**I, Steven May, Chief Executive Officer, hereby give notice that an Ordinary Meeting of Council will be held on:**

| | |
|---|---|
| **Date:** | **Tuesday, 16 October 2018** |
| **Time:** | **1.30pm** |
| **Location:** | **Council Chamber, Wairoa District Council, Coronation Square, Wairoa** |

# AGENDA

# Ordinary Council Meeting

# 16 October 2018

The agenda and associated papers are also available on our website: www.wairoadc.govt.nz

For further information please contact us 06 838 7309 or by email info@wairoadc.govt.nz

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## 1 KARAKIA

## 2 APOLOGIES FOR ABSENCE

## 3 DECLARATIONS OF CONFLICT OF INTEREST

## 4 CHAIRPERSON'S ANNOUNCEMENTS

## 5 LATE ITEMS OF URGENT BUSINESS

## 6 PUBLIC PARTICIPATION

A maximum of 30 minutes has been set aside for members of the public to speak on any item on the agenda. Up to 5 minutes per person is allowed. As per Standing Order 14.14 requests to speak must be made to the meeting secretary at least one clear day before the meeting; however this requirement may be waived by the Chairperson.

## 7 MINUTES OF THE PREVIOUS MEETING

Ordinary Meeting - 4 September 2018

Extraordinary Meeting - 25 September 2018

**MINUTES OF WAIROA DISTRICT COUNCIL**
**ORDINARY COUNCIL MEETING**
**HELD AT THE COUNCIL CHAMBER, WAIROA DISTRICT COUNCIL, CORONATION SQUARE, WAIROA**
**ON TUESDAY, 4 SEPTEMBER 2018 AT 1.30PM**

**PRESENT:** His Worship the Mayor Craig Little (Mayor), Cr Denise Eaglesome-Karekare (Deputy Mayor), Cr Hine Flood, Cr Jeremy Harker, Cr Michael (Min) Johansen, Cr Charles (Charlie) Lambert, Mr Kiwa Hammond

**IN ATTENDANCE:** S May (Chief Executive Officer), K Tipuna (Economic Development & Engagement Manager), S Heath (Utilities Engineer), G Waikawa (Governance Administrator)

## 1 KARAKIA

Karakia was given by K Hammond

## 2 APOLOGIES FOR ABSENCE

**APOLOGIES**

**RESOLUTION 2018/43**

Moved: His Worship the Mayor Craig Little
Seconded: Cr Denise Eaglesome-Karekare

That the apologies received from Councillor M Bird, P Kelly and P van Dorrestein (Acting Chief Operating Officer) be accepted and leave of absence granted.

**CARRIED**

## 3 DECLARATIONS OF CONFLICT OF INTEREST

None

## 4 CHAIRPERSON'S ANNOUNCEMENTS

None

## 5 LATE ITEMS OF URGENT BUSINESS

Response from HBRC – clear Mahanga outlet – Councillor J Harker (also declared conflict of interest)

## 6 PUBLIC PARTICIPATION

A maximum of 30 minutes has been set aside for members of the public to speak on any item on the agenda. Up to 5 minutes per person is allowed. As per Standing Order 14.14 requests to speak must be made to the meeting secretary at least one clear day before the meeting; however this requirement may be waived by the Chairperson.

## 7 MINUTES OF THE PREVIOUS MEETING

**RESOLUTION 2018/44**

Moved: His Worship the Mayor Craig Little
Seconded: Cr Denise Eaglesome-Karekare

That the minutes and confidential minutes of the Ordinary Meeting held on 24 July 2018 be confirmed.

**CARRIED**

## 8 GENERAL ITEMS

### 8.1 TARGA RALLY - ROAD CLOSURES

**RESOLUTION 2018/45**

Moved: Cr Jeremy Harker
Seconded: Cr Michael (Min) Johansen

That Council approve multiple road closures for the purpose of the New Zealand Silver Fern Rally 2018 (Club Targa Inc.) on Friday 30th November 2018.

**CARRIED**

### 8.2 MAYORAL GRANTS SCHEME POLICY

**RESOLUTION 2018/46**

Moved: Cr Denise Eaglesome-Karekare
Seconded: Cr Jeremy Harker

That Council adopt the Mayoral Grants Scheme Policy attached as Appendix 1 with a quarterly report to be received to Council.

**CARRIED**

### 8.3 CCTV POLICY REVIEW

**RECOMMENDATION**

That Council adopt the revised CCTV Policy attached as Appendix 1.

- be referred back to Governance Advisor & Policy Strategist seeking clarification on exemption on Council owned land.

### 8.4 MEETING SCHEDULE 2019

**RESOLUTION 2018/47**

Moved: Cr Denise Eaglesome-Karekare
Seconded: Cr Hine Flood

That Council receive the report and adopt the meeting schedule for 2019 in Appendix 1.

**CARRIED**

### 8.5 REMOVAL OF ARTS CENTRE BUILDING, MARINE PARADE

**RESOLUTION 2018/48**

Moved: Cr Hine Flood
Seconded: Cr Denise Eaglesome-Karekare

That Council receives the report and resolves to proceed with zero tender option for removal, with cost of up to $5,000.00 to remove remaining concrete and clear site.

**CARRIED**

## 9 RECEIPT OF MINUTES FROM COMMITTEES/ACTION SHEETS

Council discussed and resolved all the Committee Meeting Minutes will be moved and seconded as one resolution.

### 9.1 MINUTES OF FINANCE, AUDIT & RISK COMMITTEE MEETING - 26 JUNE 2018

**RESOLUTION 2018/49**

Moved: Cr Denise Eaglesome-Karekare
Seconded: Cr Hine Flood

That the:

1. Minutes of the Finance, Audit & Risk Committee Meeting held on Tuesday 26 June 2018 be received and the recommendations therein be adopted.
2. Minutes of the Finance, Audit & Risk Committee Meeting held on Tuesday 7 August 2018 be received and the recommendations therein be adopted.
3. Minutes of the Māori Standing Committee Meeting held on Thursday 9 August 2018 be received and the recommendations therein be adopted.
4. Minutes of the Infrastructure Committee Meeting held on Tuesday 29 May 2018 be received and the recommendations therein be adopted.
5. Minutes of the Infrastructure Committee Meeting held on Tuesday 21 August 2018 be

received and the recommendations therein be adopted.

6. Minutes of the Economic Development Committee Meeting held on Tuesday 19 June 2018 be received and the recommendations therein be adopted.

7. Minutes of the Economic Development Committee Meeting held on Tuesday 31 July 2018 be received and the recommendations therein be adopted.

**CARRIED**

**LATE ITEM – MAHANGA WATER ISSUES**

Councillor J Harker asked whether an update has been given regarding the meeting with Hawke's Bay Regional Council (HBRC) and also declared a conflict of interest regarding the wetlands at the back of Mahanga flows out by Happy Jacks Road, but has a restriction which is causing a higher than normal level in the wetlands and with heavy rain events can cause flooding.

Council will write a letter to HBRC for an update.

**10 PUBLIC EXCLUDED ITEMS**

**RESOLUTION TO EXCLUDE THE PUBLIC**

**RESOLUTION 2018/50**

Moved: Cr Denise Eaglesome-Karekare
Seconded: Cr Hine Flood

That the public be excluded from the following parts of the proceedings of this meeting at 2.36pm.

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

| **General subject of each matter to be considered** | **Reason for passing this resolution in relation to each matter** | Ground(s) under section 48 for the passing of this resolution |
|---|---|---|
| **Minutes of Public Excluded Finance, Audit & Risk Committee Meeting - 15 May 2018** | s6(a) – the making available of the information would likely to prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial. | s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7 |
| **Minutes of the Public Excluded Infrastructure Committee Meeting – 21 August 2018** | 27(2)(b)(ii),s7(c)(i),s7(2)(c)(ii),s7(2)(h) – the withholding of the information is necessary to | s48(1)(a)(i) - the public conduct |

| | | |
|---|---|---|
| | protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information; AND the withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied; AND the withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest; AND the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities. | of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7 |

**CARRIED**

**RESOLUTION 2018/51**

Moved: Cr Jeremy Harker
Seconded: Cr Michael (Min) Johansen

That Council moves out of Closed Council into Open Council at 3.38pm.

**CARRIED**

**The Meeting closed at 2.39 with a karakia by K Hammond.**

**The minutes of this meeting were confirmed at the Ordinary Council Meeting held on 16 October 2018.**

**.....**

**CHAIRPERSON**

**MINUTES OF WAIROA DISTRICT COUNCIL**
**EXTRAORDINARY COUNCIL MEETING**
**HELD AT THE COUNCIL CHAMBER, WAIROA DISTRICT COUNCIL, CORONATION SQUARE, WAIROA**
**ON TUESDAY, 25 SEPTEMBER 2018 AT 9AM**

**PRESENT:** His Worship the Mayor Craig Little (Mayor), Cr Denise Eaglesome-Karekare (Deputy Mayor), Cr Hine Flood, Cr Michael (Mike) Bird, Cr Jeremy Harker, Cr Michael (Min) Johansen, Cr Charles (Charlie) Lambert, Mr Kiwa Hammond, Mrs Whaiora Maindonald

**IN ATTENDANCE:** Steven May (Chief Executive Officer), Gary Borg (Chief Financial Officer), Kitea Tipuna (Economic Development & Engagement Manager), Charlotte Knight (Governance Advisor & Policy Strategist), Stuart Mutch (Ernest & Young – Audit Partner)

## 1 KARAKIA

Given by Mr K Tipuna

## 2 APOLOGIES FOR ABSENCE

**APOLOGY**

**RESOLUTION 2018/52**

Moved: His Worship the Mayor Craig Little
Seconded: Cr Michael (Min) Johansen

That the apologies received from Crs Flood and Lambert be accepted and leave of absence granted.

**CARRIED**

## 3 DECLARATIONS OF CONFLICT OF INTEREST

None.

## 4 PUBLIC PARTICIPATION

None.

## 5 GENERAL ITEMS

### 5.1 UPDATED REVENUE AND FINANCING POLICY

Clarification sought on changes to policy since initially adopted in 2002 – there have been minimal changes since then.

At 9:08 am, Mr Kiwa Hammond entered the meeting.

**RESOLUTION 2018/53**

Moved: His Worship the Mayor Craig Little
Seconded: Cr Jeremy Harker

That Council adopts the updated Revenue and Financing Policy attached for inclusion in the Long-term Plan 2018-28.

**CARRIED**

## 5.2 ADOPTION OF THE LONG-TERM PLAN 2018-28

Stuart Mutch presented the auditor's opinion on the document.

FAR Committee will do a review of the LTP process, conducted by the independent member with recommendations for consideration by Council.

**RESOLUTION 2018/54**

Moved: Cr Jeremy Harker
Seconded: Cr Denise Eaglesome-Karekare

That Council adopts the Long-term Plan 2018-28 attached as **Appendix 1**, receives the audit opinion and acknowledges that:

1. with reference to the statement of balanced budget contained on pages 239-241, that the budget for each of the ten years contains sufficient revenue to meet its projected operating expenses, and
2. the adoption of the Long-term Plan 2018-28 has not occurred within the statutory timeframe.

**CARRIED**

## 5.3 RESOLUTION TO SET RATES FOR THE YEAR COMMENCING 1 JULY 2018

Modified timeframe for installment due dates are included in Appendix 1.

- First quarter – 26 October
- Second quarter – 4 December

Penalties – will only apply to the installments for the third and fourth quarter.

Clarification sought on the 10% penalty amount.

**RESOLUTION 2018/55**

Moved: His Worship the Mayor Craig Little
Seconded: Cr Jeremy Harker

That Council set the rates under the Local Government (Rating) Act 2002 for the financial year commencing 1st July 2018 in accordance with the resolution attached as **Appendix 1**.

**CARRIED**

**Appendices**

1 Rates Resolution Detail

Closing karakia given by Mr K Tipuna.

**The Meeting closed at 9.31 a.m.**

**The minutes of this meeting were confirmed at the Ordinary Council Meeting held on 16 October 2018.**

**.....**

**CHAIRPERSON**

# 8 GENERAL ITEMS

## 8.1 QRS ANNUAL REPORT YEAR ENDED 30 JUNE 2018

**Author:** **Gary Borg, Chief Financial Officer**

**Authoriser:** **Steven May, Chief Executive Officer**

**Appendices:** **1. QRS Annual Report 2017-18** ⇩

### 1. PURPOSE

1.1 The purpose of this report is to present the Quality Roading and Services (Wairoa) Ltd (QRS) Annual Report for the year ended 30 June 2018.

**RECOMMENDATION**

The Chief Financial Officer RECOMMENDS that Council receives the QRS Annual Report 2017/18

### EXECUTIVE SUMMARY

### 2. BACKGROUND

2.1 The company's Board authorised the report, attached as Appendix 1, on 28 September 2018.

2.2 The company's Annual General Meeting (AGM) takes place on 16 October 2018. Representatives from QRS will attend the Council meeting.

2.3 Council received the company's Half Year Report 2017-18 at its meeting on 1 May 2018.

2.4 The report was delivered to Council on 1 October 2018, the day after the period prescribed by s67(1) of the Local Government Act 2002. The report complies with LGA s67(2) to s69.

2.5 A final dividend of $60,000 was also received on the day the report was delivered. This means that the total dividend paid in respect of the year ended 30 June 2018 was $110,000, exceeding budget by $10,000.

### Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,

b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

**Signatories**

| | |
|---|---|
| | |
| Author<br>Gary Borg | Approved by<br>Steven May |

# Annual report for the year ended 30 June 2018

# QUALITY ROADING AND SERVICES (WAIROA) LIMITED

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# QUALITY ROADING AND SERVICE (WAIROA) LIMITED

## DIRECTORY

**Directors**

Guy Gaddum (Chairman)
Wendie Harvey
Ian Redshaw
Tony Gray

**Registered Office**

Kaimoana Road
Wairoa

**Postal Address**

P O Box 83
Wairoa

Phone: (06) 838 9030
Fax: (06) 838 9049

**Auditor**

Stuart Mutch of Ernst & Young on behalf of the Auditor General

**Bankers**

ANZ Banking Group
Gisborne

**Solicitors**

Mr I R McDonald
Wairoa

# QUALITY ROADING AND SERVICES (WAIROA) LIMITED
# CHAIRMAN'S ANNUAL REPORT TO 30 JUNE 2018

## INTRODUCTION

The Directors of QRS are pleased to report an after-tax profit of $263,000 for the year ended 30 June 2018. This represents a significant turnaround in profitability with an after tax loss of ($152,000) reported for the year ended 30 June 2017.

## PRINCIPAL ACTIVITIES

Quality Roading and Services (Wairoa) Limited, incorporated in 1994, is wholly owned by the Wairoa District Council. The Company is a Council Controlled Trading Organisation of the Local Government Act 2002 and operates under the Companies Act 1993, as defined in Section 6 of the Local Government Act 2002.

The principal activities for the company are civil construction and road maintenance activities. Other work includes reserves maintenance, waste collection and disposal, quarrying and a variety of private sector civil works.

## RESULTS AND DISTRIBUTIONS

Total revenue (including interest and other operating income) was $15,800,000 ($13,300,000 – last year) and costs were $15,432,000 ($13,510,000 – last year) producing an operating profit after net financing costs and before tax of $368,000 ($210,000 loss – last year).

The dividend payable to our Shareholder, the Wairoa District Council for the 12 months ending 30 June 2018, is declared at $110,000 ($50,000 – last year).

## FINANCIAL POSITION

Shareholder's funds of the Company at 30 June 2018 was represented by:

| | |
|---|---|
| Current Assets | 4,866,000 |
| Less Current Liabilities | (3,315,000) |
| | 1,551,000 |
| Plus Non Current Assets | 5,555,000 |
| Less Term Liabilities | (1,164,000) |
| Total Shareholder's Funds | $5,942,000 |

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Target | Actual | Target | Actual |
| Return on Equity (Pre Tax) | 6.0% | 6.4% | 8.9% | -3.5% |
| Equity Ratio (shareholders funds % of total assets | >45% | 57.0% | >45% | 57.9% |
| Positive working capital ratio at year end | >1 | 1.5 | >1 | 1.4 |
| Cost of Debt Servicing/Revenue | <20% | 0.7% | <20% | 0.9% |

Pleasingly, and as shown in the attached table, the company has achieved all of its targets as outlined in the Statement of Corporate Intent agreed with our shareholder the Wairoa District Council.

**REVIEW OF OPERATIONS**

FY 2018 has seen a significant positive turnaround for QRS in a number of areas. Following the loss of FY 2017, the company intiated a wide ranging review of structure and operations. This resulted in a company restructure that trimmed close to $300k off our overhead and positioned key staff into areas where the company was not achieving its strategic goals.

Operational highlights of note this year include:

- **Unsealed Road Maintenance Contract** with Wairoa District Council. This Outcomes based contract has continued to evolve as both parties seek better and more efficient ways to manage the districts roading infrastructure assets. Challenges around things such as an increased forestry demand for the network as well as more frequent storm events continue to provide QRS staff with opportunites to showcase their local knowledge and commitment coupled with their technical skill. This contract is currently up for renewal and QRS is actively working with WDC staff to keep this contract local.
- **Higgins Network Outcomes Contract**. QRS continue to be the primary sub contract service provider to Higgins in their execution of this contract. It sees QRS staff ranging from the Whareratas in the north to Eskdale in the south working on SH2.
- **Forestry**. QRS is starting to see an increased demand from this sector for not only aggregate but also the unsealed road maintenance and construction skills that the company possesses. With forestry set to become a signnificant contributor to the local economy over the next decade QRS continues to position itself to take advantage of this opportunity.
- **Waitahora Bridge Replacement**. Receiving nationwide media coverage for the seamless execution, this bridge was replaced in record time due to some outstanding project management and teamwork.
- **NZTA Saferoads**. This $8 million contract was won in December 2017 and is the largest single contract ever won by the company. As much as underpinning our budget aspirations for the year, it highlights a growing maturity in the company as it moves from being a locally based contractor to a contractor able to operate at a national level for a national body.
- **The Company** strealined it's management structure and has focussed on improving productivity.

QRS continued its strong support of the local community through $64,000 worth of sponsorship to such things as the Gaiety Theatre, local events, schools and Maraes.

There continues to be a heightened focus on risk management across the whole company, especially in light of recent high profile incidents with other contracting companies where risk has not adequately been managed and priced. Recent adoption of industry standard Risk as well as Health and Safety management

systems has allowed QRS management to better define, measure, and manage risk across all company divisions.

Directors have been attending staff safety meetings on a regular basis and this has provided a good opportunity for all to gain a better understanding of the risks and challenges facing the company as well as collaboratively working together to solve them.

Health and Safety continues to be a strong focus for the company and we are justifiably proud of developments in culture, as well as general Health Safety and Environmental performance by our committed staff.

## STAFF

QRS is still the second largest employer in the Wairoa District and the largest consistent employer with 95 staff employed at June 30th 2018. We have spent the 2018 financial year continuing to invest in our staff with training and personal development plans developed for all full time employees.

Wages totaling $6.2 million were paid during the year and where possible QRS sought to employ and develop local subcontractors.

The board expresses its sincere gratitude to the many committed staff who are the company.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There are no significant changes in company affairs since balance date.

## DIRECTORS

I want to thank my fellow directors Wendie Harvey, Tony Gray, and Ian Redshaw for their energy, enthusiasm, and commitment to the company. All directors have worked hard this year in support of management to turn the company around from the loss of 2017.

The complimentary skill set bought to the table by directors has allowed for robust boardroom discussion and critical analysis of all facets of company operations and strategy to assist QRS staff to deliver the result it has.

Guy Gaddum
QRS Chairman
28 September 2018

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
STATUTORY INFORMATION
FOR THE YEAR ENDED 30 JUNE 2018

## Directors

The following persons held office as directors during the year.

Guy Gaddum (Chairman)
Wendie Harvey
Ian Redshaw
Tony Gray

## Directors Interests and Transactions

**Guy Gaddum**

| | | |
|---|---|---|
| Anchorage Contractors (2007) Ltd | Director / Shareholder | |
| Spinergy Properties Ltd | Director / Shareholder | |
| Y-Wury Investments Ltd | Director / Shareholder | Terminated 01.03.2018 |
| Gaddum Construction Ltd | Director / Shareholder | |
| FICA (Forestry Industry Contractors Association) | Board Member, Deputy Chair | |
| Partridge Heavy Haulage Ltd | Owner / Shareholder | |

**Wendie Harvey**

| | | |
|---|---|---|
| EBS Ltd | Director | |
| Brickell Family Trust | Trustee | |
| Centralines Ltd | Director | |
| Port of Napier Ltd | Director | |
| Hawkes Bay Airport Ltd | Director | |
| Electrical Training Co Ltd | Director | |
| NZ Gambling Commission | Commissioner | |
| EIT | Council Member | |

**Ian Redshaw**

| | | |
|---|---|---|
| Red Circle Wholesale Ltd | Director | |

**Tony Gray**

| | | |
|---|---|---|
| Hastings District Council | Executive Project Advisor (part time) | |
| Ngati Pukenga Investments Ltd | Director, Chair | |
| Origin Earth Ltd | Advisory Board Member | Terminated 19.06.2018 |
| Eastland Group Ltd | Director, Chair - Audit & Finance Committee | |
| Eastland Port Ltd | Director | |
| Gisborne Airport Ltd | Director | |
| Eastland Network Ltd | Director | |
| Civic Financial Services Ltd | Director, Risk & Audit Committee Member | |
| Maungaharuru Tangitu Ltd | Director, Audit & Risk Committee Member | |
| Mutual Fund Trustees Ltd | Trustee | |
| Artemis Nominess Ltd | Director | |
| Nga Wariki Ngati Apa Developments Ltd | Director, Audit & Risk Committee Member | |

## Share dealings with Directors

No director has sold or acquired shares in the company during the year.

## Loans to Directors

No loans have been made to directors.

**Directors Remuneration**

The following amounts of Remuneration were paid:-

| | |
|---|---|
| G E Gaddum | $50,860 |
| W N Harvey | $29,000 |
| I C Redshaw | $21,000 |
| A T Gray | $21,000 |

**Directors Indemnity and Insurance**

The company has insured all its directors against liabilities to other parties that may arise from their position as directors. The insurance does not cover liabilites arising from criminal actions.

**Employees' Remuneration**

During the year, the following number of employees received total remuneration and other benefits between:

| | |
|---|---|
| One Employee | $200,001 and $210,000 |
| One Employee | $160,001 and $170,000 |
| One Employee | $150,001 and $160,000 |
| Two Employee | $120,001 and $130,000 |
| One Employee | $100,001 and $110,000 |

**Donations / Sponsorship**

Donations/sponsorship made during the year was $64,418. Recipients of over $2,000 were:

- Gaiety Theatre
- Mountain Bike Park
- Wairoa Racing Club
- Wairoa Athletic Football
- Life Education Trust
- Wairoa District Schools Kapahaka Cultural Festival

**Auditors Remuneration**

During the year the following amount was paid to Ernst & Young on behalf of the Auditor General

| | |
|---|---|
| For Audit work including disbursements | $60,391 |

**Description of the Business**

Quality Roading and Services (Wairoa) Limited is a Council Controlled Trading Organisation principally involved in civil construction and road maintenance activities. Other work includes reserves maintenance, waste collection and disposal, and a variety of private sector civil works.

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## INDEPENDENT AUDITOR'S REPORT

### TO THE READERS OF QUALITY ROADING AND SERVICES (WAIROA) LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2018

The Auditor-General is the auditor of Quality Roading and Services Limited (the company). The Auditor-General has appointed me, Stuart Mutch, using the staff and resources of Ernst & Young,to carry out the audit of the financial statements and performance information of the company on his behalf.

**Opinion**

We have audited:

- the financial statements of the company on pages 11 to 14 and 16 to 27 that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes 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; and
- the performance information of the company on page 15.

In our opinion:

- the financial statements of the company on pages 11 to 14 and 16 to 27:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2018; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the company on page 15 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2018.

Our audit was completed on 28 September 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

**Basis for our opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

**Responsibilities of the Board of Directors for the financial statements and the performance information**

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

**Responsibilities of the auditor for the audit of the financial statements and the performance information**

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit 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 company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

**Other Information**

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 3 to 8, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Independence**

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and

Ethical Standard 1(Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

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

Stuart Mutch
Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand

## QUALITY ROADING AND SERVICES (WAIROA) LIMITED
## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 JUNE 2018

| | Notes | 2018 $ | 2017 $ |
|---|---|---|---|
| Revenue | | 15,822,762 | 13,458,610 |
| Cost of Sales | | 6,647,909 | 5,679,982 |
| **Gross Profit** | | 9,174,853 | 7,778,628 |
| Personnel Expenses | 2 | 6,523,125 | 6,156,887 |
| Depreciation Expense | 11 | 981,979 | 973,894 |
| Administrative Expenses | | 754,703 | 570,043 |
| Other Operating Expenses | 1 | 429,019 | 171,442 |
| | | 8,688,826 | 7,872,266 |
| **Operating Profit/(Deficit) Before Net Financing Costs** | | 486,027 | (93,638) |
| Financing Income | | 572 | 2,255 |
| Financing Expenses | | (118,522) | (118,871) |
| **Net Financing Costs** | | (117,950) | (116,616) |
| **Profit/(Deficit) Before Income Tax** | | 368,077 | (210,254) |
| **Income Tax (Expense) / Benefit** | 10 | (105,121) | 58,593 |
| **Profit/(Deficit) For The Year** | | 262,956 | (151,661) |
| **Other Comprehensive Income** | | - | - |
| **Total Comprehensive Income/(Deficit) for the Year** | | 262,956 | (151,661) |

*The accompanying accounting policies and notes form part of these financial statements.*

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

| | Notes | 2018 $ | 2017 $ |
|---|---|---|---|
| EQUITY AT BEGINNING OF THE YEAR | | 5,729,086 | 6,020,747 |
| Profit/(Deficit) for the year | | 262,956 | (151,661) |
| Total recognised revenues and expenses for the year | | 262,956 | (151,661) |
| Other comprehensive income | | - | - |
| Total comprehensive income for the period | | - | - |
| Transactions with owners in their capacity as owners: | | | |
| Dividends Paid | 9 | (50,000) | (140,000) |
| EQUITY AT THE END OF THE YEAR | 9 | 5,942,042 | 5,729,086 |

*The accompanying accounting policies and notes form part of these financial statements.*

## QUALITY ROADING AND SERVICES (WAIROA) LIMITED
## STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2018

| | Notes | 2018 $ | 2017 $ |
|---|---|---|---|
| **ASSETS:** | | | |
| **Current Assets** | | | |
| Bank | | 1,716,486 | 612,234 |
| Trade and Other Receivables | 5 | 2,334,857 | 3,013,244 |
| Inventories | 4 | 815,365 | 636,033 |
| Taxation Refundable | | - | 40,194 |
| **Total Current Assets** | | 4,866,708 | 4,301,705 |
| **Non Current Assets** | | | |
| Deferred Tax | 10 | 351,014 | 351,500 |
| Intangible Assets | 12 | 200,806 | 256,349 |
| Property, Plant and Equipment | 11 | 5,003,046 | 4,979,936 |
| **Total Non Current Assets** | | 5,554,866 | 5,587,785 |
| **TOTAL ASSETS** | | 10,421,574 | 9,889,490 |
| **EQUITY:** | | | |
| Share Capital | 9 | 1,250,000 | 1,250,000 |
| Retained Earnings | 9 | 4,692,042 | 4,479,086 |
| **TOTAL EQUITY** | | 5,942,042 | 5,729,086 |
| **LIABILITIES:** | | | |
| **Current Liabilities** | | | |
| Income in Advance | | 374,693 | - |
| GST Payable | | 211,604 | 225,223 |
| Trade and Other Payables | 6 | 975,520 | 1,071,955 |
| Employee Benefits | 7 | 742,302 | 684,487 |
| Interest-Bearing Loans and Borrowings | 8 | 986,663 | 1,021,154 |
| Taxation Payable | | 24,270 | - |
| **Total Current Liabilities** | | 3,315,052 | 3,002,819 |
| **Non Current Liabilities** | | | |
| Employee Benefits | 7 | 44,505 | 46,409 |
| Quarry Aftercare Provision | 15 | 155,886 | 143,437 |
| Interest-Bearing Loans and Borrowings | 8 | 964,089 | 967,739 |
| **Total Non Current Liabilities** | | 1,164,480 | 1,157,585 |
| **TOTAL LIABILITIES** | | 4,479,532 | 4,160,404 |
| **TOTAL EQUITY AND LIABILITIES** | | 10,421,574 | 9,889,490 |

For and on behalf of the Board, who authorised the issue of these financial statements on 28 September 2018

Director Director

*The accompanying accounting policies and notes form part of these financial statements.*

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2018

| | Notes | 2018 $ | 2017 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Cash was provided from:** | | | |
| Receipts from Customers | | 16,501,149 | 12,449,983 |
| Financing Income | | 572 | 2,255 |
| | | 16,501,721 | 12,452,238 |
| **Cash was disbursed to:** | | | |
| Payments to Suppliers | | 7,942,238 | 5,548,985 |
| Payments to Employees | | 6,203,054 | 6,106,866 |
| Taxes Paid | | 40,172 | 66,529 |
| Financing Expense | | 118,522 | 118,871 |
| | | 14,303,986 | 11,841,251 |
| Net Cash Inflow/(Outflow) from Operating Activities | 13 | 2,197,735 | 610,987 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| **Cash was provided from:** | | | |
| Proceeds from Sale of Property, Plant and Equipment | | 64,152 | 88,770 |
| | | 64,152 | 88,770 |
| **Cash was applied to:** | | | |
| Purchase of Property, Plant and Equipment | | 1,069,494 | 1,440,363 |
| Purchase of Intangibles | | - | 99,261 |
| | | 1,069,494 | 1,539,624 |
| Net cash Inflow/(Outflow) from Investing Activities | | (1,005,342) | (1,450,854) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| **Cash was provided from:** | | | |
| Loans and Borrowings | | 673,307 | 967,317 |
| | | 673,307 | 967,317 |
| **Cash was applied to:** | | | |
| Payment of Dividends | | 50,000 | 140,000 |
| Loans and Borrowings | | 711,447 | 516,613 |
| | | 761,447 | 656,613 |
| Net Cash Inflow/(Outflow) from Financing Activities | | (88,140) | 310,704 |
| **Net Increase / (Decrease) in Cash Held** | | 1,104,253 | (529,163) |
| Add Opening Cash and Cash Equivalents | | 612,233 | 1,141,396 |
| **Closing Cash and Cash Equivalents** | | 1,716,486 | 612,233 |
| **Cash Balances in the Statement of Financial Position** | | | |
| Cash / (Overdraft) | | 1,716,486 | 612,233 |
| **CLOSING CASH AND CASH EQUIVALENTS** | | 1,716,486 | 612,233 |

*The accompanying accounting policies and notes form part of these financial statements.*

## QUALITY ROADING AND SERVICES (WAIROA) LIMITED
## STATEMENT OF PERFORMANCE MEASURES
## FOR THE YEAR ENDED 30 JUNE 2018

Specific measures of performance stated and defined within the Statement of Intent are.

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Target | Actual | Target | Actual |
| Return on Equity (Pre Tax) | 6.0% | 6.4% | 8.9% | -3.5% |
| Equity Ratio (shareholders funds as % of total assets) | >45% | 57.0% | >45% | 57.9% |
| Positive working capital ratio at year end | >1 | 1.5 | >1 | 1.4 |
| Cost of Debt Servicing/Revenue | <20% | 0.7% | <20% | 0.9% |

A positive working capital ratio has been maintained throughout the year.

**Reporting Entity**

Quality Roading and Services (Wairoa) Limited ("QRS") is incorporated and domiciled in NZ and is wholly owned by the Wairoa District Council. The Company is a Council Controlled Trading Organisation as defined in Section 6 of the Local Government Act 2002.

The principal activities for the company are Roading Maintenance and Construction, Reserves Maintenance, Quarrying, Heavy Transport, Civil Construction, Lime Production and Utility Services within the Wairoa District and wider East Coast Region.

**Basis of preparation**

The financial statements have been prepared in acccordance with generally accepted accounting practice in New Zealand (NZ GAAP) and the requirements of the Companies Act 1993 , Financial Reporting Act 2013 and the Local Government Act 2002. The financial statements have also been prepared on a historical cost basis except where specifically provided for within these financial statements. The financial statements are presented in New Zealand dollars.

**Statement of compliance**

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to IFRSs and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities in tier 2 (NZ IFRS RDR).

The company is eligible to report in accordance with Tier 2 for profit accounting standards on the basis that it does not have public accountability and is not a large for profit public sector entity.

**Accounting Policies**

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

a) **Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Specifically, revenue on contracts is recognised progressively over the period of each contract. The amount included in the Statement of Comprehensive Income, and the value of the contract work in progress, are established by assessment of individual contracts taking into account the proportion of work completed, cost analysis and estimated final results.

Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent of the expenses recognised which are recoverable.

b) **Expenses**

Expenses shown in the Statement of Comprehensive Income comprise the amounts paid and payable by the Company for completed contracts for the supply from suppliers of goods and services in the ordinary course of business.

c) **Borrowing costs**

Borrowing costs are recognised as an expense when incurred.

d) Goods and Services Tax

The Financial Statements have been prepared exclusive of goods and services tax (GST) with the exception of receivables and payables which are stated with GST included. Where GST is irrecoverable as an input tax, it is recognised as part of the related asset or expense.

e) Employee Benefits

Provision is made in respect of the Company's liability for annual leave, sick leave, long service leave and retirement gratuities.

The provision for sick leave is based on the additional amount that the company expects to pay as a result of the unused entitlement that has accumulated at balance date.

The provision for gratuities is based on the number of weeks the employee will be paid at retirement, the expected pay rate along with the probability of the employee still being employed by QRS at retirement age.

The provision for long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Expected future payments for gratuities and long service leave are discounted using market yields at the reporting date.

Defined Contribution Pension Plan obligations are recognised as an expense in the Statement of Comprehensive Income as incurred.

f) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

While discounting is used, the increase in the provision due to the passage of time is recognised as a financing cost.

g) Taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except when the deferred income tax asset relating to the deductible temporary difference arised from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

**h) Accounts Receivable**

Accounts Receivable are recognised initially at fair value and subsequently at amortised cost less an allowance for any uncollectable amounts.

An estimate for doubtful debts is made when collection of the amount is no longer probable. Bad debts are written off when identified.

**i) Cash and Cash Equivalents**

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

**j) Inventories**

Inventories are valued on the basis of the lower of cost, determined on a first-in, first-out basis, and net realisable value.

**k) Property, Plant and Equipment**

Property, Plant and Equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the property plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred. There are six classes of Property, Plant and Equipment:

a.) Freehold Land
b.) Quarries
c.) Freehold Buildings
d.) Plant, Equipment and Motor Vehicles
e.) Office Equipment and Furniture
f.) Computer Hardware

The quarry asset class includes all development costs in relation to the Tangihanga Joint arrangement, accounted for by QRS in accordance with accounting policy (s).

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

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

Impairment losses are recognised in the Income Statement in other operating expenses.

l) **Depreciation**

Depreciation is calculated to allocate the cost less estimated residual value of property, plant and equipment over their estimated useful lives.

Depreciation is provided on a straight line basis on Freehold Buildings and Quarries. Freehold Land is not depreciated.

Plant, Equipment and Motor Vehicles, Office Equipment and Furniture, and Computer Hardware are depreciated using the diminishing value method

The rates for major classes of assets have been estimated as follows:

| | | |
|---|---|---|
| a.) | Quarries | (3.3 % Straight Line) |
| b.) | Freehold Buildings | (3.3 % Straight Line) |
| c.) | Plant, Equipment & Motor Vehicles | (20 % Diminishing Value) |
| d.) | Office Equipment and Furniture | (20 % Diminishing Value) |
| e.) | Computer Hardware | (48 % Diminishing Value) |

Depreciation is calculated on a monthly basis from the date of acquisition. The assets useful lives, residual values and depreciation method are reviewed at least every financial year.

m) **Intangible Assets**

Intangible assets acquired separately are capitalised at cost. Following initial recognition, the cost model is applied to all classes of intangible assets.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.
The amortisation of the software class of intangible assets has been estimated at 20%-48% diminishing value, depending on the nature of the software.

n) Statement of Cash Flows

Operating activities include cash received from all income sources of the Company and records the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt capital structure of the Company.

o) Interest-Bearing Loans and Borrowings

All loans and borrowings are initially recognised at fair value net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

p) Trade and Other Payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the end of the financial year that are unpaid and arise when QRS becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

q) Financial Instruments

Financial instruments are recognised in the Balance Sheet when QRS becomes party to a financial contract. They include cash balances, bank overdrafts, receivables, payables and term borrowings. All revenues and expenses in relation to the financial instruments are recognised in the Income Statement.

r) Leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating surplus in equal instalments over the lease term.

s1) Joint Arrangements

QRS have a joint arrangement with Wi Pere Trust at the Tangihanga Quarry. A joint arrangement is an arrangment over which two parties or more have joint control. Joint control is the contractually agreed sharing of control over an arrangment which exists only when the decisions about the relevant activities (being those that signicantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. QRS's joint arrangement is a joint operation.

A joint operation is a type of joint arrangement in which the parties with joint control of the arrangement have the rights to the assets and obligations for the liabilities relating to the arrangment.

In relation to its interest in the joint operation, the financial statement for QRS includes:
- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

All such amounts are measured in accordance with the terms of each arrangement which are in proportion to QRS's interest in the joint operation.

s2) **Tangihanga Joint Arrangement Impairment Test**

QRS recognise $469,740 as it's share of development costs of the Tangihanga joint arrangement as at 30 June 2018.
As a separate cash generating unit this has been impairment tested giving assurance to the board's expectations around the following key areas:

- Revenue
- Costs
- Timing

The assumptions are based on known production capacity, market demand on published forestry information and market pricing basec on current rates achieved by competitors in the market which ranged from $21-$49.
Production costs are based upon a current model for a fully owned quarry site by QRS.
Discounted cashflow over 5 years with a terminal value and growth rate of 2% has been completed.

t) **Significant Accounting Judgements, Estimates and Assumptions**
**Quarry Aftercare Make good provisions**

A provision has been made for the present value of anticipated costs of future restoration of quarry sites. The provision includes future cost estimates associated with quarry aftercare. The calculation of this provision requires assumptions such as application of environmental legislation and life of metal extraction from each quarry site. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting both the expense or asset (if applicable) and provision.

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

## 1 OTHER OPERATING EXPENSES

| | | 2018 $ | 2017 $ |
|---|---|---|---|
| Auditors remuneration including disbursements | | 60,391 | 59,519 |
| Directors fees | | 121,860 | 94,846 |
| Impairment of trade receivables (bad and doubtful debts) | | (2,627) | 5,755 |
| Loss on disposal of property plant and equipment | | 17,813 | 4,819 |
| Gain on disposal of property plant and equipment | | (17,560) | (77,908) |
| Amortisation of intangibles | | 55,543 | 53,652 |
| Lease payments - operating lease | | 177,939 | 7,919 |
| - rental costs | | 15,661 | 22,840 |
| | | 429,019 | 171,442 |

## 2 PERSONNEL EXPENSES

| | | | |
|---|---|---|---|
| Wages and salaries | | 6,220,850 | 5,871,466 |
| Long-service leave | | (929) | 6,307 |
| Sick leave | | 123,834 | 116,136 |
| Gratuities | | 4,299 | 1,128 |
| Contribution to defined contribution plans | | 175,071 | 161,850 |
| | | 6,523,125 | 6,156,887 |

## 3 OPERATING LEASES

**Leases as lessee**

Non-cancellable operating lease rentals are payable as follows:

| | | | |
|---|---|---|---|
| Not later than one year | | 107,352 | 6,084 |
| Later than one year and not later than five years | | 47,468 | 12,179 |
| | | 154,820 | 18,263 |

## 4 INVENTORIES

| | | | |
|---|---|---|---|
| Metal Stocks | | 535,548 | 429,918 |
| Other Supplies | | 117,312 | 113,003 |
| Work in Progress | | 162,505 | 93,112 |
| | | 815,365 | 636,033 |

Some inventories are subject to retention of title clauses. Work in progress is held at cost.

## 5 TRADE AND OTHER RECEIVABLES

| | | | |
|---|---|---|---|
| Trade Debtors | | 1,024,163 | 1,096,624 |
| Wairoa District Council | 17 | 1,181,382 | 1,538,365 |
| Provision for Doubtful Debts | | (3,798) | (7,216) |
| Retentions | | 114,338 | 362,715 |
| Prepayments | | 18,772 | 22,756 |
| | | 2,334,857 | 3,013,244 |

## 6 TRADE AND OTHER PAYABLES

| | | | |
|---|---|---|---|
| Trade Creditors | | 891,599 | 601,000 |
| Other | | 83,921 | 470,955 |
| | | 975,520 | 1,071,955 |

| | 2018 $ | 2017 $ |
|---|---|---|
| **7 EMPLOYEE BENEFITS** | | |
| Long-service Leave | 27,587 | 30,157 |
| Annual Leave | 411,801 | 396,377 |
| Sick Leave | 11,716 | 15,678 |
| Gratuities | 41,630 | 37,331 |
| Time In Lieu | 179,674 | 131,646 |
| Accrued Pay | 114,399 | 119,707 |
| | 786,807 | 730,896 |
| **Made up of:-** | | |
| Current | 742,302 | 684,487 |
| Non-current | 44,505 | 46,409 |
| | 786,807 | 730,896 |
| **8 INTEREST BEARING LOANS AND BORROWINGS** | | |
| **UDC Term Loan** | 1,170,392 | 1,081,851 |
| Less Current portion | (451,893) | (370,338) |
| | 718,499 | 711,513 |
| Interest Rate | 6.00% | 6.00% |
| **UDC Current Account** | 317,730 | 497,730 |
| Less Current portion | (317,730) | (497,730) |
| | - | - |
| **Porter Finance Limited** | 135,250 | 163,479 |
| Less Current portion | (34,396) | (28,230) |
| | 100,854 | 135,249 |
| Interest Rate | 11.00% | 11.00% |
| **ANZ Term Loan** | 45,502 | 152,366 |
| Less Current portion | (45,502) | (100,608) |
| | 0 | 51,758 |
| Interest Rate | 6.47% | 6.47% |
| **ANZ Term Loan** | 212,659 | - |
| Less Current portion | (109,819) | - |
| | 102,840 | - |
| Interest Rate | 6.25% | |
| **Mills Tui** | 69,219 | 93,467 |
| Less Current portion | (27,323) | (24,248) |
| | 41,896 | 69,219 |
| Interest Rate | 12.00% | 12.00% |
| **Made up of:** | | |
| Current | 986,663 | 1,021,154 |
| Non-Current | 964,089 | 967,739 |
| | 1,950,752 | 1,988,893 |

QUALITY ROADING AND SERVICES (WAIROA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2018

| 9 EQUITY | 2018 $ | 2017 $ |
|---|---|---|
| **(a) Share Capital** | | |
| Opening balance | 1,250,000 | 1,250,000 |
| **Closing Balance** | 1,250,000 | 1,250,000 |

At 30 June the company had issued 1,250,000 shares which are fully paid. All shares carry equal voting rights and the right to share in any surplus on winding up the company. None of the shares carry fixed dividend rights. The shares do not have a par value.

| **(b) Retained Earnings** | | |
|---|---|---|
| Retained earnings at 1 July | 4,479,086 | 4,770,747 |
| Net operating surplus | 262,956 | (151,661) |
| Interim Dividend | (50,000) | (50,000) |
| Final Dividend | - | (90,000) |
| **Retained earnings at 30 June** | 4,692,042 | 4,479,086 |

| 10 TAXATION | | |
|---|---|---|
| Profit before taxation | 368,077 | (210,254) |
| Prima facie taxation / benefit @ 28% (2017: 28%) | 103,061 | (58,871) |
| Plus taxation effect of permanent differences: | | |
| - Non deductible expenses | 2,060 | 278 |
| Income tax expense | 105,121 | (58,593) |
| **Major components of taxation expense are:** | | |
| Current taxation | 104,635 | (34,006) |
| Deferred taxation | | |
| Origination and reversal of temporary differences | (24,100) | (24,587) |
| Utilisation of tax losses | 24,586 | - |
| | 105,121 | (58,593) |

| Deferred Income Tax at 30 June relates to the following | Balance Sheet 2018 | Balance Sheet 2017 | Income Statement 2018 | Income Statement 2017 |
|---|---|---|---|---|
| **Deferred tax liabilities** | | | | |
| Contract retentions | 32,014 | 86,271 | 54,256 | 6,031 |
| Future Amortisation | 23,301 | 14,318 | (8,983) | (8,920) |
| Gross Deferred Tax Liabilities | 55,315 | 100,589 | 45,273 | (2,889) |
| **Deferred tax assets** | | | | |
| Doubtful debts | - | 2,020 | (2,020) | 1009 |
| Provisions | | | | |
| Annual leave | 98,238 | 97,824 | 414 | 8,683 |
| Staff gratuities | 11,656 | 10,453 | 1,204 | (9,486) |
| Sick Leave | 3,280 | 4,390 | (1,109) | (1,409) |
| Time in lieu | 46,265 | 34,165 | 12,100 | 13,035 |
| Long service leave | 7,724 | 8,388 | (664) | 1,194 |
| Aftercare | 43,648 | 40,162 | 3,486 | (3,221) |
| ACC premiums | 9,928 | 7,655 | 2,273 | 1,270 |
| Recognised tax losses | 0 | 24,586 | (24,586) | 24,586 |
| Maintenance Accruals | 3,360 | 68,934 | (65,574) | 68,935 |
| Construction Accruals | 3,500 | 13,098 | (9,599) | (19,003) |
| Future depreciation | 178,730 | 140,414 | 38,316 | (24,111) |
| Deferred Tax Assets | 406,329 | 452,089 | (45,759) | 61,482 |
| **Net deferred tax assets** | 351,014 | 351,500 | | |
| **Deferred tax income/(expense)** | | | -486 | 58,593 |

## 11 PROPERTY, PLANT AND EQUIPMENT

| 2018 Cost | Land | Quarries | Buildings | Plant & Machinery | Fixtures, fittings & equipment | Computer Hardware | Total |
|---|---|---|---|---|---|---|---|
| Balance at 1 July | 29,433 | 371,151 | 525,400 | 13,776,814 | 597,150 | 429,281 | 15,729,229 |
| Additions | - | 132,580 | 94,935 | 718,575 | 109,312 | 14,092 | 1,069,494 |
| Disposals | - | - | - | (316,967) | - | - | (316,967) |
| Balance at 30 June | 29,433 | 503,731 | 620,335 | 14,178,422 | 706,462 | 443,373 | 16,481,756 |
| **Depreciation and Impairment Losses** | | | | | | | |
| Balance at 1 July | - | 14,428 | 320,206 | 9,770,321 | 278,406 | 365,932 | 10,749,293 |
| Depreciation for the year | - | 37,500 | 25,571 | 798,951 | 88,775 | 31,182 | 981,979 |
| Disposals | - | - | - | (252,562) | | | (252,562) |
| Balance at 30 June | - | 51,928 | 345,777 | 10,316,710 | 367,181 | 397,114 | 11,478,710 |
| **Carrying Amounts** | | | | | | | |
| At 1 July | 29,433 | 356,723 | 205,194 | 4,006,492 | 318,744 | 63,349 | 4,979,935 |
| At 30 June | 29,433 | 451,803 | 274,558 | 3,861,711 | 339,281 | 46,259 | 5,003,046 |

| 2017 Cost | Land | Quarries | Buildings | Plant & Machinery | Fixtures, fittings & equipment | Computer Hardware | Total |
|---|---|---|---|---|---|---|---|
| Balance at 1 July | 29,433 | 269,509 | 519,130 | 12,866,913 | 522,072 | 409,822 | 14,616,879 |
| Additions | | 101,642 | 6,270 | 1,229,741 | 81,010 | 21,700 | 1,440,363 |
| Disposals | | | | (319,840) | (5,932) | (2,241) | (328,013) |
| Balance at 30 June | 29,433 | 371,151 | 525,400 | 13,776,814 | 597,150 | 429,281 | 15,729,229 |
| **Depreciation and Impairment Losses** | | | | | | | |
| Balance at 1 July | - | 8,879 | 303,816 | 9,239,356 | 216,038 | 319,642 | 10,087,731 |
| Depreciation for the year | | 5,549 | 16,390 | 840,558 | 64,477 | 46,920 | 973,894 |
| Disposals | - | - | - | (309,593) | (2,109) | (630) | (312,332) |
| Balance at 30 June | - | 14,428 | 320,206 | 9,770,321 | 278,406 | 365,932 | 10,749,293 |
| **Carrying Amounts** | | | | | | | |
| At 1 July | 29,433 | 260,630 | 215,314 | 3,627,557 | 306,034 | 90,180 | 4,529,148 |
| At 30 June | 29,433 | 356,723 | 205,194 | 4,006,492 | 318,744 | 63,349 | 4,979,935 |

## 12 INTANGIBLE ASSETS

| Cost | 2018 | 2017 |
|---|---|---|
| Balance at 1 July | 668,833 | 569,572 |
| Additions | - | 99,261 |
| Balance at 30 June | 668,833 | 668,833 |
| **Amortisation and Impairment Losses** | | |
| Balance at 1 July | 412,484 | 358,832 |
| Amortisation for the year | 55,543 | 53,652 |
| Balance at 30 June | 468,027 | 412,484 |
| **Carrying Amounts** | | |
| At 1 July | 256,349 | 210,740 |
| At 30 June | 200,806 | 256,349 |

**Security**
UDC term loans are secured over various plant items financed through the loan facility to the value of $1,739,187 (2017 $1,935,123).

**Capital Commitments**
At balance date, the company had a capital commitment of $443,746 for a Transport Trailer, Water Tanker and 20 Tonne Excavator (2017:Nil)

## 13 RECONCILIATION OF NET OPERATING PROFIT AFTER TAXATION WITH CASH INFLOW FROM OPERATING ACTIVITIES

| | 2018 $ | 2017 $ |
|---|---|---|
| Reported net operating profit after taxation | 262,956 | (151,661) |
| Add back non-cash items: | | |
| Depreciation | 981,979 | 973,894 |
| Amortisation | 55,544 | 53,652 |
| (Increase)/Decrease in Deferred Taxation | 486 | (58,593) |
| Increase/(Decrease) in Employee Benefits | (1,905) | (16,474) |
| Increase/(Decrease) in Quarry Aftercare Provision | 12,449 | (11,506) |
| | 1,311,509 | 789,312 |
| **Add back items classified as investment activities:** | | |
| Net loss on sale of Property, Plant and Equipment | 17,813 | 4,819 |
| Gain on sale of Property, Plant and Equipment | (17,560) | (77,908) |
| | 253 | (73,089) |
| Movements in Working Capital: | | |
| (Increase)/Decrease in Receivables & Prepayments | 678,387 | (1,006,361) |
| (Increase)/Decrease in Inventories | (179,332) | 703,470 |
| Increase/(Decrease) in Trade and Other Payables and GST | 264,639 | 197,689 |
| Increase/(Decrease) in Employee Benefits | 57,816 | 66,495 |
| Increase/(Decrease) in Tax Payable/Receivable | 64,463 | (66,529) |
| | 885,973 | (105,236) |
| Net Cash inflow/(outflow) from Operating Activities | 2,197,735 | 610,987 |

## 14 CONSTRUCTION CONTRACTS

| | | |
|---|---|---|
| For contracts in progress as at 30 June | | |
| Total construction contract revenue | 263,857 | 188,131 |
| Gross amounts due to customers | - | - |
| Gross amounts due from customers | 4,000 | 5,356 |
| Total construction contract revenue for the period | 4,380,410 | 4,413,703 |

Gross amounts due to customer is recorded in Trade and Other Payables.
Gross amounts due from customers is included inTrade and Other Receivables.

## 15 OTHER PROVISIONS

**QUARRY AFTERCARE PROVISION**

| | | |
|---|---|---|
| Balance at beginning of the year | 143,437 | 154,943 |
| Provided for during the year | 20,009 | 2,929 |
| Utilised during the year | (7,560) | (14,435) |
| Balance at the end of the year | 155,886 | 143,437 |

A provision is recognised for expected Quarry reinstatement costs based on past experience of the level of metal extraction.

It is expected that most of these costs will not be incurred in the next financial year but 15% will be incurred within two years of the balance sheet date. An inflationary factor equivalent to the annual CPI is included in this provision.

## 16 BANK FACILITY

A bank facility is available at the ANZ Bank, and is secured by a fixed floating charge over the company's assets. The facility available totals $500,000 (2017: $500,000). The current interest rate is 7.65% (2017: 7.65%).

Performance guarantees were given to the Wairoa District Council for $100,000, NZ Transport Agency for $664,460 and Wi Pere Trust, $105,000 to the total value of $869,460 (2017: $456,305) by the ANZ Bank. on behalf of Quality Roading and Services (Wairoa) Limited.

UDC provide a Assetlink Current Account facility up to $1,000,000 at 6.10% interest.

## 17 TRANSACTIONS WITH RELATED PARTIES

### PARENT

The company's purchases and sales from Wairoa District Council were as follows:

| | 2018 $ | 2017 $ |
|---|---|---|
| Purchases (trading) : | 10,535 | 29,675 |
| Sales : | 10,918,280 | 8,135,655 |

Liabilities outstanding at year end were $745, (2017: $1,000) which is payable on normal trading terms.

The amount outstanding at year end was $1,212,680, (2017: $1,538,365), which is receivable on normal trading terms except for $81,819 (2017: $321,740) contract retentions receivable at closure to defects liability period. The sales to Wairoa District Council account for 69% (2017: 68%) of total sales by the company.

### DIRECTORS & EXECUTIVE RELATED PARTIES

**Remuneration**

| | 2018 $ | 2017 $ |
|---|---|---|
| Total remuneration is included in 'personnel costs' (see note 2) | | |
| Total Executive Officers remuneration | 653,723 | 943,936 |
| | 653,723 | 943,936 |

Sales transacted during the year payable on normal trading terms were as follows:

| | Business Transacted | Balance Owing |
|---|---|---|
| 2018 | | |
| Total sales transacted | 12,821 | - |
| 2017 | | |
| Total sales transacted | 12,458 | 1,157 |

G E Gaddum, a Director/Owner of Gaddum Construction Limited has purchased services from QRS on normal trading terms to the value of $71,056 (2017: $236,368).

## 18 CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

| | 2018 $ | 2017 $ |
|---|---|---|
| *Loans and Receivables* | | |
| Cash and cash equivalents | 1,716,486 | 612,233 |
| Trade and receivables (note 5) | 2,334,857 | 3,013,244 |
| Total loans and receivables | 4,051,343 | 3,625,477 |
| *Financial liabilities measured at amortised cost* | | |
| Trade and other payables (note 6) | 975,520 | 1,071,955 |
| Loans (note 8) | 1,950,752 | 1,988,893 |
| Total creditors and loans | 2,926,272 | 3,060,848 |

## 19 SUBSEQUENT EVENTS

The Directors are not aware of any matter or circumstance since the end of the financial year that has significantly or may significantly affect the operations of the Company.

## 8.2 CCTV POLICY REVIEW

**Author:** **Charlotte Knight, Governance Advisor & Policy Strategist**

**Authoriser:** **Steven May, Chief Executive Officer**

**Appendices:** **1. CCTV Policy ⇩**

### 1. PURPOSE

1.1 For Council to adopt the CCTV Policy attached as Appendix 1 as part of the review process outlined in the policy.

**RECOMMENDATION**

The Governance Advisor & Policy Strategist RECOMMENDS that Council adopt the revised CCTV Policy attached as Appendix 1.

### 2. BACKGROUND

2.1 Prior to adopting the CCTV Policy on 24 February 2015, Council did not have a policy for locating CCTV cameras or for protecting the private information captured by CCTV cameras.

2.2 There is one recommended change to the policy to explicitly prevent private CCTV systems being installed on Council land. There are a number of privacy issues associated with allowing a private monitoring system in a public place.

### 3. OPTIONS

3.1 The options identified are:

a. Status quo – do not adopt proposed change.

b. Adopt the revised CCTV Policy attached as Appendix 1.

3.2 The preferred option is Option B, this meets the purpose of local government as it will help meet the current and future needs of communities for good-quality infrastructure, in a way that is most cost-effective for households and businesses.

### 4. CORPORATE CONSIDERATIONS

**What is the change?**

4.1 The policy will explicitly prevent private monitoring systems being installed on Council land.

**Compliance with legislation and Council Policy**

4.2 Privacy Act 1993

**What are the key benefits?**

4.3 Policy will now address installation of private monitoring systems on Council land.

**What is the cost?**

4.4 Not applicable.

**What is the saving?**

4.5 Not applicable.

**Who has been consulted?**

4.6 There has been no consultation on this policy and no consultation is required under the Significance & Engagement Policy.

**Service delivery review**

4.7 Not applicable

**Maori Standing Committee**

4.8 This matter has not been referred to the committee.

## 5. SIGNIFICANCE

5.1 Low impact

## 6. RISK MANAGEMENT

6.1 There are no strategic risks identified in the implementation of the recommendation.

**Further Information**

None.

**Background Papers**

None.

**References (to or from other Committees)**

Council 24 February 2015 – CCTV Policy

**Confirmation of statutory compliance**

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,

b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

**Signatories**

| | |
|---|---|
| | |
| Author<br>Charlotte Knight | Approved by<br>Steven May |

# CCTV POLICY

| | | | |
|---|---|---|---|
| **CATEGORY:** | Engineering | **STATUS:** | Draft |
| **DATE POLICY ADOPTED:** | [insert meeting date] 2018 | **APPROVAL BY:** | Council |
| **REVIEW PERIOD:** | 3 years | **NEXT REVIEW DUE BY:** | 2021 |
| **DATE PREVIOUSLY ADOPTED:** | February 2015 | **REVISION NUMBER:** | 1 |

## RATIONALE

The Council's aim through the installation of CCTV (Closed Circuit Television System) is:

- to improve safety for staff, our contractors and the public;
- to deter potential vandalism and damage;
- to assist in council by-law enforcement;
- to assist in enhancing the operational effectiveness and safety of Council facilities and services; and,
- to use, where appropriate, for law enforcement purposes.

This policy applies to the on-going use of the systems (cameras, recording and viewing equipment) and data, whether on site or elsewhere, to ensure compliance with the Privacy Act 1993 (the Act) and other legislation. It is important that the system design, use and management complies with relevant sections of the Privacy Act and that recorded data is managed diligently. Compliance with the Act is necessary as CCTV data may include information covered by that Act.

## PURPOSES OF POLICY

1. To ensure the Council, its employees and contractors comply with good practise, transparency and accountability including the relevant requirements of the Privacy Act.
2. To protect the privacy rights of the Council, its employees, contractors and the public.
3. To manage access to CCTV and its recorded data.
4. To ensure any required recorded data is not compromised and can if necessary be used in court as evidence.

## APPLICATION OF POLICY

This policy applies to CCTV systems or cameras; which are owned or operated by or on behalf of the Council~~, or are located on council land or in council facilities~~. The application of the policy is subject to the provisions of the Privacy Act, The Local Government Official Information Act, and other relevant legislation.

## NON-COUNCIL CCTV ON COUNCIL LAND

Private CCTV systems are not to be hosted on council land, unless prior written approval is given by the Council's Chief Executive Officer.

## GUIDELINES

1. The protection of an individual's privacy shall be maintained by:

- Adhering to Principle 1 of the Act[1] that specifies information can only be collected for a necessary and lawful purpose (i.e. related to the Council's business).
- Adhering to Principle 3 which says that the Council should take reasonable steps to make individuals aware that information is being collected and the reason for that.
- Ensuring that information is collected in a fair manner, in accordance with Principle 4.
- Requiring the appropriate storage and security of recorded information, in accordance with Principle 5.
- Upholding Principle 10, ensuring information is only used for the purpose(s) it was collected.
- Complying with Principles 6, 9 and 11 relating to access to, and retention and disclosure of, information.

2. Information collected from CCTV will only be used:

- To identify and investigate criminal activity or suspicious behaviour with regard to the purposes of this policy.
- For council bylaw enforcement.
- To assist in the operational effectiveness and safety of Council facilities and services.

3. CCTV data will be viewed as close as possible in time to any incident occurring.
4. Only approved persons (as authorised by the Chief Executive and the Council's Privacy Officer, or officers delegated that responsibility by them) or sworn members of the Police with appropriate authorisation will have access to the CCTV data.
5. Access to, or release of, CCTV data requires the agreement of two (2) authorised staff (the Chief Executive and the Council's Privacy Officer, or an officer delegated that responsibility by them).
6. The Council, its staff, contractors and the public are to be informed of the CCTV systems' existence through notices to staff, Public Notices in local media and signage at CCTV locations.
7. This Policy will be used alongside Council employment contracts and codes of conduct.

## REQUIREMENTS

### NEED FOR CCTV

1. Any new CCTV system or cameras will be installed only where doing so is in accordance with the rationale, purposes and guidelines of this policy.
2. Information will be gathered to help verify whether or not there is a need for any proposed new CCTV installations not covered by the attached schedule
3. Prior to installation of any new CCTV system or cameras, the Council will carry out such consultation as is appropriate (in accordance with Part 6 of the Local Government Act 2002) given the circumstances and nature of the proposed CCTV system or cameras.
4. For existing and new CCTV systems and cameras, the Council will maintain a log detailing access to CCTV, the purpose of access and the operator.
5. The need for CCTV, and its effectiveness, detailing CCTV use and any issues relating to its deployment will be reviewed within 3 years and then reported to the Privacy Commissioner as appropriate or required.. The policy itself will be reviewed every five years, and the review shall include evidence for or against ongoing need, quantified benefits and public consultation.

---

1 See attachment

## FAIR USE OF CCTVS

6. Signage advising of CCTV installation will be installed on entries to the areas of camera coverage.
7. CCTV coverage will not include private areas within public spaces and facilities (e.g. locker rooms).
8. CCTV coverage will not be directed at private property, or land designated for Defence or Correctional facilities, without the prior consent of the occupant(s), although some incidental coverage of private property may be unavoidable (e.g., background to a road, private property immediately adjacent to Council property).
9. Covert systems will not be employed unless at the direction of the Police under an appropriate authority or for the Council's internal purposes where there is strong suspicion of criminal activity, or misconduct which may give rise to a health or safety risk to any person or damage to the environment, and which cannot be detected by other means.

## PURPOSE OF CCTV/USE OF RECORDED MATERIAL

10. CCTV will only be installed and used for any one or more of the following purposes:

- Property protection;
- Safety and security of public, Council, their staff and contractors;
- Council by-law enforcement, to assist in the operational effectiveness and safety of Council facilities or services; and,
- Law enforcement.

## NO DISCLOSURE

11. The Chief Executive and the Council's Privacy Officer, or officers delegated that responsibility by them, may approve persons or entities that data may be disclosed to. A list of all approved persons or entities will be maintained by the Council.
12. Except as provided below under the Local Government Official Information and Meetings Act 1987 (LGOIMA) or as authorised by the Privacy Act, CCTV data will not be disclosed to any person or organisation other than the approved persons listed.
13. Police may be given access to the data as required or requested for law enforcement purposes. The Police's use of any data will be governed by the Privacy Act.
14. CCTV data may include information covered by the Local Government Official Information and Meetings Act 1987 (LGOIMA). In deciding on any official information request under LGOIMA for CCTV data the Council will pay particular regard to the privacy interests of individuals. Such release would not generally be one of the purposes for which the information was collected.
15. Any data released must be authorised by the Chief Executive and the Council's Privacy Officer, or officers delegated that responsibility by them.

## STORAGE AND SECURITY

16. The Council will supplement this policy with Operational Guidelines dealing with (amongst other things):

(a) the secure storage of CCTV data;

(b) protocols regarding access to and use of CCTV data within the Council;

(c) the process for and identification of appropriate "approved persons" within the Council (including any contractor providing services relating to CCTV cameras) with specified levels of authority in relation to access to and use of CCTV data; and external persons or entities to whom data can be released;

(d) the period/s that CCTV data will be retained;

(e) disposal and erasure of any CCTV data;

(f) provisions relating to contractors providing services in connection with CCTV cameras.

17. No recorded images or sound will be removed from the system, or copied, unless approved by an approved person (as specified in clause 11). This is to be recorded in the system log, once authorisation has been obtained.

18. Any system misuse will be reported in writing to the relevant approved person and the manager responsible for the business unit, for appropriate action.

19. System checks will be carried out regularly. Any defects will be remedied as soon as practical.

## GLOSSARY OF TERMS

**Approved persons –** Persons approved under the operational guidelines who are allowed access to the systems and data.

**Cameras –** Any device that has the ability to provide a live view of an area or provide images that can be recorded.

**Camera coverage –** The areas within the view of the camera.

**CCTV –** Closed Circuit Television System including all system components making up the system.

**Covert CCTV system –** A CCTV system that is recorded, without the cameras or recording equipment being apparent to the occupiers and users of the area under surveillance by cameras.

**Data –** Electronic or other forms of images, footage or sound from the CCTV systems or alternative recording devices.

**Data is not compromised** – That the recorded data is not altered or manipulated making it unusable or not in its original state.

**Log** – Record of access the system detailing reason and person.

**Recorded data –** Camera footage or sound from the CCTV system.

**Signage** – Signs installed that identify the use of CCTV is use.

**Storage and security** – That data is stored in an appropriate way reducing the likelihood of accidental loss of or unauthorized access to the data**.**

**Viewing equipment** – Monitors of similar that display either live cameras or historic recorded data.

# ATTACHMENT 1 STATUTORY PROVISIONS

## RELEVANT PRIVACY PRINCIPLES

**Part 2**[2]

**Information privacy principles**

**6 Information privacy principles**

The information privacy principles are as follows:

*Principle 1 - Purpose of collection of personal information*

Personal information shall not be collected by any agency unless—

(a) The information is collected for a lawful purpose connected with a function or activity of the agency; and

(b) The collection of the information is necessary for that purpose.

*Principle 3 - Collection of information from subject*

(1) Where an agency collects personal information directly from the individual concerned, the agency shall take such steps (if any) as are, in the circumstances, reasonable to ensure that the individual concerned is aware of—

(a) The fact that the information is being collected; and

(b) The purpose for which the information is being collected; and

(c) The intended recipients of the information; and

(d) The name and address of—

(i) The agency that is collecting the information; and

(ii) The agency that will hold the information; and

(e) If the collection of the information is authorised or required by or under law,—

(i) The particular law by or under which the collection of the information is so authorised or required; and

(ii) Whether or not the supply of the information by that individual is voluntary or mandatory; and

(f) The consequences (if any) for that individual if all or any part of the requested information is not provided; and

(g) The rights of access to, and correction of, personal information provided by these principles.

(2) The steps referred to in subclause (1) of this principle shall be taken before the information is collected or, if that is not practicable, as soon as practicable after the information is collected.

(3) An agency is not required to take the steps referred to in subclause (1) of this principle in relation to the collection of information from an individual if that agency has taken those steps in relation to the collection, from that individual, of the same information or information of the same kind, on a recent previous occasion.

(4) It is not necessary for an agency to comply with subclause (1) of this principle if the agency believes, on reasonable grounds,—

---

2 The Privacy Act (1993)

(a) That non-compliance is authorised by the individual concerned; or

(b) That non-compliance would not prejudice the interests of the individual concerned; or

(c) That non-compliance is necessary—

(i) To avoid prejudice to the maintenance of the law by any public sector agency, including the prevention, detection, investigation, prosecution, and punishment of offences; or

(ii) For the enforcement of a law imposing a pecuniary penalty; or

(iii) For the protection of the public revenue; or

(iv) For the conduct of proceedings before any court or [tribunal] (being proceedings that have been commenced or are reasonably in contemplation); or

(d) That compliance would prejudice the purposes of the collection; or

(e) That compliance is not reasonably practicable in the circumstances of the particular case; or

(f) That the information—

(i) Will not be used in a form in which the individual concerned is identified; or

(ii) Will be used for statistical or research purposes and will not be published in a form that could reasonably be expected to identify the individual concerned.

*Principle 4 - Manner of collection of personal information*

Personal information shall not be collected by an agency—

(a) By unlawful means; or

(b) By means that, in the circumstances of the case,—

(i) Are unfair; or

(ii) Intrude to an unreasonable extent upon the personal affairs of the individual concerned.

*Principle 5 - Storage and security of personal information*

An agency that holds personal information shall ensure—

(a) That the information is protected, by such security safeguards as it is reasonable in the circumstances to take, against—

(i) Loss; and

(ii) Access, use, modification, or disclosure, except with the authority of the agency that holds the information; and

(iii) Other misuse; and

(b) That if it is necessary for the information to be given to a person in connection with the provision of a service to the agency, everything reasonably within the power of the agency is done to prevent unauthorised use or unauthorised disclosure of the information.

*Principle 6 - Access to personal information*

(1) Where an agency holds personal information in such a way that it can readily be retrieved, the individual concerned shall be entitled—

(a) To obtain from the agency confirmation of whether or not the agency holds such personal information; and

(b) To have access to that information.

(2) Where, in accordance with subclause (1)(b) of this principle, an individual is given access to personal information, the individual shall be advised that, under principle 7, the individual may request the correction of that information.

*Principle 9 - Agency not to keep personal information for longer than necessary*

An agency that holds personal information shall not keep that information for longer than is required for the purposes for which the information may lawfully be used.

*Principle 10 - Limits on use of personal information*

An agency that holds personal information that was obtained in connection with one purpose shall not use the information for any other purpose unless the agency believes, on reasonable grounds,—

(a) That the source of the information is a publicly available publication; or

(b) That the use of the information for that other purpose is authorised by the individual concerned; or

(c) That non-compliance is necessary—

(i) To avoid prejudice to the maintenance of the law by any public sector agency, including the prevention, detection, investigation, prosecution, and punishment of offences; or

(ii) For the enforcement of a law imposing a pecuniary penalty; or

(iii) For the protection of the public revenue; or

(iv) For the conduct of proceedings before any court or [tribunal] (being proceedings that have been commenced or are reasonably in contemplation); or

(d) That the use of the information for that other purpose is necessary to prevent or lessen a serious and imminent threat to—

(i) Public health or public safety; or

(ii) The life or health of the individual concerned or another individual; or

(e) That the purpose for which the information is used is directly related to the purpose in connection with which the information was obtained; or

(f) That the information—

(i) Is used in a form in which the individual concerned is not identified; or

(ii) Is used for statistical or research purposes and will not be published in a form that could reasonably be expected to identify the individual concerned; or

(g) That the use of the information is in accordance with an authority granted under section 54 of this Act.

*Principle 11 - Limits on disclosure of personal information*

An agency that holds personal information shall not disclose the information to a person or body or agency unless the agency believes, on reasonable grounds,—

(a) That the disclosure of the information is one of the purposes in connection with which the information was obtained or is directly related to the purposes in connection with which the information was obtained; or

(b) That the source of the information is a publicly available publication; or

(c) That the disclosure is to the individual concerned; or

(d) That the disclosure is authorised by the individual concerned; or

(e) That non-compliance is necessary—

  (i) To avoid prejudice to the maintenance of the law by any public sector agency, including the prevention, detection, investigation, prosecution, and punishment of offences; or

  (ii) For the enforcement of a law imposing a pecuniary penalty; or

  (iii) For the protection of the public revenue; or

  (iv) For the conduct of proceedings before any court or [tribunal] (being proceedings that have been commenced or are reasonably in contemplation); or

(f) That the disclosure of the information is necessary to prevent or lessen a serious and imminent threat to—

  (i) Public health or public safety; or

  (ii) The life or health of the individual concerned or another individual; or

(g) That the disclosure of the information is necessary to facilitate the sale or other disposition of a business as a going concern; or

(h) That the information—

  (i) Is to be used in a form in which the individual concerned is not identified; or

  (ii) Is to be used for statistical or research purposes and will not be published in a form that could reasonably be expected to identify the individual concerned; or

(i) That the disclosure of the information is in accordance with an authority granted under section 54 of this Act.

## 8.3 DRAFT WAIROA DISTRICT COUNCIL LOCAL APPROVED PRODUCTS POLICY

**Author:** Helen Montgomery, Chief Operations Officer

**Authoriser:** Steven May, Chief Executive Officer

**Appendices:** 1. Draft LAPP Consultation Materials ⇩

### 1. PURPOSE

1.1 For Council to approve the draft Local Approved Products Policy for public consultation.

**RECOMMENDATION**

The Chief Operating Officer RECOMMENDS that Council adopt the draft Local Approved Products Policy for public consultation from 23rd October to the 23rd November 2018.

### 2. BACKGROUND

2.1 In 2013 Council requested that a draft Local Approved Products Policy be developed to restrict the geographical location of where approved products commonly referred to as 'legal highs' could be sold in the district.

2.2 In consultation with the Hawke's Bay District Health Board, and Police the attached draft Local Approved Products Policy has been developed. In order to adopt a policy under the Psychoactive Substances Act 2013 the Council is required to use the special consultative procedure. The suggested consultation period is 23rd October to the 23rd November 2018.

2.3 The purpose of the proposed policy is to manage the location of retails premises selling 'legal highs'. There are current no approved 'legal highs' available for sale, but it is anticipated that in the future there will be approved products under the legislation.

### 3. CONSIDERATIONS

3.1 A background paper was prepared to accompany the policy and will be made available as part of the public consultation, this is attached to this report.

3.2 An approved products policy cannot have the intention of effectively prohibiting the sale of psychoactive substances in the city.

3.3 Once adopted the policy must be reviewed within 5 years of adoption and then at intervals of not more than 5 years.

3.4 Council has identified one location where the sale of psychoactive substances could be limited to. This can be seen on Figure 1 in the policy. Figure 2 helps to highlight that only 3 properties in this location would meet the requirements in the policy – once one had a licence then the other properties would not be able to obtain a licence as premises must be 500m from each other under the policy.

3.5 If Council believe the policy is too prohibitive then it is recommended to give direction to officers on what they would prefer to see, and officers can then consult with the DHB and Police. It is important that the DHB and Police agree with the policy provisions adopted by Council.

3.6 If Council does not have a policy in place then the Psychoactive Substances Regulatory Authority (the body that oversees licence applications) will have no guidance on Wairoa community expectations as to where it may be appropriate for premises to be located.

3.7 Council will not be enforcing the policy once adopted – there will be no warranted officers for this policy. Any issues relating to the policy will be dealt with in accordance with the Psychoactive Substances Act 2013 by the relevant agencies.

## 4. OPTIONS

4.1 The options identified are:

a. Status quo – do not adopt a policy for consultation.

b. Adopt the attached policy for consultation.

c. Adopt an alternative policy for consultation.

4.2 Option A – if Council no longer wishes to have a policy they can resolve to not have a policy. This option would result in no local input to the licensing process.

4.3 Option B – the attached policy has been drafted in consultation with the Police and DHB and has their support. This is important as although Council adopts the policy we are not an enforcement agency under the Psychoactive Substances Act 2013.

4.4 The preferred option is Option B, this meets the purpose of local government as it will help meet the current and future needs of communities in a way that is most cost-effective for households and businesses.

## 5. CORPORATE CONSIDERATIONS

**What is the change?**

5.1 The Council will be consulting on a new policy – Local Approved Products Policy.

**Compliance with legislation and Council Policy**

5.2 This draft policy complies with the Psychoactive Substances Act 2013.

**What are the key benefits?**

5.3 Council will have started the special consultative procedure to adopt a Local Approved Products Policy – this policy will have geographical restrictions on where approved products can be sold.

**What is the cost?**

5.4 Minimal costs associated with public notices about the consultation which is part of existing budgets.

**What is the saving?**

5.5 Not applicable.

**Who has been consulted?**

5.6 There has been no public consultation to date.

5.7 The DHB and Police have been consulted during the drafting of the policy.

**Service delivery review**

5.8 Not applicable.

**Maori Standing Committee**

5.9 This matter has not been referred to the committee.

## 6. SIGNIFICANCE

6.1 Impact – lower significance under the Council's Significance & Engagement Policy.

6.2 There is a history of public interest in the industry of 'legal highs'.

## 7. RISK MANAGEMENT

7.1 There are no strategic risks identified in the implementation of the recommendations – this decision is to consult with the community.

**Further Information**

Ministry of Health - https://www.health.govt.nz/our-work/regulation-health-and-disability-system/psychoactive-substances-regulation

**Background Papers**

None.

**References (to or from other Committees)**

Council 10 September 2013 – Psychoactive Substances

Council 28 November 2013 – Local Alcohol & Local Approved Substances Policies

**Confirmation of statutory compliance**

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,

b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

**Signatories**

| | |
|---|---|
| | |
| Author<br>Helen Montgomery | Approved by<br>Steven May |

DRAFT
LOCAL
APPROVED
PRODUCTS
POLICY
SUBMISSIONS CLOSE 4.30 P.M
FRIDAY 23 NOVEMBER 2018
WAIROA DISTRICT COUNCIL
TE WAIROA
WAIROA DISTRICT

# STATEMENT OF PROPOSAL

## ADOPTION OF WAIROA DISTRICT COUNCIL'S DRAFT LOCAL APPROVED PRODUCTS POLICY

### REASON FOR THE PROPOSAL

Under the Psychoactive Substances Act 2013 Council can adopt a Local Approved Products Policy (LAPP). This policy is applicable to premises selling approved products under the Psychoactive Substances Act 2013 in the district. Under legislation Council must use the special consultative procedure to develop the LAPP.

***Council is considering whether it should adopt a Local Approved Products Policy, and if they adopt a Local Approved Products Policy what should be included in the policy. It considers that this is a matter for local communities to decide, there is also a legislative requirement for the special consultative procedure to be used. Council is therefore seeking feedback from its communities on whether they believe Council should adopt this policy and the provisions that should be in this policy.***

**More Information**

Where to get a copy of the Summary of Information and submission form

The consultation document that includes the draft Local Approved Products Policy, LAPP Background Paper, and the submission form may be collected from the Council's Main Office in Wairoa, or from the Council's website www.wairoadc.govt.nz

Period for Consultation

Written submissions on the Draft Local Approved Products Policy may be made until **4.30pm Friday 23rd November 2018**.

Those who make a written submission may choose to make an oral submission. Hearing of oral submissions are tentatively scheduled for **Tuesday 4th December at 10am**.

Please indicate on your submission form if you wish to speak to your submission.

If you have any questions about this policy or the submission process please contact Charlotte Knight, Governance Advisor & Policy Strategist on 06 838 7309

# SUBMISSION FORM LOCAL APPROVED PRODUCTS POLICY

**SUBMISSIONS CLOSE 4.30PM 23rd NOVEMBER 2018**

Name:

Address:

Phone Number:

Email address:

Do you wish to speak to your submission?

- ☐ Āe/Yes
- ☐ Kāo/No

Should the Council adopt this policy?

- ☐ Āe/Yes
- ☐ Kāo/No

**Comments on the proposed policy**

# LOCAL APPROVED PRODUCTS POLICY

| | | | |
|---|---|---|---|
| **COMMITTEE RESPONSIBLE:** | Council | **FILE REFERENCE:** | |
| **CATEGORY:** | Operations | **STATUS:** | Draft |
| **DATE POLICY ADOPTED:** | TBD | **APPROVAL BY:** | Council |
| **REVIEW PERIOD:** | 5 years | **NEXT REVIEW DUE BY:** | 2023 |
| **DATE PREVIOUSLY ADOPTED:** | N/A | **REVISION NUMBER:** | 0 |

## 1 PURPOSE

1.1 The Local Approved Products Policy (LAPP) for the Wairoa district sets restrictions for where approved products under the Psychoactive Substances Act 2013 can be sold in the district. It sets out restrictions on approved products premises based on:

- Location of premises in broad areas in the district;
- Location of premises in relation to proximity to other premises in the district;
- Location of premises in relation to proximity to sensitive sites in the district.

1.2 The LAPP aims to minimise the potential for harm to the Wairoa community from the sale of psychoactive substances; and to allow the community to have influence over the location and density of premises in the district.

## 2 POLICY PROVISIONS

2.1 The location of premises is restricted to the Town Centre Zone as defined in the Wairoa District Plan.

2.2 Premises are not permitted within 50 metres of a sensitive site existing at the time the licence application is made[1]. Only a site that has a portion of its street frontage outside the buffer zone is deemed suitable for the establishment of a premise[2].

2.3 Premises are not permitted within 500 metres of other premises[3].

[1] Refer to maps in Figures 1 & 2 for location of sensitive sites and permitted areas in the district.
[2] For the purposes of clause 2.2 the separation distances are measured from the legal boundary of each sensitive site.
[3] For the purposes of clause 2.3 the separation distances are measured from the legal boundary of the premises from which approved products may be sold.

**Figure 1:** **Permitted areas for premises in the Wairoa District – township map**

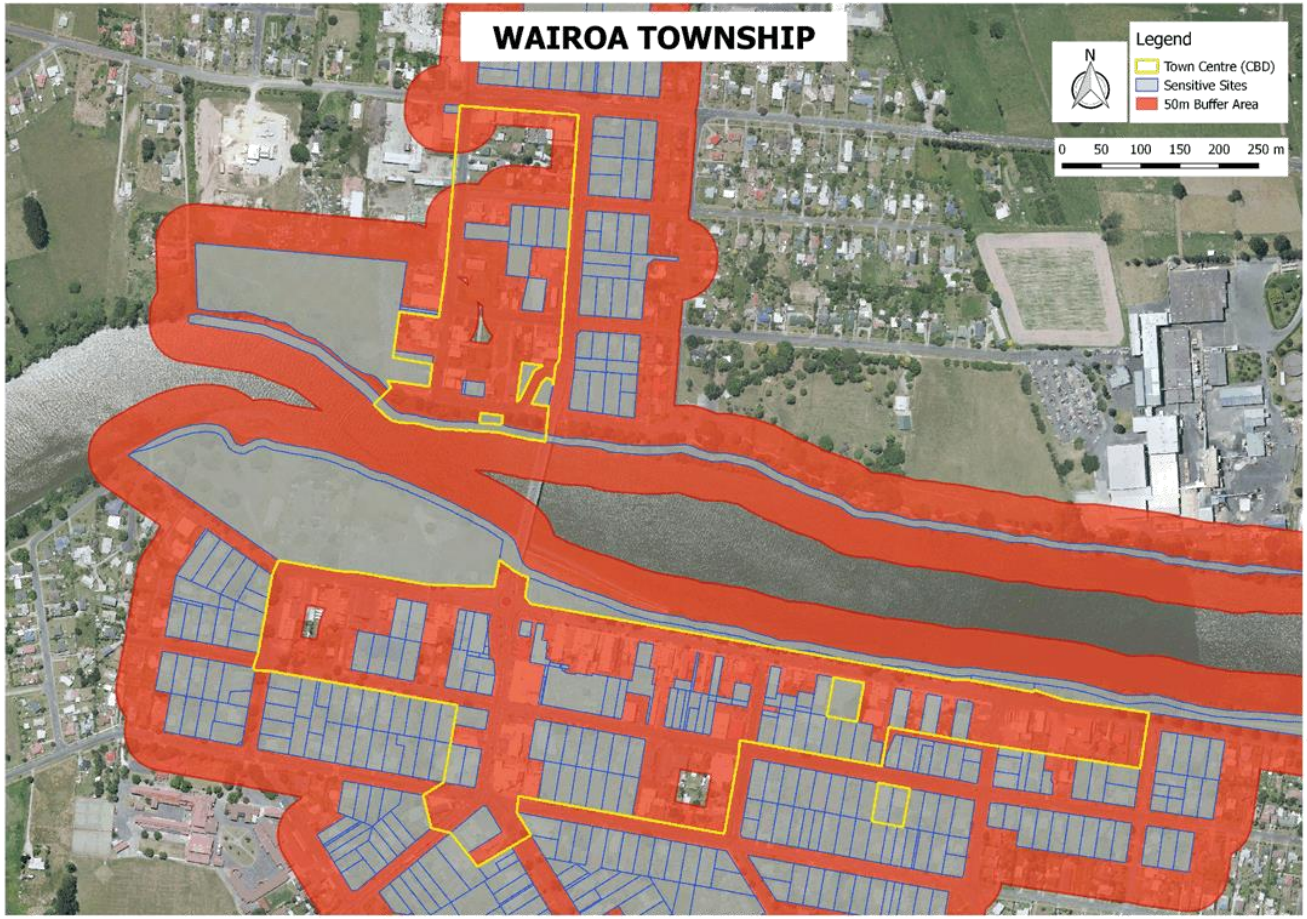

**Figure 2: Permitted area for premises – North Clyde area**

# APPENDIX 1 – ADDITIONAL INFORMATION

## 1. LEGISLATIVE FRAMEWORK

1.1 The Psychoactive Substances Act 2013 sets up a system of pre-market approval for psychoactive products by requiring manufacturers to show that they pose no more than a low risk of harm to individuals. It is only legal to retail or wholesale approved products that have gone through this process, not any psychoactive substance that has been manufactured.

1.2 The Psychoactive Substances Act 2013 allows a territorial authority to develop a LAPP in consultation with its community. A LAPP gives a community greater control over the location of premises from which approved products can be sold. It should be read in conjunction with the Act.

1.3 The LAPP must be reviewed five years after it is adopted, and then at intervals of not more than five years.

1.5 A LAPP provides the Psychoactive Substances Regulatory Authority (PSRA) with a policy framework, when making decisions on applications to sell approved products in Wairoa.

1.6 It is no longer legal to be in possession of a psychoactive substance. Until an approved product is available, anyone in possession of a psychoactive substance is committing an offence.

1.7 The sale of approved products cannot be banned outright. An LAPP cannot be so restrictive so that it prevents any area for approved products premises.

1.8 Approved products can be sold only from licensed premises.
They cannot be sold from:

- dairies, or shops commonly thought of as dairies
- convenience stores, grocery stores or supermarkets
- petrol stations or vehicle repair outlets
- liquor outlets
- non-permanent structures (such as a tent)
- any vehicle (such as a mobile street cart)

# APPENDIX 2 – DEFINITIONS

| | |
|---|---|
| **Approved product** | A psychoactive substance approved by the PSRA under section 37 of the Act. |
| **Psychoactive substance** | Any substance capable of affecting the mind. Broadly speaking, it is anything:<br>• That can produce a psychoactive effect in a person using the substance, and<br>• That is not a medicine, controlled drug, herbal remedy, food, dietary supplement, tobacco product or alcohol. |
| **Psychoactive Substances Regulatory Authority (PSRA)** | The organisation that administers the Psychoactive Substances Act 2013. |
| **Retail licence** | A retail licence allows the holder to sell approved products to the general public. |
| **Regulations** | Regulations made under the Act. |
| **Sensitive site** | Areas or premises that are either considered more sensitive to psychoactive-substance harm. These sites include childcare facilities, medical centres, schools, places of worship, and marae. They include:<br>a) Any library, museum, community hall or recreational facility, ATM or financial institution.<br>b) Any premises occupied by a social welfare agency.<br>c) Any civic area, public garden, park and reserve, District Court, river walkway, public toilet facility.<br>d) Any property in the residential zone.<br><br>**Childcare facilities:** Includes any crèche, day or after-school care centre, pre-school, kindergarten, kohanga reo or play centre.<br><br>**Schools**: Any educational premises, including primary, secondary, tertiary, vocational education institutes, and private tertiary establishments.<br><br>**Medical centres:** Premises used to provide essential medical, physical and mental health services. Includes any pharmacy, dental surgery, or health clinic.<br><br>**Places of worship**: Buildings and land used mainly for worship or religious purposes |
| **Wholesale licence** | A wholesale licence allows the holder to sell approved products to others who hold a retail licence. |

# LOCAL APPROVED PRODUCTS POLICY BACKGROUND PAPER

MARCH 2018

TE WAIROA
WAIROA DISTRICT

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# INTRODUCTION

The Psychoactive Substances Act 2013 (the Act) was enacted by Parliament on 18 July 2013. The purpose of the Act is to regulate the availability of psychoactive substances in New Zealand, to protect the health of, and minimise harm to individuals who use these substances. It sets up a system of pre-market approval for psychoactive products by requiring manufacturers to demonstrate that they pose no more than a low risk of harm to the individuals who use them (Ministry of Health, 2016).

The Act also places restrictions on how and to whom psychoactive substances can be sold. Its adoption has given territorial authorities the power to develop Local Approved Product Policies (LAPPs). The purpose of LAPPs is to give communities greater control over and restrict the location of outlets from which approved products can be sold.

Developing a LAPP is about setting standards for the location of premises selling psychoactive products that are relevant to the needs of our community. Similar to local alcohol policies, they are able to specify those areas of town where the sale of approved products is permissible. They can also ensure that outlets are a minimum distance away from various types of community facilities, such as schools.

At a Council meeting in July 2013, the Wairoa District Council resolved to develop an LAPP. In developing a LAPP, Council will need to look closely at where the community wants psychoactive substances to be sold in Wairoa.

The purpose of this Background Paper is to provide relevant background information for the policy.

# BACKGROUND

In the early 2010s, the New Zealand market experienced an influx of psychoactive products. These products contained no illegal ingredients, and were used by many as an alternative to illegal recreational drugs. They were known as party pills, designer drugs, and legal highs.

Prior to commencement of the Act, these products were unregulated. They varied in strength and quality, and could be lawfully imported into, or made in New Zealand. Psychoactive products could be sold by any person to any other person, and from any location, unless they had been banned under the Misuse of Drugs Act 1975, or were a medicine, alcohol or tobacco (Psychoactive Substances Regulatory Authority, 2014).

The sale and use of these products was popular. "Approximately 20 million doses of party pills were sold in New Zealand between 2002 and 2006" (New Zealand Drug Foundation, 2014, p. 1). Although having been available in shops for about 10 years, their popularity increased in 2010 when they started being sold from dairies. By mid-2013, there were an estimated 200-300 different psychoactive products being sold from an estimated 3000-4000 premises (Psychoactive Substances Regulatory Authority, 2014).

There were many dangerous side effects that occurred as a result of their use. These effects included aggression, psychosis, and seizures. Unfortunately, the process of testing these substances was slow and expensive. Also, it seemed that as individual components were made illegal, the 'legal highs' industry was able to work around each new law and restriction by altering the components of their formulations.

When particular products were banned with Temporary Drug Class Notices, new products would immediately be developed and distributed.

In July 2013 the New Zealand government introduced the Psychoactive Substances Act 2013. The Act specified that if a substance was psychoactive, it must be approved before it could be sold. It could also only be distributed by licensed people and sold from licensed premises.

Before the Act, the government had to identify each harmful product and the risk it posed before it could act (Psychoactive Substances Regulatory Authority, 2014). The Act however, was designed to put the burden of safety on psychoactive drug manufacturers. Instead of these new recreational drugs being legal until proven to be unsafe, the Act forced manufacturers to prove that their product was safe before it could be legally sold.

The government took this approach because illicit street drugs and untested psychoactive products were already widely available, and a long-term effective prohibition of all psychoactive products was impractical (Psychoactive Substances Regulatory Authority, 2014). The Act also established the PSRA as the authority responsible for ensuring products meet adequate safety requirements before they can be distributed in New Zealand. The PSRA also licenses importers, researchers, manufacturers, wholesalers, retailers and sellers of unapproved psychoactive substances.

It is now illegal to sell these substances. No psychoactive substances will be returned to the market until they have gone through an approval process, which includes thorough testing to prove a low risk of harm (Ministry of Health, 2017).

# 1.0 WHAT'S AN LAPP?

Councils are able to make Local Approved Products policies that describe where psychoactive products approved by the PSRA can be sold within their territory. During the LAPP's development, Wairoa District Council will consult with its community about where the community wants psychoactive products to be sold in Wairoa. This will give local people greater control over the future location of approved products outlets.

The objectives of an LAPP would be to:

1. Minimise the harm to the community caused by psychoactive substances by defining the permitted location of retail premises, and
2. To minimise the potential for harm to sensitive communities (such as places of worship, family focussed and child focussed areas) from the sale of psychoactive substances, and
3. To allow the local community to have influence over the location of retail premises in the Wairoa district.

To do this, it establishes provisions on the following:

- Location of premises from which approved products may be sold by reference to broad areas within the District
- Location from which approved products may be sold by reference to proximity to other premises from which approved products are sold within the District
- Location of premises from which approved products may be sold by reference to proximity to premises or facilities of a particular kind or kinds within the district

A LAPP provides the PSRA with a policy framework, when making a decision on an application to sell psychoactive substances in Wairoa. It also provides licence applicants with direction about where these products may be sold.

The sale of approved products cannot be banned outright under the LAPP (Psychoactive Substances Regulatory Authority, 2014). Therefore an LAPP policy cannot be so restrictive so that it prevents any area for an approved products premises in the district.

The LAPP must be reviewed five years after it is adopted, and then at intervals of not more than five years.

It is important to note, that while the LAPP will be adopted by Wairoa District Council, it will be *applied* by the PSRA. Unfortunately, the Act makes no provision for the Council to enforce its LAPP. In saying this, the Council can determine where specifically in their community it is, and is not, appropriate for retailers to be located so long as those restrictions contribute to the purpose of the Act.

## WHAT'S A PSYCHOACTIVE SUBSTANCE?

A *psychoactive substance* is any substance capable of affecting the mind (Psychoactive Substances Regulatory Authority, 2014). This term is clearly defined in Section 9 of The Act, but broadly speaking, it is anything:

- that is capable of producing a psychoactive effect in an individual who uses the substance, and
- whose primary purpose is to induce a psychoactive effect in an individual who uses the substance or product, and
- that is not a medicine, controlled drug, precursor substance, herbal remedy, food, dietary supplement, tobacco product or alcohol.

An example of a psychoactive substance is synthetic cannabis. It is an unpredictable mixture of dried shredded plants sprayed with artificial chemicals, which is usually smoked. Synthetic cannabis was known under many different brand names, including K2, Spice, Northern Lights, White Rhino and Everest.

Psychoactive substances are regulated under the Act. It is no longer legal to be in possession of a psychoactive substance. Anyone with a psychoactive substance is in possession of an unapproved product and is committing an offence (Ministry of Health, 2017).

## WHAT'S AN APPROVED PRODUCT?

The term *approved product* refers to a psychoactive substance approved by the PSRA under section 37 of the Act. It is only legal to retail or wholesale *approved products*. All psychoactive substances intended for human consumption require consent from the PSRA before they can be sold in New Zealand (Ministry of Health, 2016, p. 5).

Approved products can be sold only from licensed premises and cannot be sold from:

- dairies, or shops commonly thought of as dairies
- convenience stores
- grocery stores or supermarkets
- petrol stations or places where vehicles are repaired or maintained
- liquor outlets (both on-licence and off-licence)
- any structure that is not permanent (such as a tent)
- any vehicle (such as a mobile street cart)
- any other place, as specified in regulations.

*Currently there are no approved products*. Due to the prohibition on the use of animal testing, it is unlikely that there will be any approved products for some time (Psychoactive Substances Regulatory Authority, 2017, p. 1). While this is the case, prospective licence holders will still need to understand the requirements of the Act and Regulations.

## WHAT'S A LICENCE?

A *licence* to sell approved products by retail allows the holder to sell approved products to the general public. A wholesale licence enables the holder to sell approved products to others who hold a retail licence to sell approved products.

All people and businesses who want to retail, wholesale, import, research, manufacture, or sell unapproved psychoactive substances must hold a licence granted by the PSRA under section 16 of the Act. Licences are required to ensure that there is a level of regulatory control and traceability over these functions. When considering a licence application, compliance with the LAPP would be taken into account (Psychoactive Substances Regulatory Authority, 2014).

While applications for a licence to sell approved products can be made, it is unlikely that there will be any approved products for at least the next year or two. The PSRA has recommended that people not apply for a licence to sell approved products by retail or wholesale at this time (Psychoactive Substances Regulatory Authority, 2017, p. 1).

# 2.0 THE HARM

Where we could not access the relevant local data, we obtained anecdotal information from local Police and DHB staff about their observations and experiences in dealing with the harms caused by local psychoactive-substance use.

Although there are currently no approved products on the market, it is useful to consider the harms that existed historically. These experiences are still useful to building knowledge about the potential harms of psychoactive substances in our community. In addition to anecdotal data, we reference region-specific information from the Hawkes Bay District Health Board. We also consider some general information from the New Zealand Police Association.

## OUR HISTORY

Prior to commencement of the Act, the Wairoa community experienced the effect of psychoactive substance activity. According to local Police and DHB staff, psychoactive products were being sold from at least two premises.

Rather than buying direct from manufacturers, these retailers would purchase their products from retailers in Napier. The goods would be transported into town, and sold locally at a significant mark-up. Reports suggested that local distribution was not limited to dairies, since individuals associated to AFFCO would go to work early to purchase their products. With products being purchased wholesale for approximately $2.00 and then on-sold for approximately $20.00, this business was hugely profitable.

The Wairoa community did not respond well to the arrival of psychoactive products, and wanted to stop their supply. Local people were concerned about the harm they saw in such substance use, and were willing to disclose the names of those who were selling. Police and DHB staff reported receiving numerous calls

and complaints about the issue. As a result, retailers faced a high level of community pressure to stop sales of these substances.

During this time, local Police dealt with the effects of psychoactive substance use. Effects included out-of-character aggressive behaviour and violence. Police reported that during this time, the majority of users were younger males, generally under 25. Police were called to incidents where the use of substances had also triggered psychotic episodes.

Although psychoactive substance activity occurred in Wairoa, the challenges relating to its use were not as significant as in neighbouring regions. In the cities, people were lining up to buy product at these outlets. It was thought that the comparably lower demand locally for synthetics was due to the ease with which marijuana could be accessed.

Also, locals generally had a preference for natural substances, rather than synthetic ones, and viewed psychoactive substances as a real danger. In addition, unlike in the cities, there were no adult shops in Wairoa. It was thought that a lack of the types of outlets known for retailing these products had reduced the public's level of access to them.

Once the Act was enacted, Parliament initially required all those who wished to sell psychoactive products to apply for and hold an interim licence. This allowed the sale to continue until all provisions of the Act fully came into force.

An application for a retail licence made by the McLean Street dairy during the interim period was refused. Even though part of the shop was designated as a takeaway bar, an investigation found that the outlet operated primarily as a dairy. Section 52 of the Act provides that approved psychoactive products cannot be sold from a shop commonly thought of as a dairy. Therefore the application was denied.

In 2014, legal sales of psychoactive substances in Hawke's Bay were limited to 3 retailers, 2 in Hastings and 1 in Napier (Hawkes Bay District Health Board, 2014, p. 1). Community members across all socio economic groups, ages and ethnicities of the region were reported to have used these products (Hawkes Bay District Health Board, 2014, p. 1).

A Youth Addictions Counsellor in Hawkes Bay stated that "when synthetic cannabis was at its peak, the majority of users were oblivious to the risks." Their awareness of the dangers had been gained by "seeing others in their community have bad trips, including seizures." Yet, despite observing the effects, "many chose to take the risk", believing "that it would not happen to them." Often those "who still use 'synnies'…have no idea where it originated from, let alone what it is, nor the risks."

## VIOLENCE AND HEALTH ISSUES

Hospital emergency rooms have had to cope with the physical side-effects that synthetic cannabis caused in some people. Those effects included paranoia, panic attacks, headaches and prolonged vomiting, and, in extreme cases, kidney failure and heart conditions (New Zealand Police Association, 2013).

In addition to those noted above, the effects of synthetic drug use include nausea, tremors, seizures, hallucinations, reduced inhibitions, euphoria, chest pain, racing heart, high blood pressure, rapid breathing,

and dizziness. There have also been reports of renal damage. People with mental health conditions who used this drug were at increased risk of psychosis (Hawkes Bay District Health Board, 2014).

Other reports indicate that the effect of synthetic drug use include addiction and withdrawal problems, such as insomnia, memory problems, constipation, weight loss, anxiety and craving for the drug. Addiction is a serious side-effect. People suffering from addiction are at risk of injury, disease, social and financial problems. They have a reduced quality of life which effects not only the individual, but their family and community.

DHB staff reported that when combined with alcohol, the effects of synthetic drugs were very severe. Although prior to the Act, these products were legal, the chemical substances were considerably more potent than their 'natural' counterparts. Some indicated they were up to "ten times stronger than cannabis". "A+E were overloaded" and "crime had increased".
This feedback aligns with comments from participants in a study that explored systems in monitoring the safety of these products. "Synthetic cannabis…[was] very potent. So basically, it truncate[d] someone's six months of normal cannabis smoking into two weeks…it's just straight out potency" (Rychert, Wilkins, & Witten, 2017, wh. 3). A similar comment was that "the products that were deemed to be low risk were the strongest synthetic cannabis products that ha[d] ever been sold in this country…there was no way by anyone's standards that they were low risk, that was just a ludicrous thing to say" (Rychert, Wilkins, & Witten, 2017, wh. 4)

A drug worker quoted in an article 'legal highs' said that synthetic cannabis was "not used for relaxing like normal cannabis… it's a substitute for cannabis, but if you use the same does as cannabis, it wipes you out" (New Zealand Drug Foundation, 2014, p. 1). A growing level of evidence shows that using synthetic cannabinoids are more harmful than cannabis. Users of these products have suffered extreme reactions, including heart attacks.

The article also stated that during 2013, "three people were hospitalised with serious kidney problems after smoking synthetic cannabis" (p. 1). During this time, The National Poisons centre had reported an increase in calls from medical staff stating the effects of synthetic drug use as including "breathing problems, paranoia and recurrent psychotic episodes as a result of the drug" (p. 1). BZP was also a very popular psychoactive drug. Dangerous side effects of its use soon became apparent, and research began to link BZP with a number of health risks, including toxic seizures (New Zealand Drug Foundation, 2014).

The effects of synthetic drug use includes agitation and violent behaviour. In a news article from 2013, which reported on the harms associated to the use of psychoactive substances, Hawke's Bay Inspector Andy Sloan said that encounters with young people high on synthetic cannabis, which had been bought from their corner dairies, were a regular occurrence. Unfortunately, users could display violent and erratic behaviour, which could place officers in dangerous situations (New Zealand Police Association, 2013).

## USING PSYCHOACTIVE SUBSTANCES

The following is an abridged personal account from an individual who experienced the effects of heavy K2 synthetic cannabis use. Her account provides a useful first-hand narrative of the phenomena of psychoactive substance use and its effects. This person was eventually able to stop using the drug. She wants her account to be used to help others.

"By week 12 of using K2, I was buying bags 5 at a time and then I found myself using 2 bags a day, then 2.5, then more and more and more. My worst ever was having 10 grams in a day (5 bags).

I spent every day in a stupor, achieving nothing except getting high. I just sat and smoked 24/7. My mental health declined. I started hallucinating, hearing things, neglecting my daily duties, neglecting friends and family. I slurred my speech and had involuntary "tic like" body movements and the ongoing chronic cough. The enamel wore off my teeth and they have started to rot, my tongue peeled regularly, as did all the skin on the insides of my cheeks. I never showed any of the signs of violence though.

I was aware it was slowly killing me and that I had a big problem but still everything revolved around getting and using K2. I would panic if I didn't think I would have enough to last me till I could get some more and if I had to cut down, I was violently ill and extremely emotional. I was using every hour during the night just to be able to sleep and I was hiding the extent of my use from everyone, including my partner. I begged, borrowed and stole to get it. It consumed me. My little kit went everywhere with me and I would sneak into public loos and have a cone, or park up in the car park straight after buying it and have some. I couldn't even wait until I got home.

One of my Eureka moments was in fact in a car park in the middle of town and I saw an old friend come out of the adult shop and past my car, smoking a big cone full of her legal high. She looked like a stereotypical "druggie". I thought "God, look at how bad she looks, and she's smoking it in the street! Can't she even wait until she gets home? How desperate is that?!" Then the light went on. SHE was ME. I wasn't any better than her. We were both doing the same thing except I had a car to do it in and a house to go home to.

I went home that day and started doing some research on the internet about K2 and was horrified by what I was reading, I wanted to do as much research as I could on how to get off it and even though what I had heard and read scared me, I knew the time had come to do it.

After seeking advice on what to expect from the local Addiction Services and the NZ drug helpline, and confiding in a close friend, I started my first day of cold turkey. It was bearable the first half of the day, just a bit of anxiety and quite emotional but by the afternoon things were a bit different. I started to sweat profusely despite being really cold, random violent vomiting, heart palpitations, racing heart rate, chest pains, tremors, severe stomach pains (unlike anything I've ever felt before) Insomnia, panic attacks and raging emotions.

After 2-3 days of these symptoms and not being able to eat, drink or pass urine, I was forced to go to my GP for help. Not only was my blood pressure the highest it's ever been (still within the normal range but very high for me), I was treated for dehydration via IV fluids and given prescriptions for Diazepam (for anxiety) and Metoclopramide for nausea. I was also encouraged to sip on electrolyte replacement drinks, lemonade ice blocks and ice cubes. I had several more visits with the Dr to monitor my dehydration, blood pressure and ongoing low levels of urine output. He was unsure what to other than monitor the situation as there was

no way of knowing what I was actually withdrawing from, but he likened my symptoms to those of Heroin withdrawal.

I found after close on 2 weeks of pretty relentless physical withdrawals, things started to ease up. I didn't have all the symptoms every day. Some days I wouldn't feel nauseous but had high anxiety and palpitations, some days I would be vomiting but not shaking. Some days I would just sweat. I found as the physical symptoms eased and varied, the mental and psychological side came to the fore though. I didn't want to leave my room (where I'd been holed up for most of the previous 2 weeks), didn't want to talk to anyone outside my support people and I was experiencing high anxiety.

Anytime I felt stressed in the slightest I went into full fight or flight mode, adrenalin surging, heart racing, even in my sleep. I was still unable to eat anything at this stage (resulting in the drop of 3 dress sizes) but I was gradually able to increase my fluid intake. My urine output took close on another week to start increasing, all be it slightly, despite drinking more and I would say even now, nearly a month later it's still not back to "normal". My GP has thought there may be possible damage to my kidneys and maybe my gall bladder. (This is often an issue in users).

By the beginning of week 3, I was getting hunger pangs (always painful) but was still unable to keep anything down and now at almost 4 weeks I am able to keep small amounts down. Thankfully sleep is improving too and I am having less and less of the other symptoms. I am also forcing myself to try and reconnect with people, making phone calls, having visitors over etc. I still feel very uncomfortable being around people, overwhelmed almost but it is something I am prepared to work on as for me to stay clean, I cannot be isolated.

A friend on the phoned me the other day and they said, "Oh, it's you! The old you is back!" That to me is confirmation that it's all been worth it. I can only hope that my experiences will be able to help someone else."

# 3.0 OUR COMMUNITY

This section looks at Wairoa's demographic and economic profile. This includes population, households and affordability.

## POPULATION AND HOUSEHOLDS

Wairoa District is home to 8,210 people. Population decline in the area slowed noticeably during the 2014-2016 interval, and the latest estimates show that the district's population increased by 50 or 0.6% during the year to June 2017.

The Wairoa district accounts for 5% of the total Hawke's Bay population. The population growth result over the latest year compares to the total regional growth figure of 1.5%. The median age of the Wairoa population compares with the current Hawke's Bay figure of approximately 41 years whilst the district's Maori community share of the total population is more than double the regional proportion.

The age-groups that have recorded strongest population growth in the district since 2001 are, in order, 65+ years, 60-64 years and 50-59 years. The 30-39, 40-49 and 0-14 year age-groups have recorded the largest population declines. The median age of the total district population has been increasing gradually over time and currently stands at 38.7 years (compared with 37.7 years in 2013).

The actual total number of households in the district at the present time is estimated at 3,210. The total number of households in Wairoa district in June this year is projected to be in the range 3,120 (Low projection) to 3,280 (High projection), with a Medium or 'middle of the road' projection of 3,200 households.

Family based households comprise 68% of all households in the district and one-person households 31%. 'Couple without children' families account for 41% of all resident families, two-parent families 32% and one-parent families the balance of 27%. The total number of businesses/organisations in the district comprise primary production 42%, secondary industry 7% and service industries 51%.

Average household occupancy (average number of persons per household) in the area has continued to fall, from a level of 2.72 (persons per household) to 2.56 this year. As with the rest of New Zealand, this trend is the result of an increasing proportion of single-person households in the district and a decline in the average size of family based households.

## ECONOMY AND DEMOGRAPHY

Economic growth in Wairoa has fluctuated over the period but has averaged out at an underlying annual (growth) rate of 0.82%. This compares with the respective Hawke's Bay region and national growth rates of 1.66% and 2.54%.

It is noted that GDP per capita or per person in the district has increased at an average annual rate of 1.8% since year 2000, with the value in 2017 ($35,172) being over 30% up on the year 2000 figure. Total employment in the district was relatively stable around the 3,500 mark during the 2000-2011 period. It then fell during the following two years but recovered sharply over the 2013-2015 interval. Since then employment in the area has fallen significantly down to around the 3,355 mark.

The average full/part time employee size of businesses in the district is 3.3, with the processing manufacturing sector figure being 43.3. The primary production and processing sector accounts for 56% of total industry GDP and employment in the district. In March 2017, the annualised Wairoa unemployment rate stood at an estimated 13.5%, compared to the overall Hawke's Bay-Gisborne figure of 6.8%.

**Table 1** below summarises the current demographic and economic situation in the Wairoa district, in terms of a range of local indicators. For a number of the indicators listed in the table, comparative Hawke's Bay region-level results are also provided.

**Table 1: Wairoa District Key Demographic and Economic Indicator Results 2016/17 Year**

| Indicator | Result 2016/17 |
|---|---|
| ***Estimated Resident Population*** | 8,210 |
| ***Annual Population Growth %*** | 0.6 |
| ***15+ Working-Age Population*** | 6,240 |
| ***65+ Age-Group Population*** | 1,440 |
| ***Median Age (Years)*** | 38.7 |
| ***% Maori Population*** | 54.0 |
| ***Households*** | 3,210 |
| ***Average Household Occupancy (Persons Per Household)*** | 2.56 |
| ***Total Business Numbers*** | 940 |
| ***Leading Industries' Direct Contribution to Total Industry GDP $M:*** | |
| Agriculture & Forestry/Logging | 107 |
| Processing & Manufacturing | 42 |
| Health Social & Education/Training Services | 31 |
| Business & Professional Services | 26 |
| Construction & Utility Services | 21 |
| ***Total Direct Visitor Spend $M*** | 17 |
| ***Total Real GDP $M*** | 287 |
| ***Real GDP Per Capita $*** | $35,172 |
| ***Total Employment*** | 3,355 |
| ***Leading Industry Contributions to Employment:*** | |
| Processing/Manufacturing | 943 |
| Pastoral farming | 881 |
| Education and Training | 343 |
| Health & Social Assistance | 293 |
| Retailing | 186 |
| ***Estimated Total Unemployment*** | 525 |
| ***Estimated Unemployment Rate %*** | 13.5 |
| ***Number of Residents Receiving Job Seeker Support Benefit*** | 728 |

## AFFORDABILITY

This section reports on the relative 'affordability'/'ability to pay' situation of the Wairoa district community. These related terms basically refer to the financial capability of individual Wairoa district residents, groups of residents or the community as a whole, to meet their financial obligations on a sustainable basis.

**Table 2** provides comparative results for the Wairoa district/Hawke's Bay region/New Zealand, for a range of demographic, income and economic indicators that are considered to have a significant potential influence on the level of affordability/'ability to pay' in the above areas. The Wairoa district faces a significantly higher 'ability to pay' challenge than for the Hawke's Bay region as a whole and nationally, in respect of many of the listed factors. The average standard of living (or GDP per person) in the district is only slightly behind the overall regional figure but noticeably below the national level. However, average labour productivity in the Wairoa area is noticeably higher than the regional result but less than the national figure.

The University of Otago's Deprivation Index is a measure of socio-economic deprivation within local authority districts of the country. It measures the relative deficit of income, employment, communications, transport, support, qualifications, home ownership and living space in homes, in local areas. The results in **Table 2** show a significant orientation within the Wairoa area towards the more deprived end of the deprivation scale and a significantly greater level of overall deprivation for the district than at the regional and national levels.

**Table 2: Wairoa District Affordability/ Ability to Pay Indicator Results 2013-2018**

| Indicator | Indicator Year | Area | | |
|---|---|---|---|---|
| | | Wairoa District | HB Region | NZ |
| **Demographic** | | | | |
| % Two-parent families with children | Projected 2018 | 40.9 | 34.2 | 39.0 |
| % One-parent families with children | Projected 2018 | 27.3 | 21.1 | 17.8 |
| % Households with families | Projected 2018 | 65.6 | 69.5 | 71.5 |
| % Single-person households | Projected 2018 | 31.3 | 27.4 | 24.4 |
| % of Residents Aged 65+ | Projected 2018 | 17.3 | 18.8 | 15.4 |
| % of residents in own housing | 2013 Census | 45.6 | 53.4 | 49.8 |
| % of residents in rented housing | 2013 Census | 54.4 | 46.6 | 50.2 |
| **Economic** | | | | |
| % No formal education qualification | 2013 Census | 37.3 | 26.5 | 20.9 |
| % Level 1-6 certificate/diploma | 2013 Census | 53.4 | 55.6 | 52.3 |
| % University based qualification | 2013 Census | 7.2 | 13.7 | 20.0 |
| % Workforce in professional occupations | 2013 Census | 12.4 | 18.7 | 22.5 |
| % Workforce in labouring occupations | 2013 Census | 31.8 | 18.1 | 11.1 |
| % Workforce in lowest 3 Earnings Industries | 2016 | 35.5 | 26.8 | 21.3 |

| | | | | |
|---|---|---|---|---|
| % Workforce in highest 3 Earnings Industries | 2016 | 12.7 | 15.3 | 19.8 |
| % Labour force unemployed | 2017 | 13.5 | 6.8 | 5.0 |
| % Working-age population employed | 2017 | 69.9 | 64.0 | 66.7 |
| Real GDP per person (standard of living) $ | 2016 | 35,172 | 37,175 | 46,605 |
| Real GDP per employee (labour productivity) $ | 2016 | 85,545 | 75,195 | 89,364 |
| **Income** | | | | |
| Median annual earnings $ | 2016 | 45,080 | 46,980 | 51,570 |
| Median personal income $ | 2013 Census | 21,900 | 26,100 | 28,500 |
| Median family income $ | 2013 Census | 49,000 | 62,800 | 72,700 |
| Median household income $ | 2013 Census | 42,400 | 53,200 | 63,800 |
| % Income earners receiving benefits | 2013 Census | 27.2 | 19.5 | 21.8 |
| % Wage and salary earners | 2013 Census | 52.5 | 56.7 | 56.7 |
| % Self-employed or in business | 2013 Census | 13.5 | 14.6 | 16.7 |
| **Deprivation Index** | | | | |
| % of population living in: | 2013 Census | | | |
| Quintile 1 (least deprived group) | 2013 Census | 0 | 15 | 20 |
| Quintile 2 | 2013 Census | 1 | 14 | 20 |
| Quintile 3 | 2013 Census | 12 | 20 | 20 |
| Quintile 4 | 2013 Census | 23 | 24 | 20 |
| Quintile 5 (most deprived group) | 2013 Census | 64 | 27 | 20 |

**Table 3** indicates the comparative annual personal income distribution profiles of the total Wairoa district, Hawke's Bay region and New Zealand areas, at the time of the 2013 Census. The three areas have similar proportions of income-earners earning $10,000 or less for the year in question. Wairoa district then has a noticeably higher proportion of income-earners in the $10,001-30,000 income range. The district has a significantly higher proportion of its earners in the $30,000-50,000 band compared to the other two areas but a considerably lower proportion in the $50,000+ category.

**Table 3: Wairoa District Comparative Personal Income Distribution Profile 2012/13 Census Year**

| Income Band $ | % of Income Earners in Each Band 2012/13 | | |
|---|---|---|---|
| | Wairoa District | HB Region | NZ |
| ***5,000 or less*** | 6.4 | 5.6 | 5.4 |
| ***5,001-10,000*** | 4.1 | 4.0 | 4.0 |
| ***10,001-20,000*** | 14.7 | 11.9 | 10.2 |
| ***20,001-30,000*** | 18.6 | 15.7 | 12.9 |
| ***30,001-50,000*** | 33.8 | 30.7 | 28.5 |
| ***50,001 or more*** | 22.4 | 32.1 | 39.0 |

In summary, it can be concluded that the Wairoa community in general terms faces significant affordability / 'ability to pay' challenges.

## ECONOMIC GROWTH OUTLOOK

Following the adverse regional economic effects of the Global Financial and Economic Crisis (GFC) during 2007/2008, the overall Hawke's Bay economy (of which Wairoa district is a part) has recorded ongoing positive although fluctuating economic growth. The last two years have seen sustained improved economic growth in the region, up to an estimated annual level of 2.7% in June this year.

Overall employment has been increasing since 2013. Strongest industry growth within the primary and secondary sectors has been recorded by forestry and logging, rural sector support services, horticulture and fruit, manufacturing of forest product items, utility services (power/gas/water) and the manufacturing of metal products/machinery/equipment. The Wairoa district economy has grown at an average annual rate of 0.82%, since year 2000. Thus, there has been underlying growth, albeit it somewhat limited, in the area over the longer-term.

## DISTRICT PLAN

There are no explicit rules in the Wairoa District Plan regarding the regulation of psychoactive substances. However, the district plan does restrict land-use activity associated with the sale or supply of psychoactive substances within the Residential (Māhia) and Coastal (Māhia) zones (resource consent required).

Land-use activity associated with the sale or supply of psychoactive substances in all other district planning zones is regarded as a permitted activity if all of the performance standards for the relevant zone are complied with (however, the relevant legislation must also be complied with for consent to be granted).

## TOURISTS AND VISITORS

The Wairoa District covers a total area of about 4,118 square kilometres with approximately 130 kilometres of coastline.

The total number of nights spent by overnight visitors in commercial accommodation in the district generally fell over 2003-2012 but has stabilised since. Over the year ended September 2017, the total number of commercial accommodation visitor arrivals recorded for the Wairoa district was 31,211 and visitor-nights 60,944; an average visitor length of stay of 1.95 nights. The peak figures for these indicators over the past decade were the 44,163 arrivals recorded in the year ended September 2004 and 95,190 visitor-nights for the same period. The Wairoa i-Site has recorded a sharp 60% increase in 'foot-traffic' through its doors over the past 3-4 years.

Since year 2010, visitor spending data indicates total annual visitor spending in Wairoa district varying in the range $15 million to $18 million. Visitor spending for the year ended September 2017 was recorded at $17 million, up 13% on the previous year. Estimates of total overnight visitor numbers for the Wairoa district currently stand at an annual 75,000. This covers visitors staying in commercial accommodation, holiday home visitors, other overnight visitors and day visitors.

Total annual visitor spend in the Wairoa district currently stands at $17 million. This is forecast to increase to approximately $25 million, by year 2028. The district presently accounts for just 2.8% of total direct Hawke's Bay visitor spend.

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# 9 RECEIPT OF MINUTES FROM COMMITTEES/ACTION SHEETS

## 9.1 MINUTES OF FINANCE, AUDIT & RISK COMMITTEE MEETING - 18 SEPTEMBER 2018

**Author:** **Charlotte Knight, Governance Advisor & Policy Strategist**

**Authoriser:** **Steven May, Chief Executive Officer**

**Appendices:** **1. Minutes of Finance, Audit & Risk Committee Meeting - 18 September 2018**

**RECOMMENDATION**

1. That the Minutes of the Finance, Audit & Risk Committee Meeting held on Tuesday 18 September 2018 be received and the recommendations therein be adopted.

**MINUTES OF WAIROA DISTRICT COUNCIL**
**FINANCE, AUDIT & RISK COMMITTEE MEETING**
**HELD AT THE COUNCIL CHAMBER, WAIROA DISTRICT COUNCIL, CORONATION SQUARE, WAIROA**
**ON TUESDAY, 18 SEPTEMBER 2018 AT 1.30PM**

**PRESENT:** His Worship the Mayor Craig Little (Mayor), Cr Denise Eaglesome-Karekare (Deputy Mayor), Cr Jeremy Harker, Mr Philip Jones

**IN ATTENDANCE:** S May (Chief Executive), J Cox (Engineering Manager), G Borg (Chief Financial Officer), G Waikawa (Governance Administrator)

## 1 KARAKIA

Karakia was given by G Borg

## 2 APOLOGIES FOR ABSENCE

Nil

## 3 DECLARATION OF CONFLICT OF INTEREST

None

## 4 CHAIRPERSON'S ANNOUNCEMENTS

The Chairperson acknowledged from a report given by the New Zealand Taxpayers Union Council staff had outperformed across a range of different measures

The Chief Executive Officer also acknowledged the staff and have also focused on user payer and future of Wairoa.

## 5 LATE ITEMS OF URGENT BUSINESS

None.

## 6 PUBLIC PARTICIPATION

A maximum of 30 minutes has been set aside for members of the public to speak on any item on the agenda. Up to 5 minutes per person is allowed. As per Standing Order 14.14 requests to speak must be made to the meeting secretary at least one clear day before the meeting; however this requirement may be waived by the Chairperson.

## 7 MINUTES OF THE PREVIOUS MEETING

**COMMITTEE RESOLUTION 2018/58**

Moved: Cr Denise Eaglesome-Karekare
Seconded: Mr Philip Jones

That the minutes of the Ordinary Meeting held on 7 August 2018 be confirmed.

**CARRIED**

## 8 GENERAL ITEMS

### 8.1 COMMITTEE TERMS OF REFERENCE REVIEW AND WORK PROGRAMME

**COMMITTEE RESOLUTION 2018/59**

Moved: Mr Philip Jones
Seconded: Cr Jeremy Harker

That the Committee:

1. Considers the proposed amendments to its terms of reference for presentation to Council
2. Adopts the proposed work programme
3. Advised the Chief Executive Officer reports back to the FAR Committee on a likely timetable when the proposed work programme will be completed.

**CARRIED**

The Committee discussed at length the proposed amendments to the FAR Committee's terms of reference particularly membership of the FAR Committee. The Committee also discussed the proposed work programme.

Councillor D Eaglesome-Karekare advised the Committee retain the status quo for membership of the Chairperson for the FAR Committee.

At 1:57 pm, Cr Denise Eaglesome-Karekare left the meeting.

### 8.2 DRAFT FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

**COMMITTEE RESOLUTION 2018/60**

Moved: Mr Philip Jones
Seconded: Cr Jeremy Harker

That the Committee:

1. Receive the report.
2. Accept the interim Draft Financial Statements for the year ended 30 June 2018 and Chief Executive Officer report back to FAR Committee on reasons and consequences for the underspend in capital expenditure for the years ended 2016/2017 and 2017/2018.

**CARRIED**

Discussions were held at length regarding the Draft Financial Statements for the year ended 30 June 2018.

The Meeting closed at 2.40 pm with a karakia by G Borg.

**The minutes of this meeting were confirmed at the Finance, Audit & Risk Committee Meeting held on 30 October 2018.**

.....

**CHAIRPERSON**

## 9.2 MINUTES OF FAR COMMITTEE 18 SEPTEMBER RECOMMENDATION: PROPOSED FAR COMMITTEE TERMS OF REFERENCE

**Author:** **Charlotte Knight, Governance Advisor & Policy Strategist**

**Authoriser:** **Steven May, Chief Executive Officer**

**Appendices:** **1. Proposed Terms of Reference ⇩**

### 1. PURPOSE

1.1 To review the proposed terms of reference recommended by the FAR Committee.

**RECOMMENDATION**

*The Finance, Audit & Risk Committee RECOMMENDS that Council adopt the revised terms of reference for the Finance, Audit & Risk Committee attached as Appendix 1.*

### References (to or from other Committees)

FAR Committee 18 September 2018 – Committee Terms of Reference Review and Work Programme

### Signatories

| | |
|---|---|
| | |
| Author<br>Charlotte Knight | Approved by<br>Steven May |

**WAIROA DISTRICT COUNCIL**
PO Box 54, Wairoa – Telephone (06) 838-7309 – Facsimile (06) 838-8874

# Terms of Reference: Finance, Audit & Risk Committee

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| **Membership** | His Worship the Mayor (ex-officio), 3 councillors, and an independent member. |
| **Meeting frequency** | Every 6 weeks and as required |
| **Purpose** | This Committee will monitor overall financial management and the performance of the Council; and, act as a liaison point with the Council's auditors in order to ensure robust financial audits and reviews of Wairoa District Council. |
| **Responsibilities** | • Monitor the Council's external and internal audit work programmes and processes.<br>• Provide a communication link between management, internal/external auditors and the Council.<br>• Receive the Auditor's Management Report and make recommendations (if any) to Council on any suggested actions by the Auditor.<br>• Monitor the response to audit reports and the implementation of recommendations made by auditors.<br>• Monitor integrity and reliability of financial and other measures of performance and service levels. (monthly/quarterly report goes to Council if they meet before FAR)<br>• Monitor existing corporate finance policies and recommend to Council new corporate policies to prohibit unethical, questionable or illegal activities.<br>• Oversee the Health & Safety work programme<br>• Provide objective advice and recommendations to Council regarding the sufficiency, quality and results of assurance on the adequacy and functioning of the Council's risk management, control and governance frameworks and processes.<br>• Oversee the compilation and recommend the Annual Report to Council.<br>• Review the development of the financial strategies and policies as required by the long-term plan.<br>• Monitor the financial and non-financial performance and governance of Council Controlled Organisations – annual report and statement of intent to go to Council. |

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| **Delegations** | • Recommend to Council the terms and arrangements of the external audit programme as agreed with the external auditor.<br>• Assess and approve expenditure where the circumstances could be perceived to give rise to a conflict of interest.<br>• All powers necessary to perform the Committee's responsibilities<br>Except<br>a. Powers that the Council cannot delegate or has retained to itself<br>b. Where the Committee's responsibility is limited to making a |

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| | recommendation only<br>c. The approval of expenditure not contained within approved budgets<br>d. The approval of final policy<br>e. Deciding significant matters for which there is high public interest and which are controversial<br>f. The commissioning of reports on new policy where that policy programme of work has not been approved by the Council<br>g. Establishing subcommittees<br>h. Delegating the Committee's responsibilities, duties or powers |
| **Rules and Procedures** | • Standing Orders apply.<br>• The minutes of the committee will be submitted to the Council.<br>• There will be an appropriate induction programme for new members of the committee. |

## 9.3 MINUTES OF MĀORI STANDING COMMITTEE MEETING - 13 SEPTEMBER 2018

**Author:** Gay Waikawa, Governance Administrator

**Authoriser:** Steven May, Chief Executive Officer

**Appendices:** 1. Minutes of Māori Standing Committee Meeting - 13 September 2018

**RECOMMENDATION**

1. That the Minutes of the Māori Standing Committee Meeting held on Thursday 13 September 2018 be received.

**MINUTES OF WAIROA DISTRICT COUNCIL**
**MĀORI STANDING COMMITTEE MEETING**
**HELD AT THE PUTAHI MARAE, 609 STATE HIGHWAY 38, WAIROA**
**ON THURSDAY, 13 SEPTEMBER 2018 AT 12.30PM**

**PRESENT:** Cr Charles (Charlie) Lambert, Mr Kiwa Hammond, Mr Paul Kelly, Mr Henare Mita, Ms Sharon Cooper, Ms Theresa Thornton, Mr Adrian Manuel, Ms Whaiora Maindonald, Ms Fiona Wairau

**IN ATTENDANCE:** **Steven May (Chief Executive Officer), Duane Culshaw (Māori Relationships Manager), Nathan Heath (HBRC – Wairoa Catchment Manager)**

The meeting commenced with a pōhiri.

## 1 KARAKIA

Given during the pōhiri.

## 2 APOLOGIES FOR ABSENCE

**APOLOGY**

**COMMITTEE RESOLUTION 2018/59**

Moved: Mr Henare Mita
Seconded: Cr Charles (Charlie) Lambert

That the apologies received from His Worhsip the Mayor Mr Craig Little, Cr Harker, and Ms Here Nissen be accepted and leave of absence granted.

**CARRIED**

Apologies were received from Mr Kitea Tipuna (Economic Development & Engagement Manager)

## 3 DECLARATION OF CONFLICT OF INTEREST

None.

## 4 CHAIRPERSON'S ANNOUNCEMENTS

None.

## 5 LATE ITEMS OF URGENT BUSINESS

None.

## 6 PUBLIC PARTICIPATION

Ina Kara-France presented on Whakaki Lakes and Wetlands, and Waihi Dam.

Nigel How clarified some points regarding Whakaki Lakes and Wetlands.

Mr Paul Kelly passed on the committee's condolences to Mr Kiwa Hammond and his family after the recent passing of his father.

## 7 MINUTES OF THE PREVIOUS MEETING

**COMMITTEE RESOLUTION 2018/60**

Moved: Mr Paul Kelly
Seconded: Ms Whaiora Maindonald

That the minutes of the Ordinary Meeting held on 9 August 2018 be confirmed.

**CARRIED**

## 8 GENERAL ITEMS

### 8.1 MAORI RELATIONSHIPS MANAGER REPORT - 13 SEPTEMBER 2018

**COMMITTEE RESOLUTION 2018/61**

Moved: Mr Paul Kelly
Seconded: Mr Henare Mita

That the Māori Standing Committee resolve to purchase iPads for the purpose of accessing the Hub Platform for Council business.

**CARRIED**

**COMMITTEE RESOLUTION 2018/62**

Moved: Mr Kiwa Hammond
Seconded: Mr Henare Mita

That the Māori Standing Committee receives the report.

**CARRIED**

Nathan Heath gave an update on the work that HBRC are doing and what they are planning to do going forward.

Mr Kiwa Hammond presented his Chair's report.

Takiwā reports were received from:

- Mr Henare Mita (attached to the agenda)
- Ms Sharon Cooper (attached to the agenda)
- Mr Paul Kelly (written report distributed at the meeting)
- Fiona Wairau (verbal)
- Theresa Thornton (verbal)

- Whaiora Maindonald (verbal)
- Adrian Manuel (verbal)

Closing karakia given by Mr Henare Mita.

**The Meeting closed at 3.10 p.m.**

**The minutes of this meeting were confirmed at the Māori Standing Committee Meeting held on 11 October 2018.**

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**CHAIRPERSON**

# 10 PUBLIC EXCLUDED ITEMS

**RESOLUTION TO EXCLUDE THE PUBLIC**

**RECOMMENDATION**

That the public be excluded from the following parts of the proceedings of this meeting.

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

| General subject of each matter to be considered | Reason for passing this resolution in relation to each matter | Ground(s) under section 48 for the passing of this resolution |
|---|---|---|
| **10.1 - Disposal of Airport Land** | s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities<br>s7(2)(j) - the withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage | s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7 |
| **10.2 - Kakariki Farm Road Pit - Options for future use** | s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities<br>s7(2)(i) - the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) | s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7 |