

A G E N D A

Council Meeting

**Council Chambers
36 Weld Street
Hokitika**

**Thursday
27 August 2015
commencing at 9.00 am**

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



COUNCIL MEETING

NOTICE IS HEREBY GIVEN THAT AN ORDINARY MEETING OF THE WESTLAND DISTRICT COUNCIL WILL BE HELD IN THE COUNCIL CHAMBERS, 36 WELD STREET, HOKITIKA ON THURSDAY 27 AUGUST 2015 COMMENCING AT 9.00 AM

Tanya Winter
Chief Executive

21 August 2015

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

Cr D.G. Hope.

1.2 Interest Register

2. CONFIRMATION OF MINUTES

2.1 Confirmation of Minutes of Meetings of Council

2.1.1 Ordinary Council Minutes – 23 July 2015

(Pages 5-22)

3. PUBLIC FORUM

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

4. BUSINESS

4.1 Mayor's Report

4.2 Update from Councillors

Morning tea at 10.30 am.

4.3 Carry Forwards From 2014-15

(Pages 23-27)

4.4 Financial Performance: FY June 2015

(Pages 28-37)

4.5 Kumara Chinese Garden Proposed Project – Consultation on use of Endowment Funds

(Pages 38-43)

4.8 Report From Executive Committee Chair – August 2015

(Pages 44-94)

Lunch at 12.30 pm.

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 **Confidential Minutes**

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
5.1	Confidential Minutes	Confidential Report	Good reasons to withhold exists under Section 7	Section 48(1(a))

Date of Next Ordinary Council Meeting
24 September 2015
Council Chambers



Council Minutes

MINUTES OF AN ORDINARY MEETING OF THE WESTLAND DISTRICT COUNCIL, HELD IN THE COUNCIL CHAMBERS, 36 WELD STREET, HOKITIKA ON THURSDAY 23 JULY 2015 COMMENCING AT 9.03 AM

1. MEMBERS PRESENT, APOLOGIES AND INTEREST REGISTER

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

Deputy Mayor P.M. Cox

Cr. J.H. Butzbach, Cr. M.S. Dawson (from 9.15 am), Cr. L.J. Martin, Cr M.D. Montagu, Cr. C.A. van Beek.

1.1 Apologies

Cr M.S. Dawson for lateness.

Cr A.P. Thompson and Cr D.G. Hope. Moved Cr Martin, seconded Cr Butzbach and **Resolved** that the apologies from Cr D.G. Hope and Cr A.P. Thompson be received and accepted.

Staff in Attendance

T.L. Winter, Chief Executive; J.S. Bainbridge, Field Inspections Officer; D.B. Blight, Community Development Advisor (part of the meeting); G. Borg, Group Manager: Corporate Services; P. Cannell, Engineer – Water Services (part of the meeting) ; L.A. Crichton, Finance Manager; J.D. Ebenhoh, Group Manager: Planning, Community and Environment; S. Eyre, Property & Projects Supervisor (part of the meeting); V. Goel, Group Manager: District Assets; D.M. Maitland, Executive Assistant.

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

3. PUBLIC FORUM

The following members of the public attended the Public Forum Section of the meeting:

3.1 Mrs Bella Russell

Mrs Russell spoke regarding her property at 87 Livingstone Street, Hokitika:

- Concerned that she has already been to the Council asking that the flooding problem in Livingstone Street be fixed; particularly the drain next to her property.
- Concerned that a neighbour has previously been to the Council regarding flooding in Livingstone Street and has also contacted the Hon Damien O'Connor regarding the flooding.

3.2 Mr Alan Russell

Mr Russell spoke regarding his property at 87 Livingstone Street, Hokitika:

- Advised that the drain on the north side of his property was completely blocked and the water was flowing from the Council property to his property.
- Noted that there were another two houses that were affected by flooding in a similar way.
- Asked that the Council Engineer inspect the drain.

3.3 Ms Megan Wilson

Ms Wilson spoke regarding the letter that had been circulated to the Mayor and Councillors from Ross Godfrey, 35 Rolleston Street, Hokitika:

- The flooding has been an ongoing problem for years.
- Noted that the pump house was erected but there is no pump.
- Asked that Council consider the points in the letter from Ross Godfrey as follows:
 - Street outside the residence was dug up by the Council some years ago and reduced to a lower level.
 - Stormwater pipes and collection sumps are inadequate for Rolleston Street.
 - The water flow gradient is wrong.

- For the last 10 years they have been expressing concern on numerous occasions about the flooding problem in Rolleston Street.
- Asked that:
 - Council provides full financial assistance for the lifting of their house including any Engineer's costs.
 - Any necessary consent fees for lifting the house be waived.
 - Rolleston Street be raised and the actual stormwater pipes and flow levels be remedied.

3.4 **Mr Des Routhan**

Mr Routhan spoke regarding the flooding of Rolleston Street, Hokitika:

- Noted that this was the second meeting in a fortnight that he has attended regarding the Rolleston Street flooding.
- Noted that the street was lowered 12-15 years ago and since then Rolleston Street has been flooding.
- Asked why Council needs to spend \$20,000 on an Engineer's Report.

Cr Dawson attended the meeting at 9.15 am.

3.5 **Mr Alan Reith**

Mr Reith spoke regarding the flooding in Rolleston Street, Hokitika:

- Advised that he has lived in Rolleston Street for 38 years.
- Stated that flooding has been frequent, 3-4 times per year.
- Believes that the flood in June 2015 would have risen half a metre higher than it has previously.

3.6 **Ms Patricia Nolan**

Ms Nolan's letter regarding flooding at 69 Weld Street, Hokitika had been circulated to the Mayor and Councillors and taken as read.

3.7 **Ms Ashleigh Stewart**

Ms Stewart spoke regarding her property at 85 Livingstone Street, Hokitika:

- Concerned regarding the recent flooding in Livingstone Street, and in particular the flooding that went through her house.
- Asked if she is able to get a rates rebate from Council.
- Concerned that the pumps may have been on manual as the water did not appear to go away at all.

Mr John Stewart then spoke in support of Ashleigh:

- Asked why information on previous flooding in Livingstone Street was not in the LIM reports.
- Stated that there was confusion in town as to whether the pumps were actually working.
- Asked that Council do more and put things like flooding on LIM reports.

3.8 Mrs Andre and Mr Nigel Mehrtens

Mrs Mehrtens spoke regarding the flooding of 43 Rolleston Street, Hokitika:

- Letter had been circulated to the Mayor and Councillors.
- Thanked Council for the moral support that had been provided.
- Their house has been stripped, dried and decontaminated.
- Noted that some Councils offer insulation projects via rates repayments and asked if Council would be prepared to offer a similar project.
- Stated that the insurance company is reluctant to inspect below floorboard level and asked if Council can insist on an inspection.
- Asked if Council will continue to make staff time available and consider waiving consent and report fees if they are not covered by insurance.
- Noted that their LIM report contained no mention of flooding in Rolleston Street.
- Noted that it was pointed out in the Long Term Plan submission process that Rolleston Street was prone to flash floods and this had not been included in the planned repairs and upgrades of the stormwater system, and asked that Council rectify this omission.

3.9 Mr Steve Sanson

Mr Sanson spoke regarding the flooding of 290 Hampden Street, Hokitika:

- Advised he has done extensive research on drains and stream in various parts of Hokitika, particularly in the vicinity of 290 Hampden Street, Hokitika.
- Provided an update on flooding in various parts of Hokitika 30-40 years ago.
- Asked that there be a maintenance plan on grills so that water can flow, particularly the open drain that runs alongside Westland Milk Products that has a grill on it.
- Noted that around the back of 290 Hampden Street there was an old road, with two big culverts under the base of Hampden Street, that flow down through the camping ground. This drain needs to be cleaned out regularly.

- Noted that on the riverside of Kaniere Road, there is a big culvert, and on the downstream side there has been soil dumped over it blocking the flow. On the other side of the road, the culvert is filled up with rocks and rubble.
- Concerned that flooding information was not on the LIMs.
- Asked that when property development is done, that there is consideration to the upgrade of the stormwater systems before the development is allowed.
- Asked that Council put in place maintenance plans for the top two drains.
- Noted that at Prossers Bush there is a grill that goes out through the tanker truck stop. That was all covered in stones which completely covered the pipe.

3.10 Mr Warren Diedrichs and Mr Russell Diedrichs

Mr Warren Diedrichs and Mr Russell Diedrichs attended the meeting and spoke regarding erosion to his farm at Doughboy Road at the top end of the Kokatahi/Kowhitirangi Valley.

- Letter and photographs from Mr Warren Diedrichs had been circulated to the Mayor and Councillors.
- Noted that the increasingly serious erosion problem to his farm had not existed prior to works carried out by Council contractors.
- Asked that the holes that were created from the soil bank at the top of the road near Vine Creek, including the resulting crevasses, be reconstructed to their former condition before road works commenced in October 2013.

3.2 Mr Alan Russell cont.

Mr Russell then asked that, if he wanted to lift his house out of the flood zone, would Council be prepared to contribute towards half the costs?

His Worship the Mayor advised that Council would have to consider this at the appropriate time and discuss this matter.

3.11 Mr Rick Fehlberg

The letter from Mr Fehlberg had been emailed to the Mayor and Councillors regarding flooding in Rolleston Street, Hokitika.

The Group Manager: District Assets and the Engineer – Water Services spoke to the Rolleston Street Report.

His Worship the Mayor then asked the following, to which the Group Manager: District Assets, and the Field and Inspections Officer, and Engineer – Water Services replied:

- **Why is an independent review required?**
 - Noted that this is a very technical issue which requires a stormwater engineer.
 - There is no pump station in Livingstone Street.
 - During the development of the stormwater catchment plan, there will be consultation undertaken with affected residents.
- **Has Council consented new development outside the traditional catchment zone?**
 - Noted that development has happened slowly.
 - Council needs to look at the whole catchment plan.
- **Members of the public have advised that there are drains that are not maintained, culverts are blocked and the grills are stopping water flow. What is being done about these matters?**
 - Contractors were trying to unblock some of the grills on the night of the flooding.
 - The Group Manager: District Assets advised that he will be talking to contractors and staff to ensure that there is more rigorous supervision in terms of regular maintenance.

4. **BUSINESS cont.**

4.5 **Rolleston Street Flooding Issues**

Moved Cr Dawson, seconded Deputy Mayor Cox and **Resolved** that:

- A) Council approves an un-budgeted expense of \$20,000 (GST excl.) for a review of the stormwater catchment servicing Rolleston Street, Hokitika.
- B) A report recommending potential options for detailed engineering and design works to address the flooding issues come back to Council at the meeting on 24 September 2015.
- C) Council acknowledges that this expenditure will result in a variance to the stormwater budget for the 2015/16 financial year.

His Worship the Mayor thanked all the members of the public for attending the meeting and speaking to Council, and providing an insight into the flooding that residents experienced during the flooding event in Hokitika on the 18-20 June 2015.

2. MEMBERS PRESENT, APOLOGIES AND INTEREST REGISTER cont.

1.2 Interest Register

The Interest Register was circulated and no amendments were noted.

2. CONFIRMATION OF MINUTES

2.1 Confirmation of Minutes of Meetings of Council

Moved Cr Butzbach, seconded Cr Montagu and **Resolved** that the following Minutes of Meetings of Council be confirmed as a true and correct record of the meeting as follows:

2.1.1 Extraordinary Council Minutes – 15 June 2015

Subject to the following amendments:

Page 10 – **Brydie** Keenan

Page 11 – **Cobe** Matthews, **Kaitlin Keenan, Brianna Keenan, Ayla Paul**

Page 12 – **Alex Anderson**

Page 13 – **Karen Meissel**

2.1.2 Extraordinary Council Minutes – 16 June 2015

2.1.3 Extraordinary Council Minutes – 17 June 2015

2.1.4 Ordinary Council Minutes – 25 June 2015

Subject to the following amendments:

Page 41 – **PHO** meeting.

Page 43 – Remove section on **“Policy on Appointment and Remuneration of Directors... 4 Rotation and Refreshment”**

2.1.5 Extraordinary Council Minutes – 25 June 2015

2.1.6 Extraordinary Council Minutes – 30 June 2015

4. **BUSINESS cont.**

4.6 **Ross Community Hall Structural Report**

Cr Dawson declared an interest in this matter and did not vote on this matter.

Mr Charlie McBeath provided the following documents for Council:

- A) A petition signed by 135 signatories from Ross residents agreeing to the use of part of the Ross Endowment Fund towards the upgrade of the Ross Hall, as their contribution for the MDI funding application.
- B) Letters of support were received from:
 - John Woodward, Constable, Office in Charge, Ross Police.
 - Pat and Trevor Lister, Ross.
 - Kath Maitland, Ross Goldfields Information and Heritage Centre.
 - Anna Pryde, Ross Playgroup Secretary, Ross.
 - Steve Maitland, Vice Chairperson, Westland Region Environment Network Inc. Society.
 - Shane Baillie, Principal, Ross School.

Moved Cr Montagu, seconded Cr Butzbach and **Resolved** that:

- A) Council approves the expenditure of \$152,000 as per option 5 for a new roof, new kitchen, new doors and improvements to wall bracings for the Ross Community Hall building to meet approximately 67% New Building Standards requirements for earthquake strengthening with funding subject to:
 - Major District Initiative grant approval of \$90,000.
 - \$62,000 to be funded from Ross Endowment Reserves funds.
- B) Council is satisfied that the Ross Community has demonstrated support for \$62,000 of the Ross Endowment Fund to be used for this purpose.

The meeting adjourned for morning tea at 10.23 am and reconvened at 10.51 am.

4.1 **Mayor's Report**

His Worship the Mayor provided the following update:

- With the Long Term Plan Adoption it has been a very busy period for Councillors and staff.
- A meeting was held with the Auditor-General in Hokitika and he is pleased to say that the comments from the Office of the Auditor General are very positive and they are very comfortable with what the Council is doing.
- Meetings were held with CoastguardNZ, Air New Zealand Stakeholders, NZTA, and residents affected by flooding in Rolleston Street.
- Thanked Cr Martin and Cr Thompson for their contributions as elected representatives at the LGNZ Conference on the 19-21 July 2015.
- Provided an update from the LGNZ Conference as follows:
 - Minister Paula Bennett spoke about the need to drive efficiency and amalgamations and where they saw Government needed to give it a push. Advised that as Mayor he is ready for that discussion. Advised that the Government need to bring to the table the issues around mineral royalties, the rating of Crown Land, and providing subsidised infrastructure to meet increased pressures in Tourism towns.
 - The Prime Minister made reference to Franz Josef.
 - Mayor Len Brown leads the Local Government Reform. Noted that it will be beneficial to have discussions around rating systems.
- Noted that the adoption of the LTP on time was a milestone, and that the rating system, the rating revenue, CCO structures and the functions were big issues for Council. Noted that two years ago, this Council could not produce a financial report to Council.
- Made a commitment to the management and directors of Westland District Property Limited to place considerable focus on this company.
- Focus is now to see how this Council functions. Museum and the Library deliver exceptional services, Finance and iSite are delivering very well, but he feels that Assets and Planning, Consents and Compliance are letting us down. We have community groups who work tirelessly, but matters have not been completed on time by Council. It is time to signal the unacceptability of this and the time to change is now. His message to the staff is that we need to deliver the outcomes in line with the expectations of our communities. Noted that the Chief Executive is well aware of his views and noted that the CE will be taking this up with her team.
- Finally he has been quoted as moving on with the LTP – his response is “I am going to crack on and I am going to do it hard!”

4.2 Update from Councillors

Councillors provided the following updates:

i) **Deputy Mayor Cox**

- Attended meeting to adopt the Long Term Plan.
- Attended meeting with a Kowhitirangi farmer regarding a roading problem.
- Presented books at the Ross Primary School.

ii) **Cr Martin**

Attended the following meetings:

- Extraordinary Council Meeting – 25 June 2015.
- Extraordinary Council Meeting – 30 June 2015.
- Young Elected Members Network Meeting - 19 July 2015.

Spoke about the Local Government New Zealand Conference and AGM – 19-21 July 2015 *as attached to these minutes*. Attendees at the conference were Mayor Mike Havill, Cr Latham Martin, Cr Andy Thompson, and Chief Executive Tanya Winter.

Key Items from the conference were:

- Conference was attended by nearly 600 local and central government delegates. The three day conference heard presentations from high profile speakers about significant issues and opportunities facing the sector and is a chance for the sector to learn best practice from one another.
- The theme of the conference was: leading the charge for our communities.
- Remits that were supported were:
 - Restricting smoking outside cafes, restaurants and bars
 - Levy on plastic shopping bags
 - Subsidy for water and wastewater schemes
 - Rating on Crown property.

These three priorities, which come off the back of the recent Central and Local Government Forum, are:

1. Creating strong regional economies across all of New Zealand;
2. Resilient local infrastructure; and
3. Ensuring resilient communities across New Zealand.

Local Government New Zealand (LGNZ) was addressed by former Lord Mayor of Adelaide Stephen Yarwood.

LGNZ's Local Government Funding Review 10-point plan: incentivising economic growth and strong local communities, was launched at the conference.

The 10 proposals are:

1. An agreed priority and action plan to advance "special zones" for growth to test new ideas and drive economic prosperity.
 2. When new centrally imposed costs are considered (and particularly where national benefit applies) a cost benefit analysis and agreed cost sharing with central government should be mandatory.
 3. Mandatory rating exemptions should be removed.
 4. The application and administration process of the rates rebate scheme should be simplified to increase uptake.
 5. Better guidance is needed to assist councils make decisions on trade-offs about whether to fund services from prices (user charges) or taxes.
 6. Road user charges, targeted levies and fuel taxes should be allowed where it is economically efficient.
 7. Councils should be able to retain a share of any value uplift arising from additional economic activity related to local intervention and investment.
 8. Local authorities should receive a proportion of any mineral royalties attributed to local activities.
 9. Allow councils to levy specific charges and taxes on visitors where economically efficient.
 10. Reconsider the decision to limit the range of community amenities funded through development contributions.
- The LGNZ conference also explored right-sizing for towns.
 - At the conference, Grey District's Mayor Tony Kokshoorn spoke of tourism as the jewel in the crown for the district, particularly with Chinese visitors.
 - The conference included the LGNZ Excellence Awards.
 - He said that the LGNZ conference revealed to him that Westland is held in very high regard nationally and that Westland District Council is not unique in the issues that it is facing.
 - He challenges Westland District Council on how we can do better.

iii) Cr Butzbach

- Congratulated Cr Martin on his report to Council.
- Attended the following:
 - Long Term Plan meetings.
 - Alcohol Working Group meeting – 9 July 2015.
 - District Licensing Committee Workshop on 13 July 2015.
 - Noted there is a DLC Hearing on 28 July 2015.
 - PHO meeting.

iv) Cr Montagu

- Attended the meeting to adopt the Long Term Plan.
- Concur with the Mayor's verbal report to Council.
- Thanked the Mayor and Councillors regarding the Ross Hall decision.
- Concerned regarding the quality of our LIM Reports and the lack of information on our LIM's.

It was noted that Charlie McBeath and his group had offered to project manage the Ross Hall Project.

v) Cr van Beek

- Attended the meeting to adopt the Long Term Plan.
- Attended the meeting to hear submissions on the Gambling Venue Policy on the 25 June 2015.
- Visited Rolleston Street to inspect the street.
- Thanked the Mayor and Councillors regarding the Ross Hall decision.

vi) Cr Dawson

- Agreed with the intent of Mayor Havill's verbal report to Council and making Council as efficient as possible.
- Support making WDPL profitable and providing good returns.
- Support working with the Territorial Authorities on the West Coast and also Development West Coast and working on our economic development.

Moved Cr Montagu, seconded Deputy Mayor Cox and **Resolved** that the reports from the Mayor and Councillors be received.

4.3 Reimbursement to Westland District Property Limited for Beach Street Road Stopping Costs

His Worship the Mayor welcomed Marion Smith, General Manager of Westland District Property Limited (WDPL) to the meeting.

The Chief Executive spoke to this report.

Moved Cr Montagu, seconded Cr Butzbach and **Resolved** that:

- A) An amount of \$85,074.69 (inclusive of GST) be reimbursed to WDPL to cover costs incurred in the Beach Street road stopping project and that this amount be funded from general reserves, resulting in a variance in Council's 2015-16 financial result.
- B) The Chief Executive put in place systems and processes that ensure any instructions to WDPL to undertake work on Council's behalf are recorded in writing and signed by both parties in the future.

4.4 Sale of Surplus Properties

The Chief Executive spoke to this report.

Moved Cr Dawson seconded Cr Montagu and **Resolved** that:

- A) The four properties as listed below be sold on the open market, at or about market value:
 - 25740-49400 Cement Lead Road, Blue Spur; 27.96ha (vacant)
 - 25810-33602A Jackson Bay (Talleys Group) 1118sqm
 - 25810-33602B Jackson Bay (vacant section) 4263sqm
 - 25810-33614 Jackson Bay (Fiordland Lobster) 689sqm
- B) The Chief Executive to ensure that public access to the area of land known locally as the "Pipeline Track" at Cement Lead Road, Blue Spur be preserved for recreational purposes.

4.5 Three Mile Reserve Special Fund

The Group Manager: Corporate Services spoke to this report.

Moved Cr Montagu, seconded Deputy Mayor Cox and **Resolved** that:

- A) Council transfers \$29,500 from General Reserves to the Three Mile Reserve Special Fund, effective 30 June 2015.
- B) Council reassigns the commitments of \$15,500 to the Fox Glacier community and \$35,000 to the Whataroa community from the Three Mile Reserve Special Fund to the Reserves Development Fund, effective 30 June 2015.

4.8 Departures from Investment and Liability Management Policies

The Group Manager: Corporate Services spoke to this report.

Moved Cr Dawson, seconded Cr van Beek and **Resolved** that:

- A) Council approves the retention to maturity of two bonds held with Auckland International Airport and Rabobank whose credit rating is below that stipulated in its Investment Policy.
- B) Council acknowledges that the Annual Report 2014-15 will disclose the retention of the two bonds described.
- C) Council acknowledges the temporary phase, including balance date 2015, when a proportion of debt exceeding 50% of total was repayable in the same 12 month period.

4.9 Financial Performance: Ytd May 2015

The Finance Manager spoke to this report.

Moved Cr Martin, seconded Cr Montagu and **Resolved** that Council receives the Financial Performance Report to 31 May 2015.

4.10 Payment of Invoices for Legal Advice on Haast Hollyford Highway

The Chief Executive spoke to this report.

Moved Cr Martin, seconded Cr Montagu and **Resolved** that:

- A) Council receives the notification that the invoices from Duncan Cotterill lawyers were paid on 15 July 2015.
- B) Council receives notification that the liability for these invoices and the resultant adverse variance of \$17,665.50 will be recognised in the Annual Report 2014-15.

4.11 Class 4 Gambling Venue Policy

The Community Development Advisor spoke to this report.

Moved Cr Montagu, seconded Cr Butzbach and **Resolved** that

- A) Clause 3.5 in the Draft Class 4 Gambling Venue Policy be amended to read:

“An existing Class 4 venue affected by earthquake-related risk or event, a destructive event, lease termination or new planned facilities shall be permitted to relocate within their current census mesh block area if Council grants consent in respect of a new venue to replace an existing venue.”

- B) The Draft Class 4 Gambling Venue Policy, as amended, be approved as the new Class 4 Gambling Venue Policy 2015, effective 24 July 2015.

4.12 Harihari Cemetery Trustee

Moved Cr Martin, seconded Cr Butzbach and **Resolved** that:

- A) Council approve the addition of Mr Jan Derks (effective July 2014) as a Trustee on the Harihari Cemetery Committee.
- B) A letter be sent to the Harihari Cemetery Committee thanking them for keeping the cemetery in a very well-maintained and tidy manner.

5. ADMINISTRATIVE RESOLUTIONS:

The Chief Executive spoke to this item.

Moved Cr Martin, seconded Cr Butzbach and **Resolved** that Council confirm its Seal being affixed to the following documents:

5.1.1 Warrant of Appointment: James Keith BARNES

- An Officer pursuant to Section 174 of the Local Government Act 2002; AND
- An Authorised Officer pursuant to Section 222 of the Building Act 2004; AND
- An Enforcement Officer pursuant to Section 371 B of the Building Act 2004; AND

- An Officer pursuant to section 11 of the Fencing of Swimming Pools Act 1987; AND
- An Officer under the Westland District Council Bylaws; AND
- An Enforcement Officer pursuant to Section 38 of the Resource Management Act 1991.

5.1.2 Warrant of Appointment: Allen KENNETT

- Authorised under section 38 (2) of the Resource Management Act 1991 to carry out all or any of the functions and powers as an enforcement officer under sections 327 and 328 which relate to excessive noise.
- Authorised as a stock control ranger under Sections 8 and 63 of the Impounding Act 1955.

5.1.3 Warrant of Appointment: Dave KINGIPOTIKI

- Authorised under section 38 (2) of the Resource Management Act 1991 to carry out all or any of the functions and powers as an enforcement officer under sections 327 and 328 which relate to excessive noise.
- Authorised as a stock control ranger under Sections 8 and 63 of the Impounding Act 1955.

5.1.3 Warrant of Appointment: David KINGIPOTIKI

- Authorised under section 38 (2) of the Resource Management Act 1991 to carry out all or any of the functions and powers as an enforcement officer under sections 327 and 328 which relate to excessive noise.
- Authorised as a stock control ranger under Sections 8 and 63 of the Impounding Act 1955.

5.1.4 Warrant of Appointment: James TAINUI

- Authorised under section 38 (2) of the Resource Management Act 1991 to carry out all or any of the functions and powers as an enforcement officer under sections 327 and 328 which relate to excessive noise.
- Authorised as a stock control ranger under Sections 8 and 63 of the Impounding Act 1955.

5.1.5 Warrant of Appointment: Rebecca HENNESSEY

- Authorised under section 38 (2) of the Resource Management Act 1991 to carry out all or any of the functions and powers as an enforcement officer under sections 327 and 328 which relate to excessive noise.
- Authorised as a stock control ranger under Sections 8 and 63 of the Impounding Act 1955.

6. MATTERS TO BE CONSIDERED IN THE 'PUBLIC EXCLUDED SECTION'

Moved Cr Butzbach, seconded Cr Martin and **Resolved** that Council exclude the public in accordance with Section 48, Local Government Official Information and Meetings Act 1987 at 12.15 pm.

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

6.1 Confidential Minutes

6.2 Hokitika Closed Landfill – Creation of Buffer Zone

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
6.1	Confidential Minutes	Confidential Report	Good reasons to withhold exists under Section 7	Section 48(1)(a)
6.2	Hokitika Closed Landfill – Creation of Buffer Zone	Confidential Report	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
6.1 & 6.2	Protection of privacy of natural persons/organisations.	Section 7(2)(a)

Moved Cr Dawson, seconded Cr Martin and **Resolved** that the business conducted in the “Public Excluded Section” be confirmed and accordingly the meeting went back to the open part of the meeting at 12.28 pm.

MEETING CLOSED AT 12.28 PM

Confirmed by:

Mike Havill
Mayor

Date

Date of Next Ordinary Council Meeting:
27 August 2015
Council Chambers, 36 Weld Street, Hokitika.

Report



DATE: 27 August 2015

TO: Mayor and Councillors

FROM: Finance Manager

CARRY FORWARDS FROM 2014-15

1 SUMMARY

- 1.1 The purpose of this report is to:
 - 1.1.1 Seek Council approval for the completion of projects and activities that were funded through the Annual Plan 2014-15 and were in progress as at 30 June 2015, and to
 - 1.1.2 Seek Council approval for the retention of special purpose revenues in separate reserve funds to be allocated to future specified projects.
- 1.2 This issue arises because Council is accountable for the application of its revenues and other funding sources to service levels and infrastructure in accordance with its adopted Annual Plan.
- 1.3 Council seeks to meet its obligations under the Local Government Act 2002 and the achievement of the District Vision adopted by the Council in September 2014, which are set out in the Long Term Plan 2015-25. These are stated on Page 2 of this agenda.
- 1.4 This report concludes by recommending that Council approves the list of items to be carried forward to 2015-16 as contained in **Appendix 1** in addition to the budget for year 1 of the Long Term Plan 2015-25.

2 BACKGROUND

- 2.1 Council approves its annual budget based on planned levels of service and capital works for the financial year.

- 2.2 It is common that certain undertakings will be partially complete, committed but not started or deferred as at the end of the financial year.
- 2.3 These items will appear as favourable variances in the financial year 2014-15 in which their funding was recognised as revenue, or where debt was planned to be drawn.
- 2.4 Council has an obligation to deliver on its commitments, but where projects and expenditure are carried forward they will be reported as adverse variances against the budget for the financial year in which they are completed.
- 2.5 Typically, the types of items carried forward are:
 - 2.5.1 Capital projects partially completed.
 - 2.5.2 Projects funded by third parties.
 - 2.5.3 Long term operational projects.
 - 2.5.4 Activities whose frequency is less than annual but for which the funding is phased evenly over more than one financial year.

3 CURRENT SITUATION

- 3.1 Council is expecting to report a favourable variance in its underlying debt position, any variances against its operating budget will be addressed in the Annual report for the year ending 30 June 2015. This in part relates to the non-completion of the items proposed for carry forward in **Appendix 1**.
- 3.2 The amounts carried forward are estimated by deducting expenditure to date from the original budget and adjusted by any known variations; as advised by budget managers.
- 3.3 Where projects have been superseded in the budget for 2015-16, they have been excluded from the carry forward schedule.
- 3.4 In total the items listed in **Appendix 1** are represented as favourable operating variances amounting to \$963,569, and \$284,641 in debt funding not drawn for the year ended 30 June 2015. These amounts would be corresponding adverse variances for the financial year 2015-16.
- 3.5 Progress on completion of these items will be communicated through Council's monthly financial report.

4 OPTIONS

- 4.1 **Option 1** - Approve the carry forward of items contained in **Appendix 1** to the financial year 2015-16.
- 4.2 **Option 2** - Approve an amended schedule, adding or deleting items.
- 4.3 **Option 3** - Reject all carry forwards

5 SIGNIFICANCE AND ENGAGEMENT

- 5.1 This matter is of low significance; however some communities may consider a project important to them and be disappointed if a project is not carried forward
- 5.2 All of these items were consulted on when they were included in the 2014-2015 Annual Plan.

6 ASSESSMENT OF OPTIONS (INCLUDING FINANCIAL IMPLICATIONS)

- 6.1 **Option 1** will generate adverse variances in the financial year 2015-16 totalling \$963,569. However these are merely the inversion of favourable variances in 2014-15, and are therefore essentially timing differences. Option 1 is financially prudent because it ensures that Council's revenues and funding sources are applied to their intended purposes. It would also meet community expectations as Council will deliver on its commitments undertaken in the Annual Plan 2014-15.
- 6.2 **Option 2** would invoke some departures from the Annual Plan 2014-15 and may cause some adverse community reaction. This may be appropriate if Council determines that alternative applications of these funds are more prudent, or of higher priority.
- 6.3 **Option 3** would mean that some commitments made by Council in adopting the Annual Plan 2014-15 are not fulfilled. In addition to potential adverse community reaction this would not be financially prudent, particularly because some of the expenditure associated with these items was included in the rates calculation for 2014-15.

7 PREFERRED OPTION(S) AND REASONS

- 7.1 The preferred option is Option 1 - Approve the carry forward of items contained in **Appendix 1** to the financial year 2015-16. This will demonstrate Council's resolve to deliver on its commitments and will ensure that revenues and other sources of funds are applied to their intended purposes

8 RECOMMENDATION(S)

- A) **THAT** Council approves the carry forward of the items totalling \$963,569 attached as **Appendix 1** to the year ended 30 June 2016 in addition to the budget contained in year 1 of the Long Term Plan 2015-25.

Lesley Crichton
Finance Manager

Appendix 1: Carry Forwards 2014-15

Appendix 1

	Carry Over Schedule to 2015-16						
GL	Requestor	\$	Detail	Funded by	Year	Notes	Carry forward posted to
5200116	Julia Bradshaw	- 11,167	Museum Donations - for Exhibitions	Donations	From 2013-14 Budget Year	\$10k Mont D'Or Mining; \$6k Anon	Income in advance
5200116	Julia Bradshaw	- 5,000	Museum Donations - for Exhibitions	Donations	From 2014-15 Budget Year	\$5k Mont D'or Mining	Income in advance
		- 16,167		Donations Total			
3905145	Derek Blight	- 5,403	Creative New Zealand	External Grant	From 2014-15 Budget Year	Balance of grant not spent to carry over	Income in advance
		- 5,403		External Grant Total			
471258104	Petrina Cannell	73,732	Haast WTP	Subsidy (\$240k) & Depreciation (\$160k)	From 2014-15 Budget Year	Expected completion August 2015	Variance
		73,732		Subsidy/Depreciation Total			
461058110	Petrina Cannell	99,474	Franz Josef WWTP	Loan	From 2013-14 Budget Year	Capital Project From 2013-14 budget year	Not drawn
461258103	Petrina Cannell	35,167	Haast WWTP Improvements	Loan	From 2014-15 Budget Year	Completion expected September 2015	Not drawn
4400581	Simon Eyre	125,000	Council HQ re-roofing	Loan	From 2014-15 Budget Year	Due for completion December 2015	Not drawn
3310405	Vivek Goel	25,000	Franz Josef Landfill	Loan	From 2014-15 Budget Year	Due for completion December 2015	Not drawn
		284,641		Loan Total			
2100413	Jim Ebenhoh	20,000	Builder's Accreditation	Rates YE 2014	From 2013-14 budget year	Opex - confirmed to be completed July 2015	Variance
350458106	John Bainbridge	10,000	Hokitika Cemetery Capital Development	Rates YE 2015	From 2014-15 Budget Year	Water logged ground, expected to commence Oct 2015	Variance
341858102	Tanya Winter	10,000	Cass Square Statues	Rates YE 2014	From 2013-14 Budget Year	Capital Project From 2013-14 budget year not yet started	Variance
341858103	Tanya Winter	5,000	Cass Square Statues	Rates YE 2015	From 2014-15 Budget Year	Not yet started	Variance
1100240	Tanya Winter	6,988	CCO review	Rates YE 2015	From 2014-15 Budget Year	Balance of budget carried over	Variance
3302405	Vivek Goel	5,712	Kumara CAP	Targeted Rates YE 2015	From 2014-15 Budget Year	Budget \$10k, spend \$4k, completion due Aug 2015	Variance
		57,700		Rates Total			
460458112	Petrina Cannell	29,552	Hokitika WWTP Resource Consent	Renewal reserve - Depreciation	From 2013-14 Budget Year	Due for completion December 2015	Variance
383058101	Simon Eyre	30,000	Upgrade fire-alarm system - Museum	Renewal reserve - Depreciation	From 2013-14 Budget Year	Not yet started	Variance
4708581	Petrina Cannell	49,475	Rural Water supply	Renewal reserve - Depreciation	From 2014-15 Budget Year	Completion expected November 2015	Variance
		109,027		Renewal reserve - Depreciation Total			
380758101	Simon Eyre	225,972	Hari Hari Community Facility	\$100k Reserves Development fund, \$190k Hari Hari Community complex reserve fund	From 2013-14 Budget Year	Due to start 2015-16	Reserves
5674250	Tanya Winter	48,000	Franz Josef Cycle Trail	Reserves	From 2013-14 Budget Year	Due to start 2015-16	Reserves
430758102	Jim Ebenhoh	100,000	Franz Josef Urban Revitalisation plan	Reserves	From 2013-14 Budget Year	Possible implementation to start 2015-16	Reserves
3811581	Derek Blight	100,000	Fox Glacier Community Centre	Reserves	From 2013-14 Budget Year	In progress	Reserves
4309250	Derek Blight	14,000	Hari Hari Township Development fund	Reserves	From 2014-15 Budget Year	Funding not used for YE 2015	Reserves
		487,972		Reserves Total			
5674148	Tanya Winter	- 21,125	Cycle Trail - Partner Programme Revenue	Stakeholder Contribution	From 2013-14 Budget Year	As per CE request - income	To reserves
5674148	Tanya Winter	- 6,808	Cycle Trail - Partner Programme Revenue	Stakeholder Contribution	From 2014-15 Budget Year	As per CE request - income	To reserves
		- 27,933					
		963,569					

Report



DATE: 27 August 2015

TO: Mayor and Councillors

FROM: Finance Manager

FINANCIAL PERFORMANCE: FY JUNE 2015

1 SUMMARY

- 1.1 The purpose of this report is to provide an indication of Council's financial performance for the twelve months to 30 June 2015.
- 1.2 This issue arises from a requirement for sound financial governance and stewardship with regards to the financial performance and sustainability of a local authority.
- 1.3 Council seeks to meet its obligations under the Local Government Act 2002 and the achievement of the District Vision adopted by the Council in September 2014, which are set out in the Long Term Plan 2015-25. These are stated on Page 2 of this agenda.
- 1.4 This report concludes by recommending that Council receives the financial performance report to 30 June 2015, attached as **Appendix 1**.

2 BACKGROUND

- 2.1 Council receives monthly financial reporting so that it has current knowledge of its financial performance and position against targets and objectives adopted in the Annual Plan 2014/15.

3 CURRENT SITUATION

- 3.1 Council now receives a monthly financial summary report in a consistent format.
- 3.2 The Financial Performance Report to 30 June 2015, attached as **Appendix 1** contains the following elements:
 - 3.2.1 Segmental graphs for net cost of services, operating revenue and expenditure
 - 3.2.2 Graph for Cash Flow
 - 3.2.3 Actual Debt position compared to Forecast Debt position
 - 3.2.4 High level variance analysis
 - 3.2.5 Whole of Council Cost of Service Statement including Full Year Forecast
 - 3.2.6 Cost of Service Statement by Activity Groups
 - 3.2.7 2014/15 Project progress report

4 OPTIONS

- 4.1 **Option 1** - Council can decide to receive or not receive the report.

5 SIGNIFICANCE AND CONSULTATION

- 5.1 This report is for information only and, while feedback is invited from Council in order for staff to continuously improve the quality of information provided, no assessment of significance or consultation, and no options analysis is required.

6 RECOMMENDATION

- A) **THAT** Council receives the Financial Performance Report to 30 June 2015

Lesley Crichton
Finance Manager

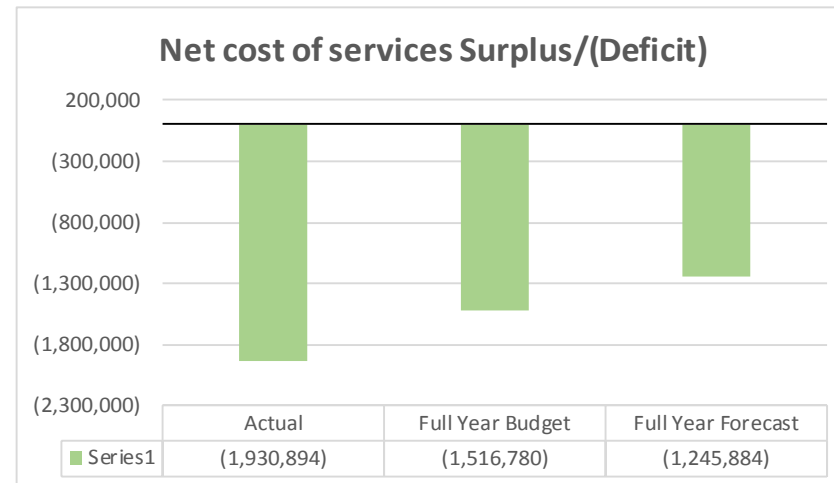
Appendix 1: Financial Performance FY June 2015



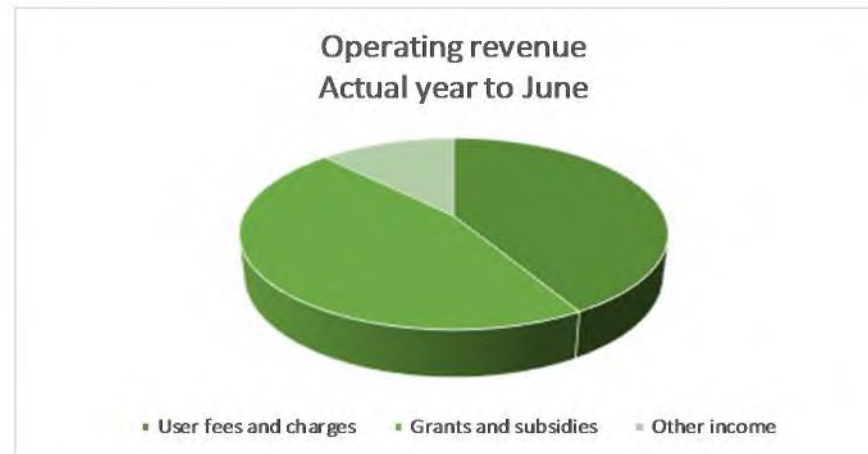
Financial Performance FY June 2015

Net cost of services Surplus/(Deficit)

Actual	(1,930,894)
Full Year Budget	(1,516,780)
Full Year Forecast	(1,245,884)

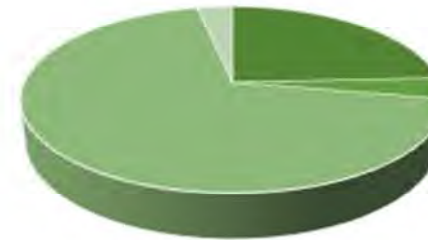


Operating revenue	FY Actual	FY Budget
User fees and charges	2,676,626	1,967,048
Grants and subsidies	2,958,331	3,059,974
Other income	785,893	894,687



Operating expenditure	FY Actual	FY Budget
Personnel costs	3,158,233	3,128,999
Administrative costs	467,177	541,419
Operating costs	8,993,818	8,901,924
Grants and donations	418,364	352,909

Operating expenditure
Actual year to June

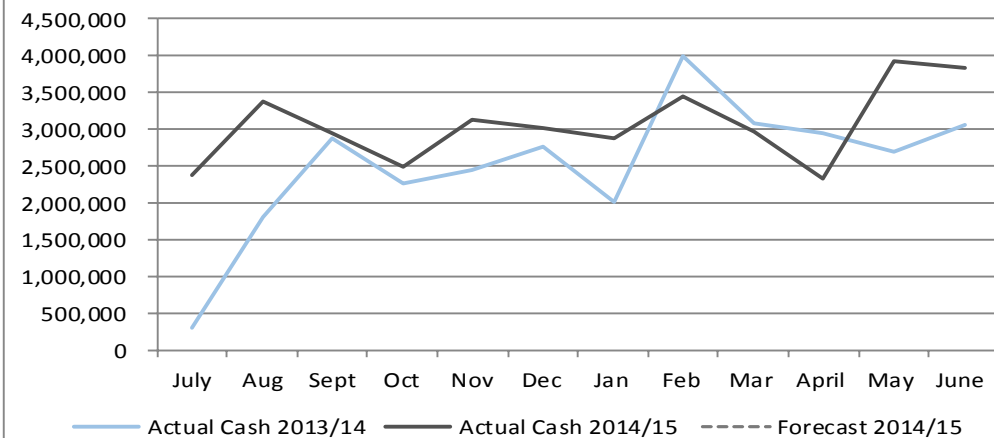


■ Personnel costs ■ Administrative costs ■ Operating costs ■ Grants and donations

Cash Balances

Closing Balance Cheque Account	3,133,462
Call Account	192,046
Term Deposit	509,292

Cashflow



Debt Position

Debt position 2015	Forecast	Actual
Balance July-14	14,760	14,760
Forecast Capex 2015	835	
New Loans raised - WMP		2,000
Repaid	-424	-100
Debt position June 2015	15,171	16,660



New debt May 2015 for WMP project, 2015 forecast Capex debt not utilised, projects have continued without drawing down on further debt. Without the WMP project actual debt remained at \$14,660 to the end of the financial year.

Variance analysis

Operating revenue	
User fees and charges	Positive variance due to increase in Metered Water.
Grants and subsidies	Lower operating costs in Transportation resulting in lower NZTA claim
Other income	Dividend income not received
Operating expenditure	
Personnel costs	\$36k Accrued leave not yet taken by employees.
Administrative costs	
Operating costs	Lower operating costs offset by unbudgeted legal fees and HR consultants costs resulting in overspend
Grants and donations	Franz, Whataroa and Haast Township development funding over budget
Other expenditure	
Interest and finance costs	\$409k Loss on interest rate swaps
Loss on disposals	\$257k loss on disposals of fixed assets

WESTLAND DISTRICT COUNCIL	Year to June			Full year 2014-2015	
	Actual	Budget	Variance	Budget	FY Forecast
Operating revenue					
User fees and charges	2,676,626	1,967,048	709,578	1,967,048	3,676,082
Grants and subsidies	2,958,331	3,059,974	(101,644)	3,059,974	3,065,375
Other income	785,893	894,687	(108,794)	894,687	949,437
Total revenue (A)	6,420,849	5,921,709	499,140	5,921,709	7,690,893
Operating expenditure					
Personnel costs	3,158,233	3,128,999	(29,234)	3,128,999	3,111,337
Administrative costs	467,177	541,419	74,243	541,419	493,130
Operating costs	8,993,818	8,901,924	(91,894)	8,901,924	9,995,361
Grants and donations	418,364	352,909	(65,455)	352,909	362,393
Total operating expenditure (B)	13,037,592	12,925,251	(112,340)	12,925,251	13,962,221
Net operating cost of services - surplus/(deficit) (A - B)	(6,616,742)	(7,003,542)	(386,800)	(7,003,542)	(6,271,328)
Other expenditure					
Interest and finance costs	1,223,031	900,711	(322,320)	900,711	900,711
Overheads	5,210,429	5,289,327	78,898	5,289,327	5,210,429
Depreciation	5,662,605	5,194,722	(467,883)	5,194,722	5,645,329
Loss on disposals	257,216	0	(257,216)	0	0
Total other expenditure (C)	12,096,065	11,384,761	(711,304)	11,384,761	11,756,469
Total expenditure (D = B + C)	25,133,656	24,310,012	(823,644)	24,310,012	25,718,690
Funded by					
Rates	11,386,142	11,386,142	(0)	11,386,142	11,386,142
Overhead recoveries	5,395,772	5,485,381	(89,609)	5,485,381	5,395,772
Total funded (E)	16,781,913	16,871,523	(89,610)	16,871,523	16,781,914
Net cost of services - surplus/(deficit) (A + E - D)	(1,930,894)	(1,516,780)	(414,113)	(1,516,780)	(1,245,884)

Cost of service statement by activities

Following statement excludes rates revenue and indirect expenses, such as depreciation, overheads and interest.

Cost of service statement by activities	Year to June			FY Budget	Full year 2014-2015 Forecast
	Actual	Budget	Variance		
Operating revenue					
Corporate services group	526,604	615,289	(88,685)	615,289	526,604
Planning, community and environment group	1,008,535	850,016	158,519	850,016	1,008,535
District assets group	198,661	84,880	113,781	84,880	198,661
Solid Waste	841,990	703,350	138,640	703,350	841,990
Stormwater	0	0	0	0	0
Transportation	2,740,733	2,873,674	(132,941)	2,873,674	2,740,733
Wastewater	57,572	45,500	12,072	45,500	57,572
Water Supply	6,189	0	6,189	0	6,189
West Coast Wilderness Trail	6,817	0	6,817	0	6,817
Total operating revenue	5,387,100	5,172,709	214,391	5,172,709	5,387,100
Operating expenditure					
Corporate services group	2,970,021	2,647,248	322,774	2,647,248	2,970,021
Planning, community and environment group	2,079,830	2,074,076	5,754	2,074,076	2,079,830
District assets group	2,862,836	2,868,265	(5,430)	2,868,265	2,862,836
Solid Waste	1,490,300	1,754,545	(264,245)	1,754,545	1,490,300
Stormwater	102,022	69,346	32,676	69,346	102,022
Transportation	1,777,488	2,099,958	(322,470)	2,099,958	1,777,488
Wastewater	366,588	388,287	(21,699)	388,287	366,588
Water Supply	932,655	769,061	163,594	769,061	932,655
West Coast Wilderness Trail	187,889	0	187,889	0	187,889
Total operating expenditure	12,769,628	12,670,786	98,842	12,670,786	12,769,628

Project progress report

						Legend - Key
		Forecast on Budget				Project Delayed - Will not be completed by 30th June 2015
		Forecast over Budget				Project on-Track - Will be completed by 30th June 2015
						Project Complete - 100% Progress
Project / Activity	YTD exp	2014-15	Forecast	Budget Track	Progress / Track	Progress comments
	\$0	\$0	\$0			
Museum						
Heat Pump for Drummond Hall	16,287	5,000	16,000			Works Complete.
Total	16,287	5,000	16,000			
Corporate Services						
Rates Review	44,309	55,000	44,309			Project Complete
CCO Review Implementation	93,012	100,000	100,000			The CCO Review has been concluded, However there will be some carry over.
Website Development	15,266	15,000	15,266			Works Complete
IT upgrades	40,459	30,000	30,000			Works Complete
Total	193,045	200,000	189,575			
WATER SUPPLY						
Power to Reservoirs - Hari Hari	37,313	50,000	45,000			Works are complete. - 08/06/2015
Whataroa rural water supply (Mint creek)	525	50,000	50,000			Carryover required - Completion date: - November 2015.
Haast WTP Upgrade	326,269	400,000	400,000			Works are 90% complete - but delayed due to a major leak. Some carryover. Completion - August 2015
Kumara Capital Assistance Programme	4,783	15,000	10,000			Project Complete. Application submitted. Decision expected in Oct 2015
Funding Application	8,259	20,000	20,000			2014/15 Works Complete. New Budgets in 2015/16
Condition assessments - Water	8,259	20,000	20,000			
Total	377,148	535,000	525,000			
WASTEWATER						
Fitzherbert Street Pump Upgrade #2	58,121	100,000	100,000			Works complete. Waiting on invoices
Fitzherbert street - Sewer Pipeline upgrade	107,283	350,000	350,000			Works complete. Waiting on invoices
Haast Ponds Improvements	114,833	150,000	150,000			Some carryovers - Completion September 2015
Condition assessments - Wastewater	9,814	20,000	20,000			Works Complete for 2014/15. New Budgets for 2015/16
Total	290,051	620,000	620,000			
STORMWATER						
Stormwater Pipe repairs	48,863	50,000	50,000			Works Complete.
Condition assessments - Stormwater	19,927	20,000	20,000			Works Complete for 2014/15. New Budgets for 2015/16
Total	68,790	70,000	70,000			
SOLID WASTE						
Improvements at Hokitika Landfill	12,535	20,000	20,000			Works Complete
Kumara Landfill	23,600	25,000	23,600			Works Complete
Franz Josef Landfill		25,000	25,000			Carry Over - No works done in 30 June 2015
Total	36,135	70,000	68,600			
BUILDINGS						
Pensioner Housing - re-roofing	23,719	20,000	23,719			Works done
RSA Hall Demolition	25,000	25,000	25,000			Works done
Council HQ re-roofing		125,000	125,000			Carry Over - No works done in 30 June 2015
Total	48,719	170,000	173,719			
SWIMMING POOLS						
Hokitika Pool - Thermal liner	23,335	20,000	20,000			Works complete.
Total	23,335	20,000	20,000			
EMERGENCY MANAGEMENT						
Kaniere Rural Fire Party (Pump replacement)	8,986	11,000	11,000			Works complete
Total	8,986	11,000	11,000			
DISTRICT ASSETS						
GIS & Asset plans	21,070	25,000	25,000			Works Complete- New Budgets for 2015/16
Asset valuations (as required)	17,280	30,000	30,000			Works complete
Total	38,350	55,000	55,000			
TOWNSHIP DEVELOPMENT						
Hokitika Beachfront Landscape Project (collaboration with Westland Arts Incorporated)						
Total	1,100,846	1,756,000	1,748,894			

Report



DATE: 27 August 2015

TO: Mayor and Councillors

FROM: Group Manager: District Assets

KUMARA CHINESE GARDEN PROPOSED PROJECT – CONSULTATION ON USE OF ENDOWMENT FUNDS

1 SUMMARY

- 1.1 The purpose of this report is to seek Council approval for the consultation plan for use of Kumara Endowment funds towards the proposed Kumara Chinese Gardens.
- 1.2 This issue arises as a result of the following:
 - 1.2.1 Feedback received from some Kumara residents in opposition to withdrawal of endowment funds for the construction of proposed Chinese Gardens by the Kumara Residents Trust, and
 - 1.2.2 Council's subsequent request to consult with the local community to establish community support for the withdrawal of funds
- 1.3 Council seeks to meet its obligations under the Local Government Act 2002 and the achievement of the District Vision adopted by the Council in September 2014, which are set out in the Long Term Plan 2015-25. These are stated on Page 2 of this agenda.
- 1.4 This report concludes by recommending that Council approves the consultation plan as included in Appendix 1.

2 BACKGROUND

- 2.1 Council at its 25 September 2014 Council Meeting resolved that:

- a) *Council supports the proposal from Kumara Residents Trust to establish Chinese Gardens in Kumara with **no financial implication to Westland ratepayers** other than Kumara residents,*
- b) *Council staff undertake a consultation process with the Kumara community to establish a mechanism to fund the future maintenance of the Chinese Gardens at the cost of Kumara residents,*
- c) *Subject to recommendation a), Council undertakes to negotiate with WDPL for securing the ownership of the proposed site with purchase costs to be funded by the Kumara Residents Trust,*
- d) *Council approves the proposal for the sites CT WS8A/766 (Lot 4 DP 2008) and Part Section 312 Town of Kumara CT WS 3A/328 to become a reserve under the Reserves Act 1977 and the process to establish a reserve commences,*
- e) *Subject to recommendation a), Council approves and releases \$398,000 from the Kumara Endowment Funds for the construction of the Kumara Chinese Gardens project.*

2.2 As part of the public consultation process for the 2015-2025 Long Term Plan, Council received a number of submission opposing the withdrawal of funds from Kumara Endowment Fund reserve for the Kumara Chinese Gardens project. The Council directed staff to undertake a further consultation process with all Kumara community to ascertain the level of support for the use of the Kumara Endowment Fund for this purpose.

2 CURRENT SITUATION

- 2.1 Kumara Endowment Fund reserve account as on 30 June 2015 has a balance of \$469,742.50.
- 2.2 A detailed consultation plan is attached in Appendix 1. The consultation process is limited and is not a special consultative procedure.

3 OPTIONS

- 3.1 **Option 1** - Approve the consultation plan as proposed in Appendix 1. The mode of consultation proposed is mail out survey.
- 3.2 **Option 2** - Council does not approve the consultation plan.
- 3.3 **Option 3** - Council approves the consultation plan with amendments as to the distribution method, and/or content of the survey.

4 SIGNIFICANCE AND ENGAGEMENT

- 4.1 The matter is considered of moderate significance as per the Council's Significance and Engagement Policy, as it affects only one part of the District but does so in a way with financial implications for that community.
- 4.2 Consultation is to be undertaken as per this proposal.

5 ASSESSMENT OF OPTIONS (INCLUDING FINANCIAL IMPLICATIONS)

5.1 Option 1 – Adopt the consultation plan as proposed in Appendix 1

This option will see council approve the consultation plan as proposed in Appendix 1. There will be printing and postage costs associated with the mail-out survey to the properties in the Kumara township area. The advantages to this option are that it will reach all ratepayers, and through this Council will gain further assurance as to the level of community support for the use of Kumara Endowment Funds for the proposed Chinese Gardens. The disadvantage is that it could be seen as duplicating the work that the Kumara Residents Trust did on this issue through its own survey and meetings, but since concerns have been raised about that process it is seen as important that this Council-administered consultation process occurs.

5.2 Option 2: Council does not approve the consultation plan

This option means that Council does not approve any further consultation, and the resolution of 25 September 2015 to release \$398,000 from the Kumara Endowment Fund stands.

The advantage of this option is that there are no administrative costs and no financial costs other than the release of the \$398,000 as per the previous Council resolution, and that there will be no further delay in making the funding available. The disadvantage of this option is that there will be ongoing uncertainty as to the level of community support for the use of Kumara Endowment Funds for the proposed Chinese Gardens.

5.3 Option 3: Council approves the consultation plan with amendments

This option has the same advantages and disadvantages as Option 1 in terms of process, but may have different costs depending on the method used. The advantages and disadvantages of any changes to the wording of the survey will depend on the changes that are made. It is felt that the existing wording as per Option 3 is adequate to provide the information that Council seeks.

6 PREFERRED OPTION(S) AND REASONS

- 6.1** The preferred option is Option 1, because it is simple, affordable and will help to establish whether there is sufficient community support for the release of the funds or not.

7 RECOMMENDATION(S)

- A)** **THAT** Council approves the consultation plan as proposed in Appendix 1: "Consultation Plan for release of \$398,000 from the Kumara Endowment Funds for the construction of the Kumara Chinese Gardens project".

Vivek Goel

Group Manager: District Assets

Appendix 1: Consultation plan for release of \$398,000 from the Kumara Endowment Funds for the construction of the Kumara Chinese Gardens project

KUMARA ENDOWMENT FUNDS

Consultation plan for release of \$398,000 from the Kumara Endowment Funds for the construction of the Kumara Chinese Gardens project

Consultation Plan / Tasks

Date	Task
27 August 2015	Council Approval for consultation / survey form
28 August 2015	All letters / mail out survey form(s) to ratepayers in Kumara area
30 September 2015	Deadline for survey form to be returned
22 October 2015	Report to Council on outcome / results of the survey
22 October 2015	Council resolves to either release or not release funds from Kumara Endowment Reserves

Survey / Consultation:

Dear [resident / recipient of the survey]

Council at its monthly meeting of 25 September 2014, based on the evidence and information presented by the Kumara Residents Trust, resolved THAT

- a) *Council supports the proposal from Kumara Residents Trust to establish Chinese Gardens in Kumara with **no financial implication to Westland ratepayers** other than Kumara residents,*
- b) *Council staff undertake a consultation process with the Kumara community to establish a mechanism to fund the future maintenance of the Chinese Gardens at the cost of Kumara residents,*
- c) *Subject to recommendation a), Council undertakes to negotiate with WDPL for securing the ownership of the proposed site with purchase costs to be funded by the Kumara Residents Trust,*
- d) *Council approves the proposal for the sites CT WS8A/766 (Lot 4 DP 2008) and Part Section 312 Town of Kumara CT WS 3A/328 to become a reserve under the Reserves Act 1977 and the process to establish a reserve commences,*

- e) *Subject to recommendation a), Council approves and releases \$398,000 from the Kumara Endowment Funds for the construction of the Kumara Chinese Gardens project.*

However, as part of the special consultative process on the Long Term Plan 2015-2025, Council received a number of submissions in opposition to the use of \$398,000 of Kumara Endowment Funds for the construction of the Kumara Chinese Gardens project.

Council has therefore now undertaken to consult with the local community of Kumara to establish the support for the release of these funds. The current balance as on 30 June 2015 in the Kumara Endowment Reserve account is \$498,000.

You are kindly requested to select one of the following options on the attached survey form and post it back in the return envelope provided. Forms can also be returned/hand-delivered at the Council offices, 36 Weld Street, Hokitika.

The deadline to return the form is **30th September 2015**.

Name and Address:

Survey / Question:

1. I / We support the release of \$398,000 from the Kumara Endowment Funds for the construction of the Kumara Chinese Gardens project

YES ☐

NO ☐

2. If No to question 1 above, do you support any amount from the Kumara Endowment Funds for the construction of the Kumara Chinese Gardens project?

YES ☐

NO ☐

3. If, yes to the question above, what amount would you like to see released for this purpose? Please state amount: \$

Report



DATE: 27 August 2015

TO: Mayor and Councillors

FROM: Cr Mark Dawson, Chair of the Executive Committee

REPORT FROM EXECUTIVE COMMITTEE CHAIR – AUGUST 2015

1 SUMMARY

- 1.1 The purpose of this report is to provide an update from the Executive Committee Meeting held on the 11 August 2015.
- 1.2 This issue arises from the requirements to provide an update to Council.
- 1.3 Council seeks to meet its obligations under the Local Government Act 2002 and the achievement of the District Vision adopted by the Council in September 2014, which is set out in the next Long Term Plan 2015-25. These are stated on Page 2 of this agenda.
- 1.4 This report concludes by recommending that Council receives this report and resolves accordingly as recommended in the attached reports.

2 BACKGROUND

- 2.1 The Executive Committee met on the 11 August 2015.
- 2.2 The Committee considered the following two reports:
 - 2.2.1 Insurance Renewals
 - 2.2.2 Westland Holdings Limited – Statement of Intent 2015-2016.

3 CURRENT SITUATION

3.1 Insurance Renewal 2015-16

- A) The Committee resolved to endorse the renewal of insurance brokered by Aon New Zealand as attached to the Executive Committee Agenda

- B) The copy of the report is attached as Appendix 1 to this report.
- C) Council now needs to consider the resolution as recommended in the attached report.

3.2 Westland Holdings Limited Statement of Intent 2015-16

The Committee resolved that:

- A) The Committee receives the 2015-16 Statement of Intent from Westland Holdings Ltd.
- B) The Committee recommendations on the Statement of Intent for Westland Holdings Limited be provided to Council, including the correction of grammatical errors.

In addition to the matters raised by management, it was noted that:

1. The Council Vision needs to be updated.
2. The negotiation and agreement with Council on the budgeted dividend had not taken place and this should happen in the future.
3. Agreement also needed to be reached on what constituted a “matter of substance” to ensure Council was fully informed on material matters.

A copy of the report to the Executive Committee is attached as Appendix 2, including the Statement of Intent.

4 OPTIONS

- 4.1 **Option 1** - is that Council receives this report.
- 4.2 **Option 2** - is that Council does not receive this report.

5 SIGNIFICANCE AND ENGAGEMENT

- 5.1 This matter is considered administrative and is therefore of low significance.
- 5.2 The Executive Committee Meeting was advertised in accordance with the Model Standing Orders for Meetings of Local Authorities and Community Boards.

6 ASSESSMENT OF OPTIONS (INCLUDING FINANCIAL IMPLICATIONS)

6.1 Option 1 – Council receives the report.

- This report is essentially administrative, i.e. the forwarding of recommendations from the Executive Committee to Council, but it is important, as receiving the report allows the Council to consider the recommendations of the Executive Committee and resolve accordingly. This has financial implications in the case of insurance renewal.

6.2 Option 2 – Council does not receive the report.

- Not receiving the report will mean that Council does not formally consider the recommendations of the Executive Committee on the matters in the two attached reports. If Council wanted to deal with these two matters, i.e. insurance renewal and the WHL Statement of Intent, it would need to do so in the absence of any guidance from the Executive Committee. This would not be normal practice.

7 PREFERRED OPTION(S) AND REASONS

7.1 Option 1 is the preferred option to enable business as usual to be continued in line with the recommendations of the Executive Committee.

8 RECOMMENDATION(S)

- A) THAT Council accepts the endorsement of Executive Committee for the insurance renewal and instruct the Chief Executive to renew commercial insurance cover for 2015-16 at a cost of \$168,335 excl. GST in accordance with the proposal from Aon attached as Appendix 1.**
- B) THAT Council receives the 2015-16 Statement of Intent from Westland Holdings Limited along with the Executive Committee's recommendations and observations as per the report attached in Appendix 2.**

Cr Mark Dawson

Chair, Executive Committee

Appendix 1: Insurance Renewal Report

Appendix 2: Westland Holdings Limited – Statement of Intent Report

Report



DATE: 11 August 2015

TO: Executive Committee

FROM: Finance Manager

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: Aon Insurance Renewal Proposal 2015-16



Renewal Summary

2015-2016

AON



Contents

CONTACT INFORMATION	1
INTRODUCTION.....	2
INSURANCE MARKET OVERVIEW.....	5
EMERGING RISKS/ CONSIDERATIONS.....	6
PREMIUM COMPARISON	7
MATERIAL DAMAGE	8
COMMERCIAL MOTOR VEHICLE	10
PUBLIC LIABILITY	11
PROFESSIONAL INDEMNITY	12
CRIME.....	13
STATUTORY LIABILITY.....	14
EMPLOYERS LIABILITY	15
DIRECTORS & OFFICERS LIABILITY	16
AIRPORT OWNERS & OPERATORS LIABILITY.....	17
CLASSES OF INSURANCE AVAILABLE.....	18
INSURER RATINGS	20
OTHER AON SERVICES	21



Confidentiality Notice

This report contains information which is confidential to Westland District Council (WDC) and Aon New Zealand (Aon). Accordingly, we trust you will understand this report is given to Westland District Council and its officers and employees in confidence and may not be reproduced in any form or communicated to any other person, firm or company without the prior approval of Aon.

Privacy Notice

The Aon Group of companies have always valued the privacy of personal information. When Aon collect, use, disclose or handle personal information, Aon will be bound by the Privacy Act 1993 (the 'Act').

Aon collect personal information to offer, provide, manage and administer the many financial services and products we and our group of companies are involved in. These include insurance broking and claims management, risk management consulting, and other forms of insurance services (including underwriting of insurance products and reinsurance), employee benefits, premium financing, superannuation and investment advisory services. Aon also collect it to be able to develop, establish and administer alliances and arrangements with other organisations in relation to the promotion, administration and use of our respective products and services.

Aon disclose personal information to third parties who we believe are necessary to assist us in providing the relevant services and products to our clients. For instance, we disclose personal information to the relevant product provider and their representatives, our agents and contractors and related companies. We limit, however, the use and disclosure of any personal information provided by us to such third parties for the specific purpose for which it was supplied.

When you give Aon personal information about other individuals, we rely on you to have made or make them aware that you will or may provide their personal information to us, the types of third parties we may provide it to, the relevant purposes we and the third parties we disclose it to will use it for, and how they can access it. If it is sensitive information we rely on you to have obtained their consent on these matters. If you have not done either of these things, you must tell us before you provide the relevant information.

If you collect, use, disclose or handle personal information on our behalf, or receive it from us, you and your representatives must meet the relevant requirements of the Privacy Principles set out in the Privacy Act 1993 and you must only use such information for the specific agreed purpose(s).

If you would like a copy of the Aon Privacy Policy, or wish to seek access to or correct the personal information we collected or disclosed about you, please telephone or email your Aon representative or access the Aon website www.aon.com.au.

Complaints Dispute Resolution

If you have a concern about a service that Aon have provided, you should contact your Aon representative or your local Aon office.

If your complaint is not satisfactorily resolved, you should contact Aon's National Complaints Manager on (09) 362 9000 or put your complaint in writing to:

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

Client Relationship Manager

Olivia Chisholm

T: 03 345 9800
DDI: 03 345 9811
F: 03 344 1465
M: 027 489 5173
E: olivia.chisholm@aon.com

Account Broker Claims Management

Sally Kemp

T: 03 345 9800
DDI: 03 344 9817
F: 03 344 1465
E: sally.kemp@aon.com

Top Level Contact

Shane Twemlow

DDI: 09 362 9088
M: 021 223 5622
E: shane.twemlow@aon.com



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
Sum Insured	\$40,737,500	\$43,928,638
Insurer Premium	\$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
Sum Insured	\$302,688	\$302,688
Insurer Rates	2.0%	1.75%
Insurer Premium	\$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
Sum Insured	\$500,000	\$500,000
Excess	\$5,000	\$5,000
Premium	\$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
Sum Insured	\$5,000,000	\$5,000,000
Excess	\$2,000	\$2,000
Premium	\$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
Sum Insured	\$5,000,000	\$5,000,000
Excess	\$10,000	\$10,000
Premium	\$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
Statutory Liability Limit	\$1,000,000	\$1,000,000
Employers Liability Limit	\$500,000	\$500,000
Excess	\$2,000	\$2,000
Premium	\$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
Material Damage		
Premium	\$162,067.77	\$ 96,638.41
EQC	\$ 8,713.55	\$ 8,713.55
Fire Service Levy	\$ 21,521.69	\$ 21,521.69
Commercial Motor	\$ 6,053.76	\$ 5,297.04
Fire Service Levy	\$ 121.60	\$ 121.60
Statutory Liability	\$ 1,500.00	\$ 1,387.50
Employers Liability	\$ 375.00	\$ 346.88
General Liability	\$ 3,937.50	\$ 3,642.19
Professional Indemnity	\$ 13,125.00	\$ 12,141.00
Airport Liability	\$ 4,874.20	\$ 1,250.00
D&O Liability – Westland Holdings	\$ 3,000.00	\$ 2,775.00
Crime	\$ 4,950.00	\$ 4,500.00
TOTAL	\$230,260.07	\$158,334.86

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

Insured	Westland District Council and/or associated and/or subsidiary companies for their respective rights and interests Also including: <ul style="list-style-type: none">a) Any Council Controlled organisation and/or Subsidiary Companies unless excluded;b) Any committee or any community board lawfully established by such Local Authority or Council Controlled Organisation;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;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		
Period of Insurance	From:	4:00pm	30 June 2015
	To:	4:00pm	30 June 2016
Covering	Including, but not limited to all tangible and personal property of every type and description either: <ul style="list-style-type: none">• owned in whole or in part by the Insured.• and/or the interest of the Insured in property of others held on commission.• and/or on consignment and/or for which they have assumed or may assume liability.• and/or property of others which the Insured has agreed to insure whether held by the Insured or by others.• and/or property for which the Insured is legally liable all while located anywhere in New Zealand.		
Sums Insured	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>		
Underwriter	NZI, a business division of IAG NZ Limited		100%



Limit of Indemnity	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

Deductibles	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

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



Public Liability

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



Professional Indemnity

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



Crime

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



Statutory Liability

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



Employers Liability

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



Directors & Officers Liability

Insured	Directors & Officers of Westland Holdings Limited and/or subsidiary companies and/or associated companies and joint ventures for their respective rights and interests		
Covering	<ul style="list-style-type: none"> • Indemnity to each Insured Person for Loss arising from a Wrongful Act for which they do not receive indemnity from the named Company • Indemnity to the named Company for Loss for which it grants indemnity to any Insured Person as permitted or required by law • First made against any Insured Person and notified during the Period of Insurance or subsequent Discovery Period 		
Period of Insurance	30 June 2015 to 30 June 2016 Both days at 4.00 p.m. Local Standard Time		
Territory & Jurisdiction	New Zealand		
Limit of Liability	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>		
Deductibles	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
Special Conditions/Endorsements	<ul style="list-style-type: none"> • Prospectus Liability Exclusion • Total Shareholder Exclusion • Proposal Form Exclusion • Terrorism and War Exclusions 		
Retroactive Date	Unlimited, excluding known circumstances		
Underwriter	QBE Insurance (International) Limited		100%



Airport Owners & Operators Liability

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

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: 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:

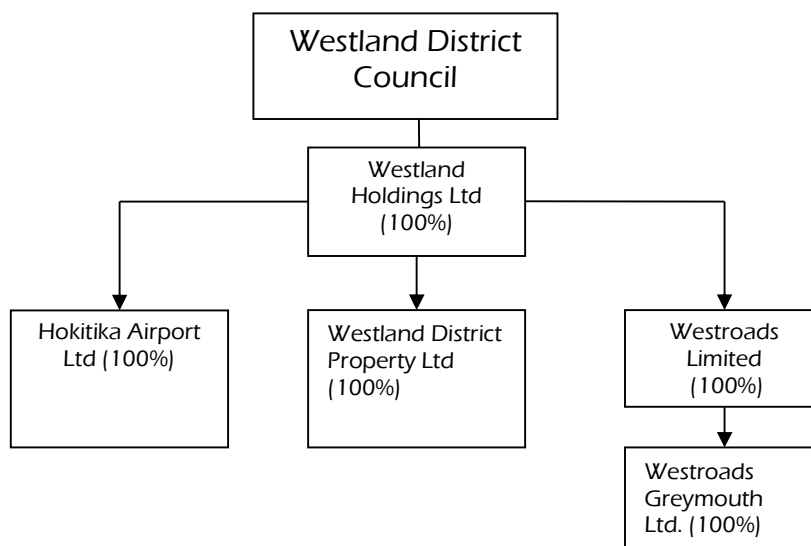
- achieve the objectives of its shareholders, both commercial and non-commercial, as specified in this statement of intent; and
- be a good employer in accordance with S:36(2) of schedule 7 of the Local Government Act 2002 and
- exhibit a sense of social responsibility by having regard to the interests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

Objective	Performance Target
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. | 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.

WHL will assess the alignment of the SI's with any specifically notified WDC strategic directive. |
| 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.