POLICY AND DEVELOPMENT COMMITTEE MEETING

on

Tuesday 2 May 2017

Council Chamber
Timaru District Council
King George Place
Timaru
Notice is hereby given that a meeting of the Policy and Development Committee will be held in the Council Chamber, District Council Building, 2 King George Place, Timaru on Tuesday 2 May 2017, at the conclusion of the Community Development Committee meeting.

Committee Members:
Crs Peter Burt (Chairperson), Andrea Leslie (Deputy Chairperson), Dave Jack, Richard Lyon, Paddy O’Reilly, Sally Parker, Kerry Stevens, Tracy Tierney, Steve Wills, and the Mayor.

LOCAL AUTHORITIES (MEMBERS’ INTERESTS) ACT 1968
Committee members 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
POLICY AND DEVELOPMENT COMMITTEE

2 MAY 2017

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POLICY AND DEVELOPMENT COMMITTEE
FOR THE MEETING OF 2 MAY 2017

Report for Agenda Item No 6

Prepared by Tina Rogers
Group Manager Corporate Services

Confirmation of Minutes

Minutes of the Policy and Development Committee meeting.

Recommendation

That the minutes of the Policy and Development Committee meeting held on 21 March 2017, excluding the public excluded item, be confirmed as a true and correct record.
PRESENT
Crs Peter Burt (Chairperson), Dave Jack, Andrea Leslie, Richard Lyon, Paddy O’Reilly, Sally Parker, Kerry Stevens, Tracy Tierney and Steve Wills and the Mayor

APOLOGY
John McDonald – Pleasant Point Community Board

IN ATTENDANCE
Jennine Maguire – Geraldine Community Board (for public part of meeting)
Noeline Clarke – Temuka Community Board (for public part of meeting)
Chief Executive (Bede Carran), Group Manager Corporate Services (Tina Rogers), Corporate Planning Manager (Mark Low)(for items 7-9), Group Manager Infrastructure (Ashley Harper), Acting Group Manager Community Services (Symon Leggett), Communications Manager (Stephen Doran)(for item 9 and public excluded items 1 & 2) and Council Secretary (Joanne Brownie)

1 DECLARATION OF CONFLICTS OF INTEREST
There were no conflicts of interest declared.

2 CHAIRPERSON’S REPORT
The Chairperson reported on duties he had carried out and meetings he had attended since the last meeting including District Plan workshops, Long Term Plan workshops, Growth Management Strategy workshop, meeting with ECan Councillors, District Licensing matters, meeting with Group Manager Corporate Services and engaging with a community group to facilitate a property lease.

3 CONFIRMATION OF MINUTES
Proposed Clr Lyon
Seconded Clr Stevens

“That the minutes of the Policy and Development Committee meeting held on 21 March 2017, excluding the public excluded items, be confirmed as a true and correct record.”

MOTION CARRIED

4 TIMARU DISTRICT HOLDINGS LTD QUARTERLY REPORT
The Committee considered the TDHL quarterly report for the period October to December 2016.

Proposed Clr Wills
Seconded Clr Jack

“That the report be received and noted.”

MOTION CARRIED
5 TIMARU DISTRICT HOLDINGS LIMITED DRAFT 2016/17 STATEMENT OF INTENT
The Committee considered the draft TDHL Statement of Intent 2017/18. The Group Manager Corporate Services highlighted significant changes to the SOI from the previous year.

Proposed Clr Jack
Seconded Clr Leslie

“That the Timaru District Holdings Ltd Statement of Intent for 2017/18 be approved.”

MOTION CARRIED

6 CANTERBURY ECONOMIC DEVELOPMENT CO. LTD – 2017/18 STATEMENT OF INTENT
The Committee considered the Canterbury Economic Development Co Ltd 2017/18 Statement of Intent.

Proposed Clr Stevens
Seconded Clr Lyon

“That the draft Canterbury Economic Development Co Ltd Statement of Intent be approved.”

MOTION CARRIED

7 LONG TERM PLAN 2018-28 DEVELOPMENT APPROACH
The Committee considered a report on the proposed approach for development of the 2018-28 Long Term Plan.

Proposed Clr Parker
Seconded Clr O’Reilly

“That the proposed Long Term Plan development approach and draft timetable be endorsed.”

MOTION CARRIED

8 LONG TERM PLAN 2018-28 GROUPS OF ACTIVITIES
The Committee considered a report by the Corporate Planning Manager seeking confirmation on the proposed Groups of Activities for the Long Term Plan 2018-28. The Corporate Planning Manager advised that there is no change to the overall structure of council activities, any changes proposed are minor changes in terminology.

Proposed Clr Wills
Seconded Clr Tierney

“That the Committee approves the revised Groups of Activities as presented.”

MOTION CARRIED
LOCAL GOVERNMENT ACT SECTION 17A REVIEWS

The Committee considered a report by the Corporate Planning Manager outlining progress on the Local Government Act Section 17A Service Delivery reviews, presenting the overall outcomes of the Stage 1 reviews and the proposed approach to Stage 2. Comment was made that Council can use the review as an opportunity to effectively look at what the Council does, and examine any opportunity for improved performance.

The Committee sought clarification that Council would be meeting its obligations under the Act if the proposed approach is adopted. The meeting was advised that the approach is based on the SOLGM template and will meet the required obligations.

Proposed  the Mayor
Seconded  Clr Parker

“That the report be received and the proposed Section 17A Service Delivery approach outlined in the report be confirmed.”

MOTION CARRIED

EXCLUSION OF THE PUBLIC

Proposed  Clr Jack
Seconded  the Mayor

“That the Committee 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
•  Credit Rating

Property Matters

The withholding of the information is necessary to enable the Council to carry out, without prejudice or disadvantage, commercial activities.”

MOTION CARRIED

READMITTANCE OF THE PUBLIC

Proposed  Clr Wills
Seconded  the Mayor

“That the public be readmitted to the meeting.”

MOTION CARRIED
AORAKI DEVELOPMENT QUARTERLY REPORT

The Committee considered the Aoraki Development Quarterly Report for the period October to December 2016.

The Committee –

- supports the direction Aoraki Development is heading in
- notes the outcomes listed under ‘Maintain & Attract Skilled Workforce’ are activities, not outcomes and the Committee requests that outcomes be included under this goal.

Clr Leslie, Council’s representative on the Board of Aoraki Development will convey these comments to Aoraki Development.

Proposed the Mayor
Seconded Clr Tierney

“That the Aoraki Development quarterly report be received and noted.”

MOTION CARRIED

The meeting concluded at 11.30am.

Chairperson
POLICY AND DEVELOPMENT COMMITTEE
FOR THE MEETING OF 2 MAY 2017

Report for Agenda Item No 7

Prepared by  Clr Richard Lyon
Council representative on OTOP

Orari-Temuka-Opihi-Pareora Water Zone Management Committee – 2016 Annual Report

Purpose of Report
Attached is the Orari-Temuka-Opihi-Pareora (OTOP) Water Zone Management Committee’s 2016 Annual Report for consideration.

Background
The Orari-Temuka-Opihi-Pareora Zone Water Management Committee is a joint committee of Timaru, Mackenzie and Waimate District Councils and Environment Canterbury, and was formed in partnership with local Runanga and Te Runanga o Ngai Tahu to facilitate the implementation of the Canterbury Water Management Strategy (CWMS) in its zone.

The OTOP 2016 Annual Report was presented to Environment Canterbury Council on 16 March 2017, Waimate District Council on 4 April and Mackenzie District Council on 18 April 2017. Following this, the report will be published on the Zone Committee website.

Identification of relevant legislation, Council policy and plans
Local Government Act 2002 Amendment Act 2014
Long Term Plan 2015 – 2025

Recommendation

That the report be received and noted.
Orari-Temuka-Opihi-Pareora Zone Committee Annual Report 2016

Working with the community to deliver their aspirations for fresh water

The Orari-Temuka-Opihi-Pareora (OTOP) Zone has hill-fed braided rivers, and coastal areas with strong links between ground and surface water. It is vulnerable to dry periods and many wetlands have been drained but pockets of unique natural value have survived.

The OTOP Zone Committee has been working with the community, rūnanga and councils since 2011 to develop water management recommendations to deliver the vision of the Canterbury Water Management Strategy (CWMS).

Its first goal was to develop a Zone Implementation Programme (ZIP) and this was finalised in early 2012. Since then the committee has focused on working with the community to turn the words in the ZIP into actions on the ground.

Almost $500,000 in Immediate Steps funding has been invested in local initiatives to protect and enhance the natural environment and many farmers have completed farm environment plans.

In early 2016, the committee began working with the community on the Healthy Catchments Project to develop practical actions and recommendations to improve freshwater in the zone.

Key achievements

- Landcare Trust and industry members have supported eight catchment groups to help find and implement local solutions to water challenges. Groups have identified outcomes they want to achieve in their local area and have been involved in local field days and workshops on environmental management.

- Many farm environment plan workshops have been held in the zone and a good number of landowners, including the Opihi and Rangitaia South Irrigation schemes, have now completed their plans, which will be audited.

- Almost $500,000 in Immediate Steps funding has been invested in local initiatives to protect and enhance the natural environment. Projects range from protecting precious bat habitat to the protection of wetlands on local farms.

- Infrastructure investigations to explore options for bringing additional water into the zone have progressed. Some investigations are now complete and the results will be discussed with the community for this year.

Orari-Temuka-Opihi-Pareora Zone

The zone covers the area from the Rangitaia River to the southern boundary of the Pareora River, from Burkes Pass to the sea. It includes Timaru as well as the rural towns of Fairlie, Temuka, Pleasant Point and Geraldine. It is a joint committee of the Timaru, Waimate and Mackenzie District Councils and Environment Canterbury. It is in the rohe of Arowhenua Rūnanga.
Delivering community water aspirations – selected highlights

Biodiversity funding helps protect lizard habitat

Some of the smallest residents at the Orari Gorge got a helping hand recently thanks to a grant from the zone committee’s Immediate Steps Biodiversity Fund.

The committee granted $35,500 towards a four-year-project to protect the gecko habitat at the Orari Gorge by tackling a number of species of pest plants.

The project will not only protect four species of Canterbury lizards, two gecko and two skinks, but also some threatened plant and bird species.

Members of the Orari River Protection Group have been clearing weeds from the area for a number of years. This support will lend a helping hand to access some tough-to-reach areas.

A helicopter will be used to access the steep sides of the gorge to clear pest plants, but volunteers will continue to be the driving force behind this project.

The part of the project that is funded by the Immediate Steps programme will start this spring to coincide with the flowering of broom in the gorge so they are more visible.

The gorge is also a popular spot for swimming, fishing and picnics – so the funding boost will help to improve the area for recreational users as well.

Local farmers focus on improving stream quality

In June Waahi Station farmers Tim Sowden and Mark Mallison met with Environment Canterbury staff to discuss ways to improve water quality.

The station is a complex property with three main streams flowing into the Waahi River, which have been monitored over two years for E. coli levels.

While the station is not a monitored recreational swimming site, the two farmers are keen to do what they can to reduce E. coli levels in the stream to make it more suitable for contact recreation.

To achieve this, they will voluntarily exclude stock for a kilometre above the bathing site and restrict cattle grazing from the road area adjacent to the Waahi. They have already fenced off a steep gully and wetland.

Further ideas for managing the E. coli include a wetland construction/ protection programme and developing drinking bays for stock water.

Working together on this project provides a wider understanding of the issue and helps all parties develop a solution that will protect and restore the Waahi Stream.

The zone committee supports locally led initiatives to improve water quality for contact recreation, as outlined in its Zone Implementation Programme.

Dam visit explores how community outcomes can be delivered

In December the zone committee was invited by Opua Water to visit the Opua Dam to hear about the history of the dam and the value it adds to the community.

The Dam, opened in 1968, provides water for irrigation and drinking supplies, as well as electricity generation and recreational opportunities.

On the field trip, committee members heard about the challenges the dry period poses and how the team works collaboratively to make decisions about flows in the river and restrictions for shareholders.

As part of the committee’s Healthy Catchments Project, work has been undertaken to explore how the allocation and flow could be better managed to deliver community outcomes.

The construction of a new downstream weir means Opua can now hold more water and can release larger freshets which can help flush out algal growth.

The committee will continue to work with Opua and the wider community over the coming year as it develops a package of water management recommendations.
Progress towards achieving CWMS targets

- **Ecosystem health and biodiversity**: Key wetlands and lagoons have been identified for protection and initiatives are being supported to protect dryland biodiversity. Attention to biodiversity is included in Opawa Company’s farm environment plans.

- **Natural character of braided rivers**: Infrastructure investigations to explore options for bringing additional water into the zone have progressed. Some investigations are now complete and will be considered as part of the Healthy Catchments Project. New water has the potential to help relieve the current pressure on some waterways in the zone.

- **Kaitiākanga**: Mana whenua engagement and participation in the zone committee work has increased local understanding of cultural values, but more needs to be done to deliver tangible improvements for making kai values.

- **Drinking water**: The Timaru District Council and Environment Canterbury are working together on a strategy to better manage the community drinking water protection zone. This includes improved communication with landowners about the risks that certain activities can pose to drinking water.

- **Recreational and amenity opportunities**: Work to provide additional water into the zone is intended to reduce pressure on river flows and protection of fishing and other recreational options. An example is the salmon spawning race that is part of the Risgaita South Scheme. An inter-agency taskforce has been established in Washdyke and has identified some opportunities for enhancing recreation and amenity values around Washdyke lagoon.

- **Water use efficiency**: Results of the integrated water system modelling, and associated Oral Board of Opawa demand study, are complete and will be considered as part of the Healthy Catchments Project. A number of water efficiency workshops have also been held with water users in the zone.

- **Irrigated land area**: Irrigated land areas mapping is completed for the OTOP Zone by Aquilina and has been checked by local catchment members. As part of the Healthy Catchments Project, the committee will explore the implications of increasing the irrigated land area in the zone.

- **Energy security and efficiency**: No specific action taken to date.

- **Regional and national economies**: Economic analysis on the current state of the zone is now complete. This year further economic analysis will be undertaken to understand the implications of different water management decisions.

- **Environmental limits**: Currently the rules in the Land and Water Regional Plan apply. However, work is underway as part of the Healthy Catchments Project to determine if some local rules are required and what these might look like. It is anticipated that these local rules would be publicly noticed in 2017/2018.

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**Key work programmes underway to deliver ZIP outcomes**

The OTOP Zone Implementation Programme was developed with the community to deliver the goals of the CWMS in the zone. It identified three key areas of work required to achieve this.

1. **Healthy Catchments Project**
   - This collaborative project is about involving local people in decision making about local waterways. Throughout 2017 the zone committee will continue to work with the community to develop a package of recommendations to improve water management in the zone. These recommendations will then be considered by the regional and district councils in late 2017.

2. **Practical action plan**
   - A multi-agency taskforce was set up in June 2016 to identify and coordinate actions to improve the health of the Waitarua River environment. The group developed an action plan which was endorsed by the OTOP Zone Committee in October 2016. One of the actions includes exploring future management options for the lagoon.

3. **Catchment groups**
   - The natural character of braided rivers is identified as an important community outcome in the Healthy Catchments project. A key piece of work underway is the completion of some infrastructure investigations to explore options for bringing additional water into the zone. This new water has the potential to help relieve the current pressure on some of waterways in the zone, which could enhance their natural character.
Addressing local water quality challenges

The OTOP Zone Committee is working with the community to develop recommendations to address local water quality and quantity challenges.

Workshops have been held to present the science behind the project, the current state of our catchments, and what the community thinks about the way our water is currently managed.

The feedback from the meetings confirmed the outcomes that were established with the community during the first stage of the project.

Other common feedback focused on making rivers safe for immersion, the effects of intensification, encouraging water efficiency, and using new water from outside of the zone.

Now that the committee understands what is important to the community, the focus will be on working with the community to find solutions to deliver the outcomes people want.

The solutions developed are likely to include practical actions and recommendations about water quantity and quality limits. These limits will form a section of the Land and Water Regional Plan specifically for the OTOP Zone.

600 natives planted at Awarua wetland

A planting day was held at Awarua wetland as part of a project by Arorohia to restore the natural flax-pukana wetland opposite the marae.

More than 600 plants were planted on the Temuka side of the stream.

The project is now in its third year thanks to funding from the committee’s Immediate Steps programme.

Zone committee members reflect a diverse range of community views

Each of the Canterbury region’s 10 zone committees includes four to seven community members whose membership is regularly refreshed to ensure a wide range of perspectives is reflected.

All current members are listed below. For profiles, visit www.ecan.govt.nz/canterburywater.

Richard Lyon, Timaru District Council
Anne Munro, Mackenzie District Council
David Anderson, Waimate District Council
Lan Pham, Environment Canterbury Councillor
Ad Sintenis, Community member
John Talbot, Community member, Chair, Regional Committee
Mark Webb, Community member
Kellee Salbraith, Community member
Hamish McFarlane, Community member
James Pearse, Community member
Ivan Hunt, Community member
Mandy Home, Rūnanga representative Arorohia
John Henry, Rūnanga representative Arorohia

Brought to you by the Orari-Temuka-Opiki-Pareora Zone Committee working with

Environment Canterbury Regional Council
Kaunihera Taiao ki Waitaha

Timaru District Council
# 1065084

Policy and Development Committee
2 May 2017
POLICY AND DEVELOPMENT COMMITTEE
FOR THE MEETING OF 2 MAY 2017

Report for Agenda Item No 8

Prepared by    Tina Rogers
Group Manager Corporate Services


Purpose of Report
To advise of Timaru District Holdings Ltd's consideration (to be circulated after TDHL Board meeting) of Alpine Energy Ltd's Statement of Corporate Intent for 2017/18 to 2019/20 (attached).

Background
The draft Alpine Energy Ltd Statement of Corporate Intent is attached. The document was considered by the Timaru District Holdings Ltd Board at a meeting on 27 April, and its comments have been circulated separately.

Alpine Energy has requested that the Statement of Corporate Intent be considered prior to 7 May 2017 in order to present any suggested changes to its Board meeting in May.

Recommendation
That Council receives the Alpine Energy Ltd Statement of Corporate Intent for 2017/18 to 2019/20 and notes TDHL’s comments.
29 March 2017

Tina Rogers
The Company Secretary
Timaru District Holdings Ltd
P O Box 522
Timaru 7940

Dear Tina

Draft: Statement of Corporate Intent 2017/18 to 2019/20

Please find attached a copy of Alpine Energy’s draft Statement of Corporate Intent (SCI) for 2017/18 and the following two years.

You will note that the proposed dividend per share for 2017/18 and 2018/19 are in line with last year’s SCI.

The Alpine board in adopting its budget for the 2017/18 year and the following years has kept the proposed dividend at the 2017/18 rate for the 2018/19 and 2019/20 years at 24 cents per share.

Can your organisation please review the draft SCI and forward any comments to me by the 7 May 2017 in order for the Alpine board to consider any suggested changes at its May board meeting.

Yours sincerely,

Michael Boorer
Group Manager - Corporate Services
ALPINE ENERGY LTD

STATEMENT OF CORPORATE INTENT

2017/20

27 March 2017
ALPINE ENERGY LIMITED

2017/20 STATEMENT OF CORPORATE INTENT

Alpine Energy Limited (the "Company") is an electricity distribution company. This statement of corporate intent sets out the overall intentions and objectives for the Company for the trading period of 1 April 2017 to 31 March 2018 and the two succeeding financial years.

(a) The Objectives of the Company

Mission
To ensure commercial success by providing safe; reliable; and efficient energy delivery and infrastructure services.

Vision
Our vision is to develop, operate, and maintain integrated energy delivery solutions for the benefit of our community.

Our Values

Our Values are:
• Health and Safety Always
• Lawful conduct
• Respect, Integrity, and Honesty
• Professional Excellence
• Environmental Responsibility
• Contribute to the Community

Business Goals

- Shareholders
To pursue business policies which will maximise the value of the company in the medium and long term.

- Customers
To provide customers with the safe, efficient, economic and reliable delivery of energy and services.

- Efficient Use of Resources
To promote energy efficiency and effective utilisation of resources under our management.
- Human Resources
  To be regarded as a fair and reasonable employer in our region and a company for whom staff are proud to work.

- Public and Social Responsibility
  To be a law abiding and responsible company.

- Diversity and Growth
  To leverage capability, expertise, and know-how into new business opportunities and evolving technologies.

(b) **Nature and Scope of Activities to be undertaken**

The Company’s business will primarily be that of quality energy delivery and infrastructure asset ownership and management.

The Company, through a subsidiary company, NETcon Limited and Infratec Limited, is also involved in contracting activities which support and develop the Business.

Consistent with its objectives the Company will pursue activities designed to ensure the efficient utilisation of its capital assets and human resources.

Opportunities for investment in activities consistent with its Mission will be investigated by the Company.

The Company will consult with its shareholders on any proposed investment which has a value greater than 5% of the value of the total assets of the Company, as disclosed in the statement of financial position published in the preceding annual report of the Company.

Regarding the above mentioned value, the Company will not proceed on any projects other than the safe, efficient, reliable and cost effective delivery of energy and data (e.g. backhaul fibre), and will not proceed without the approval of a majority of shareholders.

(c) **Proprietorship Ratio**

The ratio of shareholders’ funds to total assets will be maintained at not less than 50 percent.

Total assets will comprise all the recorded tangible assets of the Company at their value as defined in the Company’s statement of accounting policies.

Consolidated shareholders’ funds of the Company will comprise the total issued capital, the balance of undistributed profits and all revenue and capital reserves.

(d) **Accounting Policies**

The Company’s accounting policies will comply with the legal requirements of the Companies Act 1993 and be consistent with generally accepted

The Company's electricity distribution network has been maintained to a sustainable standard while being depreciated in the financial accounts.

Details of the current accounting policies and their application are contained in Appendix A.

(e) **Financial Performance Targets**

The Company has developed financial performance targets to be used to instigate productivity improvements in each of the main business units and these will comprise specific measurable standards monitored for each unit. The following performance measures have been established for the Group:

(i) Electricity Line Losses $<$ 6\% per year

(ii) Average Interruption Duration (SAIDI) p.a. with a cap of 154.15

(iii) Average Interruption Frequency (SAIFI) $<$ 1.2973 interruptions per customer with a cap of 1.5071

(f) **Operating Performance Targets**

The Company has developed annual operating performance targets to show how its quality of service to customers and consumers is focussed. Apart from the consequences of extreme weather events, Alpine Energy seeks to be in the top quartile of New Zealand line companies and its annual operating targets below are based on these criteria.

(g) **Dividend Distribution Policy**

The Company will, subject to a solvency certificate being signed by Directors, distribute to its Shareholders in cash a total of 24.0 cents per share in 2017/18 and the following two years.

The Board of Directors of the Company will include within its report on the operations of the Company (prepared after the end of each financial year) a statement recommending the maximum amount of dividend (if any) payable by the Company in respect of its equity securities.

Quarterly interim dividends of 20\% of the annual forecasted dividend will be paid out on 30 September, 31 December, and 31 March with a final dividend on 31 July subject to completion of the Annual General Meeting.

(h) **Information to be provided to Shareholders**

The Company will provide information which complies with all relevant statutes and regulation. The following information will be available.
Half yearly reports will be delivered to the Company's shareholders within 2 months after the end of each reporting period. These reports will comprise:

(i) a report from the directors covering the operations for the half year period, including significant activities of the Company in regard to its associate company investments; and

(ii) financial statements, including a statement of financial position and a statement of profit and loss.

Annual reports will be delivered to the Company’s shareholders within three months of the end of each financial year and will comprise:

(i) a report from the directors covering the operations for the year, including significant activities of the Company in regard to its associate company investments;

(ii) audited consolidated financial statements for the financial year in respect of the Company and its subsidiaries (if any);

(iii) auditors’ report on the financial statements and the performance targets (together with other measures by which performance of the Company has been judged in relation to the Company's objectives).

The Company’s audited consolidated financial statements will comprise the following:

* Income Statement
* Balance Sheet
* Statement of cash flows
* Statement of changes in equity
* Details of all transactions entered into during the financial year by the Company or any of its subsidiaries and certain other bodies
* Such other statements as may be necessary to fairly reflect the financial position of the Company and its subsidiaries (if any), the resources available to it or them and the financial results of the operations.

Draft statements of corporate intent will be delivered to the Company's shareholders one month before the end of each financial year.

Shareholders may request further information or reports from the Directors, and the Company shall supply this information to all Shareholders in such manner as shall from time to time be agreed between the Company and Shareholders.

(i) Procedures for Acquisition of Interests in Other Companies or Organisations
As a general policy, any proposed investment by the Company in other companies or organisations will be required to meet the weighted average cost of capital (WACC) of the investments being considered, which shall reflect the market cost of debt and the market cost of equity.

All investment proposals will be considered by the Company's Board of Directors and in respect of any acquisition which has a value greater than 5% of the value of the total assets of the Company, as disclosed in the statement of financial position published in the preceding annual report of the Company, recommendations will be made for shareholders' approval.

(j) **Transaction Details**

The following information is disclosed in terms of Section 39(2) (i) of the Energy Companies Act 1992:-

* Contractual arrangements with the District Councils include:-

  * Development, installation and maintenance of community lighting facilities.
  * Road and Footpath Sealing: - re-sealing of cable trenches and restoration of footpaths etc after underground cabling and new subdivisions.
  * Negotiation of a contribution towards the overhead line to underground conversion programme.

All transactions between the Company and its Shareholder District Councils will be conducted on a commercial basis. Charges between the parties made for services provided as part of the normal trading activities of the Company, are incorporated into the operating costs and revenues of the Company.

(k) **Further Matters**

The Company intends to investigate, consider and if appropriate, acquire interests in electricity lines related activities to the extent that such opportunities become available to the Company.

The maintenance and development of the total reticulation system of the Company will be a prime responsibility for the Company and shall be charged for on a fair and reasonable basis while acknowledging that some cross subsidisation among customers may occur.
APPENDIX A

STATEMENT OF ACCOUNTING POLICIES

1 GENERAL INFORMATION

Alpine Energy Limited ("the Company") and its subsidiaries and joint arrangements (together, "the Group") own an electricity distribution network, and also undertake assets management contracting services.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 31 Meadows Road, Washdyke, Timaru.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Entities reporting

The consolidated financial statements for the 'Group' are for the economic entity comprising Alpine Energy Limited, its subsidiaries and joint arrangements. The Company and Group are designated as profit oriented entities for financial reporting purposes.

Statutory base

Alpine Energy Limited is a company registered under the Companies Act 1993 and Energy Company under the Energy Companies Act 1992. The financial statements of the Group have been prepared in accordance with the requirements of the Financial Reporting Act 2013, the Energy Companies Act 1992, and the Companies Act 1993. In accordance with the Energy Companies Act 1992 because group financial statements are prepared and presented for Alpine Energy Limited and its subsidiaries, separate financial statements for Alpine Energy Limited are no longer required to be prepared and presented.

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the group

The group has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The group is a Tier 1 entity as it is a large for-profit public sector entity. There was no impact on the current or prior year financial statements.

(b) New standards not yet adopted as per the prior year

The group only adopts new accounting standards once they have been issued and are effective.

A number of new standards and amendments to standards and interpretations are effective for annual
periods beginning after 1 April 2014, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

NZ IFRS 15: Revenue from contracts with customers (Effective date: periods beginning on or after 1 January 2017)

NZ IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts and is applicable to all entities with revenue. It sets out a five step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services.

This standard may significantly impact the Group where long term or construction revenue contracts are entered into.

NZ IFRS 9: Financial Instruments (Effective date: periods beginning on or after 1 January 2018)

NZ IFRS 9, 'Financial Instruments', was issued in September 2014 as a complete version of the standard. NZ IFRS 9 replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments, hedge accounting and impairment. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risks. NZ IFRS 9 introduces a new expected credit loss model for calculating the impairment of financial assets. This standard is effective for reporting periods beginning on or after 1 January 2018. The Group is yet to assess NZ IFRS 9's full impact.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the purchase method to account for business combinations. The consideration transferred for an acquisition of a subsidiary is measured as the fair value of assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingently liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred and non-controlling interest is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Joint Arrangements

The Group has applied NZ IFRS 11 to all joint arrangements as of 1 April 2013. Under NZ IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the
contractual rights and obligations of each investor. Alpine Energy Limited has assessed the nature of its two joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint venture are initially recognised at cost and adjusted thereafter to recognise the Group’s share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group’s share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group’s net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the group’s interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. This has been applied from 1 April 2013.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in New Zealand dollars, which is the Group’s functional and presentation currency.

(b) Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within ‘finance income or costs’. All other foreign exchange gains and losses are presented within ‘Other (losses)/gains-net’.

2.4 Property, plant and equipment

Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserves in shareholders’ equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity, all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the assets’ original cost is transferred from ‘other reserves’ to ‘retained earnings’.

Land is not depreciated. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives. The rates are as follows:
The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Capital work in progress is not depreciated until commissioned.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'Other (losses)/gains – net' in the statement of comprehensive income.

When revalued assets are sold, the amounts included in revaluation reserves are transferred to retained earnings.

2.5 Intangible assets

(a) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets have a finite useful life and are amortised over their economic useful life of 2-5 years.

(b) Easements

Assets sited on easements will normally be renewed at the end of their economic life in the same location that they are currently housed. On this basis the easement itself has an infinite life. Easements are recorded at cost and are tested annually for any sign of impairment and whenever there is an indicator of impairment.

2.6 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assesting impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.7 Financial assets

2.7.1 Classification
The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group’s loans and receivables comprise ‘trade and other receivables’, ‘cash and cash equivalents’, and ‘other investments’ in the balance sheet.

(c) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group’s management has the positive intention and ability to hold to maturity.

(d) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the balance sheet date.

2.7.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sells the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the income statement within “other (losses)/gains-net” in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group’s right to receive payments is established.

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.9 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events)
has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor(s) or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure Impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.10 Inventories

Inventories are stated at the lower of weighted average cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The cost of work in progress comprises design costs, raw materials, direct labour, and other direct costs and related production overheads (based on normal operating capacity).

2.11 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade payables are recognised at fair value.

2.14 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.
Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.15 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are provided for taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associated and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables. In respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. The liability for employee entitlements is carried at the present value of the estimated future cash flows.

The group has no post-employment schemes.

2.18 Provisions

Provisions for legal claims, service warranties and rental obligations are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.19 Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods supplied stated net of discounts, rebates and goods and services tax. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group’s activities, as described below.

(a) Sales of goods

Sales of goods are recognised when a Group entity has delivered a product to the customer. Retail sales are usually in cash or by bank transfer. The recorded revenue is the gross amount of sale.

(b) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) Construction contracting

Contract revenue and expenses related to individual construction contracts are recognised as a percentage of completion of each contract on a monthly basis.

(d) Rental income

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

2.20 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.21 Dividend income
Dividend income is recognised when the right to receive payment is established.

2.22 Leases

(a) Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(b) Group is the lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.24 Construction contracts

A construction contract is defined by IAS 11, ‘Construction contracts’, as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of the contract costs incurred that are likely to be recoverable.

The Group uses the ‘percentage-of-completion method’ to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

Contract work in progress is stated at cost less amounts invoiced to customers. Cost includes all expenses directly related to specific contracts.

2.25 Goods and services tax (GST)

The statement of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.
POLICY AND DEVELOPMENT COMMITTEE
FOR THE MEETING OF 2 MAY 2017

Report for Agenda Item No 9

Prepared by   Tina Rogers
              Group Manager Corporate Services

Receipt of Audit and Risk Subcommittee Minutes

Minutes of the Audit and Risk Subcommittee meeting.

Recommendation

That the minutes of the Audit and Risk Subcommittee meeting held on 11 April 2017, be received.
TIMARU DISTRICT COUNCIL

MINUTES OF A MEETING OF THE AUDIT AND RISK SUBCOMMITTEE HELD IN MEETING ROOM 1, DISTRICT COUNCIL BUILDING, KING GEORGE PLACE, TIMARU ON TUESDAY 11 APRIL 2017 AT 11.00AM

PRESENT
Clrs Peter Burt (Chairperson), Andrea Leslie and Tracy Tierney, the Mayor and Keiran Horne

IN ATTENDANCE
Group Manager Corporate Services (Tina Rogers), Chief Executive (Bede Carran), Corporate Services Personal Assistant (Colleen Te Au)

1 DECLARATION OF CONFLICTS OF INTEREST
Conflicts of interest relating to any item on the agenda were requested. Clr Tierney advised her conflict as an employee of KPMG.

2 CONFIRMATION OF MINUTES
Proposed Keiran Horne
Seconded the Mayor

“That the minutes of the Audit and Risk Subcommittee meeting held on 2 December 2016, be confirmed.”

MOTION CARRIED

Matters Arising
North Street Property
The Group Manager Corporate Services updated the Subcommittee on progress made with the demolition of the North Street property. Initial testing on the fabric of the building has commenced and then a plan on how to demolish the building with minimal disruption to the community is to be developed for consideration by the Council.

3 ACTION POINTS FROM PREVIOUS MEETING
The Group Manager Corporate Services updated the Subcommittee on the action points from the 2 December 2016 meeting.

Item 7: Corporate Risk Register – Elected Members Code of Conduct
There has been a delay in presenting the revised Code of Conduct to Council as it will now be presented to the Community Boards for their input prior to Council’s consideration.

Item 8: Health and Safety – ACC Tertiary Rating
There has been no change in Council’s rating.
Proposed Clr Burt
Seconded Clr Leslie

“That the report be received and noted.”

MOTION CARRIED
4 **WORK PROGRAMME**

The Subcommittee considered the proposed Work Programme for the year.

Proposed  Clr Burt  
Seconded  Keiran Horne

“That the report be received and noted.”  

MOTION CARRIED

5 **CORPORATE RISK REGISTER**

The Subcommittee considered the updated Corporate Risk Register.

- **Ongoing Security Enhancements**
  Security cameras are now installed in the upstairs Foyer and the Customer Services Reception area. The reception area is to be reconfigured. There is an ongoing review of physical security at other Council sites.

- **Assignment of Legislation Responsibilities**
  There are numerous legislation that apply to Council. Unit Managers will be assigned each piece of legislation for regular reports on issues associated with that legislation including changes that may occur at parliamentary process and ensure compliance with our requirements under the legislation act.

- **Risk Register Process**
  - The Senior Leadership Team reviews the register on at least a quarterly basis as well as discussions with Unit Managers.
  - Any movement in risk rating is highlighted in blue on the register, such as EQ issues with Council buildings and Civil Defence. If a risk has been removed this is also shown.
  - The likelihood and consequence of the risk is measured after the mitigation measures are in place.

- **Risk # 54 – Ineffective Consent Monitoring**
  This is a nationwide issue and an area where there is more work to be done. Staff training is required to help reduce this risk. Resourcing to address this has been flagged in the Long Term Plan process.

- **Risk # 2 – Ineffective Organisation Planning Processes**
  The delivery of the Work Programme highlights there is a lot of work happening to address this with the scrutinising of the CAPEX work programme going forward.

- **Risk # 3 – Changes in Legislation/Regulations**
  The earthquake legislation has highlighted we have buildings that need work to bring them up to standard. Each unit has a business continuity plan around issues with facilities if they cannot be used. Once we have received a report on the rest of Council’s properties we will then look at costs around mitigation. This will be part of the Long Term Plan.

- **Organisation Business Continuity Plan**
  A Council wide business continuity plan is being considered through the Civil Defence area in conjunction with Regional Civil Defence.
• Risk # 7 – Climate Change
There is a lot of monitoring in this area through the Activity Management Plans, i.e. stormwater where climate change can have a significant impact on infrastructure.

• Risk # 23 – Poor Growth Planning
This will be addressed through the Growth Management Strategy, i.e. infrastructure meeting future demand.

• Risk # 25 – Failure of Water Supply Systems
We have a lot of mitigation measures already in place. Council staff have been working closely with Havelock North. We are waiting on the outcome of the government enquiry before considering our current measures.

 Proposed Keiran Horne
Seconded the Mayor

“That the report be received and noted; and

That a Residual Risk column and a Matrix explaining the numbers under the Likelihood and Consequence columns be added to the Corporate Risk Register.”

MOTION CARRIED

6 HEALTH AND SAFETY
The Subcommittee considered at report from the Human Resources Manager updating Health and Safety activity since December 2016.

There is a lot of health and safety training in place, including reviewing best practice across the sector, certified training for managers, legal advice regarding the use of our facilities. This is a continuous process, with projects in place through the Health and Safety Committee. Health and Safety is a standing item at every Senior Leadership Team meeting.

Although there are no random audits to verify health and safety requirements are being met, staff are encouraged to review processes whenever they are on site and have the power to stop a practice if they have concerns. Lucas do audit our facilities. The Subcommittee requested an update on Verification Methods at the next meeting.

The Health and Safety focus weeks were discussed and how to promote the themes on an ongoing basis.

The Subcommittee requested clarification on the statistics table showing the period the incidents occurred and narration on any lost time and medical treatment required. The spike on the incidents graph was during school sports at CBay and it was noted CBay has a higher inherent risk. The Human Resources Manager visits the facility monthly and walks through each incident to be satisfied that all reasonable steps have been taken to reduce risk at CBay.

 Proposed Clr Tiegenrey
Seconded the Mayor

“That the report be received and noted.”

MOTION CARRIED
7 INSURANCE REVIEW  
Local governments are looking to work together through the Local Government Risk Agency. The agency will cover insurance procurement, including identification of risks, maximum probable loss, etc. The 40/60 split of costs between local government and central government is being reviewed. This is currently with central government and there is no timeframe as to when this will be resolved.

Proposed the Mayor  
Seconded Cdr Leslie

“That the report be received and noted.”  
MOTION CARRIED

8 INTERNAL AUDIT  
The Subcommittee considered the proposed Internal Audit Programme. It was noted that the Procurement/Contracts Management programme is already underway.

The Canterbury Finance Managers are meeting in May 2017, where we are planning to share internal audit programmes and collaborate to minimise costs.

The Internal Audit Programme was developed based on the Canterbury Finance Managers’ discussions, best practice and mitigations in our Risk Register.

Proposed Cdr Tierney  
Seconded the Mayor

“That the report be received and noted.”  
MOTION CARRIED

9 LONG TERM PLAN POLICIES – DEEMED COST AND INFLATION  
The Subcommittee discussed Council’s approach to the Deemed Cost methodology and that this topic is raised by the Auditor General at each audit. Council should look at a transitional plan away from deemed cost. The Subcommittee would prefer this item be considered by Council.

Proposed Cdr Tierney  
Seconded Keiran Horne

“That it be recommended to the Policy and Development Committee that no changes occur to these policies, and:

That inflation be included in the core financials within the 2018-2028 Long Term Plan based on the BERL inflation indices, and supplementary tables also be included to show the financial statements excluding the inflation component.

That the deemed costs issue be referred back to Council for consideration as part of the Long Term Plan including modelling based on updated long term asset replacement costs.”  
MOTION CARRIED
10 CREDIT RATING
The Subcommittee noted a credit rating of AA- has been received, and acknowledged the work undertaken to achieve this.

Proposed  Cllr Tierney
Seconded  the Mayor

“That the report be received and noted.”

MOTION CARRIED

The meeting concluded at 11.50am.
At the Audit and Risk Subcommittee meeting of 11 April 2017, the attached report was considered.

The Subcommittee resolved the following:

“That it be recommended to the Policy and Development Committee that no changes occur to these policies, and:

That inflation be included in the core financials within the 2018-2028 Long Term Plan based on the BERL inflation indices, and supplementary tables also be included to show the financial statements excluding the inflation component.

That the deemed costs issue be referred back to Council for consideration as part of the Long Term Plan including modelling based on updated long term asset replacement costs.”

Recommendation

1. That inflation be included in the core financials within the 2018-2028 Long Term Plan based on the BERL inflation indices, and supplementary tables also be included to show the financial statements excluding the inflation component.

2. That the issue of deemed cost be considered further once the preparation of the Infrastructure Strategy is completed.
Purpose of Report
This report is to present the policies regarding Deemed Cost and Inflation for reconsideration as part of the preparation of the 2018-2028 Long Term Plan.

Background
Inflation – Price Level Changes
Prior to the 2015 Long Term Plan (LTP), the Council had a policy of not including inflation and price level changes in the core financial statements within the LTP. This led to modified audit opinions.

In 2014, the Policy and Development Committee approved “That inflation be included in the core financials within the 2015-2025 Long Term Plan based on the BERL inflation indices, and supplementary tables also be included to show the financial statements excluding the inflation component.”

Deemed Cost
Council currently has an accounting policy that Council owned assets of land, buildings and infrastructure assets are not revalued. At the time of adoption of International Financial Reporting Standards (IFRS) in 2005, Council approved this policy where the assets are recorded at their deemed cost as at 1 July 2005 with any subsequent additions recorded at cost.

Infrastructure assets include sewer, stormwater and water networks, roading networks (including the land under the roads and streetlighting) and the airport. The book value of these items as at 30 June 2016 was $630 million.

Prior to 2005 these assets had been revalued every 3 years. Valuations for insurance purposes are undertaken for certain assets separately.

In 2014, the Policy and Development Committee approved “That the Council continue to account for depreciation using the Deemed Cost methodology but with funding to be based on the long term cost of replacing assets.”

Options
The options available for Inflation is to either include inflation or not. If it is not included, this would result in a modified audit opinion for the LTP.
The two options available to Council for each class of asset are:

1. Continue to recognise the fair value of these assets as at 1 July 2005 (being the date of transition to IFRS) as the deemed cost with subsequent additions recorded at cost; or

2. Revalue assets commencing in the year ended 30 June 2018.

Option 1 is the current practice. Option 2 would involve revaluing the land, building and infrastructure classes of assets at regular intervals in the future (approximately every 3 to 5 years).

Option 1 was only available at the time of implementing IFRS and will not be available again in the future. Council can resolve at any time in the future to revert to option 2 and start revaluing assets. The option to revert from revaluing assets to deemed cost would not be available.

The benefits of option 1 are:
- Generally lower depreciation costs and therefore lower rates over time could result unless increased funding is provided. This is offset by higher debt, as depreciation funds are not available to fund projects. Only renewals should be funded from depreciation and Council would borrow for new projects.
- Inter-generational equity issues are dealt with, as essentially people are rated for costs when they were incurred rather than before.
- No costs (both external valuers and additional staff resources) involved to revalue the assets.
- The Council can revert to revaluations for assets in the future.

The benefits of option 2 are:
- Considerable funds would be available for future projects through increased depreciation charges.
- Meets Audit expectations and is consistent with other Councils.

Management believe Timaru District is the only Council that has adopted the deemed cost option. The deemed cost option does not result in a qualified audit opinion as deemed cost is permitted under IFRS and therefore is Generally Accepted Accounting Practice.

Under option 2, Council would need to include estimated future revaluations in the LTP.

Funding of depreciation can be different from the actual depreciation charge. There is a requirement under section 100 of the Local Government Act that a local authority must ensure that operating revenues are set at a level sufficient to meet operating expenses unless the council resolves that it is financially prudent not to do so.

As part of the 2015 LTP the council agreed to fund depreciation an amount higher than the depreciation expense charged under option 1 above. The amount actually funded was based on expected long term renewal costs contained within the Infrastructure Strategy. These increases were phased in over 6 years. The commencement of the 2018 LTP will be half way through the phasing in of the increased funding.

Identification of relevant legislation, Council policy and plans
Local Government Act
Assessment of Significance
This matter is not deemed significant under the Council’s Significance and Engagement Policy.

Consultation
Consultation on the increased funding for asset replacement was included in the 2015 LTP consultation document.

Other Considerations
There are no other considerations relevant to this matter.

Funding Implications
The 2015-25 LTP included increased funding towards future asset replacement. This is proposed to continue into the future and will be further refined based on proposed asset replacement expenditure in the 2018 Infrastructure Strategy.

Should assets revaluations be undertaken in the future, changes would be required in the LTP to reflect the estimated movement in asset values and to also allow for costs associated with undertaking the valuations.

Conclusion
These policies are base components of the LTP and were changed during the 2015 LTP process to ensure an unmodified audit opinion was obtained and to increase funding for future asset replacements.

Recommendation
That the Subcommittee recommends to the Policy and Development Committee that no changes occur to these policies, and:

1. That inflation be included in the core financials within the 2018-2028 Long Term Plan based on the BERL inflation indices, and supplementary tables also be included to show the financial statements excluding the inflation component; and

2. That the Council continue to account for depreciation using the Deemed Cost methodology with funding based on the long term cost of replacing assets.
At the Downlands Joint Standing Committee meeting of 27 February 2017, the attached report was considered regarding the disposal of two land parcels (total area 2,861m²) that are surplus to requirements.

The Committee resolved the following:

a  “That the Downlands Joint Standing Committee recommends to the Timaru District Council Policy and Development Committee that the land as described above be disposed of by the Chief Executive, to best advantage, in accordance with statutory process.

b  That the designation over the site be removed via the Timaru District Council District Plan Review process.”

Recommendation

1. That the surplus land be disposed of by the Chief Executive, to best advantage, in accordance with statutory process.

2. That the designation over the site be removed via the Timaru District Council Plan Review process.
Disposal of the Downlands-Pleasant Point Reservoir

Purpose of Report
To seek the Committee’s approval that the subject site is surplus to requirements and that the site be disposed of.

Background
The subject site is depicted edged red on the attached plan. It comprises two land parcels, and is surrounded by the property of the adjoining owner. The land parcels do not have legal frontage to a public road.

The reservoir on site, (removed 2016) was constructed in the 1930’s. The land parcels were acquired by the Ministry of Works for the Downlands Water Supply under the Public Works Act 1928 in 1944, and were vested with Levels County in 1962 for the Downlands Water Supply Scheme.

Following the construction of the Pleasant Point Pump Station in 1964, the reservoir fed only a small rural portion of the Downlands Water Supply. The Downlands Water Supply upgrade resulted in connections at the highest point of the properties instead of to every trough. A new Break Pressure Tank was installed on higher land to give improved reliability to supply the new tanks. The reservoir then fed a significantly reduced area and had insufficient turnover.

The Downlands Water Supply Management Committee approved the decommissioning of the reservoir, (copy of decision attached, as an excerpt for the minutes of the 10 December 1998 meeting).

The reservoir has remained empty, being a health and safety issue. In 2016 the reservoir was removed returning the land to a grazing standard. The 0.3ha property has a current land value of $10,000.

Options
1. To retain the land.
   The property is land locked and there is no future requirement that would benefit either the Downlands Water Supply or Timaru District Council.
2. To offer the land to the neighbour.
   As the land is landlocked, and the public works improvement on site (reservoir/pump station) have been removed, then the provisions of the Public Works Act will apply, that is, to offer the land back to the original owner of the land, or their successors in title. It is considered that there is no other logical purchaser.
Option 2 is the optimum outcome, as the land becomes part of the adjoining farmland, thereby meeting economic and environmental outcomes.

**Identification of Relevant Legislation, Council Policy and Plans**
As the land was acquired under the Public Works Act of the day, the disposal of the same is governed by the same statutory process. In this instance, the Public Works Act requires the land to be offered back.

The land is also subject to a designation for the purpose of water supply. Council is the designating authority. Should the recommendations of this report be agreed, the removal of the designation may be actioned via the current District Plan review process.

**Assessment of Significance**
This matter is not deemed significant under the Council’s Significance Policy.

**Consultation**
The adjoining owner has been advised the land is no longer needed for reservoir purposes.

**Other Considerations**
There are no other considerations relevant to this matter.

**Funding Implications**
There are no funding implications.

**Conclusion**
The purpose for which Council holds the land is now surplus and the improvements have been removed. The process of disposal is determined by statute, which is to negotiate with the adjoining owner.

**Recommendations**

1. That the Downlands Joint Standing Committee recommends to the Policy and Development Committee that: The land be disposed by the Chief Executive, to best advantage, in accordance with statutory process.

2. That the designation over the site be removed via the Timaru District Council District Plan Review process.
TIMARU DISTRICT COUNCIL

MINUTES OF A MEETING OF THE DOWNLANDS WATER SUPPLY MANAGEMENT COMMITTEE HELD IN THE COMMITTEE ROOM, DISTRICT COUNCIL BUILDING, KING GEORGE PLACE, TIMARU ON THURSDAY 10 DECEMBER 1998 AT 9.00AM

PRESENT
Messrs Anderson and Bisset, and Clrs Drummond and Lyon.

APOLOGY
An apology was received from and leave of absence from this meeting was granted to Mr Steven.

IN ATTENDANCE
Group Manager Corporate Services (until 9.40am) and Water Manager.

8 PLEASANT POINT RESERVOIR (File W2/2/4)
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The Committee considered a report by the Group Manager Engineering Services dated 4 December 1998 on the disestablishment of the Pleasant Point Reservoir.

The Water Manager outlined the plans for establishing a new break pressure tank, noting that the preferred location for the tank is on an area of road reserve. The landowner who would be affected has been approached and indicated he has no objection to the proposed location of the tank. The Water Manager is currently awaiting a response from the Land Transport Unit regarding the site.

There was some discussion about offering the old reservoir to the Pleasant Point community.

It was agreed that letters be written to the Pleasant Point Fire Brigade, the Rural Fire Authority and the Pleasant Point Community Board, advising that the Pleasant Point Reservoir is now surplus to requirements and seeking an indication of any suggestions they may have for future use of the reservoir.

Proposed  Clr Drummond
Seconded  Mr Bisset

"THAT the Pleasant Point Reservoir be abandoned, and that a 25,000 litre break pressure tank be placed approximately one kilometre upstream, utilising the budget for the reservoir cover and noting that if possible the tank will be sited on a road reserve land."

MOTION CARRIED
Exclusion of the Public

Recommendation

That the Committee 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 - Property Matters  
Section 7(2)(h)  
The withholding of the information is necessary to enable the Council to carry out, without prejudice or disadvantage, commercial activities.