



1 October 2020

AUDIT & RISK COMMITTEE MEETING

Notice is hereby given that the **Audit & Risk Committee Meeting of Council** will be held in the **Council Chambers, Stratford District Council, Miranda Street, Stratford** on **Tuesday 6 October 2020** at **3pm**.

Yours faithfully



Sven Hanne
CHIEF EXECUTIVE

2020 - Agenda - Audit & Risk - October (06/10/2020)

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AUDIT & RISK COMMITTEE MEETING
TUESDAY 6 OCTOBER 2020 AT 3.00 PM

A G E N D A

1. **WELCOME**

2. **APOLOGIES**

3. **ANNOUNCEMENTS**

4. **DECLARATION OF MEMBERS INTEREST**

Elected members to declare any real or perceived conflicts of interest relating to items on this agenda.

5. **ATTENDANCE SCHEDULE**

Attendance schedule for 2019 - 2020 Audit and Risk Committee meetings.

6. **PROGRAMME OF WORKS**

D19/32844 Page 8

RECOMMENDATION

THAT the Audit and Risk Committee's programme of works for 2020 be received.

Moved/Seconded

7. **CONFIRMATION OF MINUTES**

7.1 **Audit and Risk Committee Meeting Minutes – 21 July 2020**

D20/20660 Pages 9-17

RECOMMENDATION

THAT the minutes of the Audit and Risk Committee Meeting held on Tuesday 21 July 2020 be confirmed, with any amendments, as a true and accurate record.

Moved/Seconded

8. **MATTERS OUTSTANDING**

D18/27474 Page 18

RECOMMENDATION

THAT the matters outstanding be received.

Moved/Seconded

9. **DECISION REPORT – ON-LENDING \$7,180,000 FOR LAND ACQUISITION**

D20/26367

Pages 19-149

RECOMMENDATIONS

1. THAT the report be received.
2. THAT based on the risk assessment within this report, the Committee endorses the proposed decision by Council to borrow up to \$7,180,000 to on-lend to the Stratford Agricultural and Pastoral Association (A&P Association) to purchase land for an independent local economic venture, pending community consultation.

Recommended Reason

The endorsement of this decision by the Audit and Risk Committee will give Council assurance that the risks associated with the loan have been considered and satisfactory mitigations are able to be implemented.

/_____
Moved/Seconded

10. **INFORMATION REPORT – HEALTH AND SAFETY REPORT**

D20/25332

Pages 150-153

RECOMMENDATION

THAT the report be received.

/_____
Moved/Seconded

11. **INFORMATION REPORT – RISK REVIEW**

D20/25498

Pages 154-176

RECOMMENDATION

THAT this report be received.

RECOMMENDED REASON

To provide an update to the Audit and Risk Committee of any changes to the Council Risk Register and advise the Committee of any incidents in relation to the Top Ten Risk Register since the last Audit and Risk Committee meeting, held in May 2020.

/_____
Moved/Seconded

12. **INFORMATION REPORT – FINANCIAL RISK MANAGEMENT REPORT**

D20/25782

Pages 177-183

RECOMMENDATION

THAT the report be received.

Moved/Seconded

13. **INFORMATION REPORT – ANNUAL REPORT 2018/19 – PROGRESS ON AUDIT ISSUES**

D20/25487

Pages 184-190

RECOMMENDATION

THAT the report be received.

Recommended Reason

This report informs the Committee of the issues identified in the final Audit New Zealand Management Report for the 2018/19 Annual Report, summarising the actions that have or intend to be taken by Council officers to respond to audit recommendations with respect to each issue raised.

Moved/Seconded

14. **INFORMATION REPORT – LONG TERM PLAN 2021-31 RISK MANAGEMENT/MINIMISATION**

D20/25848

Pages 191-199

RECOMMENDATION

THAT the report be received.

Recommended Reason

To demonstrate fulfilment of the Committee's responsibility to proactively assess, monitor, and provide governance oversight of risks – in this case, with regard to the risks directly associated with the preparation of the Long Term Plan 2021-31 (LTP).

Moved/Seconded

15. AUDIT NEW ZEALAND CORRESPONDENCE

- [Audit NZ – Interim Audit for year ended 30 June 2020](#) D20/25530 pages 200-218

RECOMMENDATION

THAT the correspondence be received.

Moved/Seconded

16. GENERAL BUSINESS



Health and Safety Message

In the event of an emergency, please follow the instructions of Council Staff.

Please exit through main entrance.

Once you reach the footpath outside please turn left and walk towards the Bell tower congregating on lawn outside the Council Building.

Staff will guide you to an alternative route if necessary.

If there is an earthquake – drop, cover and hold where possible. Stay indoors till the shaking stops and you are sure it is safe to exit or remain where you are until further instruction is given.

5.

ATTENDANCE SCHEDULE

Attendance schedule for 2019 – 2020 Audit and Risk Committee meetings.

<u>Date</u>	<u>17/12/19</u>	<u>17/03/20</u>	<u>19/05/20</u>	<u>21/07/20</u>	<u>06/10/20</u>	<u>01/12/20</u>
Meeting	A	A	A	A	A	A
Neil Volzke	✓	✓	✓	✓		
Grant Boyde	✓	✓	✓	✓		
Rick Coplestone						
Peter Dalziel	✓	✓	✓	✓		
Jono Erwood	✓	✓	✓	✓		
Amanda Harris			✓			
Alan Jamieson	✓	✓	✓	✓		
Vaughn Jones						
Min McKay	✓	✓	✓	✓		
John Sandford			✓			
Gloria Webby						
Kura Denness (Chair)	✓	✓	✓	✓		
Philip Jones (Chair)						

<u>Key</u>	
A	Audit & Risk Meeting
	Non committee member
✓	Attended
A	Apology/Leave of Absence
AB	Absent
S	Sickness
(AV)	Meeting held by Audio Visual Link

AUDIT & RISK COMMITTEE PROGRAMME OF WORKS - 2020

The Audit and Risk Committee meet five times a year in March, May, July, October and December. The items below are what the Committee will focus on in the 2020 calendar year.

6

1. Standing items will be discussed at every meeting against an established framework.
2. Specific items are one-off policies or processes that are expected to be addressed in 2020.

Regular Standing Agenda Items

- Audit NZ Correspondence received – Director Corporate Services
- Health & Safety Report – Health and Safety Advisor
- Risk Management Report on top ten risks including any incidents and risk mitigation actions taken – Senior Leadership Team
- Financial Management Report – Director Corporate Services
- Audit NZ Matters raised in previous year audit – Director Corporate Services

Annual Agenda Items

- Civil Defence Readiness – Chief Executive **MAY**
- Review of Insurances – Director Corporate Services **JULY**
- Cyber Risk Review and Update – IT Manager **DECEMBER**
- Audit and Risk Committee Self-Review – Chair **DECEMBER (change to early 2021?)**

Specific One-off Agenda Items

- Fraud, Bribery and Corruption (response to audit recommendations) - **JULY**
- Climate Change Response – **JULY**
- Long Term Plan 2021-31 Risk Management/Minimisation – **OCTOBER**
- IANZ accreditation (Building Control Authority audit) **DECEMBER**
- Risk Appetite Statement review - **DECEMBER**

Note: This programme is flexible – dates may change, and additional reports may be added at the request of members of the Audit and Risk Committee.

MINUTES OF THE AUDIT & RISK COMMITTEE MEETING OF THE STRATFORD DISTRICT COUNCIL HELD IN THE COUNCIL CHAMBERS, STRATFORD DISTRICT COUNCIL ON TUESDAY 21 JULY 2020 AT 4.05 PM

PRESENT

K Denness (the Chairman), the District Mayor N C Volzke, the Deputy Mayor A L Jamieson, Councillors P S Dalziel, J M S Erwood and M McKay.

IN ATTENDANCE

The Director Community Services – Ms K Whareaitu, the Director Corporate Services – Mrs T Radich, the Director Environmental Services – Mr B Sutherland, the Director Assets – Mrs V Araba, Councillor G W Boyde, the Administration & Communication Support Officer – Ms R Vanstone, the Health & Safety and Emergency Management Advisor – Mr M Bestall (*part meeting*), the Corporate Accountant – Mrs C Craig (*part meeting*) and two members of the media (the Stratford Press and the Taranaki Daily News).

1. WELCOME

The Chairperson Ms K Denness welcomed the District Mayor, Councillors and staff.

2. APOLOGIES

No apologies were received.

3. ANNOUNCEMENTS

There were no announcements.

4. DECLARATION OF MEMBERS INTEREST

There were no declarations of interest.

5. ATTENDANCE SCHEDULE

The attendance schedule for 2019 – 2020 Audit and Risk Committee meetings was attached.

6. PROGRAMME OF WORKS

D19/32844 (Page 8)

RECOMMENDATION

THAT the Audit and Risk Committee’s programme of works for 2020 be received.

DENNESS/JAMIESON

Carried
A&R/20/22

7.1

No new items were added to the programme of works for the remainder of the year.

7. CONFIRMATION OF MINUTES

7.1 Audit and Risk Committee Meeting Minutes – 19 May 2020

D20/10274 (Pages 9-16)

RECOMMENDATION

THAT the minutes of the Audit and Risk Committee Meeting held on Tuesday 19 Ma 2020 be confirmed, with any amendments, as a true and accurate record.

DENNESS/DALZIEL

Carried
A&R/20/23

The Administration & Communication Support Officer undertook to amend the first bullet point of item 8, Matters Outstanding noted incorrectly as, “to consider the draft of a regional stud” – and amended to ‘study’.

8. MATTERS OUTSTANDING

D18/27474 (Page 17)

RECOMMENDATION

THAT the matters outstanding be received.

McKAY/DALZIEL

Carried
A&R/20/24

The following points were noted by the Chief Executive:

- The Climate Change report, item 16 of this agenda, is a high level report designed to facilitate discussion at this stage.
- The appointment process for the Chair position is yet to be concluded. Mr Hanne takes the opportunity to thank the current Chair for her service to date.

9. INFORMATION REPORT – AUDIT MATTERS RAISED

D20/17088 (Pages 18-24)

RECOMMENDATION

THAT the report be received.

Recommended Reason

This report informs the Committee of the issues identified in the final Audit New Zealand Management Report for the 2018/19 Annual Report, and summarises their findings and the actions to be taken by Council officers to respond to audit recommendations.

DENNESS/ERWOOD
Carried
A&R/20/25

7.1

The Director – Corporate Services noted that auditors would be onsite from 20 August.

Questions/Points of clarification:

- Councillor Dalziel, in referring to page 23, sought an update on the outstanding matter of the contract management register. Mrs Radich confirmed that council continues to await a patch from Civica and that the timeframe will be revised for the next Audit and Risk meeting. An alternative is providing a satisfactory solution for now.

10. INFORMATION REPORT – INTERNAL AUDIT FINDINGS

D20/12225 (Pages 25-38)

RECOMMENDATION

THAT this report be received.

RECOMMENDED REASON

The Audit and Risk Committee is tasked with reviewing and monitoring the internal audit activities of Council on behalf of elected members.

DALZIEL/VOLZKE
Carried
A&R/20/26

The Corporate Accountant noted that the internal audit exercise was successful with full buy-in from staff conducting the audit and those being audited.

Questions/Points of clarification:

- Mrs Craig clarified that the surcharge for credit card payments is 2.5 per cent.
- Councillor Dalziel commented positively on the report and the opportunity for staff to learn more about the organisation’s processes.
- It was requested that the Director Corporate Services split risk 33 which currently groups animal welfare for the pound and the dairy farm together. Animal welfare is explicitly stipulated in the sharemilker’s agreement and is a strict requirement by Fonterra.

11. INFORMATION REPORT – FINANCIAL RISK MANAGEMENT REPORT

D20/17692

(Pages 39-50)

RECOMMENDATION

THAT the report be received.

DENNESS/DALZIEL

Carried

A&R/20/27

7.1

Questions/Points of clarification:

- Councillor Dalziel sought an explanation of the \$1 million deficit figure relating to net surplus after removing capital (page 44 refers). Mrs Radich responded that a significant amount of depreciation will be funded from reserves and that these interim results will be adjusted for the next Policy and Services Committee meeting.
- Mayor Volzke sought clarification of the reasons for personnel costs which exceeded budget by \$457,000 (page 39 refers). Mrs Radich clarified that staff numbers including turnover were estimated in January of the year prior, and adopted in June. Four new positions were not budgeted for equating to 40 per cent of the variance. Fifty five per cent of the variance related to meeting market salary expectations and the remainder of the variance related to turn over (probably an overestimate). The Mayor was pleased to note that these costs were offset by operational expenditure – the net results of which were favourable.
- Mayor Volzke sought clarification on the unspent funds relating to incomplete carry forwards (referring to page 45 onwards) on capital expenditure projects. Mrs Radich noted that savings are made in the first year of carry forwards by way of reduced depreciation, interest and loan repayments. Mr Hanne added that the original budget set for the wastewater consent was based on a standard approach, however council staff had applied an innovative approach to the consenting process and in doing so had made huge savings.
- In response to a question from the chair regarding concerns over outstanding debtors, Mrs Radich clarified that the opportunity of debt recovery from overdue debtors was likely although a decision would need to be made to write off some debt where the debtor was inaccessible or could not be located – these related mostly to compounding (or aged) pound fees.

12. INFORMATION REPORT – FRAUD RISK ASSESSMENT

D20/17929 (Pages 51-61)

RECOMMENDATION

THAT the report be received.

Recommended Reason

This report looks at the potential fraud risk areas, and addresses the matters raised by Audit New Zealand in the 2018/19 Annual Report audit in relation specifically to Bribery and Corruption.

DENNESS/ERWOOD

Carried
A&R/20/28

7.1

Questions/Points of clarification:

- It was clarified that ‘gift’ relates to a clear attempt to influence a council officer. To this end council also keep a staff gifts register.
- Mrs Radich clarified that council’s procurement policy includes a process for significant procurements. A purchase totalling \$5,000 or more requires two quotes while a procurement over \$100,000 requires a competitive tender process considered by tender panel which includes in many cases an external assessor and the responsible director. Mrs Radich added that word of mouth in a smaller community such as Stratford was also an effective control measure.
- The Chair noted that attempting to gain an advantage through council business contacts was more difficult to investigate.

13. INFORMATION REPORT – AUDIT ARRANGEMENTS 2019/20

AUDIT NEW ZEALAND

D20/18308 (Pages 62-109)

RECOMMENDATION

THAT the Audit and Risk Committee receives Audit New Zealand’s engagement letter, proposal letter and audit plan for the 2019/20 annual audit.

Recommended Reason

Reviewing the annual audit arrangements is within the scope of the responsibility of the Audit and Risk Committee.

DALZIEL/JAMIESON

Carried
A&R/20/29

The Director – Corporate Services noted that auditors are specifically looking at work in progress amounts in relation to the subdivision, a COVID-19 impact assessment in relation to significant work being undertaken and the TET stadium vested asset.

Questions/Points of clarification:

- The Mayor noted this council’s reluctance to accept the increased costs in relation to the annual audit and Mrs Radich added that Audit New Zealand’s increased use of non-chartered accountant qualified staff did not make the process any more cost efficient.
- Mr Hanne noted that a shorter term contract has been entered into with Audit New Zealand and this may be indicative of a change of auditor in the future.

14. INFORMATION REPORT – RISK REVIEW

D20/16840 (Pages 110-131)

RECOMMENDATION

THAT this report be received.

RECOMMENDED REASON

To provide an update to the Audit and Risk Committee of any changes to the Council Risk Register and advise the Committee of any incidents in relation to the Top Ten Risk Register from the previous quarter.

DENNESS/VOLZKE
Carried
A&R/20/30

The Director – Corporate Services noted the following points:

- Risk 83 – unsafe conditions at the aerodrome – has been newly added to the register. One threat in relation to the Top 10 risks – threat of a cyber attack – did not eventuate.
- As previously discussed, risk 33 – animal welfare – will be separated out for impounded animals and dairy farm animals.

Questions/Points of clarification:

- Mr Hanne clarified that unsafe conditions such as soggy (runway) ground fell within council’s responsibility under civil aviation legislation, and was moderated by a seasonal closure. Drones on a flightpath were also dealt with under this legislation.

15. INFORMATION REPORT – INSURANCES FOR 2020/21

D20/18324 (Pages 132-211)

RECOMMENDATION

THAT the report be received.

Recommended Reason

To inform the Audit and Risk Committee of the insurance premium and policy changes for the 2018/19 financial year, and give an update on insurance claims made in the previous quarter.

VOLZKE/McKAY
Carried
A&R/20/31

The Director – Corporate Services noted that there has been a significant increase in premiums over the last year, notably in the areas of material damage to commercial property and public liability insurance.

Questions/Points of clarification:

- Mayor Volzke was pleased to see collaboration between the Taranaki councils in order to maximise savings opportunities, in reference to item 4.4 on page 133. He noted also that council rate increases did not equate to the CPI when there is a 28 per cent increase in council insurance policy premiums. Such increases are ongoing and funding them creates issues.
- Mrs Radich clarified that council now pays a fixed amount in premiums for costs in relation to motor vehicle policies.

The Corporate Accountant left the meeting at 5.09pm.

16. DECISION REPORT – CLIMATE CHANGE

D20/18468 (Pages 212-246)

RECOMMENDATIONS

1. THAT the report be received.
2. THAT Elected Members recommend the adoption of Option 1a (status quo) and continue to address any environmental impacts on services, asset and facilities in the context of other factors affecting these, allowing for holistic decision making for each service, asset and facility, rather than a view through a single-purpose lens.
3. THAT Elected Members recommend the adoption of Option 2a (status quo) and that decisions such as environmental performance continue to be made at a project, service or activity level, rather than being guided by an overarching policy. This provides an element of flexibility to weigh up costs, level of service and other factors.

Recommended Reason

This report was produced on request of elected members and as such elected members should be in a position to express their preference. As outlined in the report, if elected members choose to recommend the implementation of new or strengthening of existing policy it is important that they acknowledge the likely business-wide financial and non-financial implications this is likely to have.

JAMIESON/ERWOOD

Carried
A&R/20/32

The Chief Executive noted the following points:

- Being the first report on the topic of climate change, the report aims to start the discussion on what climate change is, how it will impact council and how elected members wish to incorporate such considerations into their decision making.

Questions/Points of clarification:

- It was clarified that council does not have one technical expert on the subject of climate change impact but rather the responsible officer applies this lens over the project. Councillor McKay noted that she is comfortable with council continuing to apply the environmental lens over its business as usual activities, given that the impacts of climate change continue to evolve.
- Councillor Dalziel acknowledged that a climate change policy would be necessary at some stage.
- Mayor Volzke and Councillor Jamieson endorsed these views.
- The chair noted that the report was an opportunity for this council to begin discussions with iwi.

The Director Corporate Services left the meeting at 5.22pm.

17. **INFORMATION REPORT – HEALTH AND SAFETY**

D20/18492

(Pages 247-250)

RECOMMENDATION

THAT the report be received.

DENNESS/DALZIEL

Carried

A&R/20/33

The Health & Safety and Emergency Management Advisor noted that a second wave COVID response is being discussed at civil defence.

Questions/Points of clarification:

- Councillor Dalziel congratulated the staff member that raised the unsafe work practice in Prospero Place adding that awareness is growing.
- The Director Community Services clarified that the swim school has been issued with a licence to carry out their business from the TSB pool complex after contracting the services of a health and safety consultant to work with them.

The Health & Safety and Emergency Management Advisor left the meeting at 5.34pm.

18. **GENERAL BUSINESS**

- Mayor Volzke took the opportunity to acknowledge the end of tenure of this committee's first chair. In response, Mrs Denness congratulated council on establishing the necessary risk mitigation policies and processes.
- The chair noted that the TET stadium situation would need to be considered by this committee at some stage.

19. **QUESTIONS**

There were no questions.

The meeting closed at 5.35pm.

K Denness
CHAIRMAN

Confirmed this 15th day of September 2020.

N Volzke
DISTRICT MAYOR

7.1

AUDIT & RISK COMMITTEE MATTERS OUTSTANDING INDEX

REF NO.	ITEM OF MATTER	MEETING RAISED	RESPONSIBILITY	CURRENT PROGRESS	EXPECTED RESPONSE
	Chair appointment process		Sven Hanne/Mayor	<i>Vacancy filled – process completed.</i>	

DECISION REPORT



TO: Audit and Risk Committee

F19/13-D20/26367

FROM: Director – Corporate Services

DATE: 6 October 2020

SUBJECT: ON-LENDING \$7,180,000 FOR LAND ACQUISITION

RECOMMENDATIONS

1. THAT the report be received.
2. THAT based on the risk assessment within this report, the Committee endorses the proposed decision by Council to borrow up to \$7,180,000 to on-lend to the Stratford Agricultural and Pastoral Association (A&P Association) to purchase land for an independent local economic venture, pending community consultation.

Recommended Reason

The endorsement of this decision by the Audit and Risk Committee will give Council assurance that the risks associated with the loan have been considered and satisfactory mitigations are able to be implemented.

/_____
Moved/Seconded

1. **PURPOSE OF REPORT**

- 1.1 To give the Audit and Risk Committee the opportunity to fully consider the risks associated with the recent (8 September 2020) decision by elected members to release for consultation the proposed decision to lend up to \$7,180,000 to the A&P Association.
- 1.2 The Audit and Risk Committee have a mandate, as per the Committee’s Terms of Reference, to “*proactively assess, monitor and provide governance oversight of risks*”, and “*review and recommend and support Management to proactively manage all aspects of risk and quality that the organisation has identified*”. In addition, “*The Committee is authorised by the Council to investigate any activity within its purpose and responsibilities. It is authorised to seek any information it requires from any employee, and all employees will be directed to co-operate with any request made by the Committee*”.

2. **EXECUTIVE SUMMARY**

- 2.1 The A&P Association have requested Council support for a new venture in the purchase and development of land for a multi-use facility largely focusing on

- 2.2 The Council is keen to support the project, but only in a way that does not create significantly increased risk to Stratford District ratepayers where the risks are unable to be controlled or greatly minimised.
- 2.3 There are significant financial and political risks involved in borrowing and on-lending \$7,180,000 to the A&P Association. The most significant financial risks being that the A&P Association is only just able to pay interest, and is unlikely to be able to make any loan repayments based on forecasts provided, and there is a risk that the project may fall over or not be able to generate sufficient net earnings before interest, and Council will have to call on the security to sell the land or assume ownership.
- 2.4 The most significant political risk is that the community do not support Council’s decision to take on additional debt (equating to 46 per cent of existing debt) that will be on-lent to one community organisation.

3. **LOCAL GOVERNMENT ACT 2002 – SECTION 10**

Under section 10 of the Local Government Act 2002, the Council’s purpose is to “enable democratic local decision making by and on behalf of communities; as well as promoting the social, economic, environmental, and cultural well-being of communities now and into the future”			
Does the recommended option meet the purpose of the Local Government 4 well-beings? And which:		Yes – although financing this project presents significant risks to ratepayers that will need to be strongly mitigated, it will contribute to all four wellbeings in some way.	
Social	Economic	Environmental	Cultural
✓	✓	✓	✓

4. **BACKGROUND**

- 4.1 The A&P Association is a charitable organisation with donee status, registered with the Charities Commission. The Association requires funding to support the purchase of land neighbouring the A&P showgrounds for a new local business venture which would derive rental income for the association in the long term. Stratford District Council has been approached to assist with the purchase of the neighbouring land by financing the purchase.
- 4.2 The land proposed to be purchased is in two parcels totalling 63 hectares, (44ha and 19ha) at, and surrounding, the Stratford A&P showgrounds at the north east end of Stratford.

- 4.3 The business venture focuses around the development of the land to achieve enhanced economic and community outcomes for the equestrian community, the motorsport community, and for the Stratford District and Taranaki region.
- 4.4 On 8 September 2020, the Council decided to consult the community with regards to supporting this project. The consultation will cover a wide range of options the Council could employ to support the A&P Association. The preferred option being council raising a loan through the LGFA and on-lending that money at the same interest rate plus an administration charge to the A&P Association.
- 4.5 This proposal aligns with Council's Community Outcomes of a Smart, Vibrant and Prosperous District, and Stratford District as a Unique Destination.
- 4.6 The Council is able to access significantly lower interest rates, than general commercial and community organisations, through the Local Government Funding Agency, which was set up specifically to provide lower funding costs to the local government sector.
- 4.7 In time, the A&P Association intends to purchase further surrounding land from a different owner, specifically for the development of automotive education activities. It is likely that the A&P Association will request similar arrangements from Council for the purchase of this additional, smaller portion of land. At this stage, Council is only interested in providing finance for the \$7,180,000.
- 4.8 The A&P Association has approached various other funding organisations to fund the construction phase of the project.

5. **CONSULTATIVE PROCESS**

5.1 **Public Consultation - Section 82**

It is recommended that any decision that would lead to significant Council financial support for the project, and that may be seen to create undue risk to ratepayers, should go out for public consultation in accordance with the consultation principles in Section 82 of the Local Government Act 2002, for a minimum period of four weeks.

5.2 **Māori Consultation - Section 81**

It is recommended that any decision, as per 5.1 above, is consulted specifically with tangata whenua, particularly Ngāti Maru, who have mana whenua over this particular area. Ngāti Maru have been advised of the pending decision and offered the opportunity to provide input, either now or in the future.

6. **RISK ANALYSIS**

Please refer to the Consequence and Impact Guidelines at the front of the reports in this agenda.

- Is there a:
 - financial risk;

- human resources risk;
 - political risks; or
 - other potential risk?
-
- If there is a risk, consider the probability/likelihood of it occurring.
 - Is there a legal opinion needed?

6.1 **Financial Risks include:**

6.1.1 **Debt Servicing**

There is a risk that the A&P Association is unable to service the loan.

The forecasted financials provided by Baker Tilly for the generation of profits off the new land being purchased, in its current state under normal prudent conditions, indicate that the interest cost could be covered. However, this would not be the case for a loan term of more than 12 years due to the higher interest rate charged. Refer to Data section 7.2.

The loan contract must ensure that there is sufficient provision to request full repayment if the A&P Association defaults on any interest payments.

If the loan was unable to be repaid in the short to medium term, this would add an additional 1 per cent onto rates – however this could be offset by net income derived from the property, if Council assumed ownership. This would only be achieved in its current farmed state or in its finished state generating revenues, and would not apply as a mitigating factor if the project was in the construction / development phase and unable to be used for farming.

6.1.2 **Defaulting on Loan Repayments**

There is a high risk that the A&P Association is unable to repay the loan when it falls due as the new debt would make up 75 per cent of the association's assets. It is highly unlikely that the A&P Association would have the ability to source funds to repay the debt in full, while also trying to source funds to develop the land for the specific recreational activities proposed.

To mitigate the impact of this risk, Council intends to hold security, over the property being purchased and the property the A&P Association currently owns. The Council has confirmed that there is no existing mortgage over the land the association already owns.

The three properties have a combined land value of \$6,950,000, and an improvements value of \$1,000,000, as valued by Telfer Young (on behalf of the A&P Association) in 2020.

	9 Flint Rd, 16ha	47 Flint Rd, 45ha	26 Flint Rd, 19ha	Total
Purchase Price	N/A	3,300,000	3,880,000	7,180,000
Land Valuation	1,400,000	2,750,000	2,800,000	6,950,000
Improvements Valuation	750,000	50,000	200,000	1,000,000
Total Valuation	2,150,000	2,800,000	3,000,000	7,950,000
Valuation Per Hectare	89,251	61,365	148,538	99,375

With a combined property value of \$7,950,000, this would be an appropriate level of security to register the \$7,180,000 loan over.

Purchase price (loan amount) VS Quotable Value Rating Valuation estimates for 2020

	9 Flint Rd, 16ha	47 Flint Rd, 45ha	26 Flint Rd, 19ha	Total
Purchase Price	N/A	3,300,000	3,880,000	7,180,000
Rating Valuation	1,670,000	1,715,000	980,000	4,365,000
Land Valuation Per Hectare	106,464	38,269	51,988	

However, based on the estimated Rating Valuation for 2020, the level of security is not sufficient in itself as security to be able to sell the three properties and repay the debt if the A&P Association defaulted on the loan (or debt servicing requirements).

One disclaimer about the Quotable Value valuations is that the individual titles within each address are treated as contiguous, hence the lower value, whereas for the Telfer Young valuation, each section is valued individually, giving a higher per hectare value. Take 26 Flint Road for example, which has 12 titles, ranging between 0.1 hectares and 12.6 hectares.

Important things to consider:

- The potential use of the land if Council were to call on its security and take control of the land on which it has a registered mortgage over.
- The value of the improvements to Council, as opposed to the market valuation.
- It is unclear how the development/construction phase of the project, estimated to be in excess of \$20 million, will be funded.

6.1.3 The LGFA refuses to relend funds upon loan maturity

There is a risk that when the initial loan term matures, that the Local Government Funding Agency (LGFA) chooses not to refinance the

The likelihood of this risk happening reduces the lengthier the loan term is. However, loans taken out for a longer period generally come with higher interest rates. Refer to Data section 7.2.

6.1.4 Council's Ability to Borrow for Other Projects is restricted

The LGFA requires Net Debt as a percentage of Annual Operating Revenue (excluding vested assets and development contributions revenue) to be less than 175 per cent.

The LTP 2018 forecasts show that Council will be able to cope with an additional \$7,180,000 of debt. The risks are that if a significant chunk of revenue was removed, for example water rates and meter revenue from Council's total revenue, then Council's capacity for debt would significantly decrease with water revenue making up approximately 10 per cent of revenue.

Also, it would limit the ability of Council to fund for new growth or service level improvement projects in the district.

Alternative Mitigation:

- Council could invest in a Standard and Poors or Fitch credit rating, at a cost of around \$50,000 per year. This will enable the Council to borrow up to 300 per cent of annual revenue (eventually reducing to 280 per cent over the next 5 years). The Council will also receive a 0.1 per cent reduction on the interest rate charged. Note: interest savings would only be worthwhile with debt of at least \$50 million.

Political Risks include:

6.1.5 The Community is against the Decision

The Local Government Act 2002 requires Council to consider the current and future interests of the community in its decision making.

As the Council has not previously consulted on this arrangement in an Annual Plan or Long Term Plan, elected members are unsure whether the community is prepared to finance this initiative and take on the risks inherent with it.

Although all efforts will be made to prevent any financial loss to Council and to draw on security and other mitigations, there is some potential for ratepayers to fund part or all of any financial loss associated with either the non-payment of interest, or a default in the loan.

The Council has agreed to consult with the community over a minimum four week period. This will be commencing early October.

7.

DECISION MAKING PROCESS - SECTION 79

7.1 Direction

	Explain
Is there a strong link to Council’s strategic direction, Long Term Plan/District Plan?	No – this decision cannot be directly linked to any of Council’s strategic documents or to the Long Term Plan.
What relationship does it have to the community’s current and future needs for infrastructure, regulatory functions, or local public services?	The recommended option will provide the district with tourism, employment, economic development, educational and recreational opportunities and infrastructure for current and future generations.

9

7.2 Data

- | |
|--|
| <ul style="list-style-type: none"> • Do we have complete data, and relevant statistics, on the proposal(s)? • Do we have reasonably reliable data on the proposals? • What assumptions have had to be built in? |
|--|

The following table shows the forecast profit derived solely from the new land to be purchased, as per Baker Tilly’s financial analysis. It shows that, with the interest rates provided by LGFA (as indicated on 26th August 2020), interest costs for loans with a term of less than 13 years should be able to be covered by profits generated from the new land purchased.

Profit VS interest cost at various interest rates

<i>Loan of \$7.18m</i>	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Forecast profit - new land	122,224	150,299	148,799	145,299	148,799	150,299	143,799	150,299
VS								
Interest at 2.05%, 16 yrs	147,190	147,190	147,190	147,190	147,190	147,190	147,190	147,190
Interest at 1.69%, 12 yrs	121,342	121,342	121,342	121,342	121,342	121,342	121,342	121,342
Interest at 1.53%, 10 yrs	109,854	109,854	109,854	109,854	109,854	109,854	109,854	109,854
Interest at 0.97%, 5 yrs	69,646	69,646	69,646	69,646	69,646	69,646	69,646	69,646

The below table indicates the level of annual repayments based on different loan terms. All repayment terms in addition to interest, would not be sustainable, based on the current financial forecasts. However, this may change once phase two development is completed and different revenue streams are generated.

Annual Repayments at various loan terms

<i>Loan of \$7.18m</i>					
Term (years)	100	75	50	25	10
Annual Repayments (\$)	71,800	95,733	143,600	287,200	718,000

The table below shows the debt limit based on the LTP 2018-28 budgeted figures. LGFA requires total Council debt to be no more than 175 per cent of revenue. In the years out to 2027/28, the covenant will be met with the addition of the loan (based on no loan repayments over this period). However, there is limited scope to increase borrowings further to fund capital expenditure for growth or an increase in service levels.

Debt as a percentage of Revenue over next 8 years

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Debt as per LTP 2018	28,902	29,400	29,378	30,587	32,867	31,818	31,979	30,969
Add A&P Loan movements	7,180							
Amended Debt balance	36,082	36,580	36,558	37,767	40,047	38,998	39,159	38,149
Revenue	23,603	21,021	21,670	23,065	22,875	23,647	24,948	24,844
Debt as a % of Revenue	153%	174%	169%	164%	175%	165%	157%	154%

7.3 Significance

	Yes/No	Explain
Is the proposal significant according to the Significance Policy in the Long Term Plan?	Yes	This proposal is significant as it would result in Council debt increasing by 46%, and could potentially result in the acquisition of a significant amount of real estate.
Is it:		
• considered a strategic asset; or	Yes	The loan to the A&P Association would be a significant receivable on Council’s balance sheet.
• above the financial thresholds in the Significance Policy; or	Yes	Particularly if the A&P Association defaults and the security is called on.
• impacting on a CCO stakeholding; or	No	
• a change in level of service; or	No	
• creating a high level of controversy; or	Yes	Potentially, that is why consultation would be important – to determine the level of controversy.
• possible that it could have a high impact on the community?	Yes	The proposal could have high impacts (both negative and positive) on the community.

In terms of the Council’s Significance Policy, is this proposal of high, medium, or low significance?		
HIGH	MEDIUM	LOW
✓		

7.4 **Options**

An assessment of costs and benefits for each option must be completed. Use the criteria below in your assessment.

1. What options are available?
2. For **each** option:
 - explain what the costs and benefits of each option are in terms of the present and future needs of the district;
 - outline if there are any sustainability issues; and
 - explain if the outcomes meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions?
3. After completing these, consider which option you wish to recommend to Council, and explain:
 - how this option is the most cost effective option for households and businesses;
 - if there are any trade-offs; and
 - what interdependencies exist.

Option One

Endorse the decision made by Council to put out for community consultation a proposal to lend \$7,180,000 to the A&P Association.

Option Two

Do not endorse the decision referred to above.

7.5 **Financial**

- Is there an impact on funding and debt levels?
- Will work be undertaken within the current budget?
- What budget has expenditure come from?
- How will the proposal be funded? eg. rates, reserves, grants etc.

Limit on Borrowing

The recommended option would result in an increase in debt by 46 per cent.

The LGFA places specific limits on borrowing – the relevant one for this decision being debt as a percentage of revenue must be less than 175 per cent.

7.6 **Prioritisation & Trade-off**

- Have you taken into consideration the:
- Council's capacity to deliver;
 - contractor's capacity to deliver; and
 - consequence of deferral?

Refer to sections 6.1.4. Borrowing an additional \$7,180,000 may prevent Council from borrowing for essential infrastructure upgrades as the need arises.

7.7 **Legal Issues**

- Is there a legal opinion needed?
- Are there legal issues?

A legal opinion has been obtained from Simpson Grierson. In their opinion, the decision to lend \$7,180,000 with little to no financial return is not financially prudent and could potentially be more akin to a grant to advance community wellbeing.

Their advice is that the proposal must not proceed without consultation with ratepayers, as there is no mandate for this 'activity' within Council's Long Term Plan.

7.8 **Policy Issues - Section 80**

- Are there any policy issues?
- Does your recommendation conflict with Council Policies?

The recommended option is not within the terms of the Treasury Management Policy.

This policy states that community loans are not to exceed a term of ten years. The recommendation within this report is that the loan to the A&P Association is repaid when Council is required to repay the matching loan to the LGFA. LGFA loans are not repaid during the term, instead the repayments are made in full upon maturity. So the recommendation is giving the A&P Association the opportunity to benefit from Council's terms with the LGFA. The Policy also states that community loans are subject to the following:

- *“The production of a certificate from an independent Chartered Accountant which confirms the ability of the group or organisation to repay the loan sought (with supporting documentation as required by the Director – Corporate Services).*
- *The production of annual audited accounts, including a report from the Auditor as to his/her opinion of the solvency of the organisation.”*

Baker Tilly have provided financial forecasts showing the debt is able to be serviced at an interest rate of under 2 per cent.

The second bullet point could be incorporated into the loan contract between Stratford District Council and the A&P Association.

Under Section 80 of the Local Government Act 2002, Council must identify any significant inconsistencies between a decision and a policy adopted by the Council outlining the reasons for the inconsistency and any intention to amend the Policy to accommodate the decision.

It is recommended that if the recommended option is selected by elected members, then the Treasury Management Policy should be amended to include this specific loan as an exemption from the Community Loans section of the policy.

Attachments:

Appendix 1 – Telfer Young Valuation Report for 9 Flint Road East, Stratford

Appendix 2 – Telfer Young Valuation Report for 47 Flint Road, Stratford

Appendix 3 – Telfer Young Valuation Report for 26 Flint Road, Stratford

Appendix 4 – Forecast Financials for the new land purchase

Appendix 5 – Financial Accounts A&P Association 31 December 2019

Appendix 6 – Simpson Grierson Legal Advice – 19 August 2020

Appendix 7 – Certificate of Title for existing property owned by the A&P Association



Tiffany Radich

DIRECTOR CORPORATE SERVICES



[Approved by]

Sven Hanne

CHIEF EXECUTIVE

DATE 29 September 2020



MARKET VALUATION

9 Flint Road East
Stratford
Stratford District

Client Stratford AS and P Association
Valuation date 11 August 2020

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1.0 EXECUTIVE SUMMARY



9 Flint Road East, Stratford, Stratford District 4394

The Stratford A&P Showgrounds encompasses 15.6861ha on the northern fringe of Stratford. The property is virtually all flat contour and has multiple buildings supporting speedway, Livestock exhibits and equestrian.

PROPERTY DETAILS

Type of property	Showgrounds
Zoning	Rural Residential
Land area	15.6861 ha

VALUATION

\$2,150,000 plus GST (if any)

Land value/total ha	\$137,100
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Significant Assumptions:

We have not internally inspected the buildings. We have made approximate area measurements of the buildings using aerial mapping and measuring roof area.

INSTRUCTIONS

Instructed by	Neil McDonald
Report prepared for	Stratford AS and P Association
Purpose of valuation	Market Value
Valuation date	11 August 2020
Report issue date	21 August 2020

TelferYoung policy requires that reports cannot be reassigned for any purpose beyond 60 days from the date of valuation. This policy has been set to meet professional indemnity insurance requirements. It is a condition of this report that any valuation needing to be reassigned beyond 60 days may require re-inspection by the valuer with an update fee charged.

PREPARED BY

Rowan Cambie	B Agr; MPINZ Registered Valuer Director
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This report must be read in conjunction with TelferYoung (Taranaki) Limited's Statement of Limiting Conditions and Valuation Policy.

2.0 RISK SUMMARY AND ASSUMPTIONS

RISK ANALYSIS

Prior to the COVID-19 virus threat this sector of the market had been typified by strong/reasonable/subdued demand by both investors and owner occupiers.

Since the Government's decision to place New Zealand under lockdown of 5 weeks from 26 March 2020, the property market was effectively frozen. How the market reacts as New Zealand phases out of lockdown is unknown at present, and we must wait for market activity to consolidate to a level of measurable impact, if any.

Orchard and farming properties are likely to be least affected as they are considered 'essential services' while lifestyle properties will likely be the most affected asset class in the rural sector.

This is a fringe etc asset with a average income potential. The income is likely to be moderately disrupted during this period.

In summary, the risks associated with COVID-19 are expected to be relatively high in comparison to other rural properties.

SIGNIFICANT ASSUMPTIONS AND SPECIAL ASSUMPTIONS

Significant Assumptions and Special Assumptions are those assumptions that are material to the valuation and could reasonably be expected to influence the decisions of the user.

Significant Assumptions are those where the assumed facts are consistent with, or could be consistent with those existing at the date of valuation. These are often the result of a limitation on the extent of the investigations or enquiries undertaken by the valuer.

Special Assumptions are those where the assumed facts differ from those existing at the date of valuation. These are often used to illustrate the effect of proposed changes on the value of the property.

No Significant Assumptions or Special Assumptions have been made in completing this valuation.

3.0 SCOPE OF WORK

The valuer

The valuation has been undertaken by Rowan Cambie who provides this objective and unbiased valuation. The valuer has no material connection with the instructing party or interest in the property and has the appropriate qualifications and experience to undertake the valuation.

Our client

Stratford AS and P Association.

Other than the client or addressee, the report may not be relied upon by any third party. We accept no liability to third parties. Written consent is required for any third party wishing to rely on this report. We reserve the right to withhold that consent, or to review the contents of the report if consent for third party use is sought.

Other intended users

Nil.

Purpose of valuation

Market Value.

Asset valued

9 Flint Road East, Stratford, Stratford District 4394.

Basis of valuation

Market Value, which is defined in International Valuation Standards 2020 as:

The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Valuation currency

All dollars quoted in this report are NZD.

Important dates

Inspection date	11 August 2020
Valuation date	11 August 2020

Extent of investigations

We have carried out an inspection of exposed and readily accessible areas of the improvements. However, the valuer is not a building construction or structural expert and is therefore unable to certify the structural soundness of the improvements. Readers of this report should make their own enquiries.

This report has been prepared for valuation purposes only and is not a geotechnical or environmental survey. If any defect is found, including structural defects, this information could impact on the value of the property.

Nature and source of information relied upon

Information used to prepare the valuation has been obtained from our property inspection and public records.

No other information or documentation of particular significance to the valuation has been relied upon without specific verification by the valuer.

Reporting format

We have prepared a formal valuation report meeting appropriate professional standards.

This report must be read in conjunction with TelferYoung (Taranaki) Limited's Statement of Limiting Conditions and Valuation Policy.

Valuation standards

Our valuation has been prepared in accordance with International Valuation Standards 2020 and Australia and New Zealand Valuation Guidance Notes and Technical Information Papers.

4.0 RECORD OF TITLE

4.1 TITLE INFORMATION

Identifier	TNF3/447
Land registration	Taranaki
Legal description	Section 6 and Part Section 5 Block I Ngaere Survey District
Estate	Fee Simple
Area	15.6861 ha (more or less)
Registered owner(s)	The Stratford Agricultural and Pastoral Association
Interests	<ul style="list-style-type: none"> ■ Certificate declaring State Highway 3 adjoining the within land to be a Limited Access Road ■ Subject to a right to convey water and effluent over part marked A on DP 13506 created by Transfer 287141.1

See **Appendix A** for the Record(s) of Title.

5.0 RESOURCE MANAGEMENT

5.1 ZONING INFORMATION

Territorial authority	Stratford District
Plan status	Operative
Zone	Rural Residential

Zone description

The Rural Residential zone has been developed to act as a buffer between the built-up urban areas and the surrounding rural locality. Permitted activities include a single residential dwelling and accessory buildings, residential businesses and low intensive farming. Subdivision is allowable as a controlled activity.

Permitted Activities and Development Controls within this Zone include the examples listed below.

Permitted activities

- Residential dwellings (one per Certificate of Title) and accessory buildings
- Residential business
- Marae
- Non-intensive farming

Development controls

- The Stratford District Plan is effects based and allowable uses depend upon the impact of any proposed activity on both the surrounding development and the underlying land.

Consents

To discharge treated stormwater from a stock car racing complex into an unnamed tributary of the Kahouri Stream. Expires May 31, 2034

To extend an existing culvert in an unnamed tributary of the Kahouri Stream, including the associated disturbance of the streambed. Expires May 31, 2034

Comments

The property appears to comply with the current zoning.

5.2 REGIONAL AUTHORITY

Regional authority	Taranaki Regional Council
Plan status	Operative
Consents	Consent to discharge treated stormwater from a stock car racing complex into an unnamed tributary of the Kahouri Stream expiring May 2034.

We have been advised there is a consent for noise emission from speedway activities, however this is not listed on the Regional Council site.

5.3 RATING VALUATION

5.3.1 Assessment number

12001/31200

5.3.2 Rating valuation

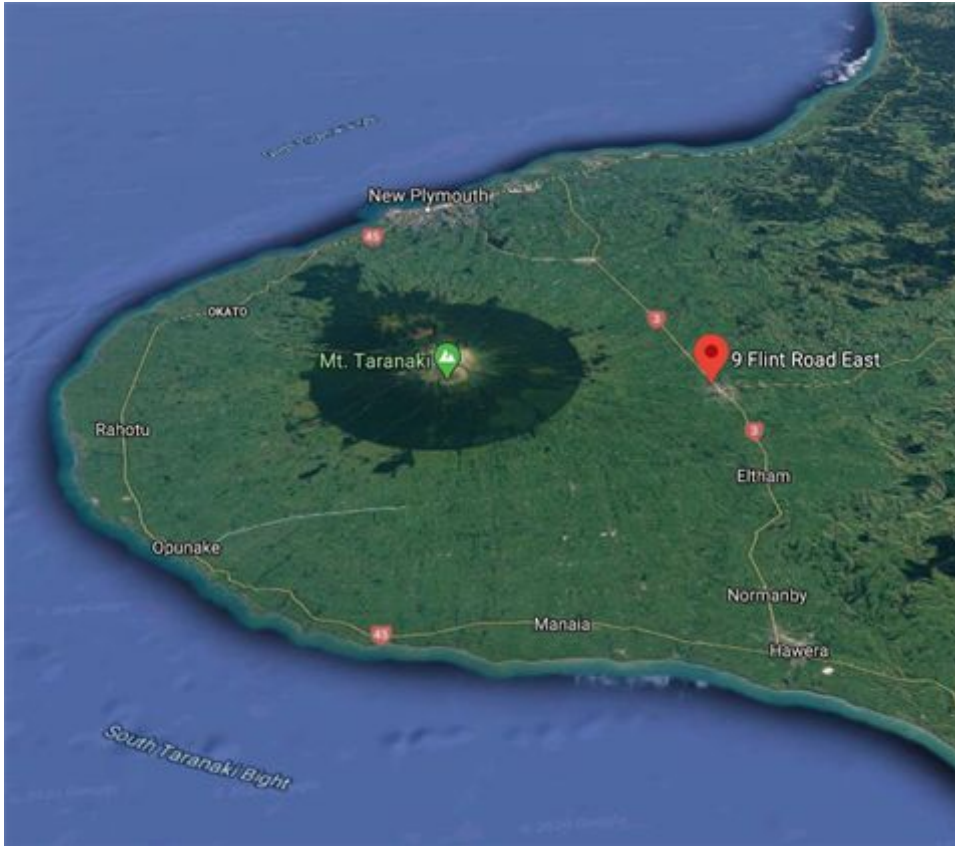
As at 1 September 2017:

Address	Area	Land Value	Improvements	Capital Value
9 Flint Road East, Stratford	15.6861 ha	\$710,000	\$960,000	\$1,670,000

Rating Valuations are conducted on a mass appraisal basis, generally once every three years, in order to provide a basis to assist territorial authorities to collect revenue through rates. Individual properties are not inspected on a regular basis and changes in the improvements may not be recorded. The rating values are expressed on a Freehold Estate basis.

6.0 LOCATION

6.1 LOCATION DETAILS



Suburb Stratford

Physical location The property is situated on the corner of Flint Road and Mountain Road in Stratford. Surrounding properties are diverse and include similar dairy/dairy support and residential/lifestyle properties.

This largely dairy and pastoral farming based service town is positioned 48km south-east of New Plymouth and 31km northeast of Hawera on State Highway 3. The present population of the Stratford District is approximately 9,000, supported by industries which are dependant on farming and the nearby gas-powered electrical generation station. Stratford boasts over 32 hectares of local parks and reserves, in addition to a golf course, small hospital, two primary schools, and one high school. A local racecourse and show grounds are also established.

7.0 LAND

7.1 SITE DESCRIPTION



7.1.1 Area

15.6861 ha

7.1.2 Land and contour

The central area of the block is characterised by the speedway with livestock exhibit and handling area to the north. Equestrian facilities are located in the east. Along the south is grassed area supporting powered sites for camping and show s.

8.0 IMPROVEMENTS

8.1 OVERVIEW

The property has several interest groups sharing the land area with a total roof area over multiple buildings of approximately 6,500m². These include Speedway buildings, livestock showing and equestrian buildings as well as other general purpose structures. Other improvements include a clay based speedway track, equestrian sand arena, fenced stock showing areas and grazing yards. The buildings were not internally inspected.

Our valuation has been prepared on the basis of the improvements being located within the site boundaries and constructed strictly in accordance with the recommended practices, and free from any defect; unless otherwise stated within this report.

8.2 BUILDINGS

Speedway



Total Roof Area 1,210.0 m²
Includes Buildings include grandstand, administration and toilets

Livestock Facilities



Total Roof Area 2,900.0 m²
Includes Several buildings for livestock housing and exhibits

Equestrian



Total Roof Area 1,330.0 m²
Includes Several smaller buildings and stables

Pavillion



Roof Area 335.0 m²
Includes Basic building for show exhibits

New Shed



Area 150.0 m²

Hall



Area 306.0 m²
Includes Located in the southwest corner.

8.3 ADDITIONAL PHOTOS





9

9.0 MARKET COMMENTARY

9.1 ECONOMIC OVERVIEW

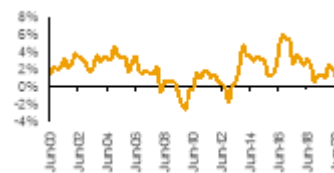
- Pre-COVID-19, New Zealand experienced a period of sustained economic growth which began back in 2010, however, the economy is now in the initial stages of the pandemic-induced recession. The economy is expected to contract by between 5% and 10% in 2020. Forecasts assume the impact of COVID-19 will be relatively short-lived with the economy bouncing back in a ‘V’ shaped cycle in late 2020/early 2021.
- The size, duration, and distribution of the impact will vary by region. The initial impact is likely to be greatest on regional economies which were over-represented in the tourism, hospitality and accommodation, overseas student education, and retail sectors.
- Relatively low levels of debt has provided the Government the ability to increase expenditure to support economic activity and maintain employment, with wage subsidies, increased beneficiary payments, and loans and grants provided to businesses.
- The Reserve Bank has also continued to ease monetary policy settings, supporting low interest rates and increased money supply via their quantitative easing programme. They note the severe global economic disruption caused by the pandemic is persisting and any significant change in the global and domestic economic outlook remains dependent on the containment of the virus. Monetary policy settings will continue to provide important economic support in the short to medium term.
- The re-emergence of community transmission of COVID-19 in August 2020 has increased the uncertainty of the future direction of the economy and the implications for the housing market. Low interest rates should continue to support current prices while the return of New Zealanders will assist in underpinning demand. However, COVID-19’s impact on the labour market has been masked by wage subsidy payments and other business support packages. Businesses will need to adjust to the “new normal” of operating in an uncertain COVID-19 environment. This is likely to impact on the number of people they employ and flow through to housing market activity and prices in due course.

GDP



GDP fell by 1.6% over the March 2020 quarter and further declines in economic activity are expected during 2020. However, the economy is expected to bounce back provided we do not have further COVID-19 outbreaks within the community.

Employment



The number of people employed fell by 27,000 over the June 2020 quarter while the official unemployment rate fell to 4.0%. Labour market conditions are expected to deteriorate over the next 12 months.

Net Migration



The rate of net overseas migration gains has started to fall as the border restrictions associated with COVID-19 have impacted on arrivals. Current gains are being supported by New Zealanders returning from overseas and fewer people leaving.

CPI

1.50%



Market expectations are for inflation to remain subdued for some time, and that the Reserve Bank will need to take further easing measures in order to meet their inflation targets.

Official Cash Rate

0.25%



The Reserve Bank held the Official Cash Rate (OCR) at 0.25 per cent at their August meeting. They noted that a negative Official Cash Rate (OCR) may become an option, along with other tools to achieve their inflation and employment targets.

9.2 REGIONAL PROPERTY MARKET

Taranaki like the rest of New Zealand is experiencing significant economic disruption as a result of the COVID-19 pandemic. The region's traditional economic drivers of include rural, forestry, and energy sectors as well as related light industrial and service sectors. In the short term the rural sector and associated activities should underpin economic activity.

Historical economic indicators provide limited useful information at this stage of the economic cycle. Key recent indicators show Taranaki's regional economic confidence fell from a net positive 15% of respondents in December 2019 to 7% in March 2020, indicating a fall in the proportion of people are expecting the region to weaken over the coming year. The region's consumer confidence remained steady over the same time period, (source Westpac). Note that these surveys were completed during the initial phase of the COVID-19 response.

10.0 SALES EVIDENCE

118A Brecon Road, Stratford



Sale date 21 November 2018
Sale price \$238,000
Land area 1.5400 ha (more or less)

Located within Stratford Township, this is a gently contoured rear block that has been subdivided into 7 lots of above-average residential section size. Average location within the township competing with the preferable subdivision on Pembroke Road.

96 Flint Road, Stratford



Sale date 31 October 2018
Sale price \$552,000
Land area 7.0917 ha (more or less)

A rectangular-shaped small rural holding with mostly flat contour but bisected centrally by a small watercourse. Located on the western periphery of Stratford.

220-268 Brookes Road, Cardiff



Sale date 1 July 2020
Sale price \$1,250,000
Land area 19.8296 ha (more or less)

Regular shaped grazing block/small rural holding on the southwest fringe on Stratford. Improvements include a 225m² dwelling with integrated garaging and several farm buildings.

203 Opunake Road, Stratford

Sale date	10 October 2018	An irregular shaped small scale dairy unit situated on the western outskirts of Stratford.
Sale price	\$2,350,000	Improvements are tidy for the operation with a good standard of paddock development.
Land area	37.5300 ha (more or less)	

10.1 SALES SUMMARY

Sale Address	Sale price	Area (ha)	Total \$/ha
118A Brecon Road	\$238,000	1.54	\$154,545
96 Flint Road	\$552,000	7.09	\$77,837
220-268 Brookes Road	\$1,250,000	19.83	\$63,037
203 Opunake Road	\$2,350,000	37.53	\$62,617
Averages	\$1,097,500	16.50	\$89,509

Improvements analysis

Sale Address	Total improvements	\$/ha
118A Brecon Road	\$20,000	\$12,978
96 Flint Road	\$20,000	\$2,828
220-268 Brookes Road	\$300,000	\$15,129
203 Opunake Road	\$632,500	\$16,853
Averages	\$466,250	\$7,996

11.0 VALUATION METHODOLOGY

11.1 HIGHEST AND BEST USE

The Market Value of an asset will reflect its 'highest and best use'. The highest and best use is the use of an asset that maximises its potential and that is possible, legally permissible and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.

The highest and best use in this instance is the current showgrounds and also likely to be further residential subdivision i

11.2 VALUATION APPROACHES

To establish the Market Value of the property, we have adopted valuation approaches as per International Valuation Standard 105.

11.2.1 Market approach

The direct comparison approach is the standard approach for valuing rural property in New Zealand. This is considered to be one of the best methods of valuation however unfortunately seldom are any two properties directly comparable due to the differences in:

- Type of Property
- Scale
- Land Characteristics
- Improvements
- Productive Capacity
- Management

Analysis of recent sales is however invaluable in establishing some basic parameters that purchasers are expecting to pay at any given time in the market place, making adjustments to reflect the Market Value of the subject property.

Based on the analysis of the recorded sales we assess the Market Value as follows:

Land			
Flat Easy	15.68 ha @	\$89,250	
Total Land value		\$89,286 /ha	\$1,400,000

Improvements			
Utility Buildings		\$500,000	
Access/Roading		\$50,000	
Power reticulation		\$50,000	
Hall Building		\$150,000	
Total Improvements Value		\$47,832 /ha	\$750,000

Market Value		\$137,117 /ha	\$2,150,000
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The land value at \$89,250/ha is virtually at the average of the sales data analysed.

The utility buildings have been assessed as adding total combined value of \$500,000 reflecting the hypothetical purchasers view of the overall use/utility in our view. The hall is a separate and more substantial building that could possibly be converted to a dwelling/accommodation. At almost \$50,000/ha the value of improvements is well above the sales data average and likely to be well below individual replacement cost over all the structures.

11.3 GST

This valuation is on plus GST if any basis

11.4 VALUATION

The Market Value can be apportioned as follows:

Land	Improvements	Market Value
\$1,400,000	\$750,000	\$2,150,000

11.5 MORTGAGE RECOMMENDATION

In compliance with requirements of the Australia and New Zealand Valuation and Property Standards, unless an intending lender expressly requests or has a stated policy requirement that such recommendation be provided by the valuer, no specific recommendation has been made as either to the suitability of the property as a lending security or the maximum loan as an amount or percentage of value.

12.0 STATEMENT OF LIMITING CONDITIONS AND VALUATION POLICY

Purpose

This valuation report has been completed for the specific purpose stated. No responsibility is accepted in the event that this report is used for any other purpose.

Responsibility to third party

Our responsibility in connection with this valuation is limited to the client to whom the report is addressed and to that client only. We disclaim all responsibility and will accept no liability to any other party without first obtaining the written consent of TelferYoung (Taranaki) Limited and the author of the report. TelferYoung (Taranaki) Limited reserves the right to alter, amend, explain or limit any further information given to any other party.

Reproduction of report

Neither the whole nor any part of this valuation and report or any reference to it may be included in any published document, circular or statement without first obtaining our written approval of the form and context in which it may appear. Our report is only valid when bearing the Valuer's signature.

Date of valuation

Unless otherwise stated, the effective date of the valuation is the date of the inspection of the property. This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value.

Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of 3 months from the date of the valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

Legislation

We have not obtained a Land Information Memorandum (LIM) or Property Information Memorandum (PIM) for this property which, unless otherwise stated, is assumed to conform to all requirements of the Resource Management Act 1991, the New Zealand Building Code contained in the First Schedule to the Building Regulations 1992, the Building Act 2004 and any Historic Places Trust registration. Our valuation reports are prepared on the basis that properties comply with all relevant legislation and regulations

and that there is no adverse or beneficial information recorded on the Territorial Local Authority (TLA) property file, unless otherwise stated. Legislation that may be of importance in this regard includes the Health & Safety at Work Act 2015, the Fire Safety and Evacuation of Buildings Regulation 1992, and the Disabled Persons Community Welfare Act 1975.

Registrations

Unless otherwise stated, our valuation is subject to there being no detrimental or beneficial registrations affecting the value of the property other than those appearing on the title. Such registrations may include Waahi Tapu and Heritage New Zealand registrations.

Reliability of data

The data and statistical information contained herein was gathered for valuation purposes from reliable, commonly utilised industry sources. Whilst we have endeavoured to ensure that the data and information is correct, in many cases, we cannot specifically verify the information at source and therefore cannot guarantee its accuracy.

Assumptions

This report contains assumptions believed to be fair and reasonable at the date of valuation. In the event that assumptions are made, based on information relied upon which is later proven to be incorrect, or known by the recipient to be incorrect at the date of reporting, TelferYoung (Taranaki) Limited reserves the right to reconsider the report, and if necessary, reassess values.

GST

The available sources of sales data upon which our valuation is based generally do not specify whether or not the sale was inclusive or exclusive of GST. It is assumed that the available sales data has transacted on a plus GST (if any) basis, which is in accordance with typical industry standard for rural property transactions. Should this interpretation not be correct for any particular sales evidence, we reserve the right to reconsider our valuation.

Land survey

We have made no survey of the subject property and assume no responsibility in connection with these matters. Unless otherwise stated, the valuation has been assessed conditional upon all improvements being within the title boundaries.

Unless otherwise stated, we have not undertaken investigations or been supplied with geotechnical reports with respect to the nature of the underlying land. Unless otherwise stated, the valuation has been assessed conditional upon the land being firm and suitable ground for the existing and/or potential development, without the need for additional and expensive foundation and retaining work or drainage systems.

Contamination

We have not undertaken an environmental audit of the property. Unless otherwise stated, our valuation and report are conditional upon the land and buildings being unaffected by harmful contaminants or noxious materials which may impact on value. Verification that the property is free from contamination and has not been affected by noxious materials should be obtained from a suitably qualified environmental expert.

Not a structural survey

Our inspection has been undertaken for valuation purposes only and does not constitute a structural survey. Verification that the building is sound should be obtained from a suitably qualified building engineer. If the building is found to be unsound, this finding/new information is likely to impact on the value of the property.

Systems

Our valuation has been assessed conditional upon all hot and cold water systems, electric systems, ventilating systems and other devices, fittings, installations or conveniences, including lifts and escalators where appropriate, as are on the property, being in proper working order and functioning for the purposes for which they were designed.

Market valuations

Market valuations are carried out in accordance with the Valuation Standards and Guidance Notes. Market Value is defined “The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

No allowances are made in our valuations for any expenses of realisation, or to reflect the balance of any outstanding mortgages either in respect of capital or interest accrued thereon.

Mortgage recommendation

Where an intending lender, by way of either general policy requirements or specific instruction, has required that a mortgage recommendation be provided in the valuation report, we have included a specific recommendation as to the suitability of the property as a security and the maximum loan as an amount or percentage of value. The valuation report has also included comment on commonly known, readily ascertainable and/or reasonably foreseeable property-specific and market factors as are relevant to the market value and marketability, to assist in informing the lender.

We note that the valuation provided in this report is our opinion of the market value, as at the valuation date, on a willing buyer/willing seller basis and does not allow for the potential consequences and costs of a forced sale. The value may change in the future because of market conditions and changes to the state of the subject property.

Leases

The interpretation of leases or other contractual agreements referred to in this report is solely the opinion of the author and should not be construed as a legal interpretation. Furthermore, summaries of contractual agreements which may appear in the report or appendices, are presented for the sole purpose of giving the reader an overview of the salient facts thereof.

Tenancies

Unless specifically requested, we do not make detailed enquiries into the covenant strength of occupational tenants but rely on our judgement of the market perception of them. Unless otherwise advised, our valuation has been assessed subject to the tenant being independent of the owner and capable of meeting all financial obligations under the lease, and that there are no arrears of rent or undisclosed breaches of covenant. Further, our valuation is conditional upon all rents referred to in this report representing the rental arrangement stipulated in the contractual agreements pertaining to the tenant’s occupancy, to the extent that such rents have not been prepaid, abated or inflated to reflect extraordinary circumstances, unless such conditions have been identified and noted in this report.

Professional indemnity cover

We have in force at the time of supplying the above valuation, current professional negligence insurance appropriate to the nature and level of our business activities. The Registered Valuer is covered by the policy.

Valuer's statement

This report has been undertaken by Rowan Cambie who has inspected the property externally and internally. The Registered Valuer holds an Annual Practicing Certificate.

Please contact the writer should you wish to discuss any matters raised in this report.

Yours faithfully

TelferYoung (Taranaki) Limited



Rowan Cambie - B Agr; MPINZ
Registered Valuer
Director

Email: rowan.cambie@telferyoung.com

APPENDIX

APPENDIX A RECORD OF TITLE



**RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD**
Historical Search Copy



R.W. Meas
Registrar-General
of Land

Constituted as a Record of Title pursuant to Sections 7 and 12 of the Land Transfer Act 2017 - 12 November 2018

Identifier **TNF3/447**
Land Registration District **Taranaki**
Date Issued 05 March 1982

Prior References
TN69/176

Estate Fee Simple
Area 15.6861 hectares more or less
Legal Description Section 6 and Part Section 5 Block 1
Ngare Survey District

Original Registered Owners
The Stratford Agricultural and Pastoral Association

Interests

169897 Certificate declaring State Highway 3 adjoining the within land to be a Limited Access Road - 28.7.1969 at 11.12 am
Subject to a right to convey water and effluent over part marked A on DP 13506 created by Transfer 287141.1 - 5.3.1982

Transaction ID
Client Reference arbertson009

Historical Search Copy Dated 6/8/20 12:11 pm, Page 1 of 2

Identifier **TNF3/447**

Reference File C/T 69/176 Land and Deeds 80
Transfer No. REGISTER F3/447
N.C. Order No. 287141.2

CERTIFICATE OF TITLE UNDER LAND TRANSFER ACT

This Certificate dated the 5th day of March 1982 thousand one hundred and eighty-two under the seal of the District Land Registrar of the Land Registration District of **TARANAKI**
WITNESSETH that **THE STRATFORD AGRICULTURAL AND PASTORAL ASSOCIATION** a duly incorporated Society registered under the Agricultural and Pastoral Societies Act 1908

In witness whereof I have signed this Certificate (subject to such reservations, restrictions, encumbrances, liens, and interests as are specified by marginal endorsements or endorsed hereon) in the land hereinafter described, delineated with bold black lines on the plan hereon, by the several subdivisions a little more or less, that is to say **All that parcel of land containing 15.6861 hectares more or less being Section 6 and part of Section 5 Block 1 Ngare Survey District**

R.W. Meas
District Land Registrar
TARANAKI, N.Z.

Existing Interests At Date of Issue

- Subject to the right to convey water and effluent over the part herein shown A on DP 13506 appurtenant to the land in C.T. DA/1166 created by Transfer 287141.1
- Certificate 169897 declaring State Highway 3 adjoining the within land to be a Limited Access Road 28.7.1969 at 11.12 a.m.

John
S.L.S.

Total Area: 15.6861 ha
Measurements are Metric

Transaction ID
Client Reference arbertson009

Historical Search Copy Dated 6/8/20 12:11 pm, Page 2 of 2

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NATIONWIDE

NATIONAL OFFICE

TelferYoung Limited
L5, 55 Shortland Street
PO Box 105553, Auckland City 1143

TelferYoung (Northland) Limited

17 Hatea Drive
PO Box 1093, Whangarei 0140
E northland@telferyoung.com
T +64 9 438 9599

TelferYoung (Auckland) Limited

L7, 52 Swanson Street
PO Box 5533, Auckland 1142
E auckland@telferyoung.com
T +64 9 379 8956

218 Lake Road, Northcote
PO Box 36030, North Shore City 0748
E northshore@telferyoung.com
T +64 9 480 2330

TelferYoung (Waikato) Limited

7 London Street
PO Box 616, Waikato Mail Centre, Hamilton 3240
E waikato@telferyoung.com
T +64 7 839 2030
+64 7 889 5990 (Morrinsville)
+64 7 827 2030 (Cambridge)

TelferYoung (Tauranga) Limited

L2, 49-51 The Strand
PO Box 455, Tauranga 3144
E tauranga@telferyoung.com
T +64 7 578 4675

TelferYoung (Rotorua) Limited

1243 Ranolf Street
PO Box 2121, Rotorua 3040
E rotorua@telferyoung.com
T +64 7 348 1059

TelferYoung (Taranaki) Limited

143 Powderham Street
PO Box 713, New Plymouth 4340
E taranaki@telferyoung.com
T +64 6 757 5753

TelferYoung (Hawkes Bay) Limited

25 Pandora Road
PO Box 572, Napier 4140
E hawkesbay@telferyoung.com
T +64 6 835 6179
7 Gladstone Road, Gisborne 4010
E hawkesbay@telferyoung.com
T +64 6 868 8596

TelferYoung Manawatu

L2, 162 Broadway Avenue
PO Box 259, Palmerston North 4440
E manawatu@telferyoung.com
T +64 6 357 2700

TelferYoung (Wellington) Limited

L4, 94 Dixon Street, Wellington 6011
E wellington@telferyoung.com
T +64 4 472 3683

TelferYoung (Nelson Marlborough) Limited

L3, 105 Trafalgar Street
PO Box 621, Nelson 7040
E nelson@telferyoung.com
T +64 3 546 9600

L1, 1 Hutcheson Street, Blenheim 7201

E nelson@telferyoung.com
T +64 3 577 6060

TelferYoung (Canterbury) Limited

L1, 58 Armagh Street
PO Box 2532, Christchurch 8140
E canterbury@telferyoung.com
T +64 3 379 7960

157 Stafford Street
Timaru 7910

E canterbury@telferyoung.com
T +64 3 687 1220

L1, 130A Percival Street

PO Box 138, Rangiora 7440

E rangiora@telferyoung.com
T +64 3 313 5355

TelferYoung (Otago) Limited

L3, 8 The Octagon
PO Box 497, Dunedin 9054
E otago@telferyoung.com
T +64 3 477 5796

TelferYoung (Southland) Limited

135 Spey Street
PO Box 370, Invercargill 9840
E southland@telferyoung.com
T +64 3 218 4299

23 Medway Street
PO Box 334, Gore 9740

E southland@telferyoung.com



MARKET VALUATION

47 Flint Road
Pembroke
Stratford District

Client Taranaki Motorsport Trust and the Stratford AS and P Association

Valuation date 26 February 2020

CONTENTS

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1.0 EXECUTIVE SUMMARY



47 Flint Road, Pembroke, Stratford District 4332

An irregular shaped rural property in 4 separate titles. Contour is mostly easy undulating except for a meandering gully of an unnamed tributary of the Patea River. The property is located on the northern fringe of Stratford township and shares a boundary with the Stratford A&P show grounds. Improvements are limited to below average buildings consisting of a small herringbone dairy shed, utility shed, hay shed and uninhabitable dwelling.

This valuation has been requested for possible purchase of the land to create a larger Motorsport and Equestrian Park.

PROPERTY DETAILS

Zoning	Rural Residential
Land area	44.8139 ha

VALUATION

\$2,800,000 plus GST (if any)

Land and buildings value/total ha	\$62,500
Land value/effective ha	\$70,513

Significant Assumptions and Special Assumptions

Significant Assumptions and Special Assumptions made within this valuation are as follows:

- We have assessed the value of the property as a single transaction for the 44.8ha but recognising the inherent value of the 4 titles within this location.

INSTRUCTIONS

Instructed by	Philip Macey
Report prepared for	Taranaki Motorsport Trust and the Stratford AS and P Association
Purpose of valuation	Market Value for purchase
Valuation date	26 February 2020
Report issue date	3 March 2020

TelferYoung policy requires that reports cannot be reassigned for any purpose beyond 90 days from the date of valuation. This policy has been set to meet professional indemnity insurance requirements. It is a condition of this report that any valuation needing to be reassigned beyond 90 days may require re-inspection by the valuer with an update fee charged.

PREPARED BY

Rowan Cambie	B Agr; MPINZ Registered Valuer Director
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This report must be read in conjunction with TelferYoung (Taranaki) Limited's Statement of Limiting Conditions and Valuation Policy.

2.0 SCOPE OF WORK

The valuer

The valuation has been undertaken by Rowan Cambie who provides this objective and unbiased valuation. The valuer has no material connection with the instructing party or interest in the property and has the appropriate qualifications and experience to undertake the valuation.

Our client

Taranaki Motorsport Trust and the Stratford AS and P Association.

Other than the client or addressee, the report may not be relied upon by any third party. We accept no liability to third parties. Written consent is required for any third party wishing to rely on this report. We reserve the right to withhold that consent, or to review the contents of the report if consent for third party use is sought.

Other intended users

Nil.

Purpose of valuation

Market Value for purchase.

Asset valued

47 Flint Road, Pembroke, Stratford District 4332.

Basis of valuation

Market Value, which is defined in International Valuation Standards 2020 as:

The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Valuation currency

All dollars quoted in this report are NZD.

Important dates

Inspection date 26 February 2020

Valuation date 26 February 2020

Extent of investigations

We have carried out an inspection of exposed and readily accessible areas of the improvements. However, the valuer is not a building construction or structural expert and is therefore unable to certify the structural soundness of the improvements. Readers of this report should make their own enquiries.

This report has been prepared for valuation purposes only and is not a geotechnical or environmental survey. If any defect is found, including structural defects, this information could impact on the value of the property.

Nature and source of information relied upon

Information used to prepare the valuation has been obtained from our property inspection and public records.

No other information or documentation of particular significance to the valuation has been relied upon without specific verification by the valuer.

Reporting format

We have prepared a formal valuation report meeting appropriate professional standards.

This report must be read in conjunction with TelferYoung (Taranaki) Limited's Statement of Limiting Conditions and Valuation Policy.

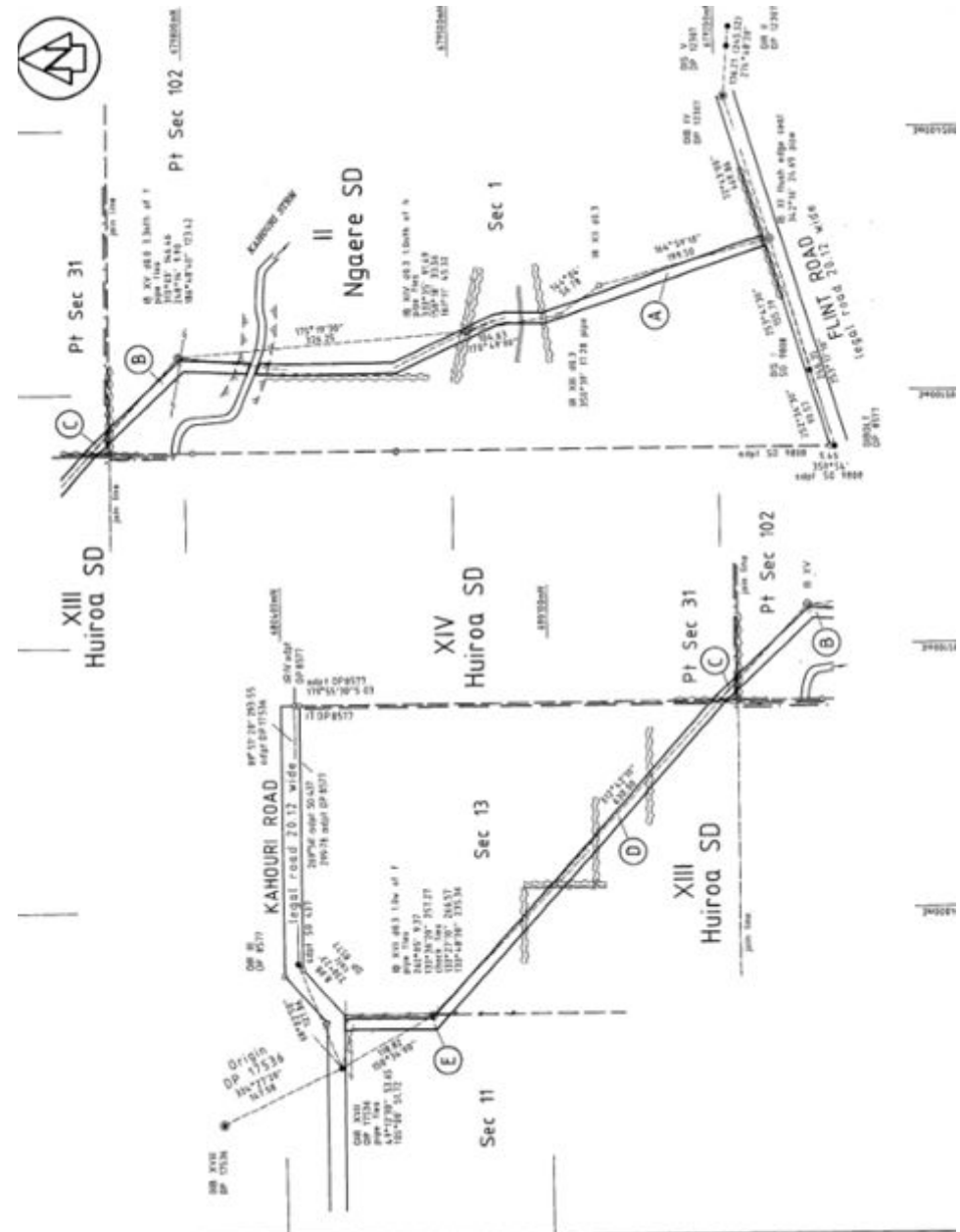
Valuation standards

Our valuation has been prepared in accordance with International Valuation Standards 2020 and Australia and New Zealand Valuation Guidance Notes and Technical Information Papers.

3.0 RECORD OF TITLE

3.1 TITLE INFORMATION

Identifier	TNA3/518
Land registration	Taranaki
Legal description	Section 1 Block II Ngaere Survey District
Estate	Fee Simple
Area	15.1024 ha (more or less)
Registered owner(s)	Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills
Interests	<ul style="list-style-type: none"> ■ Subject to Section 59 Land Act 1948 ■ Subject to a right (in gross) to pump move convey and transport natural gas products and petroleum products as defined under the Petroleum Act 1937 and the Crown Minerals Act 1991 over part shown A on DP 17953 in favour of Southern Petroleum (New Zealand) Exploration Limited created by Transfer 421712.1 ■ Transfer of the easement created by Transfer 421712.1 to TWN Limited Partnership
Comments	The pipeline easement appears to traverse the title in a north-south direction and will have some impact on possible building locations, however negligible affect on value as a lifestyle block in our view.



Identifier	TNE4/1219
Land registration	Taranaki
Legal description	Part Section 1 Block I Ngaere Survey District
Estate	Fee Simple
Area	7.5879 ha (more or less)
Registered owner(s)	Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills
Interests	<ul style="list-style-type: none"> ■ Certificate declaring State Highway 3 adjoining the within land to be a limited access road

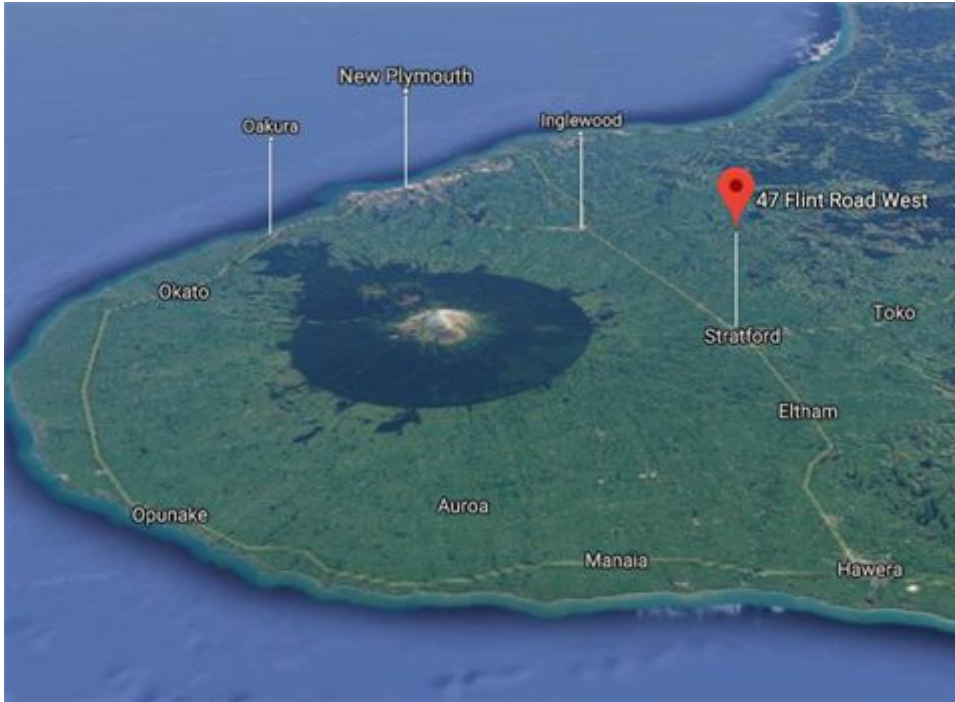
Identifier	TN190/232
Land registration	Taranaki
Legal description	Section 7 Block I Ngaire Survey District
Estate	Fee Simple
Area	13.7087 ha (more or less)
Registered owner(s)	Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills
Interests	<ul style="list-style-type: none"> ■ Nil

See **Appendix A** for the Record(s) of Title.

Identifier	TNE4/1221
Land registration	Taranaki
Legal description	Lot 1 Deposited Plan 1532
Estate	Fee Simple
Area	8.4149 ha (more or less)
Registered owner(s)	Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills
Interests	<ul style="list-style-type: none"> ■ Nil

4.0 LOCATION

4.1 LOCATION DETAILS



Suburb Pembroke

Physical location The property is situated on the corner of Flint Road and Mountain Road in Stratford. Surrounding properties are diverse and include similar dairy/dairy support, lifestyle properties, and the Stratford racecourse and A&P showgrounds.

This largely dairy and pastoral farming based service town is positioned 48 km south east of New Plymouth and 31 km north east of Hawera on State Highway 3. The present population of the Stratford District is approximately 9,000, supported by industries which are dependant on farming and the nearby gas powered electrical generation station. Stratford boasts over 32 hectares of local parks and reserves, in addition to a golf course, small hospital, two primary schools, and one high school. A local race course and show grounds are also established.

5.0 LAND

5.1 SITE DESCRIPTION



5.1.1 Area

44.8139 ha

5.1.2 Land and contour

major power transmission lines traverse the property from near the southeast corner diagonally toward the northeast, a distance of approximately 675m.

We assess the land classifications as follows:

Land description	Area (ha)
Flat	33.00
Undulating	6.00
Riparian	5.80
Total	44.80
Effective area	39.00

5.1.3 Altitude

The property sits at around 300m above sea level and relatively high in Taranaki dairy farming terms.

5.1.4 Production

The property prior to June 2019 operated as a small scale seasonal supply dairy farm. We have estimated production at around 35,000kgMS. Since June 2019 the farm appears to have been destocked and utilised for grass silage and hay harvesting.

We have assessed average efficient production as follows:

Description	Area (ha)	kgMS/ha	Total kgMS
Flat	33.00	900	29,700
Undulating	6.00	850	5,100
Riparian	5.80	0	0
Total	44.80	Adopt	35,000

6.0 RESOURCE MANAGEMENT

6.1 ZONING INFORMATION

Territorial authority	Stratford District
Plan status	Operative
Zone	Rural Residential

Zone description

The Rural Residential zone has been developed to act as a buffer between the built-up urban areas and the surrounding rural locality. Permitted activities include a single residential dwelling and accessory buildings, residential businesses and low intensive farming. Subdivision is allowable as a controlled activity.

Permitted Activities and Development Controls within this Zone include the examples listed below.

Permitted activities

- Residential dwellings (one per Certificate of Title) and accessory buildings
- Residential business
- Marae
- Non-intensive farming

Development controls

- The Stratford District Plan is effects based and allowable uses depend upon the impact of any proposed activity on both the surrounding development and the underlying land.

Comments

Approximately 10ha in the northwest lie outside the rural/residential zone and falls under rural zoning.

6.2 REGIONAL AUTHORITY

Regional authority	Taranaki Regional Council
Plan status	Operative

Consents

To discharge treated farm dairy effluent from an oxidation pond treatment system and a constructed drain into an unnamed tributary of the Kahouri Stream in the Patea catchment and/or to discharge untreated farm dairy effluent by oxidation ponds and spray irrigation onto and into land
Expiry: November 30, 2022.

We are advised the property is no longer being used as a seasonal supply dairy farm.

6.3 RATING VALUATION

6.3.1 Assessment number

12001/30900

6.3.2 Rating valuation

As at 1 September 2017:

Address	Area	Land Value	Improvements	Capital Value
47 Flint Road, Pembroke	44.8139 ha	\$1,730,000	\$170,000	\$1,900,000

Rating Valuations are conducted on a mass appraisal basis, generally once every three years, in order to provide a basis to assist territorial authorities to collect revenue through rates. Individual properties are not inspected on a regular basis and changes in the improvements may not be recorded. The rating values are expressed on a Freehold Estate basis, even when the property might be leasehold.

The rating assessment is dated and not indicative of current market value.

7.0 IMPROVEMENTS

7.1 OVERVIEW

Building improvements comprise of a herringbone dairy shed and associated concrete yard area in average condition. There is a basic utility shed next to the dairy shed. A dwelling is located in the southwest corner and reported to be in un-inhabitable condition. Overall the structural improvements add little value as the property is not operated as a dairy farm. Paddock improvements of fencing and water supply are to an average standard.



See **Appendix B** for additional photographs.

Our valuation has been prepared on the basis of the improvements being located within the site boundaries and constructed strictly in accordance with the recommended practices, and free from any defect; unless otherwise stated within this report.

8.0 MARKET COMMENTARY

8.1 ECONOMIC OVERVIEW

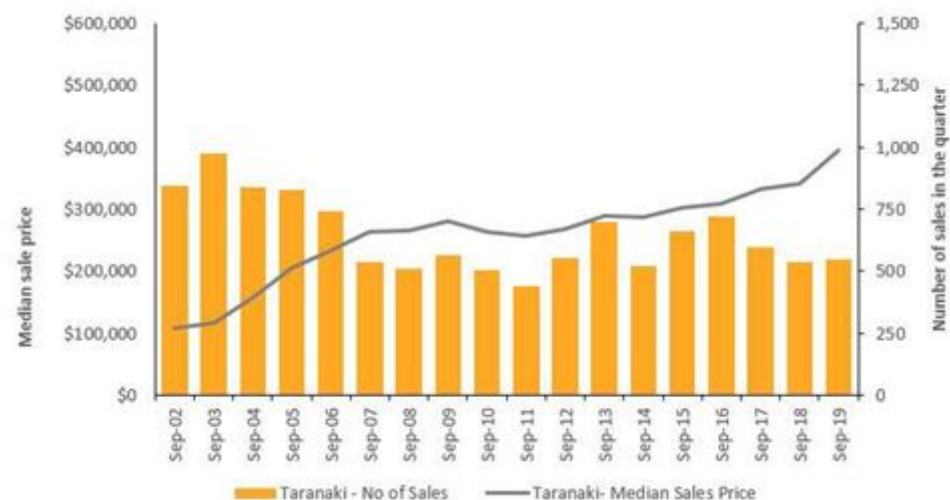
New Zealand's economy has continued to grow in the face of increasing headwinds, albeit at a slower rate. Slower growth is a result of several factors, including soft consumer and business confidence combined with low levels of new business investment. The labour market has remained tight, labour costs have started to increase at a faster rate and there are other signs of capacity pressures in the economy which may limit the rate of economic expansion in the future. The growth in the number of overseas tourists coming to New Zealand has also slowed over the last year. Accommodative monetary policy settings will continue to provide ongoing support for future growth.

The Labour-led coalition is actively changing the housing market's regulatory environment. Legislation enabling urban development authority-like powers to the recently formed Kainga Ora (formed from HNZC and parts of MBIE and MSD, and Treasury) is continuing to progress through Parliament and is likely to be passed in 2020. Under the legislation, Kainga Ora is likely to be given development-enabling powers to override district plan regulations, have powers of compulsory acquisition, and allow them to provide their own infrastructure within a development. The Government's KiwiBuild reset is still progressing and likely to evolve to include some form of 'progressive ownership' (a shared equity product), to support middle income households into ownership. They have also announced some major proposed changes to residential tenancy agreements including limiting the landlord's ability to end tenancies, vary rents, and increasing the level of maximum fines. These proposed changes may limit future investment in rental properties by landlords.

Housing market demand is also expected to remain strong over the next year. The annual overseas net migration gain totalled 54,600 people in the September 2019 year, which has continued to boost population growth around the country and support growing housing demand. In addition, mortgage interest rates have continued to decline, and this has provided some relief to homeowners although it now appears we may be at or near the bottom of the current interest rate cycle.

Nationally, on average, house prices are expected to increase in 2020. The RBNZ has forecast house price inflation in 2020 of 3.5% whilst Westpac's economists have a more optimistic outlook and have predicted growth in house prices of 7.4% in 2020. The impact of these trends will be unevenly distributed around the regions.

Figure 1: Quarterly residential property sales volumes and median sale prices



8.2 REGIONAL PROPERTY MARKET

Within Central and South Taranaki the residential and lifestyle markets can be described as relatively positive in comparison to previous years. Sale volumes which dipped during 2014/2015 recovered well over the past 3 years. Of particular note are the increasing numbers of out of town buyers from the larger centers who appear to be chasing the relatively lower price properties in the smaller provincial townships. Local agents are reporting a shortage of listings which is limiting supply and placing upward pressure on prices.

Demand for sections in the provincial townships such as Hawera, Stratford, Eltham and Opunake remains stable and balanced by demand. Ample supply of vacant sections and available land for housing development means buyers can be selective. Land that is contoured and/or has development difficulties (real or perceived) will see discounting and likely to experience longer selling periods.

9.0 SALES EVIDENCE

47 Monmouth Road, Pembroke



Sale date	31 May 2019	Rear rectangular shaped block with access to Monmouth Road. Near level contour with gully running through back end of block.
Sale price	\$430,000	
Land area	6.1400 ha (more or less)	

96 Flint Road, Stratford



Sale date	31 October 2018	A rectangular shaped small rural holding with mostly flat contour but bisected centrally by a small watercourse. Located on the western periphery of Stratford.
Sale price	\$552,000	
Land area	7.0917 ha (more or less)	

439 Turuturu Road, Hawera



Sale date	14 March 2019	An easy contoured block on the northeast outskirts of Hawera. Improvements include a good utility shed and average standard of paddock development, fencing and water supply.
Sale price	\$1,200,000	
Land area	19.1473 ha (more or less)	

390 Whakamara Road, Manutahi



Sale date	30 December 2019	A small dairy unit located on Whakamaru Road. Improvements include a dwelling, dairy shed and several utility buildings. The property is considered uneconomic as a standalone unit as sold.
Sale price	\$1,410,000	
Land area	39.1800 ha (more or less)	

216 Henwood Road, Bell Block



Sale date	30 November 2018	An irregular shaped block with broken road frontage and undulating terrace contour toward the west.
Sale price	\$1,925,000	
Land area	21.3497 ha (more or less)	

Ohanga Road, Onaero



Sale date	12 February 2019	An irregular shaped block with basic building improvements. The property has good flat contour bisected by a pleasant bush lot.
Sale price	\$1,950,000	
Land area	36.0000 ha (more or less)	

258 Finnerty Road, Ngaere

Sale date	18 March 2019	A small dairy/support unit with an average dwelling and good range of buildings.
Sale price	\$2,039,000	
Land area	59.7572 ha (more or less)	

9.1 SALES SUMMARY

Sale address	Sale price	Area (ha)	Effec ha	\$/ha	\$/effec ha	LV/ha	LV/effec ha
47 Monmouth Road	\$430,000	6.14	6.14	\$70,033	\$70,033	\$69,055	N/A
96 Flint Road	\$552,000	7.09	7.09	\$77,837	\$77,837	\$76,445	N/A
439 Turuturu Road	\$1,200,000	19.15	18.00	\$62,672	\$66,667	\$61,627	\$65,556
390 Whakamara Road	\$1,410,000	39.18	37.00	\$35,988	\$38,108	\$29,096	\$30,811
216 Henwood Road	\$1,925,000	21.35	21.00	\$90,165	\$91,667	\$88,760	\$90,238
Ohanga Road	\$1,950,000	36.00	29.00	\$54,167	\$67,241	\$47,222	\$58,621
258 Finnerty Road	\$2,039,000	59.76	56.00	\$34,121	\$36,411	\$29,812	\$31,813
Averages	\$1,358,000	26.95	27.79	\$60,712	\$69,296	\$46,511	\$55,408

9.2 VALUATION CONSIDERATIONS

We have put little weight on the current land use being sub economic grass silage and hay or dairy farming.

The property is currently in 4 titles ranging in size from around 7ha to 13ha. These titles are considered small rural holding or large lifestyle properties and are considered separately saleable. We have been requested to provide a value assessment for the 44.8ha as a single transaction. In doing so we have drawn from similar sized parcels on the urban fringe and place some weighting on the presence of 4 titles, however we have recognised the current boundary fencing around each of the titles will require some attention.

The proposal to amalgamate the subject property with other adjoining land areas including the Stratford A&P land to create a Motorsport and Equestrian Park is considered a specific land use. Under this specific use scenario values negotiated may differ from the value assessment given within this report.

10.0 VALUATION METHODOLOGY

10.1 HIGHEST AND BEST USE

The Market Value of an asset will reflect its 'highest and best use'. The highest and best use is the use of an asset that maximises its potential and that is possible, legally permissible and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.

In this instance, in our opinion, the highest and best use of the property is for residential lifestyle/small rural holding use being located on the northern urban fringe of Stratford. There may be some interest from buyers looking for cattle finishing property closer to urban services and being of superior contour than say the Taranaki Eastern Hill Country.

10.2 VALUATION APPROACHES

To establish the Market Value of the property, we have adopted valuation approaches as per International Valuation Standard 105.

10.2.1 Market approach

The direct comparison approach is the standard approach for valuing rural property in New Zealand. This is considered to be one of the best methods of valuation however unfortunately seldom are any two properties directly comparable due to the differences in:

- Type of Property
- Scale
- Land Characteristics
- Improvements
- Productive Capacity
- Management

Analysis of recent sales is however invaluable in establishing some basic parameters that purchasers are expecting to pay at any given time in the market place, making adjustments to reflect the Market Value of the subject property.

Based on the analysis of the recorded sales we assess the Market Value as follows:

Land			
Flat Easy	33.00 ha @	\$70,000	
Undulating	6.00 ha @	\$65,000	
Riparian	5.80 ha @	\$10,000	
Total Land value		\$61,384 /ha	\$2,750,000
Improvements			
Fencing/Water/Races		\$20,000	
Total Improvements Value		\$1,116 /ha	\$50,000
Market Value		\$62,500 /ha	\$2,800,000

10.3 VALUATION COMMENTS

The sales showed an average of \$60,712/ha overall sales. When the smaller lots of Monmouth and Flint Roads are excluded the average decreases to \$55,423/ha encompassing the inferior locations of Finnerty, Whakamara and Ohanga Roads as well as the superior Henwood Road locality being on the urban fringe of New Plymouth. The Turuturu Road property is comparable in terms of proximity to urban services, however is a smaller parcel. Overall the bulk of the subjects' land area has been assessed around the weighted average of smaller Monmouth and Flint Road properties at \$70,000/ha.

The resulting overall value at \$62,500/ha is reflective of the overall size of transaction, quality of improvements, and the presence of 4 saleable titles.

10.4 GST

The valuation has been conducted on a plus GST, if any, basis.

10.5 VALUATION

The Market Value can be apportioned as follows:

Land	Improvements	Market Value
\$2,750,000	\$20,000	\$2,800,000

10.6 MORTGAGE RECOMMENDATION

In compliance with requirements of the Australia and New Zealand Valuation and Property Standards, unless an intending lender expressly requests or has a stated policy requirement that such recommendation be provided by the valuer, no specific recommendation has been made as either to the suitability of the property as a lending security or the maximum loan as an amount or percentage of value.

11.0 STATEMENT OF LIMITING CONDITIONS AND VALUATION POLICY

Purpose

This valuation report has been completed for the specific purpose stated. No responsibility is accepted in the event that this report is used for any other purpose.

Responsibility to Third Party

Our responsibility in connection with this valuation is limited to the client to whom the report is addressed and to that client only. We disclaim all responsibility and will accept no liability to any other party without first obtaining the written consent of TelferYoung (Taranaki) Limited and the author of the report. TelferYoung (Taranaki) Limited reserves the right to alter, amend, explain or limit any further information given to any other party.

Reproduction of Report

Neither the whole nor any part of this valuation and report or any reference to it may be included in any published document, circular or statement without first obtaining our written approval of the form and context in which it may appear. Our report is only valid when bearing the Valuer's signature.

Date of Valuation

Unless otherwise stated, the effective date of the valuation is the date of the inspection of the property. This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value.

Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of 3 months from the date of the valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

Legislation

We have not obtained a Land Information Memorandum (LIM) or Property Information Memorandum (PIM) for this property which, unless otherwise stated, is assumed to conform to all requirements of the Resource Management Act 1991, the New Zealand Building Code contained in the First Schedule to the Building Regulations 1992, the Building Act 2004 and any Historic Places Trust registration. Our valuation reports are prepared on the basis that properties comply with all relevant legislation and regulations and that there is no adverse or beneficial information recorded on the Territorial Local Authority (TLA) property file, unless otherwise stated.

Registrations

Unless otherwise stated, our valuation is subject to there being no detrimental or beneficial registrations affecting the value of the property other than those appearing on the title. Such registrations may include Waahi Tapu and Heritage New Zealand registrations.

Reliability of Data

The data and statistical information contained herein was gathered for valuation purposes from reliable sources and is believed to be correct. All reasonable attempts have been made to verify the authenticity of this information but we cannot guarantee its accuracy.

Assumptions

This report contains assumptions believed to be fair and reasonable at the date of valuation. In the event that assumptions are made, based on information relied upon which is later proven to be incorrect, or known by the recipient to be incorrect at the date of reporting, TelferYoung (Taranaki) Limited reserves the right to reconsider the report, and if necessary, reassess values.

GST

The available sources of sales data upon which our valuation is based generally do not specify whether or not the sale was inclusive or exclusive of GST. It is assumed that the available sales data has transacted on a plus GST (if any) basis, which is in accordance with typical industry standard for rural property transactions. Should this interpretation not be correct for any particular sales evidence, we reserve the right to reconsider our valuation.

Land Survey

We have made no survey of the subject property and assume no responsibility in connection with these matters. Unless otherwise stated, the valuation has been assessed conditional upon all improvements being within the title boundaries.

Unless otherwise stated, we have not undertaken investigations or been supplied with geotechnical reports with respect to the nature of the underlying land. Unless otherwise stated, the valuation has been assessed conditional upon the land being firm and suitable ground for the existing and/or potential development, without the need for additional and expensive foundation and retaining work or drainage systems.

Contamination

We have not undertaken an environmental audit of the property. Unless otherwise stated, our valuation and report is conditional upon the land and buildings being unaffected by harmful contaminants or noxious materials which may impact on value. Verification that the property is free from contamination

and has not been affected by noxious materials should be obtained from a suitably qualified environmental expert.

Not a Structural Survey

Our inspection has been undertaken for valuation purposes only, and does not constitute a structural survey. Verification that the building(s) is/are sound should be obtained from a suitably qualified building engineer. If the building(s) is/are found to be unsound, this finding/new information is likely to impact on the value of the property.

Systems

Our valuation has been assessed conditional upon all hot and cold water systems, electric systems, ventilating systems and other devices, fittings, installations or conveniences, including lifts and escalators where appropriate, as are on the property, being in proper working order and functioning for the purposes for which they were designed.

Market Valuations

Market valuations are carried out in accordance with the Valuation Standards and Guidance Notes. Market Value is defined "The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties have each acted knowledgeably, prudently and without compulsion".

No allowances are made in our valuations for any expenses of realisation, or to reflect the balance of any outstanding mortgages either in respect of capital or interest accrued thereon.

Mortgage Recommendation

The Australia and New Zealand Valuation and Property Standards require that, unless specifically requested by a lender, the valuation report should make no specific recommendation as to the suitability of the property as a security or the maximum loan as an amount or percentage of value. The valuation report has however included comment on commonly known, readily ascertainable and/or reasonably foreseeable property-specific and market factors as are relevant to the market value and marketability, to assist in informing the lender.

We note that the valuation provided in this report is our opinion of the market value as at the valuation date, on a willing buyer/willing seller basis, and does not allow for the potential consequences and costs of a forced sale. The value may change in the future because of market conditions and changes to the state of the subject property.

Leases

The interpretation of leases or other contractual agreements referred to in this report is solely the opinion of the author and should not be construed as a legal interpretation. Furthermore, summaries of

contractual agreements which may appear in the report or appendices, are presented for the sole purpose of giving the reader an overview of the salient facts thereof.

Tenancies

Unless specifically requested, we do not make detailed enquiries into the covenant strength of occupational tenants but rely on our judgement of the market perception of them. Unless otherwise advised, our valuation has been assessed subject to the tenant being independent of the owner and capable of meeting all financial obligations under the lease, and that there are no arrears of rent or undisclosed breaches of covenant. Further, our valuation is conditional upon all rents referred to in this report representing the rental arrangement stipulated in the contractual agreements pertaining to the tenant's occupancy, to the extent that such rents have not been prepaid, abated or inflated to reflect extraordinary circumstances, unless such conditions have been identified and noted in this report.

Professional indemnity cover

We have in force at the time of supplying the above valuation, current professional negligence insurance appropriate to the nature and level of our business activities. The Registered Valuer is covered by the policy.

Valuer's statement

This report has been undertaken by Rowan Cambie who has inspected the property externally and internally. The Registered Valuer holds an Annual Practising Certificate.

Please contact the writer should you wish to discuss any matters raised in this report.

Yours faithfully

TelferYoung (Taranaki) Limited

Rowan Cambie - B Agr; MPINZ

Registered Valuer

Director

Email: rowan.cambie@telferyoung.com

APPENDIX

APPENDIX A RECORD OF TITLE



**RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD
Historical Search Copy**



R.W. Meas
Registrar-General
of Land

Constituted as a Record of Title pursuant to Sections 7 and 12 of the Land Transfer Act 2017 - 12 November 2018

Identifier TNA3/518
Land Registration District Taranaki
Date Issued 02 May 1966

Prior References
TNPR20/135

Estate Fee Simple
Area 15.1024 hectares more or less
Legal Description Section 1 Block II Ngaere Survey District

Original Registered Owners
Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills

Interests

- Subject to Section 59 Land Act 1948
- Subject to a right (in gross) to pump move convey and transport natural gas products and petroleum products as defined under the Petroleum Act 1937 and the Crown Minerals Act 1991 over part shown A on DP 17953 in favour of Southern Petroleum (New Zealand) Exploration Limited created by Transfer 421712.1 - 6.6.1995 at 11.31 am
- 471068.2 Mortgage to Thomson O'Neil & Co Solicitors Nominee Company Limited - 8.6.2000 at 12:00 pm
- 7861216.4 Transfer of the easement created by Transfer 421712.1 to Swift Energy New Zealand Limited - 27.6.2008 at 9:00 am
- 7861216.6 Transfer of the easement created by Transfer 421712.1 to Swift Energy New Zealand Holdings Limited - 27.6.2008 at 9:00 am
- 7861216.8 Transfer of the easement created by Transfer 421712.1 to Origin Energy Resources NZ (SPV2) Limited - 27.6.2008 at 9:00 am
- 9307444.22 Transfer of the easement created by Transfer 421712.1 to TWN Limited Partnership - 29.10.2013 at 9:13 am
- 11498590.1 Discharge of Mortgage 471068.2 - 23.7.2019 at 9:32 am

Transaction Id
Client Reference arbertson009

Historical Search Copy Dated 4/02/20 2:49 pm, Page 1 of 3

Identifier TNA3/518

Register
CERTIFICATE OF TITLE UNDER LAND TRANSFER ACT

This Certificate dated the 2nd day of May 1966 was granted to the said and SIXTY SIX under the seal of the District Land Registrar of the Land Registration District of TARANAKI being a Certificate in line of Grant, WITNESSETH that ARMOR LILLEY of Stratford, Farmer

is held of an estate in fee-simple (subject to such reservations, restrictions, encumbrances, liens, and interests as are notified by certain underwritten or endorsed hereon) in the land hereinafter described, delineated with black lines on the plan annexed, by the several subdivisions a like estate or less, which said land was originally acquired by THE ABOVE-NAMED

as from the 14th day of July 1965 one thousand nine hundred and sixty five under Section 122 of the Land Act 1948 that in or says: All that parcel of land containing 37 acres + road and it or more or less being Section 1 Block II Ngaere Survey District

Plan 17953
District Land Registrar.

Subject to the reservations and conditions imposed by Section 59 of the Land Act, 1948. Transmission 263932.1 to The Public Trustee - 13.12.1979 at 9.18 o'clock

Mortgage 142239 to THE PUBLIC TRUSTEE - produced 14.7.1980 at 3.22.80 o'clock

Transfer 421712.1 (Easement in Gross) Grant of the right to pump move convey and transport natural gas products and petroleum products as defined under the Petroleum Act 1937 and the Crown Minerals Act 1991 over the part herein shown A on DP 17953 in favour of Petrocorp Exploration Limited - 6.6.1995 at 11.31 o'clock

471068.1 Transfer to Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills

471068.2 Mortgage to Thomson O'Neil & Co Solicitors Nominee Company Limited all 8.6.2000 at 12.00

484776.1 Evidence that the registered grantee under Transfer 421712.1 is now Energy Exploration SE Limited

OVER....

Scale: 1 inch = 10 Chains
S.O. 9808

Transaction Id
Client Reference arbertson009

Historical Search Copy Dated 4/02/20 2:49 pm, Page 2 of 3



Transaction ID
 Case Reference arbertson009

Historical Search Copy Dated 4/02/20 2:49 pm, Page 3 of 3



**RECORD OF TITLE
 UNDER LAND TRANSFER ACT 2017
 FREEHOLD
 Historical Search Copy**



H.W. Meier
 Registrar-General
 of Land

Constituted as a Record of Title pursuant to Sections 7 and 12 of the Land Transfer Act 2017 - 12 November 2018

Identifier **TNE4/1219**
 Land Registration District **Taranaki**
 Date Issued 13 December 1979

Prior References
 TN34/248

Estate Fee Simple
Area 7.5879 hectares more or less
Legal Description Part Section 1 Block 1 Ngaere Survey District

Original Registered Owners
 Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills

Interests

169897 Certificate declaring State Highway 3 adjoining the within land to be a limited access road - 28.7.1969 at 11.12 am
 471068.2 Mortgage to Thomson O'Neil & Co Solicitors Nominee Company Limited - 8.6.2000 at 12.00 pm
 11498590.1 Discharge of Mortgage 471068.2 - 23.7.2019 at 9:32 am

Transaction ID
 Case Reference arbertson009

Historical Search Copy Dated 4/02/20 2:49 pm, Page 1 of 2

9

Identifier **TNE4/1219**

Reference
Plan C/T 34/248

Transfer No.
N.C. Order No. 269952.2

Land and Death Act

REGISTER

CERTIFICATE OF TITLE UNDER LAND TRANSFER ACT

This Certificate was on the 15th day of December one thousand nine hundred and seventy-nine under the seal of the District Land Registrar of the Land Registration District of TARANAKI

WITNESSETH that THE PUBLIC TRUSTEE

In witness of an estate in fee simple (subject to such reservations, restrictions, encumbrances, liens, and interests as are notified by marginal underwriters or endorsed hereon) in the land hereinafter described, deposited with this Clerk hereon, by the useful aforementioned a title deed or deed, that is to say: All that parcel of land containing 7.5879 hectares more or less situate in the Borough of Stratford being Part 1 Block 1 Neaira Survey District

Assistant Land Registrar

RELATIVE INTERESTS at 12.00 of 12.00

1. Mortgage 462259 of Public Trustee - produced 28.7.2019 at 11.55 a.m.
2. Certificate 469697 declaring State Highway 3 adjoining the within land to be a limited access road - produced 28.7.2019 at 11.52 a.m.

471048.1 Transfer to Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills

471048.2 Mortgage to Thomson O'Neil & Co Solicitors Nominee Company Limited all 8.6.2000 at 12.00

Measurements are Metric

Register copy to 1, 4 & 8, 10, 11, 12

Transaction ID
Client Reference arbertson009

Historical Search Copy Dated 4/02/20 2:49 pm. Page 2 of 2



**RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD
Historical Search Copy**



Constituted as a Record of Title pursuant to Sections 7 and 12 of the Land Transfer Act 2017 - 12 November 2018

Identifier **TNE4/1221**
Land Registration District **Taranaki**
Date Issued 13 December 1979

Prior References
TN43/31

Estate Fee Simple
Area 8.4149 hectares more or less
Legal Description Lot 1 Deposited Plan 1532

Original Registered Owners
Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills

Interests

471068.2 Mortgage to Thomson O'Neil & Co Solicitors Nominee Company Limited - 8.6.2000 at 12.00 pm
11498590.1 Discharge of Mortgage 471068.2 - 23.7.2019 at 9:32 am

Transaction ID
Client Reference arbertson009

Historical Search Copy Dated 4/02/20 2:50 pm. Page 1 of 2

Identifier **TNE4/1221**

Register

CERTIFICATE OF TITLE UNDER LAND TRANSFER ACT

This Certificate dated the 15th day of December one thousand nine hundred and seventy-nine under the seal of the District Land Registrar of the Land Registration District of TARANAKI

WITNESSETH that THE PUBLIC TRUSTEE

In witness whereof (in duplicate (subject to such restrictions, reservations, encumbrances, liens, and incumbrances as are notified by registered underwriting or endorsed hereon) in the last investigation disclosed, indicated with bold black lines on the plan hereon, be the said allotments a little more or less, that it is in say all that parcel of land containing 8.4143 hectares more or less being lot 1 on Deposited Plan 1221 being 1979 Sections 2, 3 and 4 Block 1 Ngairu Survey District

Mortgage 142229
Trustee - procharged
11.23 o's
32225

Assistant Land Registrar

471068.1 Transfer to Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills

471068.2 Mortgage to Thomson O'Neill & Co Solicitors Nominee Company Limited all \$6,2000 at 12.00

MONMOUTH RD

8.4143 Ha

Measurements are Metre

Register Open for L. S. D. M. R. 10

Transaction ID Historical Search Copy Dated 4/02/20 2:50 pm. Page 2 of 2
 Case Reference robertson009



**RECORD OF TITLE
 UNDER LAND TRANSFER ACT 2017
 FREEHOLD
 Historical Search Copy**



H. W. Meier
 Registrar-General
 of Land

Constituted as a Record of Title pursuant to Sections 7 and 12 of the Land Transfer Act 2017 - 12 November 2018

Identifier **TN109/232**
 Land Registration District **Taranaki**
 Date Issued 19 September 1924

Prior References
 TN10/87

Estate Fee Simple
 Area 13.7087 hectares more or less
 Legal Description Section 7 Block 1 Ngairu Survey District

Original Registered Owners
 Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills

Interests

471068.2 Mortgage to Thomson O'Neil & Co Solicitors Nominee Company Limited - 8.6.2000 at 12.00 pm
 11498590.1 Discharge of Mortgage 471068.2 - 23.7.2019 at 9:32 am

Transaction ID Historical Search Copy Dated 4/02/20 2:58 pm. Page 1 of 1
 Case Reference robertson009

9

APPENDIX B ADDITIONAL PHOTOGRAPHS



9

NATIONWIDE

NATIONAL OFFICE

TelferYoung Limited
Level 5, 55 Shortland Street
PO Box 105553, Auckland City 1143

TelferYoung (Northland) Limited

17 Hatea Drive
PO Box 1093, Whangarei 0140
Email: northland@telferyoung.com
Telephone: +64 9 438 9599

TelferYoung (Auckland) Limited

Level 7, 52 Swanson Street
PO Box 5533, Auckland 1141
Email: auckland@telferyoung.com
Telephone: +64 9 379 8956
218 Lake Road, Northcote
PO Box 36030, North Shore City 0748
Email: northshore@telferyoung.com
Telephone: +64 9 480 2330

TelferYoung (Waikato) Limited

7 London Street
PO Box 616, Waikato Mail Centre, Hamilton 3240
Email: waikato@telferyoung.com
Telephone: +64 7 839 2030
+64 7 871 5032 (Te Awamutu)
+64 7 889 5990 (Morrinsville)
+64 7 827 2030 (Cambridge)

TelferYoung (Tauranga) Limited

Level 2, 49-51 The Strand
PO Box 455, Tauranga 3144
Email: tauranga@telferyoung.com
Telephone: +64 7 578 4675

81 Jellicoe Street, Te Puke 3119
Email: tauranga@telferyoung.com
Telephone: +64 7 573 8220

TelferYoung (Rotorua) Limited

1243 Ranolf Street
PO Box 2121, Rotorua 3040
Email: rotorua@telferyoung.com
Telephone: +64 7 348 1059

TelferYoung (Taranaki) Limited

143 Powderham Street
PO Box 713, New Plymouth 4340
Email: taranaki@telferyoung.com
Telephone: +64 6 757 5753

TelferYoung (Hawkes Bay) Limited

25 Pandora Road
PO Box 572, Napier 4140
Email: hawkesbay@telferyoung.com
Telephone: +64 6 835 6179

7 Gladstone Road, Gisborne 4010
Email: hawkesbay@telferyoung.com
Telephone: +64 6 868 8596

TelferYoung (Wellington) Limited

Level 4, 94 Dixon Street, Wellington 6011
Email: wellington@telferyoung.com
Telephone: +64 4 472 3683

TelferYoung (Nelson Marlborough) Limited

Level 3, 105 Trafalgar Street
PO Box 621, Nelson 7040
Email: nelson@telferyoung.com
Telephone: +64 3 546 9600

Level 1, Youell House
1 Hutcheson Street
Blenheim 7201
Email: nelson@telferyoung.com
Telephone: +64 3 577 6060

TelferYoung (Canterbury) Limited

Level 1, 58 Armagh Street
PO Box 2532, Christchurch 8140
Email: canterbury@telferyoung.com
Telephone: +64 3 379 7960

17 Dee Street
Timaru 7910
Email: canterbury@telferyoung.com
Telephone: +64 3 687 1220

Level 1, 130A Percival Street
PO Box 138, Rangiora 7440
Email: rangiora@telferyoung.com
Telephone: +64 3 313 5355

TelferYoung (Otago) Limited

Level 3, 8 The Octagon
PO Box 497, Dunedin 9054
Email: otago@telferyoung.com
Telephone: +64 3 477 5796

TelferYoung (Southland) Limited

135 Spey Street
PO Box 370, Invercargill 9840
Email: southland@telferyoung.com
Telephone: +64 3 218 4299
23 Medway Street
PO Box 334, Gore 9740
Email: southland@telferyoung.com



9

MARKET VALUATION

26 Flint Road
Pembroke
Stratford District

Client Taranaki Motorsport Trust and the Stratford AS and P Association

Valuation date 26 February 2020

CONTENTS

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1.0 EXECUTIVE SUMMARY



26 Flint Road, Pembroke, Stratford District 4394

An 18.8ha grazing block on the northern urban fringe of Stratford township. The property is in 12 separate but scattered titles and over 170 lots. The land is easy contoured with bush pockets and a small watercourse. Improvements include a weatherboard house with basement garaging and a hay shed. Fencing and water supply is to an average standard.

This valuation has been requested for possible purchase to create a larger motorsport and Equestrian Park.

PROPERTY DETAILS

Zoning	Rural Residential
Land area	18.8504 ha

VALUATION

\$3,000,000 plus GST (if any)

Land and buildings value/total ha	\$159,151
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Significant Assumptions and Special Assumptions

Significant Assumptions and Special Assumptions made within this valuation are as follows:

- We have assessed the value of the property as a single transaction for the 18.8ha but recognising the inherent value of the multiple titles within this location.

INSTRUCTIONS

Instructed by	Philip Macey
Report prepared for	Taranaki Motorsport Trust and the Stratford AS and P Association
Purpose of valuation	Market Value for purchase
Valuation date	26 February 2020
Report issue date	16 March 2020

TelferYoung policy requires that reports cannot be reassigned for any purpose beyond 90 days from the date of valuation. This policy has been set to meet professional indemnity insurance requirements. It is a condition of this report that any valuation needing to be reassigned beyond 90 days may require re-inspection by the valuer with an update fee charged.

PREPARED BY

Rowan Cambie	B Agr; MPINZ Registered Valuer Director
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This report must be read in conjunction with TelferYoung (Taranaki) Limited's Statement of Limiting Conditions and Valuation Policy.

2.0 SCOPE OF WORK

The valuer

The valuation has been undertaken by Rowan Cambie who provides this objective and unbiased valuation. The valuer has no material connection with the instructing party or interest in the property and has the appropriate qualifications and experience to undertake the valuation.

Our client

Taranaki Motorsport Trust and the Stratford AS and P Association.

Other than the client or addressee, the report may not be relied upon by any third party. We accept no liability to third parties. Written consent is required for any third party wishing to rely on this report. We reserve the right to withhold that consent, or to review the contents of the report if consent for third party use is sought.

Other intended users

Nil.

Purpose of valuation

Market Value for purchase.

Asset valued

26 Flint Road, Pembroke, Stratford District 4394.

Basis of valuation

Market Value, which is defined in International Valuation Standards 2020 as:

The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Valuation currency

All dollars quoted in this report are NZD.

Important dates

Inspection date	26 February 2020
Valuation date	26 February 2020

Extent of investigations

We have carried out an inspection of exposed and readily accessible areas of the improvements. However, the valuer is not a building construction or structural expert and is therefore unable to certify the structural soundness of the improvements. Readers of this report should make their own enquiries.

This report has been prepared for valuation purposes only and is not a geotechnical or environmental survey. If any defect is found, including structural defects, this information could impact on the value of the property.

Nature and source of information relied upon

Information used to prepare the valuation has been obtained from our property inspection and public records.

No other information or documentation of particular significance to the valuation has been relied upon without specific verification by the valuer.

Reporting format

We have prepared a formal valuation report meeting appropriate professional standards.

This report must be read in conjunction with TelferYoung (Taranaki) Limited's Statement of Limiting Conditions and Valuation Policy.

Valuation standards

Our valuation has been prepared in accordance with International Valuation Standards 2020 and Australia and New Zealand Valuation Guidance Notes and Technical Information Papers.

3.0 RECORD OF TITLE

3.1 TITLE INFORMATION

The property comprises a number of estates in Fee Simple, with Record of Title Identifiers issued as follows:

Identifier	Legal description	Area
TN240/95	Lot 1-9, Lot 11-20, Lot 22, Lot 46-67, Lot 91-99, Lot 101-107, Lot 109, Lot 111, Lot 134-140, Lot 142-144, Lot 146-152, Lot 154, Lot 177-195, Lot 219-238, Lot 261-275, Lot 277, Lot 279-280, Lot 303-315, Lot 318 and Lot 320-322 Deposited Plan 31	12.5655 ha
TND3/671	Lot 10 Deposited Plan 31	0.0506 ha
TNB1/583	Lot 1-4 Deposited Plan 9499	5.0199 ha
TNE4/1217	Lot 316-317 Deposited Plan 31	0.2024 ha
TND4/1150	Lot 196 Deposited Plan 31	0.0506 ha
TNE4/1220	Lot 278 Deposited Plan 31	0.1012 ha
TNE4/1222	Lot 100 Deposited Plan 31	0.1012 ha
TNA2/577	Lot 60 and Lot 141 Deposited Plan 31	0.1518 ha
TNE4/257	Section 276 and Section 319 Town of Stratford	0.2024 ha
TNE4/1218	Lot 145, Lot 110 and Lot 153 Deposited Plan 31	0.2024 ha
TNA2/841	Lot 21 and Lot 66 Deposited Plan 31	0.1012 ha
TN155/224	Lot 108 Deposited Plan 31	0.1012 ha
Total land area		18.8504 ha

All are located in the Taranaki Land Registration District.

The registered owner(s) are recorded as: Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills

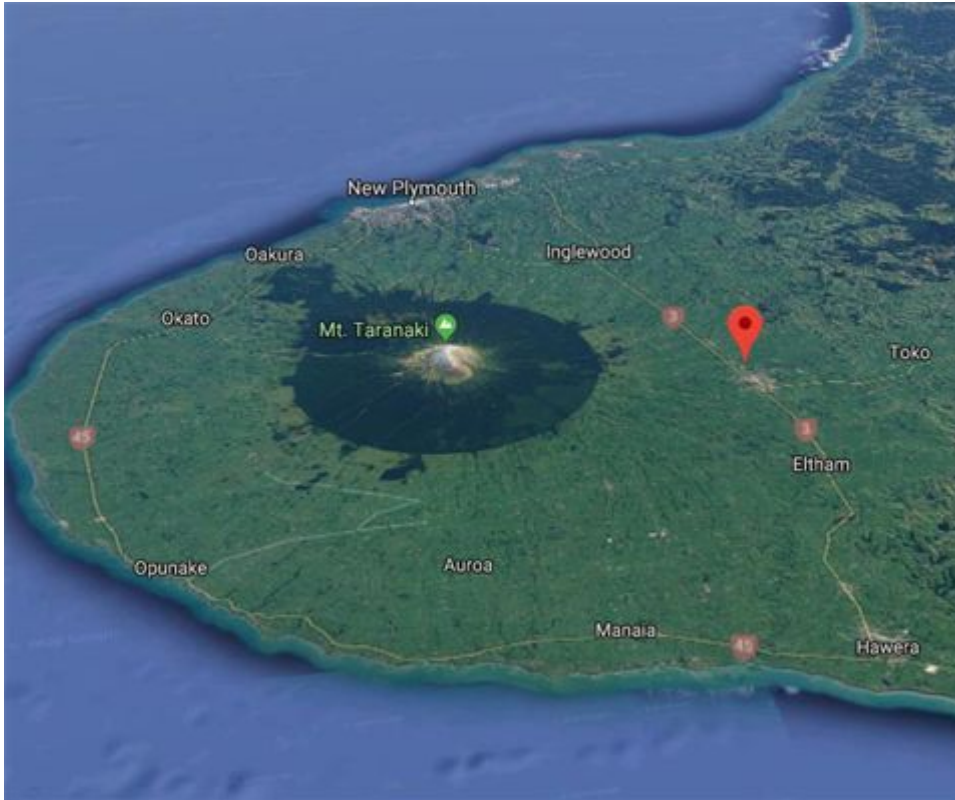
See **Appendix A** for the Record(s) of Title.



The titles are colour coded in the aerial image above, indicating the scattered nature of the lots and titles within the property boundary.

4.0 LOCATION

4.1 LOCATION DETAILS



Suburb Pembroke

Physical location The property is situated on the corner of Flint Road and Broadway in Stratford. Surrounding properties are diverse and include similar dairy/dairy support, lifestyle properties, and the racecourse and showgrounds.

This largely dairy and pastoral farming based service town is positioned 48 km south east of New Plymouth and 31 km north east of Hawera on State Highway 3. The present population of the Stratford District is approximately 9,000, supported by industries which are dependant on farming and the nearby gas powered electrical generation station. Stratford boasts over 32 hectares of local parks and reserves, in addition to a golf course, small hospital, two primary schools, and one high school. A local race course and show grounds are also established.

5.0 LAND

5.1 SITE DESCRIPTION



5.1.1 Land and contour

The property is gently undulating with a small unnamed watercourse traversing the property west to east in the northern quadrant. Some of the water course is flanked by bush and there is attractive bush pockets in the southern centre of the block. To the east is the Stratford race course with a stand of regenerating native bush separating them.

The property currently benefits from approximately 1.2ha of additional grazing land which is surveyed as Hotspur Street along the western boundary running parallel with mountain Road.

5.1.2 Production Overview

The area is currently being utilised for making hay and silage and dry stock grazing. The location on the fringe of Stratford is likely to see land use intensification at some point away from agriculture.

6.0 RESOURCE MANAGEMENT

6.1 ZONING INFORMATION

Territorial authority	Stratford District
Plan status	Operative
Zone	Rural Residential

Zone description

The Rural Residential zone has been developed to act as a buffer between the built-up urban areas and the surrounding rural locality. Permitted activities include a single residential dwelling and accessory buildings, residential businesses and low intensive farming. Subdivision is allowable as a controlled activity.

Permitted Activities and Development Controls within this Zone include the examples listed below.

Permitted activities

- Residential dwellings (one per Certificate of Title) and accessory buildings
- Residential business
- Marae
- Non-intensive farming

Development controls

- The Stratford District Plan is effects based and allowable uses depend upon the impact of any proposed activity on both the surrounding development and the underlying land.

Comments

The property is currently in 12 titles and 171 lots. Some titles are of consolidated lots. One title appears to be stopped road areas.

Under section 226 of the RMA 1991 a separation certificate could be applied for where all allotments comply and approximately 165 residential parcels could be created. The current arrangement would suggest that a separation certificate is not easy achievable and a new subdivision proposal would be logical. Although the property is in 12 separate parcels they are not arranged for practical sale as separate titles.

6.2 REGIONAL AUTHORITY

Regional authority	Taranaki Regional Council
Plan status	Operative

6.3 RATING VALUATION

6.3.1 Rating valuation

As at 1 September 2017:

Address	Area (ha)	Land Value	Improvements	Capital Value
26 Flint Road, Stratford	19.0400	\$760,000	\$220,000	\$980,000

Rating Valuations are conducted on a mass appraisal basis, generally once every three years, in order to provide a basis to assist territorial authorities to collect revenue through rates. Individual properties are not inspected on a regular basis and changes in the improvements may not be recorded. The rating values are expressed on a Freehold Estate basis, even when the property might be leasehold.

The rating assessment is not indicative of current market value, and we note it represents a slightly different area than identified by the titles.

7.0 IMPROVEMENTS

7.1 OVERVIEW

A dwelling is accessed from Flint Road East approximately 250m east of the intersection with Mountain Road. The house has a basement garage and an upper level living area of approximately 150m². The house is estimated to be built in the 1960's and would have been a substantial homestead at the time with construction of timber weatherboard and corrugated steel roofing. It appears to have been vacant for some time now and would require refurbishment to provide comfortable accommodation. We did not inspect the house internally.

A hayshed constructed of timber poles and framing with 3 sides clad in galvanised steel complete the structural improvements.



See **Appendix B** for additional photographs.

Our valuation has been prepared on the basis of the improvements being located within the site boundaries and constructed strictly in accordance with the recommended practices, and free from any defect; unless otherwise stated within this report.

8.0 MARKET COMMENTARY

8.1 ECONOMIC OVERVIEW

New Zealand’s economy continued to grow over the second half of 2019, albeit at a slower pace. The rate of growth was weighed down by global uncertainty, business pessimism, a soft housing market, credit concerns and late-cycle headwinds. The potential impact of the COVID-19 (coronavirus) outbreak on our economy is uncertain and represents an emerging downside risk which could have a significant impact on some sectors, including tourism, hospitality, and those industries exporting to China. The size and duration of its impact is unknown.

Countering these economic headwinds are current low interest rates, plans for increased Government spending on infrastructure, strengthening housing market performance, and strong labour market conditions with low levels of unemployment. The Reserve Bank’s revised bank capital requirement changes were less onerous than originally anticipated.

The Labour-led coalition is actively changing the housing market’s regulatory environment. Legislation enabling urban development authority-like powers to the recently formed Kainga Ora (formed from HNZC and parts of MBIE and MSD, and Treasury) is continuing to progress through Parliament and is likely to be passed before the election. Under the legislation, Kainga Ora is likely to be given development-enabling powers to override district plan regulations, have powers of compulsory acquisition, and allows it to provide their own infrastructure within a development.

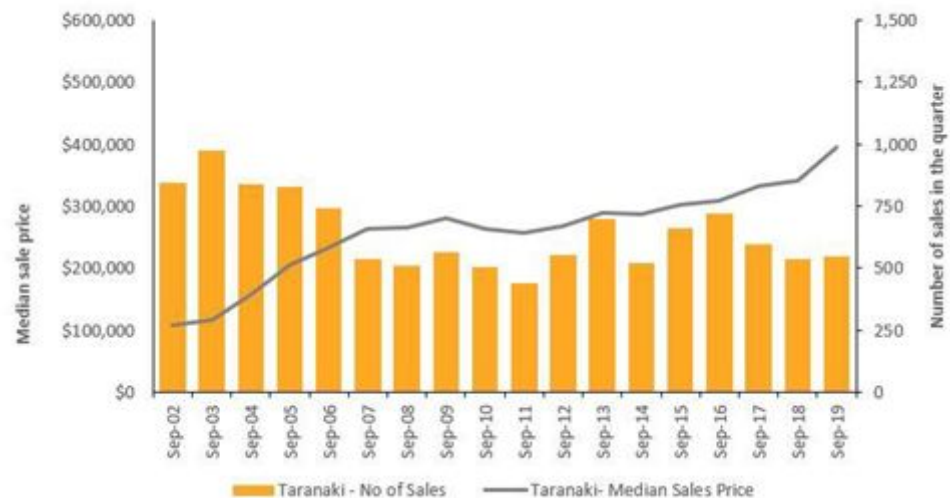
The Government is likely to introduce a “progressive ownership policy” (a shared equity product) to support middle income households into ownership. Indications are they have allocated up to \$400 million in capital for this programme which could be administered on their behalf by Iwi, Kainga Ora, and the community housing sector. The details of the programme have not yet been announced.

They have also announced some major proposed changes to residential tenancy agreements, including limiting the landlord’s ability to end tenancies, vary rents, and increasing the level of maximum fines that can be applied to landlords. These proposed changes may limit future investment in rental properties by landlords.

Housing market demand is also expected to remain strong over the next year. The annual overseas net migration gain totalled 43,800 people in the December 2019 year, which has continued to boost population growth around the country and support growing housing

demand. Strong demand has resulted in higher prices in most markets. In addition to the strong population growth other factors which have supported house price growth include lower mortgage interest rates and the Government’s announcement that they will not introduce a broad capital gains tax. Assuming external factors do not result in a significant slowdown in our economy, the outlook for further house price growth is strong. Economic commentators are predicting house price growth of up to 10% in 2020 before falling to more moderate levels the following year. Forecasts of gradually rising fixed interest rates in the medium term will slow house price growth in the future.

Figure 1: Quarterly residential property sales volumes and median sale prices



8.2 REGIONAL PROPERTY MARKET

Taranaki's regional economy has experienced low steady growth over the last year with regional GDP increasing by 0.9%. Taranaki's economic confidence improved by 4 percentage points over the last quarter while the outlook for employment growth fell by 2 percentage points.

Labour market conditions have also continued to improve with the number of people employed increasing by 5.8% in the 12 months ended December 2019 and the unemployment rate fell from 4.8% in December 2018 to 4.2% in December 2019.

The region's population increased by 1.4% over the last year and is now 7% higher than 2013. The estimated population growth is, in part, a result of net overseas migration to the region which totalled approximately 43,800 nationally in the year ended December 2019.

Ongoing population growth combined with improving local economic conditions have had an impact on the local housing market. The volume of houses being built in New Plymouth and the wider Taranaki Region has recovered from the lows experienced in 2011 and 2012. However, the number of residential building consents totalled 561 in the December 2019 year.

Figure 1 presents the trend in the number of sales and median residential property sale prices. The median sale price was \$429,000 in the December 2019 quarter. The median sale price up 12% over the last 12 months.

Within Central and South Taranaki the residential and lifestyle markets can be described as relatively positive in comparison to previous years. Sale volumes which dipped during 2014/2015 recovered well over the past 3 years. Of particular note are the increasing numbers of out of town buyers from the larger centers who appear to be chasing the relatively lower price properties in the smaller provincial townships. Local agents are reporting a shortage of listings which is limiting supply and placing upward pressure on prices.

Demand for sections in the provincial townships such as Hawera, Stratford, Eltham and Opunake remains stable and balanced by demand. Ample supply of vacant sections and available land for housing development means buyers can be selective. Land that is

contoured and/or has development difficulties (real or perceived) will see discounting and likely to experience longer selling periods.

9.0 SALES EVIDENCE

Kelly Street, Midhirst



Sale date	23 May 2019	A predominantly level parcel of land fronting Kelly Street and Denmark Terrace within the Midhirst township. Mostly zoned Rural with a small lot zoned for residential.
Sale price	\$160,000	
Land area	5185 m ² (more or less)	

635B Beaconsfield Road,



Sale date	9 August 2019	A vacant 1.0 ha lifestyle block situated approximately 5 km north east of Stratford Township.
Sale price	\$190,000	
Land area	1.0712 ha (more or less)	

Flint Road West, Stratford



Sale date	7 June 2019	A near level parcel of land within a popular lifestyle locality a short distance north of Stratford township.
Sale price	\$195,000	
Land area	4089 m ² (more or less)	

208 Pembroke Road, Pembroke



Sale date 25 March 2019
Sale price \$240,000
Land area 1.0262 ha (more or less)

A rear site of predominantly level contour. Well positioned on the northern side of Pembroke with a rear stream boundary.

103 Beaconsfield Road, Midhirst



Sale date 18 March 2019
Sale price \$240,000
Land area 2.2357 ha (more or less)

Situated within close proximity to Midhirst township, an irregular shaped parcel of land that was subdivided off a neighbouring dairy farm including a disused cowshed and a hayshed. Good lifestyle utility.

47 Monmouth Road, Pembroke



Sale date 31 May 2019
Sale price \$430,000
Land area 6.1400 ha (more or less)

Rear rectangular shaped block with access to Monmouth Road. Near level contour with gully running through back end of block.

96 Flint Road, Stratford



Sale date	31 October 2018	A rectangular shaped small rural holding with mostly flat contour but bisected centrally by a small watercourse. Located on the western periphery of Stratford.
Sale price	\$552,000	
Land area	7.0917 ha (more or less)	

439 Turuturu Road, Hawera



Sale date	14 March 2019	An easy contoured block on the northeast outskirts of Hawera. Improvements include a good utility shed and average standard of paddock development, fencing and water supply.
Sale price	\$1,200,000	
Land area	19.1473 ha (more or less)	

9.1 SALES SUMMARY

Address	Sale Price	Area (ha)	\$/ha
47 Monmouth Road	\$430,000	6.14	\$70,033
96 Flint Road	\$552,000	7.09	\$77,837
103 Beaconsfield Road	\$240,000	2.24	\$107,349
635B Beaconsfield Road	\$190,000	1.07	\$177,371
208 Pembroke Road	\$240,000	1.03	\$233,873
Kelly Street	\$160,000	0.52	\$308,582
Flint Road West	\$195,000	0.41	\$476,889
Average	\$286,714	2.64	\$207,419
439 Turuturu Road	\$1,200,000	19.15	\$62,672

The majority of the analysed sales are in a similar locality, with particular focus on urban proximity to Stratford. The average size of these sales is considerably smaller at 2.64 ha, but with a range that is useful to assess the various title sizes of the subject.

Turuturu Road is comparable on a total scale basis and the proximity to Hawera's urban fringe is comparable. The subjects land value/ha is expected to lie between the average of the smaller sales and Turuturu Road.

10.0 VALUATION METHODOLOGY

10.1 HIGHEST AND BEST USE

The Market Value of an asset will reflect its 'highest and best use'. The highest and best use is the use of an asset that maximises its potential and that is possible, legally permissible and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.

In this instance, in our opinion, the highest and best use of the property is for redevelopment as lifestyle properties. The proposal to incorporate the land into a Motorsport and Equestrian Park is viewed as a superior alternative to residential lifestyle given the current presence of the speedway, show grounds and race course.

10.2 VALUATION APPROACHES

To establish the Market Value of the property, we have adopted valuation approaches as per International Valuation Standard 105.

10.2.1 Market approach

The direct comparison approach is the standard approach for valuing rural property in New Zealand. This is considered to be one of the best methods of valuation however unfortunately seldom are any two properties directly comparable due to the differences in:

- Type of Property
- Scale
- Land Characteristics
- Improvements
- Productive Capacity
- Management

Analysis of recent sales is however invaluable in establishing some basic parameters that purchasers are expecting to pay at any given time in the market place, making adjustments to reflect the Market Value of the subject property.

Based on the analysis of the recorded sales we assess the Market Value as follows:

Land		
	18.80 ha @	\$150,000
Total Land Value	\$148,936 /ha	\$2,800,000
Improvements		
Dwelling		\$170,000
Hay Shed		\$10,000
Fencing, water, access		\$20,000
Total Improvements Value	\$10,638 /ha	\$200,000
Market Value	\$159,574 /ha	\$3,000,000

We have assessed the land value at just under \$150,000/ha recognising the multiple titles, but making allowance for the boundary adjustment and surveying required to create saleable titles.

The improvements have added value as a single transaction but only at a limited capacity as reflected in the overall rate of just over \$10,500/ha.

10.3 GST

This valuation is on a plus GST, if any, basis.

10.4 VALUATION

The Market Value can be apportioned as follows:

Land	Improvements	Market Value
\$2,800,000	\$200,000	\$3,000,000

10.5 MORTGAGE RECOMMENDATION

In compliance with requirements of the Australia and New Zealand Valuation and Property Standards, unless an intending lender expressly requests or has a stated policy requirement that such recommendation be provided by the valuer, no specific recommendation has been made as either to the suitability of the property as a lending security or the maximum loan as an amount or percentage of value.

11.0 STATEMENT OF LIMITING CONDITIONS AND VALUATION POLICY

Purpose

This valuation report has been completed for the specific purpose stated. No responsibility is accepted in the event that this report is used for any other purpose.

Responsibility to Third Party

Our responsibility in connection with this valuation is limited to the client to whom the report is addressed and to that client only. We disclaim all responsibility and will accept no liability to any other party without first obtaining the written consent of TelferYoung (Taranaki) Limited and the author of the report. TelferYoung (Taranaki) Limited reserves the right to alter, amend, explain or limit any further information given to any other party.

Reproduction of Report

Neither the whole nor any part of this valuation and report or any reference to it may be included in any published document, circular or statement without first obtaining our written approval of the form and context in which it may appear. Our report is only valid when bearing the Valuer's signature.

Date of Valuation

Unless otherwise stated, the effective date of the valuation is the date of the inspection of the property. This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value.

Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of 3 months from the date of the valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

Legislation

We have not obtained a Land Information Memorandum (LIM) or Property Information Memorandum (PIM) for this property which, unless otherwise stated, is assumed to conform to all requirements of the Resource Management Act 1991, the New Zealand Building Code contained in the First Schedule to the Building Regulations 1992, the Building Act 2004 and any Historic Places Trust registration. Our valuation reports are prepared on the basis that properties comply with all relevant legislation and regulations and that there is no adverse or beneficial information recorded on the Territorial Local Authority (TLA) property file, unless otherwise stated.

Registrations

Unless otherwise stated, our valuation is subject to there being no detrimental or beneficial registrations affecting the value of the property other than those appearing on the title. Such registrations may include Waahi Tapu and Heritage New Zealand registrations.

Reliability of Data

The data and statistical information contained herein was gathered for valuation purposes from reliable sources and is believed to be correct. All reasonable attempts have been made to verify the authenticity of this information but we cannot guarantee its accuracy.

Assumptions

This report contains assumptions believed to be fair and reasonable at the date of valuation. In the event that assumptions are made, based on information relied upon which is later proven to be incorrect, or known by the recipient to be incorrect at the date of reporting, TelferYoung (Taranaki) Limited reserves the right to reconsider the report, and if necessary, reassess values.

GST

The available sources of sales data upon which our valuation is based generally do not specify whether or not the sale was inclusive or exclusive of GST. It is assumed that the available sales data has transacted on a plus GST (if any) basis, which is in accordance with typical industry standard for rural property transactions. Should this interpretation not be correct for any particular sales evidence, we reserve the right to reconsider our valuation.

Land Survey

We have made no survey of the subject property and assume no responsibility in connection with these matters. Unless otherwise stated, the valuation has been assessed conditional upon all improvements being within the title boundaries.

Unless otherwise stated, we have not undertaken investigations or been supplied with geotechnical reports with respect to the nature of the underlying land. Unless otherwise stated, the valuation has been assessed conditional upon the land being firm and suitable ground for the existing and/or potential development, without the need for additional and expensive foundation and retaining work or drainage systems.

Contamination

We have not undertaken an environmental audit of the property. Unless otherwise stated, our valuation and report is conditional upon the land and buildings being unaffected by harmful contaminants or noxious materials which may impact on value. Verification that the property is free from contamination

and has not been affected by noxious materials should be obtained from a suitably qualified environmental expert.

Not a Structural Survey

Our inspection has been undertaken for valuation purposes only, and does not constitute a structural survey. Verification that the building(s) is/are sound should be obtained from a suitably qualified building engineer. If the building(s) is/are found to be unsound, this finding/new information is likely to impact on the value of the property.

Systems

Our valuation has been assessed conditional upon all hot and cold water systems, electric systems, ventilating systems and other devices, fittings, installations or conveniences, including lifts and escalators where appropriate, as are on the property, being in proper working order and functioning for the purposes for which they were designed.

Market Valuations

Market valuations are carried out in accordance with the Valuation Standards and Guidance Notes. Market Value is defined "The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties have each acted knowledgeably, prudently and without compulsion".

No allowances are made in our valuations for any expenses of realisation, or to reflect the balance of any outstanding mortgages either in respect of capital or interest accrued thereon.

Mortgage Recommendation

The Australia and New Zealand Valuation and Property Standards require that, unless specifically requested by a lender, the valuation report should make no specific recommendation as to the suitability of the property as a security or the maximum loan as an amount or percentage of value. The valuation report has however included comment on commonly known, readily ascertainable and/or reasonably foreseeable property-specific and market factors as are relevant to the market value and marketability, to assist in informing the lender.

We note that the valuation provided in this report is our opinion of the market value as at the valuation date, on a willing buyer/willing seller basis, and does not allow for the potential consequences and costs of a forced sale. The value may change in the future because of market conditions and changes to the state of the subject property.

Leases

The interpretation of leases or other contractual agreements referred to in this report is solely the opinion of the author and should not be construed as a legal interpretation. Furthermore, summaries of

contractual agreements which may appear in the report or appendices, are presented for the sole purpose of giving the reader an overview of the salient facts thereof.

Tenancies

Unless specifically requested, we do not make detailed enquiries into the covenant strength of occupational tenants but rely on our judgement of the market perception of them. Unless otherwise advised, our valuation has been assessed subject to the tenant being independent of the owner and capable of meeting all financial obligations under the lease, and that there are no arrears of rent or undisclosed breaches of covenant. Further, our valuation is conditional upon all rents referred to in this report representing the rental arrangement stipulated in the contractual agreements pertaining to the tenant's occupancy, to the extent that such rents have not been prepaid, abated or inflated to reflect extraordinary circumstances, unless such conditions have been identified and noted in this report.

Professional indemnity cover

We have in force at the time of supplying the above valuation, current professional negligence insurance appropriate to the nature and level of our business activities. The Registered Valuer is covered by the policy.

Valuer's statement

This report has been undertaken by Rowan Cambie who has inspected the property externally and internally. The Registered Valuer holds an Annual Practising Certificate.

Please contact the writer should you wish to discuss any matters raised in this report.

Yours faithfully

TelferYoung (Taranaki) Limited



Rowan Cambie - B Agr; MPINZ

Registered Valuer

Director

Email: rowan.cambie@telferyoung.com

APPENDIX

APPENDIX A RECORD OF TITLE



RECORD OF TITLE UNDER LAND TRANSFER ACT 2017 FREEHOLD Historical Search Copy



R.W. Mees
Registrar-General
of Land

Constituted as a Record of Title pursuant to Sections 7 and 12 of the Land Transfer Act 2017 - 12 November 2018

Identifier **TN240/95**
Land Registration District **Taranaki**
Date Issued 24 March 1960

Prior References

TN10/274	TN110/191	TN120/50
TN132/186	TN133/137	TN133/171
TN136/13	TN137/160	TN137/161
TN140/178	TN152/256	TN160/11
TN216/92	TN223/76	TN223/77
TN233/6	TN234/57	TN234/58
TN38/112	TN41/146	TN6/203
TN6/260	TN6/49	TN6/52
TN6/72	TN6/74	TN63/285
TN7/222	TN7/63	TN8/146

Estate Fee Simple
Area 12.5655 hectares more or less

Legal Description Lot 1-9, Lot 11-20, Lot 22, Lot 46-67, Lot 91-99, Lot 101-107, Lot 109, Lot 111, Lot 134-140, Lot 142-144, Lot 146-152, Lot 154, Lot 177-195, Lot 219-238, Lot 261-275, Lot 277, Lot 279-280, Lot 303-315, Lot 318 and Lot 320-322
Deposited Plan 31

Original Registered Owners
Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills

Interests

- Lots 1 to 9 (both inclusive) 11 to 20 (both inclusive) 22, 91, 92, 134, 135, 177, 219, 261 and 303 DP 31 are the only lots abovescribed having frontage to a public street
- 471068.2 Mortgage to Thomson O'Neill & Co Solicitors Nominee Company Limited - 8.6.2000 at 12:00 pm
- 10442611.1 Departmental dealing correcting the legal description by removing Lot 60 and 66 Deposited Plan 31 - 23.5.2016 at 7:00 am
- 11498590.1 Discharge of Mortgage 471068.2 - 23.7.2019 at 9:32 am

Identifier **TN240/95**

REGISTER
No. 240 Date 95
NEW ZEALAND
No. 240 Date 95

CERTIFICATE OF TITLE UNDER LAND TRANSFER ACT

This Certificate, dated this 24th day of March 1960, is issued under the authority of the Registrar-General of Land in accordance with the provisions of the Land Transfer Act 1952, in respect of the land described in the Schedule hereunder, and in accordance with the provisions of the Land Transfer Act 1952, in respect of the land described in the Schedule hereunder.

In witness whereof I have hereunto set my hand and the seal of the Registrar-General of Land at Wellington, this 24th day of March 1960.

R. W. Mees
Registrar-General of Land

Notes 1 to 9 (both inclusive) 11 to 20 (both inclusive) 22, 91, 92, 134, 135, 177, 219, 261 and 303 DP 31 are the only lots abovescribed having frontage to a public street

471068.2 Mortgage to Thomson O'Neill & Co Solicitors Nominee Company Limited - 8.6.2000 at 12:00 pm

10442611.1 Departmental dealing correcting the legal description by removing Lot 60 and 66 Deposited Plan 31 - 23.5.2016 at 7:00 am

11498590.1 Discharge of Mortgage 471068.2 - 23.7.2019 at 9:32 am



Identifier TN240/95



**RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD
Historical Search Copy**



H.W. Meier
Registrar-General
of Land

Constituted as a Record of Title pursuant to Sections 7 and 12 of the Land Transfer Act 2017 - 12 November 2018

Identifier **TND3/671**
Land Registration District **Taranaki**
Date Issued 30 October 1975

Prior References
TN6/164

Estate Fee Simple
Area 506 square metres more or less
Legal Description Lot 10 Deposited Plan 31

Original Registered Owners
Brian Andrew Lilley, Robert John Mills and Ross Arthur Lilley

Interests

471068.2 Mortgage to Thomson O'Neil & Co Solicitors Nominee Company Limited - 8.6.2000 at 12:00 pm
11498590.1 Discharge of Mortgage 471068.2 - 23.7.2019 at 9:32 am

Identifier **TND3/671**

Register No. **03/671**

File/Sheet Plan C/T 6/164
Transfer No. 226670
N.C. Order No.

REGISTER

CERTIFICATE OF TITLE UNDER LAND TRANSFER ACT

This Certificate dated the 30th day of October one thousand nine hundred and seventy-two under the seal of the District Land Registrar of the Land Registration District of TARANAKI

WITNESSETH that ARTHUR LILLEY of Stratford Farmer

In virtue of an estate in fee-simple (subject to such reservations, restrictions, encumbrances, liens, and covenants as are specified by marginal underlines or endorsed hereon) in the land hereinafter described, delineated with bold black lines on the plan hereon, he the several measurements a little more or less, that is to say: All that parcel of land containing 200 square metres more or less situate in the Borough of Stratford being all that deposited plan 41 being part Section 8 Block 4 Square Survey District

Transmission 265932.1 to The Public Trustee - 13.12.1979 at 9.18 0'0
A.L.R.

471068.1 Transfer to Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills

471068.2 Mortgage to Thomson O'Neil & Co Solicitors Nominee Company Limited all 8.6.2000 at 12.00

Measurements are Metres

10 500m²

HOTSPUR STREET

03/671

Transaction ID Historical Search Copy Dated 4/02/20 3:49 pm, Page 2 of 2
Close Reference arbertson009

RECORD OF TITLE UNDER LAND TRANSFER ACT 2017 FREEHOLD Historical Search Copy

Constituted as a Record of Title pursuant to Sections 7 and 12 of the Land Transfer Act 2017 - 12 November 2018

Identifier **TNBI/583**
Land Registration District **Taranaki**
Date Issued 07 June 1967

Prior References
TNA2/172

Estate Fee Simple
Area 5.0199 hectares more or less
Legal Description Lot 1-4 Deposited Plan 9499

Original Registered Owners
Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills

Interests
Subject to rights of way implied by Section 168 of The Land Transfer Act 1952
471068.2 Mortgage to Thomson O'Neil & Co Solicitors Nominee Company Limited - 8.6.2000 at 12.00 pm
11498590.1 Discharge of Mortgage 471068.2 - 23.7.2019 at 9:32 am

Transaction ID Historical Search Copy Dated 4/02/20 3:50 pm, Page 1 of 1
Close Reference arbertson009

9

Identifier **TNBI/583**

Reference Price C/T. A2/172
Transfer No. 194992
N/G. Order No.

Land and Deeds 69
REGISTER
No. B1/583

CERTIFICATE OF TITLE UNDER LAND TRANSFER ACT

Esse Certificate dated the 7th day of June one thousand nine hundred and sixty seven under the seal of the District Land Registrar of the Land Registration District of **TARANAKI**

WITNESSETH that **ARTHUR LILLEY** of Stratford farmer —

In shew of an estate in fee simple (subject to such reservations, restrictions, encumbrances, lease and incumbrances as are notified by marginal underwriting or endorsed hereon) in the land hereinafter described, delineated with bold black lines on the plan hereon, to the several allotments a title more or less, that is to say: All that parcel of land containing 12 acres 1 rood and 26.7 perches more or less situate in the Borough of STRATFORD being Lots 1, 2, 3 and 4 on Deposited Plan 9479 and being part sections 2, 2 and 10 Block 1 Ngaere Survey District

Assistant Land Registrar
Subject to Rights of Way implied by Section 168 of The Land Transfer Act 1952.
Transmission 265932.1st to The Public Trustee - 13.12.1979 at 9.18 o'clock
A.L.R.
471068.1 Transfer to Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills
A.L.R.
471068.2 Mortgage to Thomson O'Neill & Co Solicitors Nominee Company Limited
all 8.6.2000 at 12.00
A.L.R.

Scale: 1 inch = 4 chains.
Total Area: 12.1267
EQUIVALENT METRIC AREA IS 52.5177

Transaction ID
Client Reference arbertson009
Historical Search Copy Dated 4/02/20 3:50 pm. Page 2 of 3

Identifier **TNBI/583**

81/083

Transaction ID
Client Reference arbertson009
Historical Search Copy Dated 4/02/20 3:50 pm. Page 3 of 3



**RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD
Historical Search Copy**



R.W. Meier
Registrar-General
of Land

Constituted as a Record of Title pursuant to Sections 7 and 12 of the Land Transfer Act 2017 - 12 November 2018

Identifier **TNE4/1217**
Land Registration District **Taranaki**
Date Issued 13 December 1979

Prior References
TN6/50

Estate Fee Simple
Area 2024 square metres more or less
Legal Description Lot 316-317 Deposited Plan 31

Original Registered Owners
Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills

Interests
471068.2 Mortgage to Thomson O'Neil & Co Solicitors Nominee Company Limited - 8.6.2000 at 12:00 pm
11498590.1 Discharge of Mortgage 471068.2 - 23.7.2019 at 9:32 am

Identifier **TNE4/1217**

Reference Price CT 6/50
Transfer No. N.C. Order No-265952.2

Land and Death 19
REGISTER
12/17

CERTIFICATE OF TITLE UNDER LAND TRANSFER ACT

Eye Witness dated the 13th day of December 1979 and showed one hundred and seventy-eight under the seal of the District Land Registrar of the Land Registration District of TARANAKI

WITNESSETH that THE ABOVE REGISTERED

is made of an estate in fee-simple (subject to such reservations, incumbrances, liens, and interests as are specified by general references or endorsed hereon) in the land hereinafter described, calculated with bold black lines on the plan hereon, be the several abovementioned a like more or less, that is to say: All that parcel of land containing 2024 square metres more or less situate in the Borough of Stratford being lots 316 and 317 on Deposited Plan 31 being part Section 20 Block 1 Otago District

Assistant Land Registrar
TARANAKI DISTRICT LAND REGISTRAR
DANIEL J. WHELAN

471068.1 Transfer to Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills
471068.2 Mortgage to Thomson O'Neil & Co Solicitors Nominee Company Limited all 8.6.2000 at 12.00

12/17
E E
316
1012m²
317
1012m²
Total Area 2024m²
Measurements by Metre

Register under the L. & C. Act, 19, 19

9



**RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD**
Historical Search Copy



R.W. Meier
Registrar-General
of Land

Constituted as a Record of Title pursuant to Sections 7 and 12 of the Land Transfer Act 2017 - 12 November 2018

Identifier **TND4/1150**
Land Registration District **Taranaki**
Date Issued 17 September 1976

Prior References
TN6/24

Estate Fee Simple
Area 506 square metres more or less
Legal Description Lot 196 Deposited Plan 31

Original Registered Owners
Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills

Interests

The within land has no frontage to a legal road.
471068.2 Mortgage to Thomson O'Neil & Co Solicitors Nominee Company Limited - 8.6.2000 at 12.00 pm
11498590.1 Discharge of Mortgage 471068.2 - 23.7.2019 at 9:32 am

Identifier **TND4/1150**

Register
CERTIFICATE OF TITLE UNDER LAND TRANSFER ACT

REGISTRATION NO. 231140
N.C. DIST. NO.

WITNESSETH that **BRIAN LILLEY** of Stratford farmer

The within land is 5700 sqm of September and showed more bounded and surveyed as to the whole of the District Land Register of the Land Register Office of 2022/10/2

WITNESSETH that **BRIAN LILLEY** of Stratford farmer

The within land has no frontage to a legal road

471068.1 Transfer to Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills
Transmission 269932.1 to The Public Trustee - 13.12.1979 at 9.40 a.m.

471068.2 Mortgage to Thomson O'Neil & Co Solicitors Nominee Company Limited all 8.6.2000 at 12.00

196
506m²

Measurements are Metric



**RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD
Historical Search Copy**



H.W. Meier
Registrar-General
of Land

Constituted as a Record of Title pursuant to Sections 7 and 12 of the Land Transfer Act 2017 - 12 November 2018

Identifier **TNE4/1220**
Land Registration District **Taranaki**
Date Issued 13 December 1979

Prior References
TN36/170

Estate Fee Simple
Area 1012 square metres more or less
Legal Description Lot 278 Deposited Plan 31

Original Registered Owners
Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills

Interests
471068.2 Mortgage to Thomson O'Neil & Co Solicitors Nominee Company Limited - 8.6.2000 at 12.00 pm
11498590.1 Discharge of Mortgage 471068.2 - 23.7.2019 at 9:32 am

Identifier **TNE4/1220**

Reference Price C/T 36/170
Transfer No. MC. Order No. 265952-2

Land and Deeds 99
REGISTER
No. E4 / 1220

CERTIFICATE OF TITLE UNDER LAND TRANSFER ACT

This Certificate dated the 13th day of December one thousand nine hundred and seventy-nine under the seal of the District Land Registrar of the Land Registration District of TARANAKI
WITNESSETH that THE PUBLIC TRUSTEE

in stead of an estate in fee simple (subject to such reservations, restrictions, covenants, leases, and interests as are certified by memorial subdivisions or enclosed leases) in the land hereinafter described, delineated with bold black lines on the plan hereon, by the several admeasurement a little more or less, that is to say: All that parcel of land containing 1012 square metres more or less situate in the Borough of Stratford being Lot 278 on Deposited Plan 31 being part Section 9 Block 1 Deane Survey District

Assistant Land Registrar
TARANAKI N.Z.

471068.1 Transfer to Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills
471068.2 Mortgage to Thomson O'Neil & Co Solicitors Nominee Company Limited all 8.6.2000 at 12.00

Measurements are Metres

278
1012m²

Measurements are Metres

Register under No. 1, 4, 5, 26, 29, 30



**RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD**
Historical Search Copy



R.W. Meier
Registrar-General
of Land

Constituted as a Record of Title pursuant to Sections 7 and 12 of the Land Transfer Act 2017 - 12 November 2018

Identifier **TNE4/1222**
Land Registration District **Taranaki**
Date Issued 13 December 1979

Prior References
TN60/225

Estate Fee Simple
Area 1012 square metres more or less
Legal Description Lot 100 Deposited Plan 31

Original Registered Owners
Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills

Interests
471068.2 Mortgage to Thomson O'Neil & Co Solicitors Nominee Company Limited - 8.6.2000 at 12.00 pm
11498590.1 Discharge of Mortgage 471068.2 - 23.7.2019 at 9:32 am

Identifier **TNE4/1222**

Form CT 60/225
Transfer No. N.C. Order No. 263932.2

REGISTER

CERTIFICATE OF TITLE UNDER LAND TRANSFER ACT

This Certificate dated the 13th day of December 1979 was forwarded here bound and seventy-ninth under the seal of the District Land Registrar of the Land Registration District of TARANAKI

WITNESSETH that THE PUBLIC TRUSTEE

A record of an estate in fee simple (subject to such reservations, restrictions, encumbrances, liens, and interests as are notified by material underlines or entered below) in the land hereinafter described, delineated with bold black lines on the plan hereto, be the lawful abode of the estate a like more or less, (that is to say) All that parcel of land containing **1012 SQUARE METRES MORE OR LESS** situate in the Borough of Stratford being **LOT 100 DEPOSITED PLAN 31** being part Section 8 Block 1 Esplanade Survey District

Assistant Land Registrar
TARANAKI D.L. REGISTER

471068.1 Transfer to Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills

471068.2 Mortgage to Thomson O'Neil & Co Solicitors Nominee Company Limited all 8.6.2000 at 12.00

Measurements in Metres

100
1012 m²

Register copy for L & O. 01. 11. 19

9



**RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD
Historical Search Copy**



R.W. Meier
Registrar-General
of Land

Constituted as a Record of Title pursuant to Sections 7 and 12 of the Land Transfer Act 2017 - 12 November 2018

Identifier **TNA2/577**
Land Registration District **Taranaki**
Date Issued 29 October 1964

Prior References
TN6/27

Estate Fee Simple
Area 1518 square metres more or less
Legal Description Lot 60 and Lot 141 Deposited Plan 31

Original Registered Owners
Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills

Interests

Fee access to a public street see Certificate of Title TN240/95
471068.2 Mortgage to Thomson O'Neil & Co Solicitors Nominee Company Limited - 8.6.2000 at 12.00 pm
11498590.1 Discharge of Mortgage 471068.2 - 23.7.2019 at 9:32 am

Identifier **TNA2/577**

Reference: Plan G/T. 6/27
Transfer No. 137656
N/C. Order No.

Land and Title REGISTER
No. A2/577

CERTIFICATE OF TITLE UNDER LAND TRANSFER ACT

This Certificate dated the 29th day of October one thousand nine hundred and sixty four under the act of the District Land Registrar of the Land Registration District of TARANAKI

WITNESSETH our **ARTHUR LILLEY** of Stratford, Farmer

is a piece of an estate in fee-simple (subject to such reservations, restrictions, encumbrances, liens, and incumbrances as are notified by marginal underlines or endorsed hereon) in the land hereunder described, approved with said blank lines on the plan heron, be the several advertisements a title same or less, that is to say: AS ONE PARCEL OF LAND CONTAINING TOGETHER 1 ROAD AND 20 PARCELS MORE OR LESS SITUATE IN THE BOROUGH OF STRATFORD BEING LOTS 60 AND 141 AS SHOWN IN DEPOSITED PLAN 31 AND BEING MORE OR LESS AS SHOWN IN DEPOSITED PLAN 31

For access to a public street see Certificate of Title TN240/95

Mortgage 142260 to the Public Trustee - produced 9.11.60 at 10.40 o'clock

101658 Notice of Marriage of Rena Jean Huxwick the Mortgage under Mortgage 142260 to the Public Trustee - produced 9.11.60 at 10.40 o'clock

Transmission 243952.1 to the Public Trustee - 13.12.1979 at 9.10 o'clock

471068.1 Transfer to Brian Andrew Lilley, Ross Arthur Lilley and Robert John Mills

471068.2 Mortgage to Thomson O'Neil & Co Solicitors Nominee Company Limited all 8.6.2000 at 12.00

9911

60
200p

141
0.1.00

Total Area: 0.1.20
Scale: 1 inch = 1 chain



Transaction ID
Client Reference arbertson009

Historical Search Copy Dated 4/02/20 4:24 pm, Page 3 of 3

APPENDIX B ADDITIONAL PHOTOGRAPHS



NATIONWIDE

NATIONAL OFFICE

TelferYoung Limited
Level 5, 55 Shortland Street
PO Box 105553, Auckland City 1143

TelferYoung (Northland) Limited

17 Hatea Drive
PO Box 1093, Whangarei 0140
Email: northland@telferyoung.com
Telephone: +64 9 438 9599

TelferYoung (Auckland) Limited

Level 7, 52 Swanson Street
PO Box 5533, Auckland 1141
Email: auckland@telferyoung.com
Telephone: +64 9 379 8956
218 Lake Road, Northcote
PO Box 36030, North Shore City 0748
Email: northshore@telferyoung.com
Telephone: +64 9 480 2330

TelferYoung (Waikato) Limited

7 London Street
PO Box 616, Waikato Mail Centre, Hamilton 3240
Email: waikato@telferyoung.com
Telephone: +64 7 839 2030
+64 7 871 5032 (Te Awamutu)
+64 7 889 5990 (Morrinsville)
+64 7 827 2030 (Cambridge)

TelferYoung (Tauranga) Limited

Level 2, 49-51 The Strand
PO Box 455, Tauranga 3144
Email: tauranga@telferyoung.com
Telephone: +64 7 578 4675

TelferYoung (Rotorua) Limited

81 Jellicoe Street, Te Puke 3119
Email: tauranga@telferyoung.com
Telephone: +64 7 573 8220

TelferYoung (Rotorua) Limited

1243 Ranolf Street
PO Box 2121, Rotorua 3040
Email: rotorua@telferyoung.com
Telephone: +64 7 348 1059

TelferYoung (Taranaki) Limited

143 Powderham Street
PO Box 713, New Plymouth 4340
Email: taranaki@telferyoung.com
Telephone: +64 6 757 5753

TelferYoung (Hawkes Bay) Limited

25 Pandora Road
PO Box 572, Napier 4140
Email: hawkesbay@telferyoung.com
Telephone: +64 6 835 6179

TelferYoung (Hawkes Bay) Limited

7 Gladstone Road, Gisborne 4010
Email: hawkesbay@telferyoung.com
Telephone: +64 6 868 8596

TelferYoung (Wellington) Limited

Level 4, 94 Dixon Street, Wellington 6011
Email: wellington@telferyoung.com
Telephone: +64 4 472 3683

TelferYoung (Nelson Marlborough) Limited

Level 3, 105 Trafalgar Street
PO Box 621, Nelson 7040
Email: nelson@telferyoung.com
Telephone: +64 3 546 9600

TelferYoung (Nelson Marlborough) Limited

Level 1, Youell House
1 Hutcheson Street
Blenheim 7201
Email: nelson@telferyoung.com
Telephone: +64 3 577 6060

TelferYoung (Canterbury) Limited

Level 1, 58 Armagh Street
PO Box 2532, Christchurch 8140
Email: canterbury@telferyoung.com
Telephone: +64 3 379 7960

TelferYoung (Canterbury) Limited

17 Dee Street
Timaru 7910
Email: canterbury@telferyoung.com
Telephone: +64 3 687 1220

TelferYoung (Canterbury) Limited

Level 1, 130A Percival Street
PO Box 138, Rangiora 7440
Email: rangiora@telferyoung.com
Telephone: +64 3 313 5355

TelferYoung (Otago) Limited

Level 3, 8 The Octagon
PO Box 497, Dunedin 9054
Email: otago@telferyoung.com
Telephone: +64 3 477 5796

TelferYoung (Southland) Limited

135 Spey Street
PO Box 370, Invercargill 9840
Email: southland@telferyoung.com
Telephone: +64 3 218 4299
23 Medway Street
PO Box 334, Gore 9740
Email: southland@telferyoung.com

New Plymouth

PO Box 146, New Plymouth 4340
109-113 Powderham Street
New Plymouth 4310, New Zealand
T: + 64 6 757 3155
E: newplymouth@bakertillysr.nz

Stratford

PO Box 82, Stratford 4352
78 Miranda Street
Stratford 4352, New Zealand
T: + 64 6 765 6949
E: stratford@bakertillysr.nz

20 July 2020

Stratford A & P Association
PO Box 309
STRATFORD 4352

Dear committee

Introduction

Please find enclosed the budget for the purchase of the neighbouring Lilley property. It has been prepared using a system called "Figured" that links to your Xero software. This will enable us to track actual results against this budget in the future.

The proposal

The attached budget includes a cashflow, profit & loss and balance sheet, for the proposed purchase of just under 66 hectares of land adjacent to the existing Stratford A & P land holding.

The budget represents the cashflow generated from "holding" the property whilst actual development of the proposed facility of determined.

The budget uses the Stratford A & P balance date of 31st December in its calculations. The purchase date for the property is assumed to be 15th January 2021.

The base assumption assumes 100% loan funding from the Stratford District Council. The budget is prepared on a conservative basis, both in production levels and, also assuming the Stratford A & P does not access any free goods or services via sponsorship arrangement.

Land

The land is in two parcels, one of 44.81 hectares on the north side of Flint Road and one of 18.85 hectares.

The land has previously been operated as a dairy farm and includes two houses and a cowshed that is currently non-operational.

The budget is prepared on the assumption the land is operated as dry stock and supplement producing block.

The farm has a good water supply, is fenced into several large paddocks and has a good series of hedging and trees providing shelter.

Total effective area is 57 hectares or 140 acres. No additional fencing is required post purchase.

9

Costs

Plant & Equipment

The expectation is that the farm will be operated as a drystock and supplement producing farm. As such equipment will be kept at a minimum but will include;

Tractor with silage grabs, forks and bucket 80-100 horsepower, 4 wheel drive,	\$40,000
Gator, 4 wheel drive	\$8,000
Topper	\$3,000
Sundry plant, fencing gear, etc	\$5,000
Total	\$56,000

Whilst the above costs have been included in the budget the expectation is that sponsorship agreements can be entered into with local businesses to provide the majority at little or no cost. Additionally it is expected that the vehicles will be part of the standard Stratford A & P fleet and available for other duties on the existing A & P land.

Labour

The land will be operated as:

April to July – winter grazing
 July to March – supplement production.

The labour during supplement production will be minimal however for the winter grazing it is expected that labour of 3-4 hours per day will be required for paddock rotation, animal health and repairs.

Accordingly the budget includes the following labour costs

April to July - \$25 per hour for 4 hours per day for 16 week \$11,200

July to March - 10 hours per week	\$9,000
Total	\$20,200

Note; an additional 2 weeks either side of the standard winter grazing period has been allowed for in order to prepare the farm for and the restore the farm from winter grazing after it has been completed.

Supervision will be carried out by Stratford A & P members and working bees will be held for one off development work, if required.

Fertiliser

Fertiliser is expected at average cost \$300 per hectare which will allow for a coverage rate of .75 tonne per hectare. At this stage a soil test has not been carried out and a consultant will be engaged to determine the best mix required given the significant reliance on supplement production.

Total cost will be	\$17,100
--------------------	----------

Other operating costs

There is no expectation that significant work will be carried out on the farm whilst it is a "holding period". Any development is expected to be related to facility development and so will be carried out and funded under the relevant facility user's direction.

However, allowance has been made for annual costs

Machinery	\$5,000
Fencing and water supply	\$5,000
Hedges (every 3 years)	\$5,000
Insurance (vehicles and public liability)	\$3,000
Power	\$2,500
Total	\$20,500

Income

The income will be derived from:

Baleage

Two crops of silage will be made, late October and February it is estimated that around 16.5 bales per acre can be achieved annually (2,310 bales), therefore 1,155 bales per cut. This (in conjunction with winter grazing requirements) relates to a total dry matter production of 8,078 kgs per hectare.

The current Stratford demonstration farm achieves 14,000kgs per hectare. Every thousand kgs increase in dry matter creates an additional 500 bales.

Assuming a conservative estimated cost of \$40 per bale the total cost per annum to produce 2,310 bales would be \$92,400.

Of the silage bales produced it is estimated that 160 will be required for winter grazing (see below) leaving 2,150 bales for sale that @ \$90 per bale will generate \$193,500 of income.

The Stratford A&P will look to contracting sales to local farmers in advance or bulk sales to contractors/suppliers.\

Net return on sileage will be \$101,100.

Additional cost savings could be made if on farm equipment is used rather than contractors, however in the short term further investment in machinery is not contemplated so contractors will be used.

This will also foster the relationship with local contractors in line with Stratford A & P strategy.

If production can be increased to the following dry matter production rates the additional income generated is as follows.

D/M per hectare	Additonal Bales	Additional Income
14,000	2,250.30	112,514.92
13,000	1,870.30	93,514.92
12,000	1,490.30	74,514.92
11,000	1,110.30	55,514.92
10,000	730.30	36,514.92
9,000	350.30	17,514.92
8,078	-	-

Winter Grazing

Winter grazing will be carried out at a stocking rate of 2.8 cows per hectare, for a period of 9.5 weeks, this allows for a total of 160 cows. And at a standard rate of \$4.30 per day for 10 weeks generates \$48,160 of revenue.

Additional feed will be supplied at a rate of 2 bales per day a ratio of 1 bale per 80 head, utilising an estimated 160 bales.

House Rent

There are two houses on the farm of varying quality.

House 1 – main dwelling – est. rental \$275 per week	14,300
House 2 – secondary dwelling - est. rental \$200 per week	10,400
Total rental	\$24,700

Costs associated for this are expected to be based around cleaning, and light repairs, a full house assessment will need to be carried out for compliance to Tenancy Act. Rental is potentially lower than market rent to allow for vacant periods.

Hold over Cows

The Stratford A & P will also purchase and graze hold over cows for autumn calving.

A total of 25 head will be purchased at an estimated cost of \$870 per head, When sold in calf they are expected to fetch \$1960 per head, a total net gain of \$27,250.

Funding

It is envisaged that the entire property purchase of \$7,180,000 will be funded under arrangement with the Stratford District Council and or the Taranaki Electricity Trust.

Ideally funding would be provided in the form of grants or shared ownership. However, in this cashflow it is assumed that, borrowings have been allowed for at the full purchase price.

Total interest is therefore @ an indicated rate of 1.75%	\$125,650
--	-----------

No allowance has been made for principle repayments.

Primarily because the Stratford A & P strategy is to apply any surplus cash into potential development of the property first, so that it gives priority to establishing additional revenue streams and community facilities first.

Funding for operating assets and initial working capital cashflow will be supplied by the Stratford A & P and this is expected to be around \$50,000.

Tax and Rates

The Stratford A & P is a charity and accordingly no allowance has been made for Income Tax.

Additionally the Stratford A & P will be seeking rates relief from the council in recognition of the charitable and community significance of this project.

Analysis

The objective of the budget was to confirm that should the proposed development on the land be delayed or postponed, for any period of time, the costs of holding the farm could be covered by income generated.

Cashflow

Ideally a development time frame for the land would be no more than 3 years. However, the budget covers a 10 year period to allow for an extended time frame.

The budget shows a cash surplus for the first 3 years of \$44,372. Over 10 years this is \$197,415.

The major viability factor in the budget is the interest rate used in the calculation. Currently the assumption is 100% loan funded.

Equity

The table below determines the *Equity required to maintain the above cash surpluses* should the interest rate increase.

	Equity Required
1.75%	-
2.25%	1,595,556
2.75%	2,610,909
3.25%	3,313,846
3.75%	3,829,333
4.25%	4,223,529
4.75%	4,534,737
5.25%	4,786,667
5.75%	4,994,783

Income

Within the budget there are areas for increased income should actual operations be more efficient than originally anticipated.

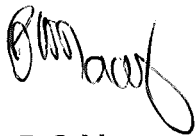
The additional net income generated by increased production should the farm be able to be lived to Stratford Demonstration Farm production levels (14,000kgs) is significant.

D/M per hectare	Additonal Bales	Additional Income
14,000	2,250.30	112,514.92
13,000	1,870.30	93,514.92
12,000	1,490.30	74,514.92
11,000	1,110.30	55,514.92
10,000	730.30	36,514.92
9,000	350.30	17,514.92
8,078	-	-

Given the above factors the budget prepared is a prudent one and shows the operation of the farm under normal sustainable levels.

Yours sincerely

BAKER TILLY STAPLES RODWAY TARANAKI LIMITED



P C Macey

Enclosure

Stratford A & P Association (Inc)
Statement of Disclaimer
For the Period 1 January 2021 to 31 December 2030

We have compiled the financial forecast of Stratford A & P Association (Inc) for the period 1 June 2020 to 31 March 2030, as set out on pages attached.

This forecast has been prepared for Stratford A & P Association (Inc) and may not be appropriate for other users' purposes.

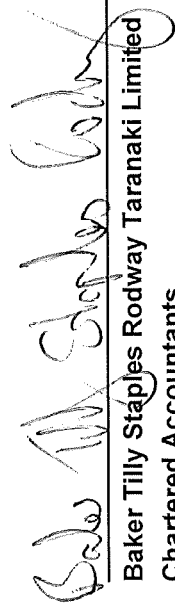
This forecast is solely for the purchase of the "Lilley" land and does not include any other transaction.

A compilation is limited primarily to the collection, classification and summarisation of financial information supplied by the client. In particular, the forecast has been prepared on the basis of best estimate assumptions made by our client and set out on the attached page. A compilation does not involve verification of that information or the assumptions.

We accordingly do not express any opinion on the financial forecast and neither we nor any of our employees accept any responsibility for the accuracy of the information from which the forecast has been prepared.

Readers are cautioned that prospective financial information is inherently uncertain in nature and that actual results achieved for the period are likely to be different from the forecast since anticipated events frequently do not occur as expected. The variations may be material.

The financial forecast has been prepared at the request of and for the purpose of the clients only and neither we nor any of our employees accept any responsibility on any ground whatever, including liability in negligence, to any other person.



Baker Tilly Staples Rodway Taranaki Limited
Chartered Accountants

20 July 2020

Profit & Loss

Stratford A & P Association
 Lilley Budget 12 July 2021 from 2021 to 2030
 Created by philip.macey@bakertillys.nz



	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Income										
Other Income										
Grazing - Carry Over-Cows	-	27,250	27,250	27,250	27,250	27,250	27,250	27,250	27,250	27,250
Sale of Silage	101,100	101,100	101,100	101,100	101,100	101,100	101,100	101,100	101,100	101,100
Grazing - Winter	48,160	48,160	48,160	48,160	48,160	48,160	48,160	48,160	48,160	48,160
Rent on Dwellings	24,700	24,700	24,700	24,700	24,700	24,700	24,700	24,700	24,700	24,700
Total Other Income	173,960	201,210	201,210	201,210	201,210	201,210	201,210	201,210	201,210	201,210
Gross Profit	173,960	201,210	201,210	201,210	201,210	201,210	201,210	201,210	201,210	201,210
Operating Expenses										
Repairs and Maintenance										
Repairs and Maintenance - Machinery Costs	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Repairs and maintenance - scenario use only	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Repairs and Maintenance - Hedge Mulching	5,000	-	-	5,000	-	-	5,000	-	-	5,000
Total Repairs and Maintenance	15,000	10,000	10,000	15,000	10,000	10,000	15,000	10,000	10,000	15,000
Insurance										
Insurance	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Insurance - Public Liability	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Total Insurance	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Fertiliser	15,211	15,211	15,211	15,211	15,211	15,211	15,211	15,211	15,211	15,211
Wages	15,150	20,200	20,200	20,200	20,200	20,200	20,200	20,200	20,200	20,200
Consulting	1,500	-	1,500	-	1,500	-	1,500	-	1,500	-
Electricity - Farm	1,875	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Total Operating Expenses	51,736	50,911	52,411	55,911	52,411	50,911	57,411	50,911	52,411	55,911
Operating Surplus	122,224	150,299	148,799	145,299	148,799	150,299	143,799	150,299	148,799	145,299
EBITDAR	122,224	150,299	148,799	145,299	148,799	150,299	143,799	150,299	148,799	145,299

Cash Flow

Stratford A & P Association
 Lilley Budget 12 July 2021 from 2021 to 2030
 Created by philip.macey@bakertillys.nz



	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Income										
Other Income										
Grazing - Carry Over Cows	-	27,250	27,250	27,250	27,250	27,250	27,250	27,250	27,250	27,250
Sale of Stiage	101,100	101,100	101,100	101,100	101,100	101,100	101,100	101,100	101,100	101,100
Grazing - Winter	48,160	48,160	48,160	48,160	48,160	48,160	48,160	48,160	48,160	48,160
Rent on Dwellings	24,700	24,700	24,700	24,700	24,700	24,700	24,700	24,700	24,700	24,700
Total Other Income	173,960	201,210	201,210	201,210	201,210	201,210	201,210	201,210	201,210	201,210
Gross Profit	173,960	201,210	201,210	201,210	201,210	201,210	201,210	201,210	201,210	201,210
Operating Expenses										
Repairs and Maintenance										
Repairs and Maintenance - Machinery Costs	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Repairs and maintenance - scenario use only	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Repairs and Maintenance - Hedge Mulching	5,000	-	-	5,000	-	-	5,000	-	-	5,000
Total Repairs and Maintenance	15,000	10,000	10,000	15,000	10,000	10,000	15,000	10,000	10,000	15,000
Insurance										
Insurance	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Insurance - Public Liability	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Total Insurance	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Fertiliser	15,211	15,211	15,211	15,211	15,211	15,211	15,211	15,211	15,211	15,211
Wages	15,150	20,200	20,200	20,200	20,200	20,200	20,200	20,200	20,200	20,200
Consulting	1,500	-	1,500	-	1,500	-	1,500	-	1,500	-
Electricity - Farm	1,875	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Total Operating Expenses	51,736	50,911	52,411	55,911	52,411	50,911	57,411	50,911	52,411	55,911
Operating Surplus	122,224	150,299	148,799	145,299	148,799	150,299	143,799	150,299	148,799	145,299
Interest										

2020 - Agenda - Audit & Risk - October - Decision Report - On-Lending \$7,180,000 For Land Aquisition

Funding of Lilley Land Interest Payments	125,650	125,650	125,650	125,650	125,650	125,650	125,650	125,650	125,650	125,650	125,650	125,650	125,650	125,650	125,650
Total Interest	125,650	125,650	125,650	125,650	125,650	125,650	125,650	125,650	125,650	125,650	125,650	125,650	125,650	125,650	125,650
Total Cash Surplus	(3,426)	24,649	23,149	19,649	23,149	24,649	18,149	24,649	24,649	24,649	23,149	23,149	23,149	23,149	19,649
✓ Non Operating Movements															
✓ Other															
Tractor - Machinery & Equipment	(40,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Topper - Machinery & Equipment	(3,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gator - Machinery & Equipment	(8,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundry Plant - Machinery & Equipment	(5,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lilley Land - Rural Property	(7,180,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Funding of Lilley Land	7,180,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other	(56,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non Operating Movements	(56,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
✓ GST															
GST	20,606	25,575	25,350	24,825	25,350	25,575	24,600	25,575	25,575	25,575	25,350	25,575	25,575	25,350	24,825
Refunds/Payments	(10,306)	(23,089)	(25,462)	(25,088)	(25,462)	(25,462)	(25,088)	(25,087)	(25,087)	(25,087)	(25,462)	(25,087)	(25,087)	(25,462)	(25,088)
Total GST	10,300	2,486	(113)	(263)	263	113	(488)	488	488	488	(113)	(113)	(113)	(113)	(263)
Opening Balance	50,000	874	28,009	51,045	70,431	93,844	118,605	136,266	161,403	184,440	203,826	203,826	203,826	203,826	203,826
Net Cash Movement	(49,126)	27,135	23,037	19,386	23,412	24,762	17,661	25,137	23,037	23,037	23,037	23,037	23,037	23,037	19,386
Closing Balance	874	28,009	51,045	70,431	93,844	118,605	136,266	161,403	184,440	203,826	203,826	203,826	203,826	203,826	203,826

Balance Sheet

Stratford A & P Association
 Lilley Budget 12 July 2021 from Dec 2021 to Dec 2030
 Created by philip.macey@bakertillysr.nz



2020 - Agenda - Audit & Risk - October - Decision Report - On-Lending \$7,180,000 For Land Acquisition

	Dec 2021	Dec 2022	Dec 2023	Dec 2024	Dec 2025	Dec 2026	Dec 2027	Dec 2028	Dec 2029	Dec 2030
Assets										
Current Assets										
TSB Cheque Account	874	28,009	51,045	70,431	93,844	118,605	136,266	161,403	184,440	203,826
Total Current Assets	874	28,009	51,045	70,431	93,844	118,605	136,266	161,403	184,440	203,826
Non-Current Assets										
Tractor - Machinery & Equipment	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Topper - Machinery & Equipment	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Gator - Machinery & Equipment	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Sundry Plant - Machinery & Equipment	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Lilley Land - Rural Property	7,180,000	7,180,000	7,180,000	7,180,000	7,180,000	7,180,000	7,180,000	7,180,000	7,180,000	7,180,000
Total Non-Current Assets	7,236,000	7,236,000	7,236,000	7,236,000	7,236,000	7,236,000	7,236,000	7,236,000	7,236,000	7,236,000
Total Assets	7,236,874	7,264,009	7,287,045	7,306,431	7,329,844	7,354,605	7,372,266	7,397,403	7,420,440	7,439,826
Liabilities										
Current Liabilities										
GST	10,300	12,786	12,673	12,410	12,673	12,786	12,298	12,786	12,673	12,410
Total Current Liabilities	10,300	12,786	12,673	12,410	12,673	12,786	12,298	12,786	12,673	12,410
Non-Current Liabilities										
Funding of Lilley Land	7,180,000	7,180,000	7,180,000	7,180,000	7,180,000	7,180,000	7,180,000	7,180,000	7,180,000	7,180,000
Total Non-Current Liabilities	7,180,000	7,180,000	7,180,000	7,180,000	7,180,000	7,180,000	7,180,000	7,180,000	7,180,000	7,180,000
Total Liabilities	7,190,300	7,192,786	7,192,673	7,192,410	7,192,673	7,192,786	7,192,298	7,192,786	7,192,673	7,192,410
Net Assets	46,574	71,223	94,372	114,021	137,170	161,819	179,968	204,617	227,766	247,415
Equity										
Current Year Earnings	(3,426)	24,649	23,149	19,649	23,149	24,649	18,149	24,649	23,149	19,649
Retained Earnings	50,000	46,574	71,223	94,372	114,021	137,170	161,819	179,968	204,617	227,766
Total Equity	46,574	71,223	94,372	114,021	137,170	161,819	179,968	204,617	227,766	247,415

Indicators

Stratford A & P Association
 Lilley Budget 12 July 2021 from 2021 to 2030
 Created by philip.macey@bakertillysr.nz



Overview

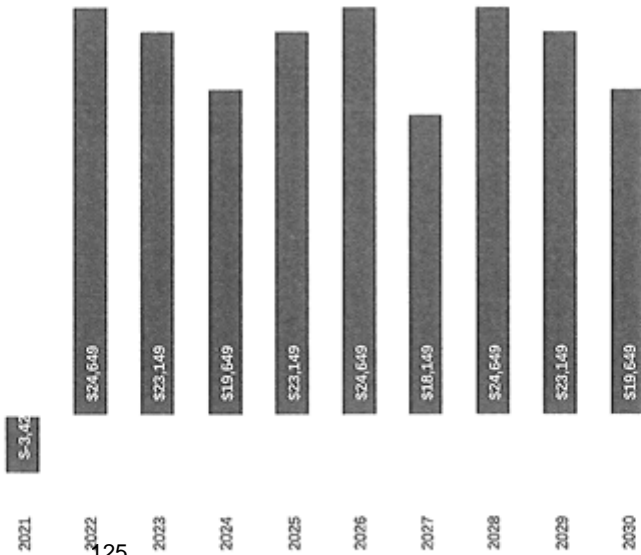
2030 Season

Effective Area

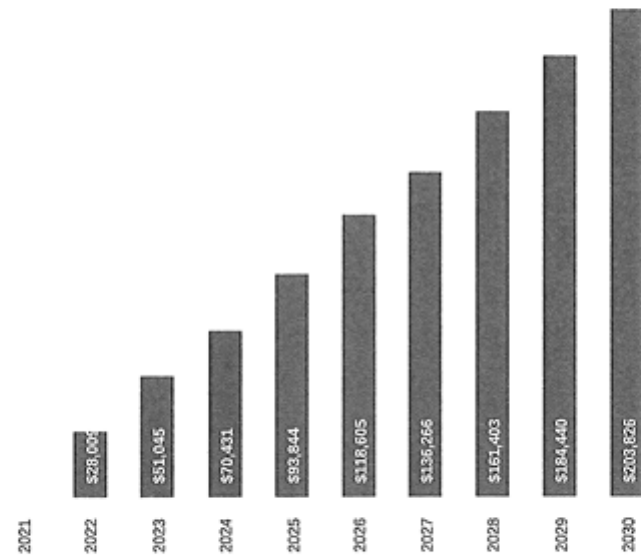
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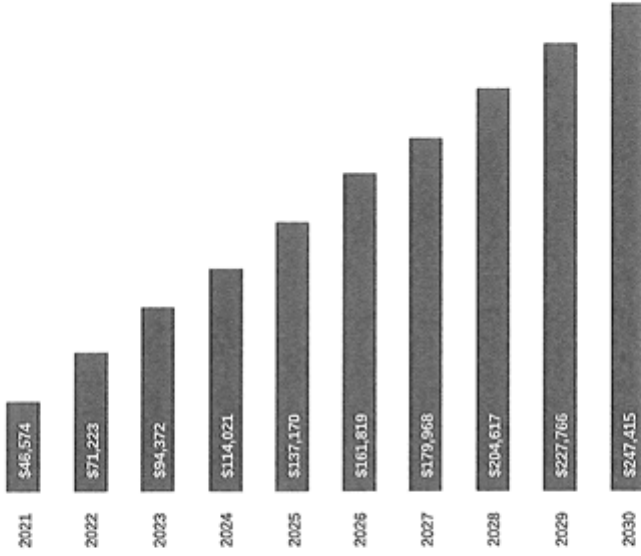
Net Profit



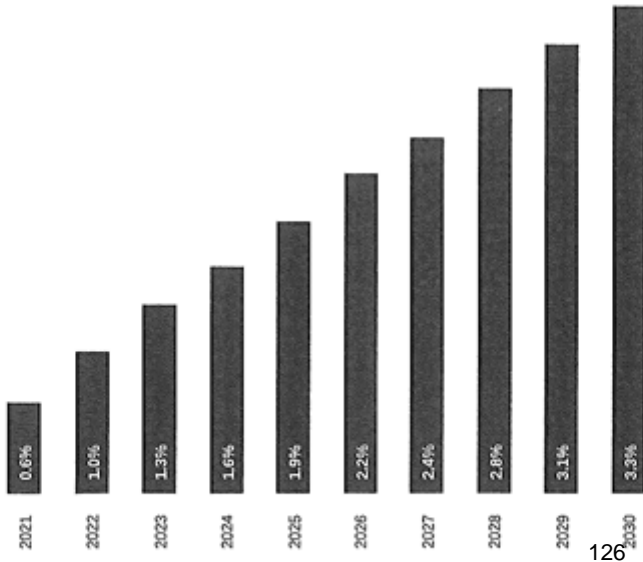
Closing Cash Position



Equity Position

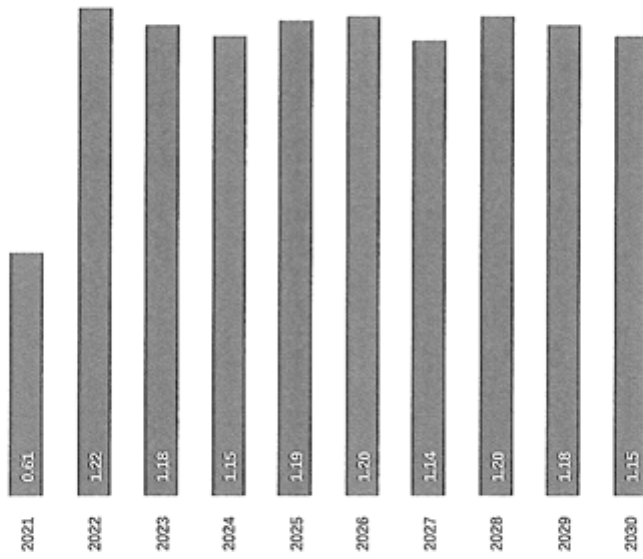


Equity Percentage



126

Principal & Interest Cover



Performance Report

Stratford Agricultural & Pastoral Association Incorporated
For the year ended 31 December 2019

Prepared by Baker Tilly Staples Rodway Taranaki Limited

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Entity Information

Stratford Agricultural & Pastoral Association Incorporated For the year ended 31 December 2019

Legal Name of Entity

Stratford Agricultural & Pastoral Association Incorporated

Type of Entity and Legal Basis

Incorporated Society and Registered Charity

Registration Number with DIA Charities

DIA Charities: CC32719

Registered under the Agricultural and Pastoral Association

Entity's Purpose or Mission

The association shall be for the promotion of Agricultural and Pastoral interest and industries connected with agriculture.

Entity Structure

There shall be elected an Executive Committee of not more than 20 members plus a general committee with a maximum of 20 additional members. Within 7 days of the AGM the Executive Committee shall elect a President, Senior Vice President, Junior Vice President and 2 Emergency Committee members. For day to day running a secretary has been employed. Volunteers support the Association with various activities throughout the year.

Main Sources of Entity's Cash and Resources

Income is derived from hireage of grounds, annual A & P show, grants and donations.

Entity's Reliance on Volunteers and Donated Goods or Services

Volunteers are relied on for general repairs and maintenance of grounds and buildings, for ensuring visibly appealing facilities and the cleaning of facilities.

Main Methods Used by Entity to Raise Funds

Annual A & P show. Hireage of grounds.

Physical Address

9 Flint Road East
Stratford

Postal Address

P.O Box 309
Stratford

Phone Number

06 765 6173 or 027 269 4163

E-Mail Address

stratfordAP@xtra.co.nz

Website Address

www.stratfordshow.co.nz

Compilation Report

Stratford Agricultural & Pastoral Association Incorporated For the year ended 31 December 2019

Compilation Report to the Directors of Stratford Agricultural & Pastoral Association Incorporated

Scope

On the basis of information provided and in accordance with Service Engagement Standard 2 Compilation of Financial Information, we have compiled the performance report of Stratford Agricultural & Pastoral Association Incorporated for the year ended 31 December 2019.

These have been prepared in accordance with the Reporting Framework described in Note 1 to the performance report.

Responsibilities

You are solely responsible for the information contained in the performance reports and have determined that the generally accepted accounting practice used is appropriate to meet your needs and for the purpose that the performance reports were prepared.

The performance reports were prepared exclusively for your benefit. We do not accept responsibility to any other person for the contents of the performance reports.

No Audit or Review Engagement Undertaken

Our procedures use accounting expertise to undertake the compilation of the performance reports from information you provided. Our procedures do not include verification or validation procedures. No audit or review engagement has been performed and accordingly no assurance is expressed.

Disclaimer of Liability

We have compiled these performance reports based on information provided which has not been subject to an audit or review engagement. Neither Baker Tilly Staples Rodway Taranaki Limited nor any of its employees accept any responsibility for the reliability, accuracy or completeness of the compiled financial information contained in the financial statements nor do we accept any liability of any kind whatsoever, including liability by reason of negligence, to any person.



Baker Tilly Staples Rodway Taranaki Limited
Chartered Accountants

109-113 Powderham Street
New Plymouth

78 Miranda Street
Stratford

Dated: 17 April 2020

Statement of Service Performance

Stratford Agricultural & Pastoral Association Incorporated For the year ended 31 December 2019

Description of Entity's Outcomes

To promote, motivate and support people interest in agricultural and pastoral in Taranaki.

By providing visibly appealing facilities for hireage

By generating an income for day to day running costs

By providing accessible grounds where members can train and develop skills

By hosting and managing an annual A & P Show

	2019	2018
Description and Quantification of the Entity's Outputs		
Membership	141	149
Riparian Plants	147,464	132,000
Stratford A & P Show - People in Attendance	12,500	9,000
Stratford A & P Show - Trade Exhibit Sites	180	189
Stratford A & P Show - Horse Number in Equestrian Competitions	254	294
Stratford A & P Show - Dairy, Beef, Pig Numbers in Competitions	271	55

This statement has been prepared without conducting an audit or review engagement, and should be read in conjunction with the attached Compilation Report.

Statement of Financial Performance

Stratford Agricultural & Pastoral Association Incorporated For the year ended 31 December 2019

	NOTES	2019	2018
Revenue			
Donations, fundraising and other similar revenue	1	122,264	43,436
Fees, subscriptions and other revenue from members	1	3,061	5,123
Revenue from providing goods or services	1	266,859	181,604
Other revenue	1	1,142	1,357
Total Revenue		393,325	231,520
Expenses			
Volunteer and employee related costs	2	49,455	44,570
Costs related to providing goods or service	2	255,873	156,406
Other expenses	2	18,854	25,568
Total Expenses		324,182	226,545
Surplus/(Deficit) for the Year		69,143	4,976

This statement has been prepared without conducting an audit or review engagement, and should be read in conjunction with the attached Compilation Report.

Statement of Financial Position

Stratford Agricultural & Pastoral Association Incorporated As at 31 December 2019

	NOTES	31 DEC 2019	31 DEC 2018
Assets			
Current Assets			
Bank accounts and cash	3	54,557	42,637
Debtors and prepayments	4	22,260	906
Inventory		-	10,712
Other current assets	5	32,000	32,000
Total Current Assets		108,817	86,255
Non-Current Assets			
Property, plant and equipment	6	1,871,167	1,729,051
Total Non-Current Assets		1,871,167	1,729,051
Total Assets		1,979,985	1,815,306
Liabilities			
Current Liabilities			
Creditors and accrued expenses	8	12,856	2,836
Total Current Liabilities		12,856	2,836
Total Liabilities		12,856	2,836
Total Assets less Total Liabilities (Net Assets)		1,967,129	1,812,471
Accumulated Funds			
Accumulated surpluses or (deficits)	7	1,480,167	1,411,024
Reserves	7	486,962	401,447
Total Accumulated Funds		1,967,129	1,812,471

Chairman - Paul Vanner

Date

This statement has been prepared without conducting an audit or review engagement, and should be read in conjunction with the attached Compilation Report.

Statement of Cash Flows

Stratford Agricultural & Pastoral Association Incorporated For the year ended 31 December 2019

	2019	2018
Cash Flows		
OPERATING ACTIVITIES		
Cash was provided from:		
Donations, fundraising and other similar receipts	116,764	42,990
Fees, subscriptions and other receipts from members	3,105	3,392
Receipts from providing goods or services	257,635	182,779
Interest, dividends and other investment receipts	1,142	1,357
GST	-	3,738
Total	378,646	234,256
Cash was applied to:		
Payments to suppliers and employees	(346,105)	(197,206)
GST	(7,300)	-
Total	(353,405)	(197,206)
Net Cash Inflow (Outflow) from Operating Activities	25,241	37,050
INVESTING AND FINANCING ACTIVITIES		
Cash was applied to:		
Payments to acquire property, plant and equipment	(13,321)	(16,240)
Total	(13,321)	(16,240)
Net Cash Inflow (Outflow) from Investing and Financing Activities	(13,321)	(16,240)
Net Increase (Decrease) in Cash Held	11,920	20,810
Add Opening Cash brought forward	42,637	21,827
Ending Cash Carried Forward	54,557	42,637
	2019	2018
This is represented by:		
Bank Accounts and Cash	54,557	42,637

This statement has been prepared without conducting an audit or review engagement, and should be read in conjunction with the attached Compilation Report.

Statement of Accounting Policies

Stratford Agricultural & Pastoral Association Incorporated For the year ended 31 December 2019

Reporting Entity

Stratford Agricultural & Pastoral Association Incorporated is domiciled in New Zealand and is a charitable organisation registered under the Agricultural and Pastoral Societies Act 1908 and the Charities Act 2005.

Basis of Preparation

Stratford Agricultural & Pastoral Association Incorporated has elected to apply Public Benefit Entity Simple Format Reporting - Accrual ((Tier 3, Not-For-Profit standard)(PBE SFR-A (NFP))), as established by the External Reporting Board for registered charities, on the basis that it does not have public accountability and has total annual expenses equal to or less than \$2,000,000 for the last two annual reporting periods. All transactions in the Performance Report are reported using the accrual basis of accounting. The Performance Report is prepared under the assumption that the entity will continue to operate in the foreseeable future.

Particular Accounting Policies

The following is a summary of the significant policies adopted by the Society in the preparation of these financial statements.

Changes in Accounting Policies

There has been no significant change in accounting policies. All policies have been applied on bases consistent with those used in the previous year.

Subscriptions Outstanding

No allowance has been made for any subscriptions owing to Stratford A & P Association as at 31 December 2019. This treatment is consistent with prior year disclosures.

REVENUE AND EXPENSES

Donations and Grants

Donation and grant income is recognised when received and all associated obligations have been met. Where grants have been given for a specific purpose, or with conditions attached, income is not recognised until agreed upon services and conditions have been satisfied. Grants received for which the requirements and services have not been met is treated as "income in advance" under current liabilities. To the extent that there is a condition attached that would give rise to a liability to repay the grant amount, a deferred revenue liability is recognised instead of revenue. Revenue is then only recognised once the underpinning grant conditions have been satisfied.

Fees and Subscription Income

Revenue is recognised evenly over the period in which the goods or services are provided to the members.

Sale of Goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer. Significant risks and rewards are generally considered to be transferred to the buyer when the customer has taken undisputed delivery of the goods.

Interest Income

Interest income is recognised as it is earned during the period.

Rental Income

Rental income arising from rental premises or hireage is accounted for on a receipts basis over the lease term.

BALANCE SHEET

Property, Plant and Equipment

Except for Land and Buildings, Items of Plant, Property and Equipment are measured at cost less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation

Depreciation is recognised as an expense in the reported surplus or deficit and measured on a straight line basis over the estimated useful life of the asset. The following depreciation rates have been used;

Land	-	6% SL
Buildings	-	3% - 12% SL & DV
Motor Vehicles	-	13% - 30% DV
Plant and Machinery	-	0% - 21% SL & DV
Office Equipment	-	17% - 50% SL & DV

Land and Buildings are revalued every three years based on the valuations performed by Quotable Value Limited on behalf of Stratford District Council and Taranaki Regional Council. Land and Buildings are carried at the revalued amount being the value based on the last revaluation date less any subsequent depreciation. Any revaluation surplus is recognised in other comprehensive revenue and expenses and credited to the asset revaluation reserve in equity to the extent of the revaluation reserve balance accumulated from previous years gains. When no revaluation reserve balance is available to offset a revaluation loss the revaluation deficit is reported within the surplus deficit of the year.

Valuation of Inventories

Inventories consist of livestock which are valued at the lower of cost and net realisable value. Cost has been assigned to livestock items on hand at balance date using the first-in first-out basis. Net realisable value is the estimated selling price in the ordinary course of business and the estimated costs necessary to make sure of the sale.

Income Tax

Stratford Agricultural & Pastoral Association Incorporated has charitable status and is therefore exempt from income tax.

Accounts Receivable

Accounts receivable are stated at their estimated realisable value.

Bank Accounts and Cash

Bank and Cash in the Statement of Cash Flow comprise of cash balances and bank balances (including short term deposits) with original maturities of 90 days or less.

Goods and Services Tax (GST)

Stratford Agricultural & Pastoral Association Incorporated is registered for GST. All amounts are stated exclusive of goods and services tax (GST) except for debtors and creditors which are stated inclusive of GST. GST payable or receivable at balance date is included in the appropriate category in the Statement of Financial Position.

Notes to the Performance Report

Stratford Agricultural & Pastoral Association Incorporated For the year ended 31 December 2019

	2019	2018
1. Analysis of Revenue		
Donations, fundraising and other similar revenue		
Donations	-	23,671
Grants	62,088	17,588
Sponsors	60,176	2,177
Total Donations, fundraising and other similar revenue	122,264	43,436
Fees, subscriptions and other revenue from members		
Donations	-	1,731
Subscriptions - Members	3,061	3,392
Total Fees, subscriptions and other revenue from members	3,061	5,123
Revenue from providing goods or services		
Arena rental	2,420	3,484
Calf sales	19,506	24,617
Catalogue	-	317
Entry fees	25,656	15,728
Gate Takings	53,852	34,981
Grazing	-	743
Ground rental	2,617	1,755
Horse measuring	1,978	1,680
Iron Maiden - Campers	4,432	6,903
Riparian plant income	15,388	13,774
Sale of wool	253	504
Sales	62,428	19,046
Side show rental	5,500	5,522
Skinner Road hall rental	4,325	3,491
Sundry income	185	956
Trade	26,618	23,620
TSCC rental	39,962	22,062
Yards and boxes	1,740	2,421
Total Revenue from providing goods or services	266,859	181,604
Other revenue		
Interest income	1,142	1,357
Total Other revenue	1,142	1,357
	2019	2018

2. Analysis of Expenses

Volunteer and employee related costs

Accident compensation	87	110
Judges expenses	4,990	1,391
Meals	6,226	3,215

	2019	2018
Wages	38,153	39,854
Total Volunteer and employee related costs	49,455	44,570
Costs related to providing goods or services		
Advertising	10,031	10,559
Animal health	102	326
Closing stock	-	(10,712)
Computer expenses	748	519
Entertainment	8,423	9,601
Equipment hire	7,690	4,503
Fertiliser	-	897
Freight	362	238
General show expenses	11,824	8,749
Heat, light and power	3,463	2,979
Kids zone	11,411	9,743
Manure	1,392	-
Office expenses	695	312
Opening stock	10,712	-
Printing and stationery	8,813	2,899
Prize money	57,140	8,220
Purchases	28,650	26,620
Rates and insurance	18,667	12,624
Repairs and maintenance	40,832	40,809
Ribbons and show levies	7,578	7,849
Rubbish collection	3,069	2,073
Security and gate keepers	14,153	14,151
Shearing expenses	676	46
Straw, sawdust and post peelings	6,627	241
Subscriptions	949	1,555
Telephone and tolls	1,863	1,605
Total Costs related to providing goods or services	255,873	156,406
Other expenses		
Accounting fees	3,572	2,500
Bank fees and credit card charges	215	230
Depreciation	12,520	16,067
General expenses	2,548	6,772
Total Other expenses	18,854	25,568
	2019	2018

3. Bank Accounts and Cash

TSB Arena Account	6,000	1,078
TSB Cheque Account	48,053	40,945
TSB Society Cheque Account	504	614
Total Bank Accounts and Cash	54,557	42,637

2019 2018

4. Debtors and Prepayments

Goods and Service Tax	6,675	-
Accounts Receivable	15,586	906
Total Debtors and Prepayments	22,260	906

2019 2018

5. Other Current Assets

TSB Term Deposit	32,000	32,000
Total Other Current Assets	32,000	32,000

6. Property, Plant and Equipment

31 December 2019	Opening Carrying Amount	Additions	Disposals	Depreciation	Closing Carrying Amount
Land	708,400	40,947	-	1,600	747,747
Buildings	913,985	44,568	-	1,818	956,735
Plant and Equipment	98,291	13,321	-	6,741	104,871
Motor Vehicles	3,216	-	-	519	2,697
Furniture and Fittings	5,160	-	-	1,842	3,318
Other Fixed Assets	-	55,800	-	-	55,800
	\$1,729,051	\$154,636	-	\$12,520	\$1,871,167

31 December 2018	Opening Carrying Amount	Additions	Disposals	Depreciation	Closing Carrying Amount
Land	710,000	-	-	1,600	708,400
Buildings	920,000	-	-	6,015	913,985
Plant and Equipment	93,905	11,277	-	6,891	98,291
Motor Vehicles	3,862	-	-	646	3,216
Furniture and Fittings	1,112	4,963	-	915	5,160
	\$1,728,879	\$16,240	-	\$16,067	\$1,729,051

	Source of Valuation	Date of Valuation	Current Valuation
Land	Quotable Value Limited	01/09/2019	\$717,200
Buildings	Quotable Value Limited	01/09/2019	\$912,800

Significant Donated Assets Recorded - Source and Date of Valuation

There are no significant donated assets recorded.

Significant Donated Assets - Not Recorded

There are no significant donated assets that are not recorded.

	2019	2018
7. Accumulated Funds		
Accumulated Funds		
Opening Balance	1,411,024	1,406,048
Accumulated surpluses or (deficits)	69,143	4,976
Total Accumulated Funds	1,480,167	1,411,024
Reserves		
Opening Balance	401,447	401,447
Fixed asset revaluation reserve movement	85,515	-
Total Reserves	486,962	401,447
Balance at end of year	1,967,129	1,812,471
	2019	2018

Breakdown of Reserves

Reserves	2019	2018
Fixed asset revaluation reserve	486,962	401,447
Total Reserves	486,962	401,447

The nature and purpose of this reserve is to revalue land and buildings.

	2019	2018
8. Creditors and Accrued Expenses		
Accounts Payable	12,856	2,210
Goods and Service Tax	-	626
Total Creditors and Accrued Expenses	12,856	2,836

9. Commitments and Contingencies

Commitments

There are no commitments as at 31 December 2019 (31 December 2018: \$Nil).

Contingent liabilities and guarantees

There are no contingent liabilities and guarantees as at 31 December 2019 (31 December 2018: \$Nil).

10. Other**Significant Grants and Donation with Conditions which have not been Recorded as a Liability**

There are no significant grants or donations with conditions which have not been recorded as a liability.

Goods or Services Provided to the Entity in Kind

The caretaker regularly provides his time and skills to maintain the showgrounds at no charge.

Assets used as Security for Liabilities

There are no assets used as security for liabilities.

11. Assets Held on Behalf of Others

There are no assets held on behalf others.

12. Related Party Transactions

There were no material related party transactions during the financial year (31 December 2018: \$Nil).

13. Events After the Balance Date

There were no events that have occurred after the balance date that would have a material impact on the Performance Report (31 December 2018: \$Nil).

14. Ability to Continue Operating

The entity will continue to operate for the foreseeable future.

15. Correction of Errors

There are no corrections to prior errors in this years financial statements.

Profit and Loss - Show Account

Stratford Agricultural & Pastoral Association Incorporated For the year ended 31 December 2019

	NOTES	2019	2018
Trading Income			
Entry fees		25,656	15,728
Gate Takings		53,809	34,981
Grants		15,088	-
Side show rental		5,500	5,522
Sponsors		60,176	2,177
Trade		26,618	23,620
Yards and boxes		1,740	2,421
Total Trading Income		188,586	84,448
Cost of Sales			
Advertising		10,031	10,559
Cleaning and consumables		1,186	-
Entertainment		8,423	9,601
Equipment hire		7,690	4,503
General show expenses		11,824	8,749
Judges expenses		4,990	1,391
Kids zone		11,411	9,743
Meals		5,037	3,215
Office expenses		417	187
Printing and stationery		5,288	1,739
Prize money		57,140	8,220
Rates and insurance		11,173	7,574
Repairs and maintenance		23,313	24,486
Ribbons and show levies		7,578	7,849
Rubbish collection		1,841	1,244
Security and gate keepers		14,153	14,151
Straw, sawdust and post peelings		6,627	241
Telephone and tolls		1,118	963
Total Cost of Sales		189,242	114,415
Gross Profit		(655)	(29,967)
Expenses			
Accounting fees		2,143	1,500
Bank fees and credit card charges		129	138
Computer expenses		449	311
Depreciation		6,871	1,217
Wages		22,892	23,913
Total Expenses		32,483	27,079
Net Profit (Loss) Before Taxation		(33,139)	(57,046)
Net Profit (Loss) for the Year		(33,139)	(57,046)

These financial statements have been prepared without conducting an audit or review engagement, and should be read in conjunction with the attached Compilation Report.

Profit and Loss - General Account

Stratford Agricultural & Pastoral Association Incorporated For the year ended 31 December 2019

	NOTES	2019	2018
Trading Income			
Arena rental		2,420	3,484
Calf sales		19,506	24,617
Catalogue		-	317
Donations		-	23,671
Donations		-	1,731
Gate Takings		43	-
Grants		47,000	17,588
Ground rental		2,617	1,755
Horse measuring		1,978	1,680
Iron Maiden - Campers		4,432	6,903
Riparian plant income		15,388	13,774
Skinner Road hall rental		4,325	3,491
Subscriptions - Members		3,061	3,392
Sundry income		185	956
TSCC rental		39,962	22,062
Total Trading Income		140,917	125,422
Cost of Sales			
Cleaning and consumables		751	-
Heat, light and power		3,463	2,979
Meals		1,189	-
Office expenses		264	119
Printing and stationery		3,349	1,102
Rates and insurance		6,105	4,797
Repairs and maintenance		14,765	15,508
Rubbish collection		1,166	788
Subscriptions		949	1,555
Telephone and tolls		708	610
Water rates		1,016	-
Total Cost of Sales		33,726	27,456
Gross Profit		107,191	97,966
Other Income			
Interest income		1,142	1,357
Total Other Income		1,142	1,357
Expenses			
Accident compensation		87	110
Accounting fees		1,357	950
Bank fees and credit card charges		82	87
Computer expenses		284	197

These financial statements have been prepared without conducting an audit or review engagement, and should be read in conjunction with the attached Compilation Report.

	NOTES	2019	2018
Depreciation		5,649	14,850
General expenses		2,548	6,772
Wages		14,498	15,145
Total Expenses		24,505	38,111
Net Profit (Loss) Before Taxation		83,828	61,212
Net Profit (Loss) for the Year		83,828	61,212

These financial statements have been prepared without conducting an audit or review engagement, and should be read in conjunction with the attached Compilation Report.

Profit and Loss - Farm Account

Stratford Agricultural & Pastoral Association Incorporated For the year ended 31 December 2019

	NOTES	2019	2018
Trading Income			
Grazing		-	743
Sale of wool		253	504
Sales		62,428	19,046
Total Trading Income		62,681	20,293
Cost of Sales			
Animal health		102	326
Cleaning and consumables		40	-
Closing stock		-	(10,712)
Fertiliser		-	897
Freight		362	238
Manure		1,392	-
Office expenses		14	6
Opening stock		10,712	-
Printing and stationery		176	58
Purchases		28,650	26,620
Rates and insurance		372	252
Repairs and maintenance		777	816
Rubbish collection		61	41
Shearing expenses		676	46
Total Cost of Sales		43,336	18,590
Gross Profit		19,345	1,704
Expenses			
Accounting fees		71	50
Bank fees and credit card charges		4	5
Computer expenses		15	10
Telephone and tolls		37	32
Wages		763	797
Total Expenses		891	894
Net Profit (Loss) Before Taxation		18,454	809
Net Profit (Loss) for the Year		18,454	809

These financial statements have been prepared without conducting an audit or review engagement, and should be read in conjunction with the attached Compilation Report.



19 August 2020

Partner Reference
Jonathan Salter - Wellington

Stratford District Council
61 – 63 Miranda Street
PO Box 320
Stratford 4352

Writer's Details
Direct Dial: +64-4-924 3588
Email: matthew.hill@simpsongrierson.com

Sent by Email

For: Tiffany Radich, Director – Corporate Services

Dear Tiffany

A&P Association – Lending Proposal

1. We refer to your request of 12 August 2020 for advice in relation to a proposal for the Stratford District Council (**Council**) to borrow from LGFA and on-lend to the Stratford Agricultural & Pastoral Association (**A&P**).
2. In particular, the Council would like advice on:
 - (a) Whether consultation would be required;
 - (b) Whether an amendment to the Council's long-term plan (**LTP**) would be required; and
 - (c) How the Council's prudential obligations are relevant to the proposal and what impact they may have.

Background

3. As we understand it, the proposal is for the Council to borrow \$7.18m to on-lend to A&P to fund the A&P's land purchases for a future equestrian and sports facility development.
4. The land valuation is \$5.8m (which is not sufficient to provide security for the \$7.18m loan) so the Council would take a mortgage over both the land proposed to be purchased by A&P and also the adjoining land already owned by A&P.¹ It is possible that A&P has insufficient funds to service the costs of borrowing. Whether it ever will have the funds to service the debt appears to depend on the success of its development of the land.
5. While current borrowing costs from LGFA are low, and there is no issue of compliance with LGFA covenants, the new debt would increase the Council's debt by approximately 25% and annual interest costs (\$159,000) would amount to a 1.3% rates increase.² In a worst case scenario the Council (ie ratepayers) could be liable for the full borrowing costs for 10 or more years, and A&P may never be in a position repay.
6. We understand that the Council's LTP does not provide for the proposal.

1 The total value of which is at least \$7.18m (ie the amount of the loan), if not more.

2 Assuming that A&P will not be in a position to service the on-lending (at least initially).

33948584_4.docx

Initial comments on prudence

7. The Council has a legal obligation to make financial decisions prudently and in the current and future interests of the community. This is expressed directly in section 101(1) of the Local Government Act 2002 (**LGA**) and in different ways in several of the principles in section 14 (see for example paragraphs (f), (fa), (g) of section 14(1)). In the circumstances, there is a real question as to whether the proposed arrangement is prudent and in the current and future interests of the community.
8. A decision to borrow and on-lend \$7.18m on a proposal with no return for an initial period (eg up to 5 years) and potentially little, if any, return after that is not financially prudent. There is a real risk that there will be no return on the funds and in a worst case, a failure to repay. There is a sense in which the payment would amount to a grant for which we understand there is no existing policy basis or mandate.
9. If the Council takes a mortgage over the land that is to be purchased and A&P's existing adjoining land, then that would provide some security. However, this would not provide complete security (ie if the Council had to rely on the mortgage security it may have to sell the land at a loss or the income from the land may not cover the loan repayments).
10. As it currently stands, the proposal does not amount to a sound financial investment (because it is fully debt-funded and gives a poor economic return). On this basis, the proposal must be some other "activity" of the Council (such as making grants or advances to enable some aspect of community well-being), which we understand goes beyond anything mandated by the Council's LTP or annual plan.
11. In our view, the statutory authority issues that the Council faces with this proposal could potentially be overcome with a suitable level of consultation and community support (which we discuss further below).

Consultation

12. We understand that the Council has not previously consulted on the proposed arrangement (in an annual plan, the LTP, or otherwise). Accordingly, the Council has no basis for assessing whether the community is prepared to fund this initiative and take on the risks inherent with it.
13. While there is no specific legislative trigger for consultation in these circumstances, the scale of the proposed transaction (and impact on rates) means the Council ought to consult as part of fulfilling its general decision-making obligations in Part 6 of the LGA.
14. In particular, section 78 provides that the Council must, in the course of its decision-making process, give consideration to the views and preferences of persons likely to be affected by, or have an interest in, the matter. Given the scale of the proposed borrowing and on-lending (and the inherently risky nature of the proposal), there are many people that are likely to be affected by, or interested in, the matter.³
15. Given our understanding of the background, in our opinion, proceeding with this proposal without consultation would be legally risky. The Council's Significance and Engagement Policy supports this view. At a minimum, the consultation should be in accordance with the principles in section 82 of the LGA and inform the community of the key elements of the proposal, the risks, how those risks are to be managed, and the possible costs to ratepayers.

³ As noted above at paragraph 5, the bare interest cost itself could amount to a 1.3% rates increase.

16. Since the arrangement does not appear prudent in a purely financial sense, the statement of proposal should explain the community well-being objectives that it seeks to provide, so that the community can “choose” to enter into a financially risky arrangement with a view to achieving those outcomes. The community might also expect there to be arrangements to protect their interests as funders of the project. These should be outlined in the proposal.

LTP amendment

17. While we consider that consultation is required before the Council proceeds with the proposal, there is no statutory requirement to make an amendment to the LTP to provide for the proposal (although the Council could choose to undertake an LTP).⁴
18. To the extent that the proposal (or any decisions the Council makes to implement it) is significantly inconsistent with anything in the LTP or any other Council policy (such as the Council’s Treasury Management Policy), then (following consultation) the Council could make a resolution under section 80 of the LGA about the inconsistency.
19. Section 80 of the LGA requires that the Council must identify the inconsistency and the reasons for it, and identify any intention of the Council to amend the policy or plan to accommodate the inconsistent decision.
20. Please let us know if you have any queries about this advice.

Yours faithfully
SIMPSON GRIERSON



Jonathan Salter/Matthew Hill
Partner/Senior Solicitor

⁴ For example, the proposal does not involve any of the matters in section 97 of the LGA that are required to be provided for in the LTP (such as transferring the ownership or control of a strategic asset to or from the local authority).



**RECORD OF TITLE
UNDER LAND TRANSFER ACT 2017
FREEHOLD
Search Copy**



Identifier **TNF3/447**
Land Registration District **Taranaki**
Date Issued 05 March 1982

Prior References

TN69/176

Estate	Fee Simple
Area	15.6861 hectares more or less
Legal Description	Section 6 and Part Section 5 Block I Ngaere Survey District

Registered Owners

The Stratford Agricultural and Pastoral Association

Interests

169897 Certificate declaring State Highway 3 adjoining the within land to be a Limited Access Road - 28.7.1969 at 11.12 am

Subject to a right to convey water and effluent over part marked A on DP 13506 created by Transfer 287141.1 - 5.3.1982

INFORMATION REPORT



TO: Audit and Risk Committee

F19/13-D20/25332

FROM: Health and Safety/Emergency Management Advisor

DATE: 6 October 2020

SUBJECT: REPORT FOR THE AUDIT & RISK COMMITTEE

RECOMMENDATION

THAT the report be received.

Moved/Seconded

This report presents a summary of the three monthly progress and any highlights for the main areas of activity within for the period to 30 September 2020.

1. **HIGHLIGHTS**

No major injuries to date with staff or contractors.

2. **EXECUTIVE SUMMARY**

2.1 This report provides an overview of Council's health and safety performance through statistical data reported and recorded in the health and safety software (Vault) for the three months ending 30 September.

2.2 Results of data analysed since 1 July 2020 show that there have been a total of six events logged in Vault. There were also 11 other events recorded from the TSB pool which included nose bleeds and minor first aid administered.

Incidents (1 July 2020 – 30 September 2020)

	Period 1 July 2020 – 30 September 2020	YTD (1 January 2020 – 31 December 2020)
Events	17	76
<i>Of which:</i>		
Injury	1	2
ACC Claims	1	1
Notifiable	0	1
Near Miss	1	21
Observations	0	8
Type of Incident		
Slips/Trips/Falls (no injury)	6	
Sprains/Strains	1	
Cuts/Abrasions/ Bleeding nose	2	
Bruising	0	
Near Miss	1	
Aggressive/Abusive Customer	3	
Vehicle Damage	0	
Insect Stings	-	
Other	4	
Level of Treatment		
No Treatment	10	
First Aid	7	
Medical Centre	-	
Hospital	-	
Level of Investigation		
No Investigation	16	
Formal Investigation	1	
WorkSafe Investigation	-	
Health and Wellbeing		
Workstation Assessments	2	
EAP Referrals	1	
Health Monitoring Assessments	0	
Health and Safety Committee Meeting	1	
Site Reviews	2	

2.3 Incidents

A normal work and life routine has returned post Covid. A water treatment staff member was injured and while this did not result in any time away from work, rehabilitative treatment for a thumb injury is ongoing.

2.4 Civil Defence

We moved to alert level 2 on 11 August meaning that signing in and QR codes were necessary for all Council facilities along with sanitising and ensuring good hygiene practices. The country returned to alert level 1 on 22 September with Auckland remaining at alert level two.

The organisation will take part in the nationwide initiative *Shake Out* on 15 October at 9.30am. This is an opportunity for staff to learn and practice part of the emergency plan as well as being a health and safety requirement.

2.5 Contractors

Completion of the pre-qualification of local contractors for shovel ready projects has been a focus of the Advisor.

Investigations

In the last Audit and Risk meeting, I reported on an incident that involved one of our main contractors and a subcontractor they use. Whilst the report for this has now been finalised and corrective actions implemented, the incident serves well in highlighting that contractors are one of council's critical risks.

The investigation showed that the subcontractor was not entirely familiar with the main contractors SWMS (Safe Work Method Statement) and failed the risk control applicable to water-blasting and working at height. This also included recognition of potential risks present. Specifically there was no fall restraint equipment being used on the elevated work platform. The risk of working at height from a roof without using fall restraint equipment increased the risk of slipping and falling from the roof, given it was a wet surface both from rain on day and water-blasting work that was being carried out.

Further to this a permit to work from the main contractor was not applied for as the process was not clearly understood. Also a contributory factor was the operator dealing with significant personal issues and the poor decision making that followed. Prior to a council staff member challenging this situation, the operator's fellow team member had raised concerns over the risks being taken. The operator continued working until he was requested to cease by council via the main contractor, who notably was also unaware of that the work was being carried out.

This incident shows how structured processes can fail. As a PCBU we ensure our due diligence by pre-qualifying a contractor ensuring that the appropriate systems of work are in place and are actively monitored and managed.

There are some ongoing questions:

- When did the main contractor check in with their tier 1 contractor and last conduct an audit? This would potentially show that there was an unfamiliarity with the system being used.
- Why was the employee allowed to continued working if in a fragile state of mind? All larger companies that contract to us have wellness programmes and initiatives impressing that employees health and wellbeing is paramount and would not allow

people with fragile mental states to work in the field, endangering themselves and others.

- Why was faulty equipment used? Was the fault picked up prior to use as it should have been if checked? Was the equipment hired or owned? If hired, the equipment should never have left the premises. If owned, the equipment should not have been used.

2.6 Facilities

During this time it was identified that a hot water cylinder in the library had been incorrectly installed approximately 18 months ago and had potential to cause harm. It was picked up by another contractor that had been asked to fix a water leak in the same area.

An investigation was undertaken and resulted in an additional valve installation to the system to make it compliant.

2.7 Wellbeing

The organisation has adopted its wellbeing strategy. The strategy demonstrates council's commitment to the wellbeing of staff and specifies actions and initiatives and how these will be monitored and measured.

The vision is "Our Organisation is engaged and connected, lives by Council values, and our people make positive health and wellbeing choices". The strategy has four key focus areas identified from our staff survey: Mental Wellbeing, Learning and Development, Physical Wellbeing and Social and Cultural opportunities. The strategy has the endorsement of the senior leadership team and is led by the health and safety committee.

2.8 Policy

The vehicle policy review has been completed in line with Council's commitment to the Taranaki Road Safety Workplace Charter, of which Stratford District Council is a founding member. The charter places a commitment on the businesses that form the charter to demonstrate their pledge to the safety of their workforce on the road. There are a number of potential benefits to our organisation in signing up to the charter. These include: a commitment to a safe workforce, improved reputation and of course a way to demonstrate our corporate responsibility. The charter also states that the organisation will have a vehicle policy that encourages good driving behaviour and guides staff in what is regarded as best practice.



M Bestall

HEALTH AND SAFETY/ CIVIL DEFENCE ADVISOR



Approved by
Sven Hanne

CHIEF EXECUTIVE

DATE: 28 September 2020

INFORMATION REPORT



TO: Audit and Risk Committee

FROM: Director – Corporate Services

DATE: 6 October 2020

SUBJECT: RISK REVIEW

F19/13 – D20/25498

RECOMMENDATION

THAT this report be received.

RECOMMENDED REASON

To provide an update to the Audit and Risk Committee of any changes to the Council Risk Register and advise the Committee of any incidents in relation to the Top Ten Risk Register since the last Audit and Risk Committee meeting, held in May 2020.

Moved/Seconded

1. PURPOSE OF REPORT

This report is part of the Committee’s regular Programme of Works. It includes a review of any changes made to the Council’s Risk Register, and informs the Committee of any incidents in relation to the Top Ten Council risks since the last Audit and Risk Committee meeting, held in May 2020.

2. EXECUTIVE SUMMARY

The Council maintains a Risk Register within the online risk management software program *Vault*. The risks are reviewed at least monthly by the Senior Leadership Team (SLT) to ensure the risk scores are appropriate, and control measures are adequate.

Changes to the risk register are discussed and agreed to by SLT before coming into effect. Since the last meeting, one new risk was added to the risk register – “Aerodrome – Unsafe Conditions”.

As changes are made to the register with new additions, amalgamation of risks, and changes to the risk ratings, there may also be changes to what is deemed to be a Top Ten Council risk. There have been no changes to the Top Ten Risk Register since the last Committee meeting.

3. LOCAL GOVERNMENT ACT 2002: SECTION 10

How is the subject of this report applicable to the purpose of the Act?

- Is it for the provision of good quality local infrastructure? If so, why?; **OR**
- Is it for the performance of a good quality regulatory function? If so, why?; **OR**
- Is it for the performance of a good quality local public service? **AND**
- Is it in a way that is most cost-effective to businesses and households? If so, why?

Good quality means, infrastructure, services, and performance that are efficient and effective, and appropriate to present and anticipated future circumstances.

Local public service means, a service provided for the community which is for the benefit of the District.

Active management and monitoring of council risks will enable more stable provision of public services for the community, and an improved ability to respond to risk events.

4. BACKGROUND

The Risk Register was first presented to the Audit and Risk Committee at the June 2018 meeting and subsequently adopted by Council. It followed the approval of the Council's *Risk Management Policy* and *Risk Management Framework*, which details how the Council will manage and monitor risk.

The *Risk Management Framework* reads:

“Risk management happens every day and everywhere at the Stratford District Council. It is a key business process and a key leadership competency. Business as usual, initiatives and opportunities all require us to take risks. It is important to understand what those risks are, so that we can make informed decisions in areas of uncertainty.”

The Risk Register also includes control measures to mitigate the likelihood of a risk occurring, and/or the impact of an adverse event.

“The outcomes and benefits expected from applying effective risk management are:

- *Improved achievement of the Stratford District Council's strategic direction, objectives and priorities.*
- *Reduced risks – significant risks are identified and managed and early warning of problems and emerging risks are addressed, with appropriate design and operation of internal controls.*
- *Improved decisions – decisions are made after analysis of risk.*
- *Improved planning and resource allocation – risks are prioritised and included in business planning so that resources are better managed.*
- *Increased accountability and transparency – clarity of key risks and the responsibility and accountability for their management.”*

The Top Ten Risk Register is solely for risks where the combination of severity and probability of occurrence gives a raw risk score rating of “very high”. These risks are monitored more regularly and in more depth than the other risks by SLT.

5. INFORMATION SUMMARY

5.1 New Risks identified and added to the Risk Register

One new risk has been added to the Risk Register since the last Audit and Risk Committee meeting.

	Minor	Important	Serious	Major	Catastrophic
Almost Certain	2-Moderate	5-High	7-High	20-Extreme	25-Extreme
Likely	2-Moderate	4-Moderate	6-High	16-Very High	20-Extreme
Possible	1-Low	3-Moderate	4-High	12-Very High	15-Very High
Unlikely	1-Low	2-Moderate	3-Moderate	8-High	10-Very High
Rare	Low	1-Low	1-Low	4-Moderate	5-High

Risk 84 – Tax Compliance Breaches

IF the Council files incorrect or misleading tax returns (specifically GST, FBT and PAYE), then it may be liable for financial penalties, IRD audit scrutiny, and lack of auditor confidence.

The raw risk score has been assessed as 4 – High, with a residual risk score of 3 – Moderate after control measures are put in place.

The control measure is “*Ensure staff are properly trained and stay up to date with tax legislation and current topical issues. All tax returns should be reviewed and signed off by someone other than the preparer of the tax return. All property purchases and sales should be reviewed by Finance specifically to check correct GST treatment. FBT on motor vehicles and private use should be reviewed at least annually. All entertainers and individual contractors must be reviewed for correct withholding tax treatment.*”

5.2 Changes to the Top Ten Risks

There was one wording change to **Risk 55**, now known as **Building Control Functions Undertaken Negligently**.

The risk was updated to ensure it captured not just Code of Compliance certificate decisions (as was previously), but all Building Control decisions. The risk now reads:

IF council issues building consent, code of compliance certificates, or other building function decisions negligently or without appropriate quality controls and the structural integrity of the building work fails or the work is unsafe THEN the property owner could demand compensation, and it could result in reputational damage, possible legal costs, and building industry distrust may result.

5.3 **Incidents or Threats in relation to the Top Ten Risks**

Risk 12 – Cyber Attack

This was more of a threat rather than an incident. In June 2020, there was a cyber-campaign targeting Australian networks. The Australian Government has been responding to a sustained targeting of Australian Government departments and companies, where the attacker has been primarily attempting to exploit public facing infrastructure, and target vulnerable public services. Their secondary method includes spearfishing techniques such as emailing links to malicious files, and the use of email tracking services.

The majority of Stratford District Council's key functions are run on a managed server based in Melbourne, run by Civica. Council's IT Manager spoke with Civica in June and they were aware of the attacks but had not experienced any suspect activity at that stage. Civica confirmed by direct email that they took all necessary steps to address any potential vulnerabilities, in a timely manner, and they confirmed they are confident that all Civica services remain secure.

Risk 55 – Building Control Functions Undertaken Negligently

A previous decision by a Building Control Officer, has the potential for Council to be a contributing party to any remediation work required. This issue is being worked on by relevant parties but is unlikely to trigger an insurance claim due to the low value of any potential Council contribution.

Risk 58 – Contractor Damage or Breach

Again, this was more a threat rather than an incident in that a plumbing contractor identified a fault in plumbing work (by another plumber) at the Stratford District Library. The faulty work had some likelihood of causing significant property and personal damage. The contractor who had installed the plumbing was not health and safety pre-qualified at the time the work was carried out.

There are some learnings from this, which include ensure all physical works contractors are pre-qualified, but also that the property maintenance contractor should be offered all council building maintenance work in the first instance as they have already been through rigorous procurement procedures. Note – pre-qualification would not have prevented or mitigated the risk, it would however have provided Council with a stronger mechanism to manage the outcomes.

Risk 64 – Infectious Disease Outbreak / Pandemic

As a result of new community clusters of COVID-19 in Auckland, Alert Level 2 came into force for all regions on Wednesday 12 August. This means physical distancing is required in workplaces and public facilities, and no more than 100 people at any gatherings.

This has not had any marked effect on Council operations (swimming pool, restrictions). All services are being delivered as normal with extra precautions being taken, as advised by the Ministry of Health.

Risk 78 – Government Policy Impacting on Local Government

In August 2020, the Council made a decision to enter into phase one of the Local Government Water Reforms. This requires Council to sign a Memorandum of Understanding that Stratford District Council would participate in looking at options to amalgamate water assets and service delivery with other local government entities. It also will result in Council receiving up to \$2.38 million in funding for qualifying Water Supply projects. All three Taranaki district councils have opted into phase one.

6 STRATEGIC ALIGNMENT

6.1 Direction

Direction has been taken from the Council's *Risk Management Policy* and *Risk Management Framework*, both of which have been approved by the Audit and Risk Committee.

6.2 Annual Plan and Long Term Plan

Not applicable.

6.3 District Plan

Not applicable.

6.4 Legal Implications

Not applicable.

6.5 Policy Implications

No changes are proposed to the *Risk Management Policy*.

Attachments:

Appendix 1 - Top Ten Risk Register

Appendix 2 - Council Risk Register



Tiffany Radich

DIRECTOR – CORPORATE SERVICES



Approved by
Sven Hanne

CHIEF EXECUTIVE

DATE: 28 September 2020

Top Ten Risk Register

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
12	Data and Information	Cyber Attack	IF the systems are compromised and subject to a cyber attack, THEN system downtime, loss of data, ransoms may be demanded, potential privacy breach, reputational damage, and potential loss of funds.	16 Very High	Council have several security measures in place such as enterprise grade firewalls, email filtering, backups, antivirus and device management. If a breach was detected Council would activate the insurance policy and engage an IT security company resource to assist with recovery.	3 Moderate
51	Operational	Natural Disaster or Fire - Response preparedness	IF a Natural Disaster or Fire causes significant damage to infrastructure and buildings THEN community welfare may be severely compromised, putting peoples lives at risk, and staff may be unable to access systems to carry out their day to day duties and functions.	15 Very High	Civil Defence Emergency Management plans are in place. Procedures following an emergency event are widely known by a number of staff due to Civil Defence Foundational training being rolled out to majority of council staff. Business Continuity Plans need to be in place and practiced regularly for all activities - Directors responsible for having a plan in place for each of their departments to ensure core functions can continue to be delivered.	12 Very High
64	Operational	Infectious Disease Outbreak / Pandemic	IF an infectious human disease outbreak / pandemic threatened NZ and reached the district, THEN this could impact staff availability, local services could temporarily close down, and the community access to healthcare is limited potentially resulting in population decline.	15 Very High	Health and Safety Advisor to keep aware of any public health notifications of disease outbreaks. Ensure there is a plan to respond to any notifications. Civil Defence covers infectious human disease pandemics and will take responsibility for local management. Follow Ministry of Health's NZ Influenza Pandemic Action Plan.	8 High
71	Operational	Critical Asset Failure	IF a critical asset (water treatment plants, stormwater, wastewater, reticulation, roading) failed, THEN unexpected financial burden may arise and there could be significant disadvantage and risk to the community.	15 Very High	Conduct 2 yearly Asset Criticality Review. Ensure there are established Civil Defence Emergency Management response procedures in relation to fixing critical assets in an emergency event. Management practices and staff training, retention to ensure appropriate skill level in critical asset maintenance.	4 High
11	Data and Information	Server Failure	IF the server failed THEN systems down, data unavailable, potential data loss	12 Very High	Restore from backup, backups stored off-site. Fail-over for Melbourne data centre replicates to Sydney data centre.	3 Moderate

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
32	Health, Safety, and Wellbeing	Lone Worker	IF a staff member is seriously injured or killed during field inspections/site visits, THEN possible health and safety breaches, death or serious injury.	12 Very High	Quality assurance, Ongoing training/awareness of HSE requirements and responsibilities, Better use of council data/knowledge base on dangerous or insanitary sites before staff member deploys to site, Use of GPS tracking, mobile phone tracking. Compliance officers to wear body cameras when on duty.	3 Moderate
55	Reputational and Conduct	Building Control functions undertaken negligently	IF council issues building consent, code of compliance certificates, or other building function decisions negligently or without appropriate quality controls and the structural integrity of the building work fails or the work is unsafe THEN the property owner could demand compensation, and it could result in reputational damage, possible legal costs, and building industry distrust may result.	12 Very High	Quality assurance. Resourcing and ongoing training of competent staff. Low tolerance for poor quality documentation from consent applicants. Reporting of substandard work practices observed. More use of standard online templates for processing applications. Council has public liability insurance.	2 Moderate
58	Reputational and Conduct	Contractor Damage or Breach	IF Council and/or council contractors are found to be liable for public/environmental damage, or any actions that are unsafe or non-compliant with legislation and applicable policies and standards, THEN fines, possible injury, long-term damage, reputational damage could result.	12 Very High	Appropriate procedures and guidelines are in place to monitor contractor actions and our own including health and safety audits, contractor meetings/KPI's. The Council requires all physical works contractors to go through a thorough health and safety pre-qualification process and become approved before commencing any physical work. All relevant staff are kept up to date with pre-approved contractors register. Mini audits and random checks should be built into contracts. Contractor public liability insurance required for all major contracts.	3 Moderate
72	Reputational and Conduct	Elected Members - Decision Making	IF elected members make significant decisions based on inaccurate/insufficient information, "biased" influences, conflicts of interest not disclosed, or lack of understanding of the financial or legislative impacts, THEN there could be funding access difficulties, audit scrutiny, financial penalties, and/or community distrust in elected members. Potential breach of Local Authorities (Member's Interests) Act 1968, and Councillors may be personally financially liable under S. 47 of LGA 2002.	12 Very High	Relies on the accuracy and quality of the advice given by staff to elected members - ensure agenda, reports, and other papers are always reviewed by CEO, and Directors if appropriate. Elected members should receive initial induction training and attend LGNZ, SOLGM conferences where material is relevant to get a better understanding of governance decision making. Council has a Professional Indemnity insurance policy for all elected members and independent committee members.	4 High

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
78	Operational	Government Policy Impacting on Local Government	IF Government Policy significantly changes the services Council delivers or the way they are delivered, THEN this could put financial pressure on the district to fund investment in changes, or it may mean previous investment has become redundant.	12 Very High	Where a policy change may have a significant impact on the Council then we must ensure that the Council makes a submission challenging the change and suggesting alternative options. Council officers and elected members need to keep up to date with policy, and anticipate potential impacts of legislative changes and respond strategically, rather than being in a reactive position or being overly proactive. This could include joint collaboration with business and other councils, accessing alternative funding sources, or obtaining legal or professional advice.	8 High

Stratford District Council Risk Register - Detailed

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
1	Compliance and Legislation	Legislation Changes	IF changes to legislation or case law occur and are not implemented by staff, THEN council may be acting illegally and in breach of legislation.	4 High	Regular review and update Legislative Compliance Register. Staff training and attending relevant industry conferences. Regular policy review to ensure policies and procedures are in line with legislation changes.	2 Moderate
2	Compliance and Legislation	Incorrect Planning Advice	IF Council gives out wrong advice on LIM, or issues Resource Consent when it should not have, THEN it could be subject to a judicial review or similar form of dispute process involving legal costs, possible fines, and reputational damage.	3 Moderate	Quality assurance. Resourcing and ongoing training of competent staff. Low tolerance for poor quality documentation from consent applicants. Good quality legal counsel. Council has professional indemnity, public liability, and statutory liability insurance.	1 Low
3	Compliance and Legislation	Statutory Reporting Commitment	IF Council does not meet statutory commitments (eg for reporting to the national monitoring system) THEN it may be acting illegally and receive attention from Ministry which could result in financial penalty and council functions being removed, or elected members being replaced.	3 Moderate	Quality assurance. Resourcing levels maintained. Schedule of dates and commitments is regularly maintained and updated by Quality Assurance officer. Regular review and update of Legislative Compliance Register.	1 Low
4	Compliance and Legislation	Bylaws and Policies	IF Council fails to keep Policies and Bylaws up to date, THEN the Policies and Bylaws may become unenforceable and irrelevant, and council could be acting illegally, or the policy is not fit for purpose.	8 High	Quality assurance, Resourcing levels maintained, Regular Policy Schedule review by CEO. Regular review of Bylaw timetable maintained in Content Manager.	3 Moderate
5	Compliance and Legislation	Issue Regulatory Licence or Decision	Food/Health, Alcohol, Parking - IF Council issues a licence or decision that is not consistent with legislation, policy or bylaws, THEN Council may be subject to a judicial review or a similar form of dispute process.	3 Moderate	Quality assurance, Ongoing training/awareness of HSE requirements and responsibilities. Compliance officer training. Keep bylaws and policies up to date with legislation.	1 Low

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
6	Compliance and Legislation	Three Waters - Non-Compliance	IF Council does not comply with its obligations under legislation (i.e. Resource Management Act, NZ Drinking Water Standards, Health and Safety at Work Act) THEN administrative fines and penalties may result, in addition to reputational damage if publicised.	3 Moderate	Ensure maintenance contractor and Council staff members are trained and up to date with legislative requirements through regular update of Legislative Compliance Register. Subscribe to regular email updates from local government and relevant industry bodies, council listserv to ensure staff are notified of legislation changes.	2 Moderate
7	Compliance and Legislation	Property and Parks - Non-Compliance	IF Council does not comply with its obligations under legislation (eg. Resource Management Act 1991, Building Act 2004, Health and Safety at Work Act 2015) THEN administrative fines and penalties may result, and reputational damage.	3 Moderate	Ensure maintenance contractor and Council staff members are trained and up to date with all legislative requirements impacting on property and park assets. Ensure maintenance contracts have robust out-clauses that cover a range of situations where non-compliance or unsatisfactory work is identified. Council has secured public liability insurance and statutory liability insurance.	Low
8	Compliance and Legislation	Annual Report Adoption and Publication	IF the Council's Annual Report is not adopted by 31 October and made publically available by 30 November, THEN there will be additional audit scrutiny and reputational damage within local government. Loss of community trust - the community is unable to assess Council performance in a timely manner.	2 Moderate	Set annual report timetable to ensure statutory deadline is met. Good project management by key staff. Keep updated of possible changes to legislation and plan accordingly. Good communication to all staff, and establish rapport with Audit NZ and respond in a timely manner to all queries.	1 Low
84	Compliance and Legislation	Tax Compliance Breach	IF the Council files incorrect or misleading tax returns (specifically GST, FBT and PAYE), then it may be liable for financial penalties, IRD audit scrutiny, and lack of auditor confidence.	4 High	Ensure staff are properly trained and stay up to date with tax legislation and current topical issues. All tax returns should be reviewed and signed off by someone other than the preparer of the tax return. All property purchases and sales should be reviewed by Finance specifically to check correct GST treatment. FBT on motor vehicles and private use should be reviewed at least annually. All entertainers and individual contractors must be reviewed for correct withholding tax treatment.	3 Moderate
9	Compliance and Legislation	LTP/Annual Plan	IF LTP/Annual Plan is not adopted by 30 June THEN council cannot set rates, statutory breach reported to Minister, unable to commence service delivery, additional audit scrutiny	8 High	Set a timetable to ensure statutory deadline is met. Good project management. Good quality data is provided. Keep abreast of possible changes to legislation and plan accordingly. Good communication to all staff and liaison with Audit NZ.	1 Low

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
10	Data and Information	Systems Down - Natural Disaster	IF there is a natural disaster THEN systems may be down temporarily, reduction in worker productivity, unable to respond to customers, data unavailable, potential permanent loss of data.	8 High	Backups done daily and stored off-site. Most critical data is in the cloud, data centre is overseas so workers can access system remotely from anywhere. Civil Defence will make hardware available for emergency response.	3 Moderate
11	Data and Information	Server Failure	IF the server failed THEN systems down, data unavailable, potential data loss	12 Very High	Restore from backup, backups stored off-site. Fail-over for Melbourne data centre replicates to Sydney data centre.	3 Moderate
12	Data and Information	Cyber Attack	IF the systems are compromised and subject to a cyber attack, THEN system downtime, loss of data, ransoms may be demanded, potential privacy breach, reputational damage, and potential loss of funds.	16 Very High	Council have several security measures in place such as enterprise grade firewalls, email filtering, backups, antivirus and device management. If a breach was detected Council would activate the insurance policy and engage an IT security company resource to assist with recovery.	3 Moderate
13	Data and Information	Communication to data centre	IF there is a loss of communication to the Data Centre (due to IT failure, power failure, or other damage to link) THEN systems downtime will cause temporary disruption. Council staff will be unable to access data and complete work and respond to customers satisfactorily.	4 High	Can access private link or an internet link - reroute the traffic. Backup generator if power supply lost.	3 Moderate
14	Data and Information	Uncontrolled access to Physical and Digital Records	IF there is uncontrolled or unauthorised access to archives, THEN records/ files could go missing, privacy breached, possible legislative breaches.	2 Moderate	Access to physical archives is limited to IM Specialist and IT Manager, door is locked at all other times. Digital records must be stored in IT approved repositories, with access restricted where necessary. Electronic access is restricted to staff who have a SDC login and have also been granted the relevant security permissions to access applications relevant to their job role.	1 Low
15	Data and Information	Records Handling	IF hard copy protected records are handled in a way that could cause damage, degradation or misorganisation, THEN this could lead to loss of protected records, non-compliance with legislation and potential financial penalties.	3 Moderate	Access to archives is limited to trained staff. Ensure the Information Management Specialist is fully trained in all areas of protected records management. Maintain a register of archived records, and a process by which records will be archived. Storage area must be restricted and temperature controlled.	Low
16	Data and Information	Unapproved online platforms used	IF unapproved online platforms are used for Council business, THEN Council sensitive information and individual private details could be hacked and made available publically.	3 Moderate	All Council information should only be stored on platforms that are approved by IT and gone through proper procedures and checks by IT.	1 Low

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
17	Financial	Roading Annual Work Programme	IF non-availability of labour and plant or weather events affect ability to complete annual programme of work, THEN risk of spend being under budget (over-rating) and unable to access NZTA claims originally budgeted for, and services being unavailable to the public.	3 Moderate	Encourage maintenance contractor to sub-contract out work if they do not have sufficient resources in-house. Ensure there is a clear understanding between Council and Contractor of completion timeframes, as per the Contract. Outsource work to another contractor - this has to be considered carefully due to contract obligations and commitments.	2 Moderate
18	Financial	Accessing Funding	IF incorrect assessment is made to determine required maintenance funding, all funding options are not sought, or insufficient funding is made available THEN Council may miss out on funding and Council has to fully fund projects.	3 Moderate	Ensure funding assessments are carried out by sufficiently experienced personnel and strong cases are made for funding. A system should be established to regularly monitor all available funding for council projects.	1 Low
19	Financial	Internal Financial Controls	IF internal financial controls are compromised and ineffective, THEN possible fraud, budget blowout, delayed service	6 High	Good quality controls. Implement annual external and internal audit recommendations. Adhere to Procurement and Delegations Policy. Communications of internal controls to all staff. Recommend internal audit conducted every year. Annual leave not to accrue > 2 years. Electronic signature images not to be relied upon.	1 Low
20	Financial	Creditor Payments	IF creditors are not paid correctly or on time THEN goods and services delayed, increased costs, reputational damage and possible fraud.	2 Moderate	Ongoing training of competent staff and appropriate staffing levels. Adhere to Procurement Policy. Good planning and time management Creditor statement reconciliations. Cash and treasury management.	Low
21	Financial	Assessment of Rates	IF rates are assessed incorrectly or inaccurately THEN ratepayers could legally challenge the rates assessment and Council could be forced into a legal battle.	4 High	Resourcing and training of competent staff. Test EOY prior to June. Have Civica rectify errors prior to 30 June. Re-test EOY after errors corrected. Check FIS and Rates Resolution align and legal advice taken.	2 Moderate
22	Financial	Rates Invoices Processing	IF rates invoices are not sent out accurately and on time THEN cashflow delayed, legal obligation not met. Can result in reputational damage with ratepayer community.	3 Moderate	Resourcing and training of competent staff. Clear accountability for rates invoicing and appropriate training in systems given. Timetables for processing and posting to be clarified ahead of due dates. Good communication with NZ Post.	2 Moderate
23	Financial	Debtors Outstanding	IF debts are not collected in a timely manner THEN cash flow delayed, and debt may need to be written off if delayed follow up	3 Moderate	Clear debt collection process, ensuring debt is chased as early as possible. Ensure debt collection procedures for all categories of debt are documented. Work towards getting all ratepayers on direct debit.	1 Low

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
24	Financial	Direct Debits	IF direct debits are not processed correctly, and on the due date, THEN cash flow delayed, and may result in public distrust of Council's direct debit process resulting in a reduction in ratepayers who choose to pay by direct debit.	2 Moderate	Direct debit processing treated as a daily priority done early as possible in the day. If any IT issues get onto it as soon as possible. Ensure at least 2 staff are trained in processing the direct debits.	1 Low
25	Financial	Procurement contracts	IF procurement contracts entered into are not cost-effective and do not comply with Council's Procurement Policies THEN council projects could go over budget and council procurement could be subject to industry, media, legal scrutiny.	6 High	Ensure procurement policy and procurement manual are appropriate, comply with legislation and good practice, and followed by all staff and significant contracts are reviewed by an independent professional.	1 Low
26	Financial	Credit Risk	IF Council is unable to increase borrowing to fund urgent capital or operational expenditure, or is unable to renew borrowing once it matures, or is called to repay a loan if covenants are breached THEN projects will not proceed, council may have to cease operations, possible replacement of councillors.	8 High	Regularly monitor debt covenants and cashflow forecasts reported monthly to Policy and Services Committee, and quarterly to Audit and Risk Committee.	4 Moderate
27	Financial	Significant Population Reduction	IF there is a significant population reduction, resulting in loss of ratepayer base and reduction in property values - THEN this could result in higher rates for others and significant cost reductions may be required.	5 High	Ensure variable costs are clearly identifiable, and therefore able to be isolated and adjusted if ratepayer base reduced. Council actions to align with council mission and vision to make Stratford a great place to live.	4 Moderate
28	Financial	Interest Costs	IF financing costs increase THEN this results in increased costs to council and budget being exceeded or increase to rates.	4 Moderate	Treasury management programme in place to ensure interest rate maturity risk profile is spread evenly over the next 5 plus years. Could investigate longer term swap options. Borrowings and investments must be maintained within treasury policy covenants. Regular reporting to Policy and Services committee meeting.	2 Moderate
62	Financial	New Regulations require Significant Investment	IF new environmental regulations or legislation imposed on councils requires a significant increase in capital expenditure, THEN ability to finance investment could be compromised and rates increases could breach limits.	6 High	Attempt to keep debt and expenditure low and achieve cost efficiencies regularly so that council can weather any necessary investment in order to be compliant with changing legislative environment.	4 High

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
63	Financial	Theft by Contractors	IF contractors have unrestricted access to council property and/or information, THEN there is an opportunity for theft and consequently loss of Council assets.	4 Moderate	All contractors must go through a pre-qualification process. Visitors to Council buildings must sign in. Access to the building has now been restricted with the use of fobs. Protected records are stored in a safe or locked storage room.	2 Moderate
74	Financial	Inadequate financial provision to fund asset replacement	IF there is inadequate financial provision in reserves to fund the replacement of assets, THEN the Council may have to borrow more than expected, or asset replacement may need to be delayed which may affect service level performance.	3 Moderate	Ensure annual depreciation is based on accurate fixed asset values (replacement cost) and accurate useful lives. Assets should not, unless necessary, be replaced before the end of their useful life.	1 Low
79	Financial	Bribery and Corruption	IF elected members or staff act in a way that is, or is perceived to be, influenced by Bribery or Corruption, THEN the Council's reputation could be damaged, there is potential for legal action against Council, increased scrutiny by the Office of the Auditor General. There is also the risk that Council could have lost financially, or in some other way, by entering into an unethical contract.	4 High	Ensure HR Policy, Procurement Policy, Anti-Fraud and Corruption Policy and Elected Members' Code of Conduct cover these areas sufficiently and that guidance is given to all staff and elected members at least annually on conflicts of interest, and Policies are widely distributed within Council and made available to all staff, particularly new staff. The Fraud Policy includes a process for reporting any suspected instances of bribery and corruption - ensure this is widely available and all staff are aware of reporting process.	3 Moderate
81	Financial	Management Override of Internal Controls	IF a Manager uses their unique position to override internal controls, THEN fraud may occur, resulting in theft of Council assets /funds and incorrect/misleading financial statements.	4 High	Audit and Risk Committee oversight. Internal and External audits annually. Fraud Policy awareness training for all staff at least three yearly. Regular review of policies to ensure in line with best practice. SLT to undergo ethics training. Prior to new employment, full reference checking of at least one recent, direct manager (particularly for financial and management roles). Zero tolerance for any bullying type behaviour.	3 Moderate
29	Health, Safety, and Wellbeing	Public Events	IF health and safety accidents or incidents occur during events THEN increased costs can occur to the events, reputation is damaged	4 High	Health and Safety plans are established well in advance to an event being planned. Physical hazards and risks are eliminated Hazard Identification records are kept. Events do not proceed without correct Health and Safety sign off. Good communication to all staff	2 Moderate
31	Health, Safety, and Wellbeing	Abusive Customers	IF abusive customers come into any of the Council's service centres, THEN there is the risk that council staff or the general public could be harmed or exposed to violence.	4 High	Staff have personal alert alarms if in danger, customer service training and policies on how to deal with situations so they do not escalate. Security cameras in place. Fob access required to access staff office area. Mayor's office is secured by glass entry way.	2 Moderate

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
32	Health, Safety, and Wellbeing	Lone Worker	IF a staff member is seriously injured or killed during field inspections/site visits, THEN possible health and safety breaches, death or serious injury.	12 Very High	Quality assurance, Ongoing training/awareness of HSE requirements and responsibilities, Better use of council data /knowledge base on dangerous or insanitary sites before staff member deploys to site, Use of GPS tracking, mobile phone tracking. Compliance officers to wear body cameras when on duty.	3 Moderate
34	Health, Safety, and Wellbeing	Food / Health Safety	IF Council doesn't adequately respond to a complaint and a member of the public falls ill or dies, THEN Council is at risk of legal proceedings under the Food Act/Health Act.	4 High	Quality assurance standards and process in place and adhered to by staff. Ongoing training/awareness of HSE requirements and responsibilities. Ensure Food safety bylaw is regularly reviewed.	2 Moderate
35	Health, Safety, and Wellbeing	Parking control	In the process of administering the Parking function, IF a member of the public is injured or vehicle is damaged, THEN possible death or serious injury could result.	4 High	Quality assurance, Ongoing training/awareness of HSE requirements and responsibilities. Body cameras to be worn by compliance officer when out on duty.	2 Moderate
36	Health, Safety, and Wellbeing	Council Vehicle accident	IF a staff member has an accident in a council vehicle, THEN this could result in possible death or serious injury and damage to motor vehicle asset.	4 High	All staff must have a full drivers licence, all staff are aware of procedures if there is an accident. Staff driver training to be provided to regular drivers. GPS and mobile phone tracking.	3 Moderate
37	Health, Safety, and Wellbeing	Staff under Stress	IF staff are affected by personal issues or by work pressures and experiencing high levels of stress, THEN work performance may decline and/or fatigue, illness, unsafe work practices may result.	5 High	Managers are responsible for being aware of the wellbeing of their direct reports. There are various options available for relieving the pressure of staff who are overworked including increasing staff or reallocating work. Ensure access to EAP service is widely known and communicated to all staff. Ensure all staff have a backup option available so they can take annual leave for at least a week at a time.	3 Moderate

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
38	Health, Safety, and Wellbeing	Exposure to Hazardous Substances	IF staff are affected by exposure to hazardous substances eg chemicals, liquids, fumes and other toxic substances THEN there are possible risks to staff health and wellbeing.	6 High	All hazardous substances are correctly labelled and stored according to best practice safety procedures and guidelines. Training is mandatory for all staff working with hazardous substances. Use appropriate PPE gear at all times in the vicinity of the hazardous substances. Regular health checks for staff. Regular testing of hazardous substances and chemicals LABELLING and STORAGE be carried out RANDOMLY. The Stratford Water Treatment Plant has site licences for the storage of chemicals, these must be kept up to date. Fire extinguishers are on site, all signage is current and covers off on all of the chemicals held on site, labels are all correct and current. We currently have 5 authorised handlers. Ixom also do site audits when their representative is in the immediate area.	3 Moderate
39	Health, Safety, and Wellbeing	Playground Equipment Failure	IF Playground equipment, or other recreational equipment fails THEN a member of the public could be seriously injured or killed.	8 High	Biennial playground inspection report and quarterly compliance checks by contractor to bring any issues to attention of council staff.	3 Moderate
40	Health, Safety, and Wellbeing	Swimming Pool Accident	IF a member of the public has an accident in the water or a medical emergency at the Stratford Pool, THEN this could result in possible death or serious injury.	4 High	Training and qualifications are mandatory for lifeguards, children and elderly are monitored by lifeguard/s at all times. More staff brought on at busier periods.	3 Moderate
41	Health, Safety, and Wellbeing	Workplace Bullying or Harrassment	IF Bullying and harrassment in the workplace occurs THEN it can have an impact on the health and wellbeing of staff subject to the bullying and other staff witnessing the behavior. This may impact on staff productivity and the ability of Council to attract good quality candidates.	4 High	Top down culture against bullying and harassment of any kind, policy is followed through by management, staff are aware of the reporting process. The reporting process to deal with bullying and harassment is fair, transparent, confidential and dealt with in a timely manner.	3 Moderate
61	Health, Safety, and Wellbeing	Asbestos Related Work	IF council buildings are contaminated with asbestos, THEN there is the possibility of asbestos exposure to staff and the public and increased risk of asbestosis and other lung and pleural disorders.	4 Moderate	Asbestos protocols need to be developed in line with the asbestos regulations. Community needs to be made aware of Asbestos disposal guidelines. Staff involved in building compliance or construction work should be appropriately trained in handling of asbestos materials.	2 Moderate

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
66	Health, Safety, and Wellbeing	Dog Attack	IF a dog attacks a member of the public and the dog control team have been slow or negligent in responding to complaints, THEN the the council may be liable for costs, and the public safety may be compromised.	4 High	Compliance officer to respond immediately to dog complaints. Ensure all dogs in the district are registered and the dog bylaw is complied with. Dogs are microchipped. Ensure dog pound is secure and access is restricted.	1 Low
67	Health, Safety, and Wellbeing	Muscular discomfort - Ergonomics	IF muscular pain or discomfort or eye strain occurs as a result of the work environment and setting, THEN this will impact on staff health and wellbeing and long term comfort at work.	2 Moderate	Apply ACC Habit At Work guidelines. Workstation assessments should be carried out to reduce the likelihood of onset of long term discomfort and pain conditions.	1 Low
68	Health, Safety, and Wellbeing	Armed Robbery	IF there is an armed robbery at any of council's services centres, THEN there is the potential for death or serious harm.	8 High	Establish emergency procedures, including use of panic buttons. Security cameras in place. Ensure staff are trained to deal with potential threat. Design / limit access to building so that threats are minimised.	4 Moderate
69	Health, Safety, and Wellbeing	Employee Substance Abuse	IF staff are affected by drugs or alcohol while at work, THEN there is an increased risk of an accident or injury, property damage, and reduced work performance.	8 High	Ensure staff are aware of drug and alcohol policy. Initial drug testing done prior to employment to filter out regular users. Utilise EAP.	2 Moderate
70	Health, Safety, and Wellbeing	Dangerous Roads due to weather events	IF there are dangerous road conditions that are not managed and communicated to the public appropriately, THEN there is a higher potential for car accidents and possible road fatalities.	2 Moderate	Ensure standard operating procedures are in place for potential weather events that may cause damage to the roads. This should include timely social media communications, installation of temporary barriers, cordons and signage in affected areas.	1 Low
73	Health, Safety, and Wellbeing	Water supply network is Contaminated	IF the Water supply network becomes contaminated THEN the public health is at risk and Council could be liable for financial penalties and will suffer reputational damage.	8 High	Backflow preventors to be installed for high risk properties (currently no programme to roll out across the district, due to cost and resource). Staff training in the use of chemicals.	8 High
80	Health, Safety, and Wellbeing	Fatigue Management	IF Fatigue affects an employee, as a result of working extraordinary hours, THEN the employee may have limited functionality which could result in personal injury or injury to others. It could also lead to stress and long term mental illness if it is reoccurring and could mean Council is in breach of the Health and Safety Act.	3 Moderate	Ensure employees take regular, quality rest breaks during the working day, in line with the Employment Relations Act (HR Policy requires this). Ensure all staff know their responsibilities in terms of managing fatigue. Ensure shift workers rostered times are manageable. The Vehicle Use Policy has limits on driving a Council vehicle after exceeding max number of work hours. Contractor fatigue management to be reported and monitored through regular contractor meetings.	1 Low

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
83	Health, Safety, and Wellbeing	Aerodrome - Unsafe Conditions	IF the Council fails to carry out its legislative responsibilities to ensure aircraft movements are restricted or prohibited in unsafe conditions/areas of the Aerodrome, THEN lives could be put at risk and property damaged.	4 High	Establish operational procedures specific to this risk, and regularly monitor compliance. Council has Airport Owner and Operators Liability insurance cover of up to \$10m for all related costs Council is legally obligated to pay for property damage or bodily injury including death.	2 Moderate
42	Operational	Payroll Processing	IF Staff are not paid correctly or on time THEN staff may become disgruntled and distrustful of their employer, work standards could drop and employment laws could be breached.	3 Moderate	Training of practices and legislation. Staff competent and levels appropriate. Good planning for staff leave in the finance team and time management. External notification of updates and changes. More than one staff member should be fully functional in payroll. Ensure facility available to access cash if Council is short.	1 Low
43	Operational	Roading - other work clashing	IF there is work being carried out by others on/in road reserve, e.g. Broadspectrum, THEN council may not be able to complete its own work programme.	3 Moderate	Co-ordination of planned works with other contractors in the area when planning physical works.	2 Moderate
44	Operational	Road Closures - unplanned	IF there are un-planned road closures due to collapse of culvert/bridges/landslides and so forth e.g. Wingrove Rd culvert collapse THEN access in/out of district could be lost and people could be injured as a result.	4 High	Asset criticality review to identify critical roading assets and increase monitoring activities. Ensure quality workmanship and contractors are aware of their obligations to report and repair any damages to roads. Resources diverted from other planned projects to remediate repairs to enable the road to be re-opened.	3 Moderate
45	Operational	Contractor - Damage to Property	IF maintenance contractor damages council or private property while carrying out contracted work, THEN council could be liable for damages and additional expenditure.	4 High	Stringent Operational procedures: Daily reporting of compliance. Regular liaison with contractor and regulators to monitor performance to ensure compliance. Contractor pre-approval process. Council has material damage insurance policy, excess \$5k.	3 Moderate
46	Operational	Other Contractors in Network Corridor	IF work by others in Network Corridor results in damage to components of the 3 waters infrastructure THEN services to the public may cease or become unreliable or compromised.	3 Moderate	Co-ordination between services before major projects begin. Ensure all works have Corridor Access Requests.	1 Low

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
47	Operational	Attracting Qualified Staff	IF Council is unable to attract suitably qualified personnel, THEN services may become under threat and may cease.	4 Moderate	Internal training and succession planning programs. Ensure market wages are offered for all high demand positions. Recruit off shore option should be available for high-demand positions. Make greater use of consultants if necessary and/or shared services with neighbouring Councils. Make Stratford District Council a great place to work - measure staff engagement and respond to any issues expediently.	2 Moderate
48	Operational	Maintenance Contractor fails to deliver	IF maintenance contractor fails to deliver contractual service necessitating termination of contract and re-tendering, THEN assets may become under threat, unreliable, or unable to meet community needs.	4 High	Careful assessment of tender to ensure contract price viable for contractor to deliver level of service. Regular liaison with contractor to monitor performance and ensure compliance. Contractor pre-approval process must not be bypassed.	3 Moderate
49	Operational	Property design /construction information	IF Council does not have adequate information on original design or construction of asset, THEN there is a greater potential for failure of future work and unsafe future construction.	3 Moderate	Carry out regular condition assessment of assets. Reassess use of asset or redesign to suit.	1 Low
50	Operational	Key Person risk	IF a key person in the organisation could not work for a significant period of time THEN this could affect council's ability to perform core functions and duties.	4 High	Ensure Promapp is up to date with all staff day to day processes, if known absence ahead of time ensure an appropriate training plan in place. Make use of local consultants where appropriate. Connect with colleagues from neighbouring three councils to share resource if needed.	2 Moderate
51	Operational	Natural Disaster or Fire - Response preparedness	IF a Natural Disaster or Fire causes significant damage to infrastructure and buildings THEN community welfare may be severely compromised, putting peoples lives at risk, and staff may be unable to access systems to carry out their day to day duties and functions.	15 Very High	Civil Defence Emergency Management plans are in place. Procedures following an emergency event are widely known by a number of staff due to Civil Defence Foundational training being rolled out to majority of council staff. Business Continuity Plans need to be in place and practiced regularly for all activities - Directors responsible for having a plan in place for each of their departments to ensure core functions can continue to be delivered.	12 Very High
64	Operational	Infectious Disease Outbreak / Pandemic	IF an infectious human disease outbreak / pandemic threatened NZ and reached the district, THEN this could impact staff availability, local services could temporarily close down, and the community access to healthcare is limited potentially resulting in population decline.	15 Very High	Health and Safety Advisor to keep aware of any public health notifications of disease outbreaks. Ensure there is a plan to respond to any notifications. Civil Defence covers infectious human disease pandemics and will take responsibility for local management. Follow Ministry of Health's NZ Influenza Pandemic Action Plan.	8 High

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
65	Operational	Biosecurity threat risk	IF there is a biosecurity threat to animals, or plant life THEN this could affect the economic wellbeing of the district and the ability of council to financially meet community needs.	4 High	Ensure council takes a proactive approach to working with Biosecurity NZ, MPI, TRC and the community where a threat is identified.	2 Moderate
71	Operational	Critical Asset Failure	IF a critical asset (water treatment plants, stormwater, wastewater, reticulation, roading) failed, THEN unexpected financial burden may arise and there could be significant disadvantage and risk to the community.	15 Very High	Conduct 2 yearly Asset Criticality Review. Ensure there are established Civil Defence Emergency Management response procedures in relation to fixing critical assets in an emergency event. Management practices and staff training, retention to ensure appropriate skill level in critical asset maintenance.	4 High
76	Operational	Heavy/Extreme Rainfall incidents	IF the Stratford District experiences heavy rainfall continually over a period THEN roads may flood, restricting accessibility, landslips and mudslides may restrict road access and cause property damage, productive land areas may flood reducing functions, Stormwater, Wastewater and Water Supply assets may fail from overburdening, and overflows from Wastewater system may result in untreated water entering the Patea River.	8 High	Asset Management Plans and Incident Control Response Plans to document critical asset areas and response plan in the event of heavy rainfall incidents.	3 Moderate
77	Operational	Terrorist Attack	IF a terrorist attack occurred in Stratford, THEN loss of life, property damage, and business discontinuity may result.	4 Moderate	Develop Lockdown procedures for all Council public sites i.e. Library, I-Site, Council Office, TSB Pool. Be alert and aware of potential threats, work closely with Police and establish plan to minimize damage to people and property.	4 Moderate
78	Operational	Government Policy Impacting on Local Government	IF Government Policy significantly changes the services Council delivers or the way they are delivered, THEN this could put financial pressure on the district to fund investment in changes, or it may mean previous investment has become redundant.	12 Very High	Where a policy change may have a significant impact on the Council then we must ensure that the Council makes a submission challenging the change and suggesting alternative options. Council officers and elected members need to keep up to date with policy, and anticipate potential impacts of legislative changes and respond strategically, rather than being in a reactive position or being overly proactive. This could include joint collaboration with business and other councils, accessing alternative funding sources, or obtaining legal or professional advice.	8 High

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
82	Operational	Failure of a Significant Contractor	IF a Contractor's financial situation deteriorates and impacts on their ability to deliver on a procurement contract, THEN the project may be left unfinished, Council may lose out on funds already spent, and may have to put contract out for tender again - resulting in project delays and additional cost.	4 High	Due Diligence required for all significant contracts that are required to go out for tender. Refer process in Procurement Manual (D19/33336), and Due Diligence Checklist (D18/35114).	2 Moderate
33	Reputational and Conduct	Animal Welfare	IF an animal that has been impounded is injured or dies due to maltreatment, THEN this could result in animal welfare agency scrutiny, possible court and legal costs, and reputational damage.	3 Moderate	Quality assurance, Ongoing training/awareness of HSE requirements and responsibilities, Vet Care/Assessments. Ensure notification is given to new animals being impounded so that compliance officer ensures the animals are being cared for and regularly fed and have access to water. Monthly farm meetings to bring up any animal welfare issues. Property Manager to regularly visit farm and make visual assessment of cow welfare.	2 Moderate
53	Reputational and Conduct	Release of incorrect or confidential information	IF incorrect or confidential information was given out through social media, media releases, staff actions at the services desks, LGOIMA requests, council meetings, and/or functions THEN risk of damaged reputation, ratepayer distrust and actions from Local Government ministry and/or Privacy Commissioner.	8 High	All Media releases are to be checked off by Dir – Community Services, and signed off by CEO or Mayor. Social Media Policy in place for clear guidance of social media use. Front counter training needs and communication guidelines established - a resource centre (knowledge base) maintained for FAQ's from public. Consider implementing a Privacy Impact Assessment for how council handles personal information.	2 Moderate
54	Reputational and Conduct	Building Consent Authority (BCA) Accreditation	IF Council loses BCA accreditation, THEN council cannot perform its building control function and there is no approval process for construction work and building compliance for the Stratford district.	4 High	Ensure best practice processes and procedures are in place and staff numbers and skill levels in the building consents team are appropriate. IAANZ audit recommendations to be taken on board. QA process implemented.	1 Low
55	Reputational and Conduct	Building Control functions undertaken negligently	IF council issues building consent, code of compliance certificates, or other building function decisions negligently or without appropriate quality controls and the structural integrity of the building work fails or the work is unsafe THEN the property owner could demand compensation, and it could result in reputational damage, possible legal costs, and building industry distrust may result.	12 Very High	Quality assurance. Resourcing and ongoing training of competent staff. Low tolerance for poor quality documentation from consent applicants. Reporting of substandard work practices observed. More use of standard online templates for processing applications. Council has public liability insurance.	2 Moderate

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
56	Reputational and Conduct	Building Consent location	IF Council issues consent and/or code compliance and the location of the building or structure that council signs off on is found to be in the wrong location THEN reputation damage could result and legal action may be taken against Council.	4 Moderate	Quality assurance. Resourcing and ongoing training of competent staff. Low tolerance for poor quality documentation from consent applicants. Reporting of substandard work practices observed. Engage professional surveyor if considered high risk. Council has public liability insurance.	1 Low
57	Reputational and Conduct	Online Passwords	IF online passwords are shared or used inappropriately, THEN there is the risk that staff can access or hack Council owned systems and release sensitive information.	4 High	Ensure that where a staff member leaves and they have access to logins accessible online that the passwords are changed and access ceases. Limit use of online accounts.	2 Moderate
58	Reputational and Conduct	Contractor Damage or Breach	IF Council and/or council contractors are found to be liable for public/environmental damage, or any actions that are unsafe or non-compliant with legislation and applicable policies and standards, THEN fines, possible injury, long-term damage, reputational damage could result.	12 Very High	Appropriate procedures and guidelines are in place to monitor contractor actions and our own including health and safety audits, contractor meetings/KPI's. The Council requires all physical works contractors to go through a thorough health and safety pre-qualification process and become approved before commencing any physical work. All relevant staff are kept up to date with pre-approved contractors register. Mini audits and random checks should be built into contracts. Contractor public liability insurance required for all major contracts.	3 Moderate
59	Reputational and Conduct	CCO and other Out-sourced Functions	IF Council's non-core activities (farm, aerodrome) or CCO (Percy Thomson Trust) operate in a way that has potential for non-compliance with the law or potential for financial loss THEN there may be legal, financial, environmental and health implications.	4 High	Ensure regular meetings between council staff and external operators are held and there is good reporting and monitoring of key risks and KPI's by council staff. CCO's must report six-monthly to Council. Farm Business plan is prepared annually, separate to the Annual Plan, which contains all other council operations.	3 Moderate
60	Reputational and Conduct	Elected Members Communication	IF elected members disclose incorrect or confidential information to the public or talk about council negatively, THEN this could damage the reputation and public trust of elected members and council staff.	6 High	Ensure elected members have a good awareness and understanding of the SDC Code of Conduct. Induction for new councillors should be thorough and cover communication with the public, in private, and at Council meetings.	3 Moderate

Risk Alert Number	Risk Category	Risk Subject	Risk Description	Risk Score Raw	Control Description	Residual Risk Score
72	Reputational and Conduct	Elected Members - Decision Making	IF elected members make significant decisions based on inaccurate/insufficient information, "biased" influences, conflicts of interest not disclosed, or lack of understanding of the financial or legislative impacts, THEN there could be funding access difficulties, audit scrutiny, financial penalties, and/or community distrust in elected members. Potential breach of Local Authorities (Member's Interests) Act 1968, and Councillors may be personally financially liable under S.47 of LGA 2002.	12 Very High	Relies on the accuracy and quality of the advice given by staff to elected members - ensure agenda, reports, and other papers are always reviewed by CEO, and Directors if appropriate. Elected members should receive initial induction training and attend LGNZ, SOLGM conferences where material is relevant to get a better understanding of governance decision making. Council has a Professional Indemnity insurance policy for all elected members and independent committee members.	4 High
75	Reputational and Conduct	Council employees abuse members of the public	IF Council employees, during the course of their Council duties abuse members of the public, particularly children, THEN the Council may suffer significant reputational damage and potentially be taken to court.	8 High	All staff in a public facing role, particularly where they must deal with children, must be police vetted before they commence work. Exception is where the role is urgent and requires immediate start - in these situations the employee should not be left alone at any time until a satisfactory police report has been received.	4 Moderate

INFORMATION REPORT



TO: Audit and Risk Committee

FROM: Director – Corporate Services

DATE: 6 October 2020

SUBJECT: FINANCIAL RISK MANAGEMENT REPORT

F19/13-D20/25782

RECOMMENDATION

THAT the report be received.

_____/_____
Moved/Seconded

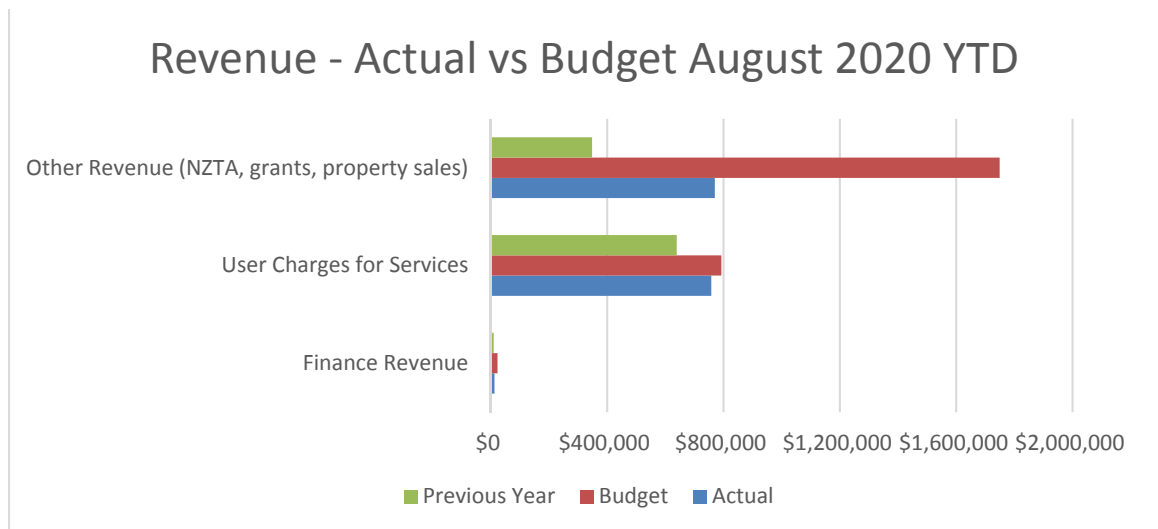
12

1.0 Financial Results Summary

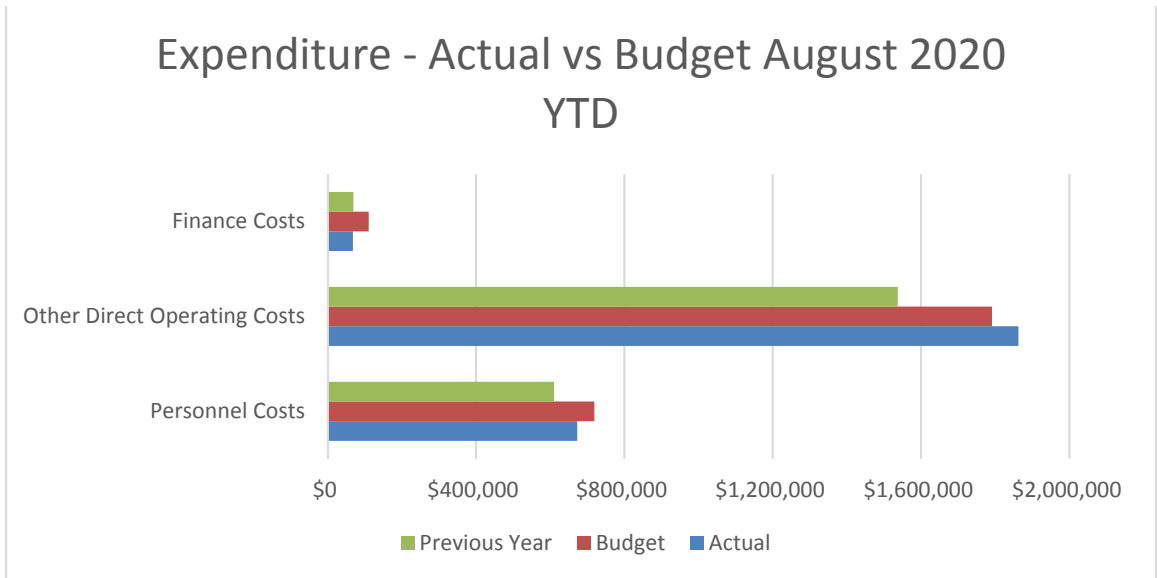
Overall year to date (YTD) results show revenue is down on budget by \$995,443, at \$4,788,943, expenditure is under budget by \$15,492, at \$2,606,302, with a YTD net surplus of \$2,182,641. Full financial reports for August 2020 YTD have been provided to the Policy and Services Committee (September 2020 meeting).

1.1 Operational Results

For all three non-rates revenue streams, revenue for the year to date (YTD) is below budget, but ahead of the previous YTD. The budget variance for Other Revenue is largely due to timing of the Council subdivision sales.

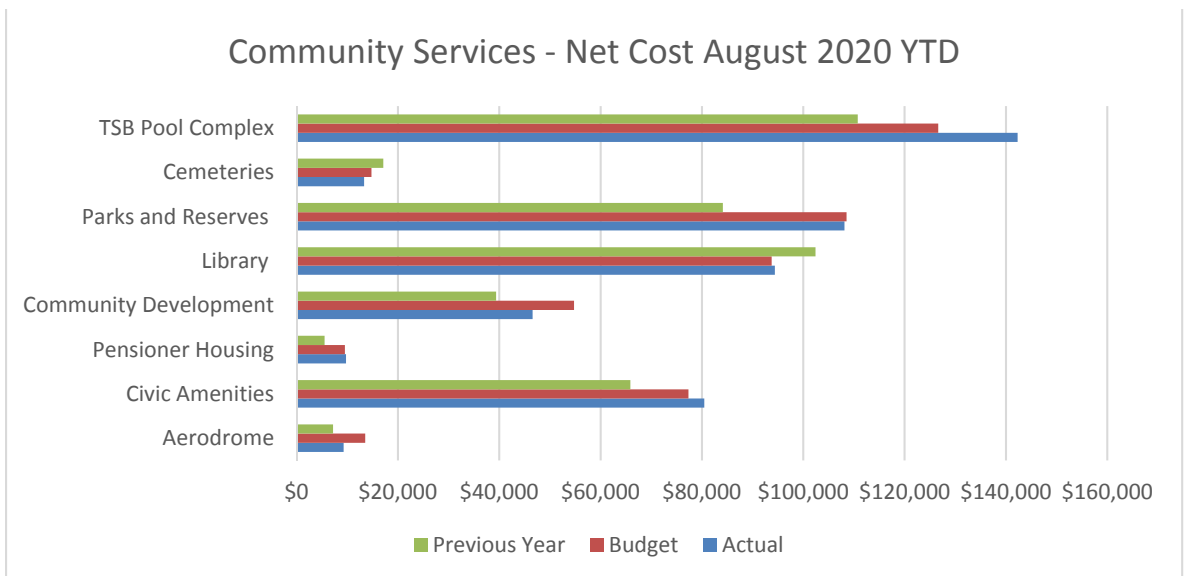


Operating expenditure is below budget for Finance Costs, and Personnel Costs, but higher than budget for all other Direct Operating Costs, with only Finance Costs being lower than the previous year, due to interest rate movements.

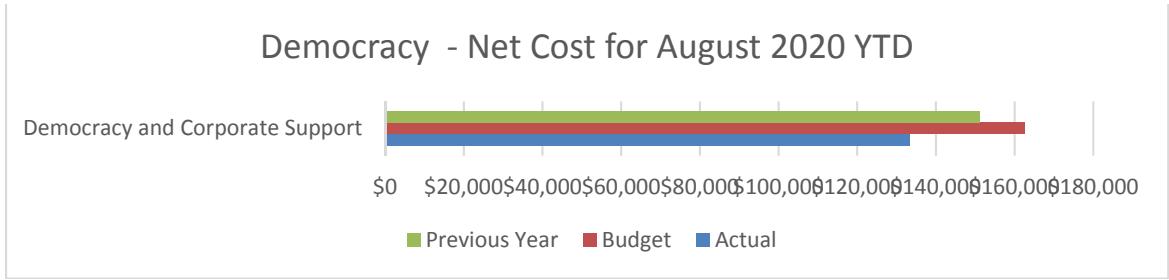


The graphs below are by Activity Groups, and show the net direct cost of the activity for August YTD, compared to budget and previous YTD. Net cost is direct operating expenditure less direct revenue (excluding New Zealand Transport Agency subsidies).

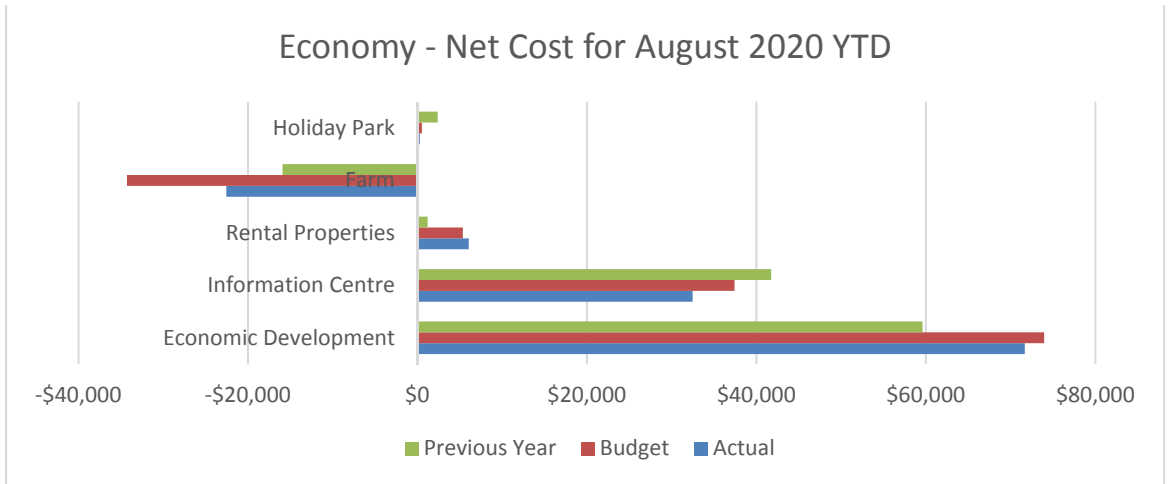
Community Services – Pool revenue is down on budget and previous year due to Covid-19 alert levels resulting in a reduction in visitor numbers and other revenue sources in July and August.



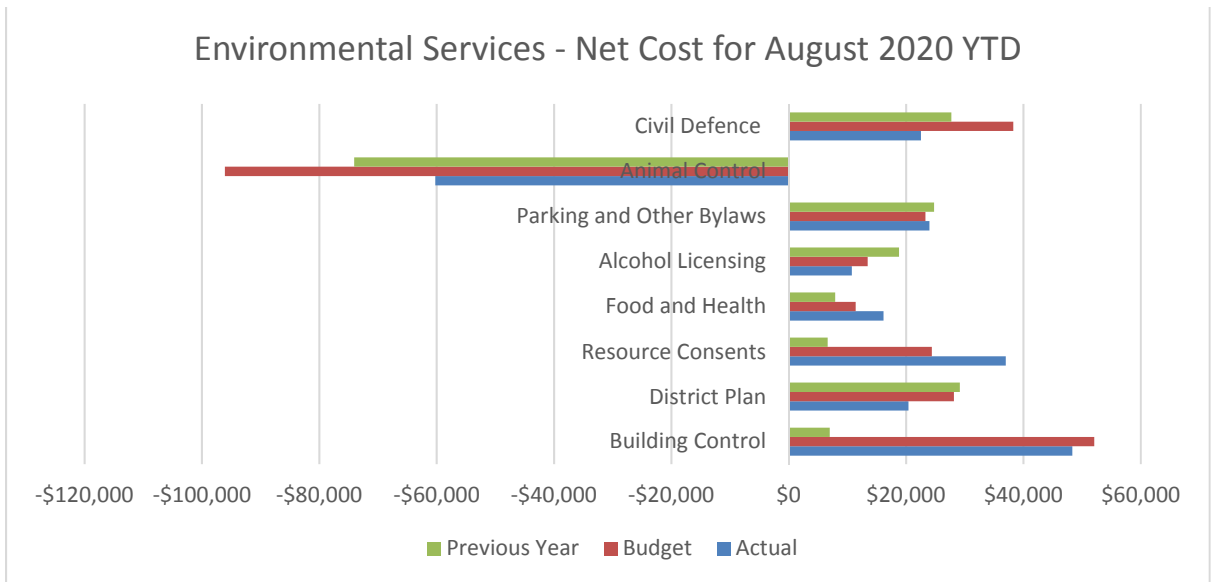
Democracy – Net cost is below budget and previous year actual. This is more due to timing of certain expenditure.



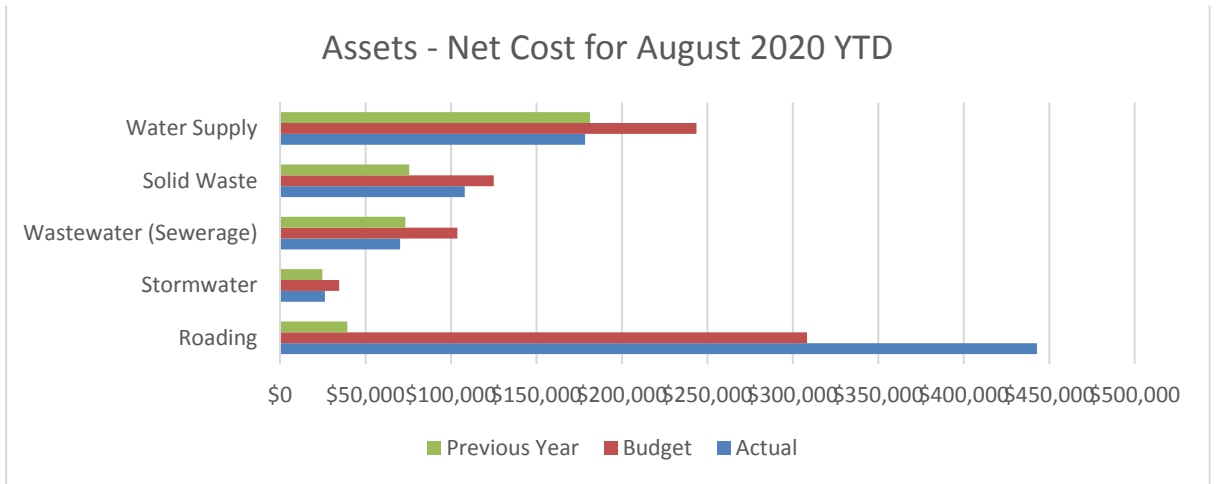
Economy – Farm net return is higher than previous YTD, reflecting timing of repairs and maintenance expenditure. Revenue is similar to the previous year.



Environmental Services – Animal Control revenue down YTD due to one-off registration payment due date postponement provided as part of covid relief package for the community. Building Control up on previous year due to the one-off cost of IANZ audit (3 yearly audit). Resource consent cost of activity is up on the previous year due to consultants expenditure being \$11k up and revenue \$10k down.

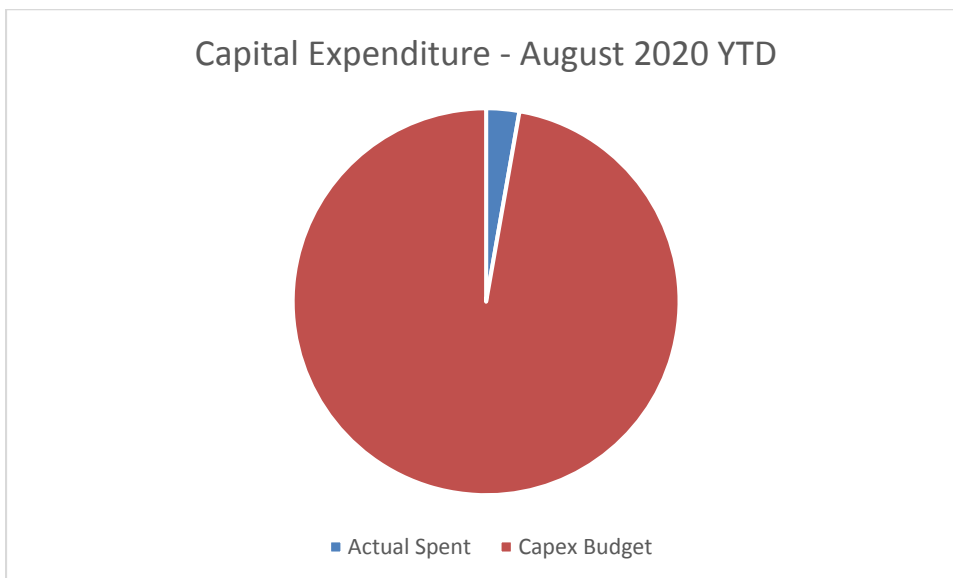


Assets – Roothing is much higher than budget and previous YTD due to drainage maintenance and water tabling work being carried out in recent months in eastern rural areas, particularly Puniwhakau Rd, and the previous year in July Council took on a new roading contractor Fulton Hogan to deliver the roading maintenance (7 year contract) so the first few months expenditure was low as they began to build up a regular work programme.



1.2 Capital Expenditure

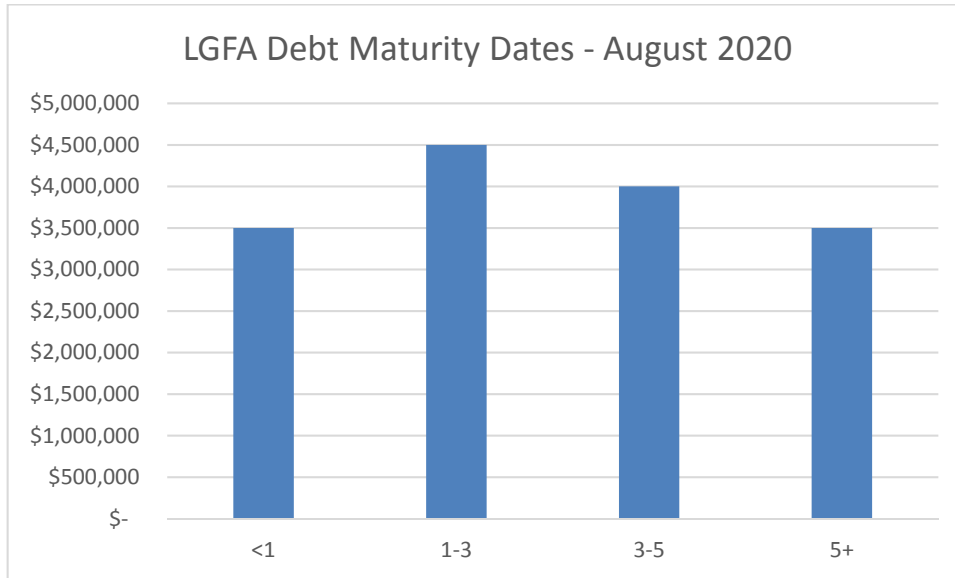
As at 31 August 2020, 3% of the capital expenditure budget (including approved carry-forwards) has been spent. Monthly status updates for each individual project are provided to the Policy and Services Committee for additional oversight and progress monitoring.



2.0 Treasury Report

2.1 Debt Maturities

The debt maturities are spaced out evenly over the next five years, with \$3,500,000 due to mature within the next 12 months which will give Council the opportunity to access historically low interest rates, if forecasts of even lower rates in the short to medium term eventuate. The maturity dates are compliant with the Treasury Management Policy.



2.2 Covenant Compliance

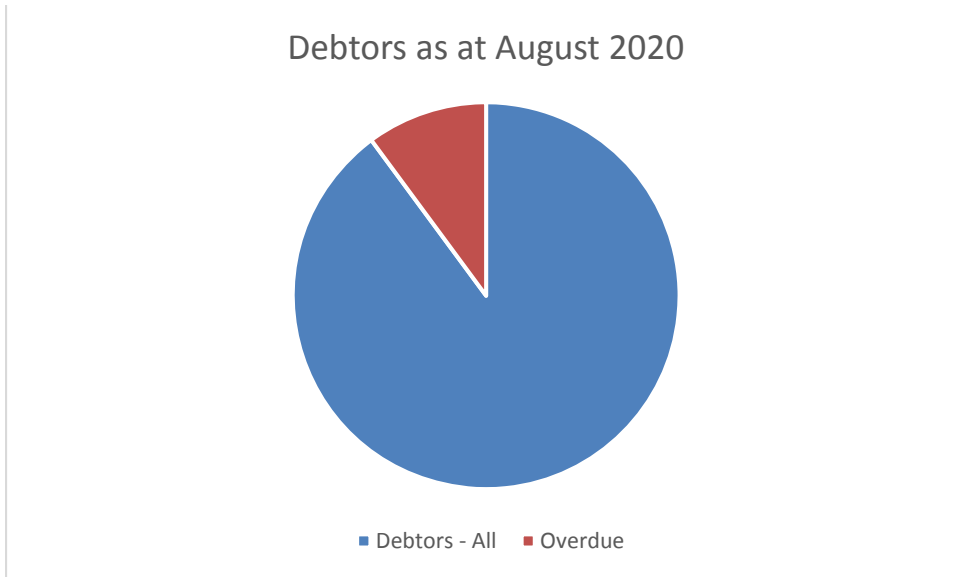
As at 31 August 2020, all treasury covenants were met.

	<i>Actual</i>	<i>Policy</i>
Actual Fixed Debt	87%	>60%
Actual Floating Debt	13%	<60%
Fixed 1-3 years	29%	10-60%
Fixed 3-5 years	26%	10-60%
Fixed >5 years	23%	5-60%
Debt Matures 1-2 years	29%	10-60%
Debt Matures 2-4 years	26%	10-60%
Debt Matures > 4 years	23%	10-60%
Debt Servicing to Revenue Ratio	1%	<10%
Debt to Revenue Ratio	43%	<130%
Liquidity Ratio	134%	>110%
Net Debt per Capita	\$ 1,213	<\$3,000
Net Debt per Ratepayer	\$ 2,428	No specified limit

4.0 Accounts Receivable

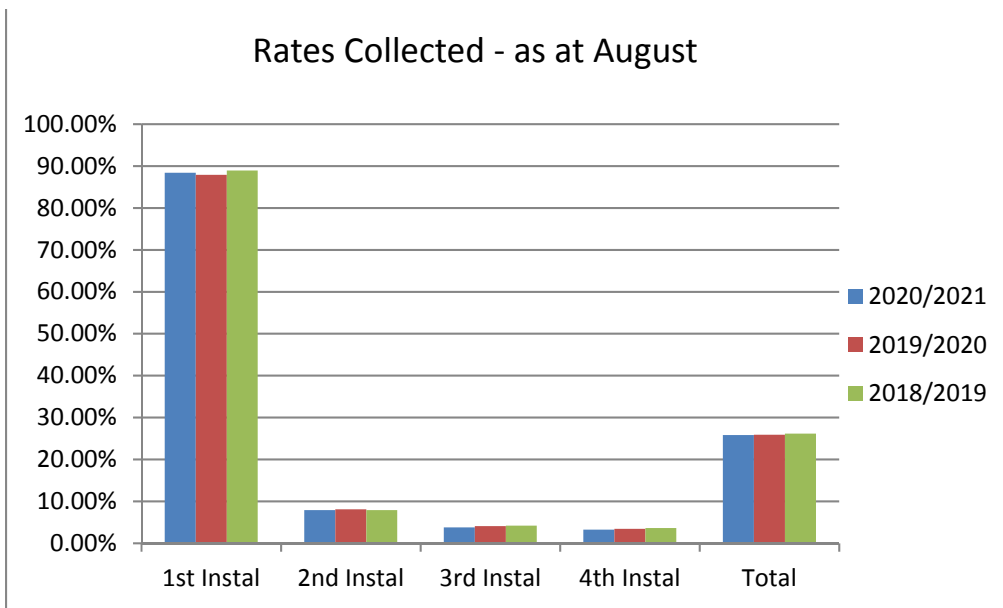
4.1 Debtors

Overdue debtors (excluding rates), at \$100,346, is currently the lowest it has been in the last two years. However, there are two debts that remain uncollectible and will need to be written off. Delegation will be sought from the Policy and Services Committee.



4.2 Rates

Total rates collected is on par with the previous year – slightly higher collection percentage for the first instalment, but lower for later instalments, signalling more ratepayers may be choosing to just pay what is due rather than the full rates bill.





Tiffany Radich
DIRECTOR – CORPORATE SERVICES



Approved By:
S Hanne
CHIEF EXECUTIVE

DATE: 28 September 2020

INFORMATION REPORT



TO: Audit and Risk Committee F19/13-D20/25487

FROM: Director – Corporate Services

DATE: 6 October 2020

SUBJECT: ANNUAL REPORT 2018/19 – PROGRESS ON AUDIT ISSUES

RECOMMENDATION

THAT the report be received.

Recommended Reason

This report informs the Committee of the issues identified in the final Audit New Zealand Management Report for the 2018/19 Annual Report, summarising the actions that have or intend to be taken by Council officers to respond to audit recommendations with respect to each issue raised.

Moved/Seconded

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1. **PURPOSE OF REPORT**

The purpose of this report is to inform the Committee of the issues identified in the final Audit New Zealand Management Report for the most recent year-end external audit, and summarises the actions that have or are to be taken by Council officers to respond to audit recommendations.

This is in line with the Audit and Risk Committee’s Terms of Reference which includes a responsibility *“To review the external audit findings and the annual financial statements and report back to the Council”*.

2. **EXECUTIVE SUMMARY**

As at 31 August 2020, there were three recommendations that had not yet been closed out. All have actions in progress, but are considered non-urgent.

Audit New Zealand issued an unmodified Audit opinion for the year ended 30 June 2019 on 29 October 2019. As a follow up, Audit New Zealand issued a Management Report setting out the findings from the audit, highlighting areas where Council is doing well, and making recommendations for improvement.

Appendix 1 lists each of the issues identified by Audit New Zealand that came with some form of recommendation, and the current status.

3. **LOCAL GOVERNMENT ACT 2002: SECTION 10**

The Annual Report is an important way in which Council demonstrates its actions are aligned with Section 10 of the Local Government Act 2002. Audit matters raised contribute to the above by ensuring the Annual Report is fit for purpose and compliant with legislation.

4. **BACKGROUND**

Audit New Zealand carried out their annual audit of Council's financial statements for the year ended 30 June 2019, on behalf of the Controller and Auditor-General, from September 2019 to October 2019.

An unmodified audit opinion was issued by Audit New Zealand. This means that, in the auditor's opinion, the financial statements and commentary within the annual report were presented, in all material respects, in accordance with legislation and the financial reporting standards.

The Annual Report 2018/19 was adopted by Council on 29 October 2019.

It is normal that the auditors will provide recommendations for improvement to ensure a high standard is maintained in terms of internal controls and accuracy in collecting and recording information that is required to be publically reported. A summary of the recommendations is provided in **Appendix 1** to this report. A progress update on these recommendations will continue to be provided to the Committee at each meeting.

5. **INFORMATION SUMMARY**

Refer to the Audit New Zealand management report, included in the Correspondence section of the December 2019 Audit and Risk Committee meeting agenda.

Note – the final management report for the interim audit of the 2019/20 financial year by Audit New Zealand is included in the correspondence section of this agenda. Once this has been received by the Committee, the recommendations will be added to the progress schedule attached to this report.

6. **STRATEGIC ALIGNMENT**

6.1 **Direction**

The Annual Report is a statutory requirement and must include an independent audit report. It is largely reporting historical information, whereas the Annual Plan and Long Term Plan are forward looking and direction setting.

6.2 **Annual Plan and Long Term Plan**

The Annual Report compares the actual results for the year ended 30 June 2019 against the budget as per Year 1 of the Long Term Plan.

6.3 **District Plan**

The Annual Report does not have a direct relationship with the District Plan.

6.4 **Legal Implications**

There are no legal implications - the Annual Report was completed in accordance with the Local Government Act 2002.

6.5 **Policy Implications**

There are no policy implications to consider directly. However, some of the audit recommendations may involve Council having to review particular policies.

Attachments

Appendix 1 - Schedule of Audit NZ Recommendations



Tiffany Radich
DIRECTOR CORPORATE SERVICES



Approved by
S Hanne
CHIEF EXECUTIVE

DATE 28 September 2020

APPENDIX 1**Schedule of Audit NZ Recommendations**

Recommendation	Current status	Comments	Timeframe
<p>Reconciliation between the general ledger and the asset management system</p> <p>Management should ensure that capital additions in the general ledger are reconciled to those capitalised in Asset-Finda on a monthly basis. This reconciliation should include a report on the depreciation charged.</p>	In progress	<p><i>Due to existing processes, the only time the two systems are reconciled is at asset revaluation dates. The Accountant and GIS Officer are continuing to work on a solution that enables monthly reconciliation of asset values between AssetFinda and Authority. The new GIS officer has a work program relating to this area which is currently focusing on updating Assetfinda with Authority work order projects, and monthly meetings have been established with asset managers to ensure projects are capitalised on a timely basis.</i></p>	<p><i>Fully implemented by 30 June 2021.</i></p>
<p>Assessment of asset condition be carried out at valuation cycles</p> <p>Having appropriate information over the condition of assets and taking this into account when revaluing will give the District Council a better picture of their assets. This will also mean the District Council will have better information for asset management planning.</p>	To consider for next infrastructure valuation.	<p><i>Asset condition is reviewed regularly to inform the programme of works. However, in terms of the three yearly asset valuations asset condition was not an essential consideration, due to the significant cost of adding this component and data already being held, collected by contractors, in relation to asset condition.</i></p>	<p><i>Next valuation for 2021/22 year.</i></p>

Recommendation	Current status	Comments	Timeframe
<p>Bribery and Corruption</p> <p>The District Council should:</p> <ul style="list-style-type: none"> • Send policy reminders to key staff members in high risk roles for example those involved in the procurement process. • Institute formal awareness related to the policies and guidance for bribery and corruption. • Undertake a formal risk assessment to identify where it is most at risk for bribery and corruption. • Ensure there is regular reporting on bribery and corruption and related activities. • Implement mechanisms to ensure the controls in relation to bribery and corruption are adequate. These could include - results from any investigations, staff surveys, feedback from training, targeted internal audits. 	In progress	<ul style="list-style-type: none"> • <i>Policy reminders to key staff members is raised at SLT or via staff newsletter and/or addressed directly by the Director.</i> • <i>Formal awareness and education of Council policies recommended.</i> • <i>Formal risk assessment completed.</i> • <i>Reporting to audit and risk committee where there is a need, addressed in July 2020 A&R meeting.</i> • <i>Internal audit carried out early 2020 – no incidences of breaches in relation to bribery and corruption were identified.</i> 	Complete
<p>Support for status of completed assets</p> <p>Improve the documentation and processes confirming the status of work-in-progress as complete.</p>	Complete	<p><i>WIP will be reconciled each month and confirmed by SLT – to ensure there are no completed assets sitting in WIP to be capitalised. The capital expenditure report is emailed to budget managers monthly to confirm if any projects are complete and require capitalisation.</i></p>	Complete
<p>Recording and reporting of mandatory measures not in line with Department of Internal Affairs (DIA) guidance</p> <p>Management should ensure the system for recording complaints includes all complaints received for each event.</p>	Complete - Temporary solution sufficient for long term	<p><i>Legislation imposes mandatory performance measures for complaints regarding water, stormwater, and wastewater to be measured individually. Front counter staff create a CRM task for every complaint associated with the three waters. A spreadsheet register is used where there are multiple complaints about the same issue affecting more than one property.</i></p>	Complete

Recommendation	Current status	Comments	Timeframe
<p>Verbal advice obtained on employment matter</p> <p>Management should ensure that advice obtained in relation to legal, compliance and employment related matters is in writing.</p>	One-off issue	<i>This recommendation has been passed on to Human Resources and the Senior Leadership Team.</i>	<i>Complete</i>

Audit Matters raised in previous years' audits outstanding

Recommendation	Current status	Comments	Timeframe
<p>Contract management register</p> <p>Consider improvements to the contract management register and processes to include a whole-of-Council contract management system.</p>	In progress	<i>Work is being undertaken by IT to link work orders to contracts and set up workflows to enable more effective contract management. There are integration issues between Authority and Content Manager which are being resolved in the TEST environment prior to being rolled out in the LIVE environment.</i>	<i>30/06/21</i>
<p>Fraud policy awareness and risk assessment</p> <p>Complete a formal fraud risk assessment taking into consideration the whole of Council and its operations as well as increase the level of awareness around its fraud policy.</p>	Complete	<i>A formal fraud risk assessment was completed in June 2020.</i>	<i>Complete</i>
<p>RAMM Database accuracy</p> <p>Recommended that council cleanse the RAMM database to ensure accuracy of asset data, in readiness for the 2018-28 LTP.</p>	Complete	<i>Council has been progressing this and assessed the data as sufficiently reliable for the 2018-28 LTP and the 2018/19 revaluation.</i>	<i>Complete</i>

Recommendation	Current status	Comments	Timeframe
<p>Impairment of property, plant and equipment</p> <p>The District Council puts in place a formal evidenced process for review of impairment indicators which is in line with the accounting standards. The process should also take in to account specific contract rates where applicable to obtain a more accurate reflection of any impairment. We also note that asset condition is not taken in to account in the valuation.</p>	Complete	<i>Council assets are assessed for impairment each year in the last quarter of the financial year, unless it is a revaluation year in which case an impairment assessment may not be required (depending on date of revaluation).</i>	Complete
<p>Capitalisation of assets</p> <p>Capital projects should be capitalised on the date that the asset becomes available for use and a quarterly review of work-in-progress balances be performed by the Asset Managers and the Financial Accountant. This review should focus on the validity of the total work-in-progress balances and whether any of this amount should be capitalised.</p>	Complete	<i>Most one-off capital items are capitalised as the invoice is entered. From the 2019/20 financial year, a new work order will be created for each capital project enabling clarity over project costs, and amount to capitalise is much easier to determine once the project is complete.</i>	Complete
<p>Implement a formal WIP review process</p> <p>The District Council should implement a formal system that easily identifies what makes up the work-in-progress at any given time.</p>	Complete	<i>Finance staff now prepare a monthly report of outstanding Work In Progress, reconciled to the WIP balance in the GL.</i>	Complete

INFORMATION REPORT



TO: Audit and Risk Committee

F19/13-D20/25848

FROM: Director – Corporate Services

DATE: 6 October 2020

SUBJECT: LONG TERM PLAN 2021 - RISK MANAGEMENT

RECOMMENDATION

THAT the report be received.

Recommended Reason

To demonstrate fulfilment of the Committee's responsibility to proactively assess, monitor, and provide governance oversight of risks – in this case, with regard to the risks directly associated with the preparation of the Long Term Plan 2021-31 (LTP).

/
Moved/Seconded

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1. PURPOSE OF REPORT

The purpose of this report is to demonstrate to the Audit and Risk Committee that the risks associated with the preparation of the LTP are being monitored and managed effectively.

It also gives the Audit and Risk Committee the opportunity to review the controls in place to manage the associated risks, and suggest improvements.

2. EXECUTIVE SUMMARY

The nine key risks in relation to the preparation of the LTP have been identified as:

1. Decision Making – high risk
2. Financial Controls and Processes – high risk
3. Consultation – high risk
4. Legislative Deadlines – medium risk
5. Assumption Quality – medium risk
6. Staff Wellbeing – medium risk
7. Lack of Vision and Foresight – medium risk
8. Alignment of LTP sections – low risk
9. Performance Measures – low risk

The risks have been reviewed by the Senior Leadership Team and will be monitored by the LTP project team going forward.

3. LOCAL GOVERNMENT ACT 2002: SECTION 10

Under section 10 of the Local Government Act 2002 (LGA), the Council’s purpose is to “enable democratic local decision making by and on behalf of communities; as well as promoting the social, economic, environmental, and cultural well-being of communities now and into the future”.			
Does the recommended option meet the purpose of the Local Government 4 well-beings? And which:			Yes
Social	Economic	Environmental	Cultural
X	X	X	X

4. BACKGROUND

The LTP is a significant Council document that is required to be prepared every three years. It has a ten-year minimum outlook.

The LTP includes:

- Council’s proposed financial budgets for the next ten years, including new capital projects/investments, and rates revenue proposed each year,
- Financial Strategy and Infrastructure Strategy,
- Non-financial performance measures for each activity,
- Revenue and Financing Policy,
- Development and Financial Contributions Policy,
- Significance and Engagement Policy,
- Fees and Charges (for year 1 of the LTP),
- Council’s performance against benchmarks (prescribed in legislation).

Any deviation from the LTP in years 2 or 3 must be highlighted in the Council’s Annual Plan for that year. A significant difference in an Annual Plan will require consultation and potentially audit review.

5. INFORMATION SUMMARY

Each of the nine key risks identified has been assessed in line with the following Risk Scale, prior to controls being implemented, and then assessed again after implementation of the mitigations.



1. Decision Making

Impact **High**
Likelihood **Medium**

If significant decisions are made without exercising due diligence and care, then the community is ultimately affected either through the additional financial burden, or missed opportunities for the development of the district.

There are a significant number of decisions – from minor to major - to be made by elected members in relation to the LTP that will have financial impacts on ratepayers and the community, and affect the social, community, cultural and economic wellbeing and outcomes of the district now and over many generations. There is a risk that decisions are made that are either uninformed, biased, not well thought through, or lacking in depth or breadth of the overall effects and outcomes on the district.

Section 77 of the LGA requires Council, in the course of making decisions, to identify all reasonably practicable options, assess the options in terms of their advantages and disadvantages, and if land or water is involved and the decision is significant, take Māori perspectives into account.

Risk Mitigations

- a) The members elected onto the Stratford District Council all bring a wide variety of skills and competencies to the Council decision making table. In addition, the Mayor/Chair encourages participation from all elected members, and values individual contribution and differing opinions.
- b) The Senior Leadership Team have established processes and timetables to bring important information to elected members, and have started systematically working through activity by activity, with policies and strategies, fees and charges, and performance measures to be reviewed separately.
- c) Council will ensure decisions that are not minor will be workshopped prior, so that elected members have the opportunity to request further information and detail before making a decision.
- d) Information relating to Council workshops must be provided to elected members on the Friday prior to the workshop, or in relation to Council decisions by the Thursday prior to the Tuesday meeting to give elected members enough time to review the material fully in order to provide a worthwhile contribution at the meeting.
- e) Council staff must ensure the material given on a decision is not biased or subjective, and that all relevant information is provided to elected members in order to make a well informed decision.
- f) Where elected members are asked to make multiple significant decisions in a short space of time, it undermines their ability to be effective and allow time to review all options for all decisions. Council staff will spread the LTP 2021 workload over the period from March 2020 (already commenced LTP workshops) to June 2021 to allow sufficient time to give each decision appropriate review and consideration.
- g) Section 80 of the LGA will be observed where any decisions made are inconsistent with Council policies or plans.

Impact **Medium**
Likelihood **Low**

2. Financial controls and processes

Impact **Medium**
Likelihood **High**

If Council does not implement adequate financial controls and processes in preparation of the LTP, then the figures within the plan could be incorrect, potentially resulting in incorrect rates, unrealistic budgets, a qualified audit, and legal action.

This risk encompasses all potential issues that may arise from using inconsistent, wrong or inaccurate financial information – either due to inadequate processes, incompetent staff, non-compliance with legislation, or decisions that are inconsistent with financial limits. For example, if the budget model is full of errors, this could result in the rates revenue requirement being inaccurate, along with other financial projections. Or if elected members are not given the opportunity to consider and review all funding options for each activity then opportunities to alleviate rates burden on certain parts of the community are lost.

Risk Mitigations

- a) Council staff investigated alternative solutions to the current spreadsheet budget model, however it was decided to retain the current model due to it being a cost-effective all in one model – all other solutions require excel outputs to feed into the LTP document. In the last two years, as preparation for the Annual Plans, improvements have been made to the LTP spreadsheet model to ensure robustness, efficiencies, and reduce the risk of errors.
- b) The financial policies will or have been brought to elected members through separate workshops for focused consideration. These include the Revenue and Financing Policy, Rates Remission Policies, the Financial Strategy, and the Treasury Management Policy. The Financial Strategy and Revenue and Financing Policy will be worked on iteratively as the Infrastructure Strategy and individual Activity budgets are being worked through.
- c) Both the Corporate Accountant (preparing LTP document) and the Revenue Manager (responsible for rates) are very experienced with several years' experience in their respective roles. The Director – Corporate Services is familiar with all processes and has oversight of all material being put forward to Council for review and decision making.
- d) Legal advice will be sought where a new or unknown situation is encountered and industry guidelines/advice (SOLGM, LGNZ, other local authorities) is not available.

Impact **Medium**
Likelihood **Low**

3. Consultation

Impact **Medium**
Likelihood **High**

If Council does not consult with the community as per legislative requirements (at a minimum), then the LTP could be at risk of being legally challenged, and it could result in a qualified audit and community distrust.

The LGA requires Council to consider the current and future interests of the community in its decision making. The LTP, in particular, must be consulted on using the Special Consultative Procedure (section 83 of the LGA). However, other documents within the LTP must be consulted on separately (but may be at the same time as the LTP Consultation Document). The Council must be able to demonstrate that it has engaged with and sought feedback from the community by making the consultation document as widely available as possible, particularly to those affected by, or who may have an interest in, significant Council decisions (section 78 of the LGA), and to Māori (section 81 of the LGA).

Council values highly the support of the community, acknowledging that there will always be differing views on decisions. Therefore, decisions proposed should reflect the feedback from the community, where relevant, to avoid community distrust and dissatisfaction.

Risk Mitigations

- a) The LTP Consultation Document and its requirements are formalised in legislation, and Council staff will comply with all aspects of section 93C of the LGA (content required in Consultation Document).
- b) The Council has employed a dedicated Communications Manager who will be leading the preparation of Council's engagement and consultation on the LTP.
- c) A Communications Plan has been prepared, following discussions with elected members, to ensure that engagement and communication on the LTP is focused, structured, and achieves the desired outcomes.
- d) The Significance and Engagement Policy has been recently reviewed by elected members with the intention of adopting later in 2020.
- e) The Communications and Engagement Strategy further enhances how Council will engage with the community to ensure participation.
- f) All changes to the proposed LTP, and draft documents within, that are a direct result of consultation will be documented.
- g) Council staff have started conversations with Whakaahurangi Marae and are working to establish conversations with local iwi to ensure Māori participation.

Impact **Low**
Likelihood **Medium**

4. Legislative Deadlines

Impact **Medium**
Likelihood **Medium**

If Council does not achieve the legislative deadlines, then the LTP could be deemed invalid, and legal action and a qualified audit may result.

The most significant legislative deadline is the adoption of the LTP, which must be done by the start of the first year to which it relates (section 93 of the LGA), and it must contain an audit report from the Auditor-General. Prior to this the Consultation Document must be adopted and consulted on for at least four weeks, and prior to that all other draft documents within the LTP must be adopted (and also may need to be consulted on).

Risk Mitigations

- a) Council staff have adopted timeframes for key processes which were indicated to elected members at the August 2020 Policy and Services Committee meeting. Regular weekly Senior Leadership Team, and monthly LTP project team meetings are held to keep the work on track.
- b) Auditor confirmation of audit timeframes and expectations is yet to be achieved as they are still focusing on Annual Reports for 2019/20. Auditor delays could potentially be an issue leading into finalisation of the LTP, due to their limited capacity.

Impact **High**
Likelihood **Low**

5. Assumption Quality

Impact **Medium**
Likelihood **Medium**

If Council's assumptions about the future are incorrect, then this will result in incorrect financial forecasts, potentially leading to for example expenditure that is not needed or wanted e.g. population growth doesn't eventuate, or necessary projects are not budgeted, for example population growth is much higher than forecast.

Council uses various assumptions in its long term planning, including assumptions around district growth, population demographic changes, economic/GDP growth and industry changes, employment expectations, Council services usage, along with assumptions around the cost of capital projects, capital replacement costs, grant funding contributions, inflation expectations, interest rate assumptions as examples. Essentially, all budgets are based on assumptions and guessing the unknown. It is the degree to which those assumptions turn out to be accurate that will determine the accuracy of the LTP forecasts and investment decisions.

There will always be some degree of uncertainty regarding assumptions. Take for example the government water reforms which may have a significant impact on future service delivery. However, we can only go off what is most certain at this point in time.

Risk Mitigations

- a) All assumptions must be documented. This will enable future variances or inconsistencies with actual outcomes to be explained. It will also provide auditors with better clarity and comfort around the basis of the budgeted figures.
- b) All business cases for new capital projects are required to show evidence of how the cost estimates were arrived at, prior to being added to the LTP budgets, to ensure a considered thought process can be demonstrated in how Council has arrived at cost estimates for capital projects.

Impact **Low**
Likelihood **Medium**

6. Staff Wellbeing

Impact **Medium**
Likelihood **Medium**

If Council staff are overloaded with work as a result of preparing information for the LTP 2021, then staff wellbeing may suffer with high stress levels potentially resulting in unwell staff.

Preparation of a LTP involves significant effort, not only in mitigating the risks referred to in this report, but also to provide the community with a LTP that they can be proud and supportive of. The “LTP preparation season” can often put pressure on Council staff, who are also trying to keep on top of their day-to-day work. Being a smaller Council, most staff are expected to cover wider areas or functions than their counterparts at other larger Councils, which is seen as a bonus to many, but at LTP times can result in higher expectations of achieving multiple deadlines, and significant work pressure can result.

Risk Mitigations

- a) At this stage, all Senior Leadership Team positions and key positions relating to the preparation of the LTP are filled.
- b) In all positions that are key to the preparation of the LTP, there is a backup who is capable of backfilling the role temporarily.
- c) The LTP 2021 process has commenced much earlier than the LTP 2018 work commenced, and so this has given staff the opportunity to spread out the workload over a longer time period.

Impact **Medium**
Likelihood **Low**

7. Lack of Vision and Foresight

Impact **Medium**
Likelihood **Medium**

If the LTP process is seen merely as a compliance exercise, then the opportunity to plan strategically to achieve the desired outcomes for the future of the district will be lost.

The LTP should be visionary, with at least a ten year outlook, but based on realistic and sound assumptions about future expectations. There should be adequate provision made for the investment and replacement of key infrastructure to ensure that future generations are not left with an inequitable financial burden.

Risk Mitigations

- a) Community aspirations have been sought in the lead up to the preparation of the LTP – in particular at the November 2019 A&P Show, Summer Nights events, and community markets.
- b) The Environmental Scan, guiding both the Infrastructure Strategy and Financial Strategy has been prepared based on Infometrics 2020 data.
- c) Activity workshop presentations for the Assets department have been specifically aimed at what projects Council needs to address over the next ten years.

Impact Low
Likelihood Low

8. Alignment of LTP sections

Impact Low
Likelihood Medium

If the LTP document is not based on consistent assumptions, and is not consistent in general throughout, then the document will lose credibility and may result in a qualified audit.

The risk is that the documents within the LTP do not align. All documents should be drawing off the same information, e.g. financial figures, assumptions, the latest information and views on aspects such as community outcome contribution.

Risk Mitigations

- a) Although there is not one single staff member responsible for the review of alignment of information within the LTP, certain departments will assume responsibility for different aspects of the LTP. For example, Finance will review the consistency of financial figures, Assets will ensure the infrastructure requirements are consistent throughout the various documents.
- b) The Environmental Scan will guide the assumptions and forecasts made in key LTP documents.
- c) Key documents in the LTP will be worked on iteratively and in connection with one another – for example the Infrastructure Strategy and Financial Strategy will require Assets and Finance to work together in developing consistent messages.

Impact Low
Likelihood Low

9. Performance Measures (non-financial)

Impact Low
Likelihood Medium

If Council do not set appropriate performance measures for each activity and measure and report on the results accurately, then the outcomes of the Activity’s may not be able to be sufficiently monitored and measured, potentially leading to community distrust and a qualified audit.

Activity performance measures should guide the investment of time and resource, and should be based on the rationale for the activity and be guided by the community outcomes it is trying to achieve. The measures need to be measurable, in that the performance results should be based on objective, quantifiable, and quality reporting mechanisms that are able to withstand audit scrutiny.

Risk Mitigations

- a) The measures have been tweaked over the last two Annual Plans, with some significant changes to be made this time around.

- b) A workshop was held with elected members specifically on the non-financial performance measures with each Activity's measures reviewed and the last three years results (for current measures) made available also.
- c) Improved procedures have been implemented in the last two years to ensure reliability of the results data collected.

Impact **Low**
Likelihood **Low**

6. **STRATEGIC ALIGNMENT**

6.1 **Direction**

The LTP is a core component of direction setting for Council. This report is about ensuring the document is prepared in a way that minimises risk.

6.2 **Annual Plan and Long Term Plan**

Strong direct relationship with the LTP.

6.3 **District Plan**

No direct relationship with the District Plan.

6.4 **Legal Implications**

May be legal implications – refer to information summary.

6.5 **Policy Implications**

There are no policy implications to consider directly. However, the LTP review process will require a review of key policies.



Tiffany Radich
DIRECTOR CORPORATE SERVICES



Approved by
S Hanne
CHIEF EXECUTIVE

DATE 28 September 2020

Report to the Council on the interim audit of

Stratford District Council

For the year ended 30 June 2020

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Key messages

We have completed our interim audit for the year ended 30 June 2020. This report sets out our findings from the interim audit.

Summary

We performed an assessment of the Stratford District Council's (District Council) control environment. In performing this assessment, we considered both the design effectiveness and operational effectiveness of internal control.

Overall we have assessed the control environment as "effective" based on work done to date. This means, based on the work we performed, the District Council has adequate internal controls in place that will either prevent or detect material misstatements in its financial statements and statement of service performance. We have, however, identified where improvements can be made which are set out in section 3 of this report.

Potential implications due to the COVID-19 emergency

As a result of the COVID-19 emergency there are implications that may arise that will have an impact on the District Council's financial statements and performance information. We encouraged management to look into these implications to ensure they are taken into account when preparing the financial statements and performance information. We received an initial assessment from management which we will review as part of the audit.

We identified that some controls changed during and as a result of the lockdown period. We noted an issue with the email chain kept as evidence of the timeliness of review. For more information refer to section 3.1. As a result of changes in controls we will be taking a fully substantive approach for our final audit.

Guidance

We have just published on our Audit New Zealand website two Bulletins intended to provide high-level guidance to audit committees and preparers of financial statements and performance information. This first Bulletin gives guidance on the implications of COVID-19 emergency for revaluations of property plant and equipment and investment property and the second Bulletin gives guidance on the implications of COVID-19 emergency for service performance reporting – guidance for preparers of performance information.

Thank you

We would like to thank management and staff for their assistance during the interim audit, particularly as the audit commenced during level two of lockdown. We would like to acknowledge the District Council staff for the way they worked with us in these difficult circumstances.

A handwritten signature in blue ink that reads "Chris Webby". The signature is written in a cursive, slightly slanted style.

Chris Webby
Appointed Auditor
1 September 2020

1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommendations.

Priority	Explanation
Urgent	<p>Needs to be addressed <i>urgently</i></p> <p>These recommendations relate to a significant deficiency that exposes the District Council to significant risk or for any other reason need to be addressed without delay.</p>
Necessary	<p>Address at the earliest reasonable opportunity, <i>generally within six months</i></p> <p>These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.</p>
Beneficial	<p>Address, <i>generally within six to 12 months</i></p> <p>These recommendations relate to areas where the District Council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.</p>

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1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
<p>Lack of evidence of timely review of reconciliations</p> <p>We recommend:</p> <ul style="list-style-type: none"> emails kept as evidence of review are not able to be edited or deleted; and District Council make back-ups of the emails. 	3.1	Necessary
<p>Sensitive expenditure policies and processes</p> <p>Consider incorporating further guidance into the District Council's next update of its sensitive expenditure policies.</p>	3.2	Necessary

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 1 sets out the status of previous year's recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	0	4	2	6
Implemented or closed	0	2	1	3
Matters that will be followed up during our final audit visit	1	6	2	9
Total	1	12	5	18

2 Assessment of internal control



The District Council, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparing the financial statements and the service performance information. We review internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances. Our findings related to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

2.1 Control environment

The control environment reflects the overall attitudes, awareness and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates and its external reporting philosophy, and is the context in which the accounting system and control procedures operate. Management, with the oversight of those charged with governance, need to establish and maintain a culture of honesty and ethical behaviour through implementation of policies, procedures and monitoring controls. This provides the basis to ensure that the other components of internal control can be effective.

We have performed a high level assessment of the control environment, risk management process, and monitoring of controls relevant to financial and service performance reporting. We considered the overall attitude, awareness, and actions of the District Council and management to establish and maintain effective management procedures and internal controls.

We consider that a culture of honesty and ethical behaviour has been created. The elements of the control environment provide an appropriate foundation for other components of internal control.

2.2 Internal controls

Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability and accuracy of financial and non-financial reporting. These internal controls are designed, implemented and maintained by the District Council and management.

We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems.

During the interim audit, we considered the following systems:

- Revenue and accounts receivable.
- Expenditure and accounts payable.

- Payroll.
- Cash and cash equivalents and investments.
- Property, Plant and Equipment and intangible assets.
- General ledger reconciliations and journals.
- Performance reporting systems and controls

We have identified some improvements which are detailed in section 3 and for items raised in previous audits, in Appendix 1.

3 Matters noted during the interim audit

3.1 Lack of evidence of timely review of reconciliations

As a result of the COVID-19 lockdown the District Council reverted to approvals being done via email to demonstrate reviews had taken place and in a timely manner.

Upon our review of the reconciliations we were not able to determine whether the reviews were being done in a timely manner as there was no evidence to support this. Management informed us that the initial email chain for approving the reconciliations had been deleted. A subsequent approval email was resent.

It is imperative that if the District Council is going to continue to use emails as a form of evidence showing a control is operating, that the approval email is kept as evidence and is not able to be edited or deleted.

We recommend that the email chain kept as evidence of reviews is not able to be edited or deleted. **We also recommend** that the District Council make back-ups of this information.

Management comment

This only happened for a short period, at the start of COVID -19 lockdown, while we were getting the processes sorted, and was in relation to daily bank reconciliations only.

These have all been authorised again. All bank reconciliations are in Content Manager, and the approval email is saved daily. This process has continued on since lockdown and will remain this way.

3.2 Sensitive expenditure policies and processes

We have reviewed the District Council's sensitive expenditure procedures and policies covering travel, meals and accommodation, gifts, donations, use of the District Council's assets, entertainment and hospitality against the Office of Auditor-General's (OAG) published good practice "Controlling sensitive expenditure: Guidelines for public entities".

In performing our review we noted some areas where guidance could be further strengthened or updated to reflect current good practice. We have provided a comprehensive list to management of the areas that we have identified. However, the District Council should also take into consideration the types of sensitive expenditure they are incurring to ensure that any updates are fit for purposes and practical.

We recommend the District Council consider incorporating further guidance into their next update of its sensitive expenditure policies.

Management comment

Council does not have a specific sensitive expenditure policy as all expenditure could potentially be considered sensitive depending on the context and amount. Instead, all expenditure processes and procedures are prescribed in the Procurement Manual and Procurement Policy. Auditors did not take these documents into account when reviewing Council's processes and procedures around sensitive expenditure.

However, any recommendations made by auditors where Council is lacking will be noted and improvements made where needed.

Audit comment

We have reviewed our findings against the procurement policy and found that the majority are not included.

4 Useful publications



Based on our knowledge of the District Council, we have included some publications that the Council and management may find useful.

Description	Where to find it
COVID-19 Impact on Public Sector Reporting	
<p>The state of emergency in response to the COVID-19 coronavirus has significantly impacted most public sector entities. The consequences for the completion of annual reports and the annual financial statements are one part of this impact.</p> <p>We have developed a series of Bulletins in response:</p> <ul style="list-style-type: none"> • revaluations of Property, Plant and Equipment and investment property; and • service performance reporting. 	<p>On our website under good practice.</p> <p>Link: COVID-19 bulletins</p>
Model financial statements	
<p>Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting. This includes:</p> <ul style="list-style-type: none"> • significant accounting policies are alongside the notes to which they relate; • simplifying accounting policy language; • enhancing estimates and judgement disclosures; and • including colour, contents pages and subheadings to assist the reader in navigating the financial statements. 	<p>Link: Model Financial Statements</p>
Client Substantiation File	
<p>When you are fully prepared for an audit, it helps to minimise the disruption for your staff and make sure that we can complete the audit efficiently and effectively.</p> <p>We have put together a tool box called the Client Substantiation File to help you prepare the information you will need to provide to us so we can complete the audit work that needs to be done. This is essentially a tool box to help you collate documentation that the auditor will ask for.</p>	<p>On our website under good practice.</p> <p>Link: Client Substantiation File</p>

Description	Where to find it
Severance payments	
<p>Because severance payments are discretionary and sometimes large, they are likely to come under scrutiny. The Auditor-General has released updated good practice guidance on severance payments. The guide is intended to help public sector employers when considering making a severance payments to a departing employee. It encourages public organisations to take a principled and practical approach to these situations. The update to the 2012 good practice guidance reflects recent case law and changes in accounting standards.</p>	<p>On the OAG's website under 2019 publications.</p> <p>Link: Severance payments</p>
Good practice	
<p>The OAG's website has been updated to make it easier to find good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; • sensitive expenditure; and • severance payments. 	<p>On the OAG's website under good practice.</p> <p>Link: Good practice</p>
Procurement	
<p>The OAG are continuing their multi-year work programme on procurement.</p> <p>They have published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened.</p> <p>Whilst this is focused on local government, many of the questions are relevant to all types of public sector entities.</p>	<p>On the OAG's website under publications.</p> <p>Link: Procurement article</p>

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Urgent		
Recording and reporting of mandatory measures not in line with Department of Internal Affairs (DIA) guidance		
Management should ensure the system for recording complaints includes all complaints received for each event.	2018/19	<p>To be verified during the final audit.</p> <p>Legislation imposes mandatory performance measures for complaints regarding water, stormwater, and wastewater to be measured individually. Front counter staff create a CRM task for every complaint associated with the three waters. A spreadsheet register is used where there are multiple complaints about the same issue affecting more than one property.</p>
Necessary		
Assessment of asset condition		
Asset condition is assessed by the District Council in future revaluations.	2018/19	<p>In progress.</p> <p>Asset condition is reviewed regularly to inform the programme of works. However, in terms of the three yearly asset valuations asset condition was not an essential consideration, due to the significant cost of adding this component and data already being held, collected by contractors, in relation to asset condition.</p>
Three Waters infrastructure additions		
<p>Reconciliation between the general ledger and the asset management system</p> <p>Management should ensure that capital additions in the general ledger are reconciled to those capitalised in Asset Finda on a monthly basis. This reconciliation should include a report on the depreciation charged.</p>	2018/19	<p>In progress.</p> <p>Due to existing processes, the only time the two systems are reconciled is at asset revaluation dates. The Accountant and GIS Officer are continuing to work on a solution that enables monthly reconciliation of asset values between AssetFinda and Authority.</p>

Recommendation	First raised	Status
<p>Support for status of completed assets</p> <p>Improve the documentation and processes confirming the status of work-in-progress as complete.</p>		<p>Management comment:</p> <p><i>The new GIS officer has a work program relating to this area which is currently focusing on updating Assetfinda with Authority work order projects, and monthly meetings have been established with asset managers to ensure projects are capitalised on a timely basis.</i></p> <p>Management comment:</p> <p><i>WIP will be reconciled each month and confirmed by SLT – to ensure there are no completed assets sitting in WIP to be capitalised. The capital expenditure report is emailed to budget managers monthly to confirm if any projects are complete and require capitalisation</i></p>
Bribery and corruption		
<p>The District Council should:</p> <ul style="list-style-type: none"> • send policy reminders to key staff members in high risk roles for example those involved in the procurement process; • institute formal awareness related to the policies and guidance for bribery and corruption; • undertake a formal risk assessment to identify where it is most at risk for bribery and corruption; and • ensure there is regular reporting on bribery and corruption and related activities. <p>Implement mechanisms to ensure the controls in relation to bribery and corruption are adequate. These could include - results from any investigations, staff surveys, feedback from training, targeted internal audits.</p>	2018/19	<p>In progress.</p> <p>A plan to address each of these recommendations will be brought to the Audit and Risk Committee by July 2020.</p> <p>Management comment:</p> <p><i>Policy reminders to key staff members is raised at SLT or via staff newsletter and/or addressed directly by the Director.</i></p> <p><i>Formal awareness and education of Council policies recommended.</i></p> <p><i>Formal risk assessment completed.</i></p> <p><i>Reporting to audit and risk committee where there is a need, addressed in July 2020 A&R meeting.</i></p> <p><i>Internal audit carried out early 2020 – no incidences of breaches in relation to bribery and corruption were identified.</i></p>

Recommendation	First raised	Status
Procurement (separate report)		
<p>We recommend that the District Council maintains appropriate documentation, proportionate to the value and risk of each procurement, to support planning, evaluation and conflict of interest management processes followed. Appropriate documentation is important to demonstrate that a robust process was followed, which supports accountability.</p> <p>We understand that the District Council is in the process of reviewing its procurement manual. We encourage the District Council to consider incorporating sufficient good practice guidance for staff relating to contract management.</p>	<p>2018/19 separate report</p> <p>2018/19 separate report</p>	<p>To be verified during the final audit.</p> <p>Management have made some changes to the process and policies but we will need to verify these against documentation to close these off.</p>
RAMM database accuracy		
<p>Complete the required cleanse of the RAMM database to ensure the asset data is accurate and appropriate for the 2018-28 Long Term Plan.</p>	<p>2016/17</p>	<p>To be verified during the final audit.</p> <p>Management have indicated this has now been completed and we will verify this during our next audit visit.</p>
Impairment of PPE		
<p>The District Council puts in place a formal evidenced process for review of impairment indicators which is in line with the accounting standards.</p>	<p>2017/18</p>	<p>To be verified during the final audit.</p> <p>Council assets are assessed for impairment each year in the last quarter of the financial year, unless it is a revaluation year in which case an impairment assessment may not be required (depended on date of revaluation).</p>
Capitalisation of assets		
<p>Capital projects should be capitalised on the date that the asset becomes available for use and a quarterly review of WIP balances be performed by the Asset Managers and the Financial Accountant. This review should focus on the validity of the total WIP balances and whether any of this amount should be capitalised.</p>	<p>2017/18</p>	<p>To be verified during the final audit.</p> <p>Most one-off capital items are capitalised as the invoice is entered. From the 2019/20 financial year, a new work order will be created for each capital project enabling clarity over project costs, and amount to capitalise is much easier to determine once the project is complete.</p>

Recommendation	First raised	Status
Journal system		
<p>We recommend that the reviewer obtain a full journals listing generated from accounting system to ensure completeness. The reviewer should take note of sequence of journals approved to ensure they have reviewed all journals posted to the system and investigate any gaps in the sequence. Alternatively, the District Council could implement a system where the preparer is unable to post a journal they have prepared or a journal must be approved before posting.</p>	<p>2018/19</p>	<p>To be verified during the final audit.</p> <p>Management have indicated this has now been completed and we will verify this during our next audit visit.</p> <p>We noted no changes to the journal process during our interim visit.</p>
Sensitive expenditure review		
<p>We recommend that the Mayor's expenditure s be reviewed by the Deputy Mayor or Chair of the Audit and Risk Committee.</p>	<p>2018/19 interim report</p>	<p>In progress.</p> <p>We will test as part of the final audit.</p>
Beneficial		
Contract management register		
<p>Consider improvements to the contract management register and processes to include a whole of Council contract management system.</p>	<p>2015/16</p>	<p>In progress.</p> <p>Work is being undertaken by IT to link work orders to contracts and set up workflows to enable more effective contract management. Currently awaiting patch from Civica to resolve integration issues.</p>
Fraud policy awareness and risk assessment		
<p>Complete a formal fraud risk assessment taking into consideration the whole of Council and its operations as well as increase the level of awareness around its fraud policy.</p>	<p>2014/15</p>	<p>In progress.</p> <p>The Anti-Fraud and Corruption Policy was reviewed, with significant changes, and approved by Council in July 2019. Fraud policy awareness is carried out fortnightly via the staff newsletter with different fraud issues highlighted and explained. Implementing a formal fraud risk assessment and fraud training will be the next areas to consider.</p> <p>Management comment:</p> <p><i>A formal fraud risk assessment was completed in June 2020.</i></p>

Recommendation	First raised	Status
Implement a formal WIP review process		
The District Council should implement a formal system that easily identifies what makes up the WIP at any given time.	2017/18	To be verified during the final audit.
Compliance with the travel policy		
All international travel should be formally pre-approved by the Chief Executive in line with the District Council's travel policy.	2017/18	To be verified during the final audit.

Implemented or closed recommendations

Recommendation	First raised	Status
Verbal advice obtained on employment matter		
Management should ensure that advice obtained in relation to legal, compliance and employment related matters is in writing.	2018/19	Closed. This recommendation has been passed on to Human Resources and the Senior Leadership Team.
Rates Assessment notice legislative requirements		
We recommend that the Council reviews the rates assessment to ensure legal requirements have been met.	2018/19 interim report	Management accept the risk.
Succession planning		
Council should review succession planning practices, especially in key operational areas.	2014/15	Management have indicated this has now been completed.

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carry out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>To date, other than the audit, we have no relationship with, or interests in, the District Council or its subsidiary.</p>
Fees	<p>The audit fee for the year is \$94,283 as detailed in our Audit Proposal Letter.</p> <p>To date, no other fees have been charged in this period.</p>
Other relationships	<p>To date, we are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the District Council that is significant to the audit.</p> <p>We are not aware of any situations to date where a staff member of Audit New Zealand has accepted a position of employment with the District Council during or since the end of the financial year.</p>

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

PO Box 149
Palmerston North 4440
Phone: 04 496 3099

www.auditnz.parliament.nz

