

Notice is hereby given that a meeting of the Finance and Policy Committee will be held in the Council Chambers, 29 Bowler Avenue, Gore, on Tuesday 14 March 2017, following the Regulatory and Planning Committee meeting.

A handwritten signature in black ink, appearing to read 'Stephen Parry', written over a horizontal line.

Stephen Parry
Chief Executive

8 March 2017

Agenda

- | | | |
|----|--|-------------|
| 1. | Civic Assurance draft statement of intent | Pages 1-7 |
| 2. | Civic Liability Pool (Riskpool) – cessation of cover | Pages 8-10 |
| 3. | LAPP annual report | Pages 11-51 |
| 4. | Rate arrears report | Pages 52-54 |
| 5. | Financial report for September 2016 | Pages 55-65 |

FINANCE AND POLICY COMMITTEE AGENDA

TUESDAY 14 MARCH 2017

1. CIVIC ASSURANCE DRAFT STATEMENT OF INTENT

(Memo from Chief Financial Officer – 28.02.178/03/2017)

Introduction

- ✚ A letter and new statement of intent (attached) has been received from Civic Assurance (Civic) outlining upcoming changes in its business. The Council is a shareholder of Civic Assurance which is registered under the name New Zealand Local Government Insurance Corporation Ltd. It is owned by local authorities and was formed in the 1960s to provide insurance services to the sector though its history goes back to 1941.

It is also the fund manager of the successful Local Authority Protection Programme (LAPP) which provides cover for local authority infrastructure, the local government Kiwisaver scheme SuperEasy and also the Riskpool and Civic Liability Pool (CLP) insurance programmes covering public liability and professional indemnity risks. The Council is a member of both LAPP and CLP funds but has no insurance with Civic Assurance itself.

Changes at Civic

As pointed out in Civic's letter, the impact of claims from the Christchurch earthquakes saw Civic having to withdraw from the insurance market while the claims were settled. Civic had been in the process of applying for its insurance licence however Civic's board made the decision to withdraw the application as it did not believe Civic could write insurance profitably. Civic Assurance will be changing its name to Civic Financial Services Ltd.

The statement of intent forecasts that Civic should be profitable over the next three years. Most of its revenue will come from the management fees received for managing the LAPP programme and the local government superannuation schemes.

Civic also owns a 10 storey Wellington CBD office building, the income from which forms, most of Civic's investment revenue. At its shareholders meeting in June, Civic will ask if the ownership of the building should be retained. Civic will provide more information about the potential sale in the coming months and this information will come before the Council prior to the shareholders meeting so the Council can determine its stance on the matter. It is expected that if the building was sold a special dividend of 70 cents per share would be paid. The Council owns

54,589 shares placing the value of the dividend at \$38,212. Aside from the special dividend, there is no mention of a regular dividend in the near future.

Lastly, Tim Sole will step down from his position as CEO and take on a consultancy role with Civic. Ian Brown who has managed Civic's superannuation arm will assume the role of CEO.

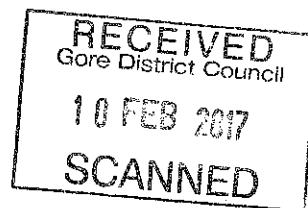
RECOMMENDATION

THAT the report be received.



Civic Assurance

PROTECTING COMMUNITY ASSETS



Mr Steve Parry
Chief Executive
Gore District Council
PO Box 8
GORE 9740

7 February 2017

Dear Steve,

Civic Assurance Announcements and Draft 2017 Statement of Intent

In 2016 Civic celebrated 75 years of service to local government, the finalizing of its Canterbury earthquake claims, and its third consecutive profitable year since those earthquakes. I am pleased to report that Civic is also projecting its next three years to be profitable, as you will see from your enclosed copy of Civic's draft Statement of Intent for 2017. Please let me have any comments you wish to make on this draft by 9 March 2017.

Your Board decided at the end of last year to withdraw Civic's application for a full insurance licence and not offer property insurance. This decision was not taken lightly, but in the current market Civic cannot write insurance profitably. However, Civic will be able to provide property covers through CPP (Civic Property Pool) in the future if this is what the sector wants and market conditions favour doing so.

Civic will continue to administer the local government KiwiSaver and SuperEasy schemes and the four local government mutual pools: LAPP, Riskpool, CLP and CPP.

A company without an insurance licence is not allowed to have the word insurance in its name. Recognising this and its changed focus, Civic will be changing its formal name from *New Zealand Local Government Insurance Corporation Ltd* to *Civic Financial Services Ltd*. As Civic will not be offering insurance directly and any future cover offered by CPP will be 100% reinsured, Civic is able to return some of its capital to shareholders. To this end the attached Statement of Intent includes a proposal to sell Civic Assurance House.

Civic will be changing its CEO with effect from 20 March 2017 and I will be taking on a part-time consultancy role with Civic to ensure that LAPP, Riskpool, CLP and CPP continue to be provided with all the technical support they need. The new CEO will be Ian Brown, and I am sure you will join me in congratulating him.

Yours sincerely

Tim Sole
Chief Executive

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PO Box 5521, Wellington 6140,
<http://www.civicassurance.co.nz>
Tel: (04) 978 1250 Fax: (04) 978 1260

**NEW ZEALAND LOCAL GOVERNMENT
INSURANCE CORPORATION LIMITED**
trading as Civic Assurance

DRAFT STATEMENT OF INTENT
FOR THE YEAR ENDED 31 DECEMBER 2017

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1.0 Mission Statement

Mission Statement of Civic Assurance
To provide superannuation and risk-financing solutions to the local government sector

2.0 Corporate Goals

The specific goals of the Company are:

- 2.1 To operate as a sound and successful business.
- 2.2 To be the primary supplier of risk-financing and superannuation services to the local government sector.
- 2.3 To investigate and facilitate, as appropriate, new products and markets in risk-financing and superannuation and such other markets that it believes could prove beneficial to its shareholders and the local government sector.

3.0 Nature and Scope of Activities

- 3.1 The Company provides superannuation services for local government and local government staff via SuperEasy and the SuperEasy KiwiSaver Superannuation Scheme.
- 3.2 The Company provides administration, reinsurance, accounting, and a range of other services to LAPP, Riskpool, CLP (Civic Liability Pool) and CPP (Civic Property Pool).
- 3.3 The Company investigates and facilitates as appropriate such new risk-financing and superannuation services and/or markets that it believes will prove beneficial to its shareholders and the local government sector.
- 3.4 In a modest and selective way the Company provides sponsorship for a range of local government activities at regional and national level.

4.0 Profits, Dividend Policy & Projections

Civic is projecting a total profit over the next three years of approximately \$1,000,000. This follows three profitable years in 2014, 2015 and 2016.

The Company historically has had three main sources of revenue: fees from providing administration services, insurance premiums, and investment income. The profit outlook from these three sources is as follows:

Profits from providing administration services: The bulk of Civic's income in 2017 will come from providing administration services. See the three-year projections below.

Profits from providing insurance: There will be no profits from providing insurance in 2017. In December 2016, your Board decided to withdraw Civic's application for a full insurance licence. This was not a decision taken lightly. The Board's main reason for this action was that in the current market Civic could not have written insurance profitably. There is nothing to prevent the Company in the future applying for a full insurance licence and/or re-opening a 100% reinsured Civic Property Pool if this is what the sector wants and market conditions make this viable.

Profits from investment income: Civic's investment income is mainly from its rental income from Civic Assurance House, a ten-storey Wellington CBD office building. Shareholders will be asked at the AGM in June whether they wish Civic to retain ownership of this building. A report listing the pros and cons of retaining ownership will be provided to shareholders before they are asked to vote on this matter. If shareholders support a sale and a satisfactory price can be obtained, then the building will be sold and the sale price of the building net of selling costs will be distributed to shareholders. The sale would allow a special dividend of around 70 cents per share.

Financial projections for 2017 to 2019 are:

	2017	2018	2019
Fee Income	\$2,760,000	\$2,764,000	\$2,900,000
Investment Income	\$328,000	\$91,000	\$95,000
Revenue	\$3,088,000	\$2,855,000	\$2,995,000
Expenses	\$2,750,000	\$2,546,000	\$2,586,000
Surplus before tax	\$338,000	\$309,000	\$409,000

Please note that these are projections, not firm predictions.

5.0 Performance Targets and Measures

- 5.1 To provide superannuation services to at least 90% of local authorities.
- 5.2 To continue to be an efficient and effective administration manager for LAPP, Riskpool, CLP and CPP.

6.0 Reporting to Shareholders

- 6.1 An audited annual report for 2016 by 30 April 2017.
- 6.2 A report on the first half of 2017 by 30 September 2017 containing a review of the Company's operations during the half year and unaudited half-yearly accounts.

7.0 Acquisitions/Disposals

Any acquisition or disposal that is equivalent to 50% or more of the Company's assets will constitute a "major transaction" under the Company's constitution and approval of the shareholders will be sought in accordance with the constitution. Any acquisition that is equivalent to 25% or more but less than half of the Company's assets will constitute a "minor transaction" under the Company's constitution and consultation with shareholders will take place. The disposal of Civic Assurance House would be deemed to be a major transaction and as such would require 75% of those voting to vote in favour if the sale is to proceed.

8.0 Transactions with Related Parties

The Company has 72 local authority shareholder members plus TrustPower (holding 1.21% at 7 February 2017). Local Government Superannuation Trustee Limited and Local Government Mutual Funds Trustee Limited are wholly owned subsidiaries of the Company. Because it is sharing management resources, the Local Authority Protection Programme (LAPP), Riskpool, CLP and CPP are also considered to be related parties. Transactions with shareholder members include risk-financing services and superannuation related financial services.

Charges to and from shareholder members will be made for services provided as part of the normal trading activities of the Company and its subsidiaries. Transactions with shareholder members are on a wholly commercial basis.

***** END *****

2. CIVIC LIABILITY POOL (RISKPOOL) – CESSATION OF COVER

(Memo from Chief Financial Officer – 28.02.17)

Introduction

- 1 The Council has received a letter from Civic Liability Pool (CLP) indicating that it will cease to offer professional indemnity and public liability cover from 1 July 2017. The Council has been a longstanding member of the Riskpool insurance mutual fund. The letter, along with the copy of Riskpool's latest annual report is attached.

Riskpool/Civic liability pool

At its highest, 82 out of the potential 85 Councils were members of Riskpool. This enabled Riskpool to provide high levels of cover at very competitive rates. Being a Council focused mutual, it also operated differently to ordinary insurance arrangements, often testing cases in court rather than settling straight away. More often than not this was met with success for the Council represented and it established important case law precedents which have benefited the sector.

However in recent years Riskpool's membership has dwindled. After settling many leaky building claims around the country Riskpool issued a call for capital from fund members to bolster the fund. Around this point many Council's reassessed their commitment to the fund and made a move to exit. However even with reduced numbers the fund continued to provide excellent value.

Last year Riskpool attempted a slightly different business model and launched Civic Liability Pool fund. This was for all intents and purposes much the same as Riskpool though there was no potential for calls for capital. It also sought to procure new cover for areas such as cyber threats and drones. The move was an attempt to entice back previous members. Unfortunately the change has not proven to be enough and Riskpool and Civic Liability Pool have a combined membership of only 32 Councils. As such Riskpool and CLP will cease offering further cover from 1 July 2017.

Future insurance arrangements

I have already contacted our insurance broker, Willis Towers Watson who will put together several proposals the Council's professional indemnity and public liability insurance from 1 July 2017. Willis has always maintained it could not source the high level of cover for the price of the Riskpool/CLP premiums. However it will provide quotes for a range of levels of cover and it may be necessary to reduce the level of cover from the \$200 million limit that Riskpool provided in order to meet the Council's budgets.

At the same time I will explore the option mentioned in Riskpool's letter of picking up similar cover through Riskpool's reinsurer in London through Jardine Lloyd Thomson, the broker used by Riskpool.

As usual with the Council's insurance arrangements, offers of insurance will be put to the Audit and Risk Committee for discussion and approval.

RECOMMENDATION

THAT the report be received.



17 February 2017

Luke Blackbeard
Gore District Council
PO Box 8
Gore 9740

Dear Luke

Member Update

We regret to inform you that neither Riskpool nor Civic Liability Pool (CLP) will be offering cover from 1 July 2017. The decision not to offer cover for 2017-18 is disappointing given Riskpool's history, but support from the sector has dropped in recent years and without good support it isn't viable for Riskpool and/or CLP to offer new covers. Existing notified claims will be managed in the usual way.

We estimate that over the last 20 years Riskpool has saved the sector around \$250m in insurance premiums. In addition, Riskpool has also been involved in the establishment of a considerable body of new case law that has limited legal liability for local authorities and helped clarify duties of care. However, whereas membership peaked with 82 members out of a possible 85 in the 2004-05 period, Riskpool and CLP for 2016-17 now have a combined membership of only 31. This size membership does not allow us to offer the competitively priced cover and risk management services that Riskpool was able to offer in the past.

If members are currently happy with their level and degree of cover, JLT has advised that its London market local government liability programme, the longstanding ground-up reinsurer of Riskpool (and more recently CLP) will be available to councils directly. This will ensure continuity of underwriters and coverage for your public liability and professional indemnity risks. We otherwise recommend that you discuss coverage options with your insurance broker.

Finally we would like to thank you and your council for your support over the years. We suspect that Riskpool/CLP will be better appreciated by the sector once it is no longer available for new covers and so we will be keeping CLP 'on hold' should sufficient numbers in the sector want it resurrected.

Kind regards

A handwritten signature in blue ink, appearing to read 'Jane Brown', is written over the 'Kind regards' text.

Jane Brown

Legal Officer

DDI: (04) 978 1268

Email: jane.brown@civicasurance.co.nz

3. LAPP ANNUAL REPORT 30 JUNE 2016

(Memo from Chief Financial Officer – 28.02.17)

Introduction

The Local Authority Protection Programme Disaster Fund (LAPP) is a cash accumulation mutual pool. Civic Assurance is the fund's Administration Manager.

- ✚ A copy of the 2016 annual report is attached.

The LAPP Fund was established in 1993, to help its New Zealand local authority members pay their share of infrastructure replacement costs for water, sewage and other essential services damaged by natural disaster.

Since 1991, central and local government has shared responsibility for these costs. Beyond a threshold, central government will pay 60% of the restoration costs, leaving local authorities 40%.

Of the 78 local authorities in New Zealand, 33 are currently fund members.

Financial result

After settling the Christchurch earthquake claims the fund has been able to rebuild to a level that will ensure the scheme will continue. LAPP recorded a surplus of \$2.1 million for the year which has been used to bolster the scheme.

Kaikoura earthquake

The Kaikoura earthquake occurred after the period for this annual report. Kaikoura District Council is a member of the LAPP scheme and the LAPP is assisting the Council with the rebuilding of its infrastructure assets. As LAPP has the necessary reinsurance for such events it is expected the claims will be able to be managed by the fund. I have spoken with LAPP's fund managers and they have given me their assurance the LAPP fund is still in a good financial position and will continue offering cover in the foreseeable future.

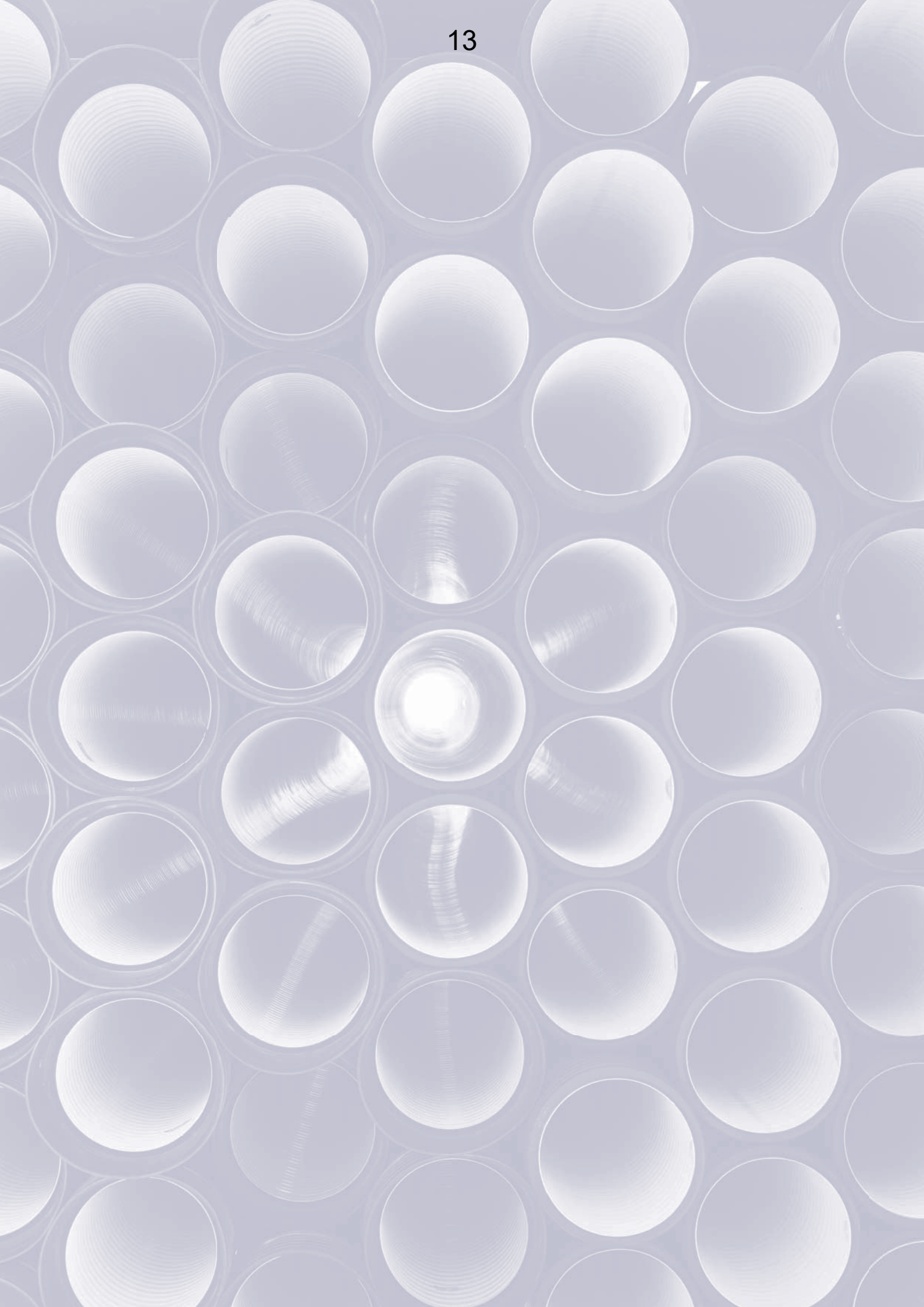
RECOMMENDATION

THAT the report be received.



ANNUAL REPORT 2016

NEW ZEALAND LOCAL AUTHORITY
PROTECTION PROGRAMME
DISASTER FUND



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CHAIRMAN'S REPORT

EARTHQUAKE CLAIMS SETTLED

I report with great pleasure that our Canterbury earthquake claims from 2010 and 2011 have finally been settled. Mediation between Christchurch City Council, LAPP, Civic Assurance and the principal reinsurers took place in December 2015 and settlement was completed in February 2016. At \$635 million, the settlement with Christchurch City Council is the largest insurance pay out in New Zealand history and is on top of the \$217 million that LAPP had already paid for the damage to the below-ground assets of Christchurch City Council and Waimakariri District Council.

My sincere thanks go to Cunningham Lindsey as LAPP's loss adjuster and Civic Assurance as LAPP's administration manager for their tireless work on these claims. Without their expertise we could not have reached such a satisfactory result.

FLOOD CLAIMS SETTLED

In 2010 the Nelson-Tasman region was hit by severe weather which resulted in extensive flooding and damage to both Nelson City Council's and Tasman District Council's three-waters infrastructure. Both Councils made claims on the LAPP Fund and these claims have now been settled. A claim from Westland District Council following the Franz Josef flooding in March 2016 is possible.

LAPP IN 2016–17

The Canterbury earthquake claims exhausted the LAPP fund. However, thanks to the loyalty of our members the Fund has been able to rebuild. Unallocated funds at 1 July 2016, including members' contributions for the 2016–17 year, stand at \$21.5 million.

For 2016–17, the Trustees decided that the bulk of the investment income expected to be earned by the Fund in 2016–17 should be used to supplement members' contributions. This resulted in a 10% reduction in contributions for members of the 2015–16 fund year who maintained their membership for 2016–17. In committing to a concerted effort to build membership of the Fund, the Trustees also decided that for 2016–17 there would still be no joining fee for new members.

Looking forward, there will also be more of a focus on member visits. Understandably the primary focus of the Fund over the past few years has been on settling the earthquake claims, but with those now behind us your Trustees want to work on strengthening relationships with our members and providing members with risk management assistance wherever we are able.

Until otherwise advised, the Trustees, based on members' feedback, have determined that the notice period for cancelling LAPP membership has reduced from a minimum of a year to two months.

RETIREMENT OF LAPP'S CHAIRMAN

LAPP's Chairman since 2009, Kinsley Sampson, retired from the Board on 30 June 2016. A familiar face in New Zealand local government, Kinsley was on the working party that set LAPP up in 1993 and has been involved with LAPP ever since. Kinsley played an important part in the settlement of the Canterbury earthquake claims and represented LAPP at a number of the mediations. We would like to thank Kinsley for his foresight and leadership and wish him the very best for the future.

60/40 REVIEW

A joint LAPP-Riskpool Member meeting was held in March following SOLGM's Strategic Finance Forum. The main focus at the LAPP meeting was the proposed central government review of the 60/40 financial split for repairing/replacing local government three-waters infrastructure following a natural disaster. LAPP's Trustees and administration manager are actively involved in assisting Treasury with this review and are working hard to look after members' interests.

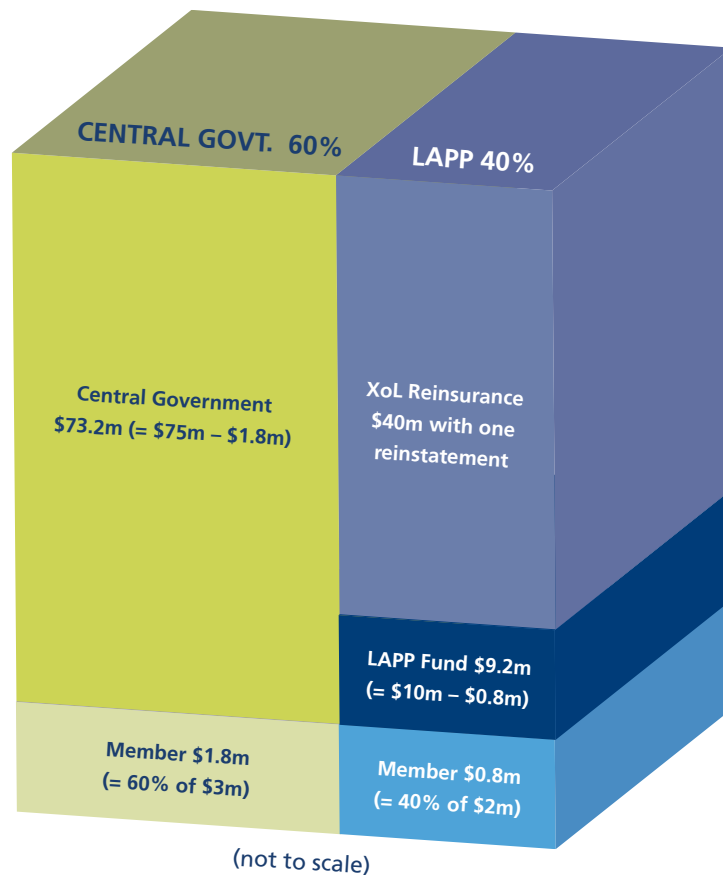
The cheapest forms of insurance where there is capacity to do it are self-insurance and pooled self-insurance. This is because non-claims costs for insurance typically eat up 50% of the insurance premiums and for rare events, such as those covered by LAPP, the non-claims costs are around 75% of the insurance premiums. The role that LAPP can play in helping councils to reduce the cost of their risk-financing will be even more important if central government as expected increase the percentage of natural hazard risk to be covered by local authorities.

LAPP REINSURANCE PROGRAMME FOR 2016–17

LAPP has again secured reinsurance of \$40 million in excess of \$10 million for covering members' three-waters infrastructure. Along with central government's current 60% contribution, LAPP in 2016–17 protects members for two events of up to \$125 million each without the Fund being exhausted. Even without allowing for any further mitigation (such as buying extra reinsurance following a major event as was done by LAPP after the September 2010 earthquake), LAPP's actuaries, Melville Jessup Weaver, have put the probability of net claims on the LAPP Fund exceeding \$15 million in the next twelve months at just 0.1%, which will provide comfort to our Members regarding LAPP's resilience.

The diagram on the next page illustrates LAPP's reinsurance arrangements for 2016–17 assuming an event of \$125 million for a member with a government claims threshold of \$3 million and a LAPP claims threshold of \$2 million.

LAPP REINSURANCE PROGRAMME FOR 2016–2017



THANK YOU

My thanks go to the Civic staff, Tim Sole, Frank Heaton, Alistair Hanning, Oliver Gilmore, Roger Gyles and Caroline Bedford, who provide administration services to LAPP including claims management; to Bryan Whitefield and Marlene Kanga of Risk Management Partners; to Mark Crosby of Cunningham Lindsey loss adjustors; to Jeremy Holmes of Melville Jessup Weaver, LAPP's actuaries; and to my fellow trustees. The collective in-depth skill they provide in a wide range of disciplines is what makes the LAPP programme such a valuable option for local government.

Langley Cavers
Chairman

TO THE MEMBERS OF NEW ZEALAND LOCAL AUTHORITY PROTECTION PROGRAMME DISASTER FUND'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The Auditor-General is the auditor of the New Zealand Local Authority Protection Programme Disaster Fund ("the Fund"). The Auditor-General has appointed me, Brent Manning, using the staff and resources of KPMG, to carry out the audit of the financial statements of the Fund on her behalf.

Opinion

We have audited the financial statements of the Fund on pages 7 to 18, that comprise the balance sheet as at 30 June 2016, the statement of financial performance, statement of movements in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Fund:

- present fairly, in all material respects:
 - its financial position as at 30 June 2016; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Standards Reduced Disclosure Regime (PBE RDR).

Our audit was completed on 24 August 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Trust Board and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Fund's financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Trust Board;
- the adequacy of the disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also, we did not evaluate the security and controls over the electronic publication of the financial statements.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Trust Board

The Trust Board is responsible for the preparation and fair presentation of financial statements for the Fund that comply with generally accepted accounting practice in New Zealand.

The Trust Board's responsibilities arise from clause 5.3 of the Trust Deed of the Fund.

The Trust Board is responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Trust Board is also responsible for the publication of the financial statements, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and clause 4.4.1 of the Trust Deed of the Fund.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship or interests in the Fund.



Brent Manning
KPMG
On behalf of the Auditor-General
Wellington, New Zealand

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
INCOME			
Members' Below-Ground Contributions		4,155,960	5,326,100
Interest		500,638	598,373
TOTAL INCOME		4,656,598	5,924,473
EXPENDITURE			
Direct Expenses			
Claims Expense	5	(2,397,572)	(6,948,317)
Reinsurance Recoveries	5	1,617,786	6,947,724
Net Claims Expense		(779,786)	(593)
Risk Management Programme		136,949	80,636
Excess of Loss Insurance Premium		2,300,000	1,937,025
		1,657,163	2,017,068
Other Expenses			
Administration Fees		473,908	468,331
Audit Fees		36,989	42,875
Other Fees Paid To Auditors		-	6,825
Consultancy		96,095	50,844
Legal Fees		92,768	25,346
Marketing		10,994	4,435
Meeting/Travel Expenses		30,057	23,152
Printing and Stationery		10,767	11,359
Trust Board Liability Insurance		45,499	70,000
Trust Board Remuneration		56,650	55,000
Sundry Expenses		5,491	2,495
		859,218	760,662
TOTAL EXPENDITURE		2,516,381	2,777,730
NET SURPLUS BEFORE TAX		2,140,217	3,146,743
Tax Expense		-	-
NET SURPLUS		2,140,217	3,146,743

The notes to the Financial Statements form part of, and are to be read in conjunction with, these Statements.

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
Net Surplus for the Year	2,140,217	3,146,743
TOTAL RECOGNISED REVENUES AND EXPENSES	2,140,217	3,146,743
EQUITY AT BEGINNING OF THE YEAR	17,568,087	14,421,344
EQUITY AT END OF THE YEAR	19,708,304	17,568,087

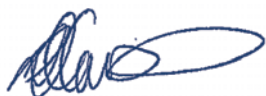
The notes to the Financial Statements form part of, and are to be read in conjunction with, these Statements.

BALANCE SHEET

AS AT 30 JUNE 2016

	Note	2016 \$	2015 \$
TOTAL EQUITY		19,708,304	17,568,087
Represented By:			
Current Assets			
Bank – ANZ Bank New Zealand Ltd		4,413,288	3,656,891
Short Term Deposits – Bank Deposits	8	15,770,498	11,466,112
Accrued Interest		111,157	22,738
Accounts Receivable		24,557	8,006,332
Reinsurance Recoveries Receivable	6	-	477,510,784
GST Receivable		49,171	182,853
Total Current Assets		20,368,671	500,845,710
TOTAL ASSETS		20,368,671	500,845,710
Current Liabilities			
Accounts Payable		77,390	494,128
Deferred Income		413,540	-
Provision for Claims	7	169,437	482,783,495
Total Current Liabilities		660,367	483,277,623
TOTAL LIABILITIES		660,367	483,277,623
EXCESS OF ASSETS OVER LIABILITIES		19,708,304	17,568,087

Approved for and on behalf of the Board on 24 August 2016:



L D CAVERS – CHAIRMAN



D LOTT – TRUST BOARD MEMBER

The notes to the Financial Statements form part of, and are to be read in conjunction with, these Statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was Provided from:			
Members' Contributions		4,265,000	4,620,260
Interest Received – Bank		412,220	607,844
		4,677,220	5,228,104
Cash was Applied to:			
Net Claims		(2,478,027)	1,176,729
Risk Management Programme		152,147	133,872
Excess of Loss Insurance		2,276,556	1,937,025
Administration Fees		473,908	468,331
Meeting/Travel Expenses		30,057	23,560
Trust Board Remuneration		56,650	55,000
Other Expenses		272,138	262,463
Net GST Paid		(1,166,992)	171,601
		(383,563)	4,228,581
NET CASH FLOW FROM OPERATING ACTIVITIES	10	5,060,783	999,523
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was Applied to:			
Investments – Short Term Bank Deposits		(4,304,386)	141,809
		(4,304,386)	141,809
NET CASH FLOW FROM INVESTING ACTIVITIES		(4,304,386)	141,809
Net Increase / (Decrease) in Cash Held		756,397	1,141,332
Opening Cash Balance		3,656,891	2,515,559
CLOSING CASH BALANCE		4,413,288	3,656,891
Represented by:			
Bank – ANZ Bank New Zealand Ltd		4,413,288	3,656,891
		4,413,288	3,656,891

The notes to the Financial Statements form part of, and are to be read in conjunction with, these Statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1 REPORTING ENTITY

The purpose of the New Zealand Local Authority Protection Programme Disaster Fund, ("The Fund") is to provide cover to member local governments for losses or damage to infrastructure assets resulting from flooding, earthquakes and other damaging events.

The Fund is a charitable trust registered on 8 May 2008 and is governed by a Deed of Trust dated 14 December 2007.

Statement of Compliance

The financial statements have been prepared in accordance Tier 2 Public Sector Public Benefit Entity (PBE) Standards. The criteria under which the Fund is eligible to report in accordance with Tier 2 PBE Standards are that it is not publicly accountable and is not large and disclosure concessions have been applied.

NOTE 2 ONGOING OPERATIONS

Following consultation with its members, from 1 July 2013 LAPP opted for a mix of self-reinsurance and reinsurance cover.

This option was adopted as a means of speeding up the rebuild of the LAPP fund while keeping the LAPP contributions manageable for the members. From 1 July 2014, the LAPP reinsurance programme is such that there is no contingent liability on members should a disaster occur to another member.

NOTE 3 GOING CONCERN

The financial statements have been prepared on a going concern basis. The Trust Board believe that while members have the right to leave the fund, the increased equity (\$19.6 million) provides a solid basis to conclude that the Fund will continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 4 STATEMENT OF ACCOUNTING POLICIES**General Accounting Policies**

The reporting currency is New Zealand dollars. Income and expenses are accounted for on an accruals basis.

Particular Accounting Policies

The following are particular accounting policies which materially affect the measurement of financial performance and financial position. Further particular accounting policies are contained in the relevant notes to the financial statements.

INCOME RECOGNITION

Contributions are recorded in the Statement of Financial Performance in the year in which they relate.

TAXATION

The Fund has been granted charitable status under section CW 34(1) of the Income Tax Act 2004 by the Inland Revenue Department, hence no taxation has been provided for in the financial statements.

GOODS AND SERVICES TAX

The Financial Statements are prepared on a GST exclusive basis, except for receivables and payables that are stated inclusive of GST.

Changes in Accounting Policies

There have been no changes in accounting policies during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2016

NOTE 5 CLAIMS AND REINSURANCE RECOVERIES**Critical Accounting Policies**

There are no critical estimates and judgements taken in respect to the accounts for the year ended 30 June 2016.

Gross outstanding claims liabilities total \$0.017 million (2015: \$483 million).

On 11th December 2015 a global settlement was signed between LAPP, its insurer (Civic Assurance) and the Christchurch City Council in relation to the Canterbury earthquakes claims. All reinsurance monies have been received and the final payment to the Council made in February 2016.

For the year ended 30 June 2015 the critical estimates and judgements were in respect of the quantification of the losses arising from the Canterbury earthquakes and the subsequent reinsurance recoveries.

Loss assessors performed assessments on all claims and the extent of these assessments ranges from initial visual assessments, to full details reviews including structural engineering considerations. The estimates or projections were based on known facts and circumstances and assumptions regarding future events and key variables. The uncertainties surrounding the measurement of gross claim liabilities and the related reinsurance recoveries arose from a number of factors including longer than normal claim development periods and the extent of damage.

NOTE 6 REINSURANCE RECOVERIES RECEIVABLE*Accounting Policy:*

Reinsurance recoveries are provided for when the claims incurred exceed the reinsurance excess level. These debtors are stated at estimated realisable value.

	2016	2015
	\$	\$
Reinsurance Recoveries	-	477,510,784

All reinsurance monies were received in February 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2016

NOTE 7 PROVISION FOR CLAIMS*Accounting Policy:**A provision for a claim is recognised when:*

- *a claim has been received;*
- *a potential obligation has been recognised by the Trust Board;*
- *it is probable that an outflow of resources will be required to settle the obligation; and*
- *a reliable estimate can be made of the amount of the obligation.*

	2016 \$	2015 \$
Opening Balance	482,783,495	507,208,523
Less: Claims Paid		
Below ground (Chch EQ 4 Sept 2010)	-	-
Below ground (Chch EQ 22 Feb 2011)	-	-
Below ground (Other)	(272,194)	(860)
Above ground (Chch EQ 4 Sept 2010)	(377,595)	(2,534,300)
Above ground (Chch EQ 26 Dec 2010)	(734,011)	-
Above ground (Chch EQ 22 Feb 2011)	(474,755,589)	(12,262,941)
Above ground (Chch EQ 13 June 2011)	(4,243,770)	(2,679,501)
Above ground (Other)	166,674	891
	(480,216,486)	(17,476,711)
Plus: Claims Reassessed		
Below ground (Other)	(558,340)	-
Above ground (Chch EQ 4 Sept 2010)	(24,935,112)	(1,306,928)
Above ground (Chch EQ 26 Dec 2010)	(950,146)	-
Above ground (Chch EQ 22 Feb 2011)	46,809,112	(527,192)
Above ground (Chch EQ 13 June 2011)	(22,593,038)	(5,113,307)
Above ground (Other)	(170,048)	(890)
	(2,397,572)	(6,948,317)
CLOSING BALANCE	169,437	482,783,495

Claims payments are made as claims are quantified and approved by the Trust Board.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 8 FINANCIAL INSTRUMENTS*Accounting Policy:***Non-derivative financial instruments***Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.**Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.**A financial instrument is recognised if the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Fund's contractual rights to the cash flows from the financial assets expire or if the Fund transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.***Fair value through profit or loss***An instrument is classified as at fair value through profit or loss if it is held for trading or designated as such upon initial recognition. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the Statement of Financial Performance.***Other***Subsequent to initial recognition, other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.**The Fund is involved with a number of financial instruments in the course of its normal activities.*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 8 FINANCIAL INSTRUMENTS (continued)**Financial Assets and Liabilities**

The carrying amounts of all financial assets and liabilities are considered to be equivalent to their market value, which for these assets and liabilities is also considered to be fair value. All fixed interest investments were managed around a 90 day duration and carry a minimum Standard and Poor's credit rating of "A1" or equivalent.

Carrying value of Financial Assets and Financial Liabilities

	2016	2015
	\$	\$
Financial Asset: Loans and Receivables		
Bank & Cash Equivalents	20,183,786	15,123,003
Sundry Debtors	184,885	8,211,923
Reinsurance Receivable	-	477,510,784
Total Loans and Receivables	20,368,671	500,845,710
Financial Liability: Amortised Cost		
Accounts Payable	77,390	494,128
TOTAL AMORTISED COST	77,390	494,128

NOTE 9 COMMITMENTS AND CONTINGENT LIABILITIES

The Fund has the ability to provide support to Members based on its reserves and its ability to make reinsurance recoveries.

Protection is only available to Members at the discretion of the Trust Board exercised in accordance with the provisions of the Trust Deed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 10 RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES*Accounting Policy:*

The following are definitions of the terms used in the Cash Flow Statement:

Cash: comprises cash balances held with banks in New Zealand and overseas. Cash excludes term deposits that are not used as part of the Fund's day to day cash management.

Investing activities: comprise acquisition and disposal of investments. Investments include securities not falling within the definition of cash.

Operating activities: include all transactions and other events that are not investing activities.

	2016 \$	2015 \$
Net Surplus	2,140,217	3,146,743
Add/(less) movements in other working capital items		
Accrued Interest	(88,418)	9,472
GST Receivable	133,682	(173,215)
Accounts Receivable	485,492,559	23,342,286
Accounts Payable & Provisions	(482,617,257)	(25,325,764)
	2,920,566	(2,147,221)
NET CASH FLOW FROM OPERATING ACTIVITIES	5,060,783	999,522

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 11 EVENTS AFTER BALANCE DATE

There have been no material events subsequent to 30 June 2016 that requires adjustment to or disclosure in the financial statements.

TRUSTEE INFORMATION

The Trustees and their nominating bodies are:

LD Cavers	SOLGM	CEO, Hauraki District Council
JH McFarlane	SOLGM	Manager, Legal and Corporate, Waipa District Council
DA Lott	Civic Assurance	Company Director
KN Sampson MNZM	Civic Assurance	Former Chairman, Civic Assurance
LA Yule	LGNZ	Mayor, Hastings District Council and President, Local Government New Zealand
Vacant	LGNZ	

During the year, the Trustees met for formal meetings on 7 occasions.

Attendance was:

LD Cavers	7
DA Lott	7
JH McFarlane	6
KN Sampson (resigned 30 June 2016)	7
LA Yule	4

2015 – 2016 FUND YEAR MEMBERSHIP

Ashburton District Council

Buller District Council

Carterton District Council

Christchurch City Council

Environment Southland

Gore District Council

Grey District Council

Hastings District Council

Hauraki District Council

Horowhenua District Council

Hurunui District Council

Invercargill City Council

Kaikoura District Council

Manawatu District Council

Marlborough District Council

Masterton District Council

Nelson City Council

New Plymouth District Council

Palmerston North City Council

Rangitikei District Council

South Taranaki District Council

South Wairarapa District Council

Stratford District Council

Tasman District Council

Timaru District Council

Waimakariri District Council

Waimate District Council

Wairoa District Council

Waitaki District Council

Waitomo District Council

Westland District Council

Whangarei District Council

DIRECTORY

ADMINISTRATION MANAGER

Civic Assurance
PO Box 5521
Wellington 6140

REINSURANCE MANAGER

Aon Benfield
Sydney
Australia

RISK MANAGER

Risk Management Partners Pty Ltd
Beacon Hill
Sydney
Australia

THE ADDRESS FOR CORRESPONDENCE IS

Jane Brown
Administration Manager
NZ Local Authority Protection Programme Disaster Fund
PO Box 5521
Wellington 6140

Phone: 04 978 1268
Facsimile: 04 978 1260
Email: jane.brown@civicassurance.co.nz

New Zealand Local Authority
Protection Programme Disaster Fund

TRUST DEED

Burrowes and Company

Barristers and Solicitors

PO Box 24515, Wellington 6142

Ph. 04 473 7733: Fax. 04 471 1121

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THIS DEED is made the 14th day of December 2007

BETWEEN **NEW ZEALAND LOCAL GOVERNMENT ASSOCIATION INCORPORATED**, a society incorporated in Wellington pursuant to the Incorporated Societies Act 1908 ("the Settlor")

AND **ROBERT DAVID RENNIE ELLIOTT** of Gisborne, formerly Chief Executive Officer now retired, **WYNNE ARCHDALL RAYMOND**, formerly Mayor now retired, **IAN ROBERT FLOCKHART MCKELVIE**, Mayor of Manawatu, **KINSLEY NEVILLE SAMPSON** of New Plymouth, formerly General Manager now Company Director, **DALE ALWYN LOTT** of North Shore City, Auckland, Accountant, and **LANGLEY DAVID CAVERS** of Hauraki District, District Manager (together "the Trustees")

WHEREAS

- A The Settlor established a fund for the reinstatement of lost or damaged generally uninsurable local government infrastructure known as the New Zealand Local Authority Protection Programme Disaster Fund, by Deed of Trust dated 29 June 1993 ("the Establishment Trust Deed")
- B Only those Local Authorities that are contributing to the fund are to be eligible for distributions in the event of loss or damage to their infrastructure.
- C The Fund is to be accumulated and applied for the purpose by the Trustees in accordance with this Trust Deed.
- D The Trust Deed provides that the Trustees may amend the Trust Deed by unanimous resolution of the Trustees present at any validly convened meeting, provided such amendment is not inconsistent with the charitable scope of the trusts contained in the Trust Deed.
- E The Trust Deed was amended by Deeds of Variation dated 14 February 1997 and 5 June 2003, both times with the consent of the Settlor as required by the Establishment Trust Deed.
- F At a meeting of the Trustees held on 9 November 2007 the Trustees resolved that:
 - (a) the Trust Deed would be further amended, and
 - (b) such amendments would be incorporated into this deed once the consent of the Settlor had been obtained.

NOW THIS DEED WITNESSES AND IT IS AGREED AND DECLARED AS FOLLOWS:

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

Each of the following words and expressions shall, unless the context otherwise requires, have the following meanings, as indicated:

"the Act" means the Charitable Trusts Act 1957;

"Administration Manager" means the person appointed to that office;

"Advisory Trustee" means any advisory trustee appointed pursuant to clause 3.1.8;

"Alternate Trustee" means any alternate trustee appointed pursuant to clause 3.1.3;

"Annual Accounts" means statements of income and expenditure and balance sheets of the Fund prepared or to be prepared in accordance with the provisions of this Trust Deed;

"Annual Contribution" means the annual payment to the Fund made by each Member in return for Coverage by the Fund for a Fund Year;

"Asset Value" means the cost of reinstatement of a Member's Infrastructure as determined pursuant to clause 7.1.1(a);

"Auditor" means the office of auditor or auditors to the Fund for the time being;

"Commencement Date" means 1 July 1993;

"Coverage" means protection for the cost of reinstatement of the Members' Infrastructure required as a result of a Damaging Event;

"Damaging Event" includes flooding, earthquake, volcanic eruptions (including the effects of volcanic ash), storm surge, tsunami, wildfire, gas explosion, hail, snow, wind damage, landslide, lahar and any other sudden event or sudden situation causing serious disruption, loss or damage to Infrastructure;

"Deductible" means any uninsured first amount of any loss or damage following a Damaging Event that the Trustees determine shall be borne by the Member;

"Distribution" means payment, made to a Member from the Fund, consequent upon their Coverage;

"Extraordinary Contribution" means any contribution to the Fund which a Member is required to make as:

- (i) a condition of their entry to membership of the Fund at any time after the Commencement Date; or
- (ii) any contribution for Coverage for any part or portion of a year;

"Fund" means the New Zealand Local Authority Protection Programme Disaster Fund, established by the Establishment Trust Deed;

"Fund Year" means each year of the Fund commencing on 1 July and ending on 30 June in the calendar year following;

"Infrastructure" means any asset accepted as such by the Trustees and registered with the Trustees for Coverage for which a Local Authority has an insurable interest and may include reticulation, storage and treatment facilities (water, sewage, stormwater); tunnels other than road tunnels; dams; canals; stopbanks; flood control protection works; drainage works; detention ponds; sea walls; and harbour risks (including buoys, beacons and foreshore lighthouses).

"Investment Manager" means any person to whom the Trustees have contracted the investment of some or all of the assets of the Fund pursuant to clause 4.1.1(b);

"Local Authority" means any New Zealand Local Authority or Territorial Authority or Regional Council as defined in section 5 of the Local Government Act 2002, and includes any Council-Controlled Organisation as defined by section 6 of that Act.

"Member" means any Local Authority admitted as a member of the Fund, the membership of which has not been terminated.

"Participation Deed" means the agreements so called entered into by Local Authorities on admission to membership of the Fund;

"Stated Value" means the Member's estimate of the reinstatement value of its Infrastructure.

"the Trustees" means the trustees named in this Trust Deed (until removed from office), any new trustees appointed either pursuant to clause 3.1.2 or clause 3.1.6, any Alternate Trustees appointed pursuant to clause 3.1.3 and any Advisory Trustees appointed pursuant to clause 3.1.8 collectively.

"written" or "in writing" includes printing, engraving, lithography, telegraphy, facsimile or any other communication by written word.

1.2 Interpretation

1.2.1 Words importing any one gender shall include the other.

1.2.2 Plurals shall include the singular and vice versa.

1.2.3 Reference to persons shall include body corporates.

- 1.2.4 Reference to any Act of Parliament shall be deemed to include every amendment or re-enactment of it and every Act of Parliament substituted for it, and any regulations made under the Act.
- 1.2.5 All references in this Trust Deed, or to provisions or clauses of this Trust Deed, shall be deemed to be references to this Trust Deed and to those provisions or clauses as altered from time to time pursuant to the provisions of this Trust Deed.
- 1.2.6 Except as otherwise defined in this Trust Deed, the terms used in this Trust Deed which have been defined in the Act shall have the same meaning as ascribed to those terms in the Act.

2 CONSTITUTION OF THE FUND

2.1 New Zealand Local Authority Protection Programme Disaster Fund

- 2.1.1 A fund is hereby established by the New Zealand Local Government Association Incorporated, with the charitable purposes set out in clause 2.1.3.
- 2.1.2 The name of the fund shall be the New Zealand Local Authority Protection Programme Disaster Fund.
- 2.1.3 The charitable purposes of the Fund shall be:
- (a) To assist New Zealand local government to carry out its responsibilities under central government's disaster recovery policies and plans; and
 - (b) To provide funds for Members for the purpose of reinstatement of lost or damaged Infrastructure as a result of Damaging Events; and
 - (c) To facilitate effective programmes to enable New Zealand local government to identify and manage risks to their Infrastructure by minimising and reducing the exposure, limiting the risks and diminishing the potential for loss or damage; and
 - (d) To provide Members with the capacity for self-help to recover from consequences of Damaging Events; and
 - (e) To do anything else which the Trustees may think is conducive or incidental to the attainment of the above charitable purposes.
- 2.1.4 There are no non-charitable purposes for the Fund.
- 2.1.5 The Fund shall consist of all property for the time being held by or on behalf of the Trustees, derived from:
- (a) Any gifts or donations;
 - (b) Extraordinary Contributions;
 - (c) Annual Contributions;
 - (d) Income from investments;
 - (e) Proceeds of realisation of investments;
 - (f) Any policies or contracts of re-insurance;
 - (g) Any recoveries;
 - (h) Any other source.
- 2.1.6 The Fund shall be held in trust by the Trustees upon the trusts and for the charitable purposes contained in this Trust Deed and shall be managed, administered and applied by the Trustees, in accordance with the powers contained in this Trust Deed, in order to attain those charitable purposes.
- 2.1.7 The Trustees are and shall remain responsible for the safe custody of all money, policies, certificates and other documents of title and value in connection with the Fund and for the safe custody, realisation and distribution of all of the assets from the Fund, from time to time vested in them.

3 TRUSTEES

3.1 Appointment and Removal of Trustees

- 3.1.1 The number of Trustees shall be not less than four nor more than six. The Trustees shall be one or two appointees of the Settlor; one or two appointees of the New Zealand Local Government Insurance Corporation Limited; and one or two appointees of the NZ Society of Local Government Managers Incorporated (together called the "Appointors").
- 3.1.2 The power of appointing new Trustees shall be vested in the Appointors each of which shall have the power to appoint two persons as Trustees and they having been appointed as Trustees to remove and/or replace them, by notice in writing given to the Administration Manager.
- 3.1.3 The Appointors shall be entitled to appoint any person as an Alternate Trustee in place of any Trustee appointed by them, by notice in writing given to the Administration Manager, either for a specified period, or for a specified meeting or any part of a meeting, or for any particular subject matter at any meeting, or generally during the absence of any such Trustee, and from time to time, in the same manner, to remove any Alternate Trustee.
- 3.1.4 An Alternate Trustee appointed pursuant to clause 3.1.3 shall:
- (a) not be remunerated otherwise than out of the remuneration of the Trustee in whose place the Alternate Trustee acts;
 - (b) be deemed to have automatically vacated office when the Trustee in whose place the Alternate Trustee acts vacates office;
 - (c) unless otherwise provided by the terms of appointment of the Alternate Trustee, have the same rights, powers and privileges (including without limitation, the right to receive notice of meetings of Trustees, the power to sign resolutions of Trustees and the power to witness the affixing of the common seal) as the Trustee in whose place the Alternate Trustee is appointed;
 - (d) discharge all the duties of, and be subject to the same provisions in this Trust Deed as the Trustee in whose place the Alternate Trustee acts.
- 3.1.5 The Administration Manager shall within seven days of it being notified in writing of the appointment, removal or resignation of a Trustee give to every Member and Appointor (other than an Appointor exercising its powers of appointment or removal) written notice of the appointment, removal or resignation of the Trustee.
- 3.1.6 Notwithstanding the provisions of clause 3.1.2 of this Trust Deed, if any Appointor shall fail at any time to exercise its power of appointment and notify the Administration Manager in writing accordingly, within fourteen days of:
- (a) it being notified in writing of the removal or resignation of their appointee; or
 - (b) it becoming aware of the occurrence of another event which creates a vacancy (as provided for in clause 3.1.7); and
 - (c) the number of Trustees falls below four – then the Trustees shall forthwith appoint further or additional Trustees on behalf of any Appointors so failing, so as to ensure there are not less than four nor more than six Trustees and every Trustee then appointed may thereafter only be removed by unanimous resolution of the Trustees.
- 3.1.7 A vacancy in the office of Trustee shall arise if:
- (a) a Trustee is adjudged bankrupt; or
 - (b) a Trustee resigns by notice in writing to the Administration Manager; or
 - (c) a Trustee refuses to act; or

- (d) a Trustee becomes of unsound mind; or becomes subject to a property order under the Protection of Personal and Property Rights Act, 1988; or
 - (e) a Trustee is removed by their Appointor in accordance with the provisions of this Trust Deed; or
 - (f) a Trustee is otherwise removed by operation of law.
- 3.1.8 The Trustees shall have power to appoint any person at any time as an Advisory Trustee to the Fund, and to prescribe the function of such Advisory Trustee. An Advisory Trustee shall not be counted in the number of Trustees required by clause 3.1.1, or in the quorum required for meetings of the Trustees, nor be entitled to vote thereat.
- 3.2 Meetings of Trustees**
- 3.2.1 The Trustees shall from time to time meet for the despatch of business of the Fund, and subject to the provisions of this Trust Deed and particularly this clause 3.2 shall have the power to adjourn or otherwise regulate their meetings and proceedings, and vary the regulation and procedure of such meetings and proceedings, as the Trustees think fit.
- 3.2.2 Questions arising at any meeting of the Trustees shall be determined by a majority of the votes of those present and voting.
- 3.2.3 (a) The Trustees shall at their inaugural meeting and again before the end of each Fund Year elect one of their number to be the chairman of Trustees for the ensuing Fund Year. The person so elected shall hold office as chairman of Trustees during the ensuing Fund Year, and shall be eligible for re-appointment.
- (b) The person so appointed shall chair all meetings of the Trustees at which they are present. If at any meeting the chairman is not present within fifteen minutes of the appointed time for holding the meeting the Trustees present shall then choose one of their number to be the chairman of that meeting.
- (c) A chairman shall not be entitled to a second or casting vote.
- 3.2.4 Every meeting of the Trustees shall be called by giving not less than seven days notice in writing to the Trustees provided that a meeting of the Trustees shall be deemed to have been duly called if it is so agreed by all the Trustees entitled to attend and vote thereat.
- 3.2.5 Upon the written request of three Trustees giving notice of the subject matter of that meeting, the Administration Manager shall summon a special meeting of the Trustees, within seven days of that request.
- 3.2.6 Every notice of a meeting of the Trustees shall;
- (a) be given in writing by the Administration Manager to each Trustee at their last known address;
 - (b) be exclusive of the day on which it is served and of the day of the meeting;
 - (c) specify the place, day and hour of the meeting;
 - (d) specify, in the case of special business, the general nature of that business.
- 3.2.7 The accidental omission to give notice of a meeting to, or the non receipt of notice of a meeting by, any Trustee shall not invalidate the proceedings at the meeting.
- 3.2.8 (a) No business shall be transacted at any meeting of the Trustees unless a quorum is present at the time when the meeting proceeds to business. The quorum for meetings of the Trustees shall be as fixed by resolution of the Trustees and until so fixed any number of the Trustees more than one-half of the total number of the Trustees entitled to vote thereat shall constitute a quorum. Where one-half in number of the Trustees so entitled to vote is a fraction it shall be rounded-up to the next whole number and such number shall be the quorum for a meeting of the Trustees.
- (b) If within half an hour from the time appointed for a meeting of the Trustees a quorum is not present the meeting shall stand adjourned to the same day in the next week at the same time and place, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the Trustees present shall constitute a quorum.
- (c) Every Trustee present shall, notwithstanding their conflict between interest and duty (if any), be counted in a quorum present.
- 3.2.9 A validly called meeting of the Trustees at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under this Deed vested in or exercisable by the Trustees.
- 3.2.10 Any Trustee who is in any way, whether directly or indirectly;
- (a) personally interested in a contract or arrangement or any proposed contract or arrangement with the Trustees or with any Member; or
 - (b) is an elected member, office or employee of any Member or proposed Member which is interested –
- shall declare the nature of the interest and unless the interest is no greater than or any different from –
- (c) in the case of an interest to which subclause (a) of this clause applies, that of the other Trustees present; or
 - (d) on the case of an interest to which subclause (b) of this clause applies, that of the Members generally, they shall thereafter take no further part in the deliberations in respect of that matter.
- 3.2.11 The foregoing rule shall not operate to prevent any Trustee taking part in discussions and decisions regarding rules, guidelines, or policies regarding Annual Contributions.
- 3.2.12 All disclosures of interest by any Trustee, and whether or not they took part in discussion on or voted on the matter before the meeting, shall be recorded in the minutes of the meeting.
- 3.2.13 (a) The Trustees may meet by means of a Telephone Meeting, the Trustees having been given notice of the meeting as required by the provisions of this Trust Deed.
- (b) In this clause:
- “Telephone Meeting” means the contemporaneous linking together by telephone of Trustees comprising a quorum (whether or not any one or more of those persons is outside New Zealand);
- “Telephone” means and indicates any instant electronic means of communication.
- (c) Before a Telephone Meeting proceeds to business:
- (i) each of the Trustees taking part must be able to hear each of the other Trustees taking part;
 - (ii) the chairman shall ask each Trustee taking part in turn to respond by way of confirmation that they are in fact linked to and are taking part in the Telephone Meeting;
 - (iii) the chairman shall thereupon announce to the Telephone Meeting the names of those Trustees who have so responded.
- (d) The Trustees so named by the chairman shall be conclusively deemed to be present at the Telephone Meeting and, unless given permission to leave under subclause (e) of this clause, to have been present all the time during the Telephone Meeting.
- (e) No Trustee may leave a Telephone Meeting by disconnecting their telephone unless the chairman has first granted that Trustee permission to leave.
- (f) A minute of the proceedings at a Telephone Meeting shall be conclusive evidence of the proceedings and the regularity of the meeting if certified as a correct minute by the chairman.

3.3 Subcommittees

- 3.3.1 (a) The Trustees may at any time, for any specified purpose, appoint such of their number as they think fit to be members of any one or more subcommittees.
- (b) Each such subcommittee shall have such powers and duties as are delegated to it by the Trustees.
- (c) Each such subcommittee shall have power to co-opt such person or persons whether or not Trustees as the Trustees think fit, provided that:
- (i) in relation to each subcommittee the number of co-opted members shall not exceed the number of Trustees who are members of the subcommittee; and
 - (ii) such co-option shall be subject to the approval of the Trustees at the first meeting of the Trustees following the co-option.
- (d) The Trustees may appoint a chairman of each subcommittee. If no such chairman is appointed or if at any meeting the chairman is not present within 15 minutes after the time appointed for holding the same, the members of the subcommittee present shall then choose a chairman of the meeting.
- (e) Each subcommittee may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority of votes of all those present and voting. In the case of an equality of votes the chairman shall have a second or casting vote.

3.4 Validity of Acts of Trustees

- 3.4.1 All acts done in good faith at any meeting of the Trustees or any subcommittees of the Trustees, or by any person acting as a Trustee, shall, notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of such Trustee or that such Trustee was disqualified, be as valid as if every such Trustee had been duly appointed, and was qualified to be a Trustee.

3.5 Resolutions in Writing

- 3.5.1 A resolution in writing, signed by all of the Trustees entitled to vote thereon shall be as valid as if it had been passed at a meeting of the Trustees duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more of the Trustees so entitled. Any such document sent by a Trustee by telegram, cable, facsimile, copier, telex or other electronic means of communication shall be deemed to have been signed by the Trustee.

3.6 Remuneration of Trustees

- 3.6.1 The Trustees shall not make any private pecuniary profit from the Fund, except that the Trustees shall be entitled to reasonable fees for their services in respect of the management and administration of the Fund. The amount of the fees shall be determined from time to time by the Administration Manager after consultation with the Settlor and the Trustees.

3.7 Indemnity and Limitation of Trustee's Liability

- 3.7.1 The Trustees shall be indemnified and shall be entitled to reimburse themselves out of the Fund in respect of all costs, charges and expenses which they incur in or about management or administration of the Fund.
- 3.7.2 No Trustee acting or purporting to act in execution of the trusts created by this Trust Deed shall be liable for any loss not attributable to their own dishonesty or their wilful commission of or omission to do any act known by them to be a breach of trust, and in particular (without limitation) no Trustee shall incur any liability in respect of:
- (a) Any act done or not done in the exercise of or in respect of any discretion vested in them.
 - (b) Anything done or suffered by them in good faith in reliance upon any advice or opinion (whether or not obtained by the Trustees)

of any professional person, or upon any advice the Trustees may obtain directly or indirectly from any company, firm or person as shall, in the opinion of the Trustees, be qualified to provide advice.

- (c) Any failure or refusal to perform or do any act or thing which by reason or provision of any law of New Zealand they are hindered or prevented from doing or performing.

- 3.7.3 No Trustee shall be bound to or be liable for any failure to take any proceedings against a co-Trustee for any breach or alleged breach of trust committed by the co-Trustee.

4 POWERS OF TRUSTEES

4.1 General Powers

- 4.1.1 In addition to the powers conferred by law and elsewhere in this Trust Deed the Trustees shall have the power:

- (a) Subject to clause 5.1.3, from time to time to appoint and remove the Administration Manager and, subject to the specific duties imposed on the Administration Manager by this Trust Deed, define the duties and responsibilities of the Administration Manager, on terms to be agreed in writing between the Trustees and the Administration Manager.
- (b) From time to time to appoint and remove one or more investment managers. The Investment Managers shall have such powers and duties in relation to the investment of the fund as the Trustees shall determine and agree in writing between the Trustees and the Investment Managers.
- (c) To appoint and remove a custodian trustee to hold in safe custody all policies, certificates and other documents of title in connection with the whole or any part of the Fund, on terms to be agreed in writing between the Trustees and the custodian trustee.
- (d) To otherwise retain the services of professional advisors and managers in relation to the management, administration and investment of the Fund, to delegate powers and discretions to professional advisors and managers as the Trustees see fit, and to determine and to pay out of the Fund, any fees payable to those professional advisors and managers.
- (e) To make rules or guidelines, and to adopt procedures, consistent with the provisions of this Trust Deed, including, without limitation, in relation to membership; calculating and fixing Asset Values, Deductibles, Extraordinary Contributions, Annual Contributions and Distributions; determining from time to time which of a Member's assets can be registered with the Trustees as Infrastructure; and to make rules or guidelines and to adopt procedures as shall be appropriate for the convenient administration of the Fund.
- (f) To borrow money for the purpose of providing Distributions where the assets of the Fund are not immediately realizable, or if realizable are only realizable at a material loss to the Fund, and to secure the repayment of such moneys in any manner and upon any terms the Trustees consider advisable, whether by charge over all or any portion of the Fund or any particular property or otherwise, provided however the Trustees shall first have had and obtained the consent in writing of the Settlor thereto and provided further that in no event shall the amount borrowed exceed the then estimated values of the assets of the Fund, less any existing liabilities of the Fund, contingent or otherwise.
- (g) To seek reinsurance protection in support of the Fund.
- (h) Generally to do all such acts and things as the Trustees may consider necessary or expedient for the administration, maintenance and preservation of the Fund and in performance of their obligations under this Trust Deed.

4.2 Investments Authorised

- 4.2.1 All moneys belonging to the Fund and available for investment shall be invested in accordance with the provisions of the Trustee Act 1956 as to the investment of trust funds.

4.3 Exercise of Discretion

- 4.3.1 The Trustees may exercise or enforce all of the authorities, discretions and powers vested in them from time to time, and at any time and may refrain from exercising all or any such powers.

4.4 Appointment of Auditor

- 4.4.1 The Trustees shall from time to time appoint an Auditor (being the holder of a certificate of public practice issued by the Institute of Chartered Accountants of New Zealand) of the Fund at a remuneration to be fixed, and payable, by the Administration Manager, out of the Fund.

5 MANAGEMENT AND ADMINISTRATION

5.1 Appointment of Administration Manager

- 5.1.1 The Trustees shall appoint an Administration Manager which shall, in addition to other duties or responsibilities conferred on the Administration Manager elsewhere in this Trust Deed, and as from time to time agreed by the Administration Manager with the Trustees:
- (a) Receive applications for membership of the Fund;
 - (b) Ascertain and audit the infrastructural assets of Members;
 - (c) Issue debit notes for and maintain records of all Annual Contributions and Extraordinary Contributions paid to the Fund;
 - (d) Use its best endeavours to secure economic reinsurance support of the Fund;
 - (e) Facilitate effective programmes to enable Members to identify and manage risks to their Infrastructure by minimising and reducing the exposure, limiting the risks and diminishing the potential for damage by Damaging Events;
 - (f) Receive and process applications for Distributions, within the scope of guidelines laid down by the Trustees;
 - (g) Furnish the Trustees with full and complete reports of all losses by and of all payments made out of the Fund;
 - (h) Liaise with local government agencies with respect to the application of their appropriate disaster recovery and emergency plans;
 - (i) Make recommendations to the Trustees regarding any matters pertaining to the administration and management of the Fund;
 - (j) Undertake such services as may be required by the Trustees or as may be reasonably necessary for the management, administration and investment of the Fund, and the operation of the trusts contained in this Trust Deed.
- 5.1.2 The Administration Manager shall be responsible to the Trustees for the proper management, and administration of the Fund and the trusts contained in this Trust Deed.
- 5.1.3 The first Administration Manager shall be the New Zealand Local Government Insurance Corporation Limited which shall hold office for an initial term of six years from the Commencement Date (unless removed earlier) on such terms (including terms relating to performance) as may be agreed in writing with the Trustees.

5.2 Records to be Kept

- 5.2.1 The Administration Manager shall keep or cause to be kept a complete record of:

- (a) The membership of the Fund including the dates on which Members were admitted to membership and when they ceased to be or were suspended as Members of the Fund.
- (b) Proper records of all meetings, resolutions and decisions of the Trustees.
- (c) The affairs, matters and transactions of the Fund.
- (d) All other matters, information and data necessary or expedient for the proper and effective working of the Fund and the operation of this Trust Deed.

5.3 Accounts

- 5.3.1 The Administration Manager shall ensure that:

- (a) All assets of the Fund are kept separate and apart from any assets or funds of the Administration Manager, with all moneys received by the Administration Manager to be banked in a separate bank account in the name of the Fund;
- (b) Proper books of account are kept in respect of the Fund;
- (c) Annual Accounts are prepared in respect of the Fund, presenting a true and fair view of the Fund's financial affairs at the end of each Fund Year; and
- (d) The Auditor appointed in accordance with the provisions of this Trust Deed examines and reports upon the Annual Accounts.

5.4 Annual Report of the Fund

- 5.4.1 The Administration Manager shall within six months after the end of each Fund Year:

- (a) Prepare an Annual Report for the Fund for the previous Fund Year.
- (b) Provide each Member with a copy of the Annual Report.

- 5.4.2 The following matters shall be contained in the Annual Report:

- (a) A statement of numerical changes in the membership of the Fund during the Fund Year;
- (b) The Annual Accounts for the Fund in respect of the previous Fund Year;
- (c) The Auditor's report on the Annual Accounts;
- (d) A statement by the Administration Manager as to whether all the Annual Contributions and Extraordinary Contributions required to be made to the Fund in accordance with the Participation Deeds and this Trust Deed have been made by the Members, and if not the amount or amounts outstanding;
- (e) A summary of any amendments to this Trust Deed that have been made during the Fund Year;
- (f) The names of and any changes since the last Annual Report in the Trustees, the Administration Manager, re-insurers, and changes in any actuaries, auditors and solicitors to the Fund (either by reference to their own names or the names of their firms);
- (g) The name and address of the person to whom all correspondence from the Members to the Trustees should be sent.

5.5 Delegation

- 5.5.1 Subject to this clause, the Administration Manager may at any time with the consent of the Trustees and from time to time, delegate any of its powers to any person.

- 5.5.2 A delegation pursuant to this clause may be:

- (a) Subject to such conditions and on such terms for the protection and convenience of persons dealing with the delegate as the person making the delegation thinks fit; and
- (b) Amended or revoked at any time.

- 5.5.3 If the Trustees or the Administration Manager exercise a power that is for the time being delegated that shall not revoke the delegation.
- 5.5.4 The Trustees shall not be liable for any act or defaults of any delegatee of the Administration Manager.

5.6 Expenses of Administration

- 5.6.1 The Administration Manager may pay from the Fund such costs, charges and expenses of management, administration and investment of the Fund as are properly payable by the Administration Manager on behalf of the Fund.
- 5.6.2 The Administration Manager shall be paid from the Fund such fees or charges for its administration of the Fund and the trusts contained in this Trust Deed, as shall from time to time be authorised by the Trustees.

5.7 Indemnity of Administration Manager

- 5.7.1 The Administration Manager shall not be liable for any loss which is not attributable to the Administration Manager's own dishonesty and the Trustees shall indemnify and keep indemnified the Administration Manager from the Fund against all claims demands and liabilities from Members or persons not parties to this Trust Deed, howsoever arising.

5.8 Execution of Deeds

- 5.8.1 If the Trustees are incorporated as a Board the Trustees shall obtain and adopt a common seal of the Board. The common seal of the Board shall be kept in the safe custody of the Administration Manager. The common seal shall only be used by the authority of the Board or of a committee of the Board authorised by the Board in that behalf, and every instrument to which the common seal is affixed shall be signed by a member of the Board and shall be countersigned by a second member of the Board or by some other person appointed by the Board for the purpose.

6 MEMBERSHIP COVERAGE

6.1 Admission of Members

- 6.1.1 Only Local Authorities shall be eligible for admission as Members of the Fund.
- 6.1.2 A Local Authority shall not be admitted to membership without first entering into a Participation Deed with the Fund in the form and on the terms acceptable to the Trustees.
- 6.1.3 In executing a Participation Deed the Local Authority shall agree to be bound by the terms of this Trust Deed.

6.2 Withdrawal from Membership

- 6.2.1 Any Member may withdraw from membership of the Fund by giving notice in writing to the Trustees of its desire to withdraw from membership, on or before the end of any Fund Year, and their membership shall terminate at the end of the Fund Year following.
- 6.2.2 Any notice in writing of a Member's desire to withdraw from membership may itself be withdrawn at any time prior to the termination of its membership.
- 6.2.3 Members who have given notice of their desire to withdraw from the Fund shall pay their Annual Contributions due for the following Fund Year.

6.3 Suspension or Termination of Membership

- 6.3.1 Membership of the Fund may be terminated or membership rights suspended, by resolution of the Trustees, in the event that a Member:
- Refuses or fails to comply with the reasonable directions of the Trustees given for the purpose of minimizing or reducing the exposure, limiting the risks and diminishing the potential for loss or damage to its Infrastructure; or
 - Refuses or fails to allow an audit of the Member's management of the risk to its Infrastructure; or

- Omits to make or unduly delays payment of its Annual Contribution; or
- Commits any breach of the provisions of this Trust Deed or its Participation Deed which in the opinion of the Trustees warrants the termination or suspension of membership.

- 6.3.2 A former Member may if so desiring re-apply for membership, but if successful shall not thereby gain any benefit credit or entitlement accruing consequent upon their former membership.

- 6.3.3 The action or decision of the Trustees in any matter relating to membership or suspension or termination of membership shall be final and binding.

6.4 Coverage

- 6.4.1 Coverage of Members shall commence from the later of the date of payment of the initial Annual Contribution (or part thereof if so agreed) and the Extraordinary Contribution (if any, or part thereof if so agreed) as required by the Trustees or such other date as may be agreed in writing by the Trustees.
- 6.4.2 There shall be no Coverage of Local Authorities that are not Members.
- 6.4.3 Upon termination or suspension of membership all Coverage shall cease from the date of termination or suspension as the case may be, and the Member shall not be eligible for Coverage until re-admission to membership (in the case of termination) or (in the case of suspension) the lifting of the suspension by further resolution of the Trustees, or the satisfaction of any pre-condition imposed for the automatic lifting of the suspension of the Member.
- 6.4.4 On termination of membership all claim, right, title or interest or benefit in the assets of the Fund shall forthwith cease.

7 GENERAL PROVISIONS RELATING TO CONTRIBUTIONS

7.1 Annual Contributions

- 7.1.1 The Trustees shall before the end of each Fund Year:

- Fix the Asset Value of each Member's Infrastructure, having regard to:
 - their Stated Value;
 - any actual valuation made of a Member's Infrastructure, or any parts of it;
 - any other measure (including valuations) which may enable or assist the Trustees to assess the value of Members' Infrastructure;
 - any appropriate method or principles of valuation whether or not they are the same as those applied in any other valuation of the Members' Infrastructure or parts of it.
- Determine the approximate amount of total Annual Contributions to be sought from Members for the ensuing Fund Year having regard to:
 - the combined Asset Values of Members as determined in clause 7.1.1(a) above; and
 - the risk or exposure of the Members' Infrastructure to Damaging Events; and
 - possible Deductibles; and
 - any other factors that seem relevant:

- 7.1.2 The Trustees shall after determining the approximate amount of the total Annual Contributions to be sought from Members for the ensuing Fund Year fix the Annual Contributions to be paid by individual Members, and in fixing the Annual Contributions to be paid by individual Members the Trustees shall have regard to:

- (a) The risk or exposure of the Member to a Damaging Event in its region compared with the risk or exposure of Members to Damaging Events generally;
- (b) The Asset Value of the Member, as determined by the Trustees pursuant to clause 7.1.1(a);
- (c) The likely availability to the Member of other monies by way of compensation, indemnity, replacement or subsidy for the loss or damage to its Infrastructure, including any payment from central government, from insurance claims, and any rights against persons not party to this Trust Deed;
- (d) The quantum of any Deductible for the Member which the Trustees may fix;
- (e) The state of repair, maintenance and condition generally of the Member's Infrastructure or parts of it;
- (f) The nature of any particular risks affecting the Member's Infrastructure;
- (g) Any refusal or persistent failure by the Member to comply with any reasonable directions given by the Administration Manager for the purpose of identifying and managing risk.

7.1.3 Members shall then be advised of the Annual Contribution payable by them, and the amount of any Deductible.

7.1.4 Notwithstanding anything hereinbefore contained the Trustees may adopt or determine such methods of setting Annual Contributions or Extraordinary Contributions as they in their absolute discretion think fit.

7.2 Method of Payment

7.2.1 Payment of the Annual Contributions shall be effected by the Members in accordance with any provisions of the Participation Deed for payment, or in the absence of any such provisions as from time to time determined by the Trustees.

7.2.2 Any unpaid Annual Contribution as determined by the Administration Manager shall be recoverable by the Fund as a debt with associated interest and recovery costs.

7.3 Disputes regarding Quantum of Annual Contributions

7.3.1 If the Member disputes the quantum of any Annual Contribution it shall give written notice to the Administration Manager within twenty-one days of receipt of advice of the quantum, following which the quantum of the Annual Contribution payable by the Member shall be reviewed by the Trustees, whose decision as to the appropriate quantum to be paid shall be final and binding.

7.3.2 Where the quantum of the Annual Contribution is not determined until after the date on which payment of the Annual Contribution was due, the Member shall have ten days following receipt of advice in writing of the determination of the dispute in which to pay the Annual Contribution.

7.3.3 Except as otherwise provided above the action or decision of the Trustees in fixing the Annual Contributions shall be final and binding.

7.4 Extraordinary Contributions

7.4.1 The Trustees may fix Extraordinary Contributions.

7.4.2 Subject to clause 7.1.4 in determining the quantum of any Extraordinary Contribution as a condition of entry to membership the Trustees shall have regard to:

- (a) The number of Fund Years completed since the Commencement Date;
- (b) The net value of the assets of the Fund had there been no Distributions from the Fund;
- (c) The current value of the assets, and the amount of any liabilities of the Fund;
- (d) Any other factors which seem relevant to the Trustees.

7.4.3 In determining the quantum of any Extraordinary Contribution being fixed for Coverage of a part or portion of a Fund Year the Trustees shall have regard to the Annual Contribution that would have been payable by the Member for Coverage for the full Fund Year and, that part or portion of the Fund Year for which Coverage is being provided.

7.4.4 Any decision of the Trustees regarding the quantum of any Extraordinary Contribution shall be final and binding.

7.4.5 Any Extraordinary Contribution fixed by the Trustees that is not paid may be recovered in the same way as an Annual Contribution including associated interest and recovery costs.

8 DISTRIBUTIONS FROM THE FUND

8.1 A Member may at any time within nine calendar months (time being of the essence) of a Damaging Event apply to the Trustees for a Distribution from the Fund in respect of any loss or damage caused to the Member's Infrastructure by that Damaging Event.

8.2 Upon receiving an application for a Distribution in respect of a Damaging Event, the Trustees shall satisfy themselves that:

- (a) the loss or damage is to Infrastructure;
- (b) the loss or damage was caused by the Damaging Event.

8.3 Once the Trustees have satisfied themselves as to the matters specified in clause 8.2, they may make a Distribution to the Member in respect of its application, subject to:

- (a) any Asset Value or Stated Value of the Member's Infrastructure;
- (b) the state of repair, maintenance and condition generally of the Infrastructure or of any particular parts of the Infrastructure before and after the Damaging Event for which the Distribution is claimed;
- (c) the Member's Deductible;
- (d) the expected availability when the Annual Contribution was set and the actual availability to the Member of other monies by way of compensation, indemnity, replacement or subsidy for the loss or damage to its Infrastructure, including any payment from central government, from insurance claims, and any rights against persons not party to this Trust Deed;
- (e) the desirability of the Fund maintaining reserves for future Damaging Events;
- (f) the length of time that the Member has been a Member of the Fund;
- (g) any other factors which seem relevant to the Trustees.

The Trustees at their sole discretion will determine what if any Distribution will be made in any situation where in the Trustees' opinion the damage is a consequence of an act of war or terrorism.

8.4 Without being bound to see or being liable for not seeing to the application of any Distributions from the Fund, the Trustees shall take reasonable steps to ensure each Distribution from the Fund is applied by its Members for the reinstatement of their Infrastructure, and for that purpose, the Trustees may require from the Member reasonable evidences of the expenditure, and may make progress payments.

8.5 The Trustees may also pay the whole or any part of the Fund to any other charity that is charitable under New Zealand law and has purposes similar or related to those of the Fund.

9 ALTERATION

9.1 Alteration of the Trust Deed

9.1.1 The Trustees may amend this Trust Deed in any way, subject to this clause 9.

9.1.2 The Trustees may by unanimous resolution of the Trustees present at any validly convened meeting revoke, vary or add to any of the provisions of this Trust Deed provided no such revocation, variation or addition may be made if it would result in the Fund ceasing to qualify for registration as a charitable entity under the Charities Act 2005 or would vary the terms of this proviso or would otherwise be inconsistent with the general charitable scope of the trusts contained in this Trust Deed.

9.1.3 Every amendment shall be conditional upon and come into effect upon the Settlor giving its consent in writing.

9.1.4 Amendments shall not be retrospective in effect.

9.2 Notice to Members

9.2.1 The Trustees shall notify Members forthwith in writing of every amendment to this Trust Deed made pursuant to these provisions.

9.2.2 Any accidental failure or omission on the part of the Trustees to give a Member notice as required by this clause, or its non-receipt by a Member, shall not affect the validity of the amendment.

9.3 Alteration of Participation Deeds

9.3.1 The Trustees, with the agreement of a Member, may from time to time:

- (a) Amend any of the provisions of the Participation Deed relating to the Member; or
- (b) Cancel any Participation Deed and in substitution, enter into a new Participation Deed with a Member.

10 WINDING UP OF THE FUND

10.1 Procedures

10.1.1 The Trustees shall wind up the Fund and shall apply the provisions of this Clause in relation to every Member:

- (a) If the Trustees unanimously resolve that the Fund shall be wound up, and advise the Settlor accordingly, and the Settlor consents thereto; or
- (b) Upon the determination of the trusts hereof; or
- (c) Upon any insolvency of the Fund; or
- (d) Upon any order of the Court that the Fund be wound up.

10.1.2 The Trustees shall within fourteen days after they have resolved to wind up the Fund, lodge a copy of that resolution with the Settlor and (the Settlor consenting thereto) with the Registrar of Incorporated Societies.

10.1.3 The Trustees shall for the purpose of winding up the Fund:

- (a) Ensure that final accounts of the Fund are prepared showing the financial position of the Fund as at the date on which the winding up commenced; and
- (b) Ensure that those final accounts are audited; and
- (c) As soon as practicable after the final accounts have been audited send a copy of those accounts to the Settlor and all the Members as at the date the winding up commenced.

10.2 Allocation of Proceeds

10.2.1 Members shall have no right or claim against the Fund on winding up except in respect of any application for a Distribution made prior to the commencement of the winding up.

10.2.2 The Trustee shall apply the proceeds of the Fund in accordance with the following priority:

- (a) First, in providing for the payment of the costs of the winding up;
- (b) Secondly, in providing for the payment of all liabilities and debts of the Fund;

(c) Thirdly, paying any outstanding Distributions which the Trustees have resolved to pay any Member prior to the commencement of the winding up and remain unpaid at that date;

(d) Fourthly, in providing for payment of any Distributions for which applications have been made immediately prior to the commencement of the winding up;

(e) Finally, payment of any balance in the Fund is to be made or transferred to another organisation as decided by the Trustees that is charitable under New Zealand law and has purposes similar or related to those of the Fund, or in default of a decision by the Trustees, as directed by the Court pursuant to section 27 of the Act.

11 MISCELLANEOUS

11.1 Notices

11.1.1 Any notice or document shall be deemed to have been served upon the Trustees if left at the registered office of the Fund or if sent through the post in a registered letter addressed to the Administration Manager at that office. Any notice or document shall be deemed to have been duly given to a Member, if given generally or sent to the Member at the address of the Member last known to the Administration Manager.

11.1.2 Any notice or document delivered by post shall be deemed to have been delivered in the ordinary course of post and in proving such service it shall be sufficient to prove that the envelope or wrapper containing it was properly addressed and posted. A statement signed by the Administration Manager that a notice was so addressed and posted to a Member and when, shall be conclusive evidence of those facts.

11.2 Succession

11.2.1 If the activities of any of the Appointors are assigned to or succeeded by any other undertaking (whether a corporation, association partnership or natural person) then that other undertaking may, with the written approval of the Trustees as from the date of the assignment or succession, take the place of that Appointor for the purposes of the Fund, and assume all rights and obligations of that Appointor under the Trust Deed.

11.2.2 If the Trustees do not give their written approval of such other undertaking taking the place of that Appointor, then the Fund shall either be wound up in accordance with the provisions of this Trust Deed, or the Trustees may appoint another body to take over the role of that Appointor.

11.3 Waiver and Precedent

11.3.1 No failure by the Trustees to enforce any breach of any obligation or provision contained or implied in by this Trust, in one, or more instances shall constitute a waiver of the right of the Trustees to enforce any other provision, or any subsequent breach, whether against the same Member or another.

11.3.2 No action on the part of the Trustees or the Administration Manager whether taken in accordance with any specific provisions contained in this Trust Deed or otherwise shall be taken as a precedent for any like or similar action on either part and neither the Trustees nor the Administration Manager may thereafter be compelled to take similar or identical action consequent thereupon.

11.4 Office

11.4.1 The office of the Fund shall be at the offices of the New Zealand Local Government Insurance Corporation Limited, 9th Floor, Civic Assurance House, 114 Lambton Quay, Wellington, or at such other place as the Trustees may from time to time by resolution determine.

IN WITNESS WHEREOF this Deed has been executed on the day and year first hereinbefore written.

THE COMMON SEAL of the)
NEW ZEALAND LOCAL GOVERNMENT)
ASSOCIATION INCORPORATED was)
 hereunto affixed in the presence of:)

Signed by)
ROBERT DAVID RENNIE ELLIOTT)
 in the presence of:)

Signed by)
WYNNE ARCHDALL RAYMOND)
 in the presence of:)

Signed by)
DALE ALWYN LOTT)
 in the presence of:)

Signed by)
KINSLEY NEVILLE SAMPSON)
 in the presence of:)

Signed by)
IAN ROBERT FLOCKHART MCKELVIE)
 in the presence of:)

Signed by)
LANGLEY DAVID CAVERS)
 in the presence of:)

PARTICIPATION DEED

ADMITTING

.....

To membership of the
New Zealand Local Authority
Protection Programme Disaster Fund

THIS DEED is made the __ day of _____ 201__.

BETWEEN **NEW ZEALAND LOCAL AUTHORITY PROTECTION PROGRAMME DISASTER FUND** ("the Fund") and
NEW ZEALAND LOCAL GOVERNMENT INSURANCE CORPORATION LIMITED ("the Administration Manager")
 (together called "the Administration")

AND being a Local Authority as defined in the Trust Deed ("the Member")

BACKGROUND

- A. The Trustees of the New Zealand Local Authority Protection Programme Disaster Fund are incorporated as a Board pursuant to the Charitable Trusts Act, 1957 ("the Board").
- B. The Fund is also registered as a charitable entity under the Charitable Trusts Act 1957.
- C. The Settlor of the Fund is the New Zealand Local Government Association Incorporated. The Settlor established the Fund as a self funding disaster protection scheme for the purposes of and for the objects set out in the original trust deed dated 29 June 1993. The trust deed was amended by deeds of variation dated 14 February 1997 and 5 June 2003. The trust deed was further amended and all amendments consolidated by a new trust deed dated 14 December 2007 ("the Trust Deed").
- D. The New Zealand Local Government Insurance Corporation Limited is the Administration Manager of the Fund.
- E. The Trust Deed contains provision for Local Authorities to apply for membership of the Fund, and for their admission to membership of the Fund, on the terms required by the Board.
- F. The Member has applied to become a member of the Fund, and is being admitted as a member on the terms and conditions contained herein.

NOW THIS DEED WITNESSES AND IT IS AGREED AND DECLARED

as follows:

1 MEMBERSHIP

Admission to Membership

1. The Member hereby covenants and agrees with the Administration to be bound by
 - (a) the terms of the Trust Deed, as if it were a party to the Trust Deed; and
 - (b) this Participation Deed;
 and acknowledges and accepts the powers, discretions and authorities of the Board, and the Administration Manager appointed pursuant to the Trust Deed, as provided in the Trust Deed.
2. In consideration of the Member agreeing to be bound by the terms of the Trust Deed, and of this Participation Deed, the Member is hereby admitted as a Member of the Fund.

Withdrawal, Suspension or Termination of Membership

Withdrawal from, termination and suspension of membership shall be effected in accordance with the provisions of the Trust Deed.

2 COVERAGE AND DEDUCTIBLE

Coverage

Coverage of the Member shall commence on the date appearing in the First Schedule and shall continue until the Member's membership of the Fund is either terminated, or the Member is suspended, as provided in the Trust Deed.

Deductible

The level of any deductible shall be fixed by the Board and the first such deductible shall be as provided in the First Schedule.

3 CONTRIBUTIONS AND DISTRIBUTIONS

Payment of Annual Contributions

1. The Member shall pay to the Fund its Annual Contribution as determined by the Board, within 14 days of the commencement of each Fund Year, or as otherwise agreed by the Administration in writing.
2. The Member shall pay the sum set out in, and in the manner provided in the First Schedule, as its first Annual Contribution.

Payment of Extraordinary Contributions

The Member shall forthwith pay to the Fund the Extraordinary Contribution set out in the First Schedule.

Distributions

1. The Member shall in making an application for a Distribution use any form of application which the Administration may prescribe, and shall from time to time provide such information as the Administration may reasonably require to enable it to consider the Member's application.
2. Any Distribution from the Fund shall be at the sole and absolute discretion of the Board, which shall, having regard to the factors set out in the Trust Deed, act in accordance with the objectives of the Fund and in the interests of all members.
3. The amount of the Deductible applying at the time of any Natural Disaster or Emergency or event shall be deducted from any Distribution from the Fund in respect of the same.

4 ASSET VALUES

Information Regarding Assets

1. The Member shall within 3 months of the commencement of each Fund Year or such lesser period as the Administration may from time to time advise:
 - (a) supply the Administration with any information regarding categories, details and condition of its Infrastructure, including any list of or register of its Infrastructure, both insured and uninsured, and any insurance particulars, which the Administration may reasonably require;
 - (b) state to the Administration in writing its estimate of the cost of reinstatement of its Infrastructure;
2. The Member shall advise the Administration of any additions or deletions to its Infrastructure, during the Fund Year.

5 RISK MANAGEMENT AND AUDIT

Risk Management

The Member agrees to:

- (a) introduce and maintain such programs to identify, assess and control risks applicable to its Infrastructure, as may from time to time be reasonably required by the Administration; and

- (b) notify the Administration of any matters, events or things which might be reasonably considered relevant to the assessment and management of the risk or exposure of the Member's Infrastructure to Natural Disasters and Emergencies.

Audit of Infrastructure

The Member agrees that the Administration Manager may from time to time inspect and audit the Member's Infrastructure and all records and information pertaining thereto.

6 ALTERATION

Alteration of the Trust Deed

- 1 The Member acknowledges that every alteration or amendment to the Trust Deed shall upon the consent of the Settlor being given in writing, be binding on the Member as to its terms and conditions, as if it were a party thereto.
- 2 This Participation Deed shall be deemed to be amended to the extent and in the manner (if any) required as a consequence of the amendment of the Trust Deed.

7 MISCELLANEOUS

Co-operation

The Member agrees to take all such other actions and supply such information and assistance as the Administration may reasonably require from time to time in order to give effect to the provisions and purposes of the Trust Deed and this Participation Deed, including (without limitation) following any rules or guidelines or prescribed procedures required by the Administration, not being rules guidelines or procedures inconsistent with this Participation Deed or the Trust Deed.

No Assignment

The Member may not assign its rights under this Participation Deed or any of its rights or obligations as a member of the Fund to any other person, or encumber, charge or otherwise dispose of any of its right, entitlement or interest in the Fund.

Notices

- 1 Any notice or document shall be deemed to have been served upon the Administration if left at the registered office of the Fund or if sent through the post in a letter addressed to that office.
- 2 Any notice or document shall be deemed to have been duly served on the Member, if delivered personally to the Member's chief executive officer, or if sent through the post to the Member at the address of the Member last known to the Administration.
- 3 Any notice or document delivered by post shall be deemed to have been delivered in the ordinary course of post, and in proving such service it shall be sufficient to prove that the envelope or wrapper containing it was properly addressed and posted.

8 DEFINITIONS AND INTERPRETATION

Definitions

- 1 Each of the following words and expressions shall, unless the context otherwise requires, have the following meanings:

"the Trust Deed" means the consolidated Trust Deed dated 14 December 2007;

"the Board" means the Trustees of the Fund and vice versa.
- 2 The words and expressions used in this Participation Deed shall unless the context otherwise requires have the same definitions as given them in the Trust Deed.

Interpretation

- 1 Unless the context otherwise requires the same interpretations shall be placed on words and phrases used in this Participation Deed as contained in the Trust Deed.
- 2 In the event of any conflict between the terms and conditions of this Deed and the provisions of the Trust Deed, the provisions of the Trust Deed shall prevail.
- 3 Nothing in this Participation Deed shall be taken to excuse the failure of the Member to perform any and each of its obligations as a Member of the Fund, nor the commission of any act in breach of its obligations as a Member of the Fund, as set out in the Trust Deed.

FIRST SCHEDULE

Annual Contribution:

The Annual Contribution for the period 30 June 201_ to 30 June 201_ is assessed at \$_____ plus GST, less full member discount. This is the Member's first annual contribution.

Extraordinary Contribution:

The Extraordinary Contribution is assessed at \$_____ plus GST.

In consideration of the payment of the Extraordinary Contribution Council shall immediately be entitled to full rights of Fund Membership including any discount on the assessed Annual Contribution for future years that the Fund Trustees may declare from time to time.

Deductible:

The Deductible shall be

IN WITNESS WHEREOF this Deed has been executed on the day and year first herein before written.

THE COMMON SEAL of the **NEW ZEALAND LOCAL AUTHORITY**)
PROTECTION PROGRAMME DISASTER FUND was hereunto affixed)
 in the presence of:-)

THE COMMON SEAL of **NEW ZEALAND LOCAL GOVERNMENT**)
INSURANCE CORPORATION LIMITED was hereunto affixed)
 in the presence of:-)

THE COMMON SEAL of the **COUNCIL**)
 was hereunto affixed pursuant to a resolution of the Council,)
 in the presence of:-)



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4. RATE ARREARS REPORT

(Memo from Chief Financial Officer – 01.03.17)

Introduction

This report covers rate arrears as at the end of February 2017. Arrears are defined as rates owing from the previous rating year. Amounts unpaid from the first three instalments in this rating year are still considered current by the rating act, even though the due date has passed.

Rate arrears will be reported to the finance and policy committee every six months.

Arrears

At the end of February the Council was owed \$170,000 (Including GST) in rates relating to prior financial years. This is approximately 1% of the current year's rates revenue.

	Amount	Percentage
Total arrears	\$170,000	100%
Arrears under mortgagee demand	\$73,000	43%
Arrears under judicial proceedings	\$50,000	29%
Arrears under abandoned land	\$15,000	9%
Other arrears	\$32,000	19%

Other arrears include properties that have smaller arrears balances that are likely to be paid before a mortgagee is made, or properties which do not have a mortgage but the balance is too small to justify the legal cost of judicial proceedings.

Past analysis of other councils annual reports has shown our rate arrears is at a level comparable with other councils.

How does the Council recover rate arrears?

The Local Government (Rating) Act has several tools the Council can use to recover rate arrears. However there are minimum time periods that must be allowed to pass before the Council can use these tools.

Mortgagee demands

If a property has a registered mortgage, the Council can demand the debt be paid by the mortgagee. The Local Government (Rating) Act 2002 requires the Council to give three months notification of its intent to demand payment. The mortgagee is notified of the 30 June rate arrears in July each year with a demand for payment being made no earlier than 1 November. There is a process the Council has to go

through, but it results in the Council collecting the full amount of the previous year's rates outstanding at the time of the demand. The process does not cost the Council except for staff time. During this process the ratepayer is advised to set up a payment plan for their current year's rates to avoid the situation happening again.

Judicial proceedings

If there is no mortgage on the property then the Council can proceed down the legal path for the recovery of outstanding rates. Any debt more than four months old can be recovered through proceedings. This means some of the current year's rates that remain unpaid can be recovered in the same action. Proceeding down the legal path for rates recovery can be quite costly depending on the situation as lawyers are engaged to assist with the process. If the owner cannot be located or cannot pay, the court can order the sale of the property. This process can be quite long and time consuming.

Abandoned land

Occasionally owners walk away from a property and don't make arrangements to pay the rates. If they cannot be found and no payments have been made for three years, the Council can apply to the court to have the land declared as abandoned. The property can then be sold and the proceeds used to offset the legal costs of the process and to recover the rates owing. Unfortunately land that is abandoned is generally low in value and typically does not reach a high sales price and it is sometimes necessary to write off part of the debt.

Bad debts

The Council has a bad debt provision which is assessed at balance date every year. Attention is focused on those properties without a mortgage and land that is likely to be declared abandoned. Because the properties involved are few in number, each is considered on a case by case basis and a specific allowance is made.

Arrangements to pay

The Rates Officer has made arrangements for payment with 54 arrears customers. An arrangement can only be made by direct debit, however the customer can choose weekly, fortnightly or monthly payment terms. In addition to this there are 12 long term, automatic payment arrangements with customers. Repayment terms longer than 18 months are no longer offered. Prior to direct debit arrangements, Council staff were not able to efficiently and effectively monitor accounts for non-payment. However as the Council initiates direct debit payments, monitoring arrangements is much easier.

Together with the Rates Officer I am exploring the possibility of using a debt collection agency to assist with collection of arrears. This would be more cost effective for smaller arrears balances than judicial proceedings.

RECOMMENDATION

THAT the report be received.

5. FINANCIAL REPORT FOR JANUARY 2017

(Memo from Accountant - 01.03.17)

Summary

In total, spending is tracking against budgets as can be seen by the gauges below. Total revenue is lower than budget by 138k. Total expenses are lower than budget by 106k. Total variance is higher than budget by 33k.

Overall the first seven months are on track with budget. The variety of favourable and unfavourable variances from the first half have remained stable. Most of the major capital projects are on schedule with some exceptions. See capital projects over \$100k for more details.

The high cash balance trend continues throughout the year due to the speed at which capital projects have progressed.

Financial reporting refresh - we have given the report a new look. The capital projects over \$100k report now includes life to date figures. There are also changes to the statement of revenue and expenses. This is now listed by department and we have included overall variance graph.

Total expenses at a glance...



% of year to date Budget Spent



% of Annual Budget Spent

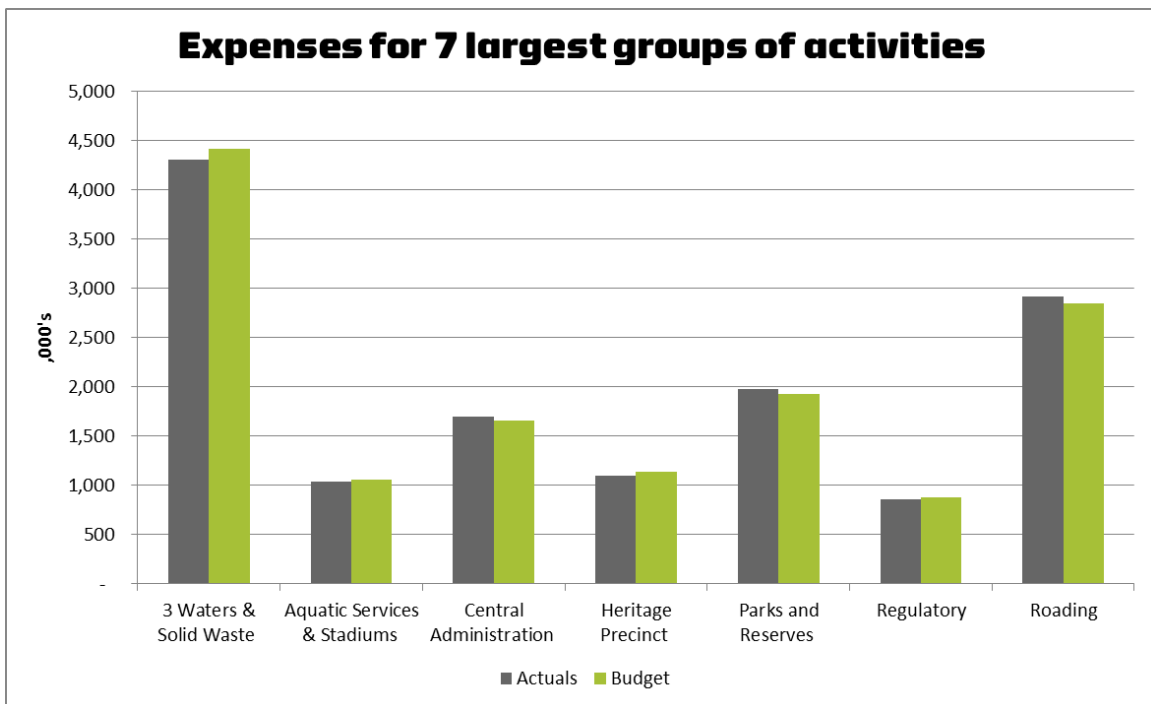
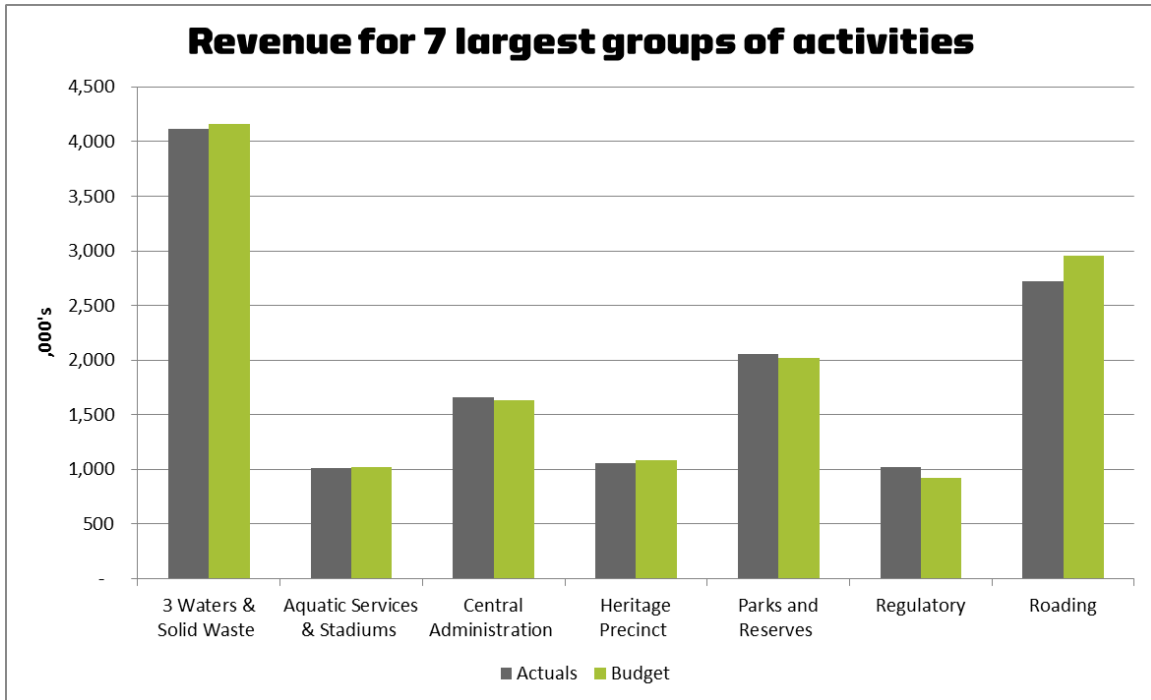
Capital expenditure at a glance...

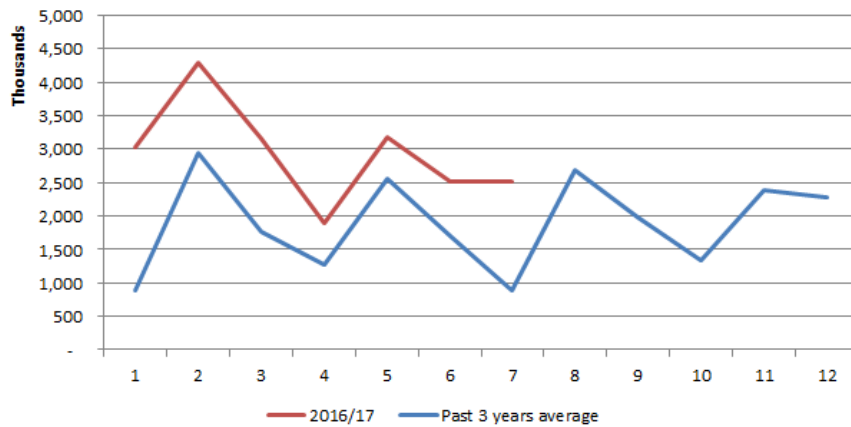
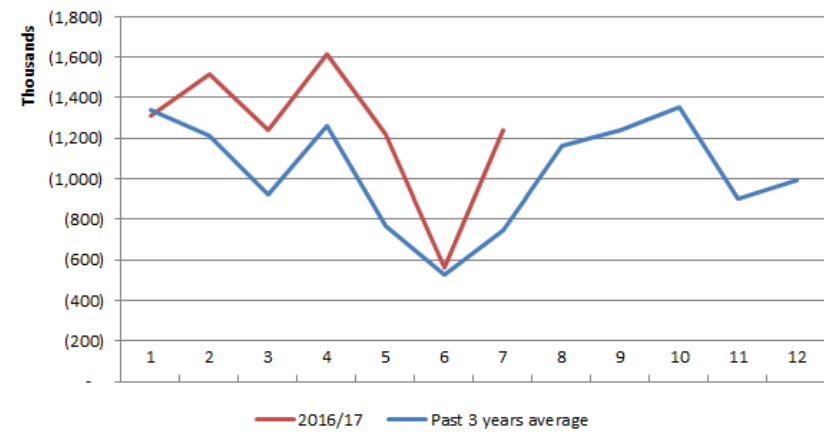
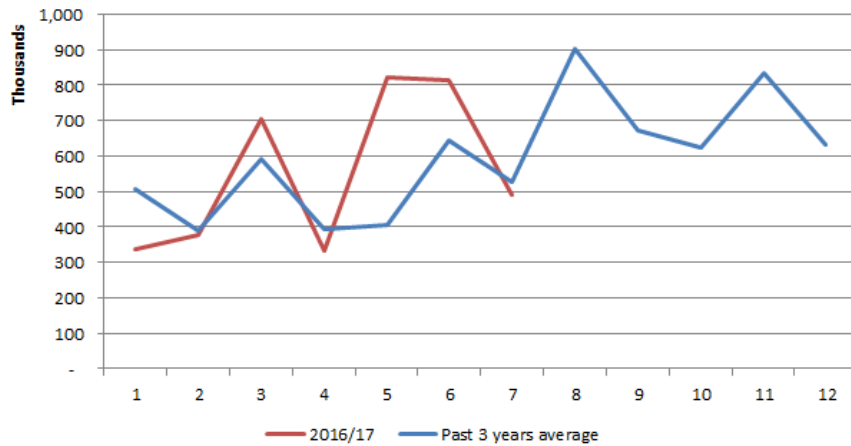
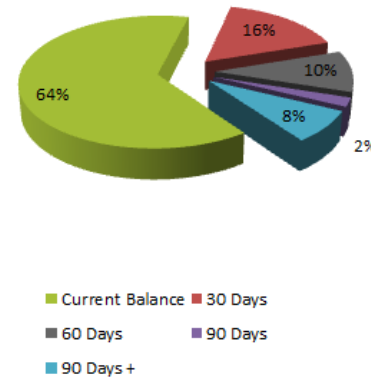
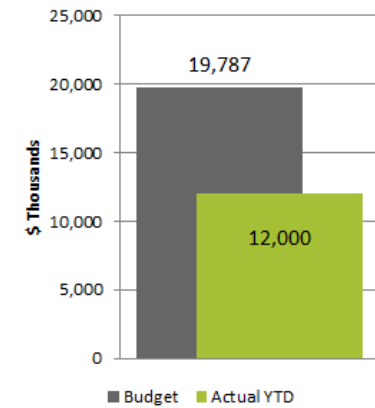


% of year to date Budget Spent



% of Annual Budget Spent



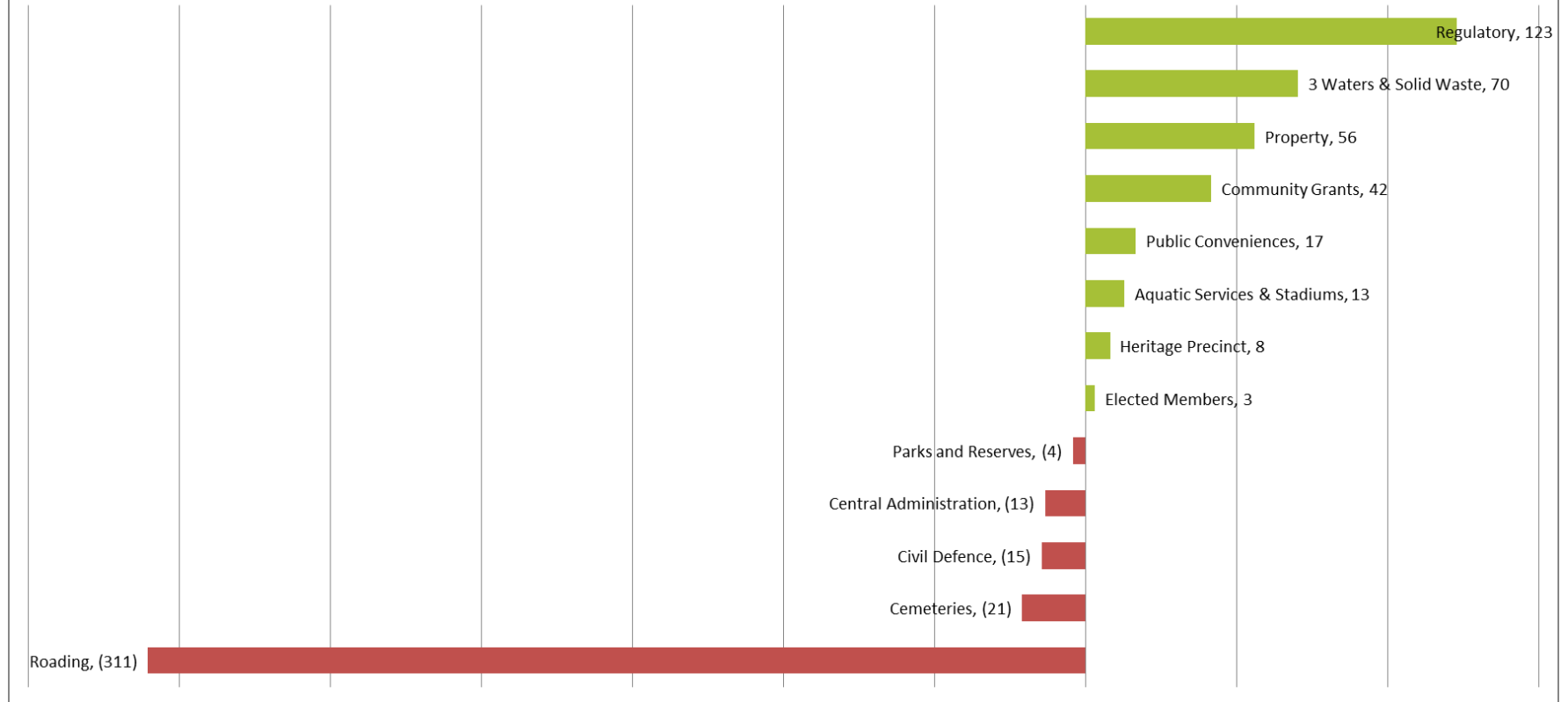
Cash balance trend**Creditors balance trend****General debtors balance trend****Debtors aging****Council borrowing**

**Revenue and Expenses by Department
for the 7 months ended 31 January 2017**

Department	Revenue						Expense						Totals					
	Current			Favourable /		Annual % of	Current			Favourable /		Annual % of	Current			Favourable /		Annual % of
	Actuals	Budget	Variance	Unfavourable	Budget		Actuals	Budget	Variance	Unfavourable	Budget		Actuals	Budget	Variance	Unfavourable	Budget	
3 Waters & Solid Waste	4,119	4,159	40	U	7,140	58%	4,300	4,410	110	F	7,527	57%	181	251	70	F	387	-1%
Aquatic Services & Stadiums	1,012	1,022	10	U	1,751	58%	1,036	1,059	23	F	1,804	57%	25	37	13	F	53	0%
Cemeteries	140	161	21	U	277	51%	146	146	(0)	U	250	58%	5	(16)	(21)	U	(27)	8%
Central Administration	1,661	1,633	(27)	F	2,800	59%	1,699	1,658	(41)	U	2,757	62%	38	25	(13)	U	(43)	2%
Civil Defence	52	52	(0)	F	89	59%	67	52	(15)	U	89	75%	15	-	(15)	U	-	16%
Community Grants	385	365	(20)	F	626	62%	490	512	22	F	676	73%	105	147	42	F	50	11%
Elected Members	538	523	(14)	F	871	62%	555	543	(11)	U	866	64%	17	20	3	F	(5)	2%
Heritage Precinct	1,058	1,088	30	U	1,835	58%	1,096	1,134	38	F	1,871	59%	38	46	8	F	36	1%
Parks and Reserves	2,057	2,017	(39)	F	3,458	59%	1,969	1,926	(43)	U	3,306	60%	(87)	(91)	(4)	U	(153)	0%
Property	484	485	1	U	831	58%	549	606	57	F	1,016	54%	65	121	56	F	184	-4%
Public Conveniences	77	77	(0)	F	132	59%	78	94	16	F	162	48%	1	17	17	F	30	-10%
Regulatory	1,023	922	(102)	F	1,509	68%	855	877	21	F	1,497	57%	(168)	(45)	123	F	(12)	-11%
Roading	2,719	2,959	240	U	5,072	54%	2,912	2,842	(71)	U	4,885	60%	193	(117)	(311)	U	(188)	6%
Income Total	15,325	15,464	139	U	26,392	58%	15,753	15,859	106	F	26,704	59%	428	395	(33)	U	312	21%

Total variance by group of department

\$(000's)



Commentary on the revenue and expenses variances

Revenue

Overall income is unfavourable by \$139k. A total of 58% of the annual budgeted revenue has been received.

The NZTA subsidy is \$240k behind budget (\$109k this time last year). The roading maintenance is tracking nicely, with capital expenditure remaining behind budget. The Downer network contract is wrapping up, with interim arrangements being made for the rest of the year to cover core maintenance.

Regulatory is up on budget by \$102k, this continues to be attributable to an increase of building consent related revenue due to the construction of the Mataura Valley Milk project.

The heritage precinct is \$30k below budget partly due a decrease in revenue from the Community Awards from budget.

The 3 Waters area continues to be below budget due to a reduction in commercial water usage and timing of water charges being invoiced. Transfer station user charges continue to stay above budget by \$35k.

Parks and reserves has a favourable variance of \$39k. This is partly due to the receipt of the Venture Southland cycle strategy funding of \$20k.

Expenses

Overall expenditure is favourable by \$106k. A total of 59% of the annual budget has been spent.

The roading budget is unfavourable by \$71k. This is due to an increase in urban maintenance due to pre-reseal repairs being nearly completed for the year.

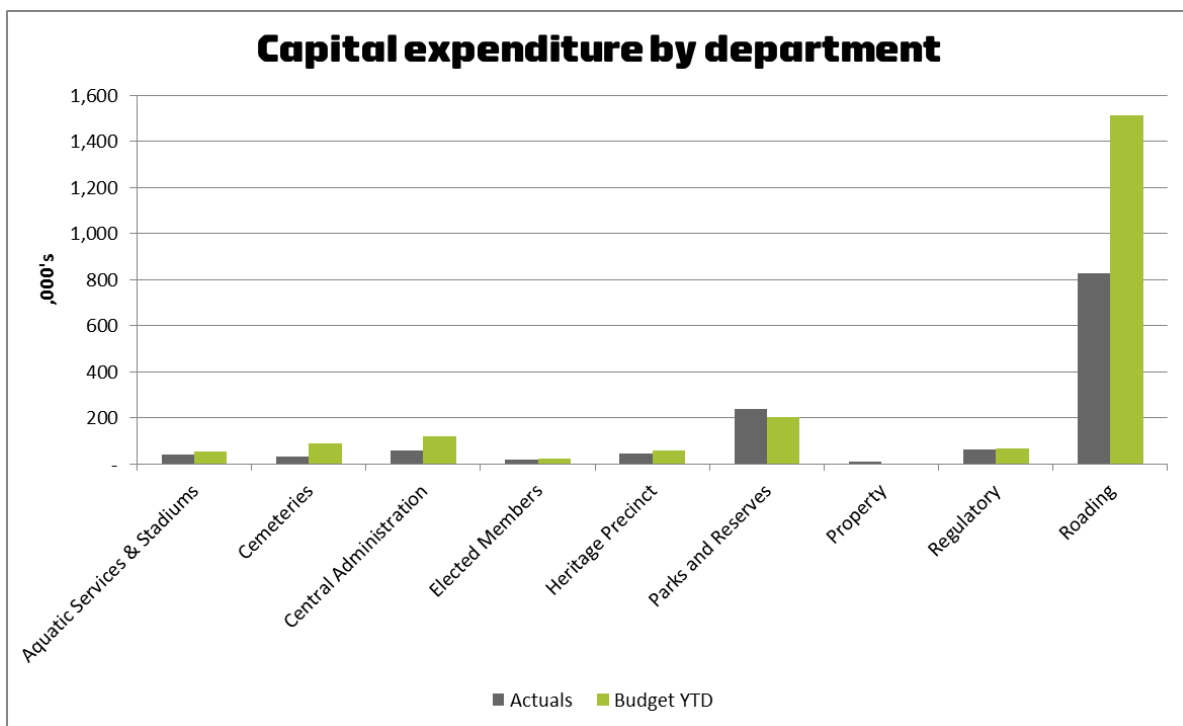
3 Waters is favourable by \$110k which can be attributed to decreased borrowing costs due to the timing of borrowing.

Central administration has an unfavourable variance of \$41k. IT consultant costs and the timing of 2015/2016 shared services contributions continue to be the main contributors. This variance remains steady.

Parks and reserves are above budget by \$43k due to a feasibility study for the cycleway of \$7k which is offset by funding. The increase in general maintenance is being brought back into line as the year progresses. Overall there is an unfavourable variance of \$4k.

Capital expenditure by department for the 7 months ended 31 January 2017

Department	Actuals	Current Budget	Variance	Annual Current Budget	% of Annual Budget Spent
3 Waters & Solid Waste	1,045	4,660	3,614	7,942	13%
Aquatic Services & Stadiums	39	52	14	90	43%
Cemeteries	33	87	54	87	38%
Central Administration	58	120	61	120	49%
Elected Members	20	23	3	23	85%
Heritage Precinct	46	57	11	98	47%
Parks and Reserves	236	202	(35)	245	97%
Property	8	-	(8)	1,573	1%
Regulatory	63	68	5	68	93%
Roading	825	1,512	687	2,593	32%
Total	2,373	6,780	4,407	12,838	18%



- * 3 Waters has been excluded from the graph as the large number skews the results for the other departments. More information on the 3 Waters projects can be found in the capital projects over \$100k section.

Commentary on the capital expenditure

A total of 18% of the annual capital expenditure budget has been spent (35% last year). All variances at this point are due to timing of the various projects.

3 Waters has been removed from the capital expenditure by department graph due to the timing delays of projects distorting the graph. For a more details view of the capital expenditure see table for capital projects over \$100k.

Vehicle replacements are largely, with a couple more vehicles to be replaced this year. Due to timing of the budget this has created a favourable variance due to some departments having most of the budget in July.

The roading programme is behind where it was planned to be by \$687k due to timing of work. A detailed explanation can be found in the table for capital projects over \$100k.

Parks and reserves has an unfavourable variance of \$35k when compared with the year to date budget but close to full year budget. This would suggest capital expenditure is almost complete for the year.

The unfavourable variance in property is due to the timing of the budget for earthquake strengthening work. This is scheduled towards the end of the year but some consulting costs have been incurred to date.

The following page contains a schedule of projects with a budget of \$100,000 or more and shows the percentage of the total budget spent and any project specific comments.

Capital projects over \$100,000 for the 7 months ended 31 January 2017

	Current Year Project Details						Total Project Lifetime Details			
	Actuals	Annual Current Budget	% of Annual Budget Spent	Current Status	Comments		Total Project Spend Life to Date	Total Cost of Project	% of Total Project Spent	Project Timeline
Roading										
Rural Roads - Subsidised - Renewals	439	1,329	<div><div></div></div>	33%	Progressing	Metalling programme is compete, some stormwater work has been done (drainage/ditching/culvert).			0%	2017
Urban Roads - Subsidised - Renewals	167	651	<div><div></div></div>	26%	Progressing	Some micro surfacing work was completed last calendar year. Main resesals programme is to begin in February. Limited drainage/conc./street light works has happened.			0%	2017
Urban Roads - Non Subsidised - Renewals	119	308	<div><div></div></div>	39%	Progressing	Some footpaths improvements have been achieved through our pre reseal programme. Resurfacing work and concrete repairs about to begin.			0%	2017
Rural Roads - Subsidised - Increased Level of Service	51	230	<div><div></div></div>	22%	Progressing	Deck work on the Ontario Bridge has been completed and associated protection work with the placement of speed humps. A small bridge package is about to be released.			0%	2017
Roading Total	777	2,517	<div><div></div></div>	31%			-	-	0%	
Wastewater										
Faulkner Rd Reticulation South Gore Industrial Area LTP 2015/16 (ON HOLD)	-	100		0%	On Hold		1	100	1%	2017
Gore Wastewater Treatment Plant Sludge Removal LTP 2015/16	280	2,595	<div><div></div></div>	11%	Progressing	Refer to project report	280	2,989	9%	2017
Ajax Pump Station upgrade including HWR pipelines	182	2,800	<div><div></div></div>	6%	Progressing	Refer to project report	742	3,367	22%	2014-2017
Wastewater Total	462	5,495	<div><div></div></div>	8%			1,023	6,456	33%	
Water										
South Gore Industrial Area Faulkner Road LTP 2015/16	-	100		0%	On Hold		1	100	1%	2017
Pleura water supply intake clean out Dam AP2017	-	156		0%	Progressing	Investigations underway	-	156	0%	2017
Hilbre Water Treatment Plant Manganese removal LTP 2015/16	53	1,614	<div><div></div></div>	3%	Progressing	Review strategy as reported at committee meeting	53	1,714	3%	2017
Water Total	53	1,870	<div><div></div></div>	3%			54	1,970	3%	
Property										
Civic Administration Building Earthquake strenghtening	3	1,573		0%	Started	Seismic strenghtening design started	3	3,146	0%	2017-2018
Property Total	3	1,573		0%			3	3,146	0%	
Total	1,295	11,455	<div><div></div></div>	11%			1,080	11,572	9%	

Statement of Financial Position as at 31 January 2017

	Actuals 2017	Actuals 2016
Assets		
Current Assets		
Cash And Cash Equivalents	2,528	1,615
Inventories	150	144
Trade & Other Receivables	2,092	1,507
Current Assets Total	4,769	3,266
Non Current Assets		
Infrastructure Property Plant Equipment	385,147	371,676
Investments	1,788	1,606
Other Financial Assets	(1,123)	(545)
Other Non Current Assets	95	89
Non Current Assets Total	385,908	372,825
Assets Total	390,677	376,091
Liabilities		
Current Liabilities		
Other Current Liabilities	64	-
Short Term Borrowings	6,000	106
Short Term Provisions	412	500
Trade & Other Payables	2,035	904
Current Liabilities Total	8,510	1,511
Non Current Liabilities		
Long Term Borrowings	6,000	11,664
Long Term Provisions	93	96
Other Non Current Liabilities	20	32
Non Current Liabilities Total	6,113	11,792
Liabilities Total	14,624	13,303
Net Assets	376,053	362,789
Equity		
Asset Revaluation Reserve	241,533	227,584
Other Reserves	5,561	4,471
Accumulated Surplus	128,960	130,734
Equity Total	376,053	362,789

Commentary on the Statement of Financial Position

The major changes in the balance sheet from the same month in prior year:

Assets

- Bank is up on the same month last year. An increased level of direct debit customers continues to smooth out cash flow.
- Trade and other receivables has increased from the same month last year. This is due to the timing of NZTA claim payments due to the Christmas break.
- Other financial assets have decreased over the year due to a decrease in the revaluation of the interest swaps at 30 June 2016.
- Infrastructure, property, plant and equipment are up slightly on the same period last year. This can be attributed to asset revaluations.

Liabilities

- Creditors are up on the same month last year.
- Debt has increased to \$12million in total, split half and half between short term and long term borrowing. This is the effect of the restructure of the borrowing from the LGFA.

RECOMMENDATION

THAT the financial report for the seven months ended 31 January 2017 be received.