extremely Strong  | A++ & A+ | Superior          | AAA           | Exceptionally Strong                                |
| AA                  | Very Strong   |          |                   |               |   |
| A                   | Strong  | A & A-   | Excellent         | All AA Class  | Very strong   |
| BBB                 | Good  |          |                   |               |   |
| BB                  | Marginal  | B++& B+  | Good              | All A Class   | Strong  |
| B                   | Weak  |          |                   |               |   |
| CCC                 | Very Weak   | B & B-   | Adequate          | All BBB Class | Good  |
| CC                  | Extremely Weak  |          |                   |               |   |
| SD                  | Selective Default   | C++ & C+ | Fair              | All BB Class  | Moderately Weak                                     |
| D                   | Default   |          |                   |               |   |
| R                   | Regulatory Supervision  | C & C-   | Marginal          | All B Class   | Weak  |
| NR                  | Not Rated   | D        | Very Vulnerable   | All C Class   | Very Weak   |
| Note re S&P Ratings | Ratings AA-CCC with (+) or (-) show relative standing within the major rating categories. | E        | Under Supervision | All D Class   | Distressed  |
|                     |   | F        | In Receivership   | NR            | Fitch does not rate the issuer or issue in question |

Aon New Zealand cannot guarantee the solvency of an insurer, but if you require any further information on these companies or their financial statements, please do not hesitate to ask.





## Other Aon Services

Our significant resources allow us to offer more than just the general insurance buying services traditionally offered by insurance brokers. In addition to the risk management services that we recommend WDC consider, we would also like to introduce the following specialists.

### Construction services

Dedicated team serving the construction industry with local and international experience. The team provides innovative and competitively priced insurance protection and risk management advice, including claims management.

### Sprinkler services

Provision of inspection and certification of new and existing sprinkler systems, as well as biennial surveys as required under the Building Act. This is a unique service offered by Aon. None of our competitors have this capability.

### Fraud and crisis solutions

Provides pre incident crisis placement advice, including the design and placement of crisis management insurances. Services covered include fraud, corruption, terrorism, kidnap and ransom, product recall and political risk.

### Valuation services

Valuation services including insurance, accounting, market valuations for mergers and acquisitions and asset register reconstruction (reconciliation). Valuations cover all forms of physical assets including property, infrastructure, plant/equipment, IT and office contents.

### Employee benefits

Advice, consulting solutions and administration (including reporting & compliance services) of superannuation and retirement savings plans. For those organisations not wishing to manage their own fund, Aon offers a packaged Master Trust solution, which includes a complete outsourced superannuation solution to clients.

### Benefits to WDC

The leading construction team in New Zealand with several senior acquisitions over the last 12 months. The team will work with WDC, from contractual advice to completion and handover.

Real linkage between property insurance portfolio and fire risk management. Advice and guidance on sprinkler system compliance. Reporting in a format that is tailored to your requirements. Beneficial pricing for Aon clients.

Helps you understand your exposure to crisis risks, better prepare your responses to these situations, and ensure that appropriate risk-financing solutions are tailored to and reflect your risk needs.

Ensures the correct sum insured is established and minimizes any potential for under-insurance (or over-insurance), as well as compliance with specific borrowing or banking covenants, accounting and tax standards.

Convenient and innovative solution in an increasing complex environment, particularly under the choice of fund regime.

# Report



**DATE:** 11 August 2015

**TO:** Executive Committee

**FROM:** Chief Executive

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## WESTLAND HOLDINGS LIMITED STATEMENT OF INTENT 2015-16

### 1.0 SUMMARY

- 1.1 The purpose of this report is to provide the draft Statement of Intent (SoI) for Westland Holdings Ltd [WHL] for 2015-16 attached as **Appendix 1**, for feedback from the Executive Committee.
- 1.2 This Statement of Intent is submitted in accordance with Section 64 and Schedule 8 of the Local Government Act 2002.

### 2.0 CURRENT SITUATION

- 2.1 Clause 2 of Sch.8 requires that *'The board of a council-controlled organisation must deliver to its shareholders a draft statement of intent on or before 1 March each year.'* Due to the uncertainty evoked by Council's CCO Review and the focus on completion of the Long Term Plan 2015-25 this was not observed.
- 2.2 The SoI was delivered to Council on 30 June 2015. Its content is compliant with the requirements of Sch.8 Clause 9 and unchanged from the SoI for 2014-15.
- 2.3 The following matters are highlighted for the Committee's attention:
  - 2.3.1 The Statements of Intent for the subsidiaries have not been received. While Council is not required to comment on these, the performance measure for CCOs in the Long Term Plan 2015-25 states that CCOs comply with their Statements of Intent. It is within the remit of WHL to monitor the performance of its subsidiaries.

- 2.3.2 Objectives 4 and 7 concern the selection and appointment of directors. In June 2015 Council adopted a Policy on Appointment and Remuneration of CCO Directors. Staff suggest this KPI be amended to include reference to this new policy.
- 2.3.3 Objective 6 in the Statement of Intent for WHL discloses target distribution income of \$360,000 for the year ended 30 June 2016. Council's budget for the year is \$497,000.
- 2.4 The following editorial comments are also noted in the SoI:
  - 2.4.1 The title page states that the SoI covers a three year period commencing 1 July 2015, whereas *Section 1, Introduction* reads 1 July 2014.
  - 2.4.2 In *Section 2, Company Mission* the SoI references Council's previous vision, which was superseded in September 2014.
  - 2.4.3 Under *Section 4, Nature and Scope of Activities* the shareholdings, valued at cost in Hokitika Airport Ltd [\$2,448,000] and Westland District Property Ltd [\$2,504,000] are understated compared to the share capital reported in the balance sheets of the individual companies as at 30 June 2014, being \$2,718,000 and \$2,627,000 respectively. Consequently the sum of investments in the SoI is \$393,000 lower than that contained in WHL's balance sheet at the same date. Council is not aware of any transactions or impairment adjustments that would have caused a reduction in these valuations.

### 3.0 RECOMMENDATIONS

- A) **THAT** the Committee receives the 2015-16 draft Statement of Intent from Westland Holdings Ltd.
- B) **THAT** the Committee provides recommendations to Council regarding any feedback on the Statement of Intent for Westland Holdings Ltd.

**Tanya Winter**  
**Chief Executive**

#### **Appendix 1: Westland Holdings Ltd Statement of Intent 2015-16**



# Westland HOLDINGS

**WESTLAND HOLDINGS LIMITED**

**HOKITIKA AIRPORT LIMITED  
WESTROADS LIMITED  
WESTLAND DISTRICT PROPERTY LIMITED**

**STATEMENT OF INTENT FOR THE THREE YEARS COMMENCING 1 JULY 2015**

1. INTRODUCTION
2. COMPANY MISSION
3. THE OBJECTIVES OF THE COMPANY
4. NATURE AND SCOPE OF ACTIVITIES
5. GOVERNANCE
6. PERFORMANCE TARGETS
7. SHAREHOLDERS' FUNDS/ASSETS
8. DISTRIBUTION POLICY
9. CAPITAL EXPENDITURE
10. ACQUISITION OR DISPOSAL OF OTHER INTERESTS
11. REPORTING TO SHAREHOLDERS
12. ACCOUNTING POLICIES

## **WESTLAND HOLDINGS LIMITED**

### **1. INTRODUCTION**

This Statement of Intent (“SI”) is prepared in accordance with Section 64 and Schedule 8 of the Local Government Act 2002.

The SI specifies for Westland Holdings Limited (“WHL”) and its subsidiaries the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the group may be judged in relation to its objectives, amongst other requirements.

The process of negotiation and determination of an acceptable SI is a public and legally required expression of the accountability relationship between the company and its sole shareholder, the Westland District Council (“WDC”). The SI is reviewed annually with the WDC and covers a three year period commencing 1 July 2014.

### **2. COMPANY MISSION**

**Investing in, and promoting the establishment of, key infrastructure assets in a commercially viable manner to assist the development of Westland as a world-class destination as stated in Council’s Vision. WHL delivers the objective of “Having inspirational leadership.”**

Westland Holdings Limited supports the Westland District Council’s “Vision of Westland” that it will, by 2030, be a world class tourist destination and have industries and businesses leading through innovation and service. This will be achieved by:

- Involving the community and stakeholders
- Having inspirational leadership
- Having expanded development opportunities
- Having top class infrastructure for all communities
- Living the ‘100% Pure New Zealand’ brand

Westland Holdings Ltd. Contributes to Westland’s vision by:

- Providing inspirational leadership

### 3 THE OBJECTIVES OF THE COMPANY

As required by section 59 of the Local Government Act 2002, the principal objectives of WHL are to:

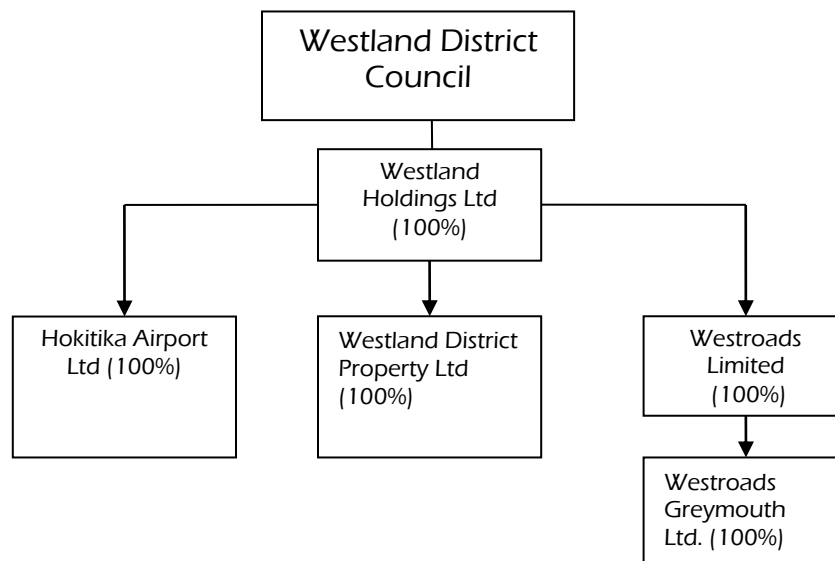
- achieve the objectives of its shareholders, both commercial and non-commercial, as specified in this statement of intent; and
- be a good employer in accordance with S:36(2) of schedule 7 of the Local Government Act 2002 and
- exhibit a sense of social responsibility by having regard to the interests of the community in which it operates.
- exhibit a sense of environmental responsibility by having regard to the interests of the community in which it operates.

WHL achieves the following Community Outcome in Westland District Council's Long Term Council Community Plan:

**ECONOMY:** *A thriving, resilient and innovative economy creating opportunities for growth and employment.*

### 4. NATURE AND SCOPE OF ACTIVITIES

WHL is a wholly-owned council-controlled organization ("CCO") of WDC, which was formed on 24 July 2002. The group structure is as follows:



## Shareholding Role

WHL on behalf of WDC has:

- A shareholding investment in Hokitika Airport Limited (“HAL”) of \$2,448,000 representing 100% of HAL’s share capital.
- A shareholding investment in Westroads Limited (“WL”) of \$3,350,000 representing 100% of WL’s share capital.
- A shareholding investment in Westland District Property Limited (“WDPL”) of \$2,504,000 representing 100% of WDPL’s share capital.

Activities that are to be undertaken by WHL are:

- Negotiation of the individual annual SIs for the CCOs that it owns (the subsidiary companies).
- Negotiation of the annual SI between WDC as shareholder and WHL.
- Monitoring the performance of the subsidiary companies that WHL owns.
- Advice to WDC regarding potential CCO establishment opportunities.
- Maintaining a Register of Potential Directors including public advertising.
- Appointment and monitoring of the directors of the subsidiary companies.
- Hosting an annual shareholders’ meeting.

The undertaking of any activity not provided for under this SI requires the prior approval of WDC, specifically:

- No subsidiary companies are to be formed by WHL without the prior approval of WDC.
- No shares are to be acquired by WHL or the subsidiaries without the prior approval of WDC.
- No shares held by WHL or the subsidiaries are to be sold or otherwise disposed of without the prior approval of WDC.

Over time, WDC may form other CCOs within the WHL structure. WHL is an obvious vehicle for holding the shares in these enterprises; however it remains WDC’s intention that the directors’ approach to the holding of other shares will be determined on a case-by-case basis. With the position that the directorate holds, within the overall WDC group, it is anticipated that WHL will assist WDC in the identification and assessment of future opportunities.



Specific objectives of WHL are:

- To monitor the performance of each subsidiary company.
- **To ensure that each subsidiary company has in place active and effective health and safety policies and procedures which provide a safe operating environment for all employees, contractors and affected parties.**
- To ensure that each subsidiary company operates economically and efficiently, and in accordance with an agreed SI, and to optimize the returns from, and the value of, the subsidiary companies within the parameters set by WDC.
- To ensure, insofar as it is lawfully able and commercially practicable, that the SI of each of the subsidiary companies reflect the policies and objectives of WDC.
- To keep WDC informed of matters of substance affecting WHL and the subsidiary companies and, insofar as it is practical and reasonable in the opinion of the directors, provide the opportunity for comment on such matters prior to taking any action.
- To ensure that there is regular and informative reporting of the financial and non-financial performance and risk exposures of WHL and the subsidiary companies.
- To report to WDC on CCO establishment opportunities, and other investment opportunities that have the potential to enhance the economic well-being of the region, and provide an adequate return.
- To maintain and improve good governance by regularly and constructively appraising the performance of the subsidiary company directorates, maintaining an appropriate monitoring framework and informing WDC prior to appointment of the new director.
- To support Westland District Council to review or create policies relevant to the Company.

## 5. GOVERNANCE

WHL's directors are appointed by the shareholders to govern and direct WHL's activities. This responsibility includes such areas of stewardship as:

- Commercial performance
- Non-commercial performance
- Business plans and budgets
- Corporate policies
- Financial and distribution policies
- Management oversight and development
- Delegations or authority
- Identification and management of business risks
- Identification and management of business opportunities
- Internal control systems
- Integrity of management information systems
- Relationships with stakeholders and external parties
- Compliance with relevant law
- Reports to shareholders

The Directors are:

- Graeme King (Chair)
- Michael Teen
- Michael Havill

## 6. PERFORMANCE TARGETS OF WESTLAND HOLDINGS LIMITED FOR THE THREE YEARS COMMENCING 1 JULY 2015

The following performance targets have been set for the 2015/16 financial year, and the two years following:

### **RELATIONSHIP WITH WDC, AND OTHER GOVERNANCE ISSUES:**

| <b>Objective</b>   | <b>Performance Target</b>  |
|--|--|
| 1 To ensure that the financial targets and strategic direction of WHL are in line with the requirements of WDC.              | <p>A draft SI for WHL will be submitted for approval to WDC by 1 March each year.</p> <p>A completed SI will be submitted to WDC by 30 June each year.</p>   |
| 2 To ensure that WDC is kept informed of all significant matters relating to its subsidiaries on a “no surprises” basis.     | <p>At least two progress reports be made to WDC in the financial year (in addition to reporting on specific issues), with at least one presentation made to Councillors. Reports will include financial and non-financial performance.</p> <p>Major matters of urgency are reported to the appropriate Council Committee or the CE of WDC within three days.</p> |
| 3 To ensure that WHL directors add value to the company and that their conduct is according to generally accepted standards. | <p>The Chair will initiate an independent formal evaluation of the WHL directorate bi-annually, the first was undertaken in the 2013/14 year.</p> <p>The Company will review the training needs of individual WHL directors, and ensure training is provided where required.</p>   |
| 4 WHL’s process for the selection and appointment of directors to the boards of subsidiaries is rigorous and impartial.      | <p>The process followed for each appointment to a subsidiary board is transparent, fully documented and reported to WDC.</p>   |

### **FINANCIAL**

**Objective****Performance Target**

- |   |  |
|---|--|
| 5 To ensure that WHL returns a dividend to WDC in accordance with WDC's budgets, and meets other financial targets.       | WHL negotiates with WDC to pay an achievable distribution for the 2015/16 financial year prior to finalising WDC's budget. |
| 6 To ensure that the subsidiary companies return a minimum acceptable dividend as per the SI of the subsidiary companies. | WHL meets its budgeted level of distribution income of \$360,000 for the 2015/16 financial year.                           |

**SPECIFIC SUBSIDIARY MANAGEMENT AND SUPERVISORY FUNCTIONS:**

**Objective****Performance Target**

- |   |  |
|---|--|
| 7 To ensure that WHL's procedure for appointment to subsidiary directorates are open and in accordance with written policy.   | That the adopted Directors Policy be followed for any director appointments made.  |
| 8 To ensure that the draft subsidiary company SI's are received on a timely basis for review and comment.   | Draft SI's are to be received by 14 February from the subsidiary companies.  |
| 9 To ensure that the final subsidiary company SI's are appropriate, measurable, attainable and timely.  | Comment on the draft SI's within the statutory timeframe of 30 April each year.  |
| 10 To ensure that the final subsidiary company SI's are commercially focused documents, while also being compatible with the strategic aims of WDC to prudently manage these long term community investments. | <p>WHL will direct the subsidiary companies to produce commercially focused draft SI's that are cognizant of their responsibilities to the social and environmental needs of the communities of Westland.</p> <p>WHL will assess the alignment of the SI's with any specifically notified WDC strategic directive.</p> |
| 11 To ensure that the subsidiary company reporting is relevant  | Subsidiary company SI's to incorporate specific reporting  |

and timely.

requirements in accordance with legislation and accepted practice.

All activity reports and formal reporting will be done through the Chairman of WHL and the CE of WDC.

## **RISK MANAGEMENT PROCESSES:**

### **Objective**

- 12 To ensure that there are adequate processes for the identification, assessment and management of the risk exposures of the subsidiary companies.

To ensure that subsidiary companies do not make decisions that could have significant implications for future Council funding.

### **Performance Target**

Subsidiary company SI's to incorporate specific statements regarding the processes for the management of risk exposures, including reputational risk.

Long term investment assessment is carried out for any new projects. These must be assessed and approved by Council prior to initiating significant projects.

## **7. SHAREHOLDERS FUNDS TO TOTAL ASSETS**

### **a) Ratio of Shareholders' funds to total assets.**

Shareholders' funds are defined as the sum of the amount of share capital on issue, retained earnings/accumulated losses, revenue and capital reserves. Total assets are defined as the sum of the net book value of current assets, investments, fixed assets, and intangible assets as disclosed in the company's Statement of Financial Position, prepared in accordance with the accounting policies adopted by the Directors.

The target ratio of shareholders' funds to total assets shall not be less than 50% for the period covered by this SI. The appropriateness of this target ratio will be reviewed annually by the Directors.

### **b) Estimate of the commercial value of the company**

The value of WHL has been defined as the value of shareholders' funds as at 30 June 2013.

The value ascribed to shareholders' funds will be that stated in the annual Statement of Financial Position of the company as at the end of the financial year preceding each SI.

### **c) Transactions between related parties and compensation from WDC**

Transactions between WDC, WHL and the subsidiary companies will be conducted on a wholly commercial basis. Compensation for any services provided between WHL and WDC will be conducted on a wholly commercial basis.

## **8. DISTRIBUTION POLICY**

Profit retention and dividend policy will be determined from year to year by the Directors in accordance with operational results, financial prospects, and the circumstances prevailing, with the objectives of ensuring that:

- The amount of the distribution does not limit WHL's ability to fund future capital expenditure requirements to both maintain and expand current operations and address issues relating to the company's debt structure; and with the provisos that:
  - i. The Directors are satisfied that the requirements of section 4 of the Companies Act (the "solvency test") have been satisfied,
  - ii. The amount of the distribution does not exceed the amount of the nett profit after tax, plus cash held in reserves, in the year to which the distribution relates, and
  - iii. Total liabilities do not exceed 50% of the total assets.

## **9. CAPITAL EXPENDITURE**

The parent company does not foresee a need for capital expenditure at this time.

## **10. ACQUISITION OR DISPOSAL OF OTHER INTERESTS**

In addition to the references made within this document, each such Director consenting to the act has been provided with a letter of direction from WDC that no sale, or other disposal, or pledge as security of all or any of the shareholding in WDPL, WL or HAL is entered into by WHL, except pursuant to express resolution of WDC authorising such transaction.

## **11. REPORTING TO SHAREHOLDERS**

WHL will provide information that meets the requirements of the Companies Act 1993, the Local Government Act 2002, and the reporting requirements prescribed from time to time by the Institute of Chartered Accountants of New Zealand, in order to enable the shareholders to make an informed assessment of the Company's performance. The following information will be made available:

- a) An annual SI in accordance with Section 64, Section 66 and Schedule 8(3) of the Local Government Act 2002 and any other information that the Directors deem appropriate.
- b) A half-yearly report in accordance with Section 66, 67 and 71 of the Local Government Act 2002 and the reporting requirements prescribed from time to time by the Companies Act 1993, the Institute of Chartered Accountants of New Zealand, and any other information that the Directors deem appropriate.
- c) An annual report in accordance with Section 67 and 71 of the Local Government Act 2002 and the reporting requirements prescribed from time to time by the Institute of Chartered Accountant of New Zealand, and any other information that the Directors deem appropriate.

## **12. ACCOUNTING POLICIES**

The financial statements of WHL are prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with the New Zealand International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate.

The group changed its accounting policies on 1 July 2006 to comply with NZ IFRS.

### **1. Reporting Entity**

Westland Holdings Limited is registered under the Companies Act 1993 and is domiciled in New Zealand.

Westland Holdings Limited is owned by Westland District Council.

The Company is a Council Controlled Trading Organisation as defined in Section 6(1) of the Local Government Act 2002.

The financial statements of the Company have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Local Government Act 2002.

The Group consists of Westland Holdings Limited, Westland District Property Limited, Hokitika Airport Limited, Westroads Limited and its 100% owned subsidiary, Westroads Greymouth Limited. All group companies are incorporated in New Zealand.

## **2. Basis of Preparation**

### **a. Statement of Compliance**

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZIFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

### **b. Measurement Base**

The financial statements have been prepared on a historical cost basis.

### **c. Functional and presentation currency**

These financial statements are presented in New Zealand dollars (\$), which is the Group's functional currency. All financial information presented has been rounded to the nearest thousand.

### **d. Use of estimates and judgments**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 9 – Inventory Valuation

Note 10 – Depreciation and estimated useful lives of property, plant and equipment



### **3. Significant Accounting Policies**

Accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The following particular accounting policies which materially affect the measurement of financial results and financial position have been applied:

#### **(a) Property, plant & equipment**

##### **(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

##### **(ii) Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of financial performance as incurred.

##### **(iii) Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- |                                |             |
|--------------------------------|-------------|
| • buildings                    | 25-50 years |
| • plant and equipment          | 2-15 years  |
| • office furniture & equipment | 2-15 years  |
| • runway infrastructure        | 0-67 years  |

## **(b) Intangible assets**

Mining licences that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised in the statement of financial performance on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated remaining useful lives for the mining licences is 5 years.

Goodwill is being amortised over 20 years.

## **(c) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Metal inventory is determined on a weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

## **(d) Construction work in progress**

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work in progress is presented as part of trade and other receivables in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the balance sheet.

## **(e) Impairment**

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the statement of financial performance.

### **(i) Impairment of receivables**

The recoverable amount of the Group's investments in receivables carried at amortised cost is calculated as the present value of estimated future cash flows,

discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment losses on an individual basis are determined by an evaluation of the exposures on an instrument by instrument basis. All individual instruments that are considered significant are subject to this approach.

For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on numbers of days overdue, and taking into account the historical loss experience in portfolios with a similar amount of days overdue.

#### (ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, being property, plant and equipment and mining licences, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the statement of financial performance. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

### (f) Financial instruments

The Group categorises its financial assets as loans and receivables, and its financial liabilities as being at amortised cost.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. The company's loans and receivables comprise: cash and cash equivalents, and trade and other receivables.

Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less impairment.

#### Amortised cost

Financial liabilities comprise: trade and other payables, borrowings, and advances. Borrowings are initially recognised at their fair value net of transaction costs, and subsequently measured at amortised cost using the effective interest method.

Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Interest-bearing borrowings

Interest-bearing borrowings are classified as other non-derivative financial instruments.

Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

### **(g) Goods and Services Tax (GST)**

All items in the financial statements are exclusive of goods and services tax (GST) with the exception of receivables and payables which are stated with GST included. Where GST is irrecoverable as an input tax then it is recognised as part of the related asset or expense.

### **(h) Employee benefits**

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

**(iv) Short-term benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(i) Leased assets**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases. The leased assets are not recognised on the Group's balance sheet.

**(j) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**(j) Revenue**

**(i) Goods sold**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of materials, transfer usually occurs when the product is dispatched to the customer.

**(ii) Services**

Revenue from services rendered is recognised in the statement of financial performance in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

**(iii) Construction contracts**

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the statement of financial performance in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

**(k) Lease payments**

Payments made under operating leases are recognised in the statement of financial performance on a straight-line basis over the term of the lease.

**(l) Income tax expense**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of financial performance except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

#### **(m) Consolidation**

The company has three 100% owned subsidiary companies that are consolidated in these financial statements.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.