Date:	**Tuesday, 4 March 2025**
Time:	**1:30 pm**
Location:	**Council Chamber, Wairoa District Council, Coronation Square, Wairoa**

AGENDA

Late Reports

Ordinary Council Meeting

4 March 2025

MEMBERSHIP: His Worship the Mayor Craig Little, Cr Denise Eaglesome-Karekare, Cr Jeremy Harker, Cr Melissa Kaimoana, Cr Chaans Tumataroa-Clarke, Cr Benita Cairns, Cr Roslyn Thomas

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

Order Of Business

8 GENERAL ITEMS

8.1 UPDATE ON PROPOSED DEVELOPMENT CONTRIBUTIONS POLICY

Author: Tyler Trafford-Misson, Kaiwhakamahere Planner

Authoriser: Hinetaakoha Viriaere, Pouwhakarae - Whakamahere me te Waeture | Group Manager Planning and Regulatory

Appendices:
1. **Minister Bishop Speech 28-02-2025** ⇩
2. **Government Press Release 28-02-2025** ⇩
3. **Factsheet Going for Housing Growth at a glance** ⇩
4. **Factsheet 1 - Improvements to infrastructure funding and financing tools** ⇩
5. **Factsheet 2 - Development levies and targeted rates** ⇩
6. **Factsheet 3 - Improvements to the Infrastructure Funding and Financing Act** ⇩
7. **Factsheet 4 - Development contributions vs development levies** ⇩

1. PURPOSE

1.1 This report seeks to provide Elected Members with updates on Minister Bishop's recent announcement pertaining to the Government's progress on the 'Going for Housing Growth Agenda' and how this announcement will affect the engagement currently being undertaken for the proposed Development Contributions Policy.

RECOMMENDATION

The Kaiwhakamahere Planner RECOMMENDS that Council:

(1) Receive the report, AND

(2) Decide on next steps.

BACKGROUND

1.2 At its Ordinary Council meeting on 4 February 2025, the Council resolved to adopt and approve the proposed Development Contributions Policy, Statement of Proposal, and Development Contributions Consultation document for public consultation.

1.3 Public engagement commenced on Monday, 24 February 2025, and was scheduled to run for four weeks, concluding on Monday, 24 March 2025. This special consultative procedure was conducted in accordance with Section 83 of the Local Government Act 2002.

1.4 On Friday, 28 February 2025, Minister of Housing and Infrastructure Chris Bishop announced new initiatives aimed at addressing the funding and financing challenges faced by councils. These initiatives form part of the Government's 'Going for Housing Growth Programme,' which seeks to address New Zealand's ongoing housing shortage by tackling its underlying structural issues.

2. The programme's funding and financing mechanisms are expected to impact how Wairoa District Council recovers costs from developers for growth-related infrastructure investments.

3. GOING FOR HOUSING GROWTH

3.1 The Going for Housing Growth programme will enable more homes to be built. The programme is structured around three pillars that are designed to improve affordability and address the underlying causes of the housing supply shortage. These pillars are:

1. Freeing up land for urban development, including removing unnecessary planning barriers.
2. Improving infrastructure funding and financing to support growth.
3. Providing incentives for communities and councils to support growth.

3.2 In June, the Government announced decisions relating to pillar one, which will help free up land for urban development, including removing unnecessary. The Government has now made decisions on pillar two, which will help to support urban growth with improved infrastructure funding and financing tolls to help get more housing built.

3.3 These changes will provide Councils, developers and other infrastructure providers with a flexible funding and financing toolkit to respond to growth pressures and deliver infrastructure to land zoned for development. This is expected to reduce the current cross-subsidisation by ratepayers.

3.4 The legislation to implement these changes is expected to be introduced in September 2025 and enacted in mid-2026.

3.5 The upcoming changes are listed below:

Replacing development contributions with a development levy system	• The purpose of development levies is to ensure councils charge developers a proportionate amount of the total cost of capital expenditure necessary to service growth over the long term. • Levies will be calculated based on expected levels of growth and aggregate growth costs for each urban centre. • Separate levies will be maintained for each service such as, drinking water, wastewater, stormwater, transport, reserves and community infrastructure. • Councils providing a service to part of a levy zone with particularly high growth costs, will have discretion to charge an additional high-cost asset levy on top of the base levy for that service. • Development levies will be subject to regulatory oversight and councils will be required to ensure they're setting appropriate charges. • Councils will have discretion to phase in any transition to higher charges under the levy system to manage impacts on local development.

Improvements to the IFF Act

- Broadening the scope of the IFF Act so levies can be used in a wider range of circumstances.
- A streamlined levy development and approvals process, particularly for proposals supported by landowners that would be subject to the levy.
- Other changes to improve the flexibility of the IFF Act and support its use for a range of infrastructure projects.

Changes to targeted rates

- Councils will now be able to set targeted rates that apply only to new developments, for example, at the subdivision stage.
- Councils will also be able to use targeted rates and development levies together where projects benefit existing residents and provide for housing growth.

3.6 Development agreements will continue to be available to Council's and developers as an infrastructure

4. IMPACT ON PROPOSED DEVELOPMENT CONTRIBUTIONS POLICY

4.1 In light of these government announcements, it is likely that the framework for charging development contributions under the Local Government Act 2002 will be revised. Until further details are provided on how development levies will be implemented in practice, Elected Members may wish to consider the next steps regarding the consultation period for the proposed Development Contributions 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.

28 February 2025

Going for Housing Growth: New and improved Infrastructure Funding and Financing

Hon Chris Bishop

Housing Infrastructure

Good afternoon, everyone. Today I'd like to talk to you about progress the Government has made on our Going for Housing Growth agenda. I'm also excited to announce policy decisions that will improve infrastructure funding and financing to get more houses built.

Thank you to Local Government New Zealand for hosting this meeting. It is crucial that central and local government, work together in the areas of housing, planning reform, and transport to unlock New Zealand's potential.

NEW ZEALAND'S HOUSING CHALLENGES

Let's start with an overview of our housing challenge.

Over the last three decades real house prices in New Zealand increased more than any other OECD country. According to the OECD's Better Life Index, we also rank 40th out of 41 countries for housing affordability – just in front of the Slovak Republic.

Put simply, our housing market has held us back economically and socially:

- New Zealanders spend a larger share of their income on housing – meaning less disposable income can go towards goods, services, and investments,
- In 2022, more than half of all household wealth was tied up in land and houses,
- Homeownership rates are near their lowest in 80 years,
- Young people are leaving New Zealand to find better opportunities, and
- There are 20,300 families on the social housing wait list.

But it hasn't always been like this. Just 23 years ago in 2002, New Zealand had a house price to wage ratio of 3:1. Now, house prices outstrip wages by over 6:1.

The worst part about this is that we have known about our housing crisis – and how to fix it – for over a decade.

In fact, the first two recommendations in the Productivity Commission's 2012 inquiry into housing affordability were:

1. For central and local government to free up more land for housing in the inner city, suburbs, and city edge; and

2. To ensure greater discipline around charging for growth infrastructure. Since then, report after report and inquiry after inquiry has found that our planning system, particularly restrictions on the supply of developable urban land, are at the heart of our housing affordability challenge.

This Government has seen the evidence, listened, and is getting on with the job.

I am determined to fix our housing crisis by addressing the root cause of the problem, focusing on the fundamentals, and treating housing as a complete and dynamic system.

Getting the settings for housing and land markets right will do three things:

1. Lift economic growth and productivity,
2. Reduce the social consequences of unaffordable housing, and
3. Help us get the Government's books back in order.

HOUSING IS AN ENABLER OF ECONOMIC GROWTH AND PROSPERITY

I want to spend a bit of time focusing on the relationship between housing and economic growth.

Housing is a basic human need, and it is also an enabler of productivity, and for decades, New Zealand has suffered from a productivity disease.

As Paul Krugman so famously observed, "Productivity isn't everything, but in the long run, it's almost everything."

Productivity growth is a key driver of our standard of living and prosperity.

It will probably surprise – and I hope alarm you – to learn that our productivity is closer to places like Poland, Hungary, and the Czech Republic than it is to Australia, Canada, the United Kingdom, or the United States.

In other words, our productivity rates are on par with countries that endured 40 years of communism.

To turn this around, the Government is focused on going for growth, whether that's in trade, foreign investment, innovation and technology, competition, infrastructure, or housing – the whole shebang.

It is not going to be easy to really get growth and productivity going in New Zealand. But, in my view, getting the underlying settings housing and land markets right will do a lot of the heavy lifting.

There is now a mountain of economic evidence that cities are engines of productivity, and the evidence shows bigger is better.

In New Zealand, it is estimated that doubling a city's population could increase output by 3.5%. And, on average, workers in cities earn one third more than their non-urban counterparts.

Throughout history, cities have been the hub of innovation. Think 15th century Florence, 17th century Amsterdam, 18th century London, and San Francisco today.

Cities are powerful engines of growth because they foster agglomeration economies – which are the benefits that occur when firms and people cluster together. When people are close, we can more effectively:

- **Share** infrastructure, supply chains, and capital,
- **Match** skills to jobs, and
- **Learn** from each through the exchange of knowledge and ideas.

A floor filled with smart people working next to each other and chatting over coffee, in a building filled with floors, in a city full of buildings, unsurprisingly, enables greater opportunities.

Proximity encourages collaboration and innovation.

So, the question is, are we making the most out of New Zealand's cities?

If we are honest with ourselves, the answer is no.

Quite often I experience 'housing utopia whiplash' – one article says, "don't put intensification here, we need to protect the wooden villas", another says "don't do greenfield development, it contributes to more emissions".

But if you can't go up or out, you can't go anywhere.

To make housing more affordable, our cities need to growth both up and out – we need bigger cities and, we need more houses.

Having more affordable housing would also free up more disposable income and capital for investment in businesses, capital, infrastructure, and people.

Modelling shows, that under an 'ambitious scenario' of removing all supply-side constraints, New Zealand could increase output per worker by up to 1.6%, increase workers moving from Australia **to** New Zealand's high-productivity regions by up to 7.2%, and increase GDP by up to 8.4%.

Now, removing all supply-side constraints is not realistic – but what I do know is that we can do so much more than we are now.

ACTIONS ON GOING FOR HOUSING GROWTH SO FAR

In July last year, I outlined our Going for Housing Growth policy:

- Pillar 1: freeing up land for development and removing unnecessary planning barriers,
- Pillar 2: improving infrastructure funding and financing to support urban growth, and
- Pillar 3: providing incentives for communities and councils to support growth.

We have made good progress on Pillar 1 which includes Housing Growth Targets for Tier 1 and 2 councils to "live-zone" 30-years of housing demand, making it easier for cities to expand, strengthening the intensification provisions in the NPS-UD, putting in new rules requiring councils to enable mixed-used development, and abolishing minimum floor areas and balcony requirements.

Details about how Pillar 1 will be implemented will be announced in the coming months.

Today, I will announce policy decisions Cabinet has made on Pillar 2, which I will get to shortly.

Officials are also working away on Pillar 3 in the context of Pillars 1 and 2, which will ensure that councils and communities face strong incentives – carrots or sticks – for growth.

To help fix the housing crisis, the Government has also:

- Passed the Residential Tenancies Amendment Bill to make sensible changes to tenancy rules to encourage landlords into the market;
- Passed legislation to make it easier for international investment into "Build to Rent" housing;
- Passed the Fast-track Approvals Act which makes it much easier to consent large-scale housing developments;
- Funded 1,500 new social housing places delivered by Community Housing Providers; and
- Established a Residential Development Underwrite scheme to support construction during the market downturn.

Before the next election, we will have also replaced the Resource Management Act with new legislation. More on that next month.

ANNOUNCEMENTS ON PILLAR 2

Now let's talk about Pillar 2 - improving infrastructure funding and financing to support urban growth.

I know central government has given local government a hard time about not zoning enough land for housing. I've done it once or twice before.

And it's true, you haven't.

But what I have heard from you and housing experts, is that freeing up urban land is not enough on its own. We also need to ensure the timely provision of infrastructure.

Put simply, you can't have housing without land, water, transport, and other community infrastructure. It's a package.

However, under the status quo, councils and developers face significant challenges to fund and finance enabling infrastructure for housing.

I hope you'll agree with me that existing tools like Development Contributions (DCs), and the Infrastructure Funding and Financing (IFF) Act are not fit for purpose.

We want to move to a future state where funding and financing tools enable a responsive supply of infrastructure where it is commercially viable to build new houses.

This will shift market expectations of future scarcity, bring down the cost of land for new housing, and improve incentives to develop land sooner instead of land banking.

To achieve this future, our overarching approach is that 'growth pays for growth'.

So, today, I am excited to announce five key changes to our infrastructure funding settings that will get more houses built:

- The first is replacing DCs with a Development Levy System,
- The second is establishing regulatory oversight of Development Levies to ensure charges are fair and appropriate,
- The third is increasing the flexibility of targeted rates,
- The fourth is improving the Infrastructure Funding and Financing Act, and
- The fifth is broadening existing tools to support value capture.

Essentially, we are developing a flexible toolkit of mechanisms to ensure growth pays for growth". There is no funding and financing mechanism that will suit all developments. But the flexible toolkit I'm about to outline will help ensure a responsive supply of infrastructure.

Development Levies system

Let's start with replacing DCs with a Development Levy system.

Under the status quo, councils can only recover infrastructure costs for planned, costed, and in-sequence developments. In effect, this means councils can only recover costs if they have certainty about when, where, and what development occurs.

But this level of certainty isn't realistic. We don't live in Ebenezer Howard's "Garden City" or "planners paradise", and we're not stuck in the Soviet Union. We want growth to be demand-led, not planner-led.

We know DCs aren't working, because councils haven't been able to effectively recover growth costs, leaving ratepayers to pick up the cheque.

For example, Auckland Council estimates that $330m in growth infrastructure costs for Drury will be met by ratepayers, not by the beneficiaries of the infrastructure. Similarly, Tauranga City Council has reported 16 percent under-recovery for projects that were included in DC policies, which saw over $70m of debt expected to be transferred to ratepayers.

Not only is this unfair, but it makes existing residents resistant to growth.

The political economy of housing is stacked against actually building it. It is not surprising that existing ratepayers mobilise against new housing when they're required to pick up the tab for the infrastructure required for it.

DCs were designed in 2002 for a world with a strategy of "urban containment", where councils put rings around and ceilings on top of our cities.

The old model was to plan cities carefully.

So, we sequenced, and planned, and costed the infrastructure, then urban land was dripped slowly into the market. This meant that councils had lots of control over the release of urban land.

But these constraints also created a scorching hot land and housing market driven by artificial scarcity.

Pillar 1 is about upending the system by live zoning 30 years' worth of housing demand at any one-time for Tier 1 and 2 councils, flooding the market with development opportunities and fundamentally making housing more affordable.

We are deliberately upending the artificial planning and zoning constraints that have made it difficult to use land for housing.

Once Pillar 1 goes live and there is an abundance of urban land, councils won't be able to plan or cost growth in detail anywhere, everywhere, all at once – it's simply not feasible.

So, we need a flexible funding and financing system to match the flexible planning system.

That's Development Levies.

Under this new system, councils and other infrastructure providers will be able to charge developers for their share of aggregate infrastructure growth costs across an urban area over the long-term.

Development Levies will provide far more flexibility for councils and other infrastructure providers to recover costs for any in-sequence development - whether it planned and costed, or not.

Quite simply, this tool will respond to growth **and** recover costs, no matter where the growth occurs within land zoned for housing.

For areas that are zoned for housing – remembering there will be a lot more of it under our new system – Development Levies will look like:

- Separate levies that are ring-fenced for each specific infrastructure service such as drinking water, wastewater, and transport;
- Specific "levy zones", which are expected to cover pre-defined urban areas that are larger than most current DC catchments;
- Discretion for councils to impose additional charges on top of the base levy in specific locations that require a particularly high-cost service;
- A prescribed methodology that councils and infrastructure providers must follow to determine aggregate growth costs and standardised growth units; and
- Consideration of different models of infrastructure delivery including support for first-mover developers and recovering council costs for infrastructure owned by another entity.

For out-of-sequence development, there will be a process councils or water service providers must follow to determine an appropriate levy – or Infrastructure Funding and Financing Act levies could be used. As I say, this is a toolkit of approaches to ensure infrastructure is funded and built.

The new Development Levy system has many benefits.

It will reduce financial risks for councils and could moderate rate increases, better incentivising communities to support growth.

It will improve the predictability of infrastructure charges. Where these charges are credibly signalled in advance, we expect developers will account for added costs in shopping for developable land, lowering the amount they are willing to pay.

It will increase transparency and reduce administrative complexity for councils.

Regulatory oversight

The second change is to create regulatory oversight of the development levy regime.

Councils can have monopolistic pricing power as the sole provider of certain infrastructure.

The new levy system will restrict local authority discretion about various matters, such as setting the methodology used to allocate project costs.

But it is important that prices are fair and appropriate, so we will also establish regulatory oversight of Development Levies, which will be integrated with the regulatory oversight of water services and rates.

While the wider system is being designed, we will put in interim oversight arrangements, which may include requirements around transparency and information disclosure, and having an independent assessment of proposed levies.

Work is underway on this area right now and the government will be engaging with councils and developers in the coming months to get the details right.

Increasing the flexibility of targeted rates

Now moving onto targeted rates.

I understand that not everyone, particularly small councils, will be up for using the Development Levy system. So, we are also making changes to targeted rates to support urban growth.

We will allow councils to set targeted rates that apply when a rating unit is created at the subdivision stage. This will enable councils to set targeted rates that only apply to new developments. And, for small councils, this could be used as a good alternative to Development Levies.

Additionally, this change will enable targeted rates and Development Levies to be used together where projects benefit existing residents and provide for growth.

Infrastructure Funding and Financing Act changes

Fourth, we will be making changes to the IFF Act.

The IFF Act was passed in 2020 so that developers could freely arrange private funding and financing solutions for enabling infrastructure. It was supposed to allow developers to bypass the issue of relying on councils for the timely provision of infrastructure.

However, in the five years since it was passed, no levy proposals have been received for new residential developments, likely due to its complexity and administrative burden.

My Undersecretary Simon Court has been leading the work here and he will speak to the full suite of changes we are making shortly.

But at a high-level, the Government has agreed to make several remedial amendments to improve the effectiveness of the Act, particularly for developer-led projects. These changes will remove unnecessary barriers and make the overall process simpler.

Broadening existing tools to support cost recovery and value capture

But what I am really excited about is broadening existing tools like the IFF Act to support value capture and cost recovery.

As a general principle, those who benefit from publicly funded infrastructure should help contribute to the cost of it. New state highways, for example, create benefits for private landowners by unlocking capacity for new development or improving journeys for existing households.

New busways or rail lines clearly create benefits for those located near the stations.

So, we will enable IFF Act levies to be charged for major transport projects, e.g., projects delivered by NZTA.

This change has the potential to kickstart our embrace of Transit Oriented Development or TOD.

TOD promotes compact, mixed-use, pedestrian friendly cities, with development clustered around, and integrated with, mass transit. The idea is to have as many jobs, houses, services and amenities as possible around public transport stations.

This is not an untested theory: transit-oriented development has been adopted across world-class in cities like Stockholm, Copenhagen, Tokyo, and Singapore - all of which use some form of value capture.

We looked at establishing a complicated new tool that tries to calculate land value uplift to essentially tax windfall gains, but we have concluded that it is fine in theory but much harder in reality.

Our preference is for a much simpler solution that builds on existing legislation - getting beneficiaries to pay for some proportion of the cost of the investment through infrastructure levies.

Henry George would certainly approve.

Conclusion

Today's announcement outlines our plans to establish a flexible funding and financing system – Pillar 2 – to complement our new flexible planning system – Pillar 1.

These are some big changes, and it will take some time to get them right. Our aim is to have legislation in the House by September this year, to come into effect next year.

What I can promise is that my officials will engage with councils and developers to ensure we create a future state that works:

Where urban land is abundant, the supply of infrastructure is responsive, and where there are loads of development opportunities and housing choice for New Zealanders.

Today's changes to funding and financing tools, together with freeing up urban land both inside and at the edge of our cities is a massive feat for:

- urban nerds,
- proponents of economic growth,
- champions of housing affordability, and
- all New Zealanders really.

Solving our housing crisis is my top priority. It will mean a more productive, wealthier, and more prosperous New Zealand and I won't rest until that's done.

Thank you.

28 February 2025

Going for Housing Growth: New and improved infrastructure funding and financing tools

Hon Chris Bishop

Hon Simon Watts

Housing Infrastructure

Local Government

New and improved infrastructure funding and financing tools will help get more houses built and address New Zealand's housing crisis, Housing Minister Chris Bishop and Local Government Minister Simon Watts say.

"Fixing New Zealand's housing crisis will help lift economic growth, boost productivity and lift our living standards.

"The Government's Going for Housing Growth programme focuses on fixing the fundamentals of our housing crisis: land supply, infrastructure, and incentives for growth."

Going for Housing Growth is split into three pillars:

Pillar 1: Freeing up land for development and removing unnecessary planning barriers,

Pillar 2: Improving infrastructure funding and financing to support growth, and

Pillar 3: Providing incentives for communities and councils to support growth.

"In July, the Government announced decisions on Pillar 1 which will make it much easier for our cities to grow both up and out

"We are not a small country by land mass, but our planning system has made it difficult for our cities to grow. As a result, we have excessively high land prices driven by market expectations of an ongoing shortage of developable urban land to meet demand.

“But, on its own, freeing up land is not enough to support more housing. We also need the timely delivery of infrastructure. Put simply, you can’t have housing without water, transport, and community facilities.

Pillar 2: Improving funding and financing tools

“The changes we are announcing today respond to the calls from councils and developers to make it much simpler and easier to fund and finance enabling infrastructure for housing.

“In short, the Government’s changes will create a flexible funding and financing system to match a new, flexible, planning system.

“Our infrastructure funding system for housing is broken, with councils unable to effectively recover the costs of enabling infrastructure for urban growth. This leads either to existing ratepayers picking up the tab (which is unfair), or it stops more houses being built (which perpetuates the problem).

“Our core objective is to create a system where “growth pays for growth”. We want to move to a future state where funding and financing tools enable a responsive supply of infrastructure in places where it is commercially viable to build new houses.

“This will shift market expectations of future scarcity, bring down the cost of land for new housing, and improve incentives to develop land sooner instead of land banking.”

The Government will make five key changes to New Zealand’s funding and financing toolkit that will support urban growth:

1. Replacing Development Contributions with a Development Levy system, which enables councils and other infrastructure providers to charge developers a proportionate amount of the total cost of capital expenditure necessary to service growth over the long term. Separate levies will be maintained for each infrastructure service, with levy zones expected to cover a pre-defined urban area. Levies will be calculated based on overall growth costs and expected levels of growth.

2. Establishing regulatory oversight of Development Levies to ensure charges are fair and appropriate by restricting local authority discretion about various matters, such as setting the methodology used to allocate project costs.

3. Increasing the flexibility of targeted rates by allowing councils to set targeted rates that only apply to new developments, and enabling targeted rates and levies to be used together where projects benefit existing residents and provide for growth.

4. Improving the effectiveness of the Infrastructure Funding and Financing (IFF) Act, particularly for developer-led projects. This work is being led by Parliamentary Under-Secretary Simon Court.

5. Broadening existing tools to support value capture and cost recovery by enabling the IFF Act to be used for major transport projects (such as those led by NZTA).

“These are big changes to the infrastructure funding system for urban growth, but they will be worth it. Shifting to Development Levies will give developers more certainty around costs and give councils more flexibility to recover the actual costs of growth. The changes will increase transparency and reduce administrative complexity for councils.

“Most importantly, they mean that councils can properly cover the costs of housing growth.

“These changes, combined with the Government’s Local Water Done Well reforms, will help ease the constraints on local government, developers, and other infrastructure providers and enable the delivery of infrastructure to land zoned for housing development.

“Detailed design work around the new system is underway now and there will be engagement by government officials with councils and developers in advance of legislation being introduced to Parliament in the second half of 2025. Our aim is to enact the legislation in mid-2026 for the new system to begin in 2027.”

Note to Editors:

Four fact sheets are attached.

For more information about the Going for Housing Growth programme, please visit the Ministry of Housing and Urban Development website.

Te Tūāpapa Kura Kāinga
Ministry of Housing and Urban Development

Ministry for the Environment
Manatū Mō Te Taiao

Factsheet: Going for Housing Growth at a glance

The Going for Housing Growth (GfHG) programme will enable more homes to be built.
The programme involves three pillars designed to improve affordability and address the underlying causes of the housing supply shortage. This is about giving councils choice, while providing for future growth. The pillars are:

1. Freeing up land for urban development, including removing unnecessary planning barriers	2. Improving infrastructure funding and financing to support urban growth	3. Providing incentives for communities and councils to support growth

The Government has made decisions in relation to pillar 1. These changes will be implemented through amendments to the Resource Management Act and the National Policy Statement on Urban Development, with the requirements expected to be in place by mid-2025. Formal consultation on the detailed design of changes will occur in early 2025.

Decisions on pillars 2 and 3 will be made over the course of the next year. These will give councils more tools to support the delivery of pillar 1.

Introducing Housing Growth Targets	• New Housing Growth Targets introduced for Tier 1 and 2 councils, requiring them to enable 30 years of feasible housing capacity in their district plans, using 'high' population growth projections. • New requirement that 'price indicators' (such as the difference in the price between land zoned for rural and urban use) do not deteriorate over time. • New central government tools to monitor council compliance and a mandate to take action where there is unjustified non-compliance.
Enabling greenfield growth	• Councils prohibited from imposing rural-urban boundary lines in planning documents (but can still have rurally zoned land). • Government investigating options to require councils to plan for 50 years of growth (up from 30) and be more responsive to private plan changes.
Intensification in the right places	• Tier 1 councils must enable appropriate levels of density across their urban areas, having regard to demand and access to different services. • Tier 1 councils must deliver housing intensification along 'strategic transport corridors' (e.g. key bus routes). • Tier 1 councils must directly offset any housing capacity lost due to reasons such as 'special character' elsewhere.
Mixed-use development	• Tier 1 and 2 councils must enable activities such as cafes, dairies, and other retail across their urban areas, and especially in areas where Tier 1 councils are required to enable six or more storey developments. • Industrial-type activities can still be kept away from housing.
Balconies and floor area requirements	• Councils cannot set minimum floor area requirements for apartments and other houses, or require balconies. • Developers can still choose to provide balconies and size dwellings in line with demand from buyers.
Making the Medium Density Residential Standards (MDRS) optional	• Currently, under the MDRS, Tier 1 councils are required to enable up to three houses of up to three storeys without a resource consent. • The MDRS will become optional for councils, once they have demonstrated compliance with their Housing Growth Target. • Customised requirements for councils that haven't completed current plan change processes (see separate factsheet).

Te Tūāpapa Kura Kāinga
Ministry of Housing and Urban Development

Te Tari Taiwhenua
Internal Affairs

Factsheet 1: Going for Housing Growth - Improvements to infrastructure funding and financing tools

The Going for Housing Growth (GfHG) programme will enable more homes to be built.

The programme is structured around 3 pillars that are designed to improve affordability and address the underlying causes of the housing supply shortage. The pillars are:

1. Freeing up land for urban development, including removing unnecessary planning barriers	**2. Improving infrastructure funding and financing to support growth**	3. Providing incentives for communities and councils to support growth

In June, the Government announced decisions relating to pillar 1, which will help free up land for urban development, including removing unnecessary planning barriers. The Government has now made decisions on pillar 2, which will help to support urban growth with improved infrastructure funding and financing tools to help get more housing built.

These changes will provide councils, developers and other infrastructure providers with a flexible funding and financing toolkit to respond to growth pressures and deliver infrastructure to land zoned for development. This is expected to reduce the current cross-subsidisation by ratepayers.

The legislation to implement these changes is expected to be introduced in September 2025 and enacted in mid-2026.

Here is a snapshot of upcoming changes:

Replacing development contributions with a development levy system	• The purpose of development levies is to ensure councils charge developers a proportionate amount of the total cost of capital expenditure necessary to service growth over the long term. • Levies will be calculated based on expected levels of growth and aggregate growth costs for each urban centre. • Separate levies will be maintained for each service such as, drinking water, wastewater, stormwater, transport, reserves and community infrastructure. • Councils providing a service to part of a levy zone with particularly high growth costs, will have discretion to charge an additional high-cost asset levy on top of the base levy for that service. • Development levies will be subject to regulatory oversight and councils will be required to ensure they're setting appropriate charges. • Councils will have discretion to phase in any transition to higher charges under the levy system to manage impacts on local development.

Te Tūāpapa Kura Kāinga
Ministry of Housing and Urban Development

Te Tari Taiwhenua
Internal Affairs

Improvements to the IFF Act

- Broadening the scope of the IFF Act so levies can be used in a wider range of circumstances.
- A streamlined levy development and approvals process, particularly for proposals supported by landowners that would be subject to the levy.
- Other changes to improve the flexibility of the IFF Act and support its use for a range of infrastructure projects.

Changes to targeted rates

- Councils will now be able to set targeted rates that apply only to new developments, for example, at the subdivision stage.
- Councils will also be able to use targeted rates and development levies together where projects benefit existing residents and provide for housing growth.

Development agreements will continue to be available to councils and developers as an infrastructure funding option.

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Ministry of Housing and Urban Development

Te Tari Taiwhenua
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Factsheet 2: Development levies and targeted rates

The Government has made decisions aimed at improving infrastructure funding and financing tools to help get more housing built.

Over the past decade, planning and zoning changes have increased the supply of land for housing in New Zealand's main urban centres. Changes through the Going for Housing Growth (GfHG) programme, such as Housing Growth Targets, will further free up land for urban development.

These changes will help to improve housing supply, choice and affordability. But with more land freed up for development, councils and other infrastructure providers now have less certainty about when and where development will happen. They need to build infrastructure that responds to growth, but the current infrastructure funding toolkit isn't sufficiently flexible and doesn't enable them to recover the full cost.

Replacing development contributions with a development levy system

Development contributions are a one-off upfront charge on a developer to support council investment in growth infrastructure. They are currently councils' main growth funding tool. They were designed back in 2002 for a planning system where councils had more control over the release of urban land and would charge developers for specific planned infrastructure improvements that service a predetermined growth area.

Shifting to development levies will provide councils and other infrastructure providers, such as water council-controlled organisations, with increased flexibility to charge developers for the overall cost of growth infrastructure across an urban centre.

Councils and other infrastructure providers will still be required to use identified infrastructure projects to calculate levies. However, they'll be able to adapt plans to respond to growth and use development levy revenue to build the infrastructure needed to support housing and urban development.

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KEY FEATURES OF DEVELOPMENT LEVIES	
A.	The purpose of development levies is to ensure councils and other infrastructure providers charge developers a proportionate amount of the total cost of capital expenditure necessary to service growth over the long term.
B.	Councils and other infrastructure providers will maintain separate levies for each infrastructure service. This covers drinking water, wastewater, stormwater, transport, reserves and community infrastructure.
C.	A levy zone is expected to cover a pre-defined urban area. Within each levy zone, a standard base levy will apply for each infrastructure service. However, infrastructure providers will have the discretion to add an additional charge on top of the base levy for a service, for any part of a levy zone where providing that service requires particularly high-cost infrastructure.
D.	Each levy will be calculated based on overall growth costs and expected levels of growth. Growth costs can include: • actual past costs**, including** previous expenditure on assets with growth capacity that a council is expecting to recover from development**; and** • anticipated expenditure to provide growth capacity.
E.	Infrastructure providers will be required to use a prescribed methodology to ensure consistent application of development levies, for example to determine growth costs.
F.	For proposed developments outside of a levy zone, there will be a process where councils or water service providers can determine an appropriate levy, including any additional charges.
G.	Development levies will be flexible to suit the different models councils use to deliver their infrastructure. This includes supporting first-mover developers who provide infrastructure capacity for subsequent development, enabling third party funding to be targeted to a non-growth portion of a project, and recovering council costs for infrastructure owned by another entity.
H.	Development levies will be subject to regulatory oversight and councils will need to ensure they're setting appropriate charges.

Implications of development levies and managing the transition

The development levy system will provide councils and developers a more flexible funding tool to respond to growth pressures and deliver infrastructure to land zoned for development, while limiting the financial impact of growth on councils and ratepayers. It will also reduce administrative complexity for councils.

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In the long term, any increases in infrastructure charges should be reflected in lower bulk land prices, rather than impacting costs for developers.

But to help manage impacts on development firms in the short-term that have already pre-purchased land we are:

- announcing the introduction of a levy system from 2027 onwards now, giving the development sector advanced warning of higher infrastructure charges so they can progress developments before charges increase, and
- providing councils with discretion to phase in higher charges to manage negative impacts on local development.

Improving the flexibility of targeted rates for growth infrastructure

The Government is also making changes to enable a council to set targeted rates that apply when a rating unit for example, a separate property is created at subdivision stage.

This change will support councils to apply the principle of ‘growth pays for growth’ in two ways:

- Councils will now be able to set targeted rates that apply only to new developments. This could be used as an alternative to a development levy, particularly for smaller councils where it may be easier to manage the use of targeted rates instead of development levies.
- Councils will also be able to use targeted rates and development levies together, where projects benefit existing residents and provide for growth.

These changes and improvements will be progressed through a Local Government (Infrastructure Funding) Bill. This legislation is expected to be introduced in September 2025, and enacted in mid-2026. There will be opportunities for public feedback as part of this process.

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Factsheet 3: Improvements to the Infrastructure Funding and Financing Act

Background

The Infrastructure Funding and Financing (IFF) Act provides a way to fund and finance infrastructure projects that support housing and urban development. The Act was introduced to help deliver infrastructure projects free from local authorities funding and financing constraints.

Through the IFF Act, a Special Purpose Vehicle (SPV) is used to fund infrastructure rather than a council or other infrastructure authority. Finance raised using an SPV sits off councils' balance sheets, ensuring it doesn't impact their debt limits.

Those benefitting from the infrastructure for example, landowners in the area serviced by the new infrastructure, will be charged a levy by the SPV. These levies are charged annually for a specified amount of time, up to a maximum of 50 years. Levies are collected by councils alongside rates and then passed on to the SPV.

Initially, the IFF Act was expected to be a funding and financing tool for infrastructure for greenfield residential development. However, to date IFF Act levies have been used for two city-wide infrastructure projects and no levy proposals have been received for infrastructure for residential developments.

Proposed changes

The IFF Act is largely fit for purpose, however changes are needed to help improve its usability. The proposed changes are intended to:

- remove unnecessary barriers to using the IFF Act
- improve the viability of the IFF Act for a range of infrastructure projects, particularly developer-led projects
- make the levy development and approvals process simpler.

The legislation to implement these changes is expected to be introduced in September 2025 and enacted in mid-2026. There will be opportunities for public feedback as part of this process.

Streamlining the levy approvals process

The time and effort required for applicants to have a levy approved is a key barrier when trying to use the IFF Act.

We're proposing several changes to streamline this process, while still ensuring the interests of potential levy payers are protected.

These changes include:

- simplifying requirements for levy proposals and recommendation reports

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- simplifying the mandatory considerations the Minister must take into account when assessing a levy. This in turn would reduce the extent of supporting evidence applicants need to include in their proposals.

- removing the requirement to assess a levy's affordability for proposals supported by developers and other existing landowners. In greenfield areas, levypayers self-assess affordability and opt-in to the levy when deciding to purchase a property. As such, Ministerial consideration of whether a levy is affordable should not be required if existing landowners are supportive. While targeted at greenfields, this change would also apply to brownfield developments where existing landowners are supportive of the levy.

- Improving certainty for developer-led proposals by limiting councils' ability to withhold the necessary endorsements.

Scope of the IFF Act

We're proposing several changes to broaden the scope of the IFF Act, improving its flexibility and viability for a range of infrastructure projects.

These changes include:

- Broadening the Act's purpose beyond just addressing local authority financing and funding constraints. This will better reflect developer-led use of the tool and broaden the scope of projects the Act can be used for. For example, enabling the IFF Act to be used by NZTA or new water organisations established through Local Water Done Well reforms.

- Enabling levy deferrals to manage any affordability concerns and better support the use of the IFF Act for value capture.

- Enabling IFF Act levies to be set without a direct link to a specific infrastructure project, if the IFF Act is being used to finance payment of a development levy.

We also propose making several technical and remedial changes to improve the functioning of the Act. Officials are also continuing to investigate whether there are any further changes that could be made to improve the Act's flexibility and support its use for a range of infrastructure projects.

Using the IFF Act now

The IFF Act can continue to be used to fund and finance infrastructure projects while it is being amended. Councils or developers who would like to use the IFF Act should contact National Infrastructure Funding and Financing Ltd. (NIFF), formerly Crown Infrastructure Partners. National Infrastructure Funding and Financing | New Zealand

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Ministry of Housing and Urban Development

Te Tari Taiwhenua
Internal Affairs

Factsheet 4: Current state of Development Contributions and the future state for Development Levies

The Going for Housing Growth (GfHG) programme will enable more homes to be built. The programme is structured around 3 pillars that are designed to improve affordability and address the underlying causes of the housing supply shortage. The pillars are:

1. Freeing up land for urban development, including removing unnecessary planning barriers

2. Improving infrastructure funding and financing to support growth

3. Providing incentives for communities and councils to support growth

Development contributions (DCs)

To charge DCs, councils must have planned and costed growth infrastructure ahead of growth happening. Councils attribute costs to areas where they expect development - often setting up small catchments. Councils then recover the costs of infrastructure for specific planned and costed in-sequence development. Currently, there's too much "live" urban land for councils to plan for or service, and as we make urban land more abundant, this issue may worsen.

Scenario A - How the current state can lead to under recovery

Development A – 100 homes
(Fully Planned)
Actual Cost: $53k per dwelling
DC level for area (planned): $53k per dwelling
Water, wastewater, stormwater, transport, reserves and community infrastructure.
DCs set based on schedule of planned council investments for projects serving area.

Actual cost: $5.3 million
Council recovers: $5.3 million
Under-recovery: $0

Development B – 50 homes
(Fully Planned)
Actual Cost: $47k per dwelling
DC level for area (planned): $47k per dwelling
Water, wastewater, stormwater, transport, reserves and community infrastructure.
DCs set based on schedule of planned council investments for projects serving area.

Actual cost: $2.35m
Council recovers: $2.35m
Under-recovery: $0

Development C – 70 homes
(Unplanned)
Actual Cost: $53k per dwelling
DC level for area: $0
Water, wastewater, stormwater, transport, reserves and community infrastructure.
No DCs, because council has not planned infrastructure investment to serve development.

Full cost: $3.71m
Council recovers: $0
Under-recovery: $3.71m

Outcome
Council cost recovery: $7.65m
Under recovery: $3.71m

Future state - Development levies

To charge Development Levies, councils must have costed aggregate growth for each infrastructure service (for example, transport and wastewater) across a relatively large urban area using a standardised methodology, monitored through regulation. Councils can then recover the costs of infrastructure to support whichever in-sequence development occurs – whether planned and costed by councils, or not.

Scenario B – How this will support 'growth pays for growth' compared to the current state

Development A – 100 homes
(Fully Planned)
Planned cost per dwelling:
Water: $13k
Wastewater: $20k
Stormwater: $2k
Transport: $13k
Reserves: $4k
Community infrastructure: $1k
Total: $53k per dwelling & $5.3m for 100 homes.

Development B – 50 homes
(Fully Planned)
Planned cost per dwelling:
Water: $10k
Wastewater: $17k
Stormwater: $1k
Transport: $17k
Reserves: $1k
Community infrastructure: $1k
Total: $47k per dwelling & $2.35m for 50 homes.

Development C – 70 homes
(Unplanned)
Actual cost per dwelling (no data for planned):
Water: $9k
Wastewater: $20k
Stormwater: $4k
Transport: $18k
Reserves: $1k
Community infrastructure: $1k
Total: $53k per dwelling & $3.71m for 70

Water - Council recovers: $12,000 per dwelling

Wastewater - Council recovers: $19,000 per dwelling

Stormwater - Council recovers: $1,667 per dwelling

Transport - Council recovers: $14,333 per dwelling

Reserves - Council recovers: $3,000 per dwelling

Community - Council recovers: $1,000 per dwelling

In this scenario, all developers pay $51,000 per dwelling.

Per dwelling levies will be calculated based on the average cost of providing each infrastructure service for planned development and then applied to all development that occurs across the area.

Outcome
Council cost recovery: $11.22m
Under recovery: $140,000

8.2 QRS STATEMENT OF INTENT FOR THE PERIOD 1 JULY 2025 TO 30 JUNE 2028 AND HALF-YEARLY REPORT TO 31 DECEMBER 2024.

Author: **Gary Borg, Pouwhakarae – Pūtea / Tautāwhi Rangapū Group Manager Finance and Corporate Support**

Authoriser: **Kitea Tipuna, Tumu Whakarae Chief Executive**

Appendices:
1. **Statement of Intent 2025-28** ⇩
2. **Half Year Report 2024/25** ⇩

1. PURPOSE

1.1 To present the Draft QRS Statement of Intent 2025-28 and the company's 6 monthly performance report to 31 December 2024 for consideration by Council.

RECOMMENDATION

The Deputy Chief Executive RECOMMENDS that Council

Receives the QRS draft Statement of Intent 2025-28 and the 6-month performance report to 31 December 2024.

2. BACKGROUND

2.1 The Local Government Act 2002 (Schedule 8, paragraph 2) requires a Council Controlled Organisation (CCO) to deliver to its shareholders a Draft Statement of Intent (SoI) on or before 1 March each year.

2.2 Having received a Draft SoI, Council is required to comment, if it chooses to do so, within two months of 1 March. (LGA 2002 (Sch. 8, para.3))

2.3 The Draft SoI, attached as **Appendix 1**, was delivered to Council on 28 February 2025. It is complete in respect of the requirements of LGA 2002 Sch. 8, para.9.

2.4 Section 66 of the Act, and the company's current SoI, requires the Board to deliver to Council a half-yearly report on its operations within 2 months of the end of the first half of the financial year. This was also delivered within the prescribed timeframe.

2.5 The half-yearly report is attached as **Appendix 2**.

2.6 In addition, the company has paid an interim distribution of $50,000.

3. STATEMENT OF INTENT

3.1 The Draft SoI sets out the overall activities and intentions of QRS for the 3 years commencing 1 July 2025.

3.2 Council has recently conducted workshops regarding a proposed distribution policy.

4. HALF YEARLY REPORT

4.1 At the half year the company has achieved a gross profit figure that exceeds the figure for last year, but net profit is lower due to an increase in expenses.

5. OPTIONS

5.1 The options identified are:

a. Receive the Draft Statement of Intent without amendment and the half-yearly report; or

b. Receive the Draft Statement of Intent 2025-2028 subject to further updates and receive the half-yearly report.

5.2 Discussions with QRS regarding Council's expectations continue. Since Council has more than a month to comment, receiving the report will provide a formal and transparent record of this process.

5.3 The preferred option is *b)*, this contributes to the following community outcomes

Economic wellbeing	Social and Cultural Wellbeing	Environmental Wellbeing
A strong, prosperous and thriving economy. A safe and integrated infrastructure.	6. Strong district leadership and a sense of belonging	

6. CORPORATE CONSIDERATIONS

What is the change?

6.1 There are no changes to council operations resulting from this decision.

Compliance with legislation and Council Policy

6.2 Both documents comply with the requirements of the Local Government Act 2002 in terms of content. As noted, they were delivered before the statutory date of 1 March 2025.

What are the key benefits?

6.3 These documents provide an oversight of the company and provide Council with a health check on its main equity investment.

What is the cost?

6.4 There is no cost with this decision.

What is the saving?

6.5 No savings are generated with this decision.

Who has been consulted?

6.6 No consultation is required or has been undertaken on this report.

Service delivery review

6.7 This report does not trigger a need for a s17A review.

Māori Standing Committee

6.8 This has not been referred to the Māori Standing Committee because it is of equal interest to the whole community.

7. SIGNIFICANCE

7.1 The decision can be changed by using LGA 2002 Section 8 paragraph 5(1) which allows for shareholders by resolution to require the CCO Board to modify a statement of intent after due consultation with the Board.

7.2 Although there are strategic considerations this matter is largely administrative and is assessed as being of low significance.

8. RISK MANAGEMENT

8.1 In accordance with the Council's Risk Management Policy the inherent risks associated with this matter are:

Human	Financial	Regulatory
Low	Low	Low
Operations	**Employees**	**Image & Reputation**
Low	Low	Low

Further Information

Not Applicable.

Background Papers

Not Applicable.

References (to or from other Committees)

This matter is refreshed annually and considered by Council.

Confirmation of statutory compliance

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

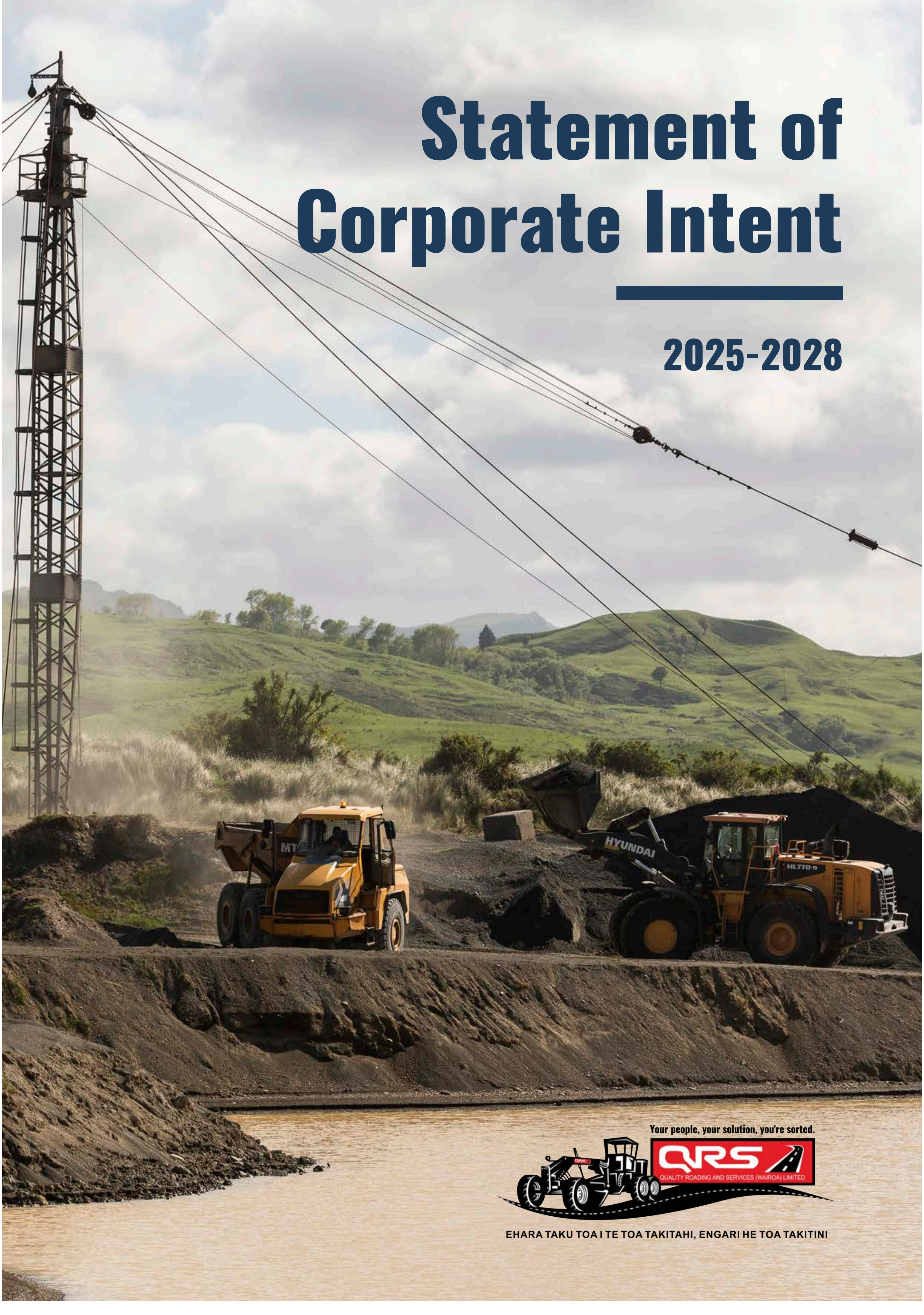
a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,

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

Statement of Corporate Intent

2025-2028



Foreword

Quality Roading and Services (QRS) is incorporated and domiciled in New Zealand and wholly owned by Wairoa District Council (WDC). It is a Council Controlled Trading Organisation as defined in Section 6 of the Local Government Act 2002.

Our speciality is civil construction, road maintenance, quarrying, heavy transport, traffic management, and concreting. We offer civil engineering skills, experience, and equipment, as well as a large-scale heavy diesel workshop.

This Statement of Corporate Intent sets out the company's rolling targets and policies for the next three years. It has been developed in consultation with WDC. By acheiveing its goals the company will continue to provide significant support to the wider Wairoa community.

At a high level the company will aim to:

- deliver a fair commercial return and make contributions to our shareholder
- support community prosperity and wellbeing, and
- support Wairoa's economic development via the post-Cyclone Gabrielle transport infrastructure rebuild.

QRS continues to be a transparent and respected part of the Wairoa community and a recognised employer of choice. We look forward to continuing our significant contribution to WDC and the communities that we serve.

Guy Gaddum

Quality Roading and Services Chair

March 2025

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1. Nature and scope of company activities

QRS and its staff are an integral part of Wairoa and the wider district. Our speciality is civil contracting, construction, infrastructure, temporary traffic management, concrete batching and roading. We offer a full range of civil engineering skills, experience, and equipment.

The principal activities of QRS are:

- roading maintenance and associated construction
- civil construction
- traffic management
- heavy transport
- quarrying
- concrete.

2. Mission and vision

Wairoa District Council

Mission

To lead and support the Wairoa community through decision-making that promotes the social, economic, environmental and cultural well-being of the district now and in the future.

Vision

Thriving economy, desirable lifestyles, treasured environments, connected communities.

Quality Roading and Services

Vision

Connecting and growing our communities.

Brand promise

Your people, your solution, you're sorted.

Values

EQUALITY
PRIDE
RESPECT

3. Governance

The role of the board is to effectively represent WDC and not to act contrary to the interests of WDC whilst adding long term value to the company.

The board will regularly review and monitor the management of the company by:

a) Determining purpose and direction by establishing objectives which are appropriate to the environment and circumstances.

b) Developing an effective governance culture by ensuring the company's objectives are understood and endorsed by management; consider policies that will strengthen the company's performance; and engage effectively with the chief executive and leadership team.

c) Satisfying itself that the company is achieving its objectives by agreeing with management a set of financial and non-financial key performance indicators relevant to the agreed objectives.

The board will hold quarterly governance meetings with WDC.

Day-to-day management of the company will be delegated to the chief executive.

4. Ratio of shareholder funds to total assets

To provide the company with the capacity to grow whilst maintaining an efficient capital structure that minimizes risk, QRS will target the ratio of shareholder funds to total assets for each year at not less than 45%.

The shareholder funds and total assets are defined as disclosed in the audited statement of financial position as at 30 June.

5. Accounting policies

The company's accounting policies comply with the requirements of the Financial Reporting Act 1993 and are consistent with generally accepted accounting principles.

Details of the accounting policies and their application are contained in Appendix 2.

6. Procurement

QRS will uphold its duty to make a positive contribution to the community by helping WDC achieve its goals of creating a thriving community, desirable lifestyles, treasured environment, and connected communities.

QRS will respect culture and employment opportunities for everyone, as well as equity in financial wellbeing, and value and respect for the natural and built environment we live in.

QRS acknowledges the importance that WDC places on the principles of social procurement. This is based on the understanding that QRS has a unique responsibility to the Wairoa community to provide a financial return on ratepayer investment as well as providing the wider benefits of secure employment, personal development of employees, resilience to the community, and focussing on the health and wellbeing of our employees and their whānau.

WDC will engage with QRS at a governance level for non-subsidised work thereby giving both organisations the opportunity to strategically provide the best benefits for Wairoa. If in doubt, the shareholder, as the contracting entity may apply principles of transparency and non-discrimination.

7. Performance targets

The following performance targets are the measures by which the company's performance will be judged as published in the Long-Term Plan 2021-2031.

	2025/26	2026/27	2027/28
Target revenue	$39,000,000	$39,000,000	$45,000,000
Net profit after-tax	$1,170,000	$1,170,000	$1,350,000
Shareholder distribution forecast	$585,000	$585,000	$675,000
Net profit pre-tax of opening shareholder funds	6%	6%	6%
Ratio of shareholders funds	>45%	>45%	>45%
Cost of debt servicing/revenue	<20%	<20%	<20%

8. Reports to the shareholder

8.1 General

The company will disclose information on its operations as is necessary to enable the shareholder to make an informed assessment of the performance of the company.

8.2 Draft Statement of Corporate Intent

The board will deliver to the shareholder a draft Statement of Corporate Intent on or before 1 March each year.

8.3 Completed Statement of Corporate Intent

The Board will:

- consider any comments on the draft Statement of Corporate Intent that are made to it within two months of March by the shareholder; and
- deliver the completed Statement of Corporate Intent to the shareholder on or before 30 June each year.

8.4 Quarterly update

The company will provide a quarterly update to WDC.

8.5 Half year reporting

The Board will, by 28 February each year, deliver to the shareholder unaudited financial statements consisting of:

- Statement of Financial Position
- Statement of Financial Performance
- Cash Flow Statement for the six months to 31 December, together with statements of explanation and accounting policies upon which the financial statements are based
- a report on operations of the company during the period, and the amount of any interim distribution recommended, and the outlook for the next six months including any significant changes to previous forecasts or reports.

The company will make a formal presentation of the report at a meeting called by the shareholder. This meeting will be a formally constituted meeting of WDC called in terms of the Local Government Act 2002.

8.6 Annual Report

The Company will make available to the shareholder and the public, audited financial statements in accordance with Section 67 of the Local Government Act 2002 within three months after the end of each financial year, being 30 September.

The annual general meeting of the company will be held no later than 21 days after the delivery of the annual report to the shareholder.

The company will make a formal presentation of the report to a meeting called by the shareholder. This meeting will be a formally constituted meeting of WDC called in terms of the Local Government Act 2002.

9. Consent for shareholding

Notwithstanding anything else contained in the constitution or the act, the board may not subscribe for, purchase, or otherwise acquire shares in any other company or other person without the prior written approval of the shareholder.

10. Estimate of commercial value of the shareholder's investments

The board will make an estimate of the commercial value of the company each year. The shareholder will be advised of the value of its investment accordingly.

11. Distribution policy

Distribution payments – financial

The company will pay the shareholder a baseline distribution being the greater of

- 50% of the company's after-tax profit; OR
- 3% of the company's opening equity.

This includes an interim distribution of $50,000 after the six-monthly result. All distributions are subject to the company passing the solvency test and board signing a solvency certificate as per the Companies Act.

In arriving at a recommendation in respect to a distribution the board will have regard to the company's:

- vision and objectives
- financial performance for the past financial year taking regard for the future commercial environment
- ability to meet financial commitments
- investment proposals and profitability thereof
- ability to secure suitable financial arrangements
- requirements to reinvest in renewal of assets
- shareholder expectations with respect to overall performance of the company's commercial outcomes.

The Board may recommend the payment of distributions in addition to those contained within this Statement of Corporate Intent.

Non-financial contributions

QRS aims to be an employer of choice in the district. Our diverse, challenging, rewarding, and safe work environment ensures that our employees are engaged and have the opportunity to grow professionally and personally. We feel it is important that all our people have the opportunity to learn new skills and undertake professional development as this will benefit the company and the community. QRS will continue to invest sponsorship and support in kind to local events, sporting groups, community and iwi groups, and schools.

Sponsorship or work in kind that benefits Council will be recognised as part of the distribution for the financial year.

12. Treasury policy

Corporate objectives

Ensure the company is able to meet its future commitments as they fall due in both the short and long term through active treasury risk management. QRS will:

1. Reduce company cost of borrowing through effective control and management of its interest rate risk, and manage the company's exposure to interest rate risk within acceptable levels.
2. Manage funding risk by the selection of the best available methods for long term financing requirements.
3. Manage the company's return on funds invested through the effective control and management of its interest risk and maintain company exposure to interest risk within acceptable levels.
4. Maintain adequate internal controls to ensure that funds are invested and borrowed in accordance with company policy.
5. The use of long-term funds will be restricted to development and establishment of capital assets and the repayment of equity.

13. Investment policy

WDC believes it is important to maintain expertise in construction, roading and maintenance in the district, balanced with an intent to reduce ratepayer costs by providing effective, sustainable competition and providing community support.

As those ratepayers do not have any direct involvement with how that investment is determined, the directors owe a special duty of care to how that investment is managed.

As an overall investment policy and in alignment with the WDC Investment Policy (item 4.3 dated 5 August 2015) and the WDC Long Term Plan 2021-2031, the company will endeavour to maximise the return on opening shareholder funds whilst acting within legislative parameters, maintaining investment risk within acceptable limits, and ensuring the company's funds are properly safeguarded.

The company will also operate as per Section 59 of the Local Government Act 2002 which states that the principal objective of a CCO (Council Controlled Organisation) is to:

- achieve the objectives of its shareholders, both commercial and non-commercial, as specified in the Statement of Corporate Intent
- be a good employer
- exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so,
- and if the CCO is a CCTO (Council Controlled Trading Organisation), it will conduct its affairs in accordance with sound business practice.

While the company's ability to provide regular distributions is a strategic objective in the WDC investment policy, growth opportunities are also available with reinvestment in the business.

In addition, WDC and QRS will go beyond formal governance structures to encourage collaborative behaviour and or identify opportunities for collaborative solutions for the benefit of the community.

Meanwhile, QRS continues to balance its return on shareholder value by contributing to the community socially and financially. The company invests in organisations that have a core focus of assisting the environment, children, and causes that support social wellness for individuals and the community of Wairoa.

Appendix 1

Collaboration policy

Quality Roading and Services (QRS) has embraced working collaboratively as a key pillar for achieving its vision of a strong and successful company growing the Wairoa community; and sustaining a profitable and locally valuable business on a foundation of safety and quality.

QRS believes that working collaboratively will also maximise employee satisfaction, minimise conflict, and produce sustainable outcomes for the business and our clients.

To achieve these goals QRS will endeavour to develop, maintain and monitor a culture of collaboration, both internally and externally with clients and stakeholders, based on:

- building trust with each other
- looking forward, not back
- providing timely responses
- having open, honest and frank communication
- being respectful of each other
- a no surprises approach
- being positive and constructive.

QRS will support the ideal of continuous improvement in working collaboratively.

Jeremy Harker
Quality Roading and Services
Chief Executive Officer
March 2025


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Appendix 2

Accounting policies

The company's accounting policies comply with the requirements of the Financial Reporting Act 1993 and are consistent with generally accepted accounting principles.

The general accounting principles recognised as appropriate for the measurement and reporting of results and financial position on a historical cost basis have been followed.

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

1. Revenue recognition

QRS is in the business of providing road maintenance and construction and sale of aggregate. Revenue from contracts with customers is recognised when control of the physical work completed on the client's asset or services are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

2. Sale of aggregate

Revenue from sale of aggregate is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the aggregate. The normal credit term is 30 to 60 days upon delivery.

3. Variable consideration

QRS does not enter into variable consideration arrangements nor provide any volume rebates. In addition, there are no financing components or warranty obligations beyond normal retentions held by the customer for road construction projects.

4. Borrowing costs

Borrowing costs are recognised as an expense when incurred.

5. 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.

6. 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.

7. Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past result. 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.

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

8. 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 arose 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.

9. Accounts receivable

Accounts receivable are recognised initially at fair value and subsequently at amortised cost less an allowance for any uncollectable amounts. The company assesses impairment losses by estimating the expected credit loss that may exist within its portfolio of accounts receivable based on its historical experience of credit loss arising from accounts receivable.

10. 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.

11. Inventories

Inventories are valued on the basis of the lower of cost, determined on a weighted average method, and net realisable value.

12. 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:

- freehold land
- quarries
- freehold buildings
- plant, equipment and vehicles
- office equipment and furniture
- computer hardware.

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.

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

13. Depreciation

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 at rates calculated to allocate the assets cost less estimated residual value over their estimated useful lives. The rates for major classes of assets have been estimated as follows:

Quarries	(3.3 % straight line)
Buildings	(3.3% straight line)
Plant and machinery	(20% diminishing value)
Fixtures, fittings and equipment	(20% diminishing value)
Computer hardware	(48% diminishing value)
Right of use asset	(Straight line over the term of the underlying asset)

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.

14. Intangible assets

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

The useful lives of all 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 from de-recognition 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 Statement of Comprehensive Income when the asset is derecognised.

The amortisation of the software class of intangible assets is estimated at 20-48% diminishing value, depending on the nature of the software.

15. 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.

16. Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received 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 Statement of Comprehensive Income when the liabilities are derecognised and as well as through the amortisation process.

17. 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.

18. Leases

NZ IFRS 16 Leases was adopted on 1 July 2019. The company applied the modified retrospective transition method and thus, prior comparatives were not restated. The company has elected to present right of use assets and lease liabilities separately in the Statement of Financial Position. Depreciation of right of use assets is included in depreciation in the Statement of Comprehensive Income. The cash outflows related to the principal portion of the lease liability and the related interest are presented separately within the financing activities in the Statement of Cashflows.

19. Significant accounting judgements, estimates and assumptions – quarry aftercare

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.

20. Contract assets and contract liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A trade receivable represents the company's right to an amount of consideration that is unconditional (ie only the passage of time is required before payment of the consideration is due).

A contract liability is the obligation to transfer goods or services to a customer for which the company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the company transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when company performs under the contract.

Six Month Report

for the period ending
31 December 2024

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Contents

Directory

Directors

Guy Gaddum (Chair)
Tony Gray
Fenton Wilson
Lauren Jones

Auditor

David Borrie of Ernst & Young on behalf of the Office of the Auditor General

Registered Office

Kaimoana Road
Wairoa

Bankers

Westpac
Level 1, 101 Queen St East, Hastings

Postal Address

PO Box 83
Wairoa

(06) 838 9030

Solicitors

Chapman Tripp
Level 34/15 Customs Street West
Auckland

Chair's Report

On behalf of the board and team at Quality Roading and Services in Wairoa, it is my pleasure to present our six-month report for the period ending on 31 December 2024.

The highlight of the past six months was our celebration in December of 30 years in business. At this event we invited our stakeholders and former staff to join our current staff in commemorating 30 years of growth, success, and achievement as a company.

The financial performance for this period reflects the new normal as we transition from the work programmes initiated post Cyclone Gabriele. Revenue of $17.8 million was nearly 30 percent lower than the $24.9 million recorded in the same period last year. This decrease had a direct impact on our profit, with net pre-tax profit at $1 million, down from $2.2 million last year.

The board has decided on an interim distribution of $50,000 to our shareholder Wairoa District Council (WDC) in order to provide financial certainty and support to the district.

After reviewing the work programmes for the remaining six months of the financial year, the company forecasts a continued tightening of the sector. While there are significant projects in the pipeline, some may extend beyond our financial year ending on June 30 2025.

While this scenario will play out over the next six months, the company continues investing in and developing our newer business units: Bluck's Pit, concrete manufacturing, and the Ecoreef coastal protection solution.

We continue to have a good working relationship with our one-hundred percent shareholder WDC, as both parties work towards benefitting the wider Wairoa community. We are excited about the new director internship giving an aspiring board member an opportunity to start their governance career. WDC and QRS are focussed on developing governance leadership skills in Wairoa so that the district can benefit from good strong strategic leaders.

While the next six months will be challenging for the company, we take heart in the fact that we have weathered 30 years of ups and downs, Right now we are better positioned than ever to take advantage of opportunities that continue to present themselves.

Guy Gaddum

Quality Roading and Services

Board Chair

February 2025

CEO Report

Kia ora koutou.

It's a pleasure to acknowledge the hard mahi of QRS staff and everyone involved in roading maintenance and construction across our region. Your dedication continues to make a real difference in our community.

A major highlight has been our partnership with Nūhaka landowners at Bluck's Pit, ensuring a reliable local aggregate supply for Wairoa's concrete production. This strengthens our region's infrastructure and may pave the way for a future heavy machinery training centre. The five-year lease also offers potential as a consented disposal area for clean fill, generating additional revenue for landowners.

In November, QRS won the 2024 Hawke's Bay Chamber of Commerce Social Impact Award, recognising our commitment to local jobs, community support, and workplace safety. On the same night, we were highly commended at the Civil Contractors New Zealand Hawke's Bay East Coast construction awards for removing the damaged Te Reinga Bridge—one of our most complex and successful projects.

Our Routine Division continues to deliver outstanding service under Higgins' state highway contract (NOC) and for Wairoa District Council. The trust and collaboration between QRS and WDC ensures the best outcomes for our unsealed roads and one-off projects, and, importantly, serves as the bedrock for how the two organisations successfully operate alongside each other.

The past six months have seen a tightening contractual environment in civil construction, following 18 months of reactive response work. Now, as planned projects take shape, we find ourselves in a holding phase. But rather than overreact, we consolidate—retaining staff, continuing training, and keeping QRS strong for when work ramps up again. Taking care of our people is key to our long-term success.

We've launched our Ecoreef coastal erosion initiative and are proud to be the selected supplier for the Te Reinga Bridge rebuild. In the near future, we look forward to potentially being involved in floodplain mitigation and the Waikare Gorge realignment.

Jeremy Harker
Quality Roading and Services
Chief Executive
February 2025

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By 2035 QRS is New Zealand's preferred construction company connecting our people and our communities.

Vision
Connecting and growing our communities

Values
EQUALITY. PRIDE. RESPECT

Brand promise
Your people, your solution, you're sorted.

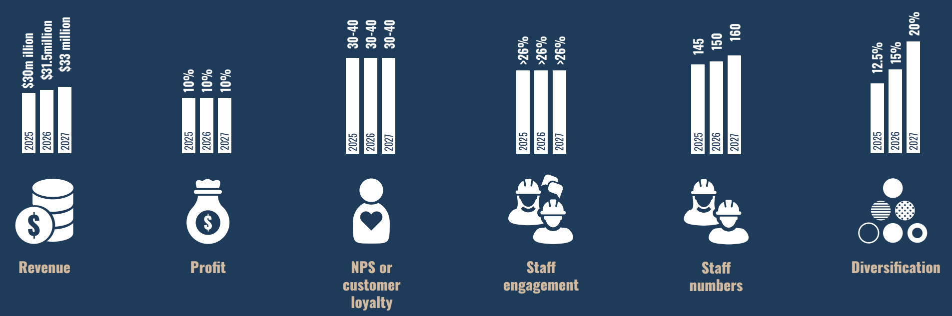
Strategic Plan 2024-2035

- Retain owner's trust
- Invest in staff
- Diversify our services
- Expand beyond Wairoa

By June 2025 we'll have

- A long-term, formal, enduring relationship with local iwi in action
- Secured the supply chain for the concrete plant
- Identified and recruited key capabilities

Measuring progress



Your daily work and annual appraisal goals are the stepping-stones to achieving your division's goals. Your division's goals are the stepping-stones to achieving QRS's vision.

2024-2025 Business Plan

Your people, your solution, you're sorted.

Focus areas	Strategic objective	Critical success factors	Key performance indicators
Shareholder relationship	Assist with Wairoa District Council's (WDC) goals	Achieve Statement of Corporate Intent targets	• Quarterly governance interaction with WDC • 145 staff • $50,000 community sponsorship • Minimum pre-tax distribution $250,000 • Ratio of shareholder funds to total assets >45% • NPS 30-40 • 0 complaints
Stakeholder relationship	Create opportunities through new relationships & enhancing existing ones	Relationships that add value to everyone	• 0 complaints • 0 contractual non-compliance or non-conformance notices • NPS 30-40
People & capability	Grow capability Embrace change	Great people living our values	• Succession plans reviewed quarterly • Achieve performance & development targets • Staff engagement via Q12 survey >26% • Sub-contractors pre-qualified =100% • 0 Collaboration Policy breaches • Quarterly staff turnover <15%

Focus areas	Strategic objective	Critical success factors	Key performance indicators
Financial performance & position	Grow financial performance	Achieve Statement of Corporate Intent financial targets	• Revenue $30m • Pre-tax profit $3m • Shareholder return on opening equity 6% • Secure 100% budget for following 3 months • Overheads 15% of revenue
Safety & wellbeing	Safety & wellbeing is embedded in company culture	Our people drive safety & wellbeing Everyone gets home safe & well	• Lost time injury frequency rate =0 • Medical treatment injury frequency rate =0 • Total recordable injury frequency rate =0 • 0 operator damage • Health & safety audits score >80% • Incidents reported within 24 hours • 100% drug and alcohol free • 0 unexplained staff absences • 100% staff receive health check
Quality & environment	Achieve high level of quality & environmental performance	Retain existing ISO accreditations Reduce carbon footprint	• 0 abatement notices • Environmental audit scores >80% • Quality audit scores >80% • PACE scores >80% • Carbon footprint audit completed

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Ehara taku toa i te toa takitahi, engari he toa takitini. My strength is not mine alone, it is the strength of many.

Our Shareholder

Wairoa District Council fully owns Quality Roading and Services (QRS)

Our purpose is to make a profit for Wairoa District Council

Our vision is connecting and growing our communities

Statement of Corporate Intent Targets
Six month progress

	Dec 2024		Dec 2023		Dec 2022	
	Target	Actual	Target	Actual	Target	Actual
Net profit pre-tax as a percentage of opening shareholder funds	6%	8.52%	6%	22.25%	6%	7.71%
Net profit after tax as a percentage of revenue	3%	4.04%	3%	6.47%	3%	4.29%
Distributions to shareholder	$50,000.00	$50,000.00	$50,000.00	$50,000.00	$50,000.00	$50,000.00
Ratio of shareholder funds to total assets - not less than	45%	53.89%	45%	50.19%	45%	59.98%

Celebrating 30 years of success

Staff marked the 30th anniversary of Quality Roading and Services surrounded by former employees and other valued guests in December as the company paused to reflect on its contribution to Wairoa.

It was gratifying to be joined by many of those who played such a significant role in the company's success.

Thirty years ago, on July 4, 1994, Quality Roading and Services (QRS) was established by its owner Wairoa District Council (WDC). The then Wairoa Mayor, Cliff Owen, described it as "a milestone in the history of local government".

Since its inception QRS has played a vital role in Wairoa contributing to employment, the economic success of the region, community activities, and in many ways, local identity. Delivering jobs, growth, prosperity, and solutions for Wairoa is something QRS's board and senior leadership team take seriously.

QRS has quite literally helped shape this region and it was a privilege to be able to celebrate that with friends and whānau of the company.

Good food, great people, and even better memories – QRS former and current staff and invited guests celebrated the company's 30th anniversary in December.

Thirty years of mahi, resilience, and community - honouring the people, projects, and progress that have shaped our journey.

1994

Monday 4 July Quality Roading and Services created and owned by Wairoa District Council (WDC)

Board members are Tony East (chair), Arthur Blair, Ken McEwan, and Dennis Munro

Company manager Leigh Aitken

Foremen Tom Taylor, Sidney Christy, and Fenton Lambert

Workshop manager Gary Bradley

Office manager Jane Heighway

43 staff

Core business is roading maintenance and construction, and maintenance of parks, reserves, and utilities

Mayor Cliff Owen says this is **"a milestone in the history of local government"**

Phil Tipu is an original staff member

1995

Anthony O'Sullivan joins QRS as maintenance manager

1996

QRS-sponsored Wairoa United men's soccer team wins Hawke's Bay Division 2

Craig Little employed as quality coordinator

QRS is certified as a Transit Quality Standard 1 or TQS1 contractor

1997

First contract with Affco

Purchase of Clark and Son

1998

54 staff

QRS doubles in value and makes a $1.5 million net operating profit in three years and saves the council $700,000

Lose four contracts in the newly competitive marketplace: Maintenance of Wairoa gardens, Maintenance of Wairoa and Tuai sewers, Maintenance of Tuai reserves, Mowing Mahia reserves

New board chair Dennis Munro

New Mayor Derek Fox

Farmlands upgrade

Waka Tamatea Arikinui from Napier is retrieved from Wairoa River

Wairoa Community Centre swimming pool and carpark work

1999

65 staff

Waikaremoana/Ruakituri and Wairoa/Frasertown maintenance **contracts lost** to Works Civil Construction

Win two out-of-town contracts with Gisborne District Council and Transit New Zealand

Sponsor Wairoa Science Fair and Anthony O'Sullivan judges the Year 5-6 category

QRS Social Club donates a portable stereo with tape deck to Wairoa Literacy Scheme

QRS sells 4 tractors, 2 loaders, 3 utes and 1 Land Cruiser

Anthony O'Sullivan rescues sports trophies from Lambton Square grandstand whilst under demolition

2000

Leigh Aitken appointed as chief executive

Company adds a forestry division including a forest harvesting team

Clients include Genesis Power, Westech Gas Exploration, Affco, Department of Conservation, and forestry clients.

Pre-tax profit year-end of $400,287

Staff time banking introduced

QRS installs gabion baskets filled with rocks for the first time at dropouts near Lake Waikaremoana

2001

46 staff

QRS supplies drivers for the Life Education Trust mobile classroom

QRS loses road maintenance and street cleaning contracts to United Contracting and later purchases them off the company for $1

Pay a **$9,000 dividend** to WDC

WDC considers whether to sell QRS

QRS is restructured with forced redundancies

2002

70 staff

Win WDC contract to run waste collection services, transfer station, landfill and recycling

Preparation work for the Wairoa A and P Show

$100,000 dividend turned down by WDC and reinvested in QRS

2003

80 staff

Help build Wairoa Cadet Unit Headquarters

Staff execute a **one-off public holiday nighttime curb side rubbish collection** after mix-up

QRS squash team makes headlines

Record after tax profit of $366,854

New Mayor Les Probert

A **dispute over seawall repairs** on Mahia East Coast Rd leads to remedial work with costs shared between Opus, QRS and WDC

Wairoa College gym work

2004

90 staff

Marine Parade upgrades

QRS celebrates 10 years

Win Wharekopae, Tiniroto and Ruakaka **road paving contract with Gisborne District Council**

$1 million pre-tax profit and $629,000 dividend paid to WDC

Described as an **"outstanding year"** by the board

Tom Amorangi survives a **grader accident**. Anthony O'Sullivan is part of the rescue team and ends up driving the ambulance to the rescue helicopter

QRS enters a **new phase of productivity and innovation**

2005

50 percent of work is with WDC

Finalist in national construction awards, and winner in regional awards, for work on Affco carton tunnel and palletising area

Win Mata Road contract with GDC to the surprise of many

Record turnover of $16 million

Museum extension work

2006

After tax profit of $1 million and a dividend of $629,000 to WDC

National construction award winner for Blue Bay subdivision

The **74m long great wall of Willowflat Rd completed**

2007

112 staff

Wairoa A and P Show **principal sponsor**

Wairoa **Sports Award sponsor**

QRS starts producing QRS Aglime at Kokohu Quarry

Win Hirini St Bypass Rd contract in Gisborne

Open Gisborne office with 12 staff

Gisborne Mayor Meng Foon says of QRS **"It's good to see a small company from Wairoa having the capacity and capability to win major GDC contracts"**

$16.5 million turnover

After-tax profit of $561,424

Own $4m worth of plant and equipment

Guy Gaddum joins QRS board

2008

Second place float award in the Christmas Parade

Cone crusher purchased for quarrying which now accounts for 10 percent of QRS business

Half year loss is turned into profit by the end of the year and a $80,000 dividend to WDC

Potae Avenue subdivision in Gisborne is plagued by **unseasonable winds and dust**

Clyde Domain **toilets demolished**

2009

Champion operator Stacey Pompey represents Hawke's Bay at national excavator awards

Gardner Place stormwater project with GDC

Win Waikaremoana/Ruakituri and Special Purpose State Highway 38 combined contract

Lose a digger to arson in Wainui, Gisborne

2010

68 staff

New board chair Chris Torrie

Lose Mohaka/Waiau area maintenance contract and 6 staff to Downer

WDC considers whether to sell QRS, again

Retain Wairoa reserves and mowing contract, as well as water, sewage and waste management

QRS pulls out of Gisborne

2011

Christchurch earthquake Fill-A-Truck appeal

2012

71 staff

$320,000 paid to WDC

Random drug testing of staff introduced

QRS manages 14 quarries with 4 loaders, 3 excavators, 2 mobile screening plants, 2 mobile jaw crushers, and 1 cone crusher

QRS processes 190,000 tonnes of aggregate in Gisborne and Wairoa.

Bury a 60 tonne sperm whale at Mahia after stranding ends in tragedy

2013

Supplier of resource, material, plant and staff time for Marae DIY at Iwitea, Waimako, and Putahi Marae

Ozanam House fundraiser walk in the rain

Major contracts change from an output-based model to an outcome-based model - the lowest bid will not necessarily win the contract.

Mahia wastewater upgrade

Win the Network Maintenance Contract for unsealed roads – securing stability for the company

2014

90 staff

QRS turns 20 and staffer Jake O'Neil cuts the cake

Long-serving staff awarded with miniature gabion baskets mounted onto wood

New Mayor Craig Little

Turnover of $14 million

Abseiling staff remove discarded rubbish tipped over Mahia Blowhole

Leigh Aitken leaves the company

New chief executive Mark Browne starts in September

50 staff take part in adult workplace numeracy and literacy programme

QRS wins best time warp float at the Christmas Parade

Pay **$145,000 dividend** to WDC

2015

Joint quarry venture with Wi Pere Trust at Tangihanga Station

Jordan Karangaroa injured during truck accident on Morere Hill

Staff clear roads of snow in July cold snap

Tough year with net profit of $79,000

$50,000 dividend paid to WDC

Mahia sewerage scheme draws to a close

2016

Mangahohi Bridge construction begins

Road construction work begins for **Rocket Lab**

QRS signs multi-million dollar contract with Higgins to provide sub-contract work on highways and network operations. Contract provides longevity and security.

Company legend **Jake O'Neil clocks off for the last time**

Director Guy Gaddum takes over as board chair

Turnover of $12 million and a $310,000 after tax profit

2017

95 staff

An **EquiP functional review** into QRS and WDC reinforces need for statement of corporate intent and confirms the council is getting value for money, and QRS is fulfilling its requirements.

Mark Browne finishes as chief executive

Nigel Pollock appointed chief executive

QRS loses the three water contract with WDC

Company staffing restructure leads to four redundancies

A **six-month after-tax loss** of $152,000 and no dividend paid to WDC

2018

Stacey Pompey, Lee Pomana and Mike Wilson earn **Civil Trades Certification**

Back in black with a $226,000 pre-tax profit for first six months and a $50,000 dividend paid to WDC

$64,000 in community sponsorship

Waitahora Bridge disassembled and put back together in 68 hours

Colossal slip on State Highway 38 cleared in just three days

Tui Paikea, Aaron Munro and Shar Hawkins take individual **wins at Civil Contracting New Zealand excavator operator competition**

Exit landfill and recycling contract

Win Safe Roads and Boost contracts with NZTA

2019

100 staff

First QRS calendar released with Malcolm 'Muss' Tuahine photographed at Onepoto, Lake Waikaremoana as the January image. Muss passed away two months later.

QRS secures $29 million in roading contracts with WDC including the unsealed road maintenance contract

Record profit of $1.1 million

$350,000 dividend paid to WDC

Civil Trade Certification for Thomas Perston, Joe Winiana and Rob Ruru

Become a **Tier 1 supplier** of roading services

2020

Nigel Pollock personally calls all 100 staff to check in as New Zealand goes into the Covid-19 Level 4 lockdown

$2.2 million loan towards a new operations hub announced as part of Provincial Growth Fund

Nuhaka River realignment

$600,865 **pre-tax profit**

$43,000 **community sponsorship**

$250,000 **dividend** to WDC

Supreme Winner Hawke's Bay Chamber of Commerce Business Award

2021

Nigel Pollock resigns as chief executive

Jeremy Harker announced as chief executive

New Zealand goes into a **second Covid-19 Level 4 lockdown**

Nick Murray marks the end of a career in civil contracting

2022

QRS applauded for **March rain event emergency response**

Ingenious swimming pool load test solution on Te Reinga Bridge makes national headlines

Temporary traffic management division created

New **concrete division created** with Trent Hedley and Justin Bell first in line for a pour

Civil Construction New Zealand award for Te Reinga Bridge repair

2023

Heroic response from QRS staff to Cyclone Gabrielle

700mm of water through QRS Kaimoana Rd depot

Damaged Te Reinga Bridge dropped into the river and dragged out in **New Zealand's heaviest pull**

$33 million revenue

$1 million dividend paid to WDC

Applause from WDC at annual presentation

QRS opens **Operations Hub**

Thomas Perston qualifies as the **region's top excavator operator** at Civil Contractors New Zealand regional competition

Switched On! health and safety campaign launched

Own **$13m worth of plant and equipment**

2024

130 staff

QRS reacts quickly and **supports whānau during June flood event**

$46 million revenue

$1.2 million contribution to WDC

QRS purchases Bluck's Pit lease

$205,000 in sponsorship

Original staff member Papa Phil Tipu remains a highly respected company employee

Outstanding Social Impact Award at Hawke's Bay Business Awards

QRS celebrates 30 years

2025

Begin manufacturing Ecoreef coastal erosion products

Selected as lead contractor the Te Reinga Bridge rebuild

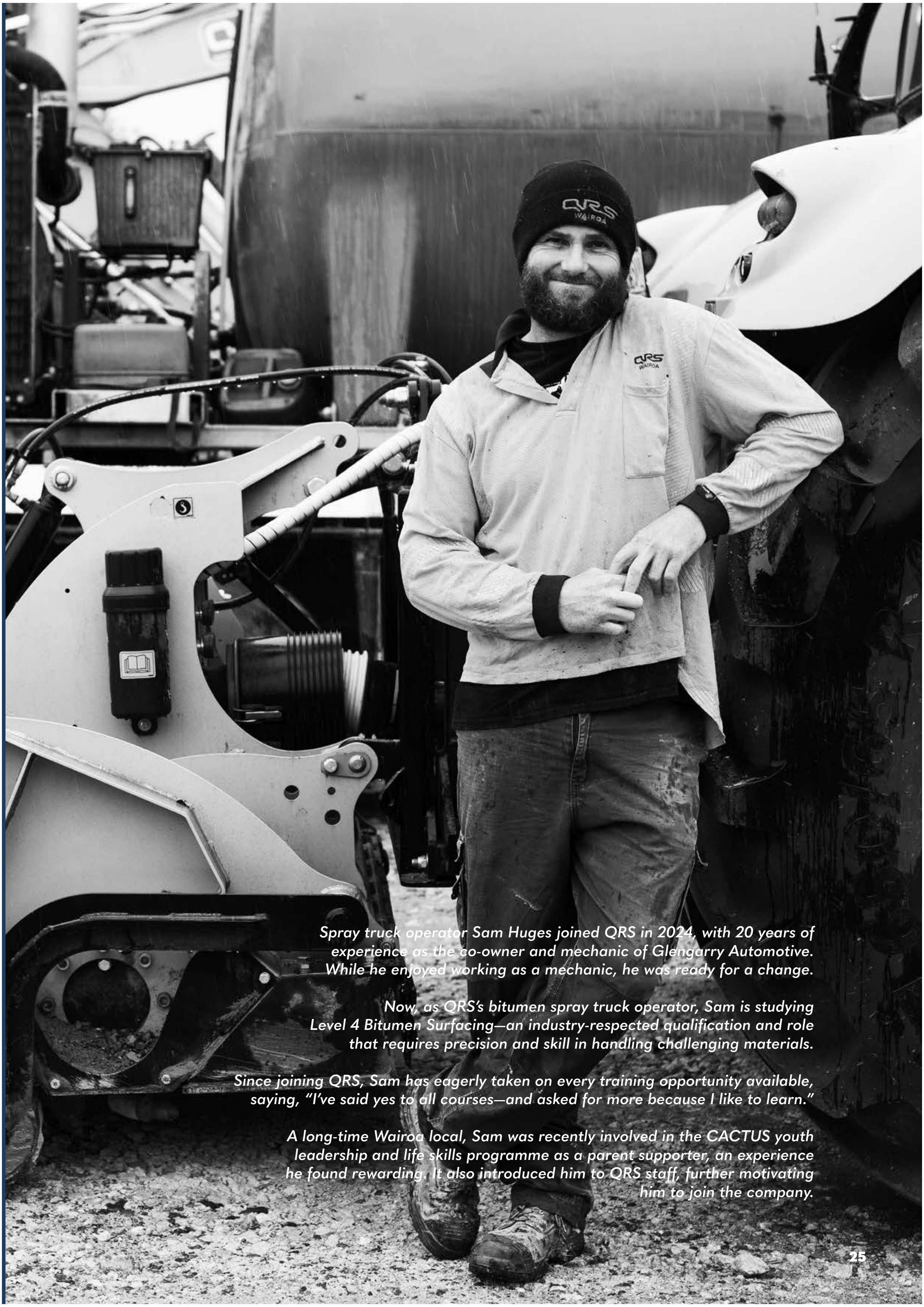
Remembering 30 years of work around the region made possible with the backing and support of Wairoa District Council and our community.

Financial Statements

$17.8m ($24.9m last year)

Revenue in the six months to December 2024

$1m pre-tax profit ($2.2m last year)
$4.9m salaries and wages ($4.5m)
$41,000 community investment ($150,000)
$50,000 interim distribution ($50,000)
$348,000 training spend ($298,000)



Spray truck operator Sam Huges joined QRS in 2024, with 20 years of experience as the co-owner and mechanic of Glengarry Automotive. While he enjoyed working as a mechanic, he was ready for a change.

Now, as QRS's bitumen spray truck operator, Sam is studying Level 4 Bitumen Surfacing—an industry-respected qualification and role that requires precision and skill in handling challenging materials.

Since joining QRS, Sam has eagerly taken on every training opportunity available, saying, "I've said yes to all courses—and asked for more because I like to learn."

A long-time Wairoa local, Sam was recently involved in the CACTUS youth leadership and life skills programme as a parent supporter, an experience he found rewarding. It also introduced him to QRS staff, further motivating him to join the company.

Statement of Comprehensive Income

for the six months ended 31 December 2024

	Notes	6 mnths to 31/12/2024 $	6 mnths to 31/12/2023 $	12 mnths to 30/06/2024 $
Revenue		17,837,180	24,975,744	47,585,055
Cost of sales		(8,566,392)	16,137,710	(28,839,603)
Gross profit		**9,270,788**	**8,838,034**	**18,745,452**
Personnel expenses	2	5,392,656	4,838,249	10,580,299
Depreciation expense	3, 13	959,762	711,796	1,640,405
Administrative expenses		1,767,999	1,372,811	2,266,047
Other operating expenses	1	139,087	157,275	320,980
		8,259,505	**7,080,131**	**14,807,732**
Operating profit before financing costs		**1,011,283**	**1,757,903**	**3,937,720**
Financing income		13,823	9,980	22,966
Financing expenses		(65,068)	(102,889)	(221,111)
Net financing costs		**(51,245)**	**(92,909)**	**(198,145)**
Proceeds from insurance		41,513	579,303	580,573
Net proceeds from insurance		**41,513**	**579,303**	**580,573**
Profit before subvention payment and income tax		**1,001,552**	**2,244,297**	**4,320,148**
Subvention payment - Wairoa District Council		-	-	-
Profit before income tax		**1,001,552**	**2,244,297**	**4,320,148**
Income tax expense	9	(280,434)	(628,403)	(2,548,335)
Profit for the period		**721,117**	**1,615,894**	**1,771,813**
Other comprehensive income		-	-	-
Total comprehensive income for the period		**721,117**	**1,615,894**	**1,771,813**

Statement of Changes in Equity

for the six months ended 31 December 2024

	Notes	6 mnths to 31/12/2024 $	6 mnths to 31/12/2023 $	12 mnths to 30/06/2024 $
EQUITY AT BEGINNING OF THE YEAR		**11,757,267**	**10,085,454**	**10,085,454**
Profit for the period		721,117	1,615,894	1,771,813
Total recognised revenues and expenses for the period		**721,117**	**1,615,894**	**1,771,813**
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	-	-
Transactions with owners in their capacity as owners		-	-	-
Dividends paid	10	(1,000,000)	(50,000)	(50,000)
EQUITY AT THE END OF THE PERIOD		**11,478,384**	**11,651,348**	**11,757,267**

Statement of Financial Position

for the six months ended 31 December 2024

	Notes	6 mnths to 31/12/2024 $	6 mnths to 31/12/2023 $	6 mnths to 30/06/2024 $
ASSETS:				
Current assets				
Bank		704,677	1,607,287	661,128
Trade and other receivables	5	4,476,386	5,403,275	8,284,283
Inventories	4	676,883	480,328	1,029,367
Contract assets		792,571	1,838,499	718,151
Total current assets		**6,650,518**	**9,329,390**	**10,692,929**
Non current assets				
Deferred tax		-	415,514	-
Intangible assets	12	50,985	63,579	56,572
Property, plant and equipment	13	14,396,931	13,088,471	13,456,198
Right of use assets	3	200,790	318,312	257,980
Total non current assets		**14,648,706**	**13,885,876**	**13,770,749**
TOTAL ASSETS		**21,299,223**	**23,215,266**	**24,463,678**
EQUITY:				
Share capital	10	1,250,000	1,250,000	1,250,000
Retained earnings	10	10,228,384	10,401,348	10,507,267
TOTAL EQUITY		**11,478,384**	**11,651,348**	**11,757,267**
LIABILITIES:				
Current liabilities				
Gst payable		196,796	514,450	693,712
Trade and other payables	6	1,214,771	2,869,025	2,629,605
Employee benefits	8	708,798	808,426	991,873

	Notes	6 mnths to 31/12/2024 $	6 mnths to 31/12/2023 $	6 mnths to 30/06/2024 $
Interest-bearing loans and borrowings	7	500,850	602,001	87,947
Lease liability	3	80,426	117,691	97,549
Taxation payable		85,569	443,084	870,464
Contract liabilities		1,063,371	922,959	1,386,370
Wairoa District Council - subvention payment		-	-	-
Total current liabilities		**3,850,581**	**6,277,636**	**6,757,520**
Non current liabilities				
Employee benefits	8	124,425	69,775	66,834
Quarry aftercare provision	14	98,276	69,333	85,753
Interest-bearing loans and borrowings	7	4,723,924	4,935,101	4,731,984
Lease liability		131,640	212,073	172,327
Deferred tax liability		891,993	-	891,993
Total non current liabilities		**5,970,258**	**5,286,282**	**5,948,891**
TOTAL LIABILITIES		**9,820,838**	**11,563,918**	**12,706,411**
TOTAL EQUITY AND LIABILITIES		**21,299,223**	**23,215,266**	**24,463,678**

For and on behalf of the Board, who authorised the issue of these financial statements on 21 February 2025.

Director *Director*

Statement of Cash Flow

for the six months ended 31 December 2024

	Notes	6 mnths to 31/12/2024 $	6 mnths to 31/12/2023 $	6 mnths to 30/06/2024 $
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from customers		21,570,657	26,306,554	47,155,205
Financing income		13,823	9,980	22,966
Proceeds from insurance		41,513	579,304	580,573
		21,625,994	**26,895,837**	**47,758,744**
Cash was disbursed to:				
Payments to suppliers		12,985,236	18,891,222	32,851,653
Payments to employees		4,978,032	4,528,726	10,007,060
Payment of subvention		-	950,000	950,000
Taxes paid		1,065,329	462,515	647,562
Financing expense		65,068	102,889	221,111
		19,093,665	**24,935,352**	**44,677,386**
Net cash inflow/(outflow) from operating activities	15	2,532,328	1,960,485	3,081,358
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
Proceeds from sale of property, plant and equipment		29,005	-	3,000
		29,005	**-**	**3,000**
Cash was applied to:				
Purchase of property, plant and equipment		1,864,820	3,350,629	4,594,638
		1,864,820	**3,350,629**	**4,594,638**
Net cash inflow/(outflow) from investing activities		(1,835,815)	3,3503629	(4,591,638)

	Notes	6 mnths to 31/12/2024 $	6 mnths to 31/12/2023 $	6 mnths to 30/06/2024 $
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was provided from:				
Loans and borrowings		3,895,000	2,339,316	10,962,596
		3,895,000	**2,339,316**	**10,962,596**
Cash was applied to:				
Payment of dividends		1,000,000	50,000	100,000
Loans and borrowings		3,490,157	410,716	9,751,170
Lease payments		57,807	59,128	117,976
		4,547,964	**519,844**	**9,969,146**
Net cash inflow from financing activities		(652,964)	1,819,472	993,450
Net decrease in cash held		**43,549**	**429,328**	**(516,830)**
Add opening cash and cash equivalents		**661,128**	**1,177,959**	**1,177,959**
Closing cash and cash equivalents		704,677	1,607,287	661,128
CASH BALANCES IN THE STATEMENT OF FINANCIAL POSITION		**704,677**	**1,607,287**	**661,128**

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

Statement of Accounting Policies

for the six months ended 31 December 2024

Reporting Entity
Quality Roading and Services (Wairoa) Limited ('QRS' or 'the Company') is incorporated and domiciled in New Zealand and is wholly owned by 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, quarrying, heavy transport, traffic management, and civil construction within the Wairoa district and wider East Coast region.

Basis of preparation
The financial statements have been prepared in accordance 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 accounting policies. The financial statements are presented in New Zealand dollars.

Statement of compliance
The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to international financial reporting standards (IFRSs) and other applicable financial reporting standards, as appropriate for profit-oriented entities in Tier 2 (NZ IFRS reduced disclosure regimen). 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.

Impact of Covid-19
Management and the directors have considered the impact Covid-19 has had on the business. The overall effect on the Company is not material.

Changes in accounting policies
All accounting policies are consistent with prior year.

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

a) Revenue

Revenue recognition

QRS is in the business of providing road maintenance and construction, and sale of aggregate. Revenue from contracts with customers is recognised when control of the physical work completed on the client's asset or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Sale of aggregate

Revenue from sale of aggregate is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the aggregate. The normal credit term is 30 to 60 days upon delivery.

Variable consideration

QRS does not enter into variable consideration arrangements nor provide any volume rebates. In addition, there are no financing components or warranty obligations beyond normal retentions held by the customer for road construction projects.

b) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

c) 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.

d) 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.

Government subisdies which compensate the Company for expenses incurred are recognised in the Statement of Comprehensive Income. Subsidies are recognised when they have been used to compensate expenses in a period.

e) 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.

f) 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 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.

g) Accounts receivable

Accounts receivable are recognised initially at fair value and subsequently at amortised cost less an allowance for any uncollectable amounts. The Company assesses impairment losses by estimating the expected credit loss that may exist within its portfolio of accounts receivable based on its historical experience of credit loss arising from accounts receivable.

A trade receivable represents the company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

h) 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.

i) Inventories

Inventories are valued on the basis of the lower of cost, determined on a weighted average method, and net realisable value.

j) 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:

1. land
2. quarries
3. buildings
4. plant and machinery
5. fixtures, fittings, and equipment
6. computer hardware.

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.

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

k) *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 buildings and quarries. Land is not depreciated.

Plant and machinery, fixtures, fittings and equipment, and computer hardware are depreciated using the diminishing value method. The rates for major classes of assets have been estimated as follows:

1. quarries	(3.3 % straight line)
2. buildings	(3.3% straight line)
3. plant and machinery	(20% diminishing value)
4. fixtures, fittings, and equipment	(20% diminishing value)
5. computer hardware	(48% diminishing value)
6. right of use asset	(Straight line over the term of the underlying asset).

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.

l) *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 Statement of Comprehensive Income when the asset is derecognised. The amortisation of the software class of intangible assets has been estimated at 20-48 percent diminishing value, depending on the nature of the software.

m) 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.

n) 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 considering any issue costs, and any discount or premium on settlement.

o) Trade and other payables

Trade 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.

p) Joint arrangements

The Company exited its joint arrangement with Wi Pere Trust at the Tangihanga Quarry on 24 June 2021.

The Company is obliged to maintain the resource consent conditions until the earlier of 30 June 2024 or the date on which the area and operations as covered by the consents are used or occupied by any person other than QRS.

q) Significant accounting judgements, estimates, and assumptions

Quarry aftercare

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.

r) Contract assets and contract liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the company performs, under a contract, by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A contract liability is the obligation to transfer goods or services to a customer for which the company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the company transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when company performs under the contract.

s) Subvention payments

A subvention payment is where an organisation with a taxable profit makes a cash payment to an organisation that has tax losses in exchange for those tax losses. The organisations must have some commonality of ownership. QRS is wholly owned by the Wairoa District Council which enables the entities to engage in subvention payments.

The provision for a subvention payment has been recognised in the Statement of Comprehensive Income as an expense.

t) Right of use assets and lease liabilities

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

Right of use assets and lease liabilities are presented separately in the Statement of Financial Position. Depreciation of right of use assets is included in depreciation in the Statement of Comprehensive Income. The cash outflows related to the principal portion of the lease liability and the related interest are presented within the Statement of Cashflows.

Notes to the Financial Statements (Unaudited)

for the six months ended 31 December 2024

	6 mnths to 31/12/2024 $	6 mnths to 31/12/2023 $	6 mnths to 30/06/2024 $
1 | OTHER OPERATING EXPENSES			
Auditor remuneration including disbursements	50,334	47,241	92,283
Directors' fees	81,442	66,213	162,884
Impairment of trade receivables (bad and doubtful debts)	9,015	-	-
Loss on disposal of property, plant and equipment	1,258	28,992	34,472
Gain on disposal of property, plant and equipment	(19,593)	-	(1,512)
Amortisation of intangibles	5,589	7,006	14,013
Lease payments - rental costs	11,043	7,823	18,840
	139,087	**157,275**	**320,980**
2 | PERSONNEL EXPENSES			
Wages and salaries	4,978,032	4,528,726	10,007,060
Ministry of Social Development Apprenticeship Boost Funding	-	(1,150)	(1,150)
Long-service leave	57,591	9,007	10,449
Sick leave	206,223	161,527	282,900
Gratuities	100	(800)	2,479
Contribution to defined contribution plans	150,710	140,939	278,562
	5,392,656	**4,838,249**	**10,580,300**

	6 mnths to 31/12/2024 $			6 mnths to 31/12/2023 $			12 mnths to 30/06/2024 $		
	Right of use	Right of use	Total	Right of use	Right of use	Total	Right of use	Right of use	Total
	Office equipment	Vehicles		Office equipment	Vehicles		Office equipment	Vehicles	
3 | RIGHT OF USE ASSETS									
Cost									
Balance at 1 July	35,532	730,579	766,111	26,791	730,579	757,370	26,791	730,579	757,370
Increases	-	-	-	8,741	-	8,741	8,741	-	8,741
Decreases	-	-	-	-	-	-	-	-	-
Balance at 31 December	**35,532**	**730,579**	**766,111**	**35,532**	**730,579**	**766,111**	**35,532**	**730,579**	**766,111**
Depreciation									
Balance at 1 July	21,637	486,494	508,131	18,428	369,305	387,733	18,428	369,305	387,733
Depreciation for the year	1,735	55,455	57,190	1,469	58,597	60,066	3,209	117,189	120,398
Balance at 31 December	**23,372**	**541,949**	**565,321**	**19,897**	**427,902**	**447,799**	**21,637**	**486,494**	**508,131**
Carrying amounts									
At 1 July	13,895	244,085	257,980	8,363	361,274	369,637	8,363	361,274	369,637
At 31 December	**12,160**	**188,630**	**200,790**	**15,635**	**302,677**	**318,312**	**13,895**	**244,085**	**257,980**
Lease Liability									
Balance at 1 July		269,876			379,109			379,109	
Lease payments		(63,679)			(68,258)			(134,763)	
Interest applied to leases		5,869			9,130			16,789	
Lease modification		-			9,783			8,741	
Balance at 31 December		212,066			**329,764**			**269,876**	

	6 mnths to 31/12/2024 $	6 mnths to 31/12/2023 $	12 mnths to 30/06/2024 $
Made up of:			
Current	80,426	117,691	97,549
Non-current	131,640	212,073	172,327
	212,066	**329,764**	**269,876**
4 | INVENTORIES			
Metal stocks	390,328	230,955	828,577
Other supplies	241,032	248,693	177,686
Work in progress	45,523	680	23,104
Some inventories are subject to retention of title clauses. Work in progress is held at cost	**676,883**	**480,328**	**1,029,367**
5 | TRADE AND OTHER RECEIVABLES			
Trade debtors	1,600,113	2,482,723	1,669,925
Wairoa District Council	1,073,780	1,215,020	4,756,034
Provision for doubtful debts	-	(22,338)	-
Retentions	1,549,751	1,519,632	1,837,146
Prepayments	252,743	208,238	21,178
	4,476,386	**5,403,275**	**8,284,283**
6 | TRADE AND OTHER PAYABLES			
Trade creditors	1,035,065	2,577,324	2,457,692
Other	179,706	291,701	171,913
	1,214,771	**2,869,025**	**2,629,605**
7 | EMPLOYEE BENEFITS			
Long-service leave	124,425	68,478	66,834
Annual leave	517,506	450,748	513,119
Sick leave	58,243	43,925	32,992
Gratuities	27,169	23,890	27,169
Time in lieu	101,855	121,177	229,650
Accrued pay	4,025	169,983	188,943
	833,222	**878,201**	**1,058,707**

	6 mnths to 31/12/2024 $	6 mnths to 31/12/2023 $	12 mnths to 30/06/2024 $
Made up of:			
Current	708,798	808,426	845,007
Non-current	124,425	69,775	62,642
	833,223	**878,201**	**907,649**

8 | INTEREST BEARING LOANS AND BORROWINGS

Cat finance	59,118	145,978	102,819
Less current portion	(59,118)	(86,590)	(87,947)
	-	**59,388**	**14,872**
Interest rate	**2.49%**	**2.49%**	**2.49%**
Westpac FlexEquip	430,206	2,339,313	-
Less current portion	(430,206)	(503,615)	-
	1,835,698	**1,835,698**	**-**
Interest rate	**8.15%**	**10.15%**	**8.90%**
Wairoa District Council/Local Government Funding Agency	1,035,417	1,037,167	1,037,180
Less current portion	(9,776)	(11,526)	(11,539)
	1,025,641	**1,025,641**	**1,025,641**
Interest rate	**5.719%**	**5.719%**	**5.719%**
Provincial Growth Fund Loan	3,700,033	2,014,643	3,679,932
Less current portion	-	-	-
	3,700,033	**2,014,643**	**3,679,932**
Interest rate	**1.09%**	**1.09%**	**1.09%**
Made up of:			
Current	500,850	602,001	87,947
Non-current	4,723,924	4,935,101	4,731,984
	5,224,774	**5,537,102**	**4,819,931**

	6 mnths to 31/12/2024 $	6 mnths to 31/12/2023 $	12 mnths to 30/06/2024 $
9 | TAXATION			
Profit before taxation	**1,001,552**	**2,244,297**	**4,320,148**
Prima facie taxation 28%	280,434	628,403	1,209,641
Tax effect of removal of building depreciation*			1,331,962
Plus taxation effect of permanent differences:			
Non-deductible expenses	-	-	6,732
	280,434	**628,403**	**2,548,335**

** In March 2024, the government removed the deductibility of depreciationon buildings not primarily used for residential accommodations, for tax purposes. This amendment was effective from 1 April 2024. The impact of this change decreases the tax base for these assets, giving rise to an increased difference between the carrying cost and tax base and results in an increase in deferred tax liability and increase in tax expense of $1.33 million.*

Major components of taxation expense are:			
Current taxation	-	-	1,240,829
Deferred taxation			
Origination and reversal of temporary differences	-	-	1,307,506
	-	**-**	**2,548,335**

10 | EQUITY			
(a) Share capital			
Opening balance	1,250,000	1,250,000	1,250,000
Closing balance	**1,250,000**	**1,250,000**	**1,250,000**

At 31 December, the company had issues 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	10,507,267	8,835,454	8,835,454
Net operating surplus/deficit	721,117	1,615,894	1,771,813
Final dividend	(1,000,000)	(50,000)	(50,000)
Interim dividend	-	-	(50,000)
Retained earnings at 31 December	**10,228,384**	**10,401,348**	**10,507,267**

	6 mnths to 31/12/2024 $	6 mnths to 31/12/2023 $	12 mnths to 30/06/2024 $

11 | BANK FACILITY

A bank facility is available at the Westpac Bank, and is secured by a general securtiy agreement over the company's assets. The facility available totals $500,000 (2023: $500,000). The current interest rate is 8.15% (2023: 10.70%).

12 | INTANGIBLE ASSETS

	6 mnths to 31/12/2024 $	6 mnths to 31/12/2023 $	12 mnths to 30/06/2024 $
Software			
Balance at 1 July	307,016	307,016	307,016
Balance at 31 December	**307,016**	**307,016**	**307,016**
Amortisation and impairment losses			
Balance at 1 July	250,444	236,431	236,431
Amortisation for the year	5,587	7,006	14,013
Balance at 31 December	**256,031**	**243,437**	**250,444**
Carrying amounts			
At 1 July	56,572	70,585	70,585
At 31 December	**50,985**	**63,579**	**56,572**

13 | PROPERTY, PLANT AND EQUIPMENT

	Land	Quarries	Buildings	Plant and equipment	Fixtures, fittings, equipment	Computer hardware	Total
6 months to 31/12/24							
Cost							
Balance at 1 July	29,433	494,288	6,737,959	17,309,370	317,071	250,030	25,138,151
Additions	-	-	147,910	1,716,909	-	-	1,864,820
Disposals	-	-	-	(12,104)	-	-	(155,983)
Balance at 31 December	**29,433**	**494,288**	**6,885,869**	**18,858,193**	**317,071**	**250,030**	**26,846,988**
Depreciation and impairment losses							
Balance at 1 July	-	493,386	676,304	10,116,472	187,908	207,886	11,681,956
Depreciation for the year	-	18	105,030	780,164	12,475	4,885	902,572
Disposals	-	-	-	(134,471)	-	-	(134,471)
Balance at 31 December	**-**	**493,404**	**781,334**	**10,762,165**	**200,383**	**212,771**	**12,450,057**
Carrying amounts							
At 1 July	29,433	902	6,061,655	7,180,794	129,163	42,144	13,444,091
At 31 December	**29,433**	**884**	**6,104,535**	**8,096,028**	**116,688**	**37,259**	**14,396,931**
6 months to 31/12/23							
Cost							
Balance at 1 July	29,433	494,288	4,783,284	15,210,245	264,087	234,659	21,015,996
Additions	-	-	2,040,549	1,303,273	7,849	-	3,351,671
Disposals	-	-	-	(367,638)	-	-	(367,638)
Balance at 31 December	**29,433**	**494,288**	**6,823,833**	**16,145,880**	**271,936**	**234,659**	**24,000,030**
Depreciation and impairment losses							
Balance at 1 July	-	493,348	541,465	9,203,270	163,174	197,216	10,598,473
Depreciation for the year	-	19	32,999	603,676	10,002	5,035	651,731

	Land	Quarries	Buildings	Property, plant, equipment	Fixtures, fittings, equipment	Computer hardware	Total
Disposals	-	-	-	(338,645)	-	-	(338,645)
Balance at 31 December	**-**	**493,367**	**574,464**	**9,468,301**	**173,176**	**202,251**	**10,911,559**
Carrying amounts							
At 1 July	29,433	940	4,241,818	6,006,976	100,913	37,442	10,417,525
At 31 December	**29,433**	**921**	**6,249,369**	**6,677,579**	**98,760**	**32,408**	**13,088,471**
12 months to 30/06/24							
Cost							
Balance at 1 July	29,433	494,288	4,783,284	15,210,246	264,087	234,659	21,015,997
Additions	-	-	1,954,675	2,571,609	52,984	15,371	4,594,639
Disposals	-	-	-	(472,485)	-	-	(472,485)
Balance at 30 June	**29,433**	**494,288**	**6,737,959**	**17,309,370**	**317,071**	**250,030**	**25,138,150**
Depreciation and impairment losses							
Balance at 1 July	-	493,348	541,465	9,203,270	163,174	197,216	10,598,474
Depreciation for the year	-	38	134,838	1,349,727	24,734	10,670	1,520,007
Disposals	-	-	-	(436,525)	-	-	(436,525)
Balance at 30 June	**-**	**493,386**	**676,304**	**10,116,472**	**187,908**	**207,886**	**11,681,955**
Carrying amounts							
At 1 July	29,433	940	4,241,818	6,006,976	100,913	37,442	10,417,522
At 30 June	**29,433**	**902**	**6,061,655**	**7,192,898**	**129,163**	**42,144**	**13,456,198**

Capital work in progress is contained within the above classes and has a book value of $33,299 (2023: $3,697,665).

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	6 mnths to 31/12/2024 $	6 mnths to 31/12/2023 $	12 mnths to 30/06/2024 $
14 | OTHER PROVISIONS			
Quarry aftercare provision			
Balance at beginning of the year	85,753	86,619	86,619
Provided for during the year	12,523	(17,286)	(866)
Balance at the end of the year	**98,276**	**69,333**	**85,753**

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

15 | RECONCILIATION OF NET OPERATING PROFIT AFTER TAXATION WITH CASH INFLOW FROM OPERATING ACTIVITIES			
Reported net operating profit after taxation	721,117	1,615,894	1,771,713
Subvention provision	-	-	-
Add back non-cash items			
Depreciation	959,762	711,796	1,640,405
Amortisation	5,587	7,006	14,013
(Increase)/decrease in deferred taxation	-	-	1,307,605
Increase/(decrease) in employee benefits	(283,075)	10,040	7,099
Increase/(decrease) in quarry aftercare provision	12,522	(17,287)	(866)
	1,415,913	**2,327,450**	**4,739,969**
Add back items classified as investment activities			
Net loss on sale of property, plant and equipment	12,100	28,993	34,448
Gain on sale of property, plant and equipment	(19,593)	-	(1,488)
	(7,493)	**28,993**	**32,960**
Movements in working capital			
(Increase)/decrease in receivables and prepayments	3,733,477	1,330,811	(429,850)
(Increase)/decrease in inventories	352,485	198,542	(350,499)
Increase/(decrease) in trade and other payables and gst	(2,234,749)	(2,057,403)	(1,654,141)
Increase/(decrease) in employee benefits	57,591	(33,795)	149,651
(Increase)/decrease in tax payable/receivable	(784,895)	165,888	593,268
	1,123,909	**(395,957)**	**(1,691,571)**
Net cash inflow from operating activities	**2,532,328**	**1,960,485**	**3,081,358**

Site supervisor Lewis Down joined QRS in 2024, following in the footsteps of his sisters but bringing his own solid background in earthworks and civil construction.

At 26, he's already had a diverse career—from working at Frasertown Meats to making McDonald's burger buns in Melbourne, and gaining experience with Fulton Hogan and other Hawke's Bay civil companies.

Papa Phil 30 years strong

'Papa' Phil Tipu is the only employee who has worked at QRS for the company's entire existence.

In December his dedication, loyalty, and proficiency were recognised and rewarded by his appreciative colleagues.

Integral to the business since 1994, Phil, Ngāti Kahungunu, is considered the honorary grandfather of this district's parks and reserves, according to chief executive Jeremy Harker.

"Not only that, he's one of the hardest working staff we've ever had. He never misses a day, and we struggle to get him to take any time off."

Managers who have worked with Phil, now 70, report regularly finding him at work when he's supposed to be on leave.

"Any day at work is a good day for me," responds Phil, who can't understand all the fuss being made about his long service.

"I enjoy coming here, even if it's raining. I know one day I am not going to make it so while I can, I do," says the father of two and grandfather of five.

Phil used to work for Wairoa Borough Council alongside former colleague and friend Nick Murray. The work was hard and varied. On any given day they could be mowing parks and reserves, unclogging blocked sewerage pipes, cleaning the main street, reading water meters, or digging graves.

When QRS was formed in 1994 and took over some of that work, Phil came over and his ground-keeping experience was put to good use.

For the past 30 years it's estimated that Phil and his mower have cut the equivalent of 525,000 rugby fields of grass. He's operated tip trucks, rollers, and tractors, and will still jump into temporary traffic management if he's needed.

"The jobs haven't changed much over time," says Phil. He has outlasted four Kubota ride-on mowers and five chief executives. "But one machine nearly got me," he recalls.

One day in the late 1990s while mowing Wairoa Old Cemetery, he rolled his mower into some trees. He was unhurt but remained trapped underneath the machine. He called out for help while musing somewhat wryly "well, if I go, at least I am in the right place."

A nearby resident who was home for lunch heard him, and rescue efforts got underway. The fire service eventually winched the machine off him and Phil emerged bruised and abashed. He rued never to make that mistake again. "When I go to the landfill these days, I can still see the spot where it happened, and I think...oh sh**"

Another memorable occasion occurred ten years earlier during Cyclone Bola. Phil was one of many locals who watched the Wairoa Bridge buckle and fall into the roiling Wairoa River.

Phil had been working near the bridge earlier that morning. He watched Mother Nature's destruction from the northern side. The 55-year-old bridge bowed alarmingly, leaned over, and collapsed into the downstream side. The first span broke completely and dropped into the river. Other spans and the centre of the bridge followed suit.

It was an extraordinary spectacle as the large, twisted mass of concrete and metal sunk, and then remerged floating down the river with branches and logs surrounding it. It slowly disappeared around Spooner's Point.

"It made a few loud noises when it collapsed and it was freaky," Phil recalls.

QRS's next longest-serving employee, operations manager Anthony O'Sullivan (who also saw the bridge collapse) described Phil as a credit to his family, the business, and the Wairoa community. "Phil is a jack of all trades and there isn't a job here he hasn't done or couldn't do."

Phil is the first one here every morning. "His ethics are second to none and he's reliable," adds Anthony. "When younger staff acknowledge him with a good morning or a hello, they probably don't always realise what a stalwart of the industry he is."

Phil says a perfect day for him is a 5am start, lunch with colleagues, home to watch Shortland St, and bed. In the weekend he likes nothing more than mowing grass for friends and whānau and catching the All Blacks on television.

When asked if retirement is on the cards Phil looks uncomfortable. "Not yet. I tell Tony [Anthony] every year that as long as I can get out of bed I will be here. I feel good when I get to the QRS gate."

Cover image:
Bluck's Pit has been under the care of QRS,
the new lease-holder, since late 2024.


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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 - Appointment for Interim Chief Executive	s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	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