



Council Meeting

Commencing at 3pm

on

Tuesday 12 February 2019

**Council Chamber
District Council Building
King George Place
Timaru**

Timaru District Council

Notice is hereby given that a meeting of the Timaru District Council will be held in the Council Chamber, District Council Building, King George Place, Timaru on Tuesday 12 February 2019, at 3pm.

The meeting will be preceded by a citizenship ceremony at 2pm.

Council Members

Mayor Damon Odey, Cirs Nigel Bowen, Peter Burt, Dave Jack, Andrea Leslie, Richard Lyon, Paddy O'Reilly, Sally Parker, Kerry Stevens, and Steve Wills

Local Authorities (Members' Interests) Act 1968

Councillors are reminded that if you have a pecuniary interest in any item on the agenda, then you must declare this interest and refrain from discussing or voting on this item, and are advised to withdraw from the meeting table.

Bede Carran
Chief Executive

Council Agenda

- 1 Opening Prayer Brent Richardson, Timaru Presbyterian Parish**
- 2 Apologies**
- 3 Public Forum**
- 4 Identification of Urgent Business**
- 5 Identification of Matters of a Minor Nature**
- 6 Declaration of Conflicts of Interest**
- 7 1 Confirmation of Minutes – Council Meeting – 11 December 2018**
- 8 11 Confirmation of Minutes – Extraordinary Council Meeting – 18 December 2018**
- 9 17 Schedule of Functions Attended by the Mayor and Deputy Mayor and Councillors**
- 10 19 Schedule of Functions Attended by the Chief Executive**
- 11 21 Contract Let by the Chief Executive Under Delegated Authority**
- 12 23 Productivity Commission Funding and Financing Issues Submission**
- 13 24 2018/19 Annual Plan Progress report for the six months ended 31 December 2018**
- 14 30 Accounting Policy for Property, Plant and Equipment**
- 15 Consideration of Urgent Business Items**
- 16 Consideration of Minor Nature Matters**
- 17 Public Forum Items Requiring Consideration**
- 18 55 Exclusion of the Public**
- 19 57 Confirmation of Minutes – Council Meeting 11 December 2018**
- 20 59 Confirmation of Minutes – Tenders Committee 29 January 2019**
- 21 63 Readmittance of the Public**

**Timaru District Council
for the Meeting of 12 February 2019**

Report for Agenda Item No 7

**Prepared by Bede Carran
Chief Executive**

Confirmation of Minutes – Council Meeting 11 December 2018

Minutes of the 11 December 2018 Council meeting.

Recommendation

That the minutes of the Council meeting held on 11 December 2018, excluding the public excluded section, be confirmed as a true and correct record.

Timaru District Council

Minutes of a Meeting of the Timaru District Council Held in the Council Chamber, District Council Building, King George Place, Timaru on 11 December 2018 at 3pm

Present Mayor Damon Odey (Chairperson), Ctrs Peter Burt, Nigel Bowen, Dave Jack, Andrea Leslie, Richard Lyon, Paddy O'Reilly, Sally Parker, Kerry Stevens and Steve Wills

Apologies Gavin Oliver– Geraldine Community Board
Neville Gould – Pleasant Point Community Board

In Attendance Hamish McFarlane – Chairperson, Ivon Hurst Committee member, ECan Clr Peter Scott, ECan Planners Lyn Carmichael and Craig Davison – for OTOP item 6

Chief Executive (Bede Carran), Group Manager Infrastructure (Ashley Harper), Group Manager Environmental Services (Tracy Tierney), Group Manager Community Services (Sharon Taylor), Group Manager People and Digital (Symon Leggett), Communications Manager (Stephen Doran), Building Control Manager (Jayson Ellis) and Council Secretary (Joanne Brownie)

Opening Prayer Kathleen MacDonald of Restoration Ministries offered a prayer for the work of the Council

Karakia The Mayor opened the meeting with a karakia

1. **Declaration of Conflicts of Interest**

There were no conflicts of interest declared.

2. **Confirmation of Minutes Council Meeting 30 October 2018**

Proposed Clr Stevens
Seconded Clr O'Reilly

“That the minutes of the Council meeting held on 30 October 2018, excluding the public excluded section, be confirmed as a true and correct record.”

Motion Carried

3. **Confirmation of Minutes Extraordinary Council Meeting 27 November 2018**

Proposed Clr Jack
Seconded Clr Parker

“That the minutes of the Extraordinary Council meeting held on 27 November 2018, be confirmed as a true and correct record.”

Motion Carried

4. **Schedule of Functions Attended by the Mayor, Deputy Mayor and Councillors**

Proposed Clr Wills
Seconded Clr Burt

“That the schedule of duties and functions attended by the Mayor, Deputy Mayor and Councillors be received and noted.”

Motion Carried

5. **Schedule of Functions Attended by the Chief Executive**

Proposed Clr Wills
Seconded Clr Bowen

“That the schedule of duties and functions attended by the Chief Executive be received and noted.”

Motion Carried

6. **Orari-Temuka-Opihi-Pareora Water Zone Committee – Zone Implementation Programme Addendum**

The Council considered a report from the Orari-Temuka-Opihi-Pareora Water Zone (OTOP) Committee presenting the OTOP Zone Implementation Programme Addendum, which is the result of 8 years work by the Committee, in a collaborative process towards achieving the objectives of the Canterbury Water Management Strategy.

Clr Lyon spoke to the report, acknowledging the extensive work undertaken by the OTOP Committee and ECan staff over a long period of time to reach a document that best reflects the consensus position on how to move forward sustainably to meet the aims of the Canterbury Water Management Strategy. The Zone Implementation Programme Addendum sets out the rules and boundaries for what people can do on their land.

ECan Councillor Peter Scott then spoke, outlining the background to the ZIPA which is a non statutory document that will inform the planning document for sustainable water management for our region. Clr Scott thanked the OTOP Committee, especially Clr Lyon for his long term commitment to the project. Also acknowledged was Dermott O’Sullivan, the first chairperson of OTOP, John Talbot the next Chairman, the late Mandy Home for her representation of the Arowhenua runanga and representation from the Waihao runanga. Clr Scott noted that this is the start of a process, rather than the end.

Mackenzie District Council has accepted the document at its meeting today, ECan is due to accept the ZIPA later in the week and Waimate District Council in January 2019. Consultation with the Ministry for the Environment will follow in the early part of next year. A Section 32 report and a draft plan will be prepared for notification by July 2019. Submissions will be open, followed by decisions

made by a hearing panel, with the Plan finally becoming operative when adopted by ECan sometime around 2020.

Current OTOP Chairman Hamish McFarlane thanked the Council for its support through the process (providing facilities, staff and knowledge). There have been challenges in reaching this stage in the process and with more to come, but this is a significant step in safeguarding our environment. The future of the programme is dependent on engagement at all levels. It is critical to keep collaborative leadership at all levels in order to hit the targets. He thanked his committee for all their time in the substantial amount of reading, meetings, workshops and work that was required to achieve the ZIPA.

The Mayor thanked the wider community, the parties involved in working together collaboratively, the runanga and special thanks to Clr Richard Lyon as Council's representative on OTOP.

Proposed Clr Lyon
Seconded Clr Burt

- a "That the Council notes the update in this report.
- b That the Council receives the ZIPA for the Orari-Temuka-Opihi-Pareora Zone."

Motion carried

7. **Identification of Priority Thoroughfares and Strategic Routes Consultation**

The Council considered a report by the Building Control Manager presenting the proposed Timaru district maps identifying priority thoroughfares and strategic routes. There has been good feedback on the advice Council staff are providing on this matter to those in the industry.

Proposed Clr Jack
Seconded Clr Stevens

"That the revised Timaru district maps (as attached) identifying priority thoroughfares and strategic routes are adopted."

Motion carried

8. **Sister City Activity Update**

The Mayor and Clr Wills provided an update on recent Sister City Committee activity in relation to the Timaru District's sister cities of Weihai in China, Eniwa in Japan and Orange in Australia.

- Endeavours to advance the relationship with Orange California have not yet yielded any result.
- The Eniwa student exchange programme continues strongly.

- The relationship with Orange NSW has increased with visits on both sides and synergies and relationships being developed between different sectors of the communities.
- A delegation visited the district at the end of 2017 from Weihai China to explore business opportunities.
- In February a delegation from Eniwa visited to celebrate the 10 year anniversary of this sister city relationship.
- Eniwa is progressing a waste-to-energy plant which could be beneficial to informing a similar project in New Zealand.
- NZ made nappies were sent to Eniwa to support the advancement of Waste Free Parenting.

Proposed the Mayor
Seconded Clr Jack

“That the Sister City report be received.”

Motion carried

9. Exclusion of the Public

Proposed Clr Wills
Seconded Clr Stevens

“That the Council resolves to exclude the public on the grounds contained in Section 48(1) of the Local Government Official Information and Meetings Act:

Confirmation of Minutes

- | | |
|---------------------|--|
| Section 7(2)(b)(ii) | To protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied, or who was the subject of, the information. |
| Section 7(2)(i) | To protect information which is subject to an obligation of confidence, or which any person has been, or could be compelled to provide under the authority of any enactment where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should be continued to be supplied.” |

Motion carried

10. **Readmittance of the Public**

Proposed Clr Jack
Seconded Clr Stevens

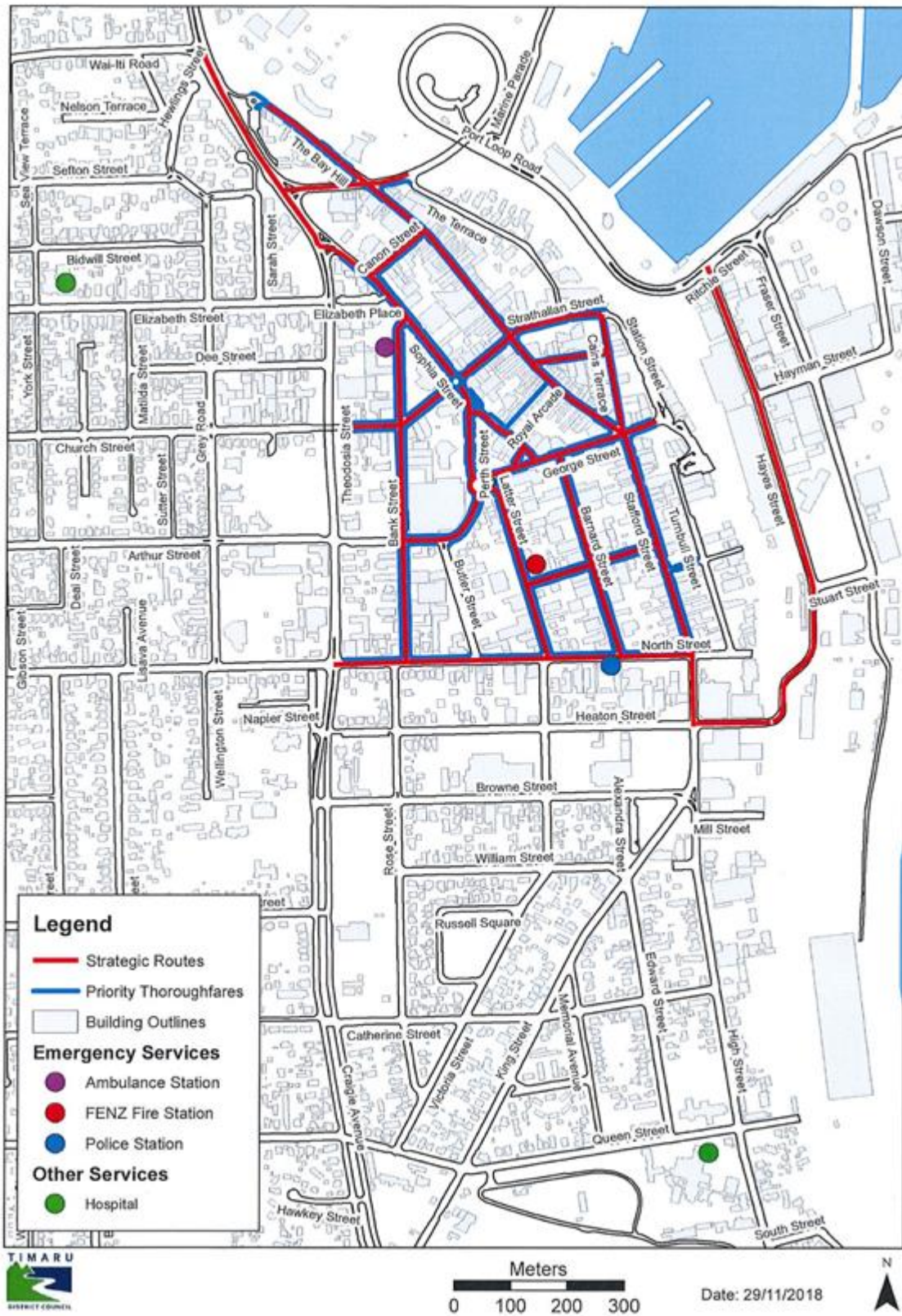
“That the public be readmitted to the meeting.”

Motion carried

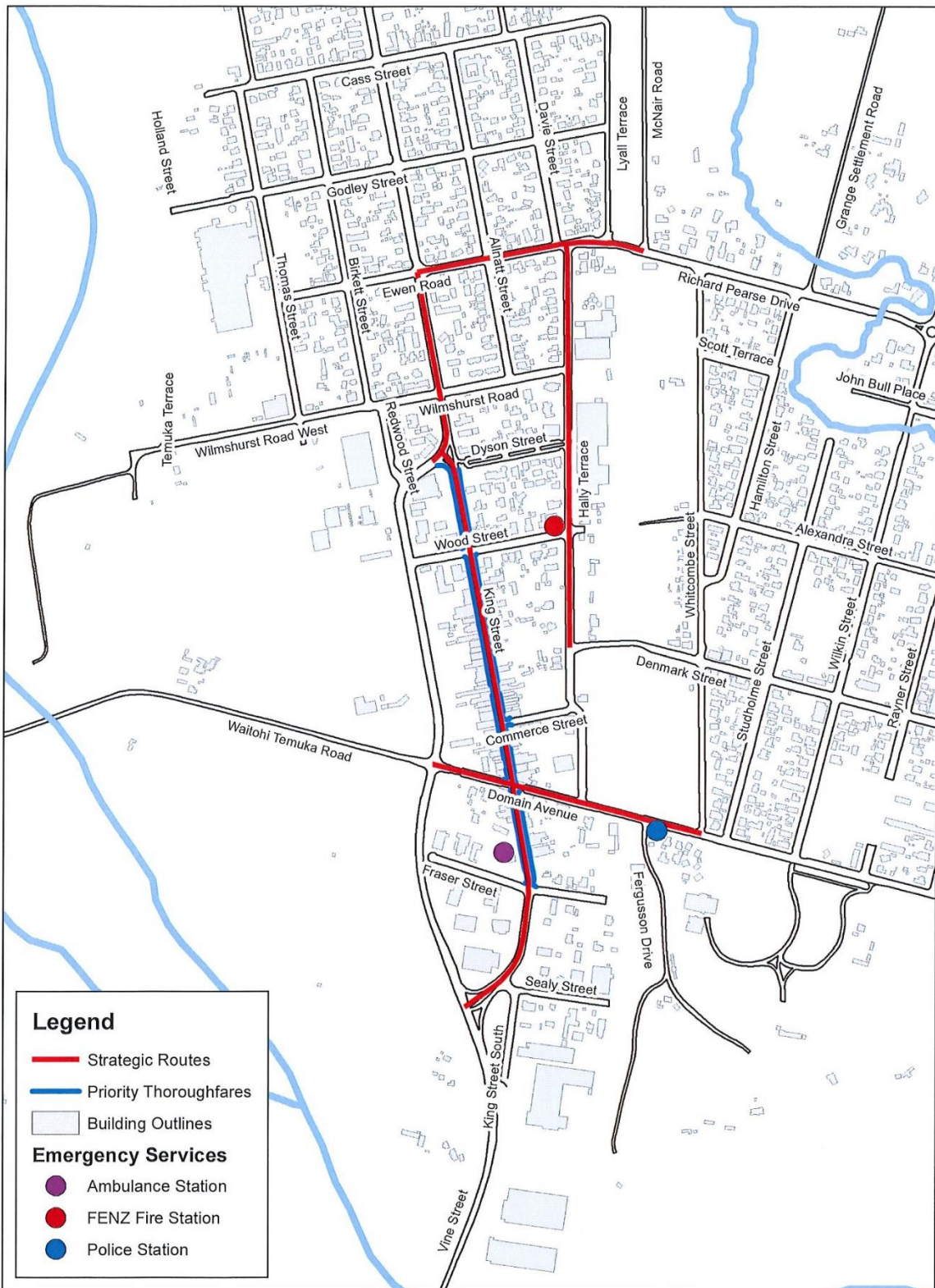
The meeting concluded at 4pm.

Chairperson

Timaru



Temuka

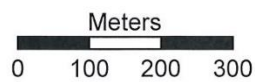


Legend

- Strategic Routes
- Priority Thoroughfares
- Building Outlines

Emergency Services

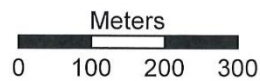
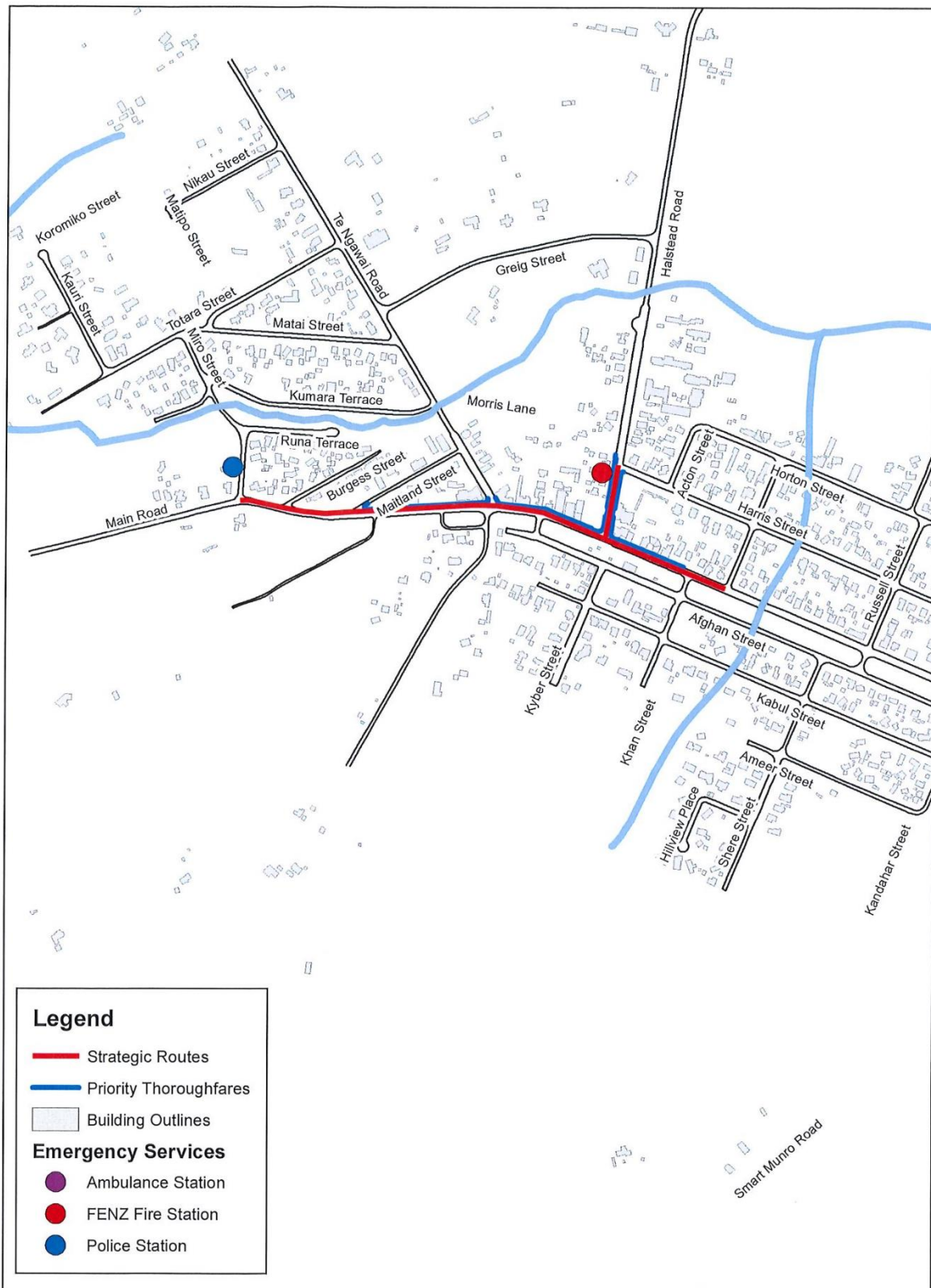
- Ambulance Station
- FENZ Fire Station
- Police Station



Date: 28/11/2018



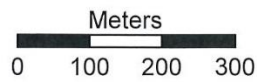
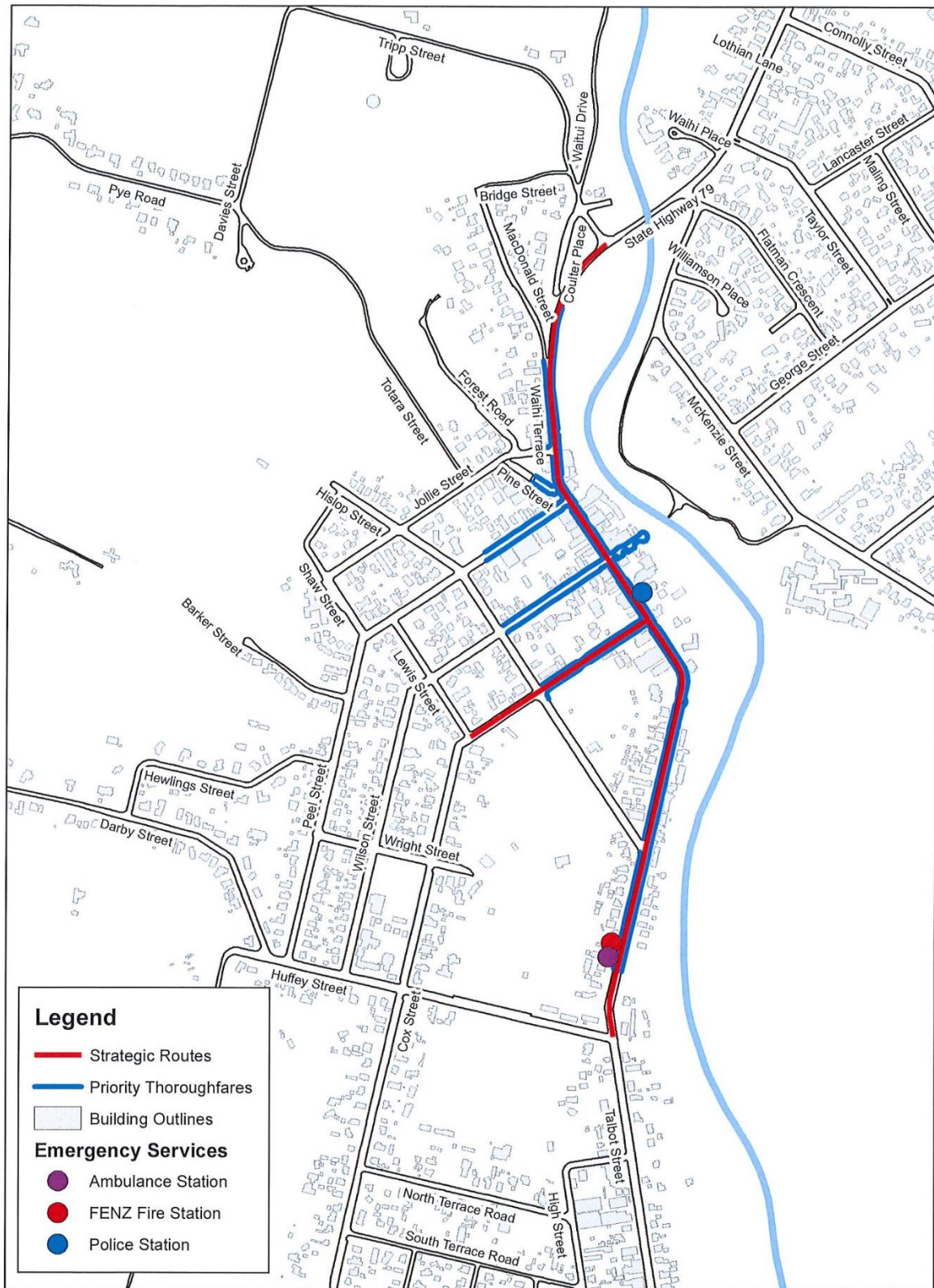
Pleasant Point



Date: 29/11/2018



Geraldine



Date: 29/11/2018

Timaru District Council
for the Meeting of 12 February 2019

Report for Agenda Item No 8

Prepared by Bede Carran
Chief Executive

Confirmation of Minutes – Extraordinary Council Meeting 18 December 2018

Minutes of the 18 December 2018 Extraordinary Council meeting to consider the Alpine Energy Ltd shares issue.

Recommendation

That the minutes of the Extraordinary Council meeting held on 18 December 2018, be confirmed as a true and correct record.

Timaru District Council

Minutes of an Extraordinary Meeting of the Timaru District Council held in the Council Chamber, District Council Building, King George Place, Timaru on 18 December 2018 at 8.30am.

Present Mayor Damon Odey (Chairperson), Clrs Nigel Bowen, Peter Burt, Dave Jack, Andrea Leslie, Richard Lyon, Paddy O'Reilly, Sally Parker, Kerry Stevens and Steve Wills

In Attendance Chief Executive (Bede Carran), Group Manager Environmental Services (Tracy Tierney), Group Manager Community Services (Sharon Taylor), Group Manager Infrastructure (Ashley Harper), Group Manager People and Digital (Symon Leggett), Strategy and Corporate Planning Manager (Mark Low), Corporate Planner (Ann Fitzgerald), Communications Manager (Stephen Doran), Land Transport Manager (Andrew Dixon)(for item 1) and Council Secretary (Joanne Brownie)

Karakia The Mayor opened the meeting with a karakia

11. Stafford Street Parking Trial

The Council considered a report by the Group Manager Infrastructure seeking approval for a trial change of parking time limit in Stafford Street from George Street to Strathallan Street. Clr Jack spoke to the report, noting the CBD group's offer to assist with monitoring the parking trial.

The Mayor thanked the Group Manager Infrastructure and the Land Transport Manager for meeting with the CBD group and preparing the report at short notice.

Proposed Clr Jack
Seconded Clr Wills

- a) "That the current P30 parking time limit in Stafford Street from George Street to Strathallan Street be extended to P60 for a trial period of 6 months.
- b) That the trial be implemented as soon as practicable.
- c) That the results of the trial be reported back to the Infrastructure Committee."

Motion Carried

12. Declaration of Conflicts of Interest – AEL Shares Issue

Mayor Damon Odey, Clrs Lyon and Stevens declared that they are directors of Timaru District Holdings Ltd. The Chief Executive informed the meeting that

there was no conflict of interest for the elected member directors on TDHL, and their participation in the hearing and decision making at today's hearing. TDHL's recommendation to Council was for Council to consult with the community on a proposal for TDHL to divest its shares in Alpine Energy. The Local Government Act 2002 (LGA) requires the Council when consulting to state its preferred option and so the position adopted by TDHL directors and Council was consistent with the requirements of the LGA. Stating a preferred option in accordance with the LGA does not create a conflict of interest. Only where Councillors have a fixed or predetermined view do procedural problems arise. The Mayor, Cllrs Lyon and Stevens all stated they were coming to the hearing with an open mind to hear and consider the views of the submitters and make a decision following the hearings and consideration of the submissions. .

It was noted that a number of submitters suggested the Alpine Energy Ltd shares proposal should be an election issue. It was pointed out that any decision made prior to an election requires elected members to have an open mind and not have a predetermined position.

The Mayor congratulated the councillors on maintaining an unbiased position throughout the lead-up to the hearing today, despite pressure from the media to offer an opinion.

13. Timaru District Holdings Limited (TDHL) Proposal to Sell Alpine Energy Ltd Shareholding

Council considered a report by the Chief Executive and the Strategy and Corporate Planning Manager, together with the written and verbal submissions received on the proposal to sell TDHL's 47.5% shareholding in Alpine Energy Ltd (AEL).

Hearing of Submissions

The following submitters attended the meeting and spoke in support of their written submissions:

Bernard Sommerfeld and Jim Anderson (Grey Power NZ Federation Inc), Mark Hervey, Jason Grant and Bob Douglas (SC Federated Farmers), Percy Gould, Denise Fitzgerald (Grey Power Timaru Inc), Bruce Pipe, Christopher Templeton, Colin Hurst, David Diamond, Don Murray, Ross Cressy, Ernest Peter McAuley, Don Binney, Gerrie Ligtenberg, Gordon Handy, Greg Murphy, Grant Eames and Hugh Perry (LineTrust South Canterbury), John Gardner (Etu), Troy Titheridge, Ian Bowan, Ian Cumberland, Janya Lobb, Jim Scott, Jock Anderson, John Cannell, Wendy Smith, Gordon Handy and Thomas Nation (SC Chamber of Commerce), John Doran, John Kearns, Les Rawlings, Lee Burdon, John Overton, Leigh Crowe, Julian Maze, Margaret Dockrill, Ray Hawkins, Paul Wolffenbuttel (HC Partners LP), Stanley Whitley, Neville Gould, McGregor Simpson, Murray Bartlett, Raymond Ward-Smith, Terence Broughton.

Key concerns

The main concerns raised regarding the sale of shares proposal were –

- Selling the ‘family silver’
- The shares were gifted to Council to be a custodian for the community for the long term, Council has a moral obligation to retain them
- Objection to privatising a public asset
- Loss of local community control of a key utility
- Future purchaser may have less control over AEL than TDHL has currently
- TDHL may have less control if its investments were diversified into a number of entities
- Possible sale to foreign buyer (Wellington example was quoted)
- Variance in the Deloitte and Ernst Young valuations of AEL
- Return from the proposed diversified portfolio may be less than current return from Alpine Energy Ltd
- Current return from Alpine Energy Ltd has been undervalued/is adequate
- The threat of disruptive technologies will be managed satisfactorily by AEL
- There is value in retaining shares in a monopoly company like AEL
- Risks with the port could be greater than those with AEL
- The issue has been rushed, more time is needed for feedback, it is an inconvenient time of year for consultation on such an important issue
- Council should have consulted organisations prior to choosing to publicly consult
- Council should stick to its core activities, Council is not charged with turning a profit
- Lack of detail in the proposal
- Lack of information provided on proposed alternative investments
- Lack of evidence that share sell off would benefit the district
- There is no pressure from the community to reduce current Council debt levels, intergenerational debt has advantages
- The proposal was not considered as part of the Long Term Plan
- Timaru District Holdings Ltd is a holding company not an investment company
- Consideration required of the impact of the electricity price review on electricity distribution companies.

Acknowledgement of Submissions

Proposed Clr Stevens
Seconded Clr Jack

- a “That the written, verbal and late submissions on the proposal by TDHL to sell its shareholding in AEL, together with the officers’ comments, be received and noted.
- b That the submitters be thanked for the time and thought they put into their submissions and participating in the consultation process.”

Motion carried

Consideration of Submissions

Having considered all the submissions and the issues raised by submitters, each Councillor offered their views;

- noting the high level of research and quality of the submissions received and the depth of feeling in the community on the proposal
- acknowledging the democratic process that has provided people with the ability and confidence to share their views with elected members and be heard
- recognising the value of exploring new ideas with the community
- noting the misconceptions created through the media which at times had been unhelpful to an open and transparent process
- taking note of some issues requiring further investigation/discussion which have become apparent, including the role of TDHL, governance issues and the significant variation in the Deloitte, and Ernst and Young valuations of AEL.

Final Decision

Proposed Clr Jack
Seconded Clr Wills

“That Council instructs TDHL to retain its 47.5% shareholding in Alpine Energy Ltd.”

Motion carried unanimously

Acknowledgments

Clr Lyon thanked the Mayor for his leadership in exploring a proposal with the community and being brave enough to put such a proposal for change in front of our community. The Mayor thanked the Council officers for completing all the additional work associated with the consultation process.

Submitter Janya Lobb thanked the Mayor and Councillors on behalf of the submitters, for listening to the submitters and making the decision they have, which maintains faith in the democratic process.

The meeting concluded at 4.30pm.

Chairperson

Timaru District Council
for the Meeting of 12 February 2019

Report for Agenda Item No 9

Schedule of Functions Attended by the Mayor

<i>29 November</i>	Alpine Energy Ltd Consultation Briefing Meeting with Aoraki Development Chairman and Director
<i>1 December</i>	Judged the Christmas Parade Floats/Entertainment Competition
<i>3 December</i>	Meeting with the Timaru Herald representatives Attended Think Tank with Economist Attended Aoraki Development Annual General Meeting Meeting with Courier representative Attended Session with Economist
<i>4 December</i>	Attended Tenders Committee Meeting Attended Audit and Risk Subcommittee Meeting Teleconference with Canterbury Mayoral Forum representatives
<i>5 December</i>	Meeting with Rooney Group Representatives
<i>6 December</i>	Met with Murray & Co representatives Canterbury Mayoral Forum meeting with Fish and Game Canterbury Mayoral Forum Working Dinner
<i>7 December</i>	Attended Canterbury Mayoral Forum Attended the Canterbury Civil Defence & Emergency Management Group Joint Committee Meeting
<i>9 December</i>	Attended Pleasant Point Community Board function
<i>10 December</i>	Met with Alpine Energy Ltd consultation consultants
<i>11 December</i>	Addressed Christmas KPMG Young Chamber Breakfast Attended public transport workshop with ECan TDHL Annual General Meeting Industrial Relations Sub Committee meeting Conducted citizenship ceremony Chaired Council meeting
<i>12 December</i>	Met with Central Business District Group Met with representative of Timaru Cosmopolitan Club Met with Penguins Group representative

<i>13 December</i>	Discussion with Ministry of Business Innovation and Employment representative Met with Mt Cook Trophy Hunting representative Attended Farewell for Timaru Girls High School Principal Yacht Club Meeting
<i>14 December</i>	Radio interview
<i>16 December</i>	Carols by Candlelight
<i>17 December</i>	Took part in video production for Aoraki Development Careers website
<i>18 December</i>	Extraordinary Council Meeting – AEL share sale proposal hearing of submissions
<i>26 December</i>	Caroline Bay Carnival Luncheon and Opening
<i>21 January</i>	Teleconference with Immigration Refugee Unit Representative
<i>22 January</i>	Attended Christmas on the Bay concert
<i>28 January</i>	Attended TDC Financial Annual Review Meeting Meeting with Alzheimer’s South Canterbury members Meeting with Courier representative
<i>29 January</i>	Attended Standing Committee Meetings Chaired Tenders Committee Meeting Health and Safety Site visit to Claremont reservoir Meeting with TUIA representative 2018
<i>30 January</i>	Attended PrimePort Timaru PGF Economic Assessment and Business Case
<i>31 January</i>	Canterbury Mayoral Forum Working Dinner

In addition to the above duties I met with 2 ratepayers regarding issues of concern to them.

Functions Attended by the Deputy Mayor

<i>25 November</i>	Opened the Association of Pleasant Point Sports all weather sports field
<i>30 November</i>	Opened exhibition at the South Canterbury museum
<i>11 December</i>	Attended TDHL Annual General Meeting Attended Industrial Relations Subcommittee meeting

Recommendation

That the report be received and noted.

Timaru District Council
for the Meeting of 12 February 2019

Report for Agenda Item No 10

Schedule of Functions Attended by the Chief Executive

<i>29 November</i>	Alpine Energy Ltd Consultation Briefing
<i>30 November</i>	Discussion with Enviro-Mark Solutions Meeting with Ara Institute Executives
<i>3 December</i>	Attended Think Tank with Economist Met with MP Andrew Falloon Attended Aoraki Development Annual General Meeting Attended Session with Economist
<i>4 December</i>	Attended Tenders Committee Meeting Attended Audit and Risk Subcommittee Meeting
<i>6 December</i>	Canterbury Mayoral Forum Working Dinner
<i>7 December</i>	Attended Canterbury Mayoral Forum
<i>11 December</i>	Public Transport Workshop with ECan Attended TDHL Annual General Meeting Attended Industrial Committee Relations Committee Meeting Attended Citizen Ceremony Attended Council Meeting
<i>14 December</i>	Attended Aigantighe Gallery Opening
<i>17 December</i>	Conference call with Equip Board
<i>18 December</i>	Attended Extraordinary Council Meeting – AEL Share Sale proposal hearing of submissions
<i>19 December</i>	Attended Hunter Downs Water AGM
<i>21 December</i>	Meeting with Chief Executive Alpine Energy Limited
<i>17 January</i>	Attended Senior Leadership Team Meeting with Police Mid-South Canterbury Area Commander
<i>21 January</i>	Attended Canterbury Chief Executives Forum Civil Defence Emergency Management Coordinating Executive Group
<i>23 January</i>	Met with MP Andrew Falloon

	Attended meeting with Ara representatives Discussion with Department of Internal Affairs representative
<i>24 January</i>	Met with Environment Canterbury representative
<i>28 January</i>	Attended TDC Annual Review Meeting with Fitch
<i>29 January</i>	Attended Standing Committees Meeting Attended Tenders Committee Meeting Attended Claremont reservoir site visit
<i>30 January</i>	Attended PrimePort Timaru PGF Economic Assessment and Business Case
<i>31 January</i>	Canterbury Mayoral Forum Working Dinner

Also met with various ratepayers and/or residents on a range of operational matters.

Recommendation

That the report be received and noted.

Timaru District Council
for the Meeting of 12 February 2019

Report for Agenda 11

Prepared by **Bede Carran**
 Chief Executive

Contract Let by the Chief Executive Under Delegated Authority

Recommendation

That the following information on a contract let by the Chief Executive under delegated authority, be received.

Contract Description	Number of Tenders	Price Range	Successful Tenderer and Price
Contract 2388 – Bridges 95 Guild Road and 160 Middleswamp Road replacement	2	\$322,543.08 to \$330,757.13	Fulton Hogan Limited \$322,543.08
Tenders were evaluated using the Lowest Price Conforming Tender Method			

All prices exclude GST

Timaru District Council
for the Meeting of 12 February 2019

Report for Agenda Item No 12

Prepared by Fabia Fox
Policy Analyst

Mark Low
Strategy & Corporate Planning Manager

Productivity Commission Inquiry – Local Government Funding and Financing

Purpose

1. The purpose of this report is to present a draft submission on the Productivity Commission's Local Government Funding and Financial Issues Paper for Council approval.

Background

2. The Productivity Commission has been tasked by the Government to undertake an inquiry into local government funding and financing and, where shortcomings in the current system are identified, to examine options and approaches for improving the system.
3. On 6 November 2018, the Commission released an issues paper as part of the process of gathering evidence. Submissions to the issues paper close on 15 February 2019.
4. The Commission plans to publish a draft report in mid-2019, which will include a set of draft findings and recommendations. Further opportunity will be available for interested parties to provide feedback and input before a final report is delivered to referring Ministers in November 2019.
5. The issues paper poses 49 questions linked to various cost drivers and pressure points discussed. Comment is invited to respond to any, or all of these questions.
6. Local Government New Zealand (LGNZ) and the Society of Local Government Managers (SOLGM) have both prepared detailed submissions addressing these questions and highlighting additional cost drivers for local government.
7. The paper and draft submissions from LGNZ and SOLGM have been previously circulated to Councillors. The paper can be found at [Productivity Inquiry - Local Government Funding and Financing](#).

Options

8. Council have previously signalled that they wish to submit to the Inquiry and a draft submission has been prepared on this basis and will be circulated separately. The Council has the option to:
 - Support the submission as written
 - Amend the submission to reflect other views.

Identification of relevant legislation, Council policy and plans

Local Government Act 2002
Local Government (Rating) Act 2002
Resource Management Act 1991

Assessment of Significance

9. This matter is not deemed significant under the Council's Significance and Engagement Policy.

Consultation

10. No consultation has or will be undertaken.

Other Considerations

11. There are no other considerations relevant to this matter.

Funding Implications

12. There are no funding implications.

Conclusion

13. The Productivity Commission's issues paper is an important precursor to a report from the Commission on potential funding and financing options for the local government sector. This represents the first opportunity for Council to provide feedback to the Commission on this important issue.

Recommendation

That the Council approves the submission on the Productivity Commission's Local Government Funding and Financing Issues Paper.

Timaru District Council

For the Meeting of 12 February 2019

Report for Agenda Item No 13

Prepared by **Stephen Halliwell**
Acting Group Manager Commercial and Strategy

David Codyre
Chief Financial Officer

Mark Low
Strategy and Corporate Planning Manager

2018/19 Annual Plan Progress report for the six months ended 31 December 2018

Purpose of Report

14. The purpose of this report is:
 - a. To outline progress against Council's 2018/19 Annual Plan (Year 1 of the 2018-2028 Long Term Plan) including financial results, and progress towards achieving the non-financial performance measures and project work programme for the period ended 31 December 2018.
 - b. To seek confirmation of a revised financial and work programme reporting cycle.

Background

15. Financial Results are summarised in Appendix 1, including:
 - Overview of financial results, including operating income and expenditure
 - Income Statement for the period ended 31 December 2018
 - Overview of Capital Expenditure for the period ended 31 December 2018
 - Statement of Financial Position as at 31 December 2018

The financial results are for the Timaru District Council parent, including the Downlands Water Supply joint venture. Carry forwards from 2017/18 will be incorporated in the next report due to be presented to Council.
16. Financial projections are currently being reviewed in preparation of the budget for the 2019/20 year. These revised projections will be incorporated into the next report.
17. The Non-Financial Performance Measures and Project Work Programme Update is included in Appendix 2. This outlines progress against the 2018/19 non-

financial performance measures and projects and a summary of highlights and issues.

The information is organised by the Council’s nine Groups of Activities, and is presented differently to previous progress reports. Recently we have implemented a new corporate reporting tool, Opal3, which we are using to collect and report on non-financial information. This will be enhanced further over time, but feedback is welcome on the report format.

18. As required, the Council receives progress reports during the year on financial results and non-financial performance progress. This culminates in the production of the Council’s Annual Report that must be adopted by 31 October each year. As part of the implementation of Opal3, we have reconsidered the timing of reporting to the Council, and are recommending a regular cycle as outlined below. Previously this reporting has occurred on a six and nine monthly basis.

Options

19. Relating to paragraph 5 above, the options are –
 - Option 1 – Move to a four monthly reporting cycle, with reports produced to the end of October, end of February and end of June (Annual Report).
 - Option 2 – Retain the current reporting cycle of six monthly to the end of December and nine monthly to the end of March.
 - Option 3 – Determine some other reporting cycle
20. Advantages and disadvantages of the first two options are outlined below:

	Advantages	Disadvantages
Option 1	<ul style="list-style-type: none"> - More regular reporting cycle. - Avoids the Christmas/New year shutdown for preparation. - Report received prior to xmas of financial year. - Outside Annual Report cycle. 	<ul style="list-style-type: none"> - None identified
Option 2	<ul style="list-style-type: none"> - Known reporting cycle 	<ul style="list-style-type: none"> - No information available prior to February of financial year (i.e. Month 8 of financial year).

Identification of Relevant Legislation, Council Policy and Plans

Local Government Act 2002

Assessment of Significance

21. This matter is not deemed significant under the Council’s Significance and Engagement Policy.

Consultation

22. Senior Leadership Team and Tier Three Managers have discussed and generally support a change to four monthly reporting (as it provides more timely and frequent reporting).

Other Considerations

23. There are no other considerations.

Funding Implications

24. There are no funding implications.

Conclusion

25. The Financial accounts to the end of December 2018 are showing improved surplus due to delays in the Council's capital programme. This flows into lower debt, interest and depreciation. A strong cash position is a result of this with general investment funds remaining stable.
26. Council's non-financial performance measures results are generally tracking well, with some small exceptions, with some project work delayed due to various circumstances relating to the projects.

Recommendations

- a **That the summary financial results to 31 December 2018 is received and noted.**
- b **That the non-financial performance indicators and project work programme results to 31 December 2018 is received and noted.**
- c **That a four-monthly reporting cycle is adopted.**

Timaru District Council					
Income Statement for the six months ending 31 December 2018					
	Dec-18 \$000	Dec 18 Budget YTD \$000	Full year original budget \$000	% Full year budget	Dec 2017 YTD \$000
Income					
Rates	25,128	24,204	48,407	51.9%	23,675
Community Support	1,107	1,115	2,231	49.6%	1,020
District Planning and Regulatory Services	1,928	1,912	3,469	55.6%	1,958
Democracy	-	-	3	0.0%	-
Recreation and Leisure	2,650	1,655	3,301	80.3%	1,899
Transport	4,131	4,833	9,669	42.7%	4,281
Waste Minimisation	1,980	1,486	3,439	57.6%	1,798
Sewer	1,339	1,316	2,701	49.6%	1,453
Stormwater	155	-	65	238.5%	149
Water Supply	835	820	1,684	49.6%	802
Corporate Support	3,009	3,511	7,018	42.9%	3,055
Total Income	42,262	40,851	81,984	51.5%	40,090
Operating Expenditure					
Community Support	2,490	2,504	4,457	55.9%	2,651
District Planning and Regulatory Services	2,835	2,708	5,345	53.0%	2,414
Democracy	1,857	619	1,220	152.2%	1,656
Recreation and Leisure	7,722	7,355	14,326	53.9%	7,103
Transport	8,769	7,084	14,101	62.2%	7,152
Waste Minimisation	4,415	4,309	8,782	50.3%	3,482
Sewer	4,093	4,047	8,327	49.2%	4,340
Stormwater	704	829	1,752	40.2%	697
Water Supply	3,682	3,125	6,104	60.3%	3,496
Corporate Support	719	6,937	13,949	5.2%	1,798
Total Operating Expenditure	37,286	39,516	78,364	47.6%	34,790
Operating Surplus/(Deficit)	4,976	1,335	3,621	137.4%	5,300
Timaru District Council					
Capital expenditure for the six months ended Dec 2018					
	Dec 18 YTD \$000	YTD Original Budget \$000	Full year original budget \$000	% YTD Original Budget	% Full year budget
Capital Expenditure					
Community Support	402	125	343	323%	117.1%
District Planning and Regulatory Services	1	3	5	21%	10.6%
Democracy	-	-	0		
Recreation and Leisure	877	4,450	8,412	20%	10.4%
Transport	5,671	5,785	13,027	98%	43.5%
Waste Minimisation	618	1,081	2,746	57%	22.5%
Sewer	577	2,110	4,236	27%	13.6%
Stormwater	850	213	1,563	399%	54.4%
Water Supply	1,785	11,382	26,510	16%	6.7%
Corporate Support	821	842	1,519	98%	54.1%
Total Capital Expenditure	11,603	25,990	58,361	45%	19.9%

Timaru District Council				
Statement of Financial Position as at 31 December 2018				
	Actual	Actual	Budget as per LTP	
	30/06/2018	31/12/2018	30/06/2019	
Equity				
Retained Earnings	743,981	748,884	742,766	
Revaluation Reserve	-	-	-	
Special Fund Reserves	35,783	35,783	20,917	
Total Equity	779,763	784,667	763,683	
Current Assets				
Cash & Bank Balances	12,237	14,588	15,801	
Short Term Deposits	46,044	47,072	17,417	
Receivable & Prepayments	6,025	1,258	6,218	
Inventories	90	189	72	
Total Current Assets	64,396	63,107	39,508	
Non-Current Assets				
Investments	31,605	31,505	24,439	
Fixed Assets	798,608	801,958	839,891	
Total Non-Current Assets	830,213	833,462	864,330	
Total Assets	894,609	896,570	903,838	
Current Liabilities				
Payables & Accruals	11,847	9,085	10,542	
Current Portion of Term Debt	32,500	32,500	5,659	
Total Current Liabilities	44,347	41,585	16,201	
Non-Current Liabilities				
Term Debt	64,024	64,024	113,490	
Other Term Liabilities	6,474	6,294	10,464	
Total Non-Current Liabilities	70,498	70,318	123,954	
Total Liabilities	114,846	111,903	140,155	
Net Assets	779,763	784,667	763,683	

Financial Performance for the six months to 31 December 2018

	Year to Date Actual 2018/19	Budget YTD 2018/19	Actual YTD 2017/18	Variance v Projected Actual	Variance v 2017/18	Variance v Projected Actual (%)	Variance v 2017/18 (%)
Rates Revenue	25,128	24,204	23,675	924	1,453	3.82%	6.14%
Other Operating Revenue	17,135	16,647	16,415	488	720	2.93%	4.38%
Art Gallery and Museum received large grants. Refuse fee take up substantially.							
Operating Expenditure	37,286	39,516	34,790	2,230	(2,497)	5.64%	-7.18%
Wage Costs down offset by increase in consultants. Power Costs down Considerably (\$400k) but summer pools will cut into this. Borrowing costs down \$900k due to delay in taking out loans.							
Capital Expenditure	11,603	25,990	11,047	14,387	(556)	55.36%	-5.03%
Complexity delaying key Water projects. Theatre Royal and Library Roof projects yet to start. Parks projects delay relate to timing issues							
Loans	94,528	102,800	84,528	8,272	(10,000)	8.05%	-11.83%
Borrowing delayed in line with Capital Expenditure							

Council Meeting
for the Meeting of 12 February 2019

Report for Agenda Item No 14

Prepared by Bede Carran
Chief Executive

Accounting Policy for Property, Plant and Equipment

Purpose of Report

27. To seek the Council's approval of the Audit and Risk Subcommittee's recommendation that there is a change in the accounting policy for property, plant and equipment.

Background

28. As set out in the report 'Accounting Policy for Property, Plant and Equipment' (Accounting Policy Report) that was presented to the Audit and Risk Subcommittee (attached as Appendix 1) Council currently measures its property, plant and equipment at 'cost'. The total value of these assets is recorded at \$797 million (rounded) in the Council's financial statements (see under non-current assets Property, Plant and Equipment on page 83 of the Council's Annual Report).
29. As the Accounting Policy Report describes this is not the optimal basis for measurement of Council's property, plant and equipment assets. The preferred basis for measurement is at their revalued amount. This is the 'fair value' of the asset less an amount for depreciation (depreciation recognises that an asset wears out over time) and impairment (that an asset may have lost some of its future utility due to technological, economic or legal environment changes). Where there is a market for an asset, such as land and buildings, the fair value is determined using the current market value. Where there is no readily identifiable market price, fair value must be estimated using a valuation technique. For specialised assets such as roads and 3 water networks, depreciated replacement cost (DRC) is an allowable method to determine fair value. DRC reflects cost to replace the assets service potential reflecting the assets used condition. DRC must be optimised to reflect obsolescence due to over design or overcapacity. Reflecting the optimised DRC of the asset assumes a current day equivalent of the service potential remaining in the asset reduced for surplus capacity, for example an asset that needs to be replaced to meet environmental standards even if it has not reached the end of its design life.
30. The rationale for the change is set out in the Accounting Policy Report. In summary, the revaluation basis provides more relevant and reliable information for Council to make decisions regarding its assets.

31. A transition from a measurement basis of 'cost' to 'revaluation' marks a significant shift in the Council's accounting policy and the basis for preparation of the annual financial statements. The Council will almost inevitably see very substantial increases in the value of its networked assets and potentially also in its other assets, which will be reflected as increases in the financial position of Council. It should be noted these are changes in measurement of the asset and as such do not have an immediate cash effect. An analogy is where property owners change the measurement value of their house from the cost paid for the house to its current market value.
32. A further effect of the change from a cost to a revaluation model is that Council's depreciation charges will increase significantly, and this will be reflected in the Statement of Comprehensive Income. This will also impact on the 'essential services benchmark' which Council is required to report on, as part of its annual report ([see page 128 of the Annual Report](#)). The essential services benchmark shows Council's capital expenditure on networked services as a proportion of depreciation on network services, essentially, are capital works keeping up with the diminishing loss in service utility. It is entirely foreseeable that Council may not meet this benchmark, which it currently does, given the change in policy. Other ratios, such as the debt to equity ratio will improve significantly (as the value of the assets and therefore equity will increase but the debt remains unchanged).
33. There are a number of transitional matters to be addressed if Council resolves to adopt a revaluation basis for the measurement of its property, plant and equipment and these are set out in the attached Accounting Policy Report.
34. It is noted that although recommendations from the Audit and Risk Subcommittee would normally to go to the Policy and Development Committee, this matter involves a significant change to the Accounting Policies and will have a material effect on the financial statements which are adopted as part of the Annual Report. As it is the Council that must adopt the Annual Report, it was considered appropriate to bring the matter before the Council for consideration.

Options

35. The options are –
 - For Council to confirm the recommendation of the Audit and Risk Subcommittee that Council change its accounting policy for measuring property, plant and equipment from a cost to a revaluation basis (preferred option)
 - Council can resolve to retain the current cost basis accounting policy for the measurement of its property, plant and equipment

Identification of Relevant Legislation, Council Policy and Plans

- (i) Financial Reporting Act 2013
- (ii) Local Government Act 2002

Assessment of Significance

36. This matter is not deemed significant under the Council's Significance and Engagement Policy.

Consultation

37. In addition to presenting the issue to the Audit and Risk Subcommittee, Audit New Zealand was invited to comment on the issue and is fully supportive of a change in accounting policy from a cost to a revaluation basis.
38. Ernst and Young (EY) a Big 4 accounting firm, reviewed and commented on a draft of the Accounting Policy Report to provide assurance as to the accuracy of the commentary and conclusions.

Other Considerations

39. There are no other considerations relevant to this matter.

Funding Implications

40. The funding implications are set out in the Accounting Policy Report, in summary additional resource is required. The Audit and Risk Subcommittee expressed a preference that we make use of external resources to support the transition.

Conclusion

41. Council currently measures its property, plant and equipment assets on a 'cost' basis. It is proposed to change the measurement basis for these assets from a cost to revaluation basis. The reason for the change is that it provides more relevant and reliable asset information on which to make decisions regarding Council's assets. A change will have a significant and material effect on the financial statements. The change is recommended by the Audit and Risk Subcommittee and is supported by Audit New Zealand.
42. It is proposed that any change takes effect in the financial year beginning 1 July 2019 to allow sufficient time for the transitional changes to be implemented. This recommended timeframe was supported by the Audit and Risk Subcommittee.

Recommendations

- a That Council resolves whether it prefers Option (i) (revaluation) or Option (ii) (cost) as the measurement basis of its property plant and equipment.**
- b That if Council resolves to adopt Option (i), and to avoid uncertainty, it delegates any transitional decisions regarding the change in accounting policy to the Policy and Development Committee.**

Audit and Risk Subcommittee

For the Meeting of 4 December 2018

Report for Agenda Item No *

Prepared by **Bede Carran**
Chief Executive

COPY

Accounting Policy for Property Plant and Equipment

Purpose of Report

- 1 To provide an analysis on the merits of Council changing its policy for measuring its property plant and equipment from a cost basis to a revaluation basis, and to seek the subcommittees recommendation to the Policy and Development Committee on the appropriate policy for measuring Council's property, plant and equipment.

Background

- 2 The financial statements that Council prepares and publishes as part of its annual report are an important mechanism by which it accounts to the community for the stewardship of its assets and its performance each year.
- 3 The financial statements that Councils prepares are referred to as 'general purpose financial statements' (GPFS). GPFS are prepared so that users who cannot request specific financial reports can be reliably informed as to the financial position, performance and cash flows of an organisation. This enables a user to make informed decisions on the financial matters that are pertinent to the organisation and to assess the stewardship or accountability of management.
- 4 The preparation of GPFS is governed by the Financial Reporting Act 2013 (FRA). The FRA (and the Local Government Act 2002) requires Council to prepare financial statements that comply with 'generally accepted accounting practice' (GAAP). GAAP is set of accounting standards that govern how financial information is to be presented and disclosed. These accounting standards are issued by the External Reporting Board (XRB). The XRB is an independent statutory body.
- 5 For financial reporting purposes Council is a 'public sector public benefit entity' (public sector PBE). Broadly, a public sector PBE is an entity which has accountability to the community and whose primary objective is to provide goods or services for community or social benefit and where any equity has been

provided with a view to supporting the provision of goods and services rather than for a financial return to equity holders (in the case of a public sector PBE the equity holders are the community).

- 6 There are specific accounting standards which public sector PBEs must apply when preparing their financial statements.
- 7 This report relates specifically to Public Benefit Entity International Public Sector Accounting Standard 17 Property, Plant and Equipment (PBE IPSAS 17). The reference to international standards is that New Zealand accounting standards are broadly consistent with international accounting standards.
- 8 Also relevant, if the subcommittee recommends to proceed with a change in accounting policy from a cost to a fair carrying value is 'Public Benefit Entity International Public Sector Accounting Standard 3 Accounting Policies, Changes in Accounting Estimates and Errors' (PBE IPSAS 3). PBE IPSAS 3 informs decisions regarding a change in accounting policy.

Public Benefit Entity International Public Sector Accounting Standard 17 Property, Plant and Equipment

- 9 PBE IPSAS 17 permits Council to measure its property plant and equipment at either its 'cost' or on a revaluation basis. As set out in the attached Waugh Infrastructure Management Report (Waugh Report) Council currently reports its property, plant and equipment on the cost basis. The reference to 'cost' is a reference to the:
 - (i) optimised depreciated replacement cost (ODRC) determined at 1 July 2005 for property, plant and equipment existing at that date as the 'deemed cost' when Council adopted international financial reporting standards (IFRS)
 - (ii) cost of property, plant and equipment acquired after 1 July 2005.
- 10 Where an item of property, plant or equipment is measured at cost, such cost should comprise the purchase price and any costs directly related to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Cost also includes any estimate of dismantling and restoration provisions, if applicable. Subsequent measurement requires the asset to be recognised at its cost, less allowances for impairment and depreciation. Assets acquired a 1 July 2005 have used ODRC as a proxy for the original cost of the asset (deemed cost) as the actual original cost was unknown. Subsequent to this they are recognised as outlined above.
- 11 Applying the revaluation model, assets are carried at their 'revalued amount'. This is the fair value at the date of revaluation less depreciation and impairment. Where there is a market for the asset, eg land, fair value is determined using a current market value. Where there is no readily identifiable market price, fair value must be estimated using a valuation technique. For specialised assets such as roads and 3 water networks, depreciated replacement cost (DRC) is an

allowable method to determine fair value. DRC reflects cost to replace the assets service potential reflecting the assets used condition. DRC must be optimised to reflect obsolescence due to over design or overcapacity. Reflecting the optimised DRC of the asset assumes a modern equivalent of the service potential of the asset reduced for surplus capacity.

12 The assets potentially affected by the change in policy are:

- Land and Buildings
- Airport Improvements
- Parks and Pools Plant and Equipment
- Sewer/Water/Stormwater Infrastructure (3 waters infrastructure)
- Roads/Bridges/Lighting Infrastructure and Land under Roads
- Heritage assets and
- Artworks

The rationale for a change from cost to revaluation

13 As noted above PBE IPSAS 3 is relevant when an entity is considering a change in its accounting policy. PBE IPSAS 3 notes, at para 17, that

An entity shall change an accounting policy only if the change:

- (a) *Is required by a PBE Standard; or*
- (b) *Results in the financial statements providing faithfully representative and more relevant information about the effects of transactions, other events, and conditions on the entity's financial position, financial performance, or cash flows.*

14 The rationale for this position is set out in para 18 of PBE IPSAS 3 that 'Users of financial statements need to be able to compare the financial statements of an entity over time to identify trends in its financial position, performance, and cash flows. Therefore, the same accounting policies are applied within each period and from one period to the next, unless a change in accounting policy meets one of the criteria in paragraph 17.'

15 The decision on whether to change the from the current cost model to a fair carrying value accounting policy is therefore determined on an assessment of whether the change from cost to revaluation will result in providing faithfully representative (reliable), and more relevant, information about the conditions of Council's financial position, financial performance, or cash flows.

16 While the current 'cost' policy is administratively efficient, this is not, of its own, a valid basis to continue with the existing policy.

Will the change in policy from cost to revaluation provide more relevant information?

- 17 Essentially, the cost of an item of property plant and equipment is determined once on initial recognition and then remains unchanged at the cost at which it is presented unless additional cost is incurred that enhances the asset. This cost is then adjusted down for depreciation and impairment (if any). However, applying a cost policy does not necessarily provide the governing body and decision makers or interested parties with faithfully representative information or more relevant information.
- 18 Knowing the fair value of an item is important for the following reasons:
- depreciation on an asset may be over or under provided for, if the under or over provision is material it means the asset is misstated in the Statement of Financial Position and the Statement of Comprehensive Income is also misstated
 - a reliable knowledge of the remaining life of any particular asset may not be known with any degree of assurance, and so decisions regarding its condition and funding for its future replacement may be materially inaccurate
 - there is no necessarily reliable information on which to make an assessment of the true replacement cost
 - there is greater assurance regarding asset information as it needs to be reliable and verifiable in order to assess and report its revalued carrying amount
 - It provides better information on whether levels of service can be met from the asset.
 - It is more aligned to practices of the majority of other councils for infrastructure assets.
 - DRC is an accepted valuation methodology that provides reliable estimates of fair value.
- 19 Overall, the intent and purpose of PBE IPSAS 3 is more faithfully observed by having a policy of revaluing assets for the following classes of assets:
- Land and Buildings
 - Airport Improvements
 - Parks and Pools Plant and Equipment
 - Sewer/Water/Stormwater Infrastructure (3 waters infrastructure)
 - Roads/Bridges/Lighting Infrastructure and Land under Roads

- 20 It is proposed heritage assets and artworks continue to be measured at cost, as obtaining reliable estimates of fair value is likely to be difficult for a number of the assets in these classes particularly as many will be unique.

Consequential effects of a change in policy

- 21 A highly probable effect of transition from a cost to a revaluation model is that the Council will almost inevitably see very substantial increases in the value of its networked assets and potentially also in its other assets. This will be reflected through 'other comprehensive revenue and expense' (OCRE) in the Statement of Comprehensive Income (i.e. outside of surplus or deficit). Future movements in the value of the assets, both up and down, will also be reflected in OCRE in the Statement of Comprehensive Income. This is the case, unless there is no credit balance left in OCRE, then the decrease in value is recognised in surplus or deficit in the Statement of Comprehensive Income.
- 22 A further effect of the change from a cost to a revaluation model is that Council's depreciation charges will increase significantly, and this will be reflected in the Statement of Comprehensive Income. This will also impact on the 'essential services benchmark' which Council is required to report on as part of its annual report. The essential services benchmark shows Council's capital expenditure on networked services as a proportion of depreciation on network services, essentially, are capital works keeping up with the diminishing loss in service utility. It is entirely foreseeable that Council may not meet this benchmark, which it currently does, given the change in policy. Other ratios, such as the debt to equity ratio will improve significantly.

Transitional matters

- 23 If a decision is made to proceed to a revaluation model there are a number of transitional matters to be considered.
- 24 First, the governing body that adopts the change in accounting policy must also state the reasons why applying the new accounting policy provides faithfully representative and more relevant information. This would be for the reasons stated above in that it provides better information on which to make informed decisions regarding asset condition, expected life and future service level potential, provision for depreciation and future replacement cost.
- 25 Secondly, moving from the cost model to a revaluation model is a change in accounting policy. Once the policy is changed Council must apply the revaluation model from then on, and as set out in the Waugh Report Council will be required to revalue its assets either annually or every three years. If a three year revaluation cycle is adopted it is still necessary for Council to turn its mind to whether there has been a material change in a particular asset, so an assessment of some type is conducted annually. A consequential issue is whether the transition should be resourced internally or externally, or a mixture of both. The Waugh Report provides guidance on this matter in respect of collecting and collating the relevant asset data and information. As noted in the Waugh Report

outsourcing the revaluation exercise is considerably more costly than the internal resourcing. One of the reasons outsourcing is considered preferable by organisations is that it can be perceived as more independent than revaluations conducted internally. A balancing consideration is that Council is audited annually and this provides assurance that the values are fairly measured and presented.

- 26 Thirdly, the transition to a revaluation model will in its first year require significant time and resources. If it is proposed to proceed with a change to a revaluation policy it is recommended that the policy take effect from 1 July 2019. This will mean that the first set of financial statements that the revaluations are applied are to the financial statements for the year ended 30 June 2020.
- 27 PBE IPSAS 3 does not allow the change in accounting policy from cost to revaluation for property, plant and equipment to be applied retrospectively thus comparative information is not restated and the revaluation is applied only prospectively going forward.

Options

- 28 The subcommittee can recommend to Council's Policy and Development Committee that:
- (i) Council adopt a revaluation policy for measuring property plant and equipment in its financial statements
 - (ii) Council continue with its current cost policy of measuring its property plant and equipment at cost.

Identification of Relevant Legislation, Council Policy and Plans

- Financial Reporting Act 2013
- Local Government Act 2002

Funding Implications

- 29 If Council adopts a policy of measuring its property, plant and equipment on a revaluation basis additional resourcing is required. Based on the Waugh Report an estimate of the additional funding is
- if internally resourced approximately 460 hours, estimated at \$25,000 – 30,000 plus an estimated \$48,000 (GST exclusive) for

Recommendation

That the report be received and noted.

Infrastructure Management

Timaru District Council

Assets Revaluation
Options Report



WAUGH

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Quality Record Sheet

Assets Revaluation Options Report

Issue Information	
Issue Purpose	Second Draft for Comment
Issue Date	15 November 2018
Version Number	1.0

Authorisation	
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Report Number	64-069-1081

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TABLE OF CONTENTS

1.0	EXECUTIVE SUMMARY	4
2.0	TIMARU DISTRICT COUNCIL BACKGROUND	6
3.0	WHAT DOES REVALUATION INVOLVE	7
3.1	Asset Register	7
3.2	Assessment of Useful Life and Remaining Life	7
3.3	Assessment of Replacement Unit Rate	8
3.4	Assessment of Residual Value	8
3.5	Consideration of Optimisation, Obsolescence or Impairment	8
3.6	Calculation of Values and Depreciation	8
3.7	Recording of Assumptions and Limitations	8
3.8	Comparison of Movement	9
3.9	Who Can Undertake a Revaluation	9
4.0	PRACTICE LEVELS WITHIN NEW ZEALAND	10
4.1	Internal vs External Revaluation	10
4.2	Frequency of Revaluation	11
5.0	RESOURCING REQUIRED FOR REVALUATION	12
5.1	Establishing the Asset Register	12
5.2	Review of Parks Asset Register	12
5.3	Multiple Asset Registers	14
5.4	Finance Department Resourcing Revaluation and On-Going Additions/Disposal Process	14
5.5	Establishing Unit Rates and Expected Lives	15

1.0 EXECUTIVE SUMMARY

The financial reporting for Property, Plant and Equipment in New Zealand is controlled by Public Benefit Entity International Public Sector Accounting Standard 17 Property, Plant and Equipment (PBE IPSAS 17) which came into effect on 1 July 2014 (replacing previous equivalent standards).

Within this standard two accounting models are allowed for once an asset has been acquired. These are:

- Cost Model: The asset is carried at cost, less accumulated depreciation and impairment losses
- Revaluation Model: The asset is carried at revalued amount, which is fair value at revaluation date, less subsequent accumulated depreciation and impairment losses

Currently Timaru District Council use the cost model for all asset classes (excluding Investment Properties). This report addresses the options and implications of changing from a cost model to a revaluation model. Timaru District Council are the only Council within New Zealand that adopted the cost model under PBE IPSAS 17 for the larger asset classes (Infrastructure, Parks Land and Building).

In order to undertake a revaluation the following steps are undertaken

- Establishment/Review of Asset Register
- Assessment of Useful Life and Remaining Life
- Assessment of Replacement Unit Rate
- Assessment of Residual Value
- Consideration of Optimisation, Obsolescence or Impairment
- Calculation of Values and Depreciation
- Recording of Assumptions and Limitations
- Comparison of Movement

It is important to separate the establishing of the asset register from the revaluation process as the first task can be a significant undertaking if not already completed. For those departments within Council who have well developed asset information systems such as RAMM for Transportation and IPS for Utilities this is not anticipated to be such a significant issue.

Councils within New Zealand use a mix of completing revaluation by either engaging an independent valuer or complete the revaluation themselves and have it independently reviewed. Either method is permissible. The trend for using independent valuers is greater in the asset classes that are not renewed as frequently or are specialised (airports, heritage assets, property).

There is probably a 60/40 split between the practice of undertaking a revaluation three-yearly or yearly (60% on Three Yearly, 40% on yearly). It is extremely uncommon to see any Council outside of these two options.

An assessment was undertaken of the Parks asset register which is estimated to be approximately 80% complete overall and was last updated in 2014 (cemeteries in 2017). This asset register requires to be structured with greater database integrity to support the calculations for the revaluation (i.e. length held in a dedicated field) and needs to be consolidated to one location (currently in various locations).

If this asset register is to be improved for the revaluation it is recommended this be done in a manner that allows maximum benefit to Council going forward, it is recommended that GIS be adopted as the location for the temporary asset register whilst it is validated. This can then

be used to populate the final asset register and also create the link to the GIS all at once. The join to GIS has previously proven to be a challenge.

With increased maturity in the asset registers and systems it is commonly observed that the finance team spend less time in the Fixed Asset Register as this may actually be abandoned in favour of holding the assets in the general ledger at a grouped level (e.g. one line for water) and the asset system becomes the detail fixed asset register. This also results in the finance team spending more time in liaison with the asset managers ensuring the transactions undertaken in the asset systems reflect sound accounting practices and can be matched back to capital expenditure for the asset addition and disposal process.

From Waugh's experience in undertaking revaluations for Councils, should the work be internally resourced it would be most efficient to be in a centralised role to allow for efficiency and consistency within the organisation and would require a quarter to a third FTE with additional external support for Peer Review and Review of Unit Rates as required.

Below is a table providing a very broad estimate of the effort required to undertake a revaluation with the **exclusion of establishing the asset register**.

	Three Waters	Transportation	Land and Buildings, plus Land under Roads	Airport Improvements	Parks and Pools	Heritage Assets
Internally Resourced						
Internal Requirement Hours	100 hrs	100 hrs	100 hrs	60 hrs	100 hrs	80 hrs
Peer Review	\$5000	\$5000	unlikely	\$5000	\$5000	unlikely
External Unit Rates Review	\$10,000	\$5000	unlikely	\$5000	\$8000	unlikely
Externally Resourced Estimate						
First Time	\$70,000	\$60,000	\$60,000	\$35,000	\$60,000	\$30,000
Ongoing	\$50,000	\$50,000	\$40,000	\$25,000	\$50,000	\$30,000

Please note the following asset classes are assumed to not be moved to a revaluation model:

- Plant and Equipment
- Furniture and Office Equipment
- Library Books

2.0 TIMARU DISTRICT COUNCIL BACKGROUND

The financial reporting for Property, Plant and Equipment in New Zealand is controlled by Public Benefit Entity International Public Sector Accounting Standard 17 Property, Plant and Equipment (PBE IPSAS 17) which came into effect on 1 July 2014 (replacing previous equivalent standards).

Within this standard two accounting models are allowed for once an asset has been acquired. These are:

- Cost Model: The asset is carried at cost, less accumulated depreciation and impairment losses
- Revaluation Model: The asset is carried at revalued amount, which is fair value at revaluation date, less subsequent accumulated depreciation and impairment losses

Under the revaluation model the revaluation must be carried out regularly and all items/assets within a given class must be revalued. A change from one model to the other model is made only if the change will result in a more appropriate presentation (highly unlikely for a change from the revaluation model to the cost model)

Currently Timaru District Council use the cost model for all asset classes (excluding Investment Properties. This report addresses the options and implications of changing from a cost model to a revaluation model for most of the remaining asset classes:

- Land
- Buildings
- Airport Improvements
- Parks and Pools Plant and Equipment
- Plant and Equipment
- Furniture and Office Equipment
- Library Books
- Art Works
- Sewer/Water/Stormwater Infrastructure
- Roads/Bridges/Lighting Infrastructure
- Land under Roads
- Heritage Assets

Timaru District Council are the only Council within New Zealand that adopted the cost model under PBE IPSAS 17 for the larger asset classes (Infrastructure, Parks Land and Building).

A revaluation is required if the new fair value of the assets differs materially from the it's carrying amount of the asset. i.e. if the market has moved a lot and prices have increased or decreased then a revaluation is required. An assessment must be undertaken at the close of each financial year if there is an indication that the fair value is materially different from the carrying amount and if so, a revaluation must be undertaken.

However, most Council's adopt a revaluation cycle of three years or yearly but with the knowledge that should a significant change occur in the market then an additional revaluation must be undertaken.

3.0 WHAT DOES REVALUATION INVOLVE

In order to undertake a revaluation the following steps are undertaken

- Establishment/Review of Asset Register
- Assessment of Useful Life and Remaining Life
- Assessment of Replacement Unit Rate
- Assessment of Residual Value
- Consideration of Optimisation, Obsolescence or Impairment
- Calculation of Values and Depreciation
- Recording of Assumptions and Limitations
- Comparison of Movement

Each of these steps is discussed briefly in the following chapters.

3.1 Asset Register

A complete asset register for each class of asset is required to complete a revaluation with confidence. The asset register must contain as a minimum information such as quantities, size/scale of the asset, construction materials and installation date/age.

Of the above attributes it is fair to say that installation date or age is the hardest to establish with absolute certainty for existing assets. Generally, an asset can be inspected and the size, quantity and material can be established but an estimate may need to be made on the installation date.

During the description of the asset register in a revaluation the confidence in the data held would normally be quantified with data confidence scores to convey how much certainty there was in the base information for the revaluation.

Timaru District Council have previously undertaken a valuation of all assets for insurance purposes, but it is understood these may have been isolated incidences and from standalone data capture exercises (such as plant in utilities) and therefore the asset registers may have never been challenged before for ongoing completeness or accuracy and may require some effort to capture this information.

For those departments within Council who have well developed asset information systems such as RAMM for Transportation and IPS for Utilities this is not anticipated to be such a significant issue.

However, it may be worth noting that the componentisation of pavements and the expected life applied to these has caused some issues in the industry as the renewal expenditure is significant and the life less frequent than other asset types managed by Transportation.

3.2 Assessment of Useful Life and Remaining Life

Rules for Useful Lives for the varying asset types are developed to reflect the influencing factors that may extend or shorten the life of an asset. i.e. the different materials of water pipe are expected to last a differing number of years therefore separate useful lives are set for each material type.

Combining the Useful Life with Installation Date or Age of the asset then provides the remaining useful life of the asset. This is used to calculate the depreciation amounts for the asset.

With some exceptions such as quarries or land used for landfills, land has an unlimited life and therefore is not depreciated.

3.3 Assessment of Replacement Unit Rate

For each type of asset, a unit rate must be established which reflects the fair value of that asset at the time of revaluation. The unit rate considers the full cost of creating the asset including disposal of old, design, supervision and physical construction.

For asset types that are frequently constructed by Council it can be relatively straightforward to establish unit rates using historical contract records as well as industry construction handbooks which provide standardised rates for the regions. However, specialist items or items that are not frequently constructed require external specialists to confirm appropriate unit rates.

3.4 Assessment of Residual Value

The residual value of the asset is the estimated amount that could be recovered from the asset at the time of disposal. For something such as a vehicle this may be its foreseeable sale value. For assets that do not have a market for resale (such as infrastructure assets) the residual value is usually \$0 or a nominal \$1.

3.5 Consideration of Optimisation, Obsolescence or Impairment

At the time of revaluation, the assets are to be considered if any of them could be optimised, are now obsolete or impaired.

Optimisation allows for the opportunity to recognise when an asset has been built with more capacity than is now anticipated to be required and therefore at the time of renewal could be renewed with a smaller capacity asset. The asset is then revalued at this lower value.

If it is identified that an asset requires additional capacity it must still be revalued at the service level it is provided now and at the time of renewal the difference in service capacity is funded from new capital.

Although it does not occur frequently within local government, it is also possible that an asset could be obsolete now and no longer required or the asset could be impaired due to a scenario such as a rain event washing out part of a walkway or coastal erosion destroying part of a road.

3.6 Calculation of Values and Depreciation

Once all of the above information is established the actual revaluation values can be calculated. This includes:

- Replacement Cost (unit rate x quantity)
- Depreciated Replacement Cost (Replacement Cost x (Remaining Life / Expected Life))
- Annual Depreciation (Depreciated Replacement Cost / Remaining Life)

The Depreciated Replacement Cost is the "Cost" that is then posted in the revaluation into the general ledger.

The Annual Depreciation is what will be charged for depreciation on that asset during the year.

3.7 Recording of Assumptions and Limitations

During the revaluation assumptions will have to be made about some assets and these are recorded along with the implications or any limitations this therefore puts onto the overall revaluation.

This attempts to quantify the confidence that can be placed in the revaluation figures.

3.8 Comparison of Movement

For Council's who are regularly undertaking revaluations the current revaluation would generally be compared to the prior revaluation to provide commentary on any significant movement and what has led to this movement such as increased knowledge of assets, market rate movement or change in methodology.

From a financial perspective the movement from one revaluation to the next revaluation is posted to the Revaluation Reserve to balance the movement of the Cost of the asset.

3.9 Who Can Undertake a Revaluation

On initial adoption in 2004, NZ IAS 16 (the predecessor to PBE IPSAS 17) included a requirement that valuations be undertaken by an independent valuer or a suitably qualified employee (with their valuation being subject to review by an independent valuer).

During the development of PBE IPSAS 17, the NZ Accounting Standards Board proposed to include the requirement that an independent valuer be used. However, the decision was made to not require this due to:

- The proposal for requiring independent valuers was limited to investment properties and property, plant and equipment and not extended to all classes of assets that are revalued
- It would be inconsistent with the requirements application to for-profit entities, and
- There is now significant experience and expertise in measuring assets at fair value

Council's within New Zealand use a mix of the above options, either choosing to engage an independent valuer or to complete the revaluation themselves and have it independently reviewed.

The trend for using independent valuers is greater in the asset classes that are not renewed as frequently or are specialised (airports, heritage assets, property).

4.0 PRACTICE LEVELS WITHIN NEW ZEALAND

As mentioned earlier in this report the practices within New Zealand vary depending on asset class, Asset Information System maturity and preferences.

4.1 Internal vs External Revaluation

External Revaluation is by far the favoured option for the more specialised asset classes and where the Asset Information System is less mature.

As the Asset Information System matures and Council are more able to quantify the assets and the work undertaken on them (including replacements) it becomes more common for the revaluation to be completed in house.

Systems such as RAMM and IPS (Hansen) both hold the assets in a well componentised manner with work history on them and Council staff are generally familiar enough with the systems to either:

- Use internal functionality within the system to load lives and unit rates and therefore calculated the revaluation, or
- Export the asset information into spreadsheets and calculate the revaluation within the spreadsheet

Therefore, it is more likely that Council will consider undertaking the revaluation themselves in the above situation.

It is also common, that on the path to maturity, the portion of establishing the unit rates will be contracted out to a specialist but Council still retain the role of actually calculating the revaluation. This is a good step on the path to revaluation maturity as it increases staff asset management practice and knowledge.

Under either scenario of internal or external a revaluation document is to be prepared that records the values, methodology and assumptions. This is another opportunity for Council staff to put into practice asset management disciplines or be involved with the external party in developing this.

The following functionality is currently available for Timaru District Council in the two main asset management systems:

- RAMM – has an Asset Valuer module that loads unit rates and expected lives and condition and performs the calculations for revaluation. It is unknown if Council have or utilise this module but it is available within RAMM
- RAMM – it is unknown if there is a process for tracking which budget/project an asset is created from (and it's associated disposed projects) to allow for supporting the asset addition and disposal process
- IPS – has the functionality for reticulation, and for plant assets to hold unit rates, expected lives and calculate the revaluation figures. Would require expansion for more asset types.
- IPS – has a basic function for creation of "projects" which are then assigned to assets when they are created or disposed so that all assets can then have their values apportioned across them when the entire project is capitalised. Although available, this has not been utilised to date
- IPS – has the functionality to hold the valuation result for any asset type (i.e. import a result calculated in a spreadsheet)
- Authority AM – it is unknown what functionality exists in Authority AM to support revaluation or asset addition/disposal.
- For those departments that have asset registers held in system not capable of calculating the values within the system, it would be anticipated that the revaluation

would be calculated by exporting the asset register and calculating the values in the spreadsheet. Ideally, the system could at least hold a static record of the revaluation result.

4.2 Frequency of Revaluation

There is probably a 60/40 split between the practice of undertaking a revaluation three-yearly or yearly. It is extremely uncommon to see any Council outside of these two options.

The most frequent case for undertaking revaluation yearly is that all involved remain familiar with the process and are more efficient if it is completed more often. And that it provides the opportunity to smooth any increases in value rather than possibly having bigger jumps every three years.

It is not uncommon for the Council's doing yearly revaluations to simply apply a CPI (Cost Price Index) to the unit rates in the years in between the three-yearly revaluation. At which time a more thorough review of the unit rates and lives would be completed.

Below is a list of Council's that Waugh Infrastructure work with and what frequency their revaluations are undertaken. Please note, this is for the infrastructure revaluations and other classes may be on different cycles.

Three Yearly Revaluation:

- Hastings District Council
- Hamilton City Council
- Waitaki District Council
- Hauraki District Council
- Nelson City Council
- Whangarei District Council

Yearly Revaluation:

- Southland District Council
- Wellington Water
- Dunedin City Council
- Gisborne District Council

5.0 RESOURCING REQUIRED FOR REVALUATION

An estimate of the effort to undertake a revaluation is dependent on the starting point of the asset register and familiarity of staff with the information and process. But, the first revaluation for a Council such as Timaru District Council would be a significant effort for the departments with less mature asset information systems.

The effort required should be considered in two parts:

- Establishing the Asset Register
- Establishing Unit Rates and Expected Lives, Calculating the Values and Preparing the Document

5.1 Establishing the Asset Register

It is known that the Infrastructure Assets for Roading, Water, Sewer and Stormwater (reticulation and plant) are all held in mature Asset Information Systems and that very little additional effort would need to be undertaken to verify these prior to a revaluation, with the exception of missing installation dates in some locations.

However, it is assumed that an asset register would need to be captured through site inspections and reviewing of construction plans for heritage assets, airport, parks and art works. Council would also be wise to consider at the time of capturing the asset register to consider what Asset Information System should be utilised going forward to maintain this so that the data capture is not repeated from one revaluation to the next which can be common where the system is not also developed at the same time.

A similar sized Council to Timaru in the Canterbury region undertook a thorough capture of their parks assets approximately four years ago whereby the assets were verified in the field, their GPS co-ordinates captured, the information added into the asset information system and the mapping in the office populated. This was undertaken by a staff member working four days a week for a year and a quarter with a half day support in the office. But this approach provided a comprehensive, high confidence asset register to move forward with for revaluations and asset management practice.

Another District Council (approx. 70,000 population) have also spent similar effort on their Parks Asset Register a few years ago with the additional effort of also capturing all street trees with the project taking a duration of approximately two years.

Although students or external parties can be used to capture asset registers, the Council's that get the most benefit from the process are those that complete them internally with the view that it is the first building block of appropriate asset management.

It is also important to note the additional pressure or importance that a revaluation can sometimes add onto the end of year capitalisation process. With the cost model an asset is capitalised once it is brought into service, whenever that is. However, with the revaluation model you can only revalue those assets that you have already capitalised and therefore more emphasis is placed on ensuring you have everything added at the end of the financial year. This should be part of Council core practice anyway, but it seems to place greater awareness in a revaluation year than other years which can result in a rush of asset capitalisation prior to revaluation.

5.2 Review of Parks Asset Register

The parks asset register was specifically reviewed to estimate the effort required to bring this to a level of confidence appropriate for basing a revaluation off of.

There is no fully implemented asset register for Parks that can currently be referred to with confidence. The existing datasets are:

- RAMM holds the record of all roads and carparks within Parks sites and is reasonably complete. Estimate 95%
- Authority AM system holds the record of play equipment, bridges and retaining walls. It is considered to be quite accurate and complete also at about 95%
- Various data capture and condition assessments have been completed in the past. The last full one was in 2014 and the cemeteries were completed again in 2017. This data is held in spreadsheets and in the GIS. It is estimated that this covered 80-90% of the relevant locations and within a park that 90% of the assets were captured.
- These condition assessments were uploaded to GIS and it is believed this reflects both 2014 and 2017 datasets.
- A Parks staff member is dedicated to doing condition assessment for one and a half days a week. For the parks assets condition will be required for all assets that don't have an installation date in order to estimate a remaining life and calculate appropriate depreciated replacement cost and annual depreciation.
- The option of retrospectively capturing new assets from the financial asset acquisition and disposal process was discussed but as capitalisation occurs at a very high level this was not considered viable.
- The contract documents were also reviewed which contain a lot of information about assets such as paths that require sweeping. This is a data source that could be used when verifying the asset register for quantities.
- It would appear that the data captured during the condition assessments was not structured in as robust a manner as possible where information is held in dedicated fields or columns. i.e. a column for length or area which will be required to multiply the unit rate by during the revaluation. Currently this information is held with in comments fields which are largely unusable

After reviewing all of the datasets and discussing with the GIS staff, the most efficient course of action going forward for Council that achieves both the data required for revaluation and also a complete record in one source that can then be uploaded to a corporate asset register with the link to the spatial mapping; is to complete data validation and condition assessments in the GIS.

The GIS tables can be structured to hold the required information in the appropriate columns (i.e. not holding an area, m2, etc in the comments field). The process would then be to assess a park at a time with either a print or field GIS of the assets at the park and then updating the assets as required with attributes and condition.

There are approximately 30 weeks left until the end of the financial year. With a resource available for one and half days a week this equates to 45 days of staff availability for verifying the asset register. There are approximately 100 parks (as per the Council Parks Strategy). This would mean that each site would have to take 3.6 hours each in order to complete all of the district by the end of the financial year.

This would appear to be optimistic even with averaging out the size of the sites. It is more likely that approximately six hours will be required per site including time to update when back in the office. It is recommended that Council monitor the time taken on some test parks and then more firmly estimate the likelihood of achieving the timeframe.

It is critical that the structure of the data capture also be reviewed prior to the data capture to ensure the asset classification is agreed before commencement so that it matches into a unit rate structure that will make it easier to strike the revaluation. The current data has a staff member's estimate to replace the asset but examples reviewed appeared quite inaccurate, unrepeatable (by other staff) and only considered physical works, and not design and supervision.

5.3 Multiple Asset Registers

As more corporate processes are developed in the future regarding consistent financial processes for the addition and disposal of assets and holding of revaluation and revaluation reserve data it is recommended that Council consider consolidating the asset systems used. The reason for this would be to eliminate finance staff having to do the same financial function but in different ways because of different systems.

It was also anecdotally described that the partially implemented Authority parks asset register has not supported a spatial integration and this is core to the success of an asset register for users. This is currently successfully working with the IPS system for utilities.

A consolidation of asset systems would mean less integration touch points for the GIS department to support and any development for one department inevitably benefits other departments.

5.4 Finance Department Resourcing Revaluation and On-Going Additions/Disposal Process

With the move to revaluation where the detail of the asset register is held in the relevant asset register it is to be expected that the Fixed Asset Register (FAR) would be held at a high level such as one line for water supply, one line for parks, one line for roading. It is possible to stop having a FAR in the corporate system and only accounting for the assets in the general ledger.

This is common practice in Council's where there is a high level of trust in the asset register and the processes surrounding it. When the process of additions or deletions is reviewed by Auditors this is then undertaken by reviewing the changes in the asset register and how that flows through into a high-level journal in the general ledger.

With the detailed changes occurring in the asset register with supporting financial information it becomes more critical that asset managers and staff are familiar with the accounting standards and what is required to comply with these. This usually involves the accountant spending more time within the asset register and supporting the asset management staff to ensure the quality of the data. The general expectation is that work done well in the asset register by the asset managers, who know the asset best, can then be extracted, grouped and journaled into the general ledger with minimal intervention by the accountant.

Therefore, it is unlikely there will be a reduction in effort required within the finance team but that the role will change to involve more liaison and checking rather than actual data entry.

The resourcing required from finance during a revaluation is in an advisory and quality checking role during the preparation of the revaluation. What the finance team offer to the revaluation process is the sensibility checks of the overall movement and ensuring they ask the questions regarding being able to defend the logic for unit rates and base lives. Before a revaluation is adopted by Council, even if it has been through Peer Review, it would generally still be reviewed by finance to ensure they are also satisfied with methodology, assumptions, completeness but ultimately, with the bottom line of annual depreciation and then any subsequent discussions about funding this or not.

The actual loading of a revaluation into the general ledger only involves approximately three journal lines to adjust total carrying cost, write back depreciation and adjust revaluation reserve. This is on the assumption that the asset is held at a high level only in the general ledger. If the assets are still held in the Fixed Asset Register at a broken down level then these transactions must be repeated for each individual asset in the FAR.

5.5 Establishing Unit Rates and Expected Lives

Council's have in the past struggled to retain staff who are proficient in the area of asset management and revaluation and also be in a role that enables them to have the dedicated time available at an otherwise already busy time of year (end of financial year).

From Waugh's experience in undertaking revaluations for Councils, should the work be internally resourced it would be most efficient to be in a centralised role to allow for efficiency and consistency within the organisation and would require a quarter to a third FTE with additional external support for Peer Review and Review of Unit Rates as required.

A Peer Review (of Document and Calculations per Asset Class) would be expected to incur a fee of approximately \$5000. And an external review of Unit Rates would range from \$5,000 to \$10,000 depending on the speciality of the asset class.

In order to engage an external party to complete the full revaluation as an independent party (based on an already completed asset register) would be expected to cost approximately \$50,000 for an asset set such as the Three Waters (well known asset types with a lot of information available on unit rates). However, more specialised asset classes may require more specialised consultants, but these datasets are generally much smaller and therefore the costs balance out to still being in the \$40,000 to \$50,000 region.

If Council were to adopt a more frequent revaluation cycle or to commit to using the same external support on an ongoing basis then it would be anticipated that revaluations would be completed faster and more efficiently therefore with estimated costs more closely in the region of \$20,000 per revaluation for the Three Waters. And similarly, it is quite normal to expect the first revaluation of any of the asset classes to easily be 50-100% the normal ongoing cost.

Below is a table providing a very broad estimate of the effort required to undertake a revaluation with the **exclusion of establishing the asset register**.

	Three Waters	Transportation	Land and Buildings, plus Land under Roads	Airport Improvements	Parks and Pools	Heritage Assets
Internally Resourced						
Internal Hours Requirement	100 hrs	100 hrs	100 hrs	60 hrs	100 hrs	80 hrs
Peer Review	\$5000	\$5000	unlikely	\$5000	\$5000	unlikely
External Unit Rates Review	\$10,000	\$5000	unlikely	\$5000	\$8000	unlikely
Externally Resourced Estimate						
First Time	\$70,000	\$60,000	\$60,000	\$35,000	\$60,000	\$30,000
Ongoing	\$50,000	\$50,000	\$40,000	\$25,000	\$50,000	\$30,000

Please note the following asset classes are assumed to not be moved to a revaluation model:

- Plant and Equipment
- Furniture and Office Equipment
- Library Books

Timaru District Council
for the Meeting of 12 February 2019

Report for Agenda Item No 18

Exclusion of the Public

Recommendation

That the Council resolves to exclude the public on the grounds contained in Section 48(1) of the Local Government Official Information and Meetings Act:

Confirmation of Minutes

Clause	LGOIMA wording	Plain English reason
Section 7(2)(b)(ii)	To protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied, or who was the subject of, the information.	Commercial sensitivity
Section 7(2)(c)(i)	To protect information which is subject to an obligation of confidence, or which any person has been, or could be compelled to provide under the authority of any enactment where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should be continued to be supplied.	Due to an obligation of confidence and to ensure the information avenue remains open, when it is in the public interest for it to do so