



AGENDA AND SUPPORTING PAPERS

FOR COUNCIL'S AUDIT AND RISK COMMITTEE MEETING

TO BE HELD IN THE OFFICES OF THE WEST COAST REGIONAL COUNCIL
388 MAIN SOUTH ROAD, GREYMOUTH

TUESDAY, 20 OCTOBER 2020

COMMENCING AT 10.30 a.m:

THE WEST COAST REGIONAL COUNCIL

Prepared for: Audit & Risk Committee Meeting - 20 October 2020
 Prepared by: Robert Mallinson – Corporate Services Manager
 Date: 6 October 2020
 Subject: Inaugural meeting of Audit & Risk Committee

Opening

I suggest that the meeting is opened by Council Deputy Chairperson until the Committee elects a Chairperson.

Election of Committee Chairperson

Call for nominations.

Election of Chair.

AGENDA

1. Audit NZ management Reports (Interim & Final) for 2019

I attach the interim and final reports from Audit NZ.

Where relevant "management comment" was included by Audit NZ.

Interim Report actions required:

These are set out in page 10, Appendix 1 (Status of previous recommendations)

A number of these were subsequently addressed, including:

- Quarry rehabilitation peer review recommendations.
- Vehicle disposal process
- Audit & Risk Committee
- Fixed Asset Register

Matters still not completed include

- Review of Procurement Policy.
- Senior management declarations of interest.
- Review of sensitive expenditure policies.
- Gift Policy & register.

Final Report

There were a number of Audit NZ comments about Quarry Inventory (page 15, 4.1)

Refer also to "Management Comment" about some of these recommendations.

Various matters relating to legal advice about the 2018 UAGC were (and are now) redacted to retain Council right to assert legal privilege.

Staff are now much closer focused on correctly identifying capital expenditure contained in rating District expenditure (pages 19 and 20, Item 4.4)

2. Risk Register

Council Risk Register which was initiated in 2015 and is now overdue for review.

Risk items 13, 15, 16 and 27 would appear to require review to take into account changing circumstances.

I have also circulated the Risk Register to the Executive Team to review.

3. Valuation of Council River, Drainage & Flood Protection Infrastructure for Insurance & Financial Reporting Purposes

We instructed AON Valuation Services to undertake a review of these values to ensure that they were **realistic and that Council wasn't inadvertently under-insuring** its key Infrastructure.

These Infrastructure Assets with a value of \$71.3 million @ 30 June 2019 make up a significant part of total Council balance sheet assets of \$94.17 million @ 30 June 2019.

So from stewardship and financial reporting perspective it was very important that both these amounts were realistic.

The AON report identified an Insurance valuation \$114.624 million @ 30 June 2020 and Fair Value (for Financial Reporting purposes) of \$105.937 million.

Please note that these values include;

- Greymouth Floodwall replacement cost \$15.444 million, total insurance reinstatement cost \$16.25 million
- Mokihinui \$2.098 million and \$2.2 million
- Whataroa \$923,000 and \$971,000

Right now **none of the above Infrastructure is "owned" by Council, although we do have Whataroa** included in our Insurance cover schedule.

Greymouth Floodwalls

Pursuant to the Joint Agreement between WCRC and GDC, ownership of these are vested in GDC and WCRC is responsible for maintenance and structural integrity.

A report went to the Joint Committee meeting on 13 October recommending that WCRC take responsibility for insurance arrangements (including payment) and that the ownership of the Floodwalls is reviewed with a view to having responsibility for maintenance, insurance and actual ownership aligned with the one council.

This was approved by the Joint Committee.

Mokihinui and Whataroa

Mokihinui was originally established to establish and maintain a sacrificial bund.

Whataroa was established by WCRC at the request of that community to maintain existing structures. At the time no assertion was made by WCRC to ownership of these structures.

More work is required to resolve the ownership issues with regard to Mokihinui and Whataroa.

4. Other desirable work

In 2017 we arranged initial Fraud awareness training for Council staff.

I would very much like to take this work further than the initial awareness training and evaluation work.

5. Health & Safety Report

(September-October 2020)

The following information was assembled with the assistance of WCRC People & Capability Manager Kim Hibbs

COVID-19

The Council reverted back to Alert Level 1 as of 11.59pm Monday 21st September. In the event of any changes Alert Levels 2 & 3 have been reviewed and ready to be implemented in the event that they may be implemented.

Training

Internal Training Modules

The following modules are being assigned for staff to complete if/when required

- Working from Home
- Hazardous Substances
- Warden Instruction (for all staff)
- COVID-19 Alert Level 1

Training Needs Analysis

Currently in the process of identifying training and development needs required for of each role.

Working from Home

We are currently implementing a new Working from Home Procedure along with a Working from Home Agreement & Health and Safety Checklist. At this point this is being implemented for staff working from home on a permanent basis.

All staff are required to complete the "Working from Home" module in the event they are working from home in an ad-hoc basis or if/when we go into an Alert Level 3 or 4 in the future.

Incidents, Injuries and Near Misses



Incident numbers have increased from previous years (especially in VCS), this is due to staff in the past not notifying or recorded of events. It is positive to see that these are now being recorded for Incidents, non-injury incidents and near misses.

Workers Health and Well-being

It has been identified that a number of roles within the Council sustain physical discomfort, pain and injuries i.e. sprains and strains whilst carrying out their normal day to day tasks. As a H&S Committee being proactive we are investigating to see if there are some programmes or systems that can assist in preventing injuries.

Health and Safety Software

Four staff are currently trialling the health and safety software VAULT to see if this would fit the Council.

6. Long Term Plan Project Plan

This will be circulated to Councillors later. This will be an initial draft as I will wish to discuss a final version with new Chief Executive Vin Smith.

This initial draft will though set out the scale of work required to achieve the statutory deadline of 30 June 2020

7. Other matters that Councillors feel that the Audit & Risk committee should be undertaking.

RECOMMENDATION

That the report is received.

Robert Mallinson
Corporate Services Manager

Report to the Council on the audit of

West Coast Regional Council

For the year ended 30 June 2019

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Key messages

Our audit for the year ended 30 June 2019 involved ensuring that the West Coast Regional Council (the Regional Council) results were fairly reflected in its financial statements, with specific attention paid to the matters that were outlined in our audit plan at the beginning of the audit and new issues identified. In this report we discuss our findings in relation to these matters which are significant to the Council.

We issued a modified audit report on 31 October 2019.

Our audit report was qualified in respect of the Regional Council's investment in associate, and related share of associate deficit. This was due to the audit of the associate being incomplete at 31 October 2019.

Matters identified during the audit

Pest Control Research Limited Partnership (PCR LP)

At the time of signing the audit opinion for the Regional Council, the audit of the associate was not completed.

We therefore could not get assurance over the investment in associate, and share of associate deficit included in the Regional Council's financial statements. An 'except for' qualification was required in the audit report as a result.

This is discussed further in section 2.1 below.

Rates

Rates are Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge.



The matter was self-disclosed in the LTP, and our audit opinion for the 2018/28 LTP included an emphasis of matter, referring to the self-disclosure.

We further considered the impact of this matter on the 2019 annual report. The Regional Council again self-disclosed what occurred. We concluded no emphasis of matter was necessary on the basis the net impact of the proposal was rates neutral, there were no issues with rates collection or obvious public dissatisfaction or attention to the matter (e.g. through legal challenge), and that the matter had previously been disclosed and emphasised as part of the LTP audit.

Significant Flooding Event in the Westland District

On 26 March 2019, there was a district wide flooding emergency, which caused significant damage. Damage included the destruction of the Waiho Bridge and some of the Regional Council's flood protection assets, namely the Milton and Others stop bank.

This emergency had considerable operational impacts, some of which also impacted the financial statements of the Regional Council. The key areas affected included:

- the impairment of the Milton and Others flood protection asset;
- the valuation of flood protection and river control assets;
- a quarry inventory stocktake; and
- accounting for Crown assistance, and insurance recoveries relating to the event.

The Regional Council was proactive in performing an assessment of the impairment of the flood protection assets, undertaking a valuation and having this valuation peer reviewed. This occurred early in the audit process and this addressed some of the key areas identified above. By being proactive with the aspects of the flooding event it allowed audit to appropriately consider the financial impacts within the audit timeframe.

More information on these matters are included in section 3 and 4 of this report.

Control environment

We have made some recommendations below which will help improve the Regional Council's control environment. There are also some recommendations which have been made in previous Reports to Governors which need to be considered for implementation.

In addition this year, we have summarised the key requirements when engaging in procurement and contract management activities, and performed a review of the results from all our Council audit's to provide the Regional Council with specific suggestions for improving practices in these areas. Refer to section 5 of this report.

Thank you

We would like to thank the Council, management and staff for assistance received during the audit, and preparedness for the audit.



Chantelle Gernetzky
Appointed Auditor
20 February 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 recommended improvements.

Explanation	Priority
<p>Needs to be addressed <i>urgently</i></p> <p>These recommendations relate to a significant deficiency that exposes the West Coast Regional Council to significant risk or for any other reason need to be addressed without delay.</p>	Urgent
<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>	Necessary
<p>Address, <i>generally within six to 12 months</i></p> <p>These recommendations relate to areas where the West Coast Regional 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>	Beneficial

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
<p>Quarry Inventory</p> <p>Draft and execute formalised agreements for royalty arrangements. This should include standard terms and conditions, rights and responsibilities of both parties, and reporting requirements.</p>	4.1	Urgent
<p>Quarry Inventory</p> <ul style="list-style-type: none"> Review monitoring and reporting arrangements for Contractor's working in the Regional Council's quarries. This should ensure Council inventory is available for use, and no loss of value to Council assets occur. If there are no sales of small and medium sized rock, prepare a formal impairment/obsolescence assessment. 	4.1	Necessary

Recommendation	Reference	Priority
<ul style="list-style-type: none"> Review the units of production depreciation method applied, and formally assess the quarry face asset for impairment. 		
<p>Capitalisation of infrastructure processes</p> <p>Perform a regular review of the fixed asset registers maintained by the infrastructure team to the additions recorded in the financial fixed asset registers and the general ledger.</p>	4.4	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 recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open recommendations	0	4	2	6
Implemented or closed recommendations	1	1	1	3
Matters where management have accepted the associated risk	0	0	1	1
Total	1	5	4	10

2 Our audit report

2.1 We issued a modified audit report



We issued a modified audit report on 31 October 2019.

Our audit report was qualified in respect of the Regional Council's investment in associate, and related share of associate deficit. This was due to the audit of the associate being incomplete at 31 October 2019.

This means, except for the investment in associate, and related share of associate deficit, we were satisfied that the financial statements and statement of service performance present fairly the Regional Council's activity for the year and its financial position at the end of the year.

In forming our audit opinion, we considered the following matters. Refer to sections 3 and 4 for further detail on these matters.

Investment in Associate - Pest Control Research Limited Partnership (PCR LP)

The Council holds a 49 percent associate investment in PCR LP, the remaining 51 percent share is held by Pest Control Investors Limited.

PCR LP is set up with the purpose to manufacture and supply non-toxic pre feed bait for pest control. It has recently completed licensing and certification with the Ministry of Primary Industries to produce 1080 poison for pest control.

Modified opinion

The auditors of PCR LP for the financial year ended 31 March 2019, Miller, Gale and Winter (MGW) had not completed the annual audit as at 31 October 2019 when the Regional Council adopted its Annual Report.

MGW were engaged approximately five months after balance date. As a result of the late engagement, the auditors of the associate had difficulties obtaining sufficient appropriate audit evidence, and the audit was unable to be concluded by the Regional Council's statutory deadline of 31 October 2019.

We therefore concluded that an 'except for' qualification was required in the audit report over both the investment in associate, and share of associate deficit as the associates financial statements were unaudited at the time we issued our opinion on the Regional Council's annual report.

2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. The misstatements that have not been corrected are

listed below along with management's reasons for not adjusting these misstatements. We are satisfied that these misstatements are individually and collectively immaterial.

Current year uncorrected misstatements	Assets	Liabilities	Equity	Financial performance
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
LTP audit fee expense				54,769
Prepayments		(54,769)		
Total		(54,769)		54,769

Explanation of uncorrected misstatements

Expense all audit fees including recoveries charged for the LTP that occurred during the 2018 financial year.

Management's explanation for not correcting

As the LTP covers a three year period, the audit of this document has been spread across the same three year period.

2.3 Corrected misstatements

We also identified misstatements that were corrected by management. These corrected misstatements had the net effect of increasing expenditure by \$80,028, increasing revenue by \$117,602 and to increase/decrease the associated assets and liabilities by the same amount compared to the draft financial statements. The corrected misstatements are listed in Appendix 2.

2.4 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the West Coast Regional Council. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management. This included the dates we required the information to be provided to us.

Management was well prepared for the 2019 audit. The risk areas identified through the audit plan and created through the significant weather event created a number of technical complexities. Management responded in a well-planned, supported and timely manner to ensure audit was able to address these risks within the audit timeframes.

As identified through the qualification of the associate, management in future years, will have to ensure the associate is held to their reporting timeframe.

During the audit there were a number of adjustments made to the draft financial statements, which were corrected by management. These are noted in section 2.3 and Appendix 2. There were also a number of cosmetic changes which were identified through our review process. To improve audit efficiency we would like to encourage the Regional Council to include a pre-submission quality review.

3 Matters raised in the Audit Plan



In our Audit Plan we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
Flood protection and river control assets held at fair value	
<p>The Regional Council periodically re-values its flood protection and river control asset classes. PBE IPSAS 17, <i>Property, Plant and Equipment</i>, requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.</p> <p>The assets were last revalued as at 31 December 2015, As the Regional Council has a three yearly policy to revalue infrastructure assets, we expect the Regional Council will revalue as at 31 December 2018.</p> <p>We are aware there has been a significant flooding event in March 2019, which has caused damage to stop banks in the Waiho river. We expect a formal assessment of the impact of the flooding event on the Council's assets will be undertaken. Affected assets may need to be impaired, or even derecognised by the Regional Council.</p>	<p>The Regional Council revalued its River Drainage and Coastal Protection Assets as at 31 December 2018.</p> <p>The assets values increased from \$58.6 million to \$71.3 million, an increment of \$11.4 million on revaluation, and additions of \$1.3 million.</p> <p>We reviewed the valuation methodologies and were satisfied that the valuations were prepared in accordance with the relevant accounting and valuation standards, and revaluation movements were correctly recorded in the financial statements.</p> <p>We reviewed the impairment assessment completed on behalf of the Regional Council and are satisfied with the accounting treatment of the impairment, and appropriate disclosure has been made in the financial statements.</p> <p>We have made enquiries and performed tests of detail and confirmed there are no other indicators of material impairment on other assets held at fair value.</p>
Insurance revenue and central government recoveries	
<p>The flooding event referred to above has resulted in significant damage to flood protection assets.</p> <p>The Council is currently assessing damage, and intending on claiming sixty percent of recovery and response costs through central government civil defence policy, and the remainder through the Council's insurance.</p> <p>Insurance revenue, and central government recoveries are to be recognised when their</p>	<p>The Regional Council recognised revenue, under Ministry of Civil Defence and Emergency Management plan and guide, on the basis of funding sixty percent of eligible costs incurred at 30 June 2019.</p> <p>The Regional Council has included disclosure of its revenue recognition approach for Crown funding, in its accounting policies. We confirmed the policy fairly reflects the approach adopted,</p>

Audit risk/issue	Outcome
<p>recovery is virtually certain, and the value of recoveries can be measured reliably.</p> <p>The Council will need to perform a formal assessment of the value of recoveries, and determine whether insurance revenue, and central government recoveries are to be recognised in the financial statements.</p> <p>If they are not recognised, the Council will also need to consider the content of their contingent asset disclosures.</p>	<p>and the contribution has been correctly accounted for in the financial statements.</p> <p>For the insurance receipts, the Regional Council is in negotiation over whether the replacement cost, or book value would be covered for the forty percent of the asset covered by insurance. The receipt of the insurance is not virtually certain and has therefore been disclosed as a contingent asset.</p> <p>We have reviewed the accounting and disclosure of the insurance contingent asset, and the Ministry of Civil Defence and Emergency Management recovery, and confirmed they are fairly reflected in the financial statements.</p>
Quarrying activities	
<p>The Regional Council holds a significant amount of rock inventory in relation to its quarrying activity.</p> <p>For this reason, and in line with auditing standards, we attend the year end stocktake to confirm amounts on hand at balance date, and ensure that rock inventory is recorded at the lower of cost or net realisable value in the financial statements.</p> <p>The stock is specialised in nature and judgement is required in assessing the quantities on hand. The Regional Council needs to provide evidence, verifying the tonnages held and value of inventory at balance date.</p> <p>The Regional Council also maintains quarry face assets, which are depreciated using the units of production method, and required to be assessed for impairment.</p> <p>With increased activity in quarries this year, due to the flooding event in the Waiho River, the Regional Council will need to make a formal assessment for impairment. The Regional Council will also need to provide a formal calculation of depreciation in line with the units of production method.</p>	<p>We again attended the stocktake at a selection of the Regional Council's quarries accompanied by the Quarry Manager.</p> <p>We have reviewed the estimates of tonnages held and ensured that they reconcile to the figures included in the financial statements.</p> <p>Our audit approach, findings and related recommendations are discussed below in section 4.1</p>

Audit risk/issue	Outcome
Rates	
<p>Rates are the Regional Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge. The Regional Council should ensure it has appropriate processes in place, including seeking legal advice where appropriate, to ensure compliance of its rates and rating processes with legislation.</p> <p>Our audit report over the 2018-28 Long term plan contained an emphasis of matter, referring to the Regional Councils self-disclosure of legal uncertainties regarding rates revenue. These arose from the Regional Council's decision to amend its uniform annual general charge, and revenue and financing policy. The Regional Council did not consult on the final option it adopted in the Long term plan.</p> <p>We reported to the Regional Council, that in addition to the implications for the 2018-28 Long term plan, a similar disclosure and emphasis of matter in our audit opinion may be required this year. We will consult with the Regional Council and the Office of the Auditor-General on this matter as part of the audit.</p>	<p>For 2018/19 we have again considered the Regional Council's compliance with aspects of the LGRA that materially impact on the financial statements. Principally this means a focus on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS).</p> <p>We have also reviewed selected differentially set and/or targeted rates and are satisfied the matters and factors used are consistent with the LGRA.</p> <p>We have followed up issues identified from our review of rates in previous years, including matters pertaining to the Long-term plan. This is discussed in section 4.2 below.</p> <p>We stress that our review of compliance with legislation is completed for the purposes of expressing our audit opinion. It is not, and should not be seen, as a comprehensive legal review. This is beyond the scope of the audit, and our expertise as auditors. The Regional Council is responsible for ensuring that it complies with applicable laws and regulations.</p>
Investment portfolio	
<p>The Regional Council has a significant investment portfolio. The portfolio contains a range of investments including equities and bonds, and is managed by an external fund manager.</p> <p>The portfolio is required to be recognised at fair value in accordance with applicable financial reporting standards.</p>	<p>We verified both the closing value of the portfolio at year-end and the returns achieved during the year. We:</p> <ul style="list-style-type: none"> • obtained confirmation of the value of the portfolio from the fund manager; • obtained an independent auditors report prepared over the internal controls in place at the fund manager; and • reviewed portfolio pricing, to published prices on relevant stock exchanges, or other publically available information.

Audit risk/issue	Outcome
Vector Control Services Business Unit	
<p>The Vector Control Services Business Unit receives revenue primarily from pest control contracts from TBfree New Zealand Limited.</p> <p>Profit from the business unit is used to subsidise rates. As a result the business unit is under considerable pressure to produce its budgeted financial return.</p> <p>The business unit has complex arrangements and contracts, which have both accounting and auditing implications. These include:</p> <ul style="list-style-type: none"> • revenue contracts that span balance date, that rely on estimates of their completion; • employee bonuses contingent on VCS divisional performance; and • and an existing contract to provide resource consent assistance for the extension of the Grey River dredge consent. The contract also includes assistance in finding a buyer for the dredge once consent is obtained. 	<p>We have:</p> <ul style="list-style-type: none"> • reviewed the business unit's revenue and expenditure and gained assurance that they are fairly reflected in the financial statements; • performed testing over the classification of revenues and expenses by division to ensure that any performance bonuses have been correctly calculated; and • followed up on progress to market and sell the Grey River dredge, which had no change to its previous status.
The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>Our audit response to this risk included:</p> <ul style="list-style-type: none"> • testing the appropriateness of selected journal entries; • reviewing accounting estimates for indications of bias; and • evaluating any unusual or one-off transactions, including those with related parties. <p>We did not identify any instances of management override of controls.</p>
Elected members – remuneration and allowances	
<p>The Local Government Act gives the Remuneration Authority responsibility for setting the remuneration of local government elected members. The Authority also has the role of approving a Local Authority's policy on allowances and expenses.</p>	<p>We assessed the Regional Council's compliance with the requirement to disclose the remuneration of each member of the local authority in the annual report against the relevant Local Government</p>

Audit risk/issue	Outcome
<p>The Regional Council's annual report must disclose the total remuneration received by or payable to each member of the local authority in the reporting period (Schedule 10, clause 18, Local Government Act 2002). A local authority must disclose remuneration paid or payable to each member from both the local authority and any council organisation of the local authority.</p>	<p>Elected Members Determination and any amendment to that Determination.</p> <p>We also confirmed the payments are within the Determination set by the Authority.</p> <p>We did not identify any instance of non-compliance with the requirements.</p>

4 Other matters identified during the audit



In completing the audit, we identified the following further matters as additional audit risks and issues:

4.1 Quarry inventory

Recommendations

- Draft and execute formalised agreements for royalty arrangements. This should include standard terms and conditions, rights and responsibilities of both parties, and reporting requirements.
- Review monitoring and reporting arrangements for Contractor's working in the Regional Council's quarries. This should ensure Council inventory is available for use, and no loss of value to Council assets occur.
- If there are no sales of small and medium sized rock, prepare a formal impairment/obsolescence assessment.
- Review the units of production depreciation method applied, and formally assess the quarry face asset for impairment.

Findings

The Regional Council holds a significant amount of rock inventory in relation to its Quarry activities.

For this reason, and in line with auditing standards, we attended a stocktake to confirm amounts on hand at balance date, and ensure that rock inventory is recorded at the lower of cost or net realisable value in the financial statements.

The stock is specialised in nature and judgement is required in assessing the quantities on hand. The Regional Council needs to provide evidence, verifying the tonnages held and value of inventory at balance date.

We were advised prior to stocktake attendance that the Regional Council's stockpiles had been vastly depleted. This was a result of the March flooding event, where the Regional Council, NZTA and DOC all required large quantities of rock to perform their respective repair works across the region.

Due to the significant movements in the quarries, we attended the stocktake within days of balance date at a selection of the Regional Council's quarries accompanied by the Quarry Manager. We observed that the Regional Council stockpiles were at minimum levels in the three quarries visited, and it was evident that there had been significant activity.

We have split our observations, by the two major quarries we visited Whataroa, and Inchbonnie, the valuation of small and medium rock, and the capitalisation of the quarry face asset. We outline these each separately below.

Inchbonnie

The Inchbonnie quarry has historically had the largest stockpile, usually in excess of 25,000 tonnes of armour grade rock.

After the March flooding event, the Regional Council entered into a royalty arrangement with the contractor who performs the blasting and stockpiling of rock. No formal contract was completed for this arrangement, and the terms were simplistic.

As a by-product of this royalty arrangement, without the express permission of the Regional Council, the contractor used the pre-existing stockpile of 15,621 tonnes of rock as the base of a new access road to reach the top of quarry. Essentially, an existing inventory holding was buried 6-8 meters under an unsealed road.

The Regional Council subsequently arranged that 10,521 tonnes of the buried rock would be invoiced to the contractor at the same price as charged to the Regional Council to extract the rock. The difference between the cost price of the rock and the extraction price was written off, and the invoiced amount accrued for as at 30 June 2019. Agreement was also reached for the remaining 5,000 tonnes of rock to be replaced as soon as practical.

We obtained representation from the contractor that they are accepting the invoice, and have agreed to replacement of the rock.

The Regional Council accounted for the promise of replacement rock as a receivable at 30 June 2019. We have accepted this on the basis of the agreement being a post balance date adjusting event. We accepted that the amount of rock buried was 15,621 tonnes on the basis of materiality only.

Whataroa

The Whataroa quarry is split into two areas, the top of the quarry, which is run by a contracting company, and the Regional Council's lower area of the quarry.

As a result of the March flooding event, the contractor borrowed 6,000 tonnes of rock from the Regional Council's inventory stockpile at Whataroa prior to 30 June 2019. The contracting company was instructed to replace this stockpile in May by the Regional Council, which has now been replaced post year-end.

Similar to the Inchbonnie quarry, this 6,000 tonnes of rock has been accounted for as a receivable asset at 30 June 2019. We reviewed the accounting treatment of the rock at Whataroa and concluded it is fairly stated in the financial statements.

Value of small and medium rock

In previous years, small and medium sized rock has been written down in value to \$6 per tonne. The valuation was an estimate based solely on management judgment, and we have accepted this previously on the basis of materiality only.

We have reported that we expected the Regional Council to review the valuation of rock, against sales transactions to establish net realisable value.

There again has been no sales during the year of the small to medium size rock. We were advised that there is a contractor intending to purchase this rock for \$6.50 per tonne, however nothing was able to be provided to support management's representation on this matter. We have therefore again accepted the \$6 per tonne valuation on the basis of materiality only.

We will follow up next year on sale of this rock.

Capitalised costs of the quarry face

The quarry face asset, is valued based on the stripping costs to expose the quarry face for use. The asset is depreciated using the units of production method.

The units of production method results in a charge based on use or output. Where there is no production at the quarry there is no associated depreciation recognised.

The method assumes the resources will be fully extracted (and therefore the face asset fully depreciated) before the end of the permit or license period.

From discussions with management the units of production method, has the practical effect of increasing the cost per tonne to extract rock from these areas. This therefore makes extraction from these parts of the quarry more expensive, and less attractive to extract from for the Regional Council.

If there is a risk these areas are not going to be utilised by the end of the permit or license period, the assets are likely to be impaired.

Whilst this is not material currently, given the time to the end of the permit or license period, the risk of an error approaching will increase each year. We encourage the Regional Council to review the depreciation method applied, and formally assess the face asset for impairment.

Management comment

Small Rock

Council has a formal offer from a contractor to purchase the "small" rock at Whataroa for \$6.50/tonne. Audit NZ stated they would accept this as market valuation for other "small" rock inventory.

Council did not go back for further public consultation because it felt the actual dollar impact (\$11.88 including GST per annum) on a \$200,000 capital value house was minimal.

Due to the potential legal risk, our audit opinion for the 2018/28 Long-term plan included an emphasis of matter, referring to the Council's self-disclosure.

We further considered the impact of this matter on the 2019 annual report. This is because this was the first year the Regional Council reported against the 2018-28 Long-term plan. The Regional Council again self-disclosed the matter in its notes to the financial statements.

We concluded no emphasis of matter was necessary for the opinion on the 2019 annual report on the following basis:

- the matter has been previously disclosed, and previously emphasised in the audit report for the LTP;
- [REDACTED]
- there are no issues with collection of rates stemming from public dissatisfaction of the matter; and
- the financial impact of the change in rating policy at an overall level is materially neutral to the value of rates revenue.

Therefore, we concluded the net impact of the matter is not material, and no reference to Council's disclosure in our audit opinion was necessary.

4.3 Local Government Funding Agency (LGFA) funding

In June 2019, the Regional Council moved its existing debt of \$7.6 million from Westpac to the LGFA. The Debenture Trust Deed was signed on 26 February with Covenant Trustee Services Limited. A separate engagement was completed regarding the reporting certificate required by the Debenture Trust Deed.

For the annual report, we have confirmed the Regional Council borrowings balance held with LGFA as at 30 June 2019, and appropriate transfers had occurred. We are satisfied borrowings are accounted for and disclosed appropriately in the Regional Council's financial statements.

4.4 Capitalisation of infrastructure processes

Recommendation

Perform a regular review of the fixed asset registers maintained by the infrastructure team, to the additions recorded in the financial fixed asset registers and the general ledger.

Findings

We identified additions that have been included in the fixed asset register for many of the rating districts flood protection assets that have not been included as capital additions in the financial statements. Whilst the amounts were not material to require restatement of the financial statements, they indicate the Regional Council's capitalisation procedures require improvement.

The Regional Council has asset information relating to its infrastructure assets in both the infrastructure team, and also in finance. Reconciliation of this information between the departments would improve the identification of misclassified additions, or maintenance costs.

Management comment

We agree with your comments and will investigate opportunities for closer collaboration between engineering staff and finance staff to ensure that capex is correctly and better identified.

5 Helping you to understand your risks: procurement and contract management

Why it matters

Procurement and contract management carry high risk in terms of costs, public and political profiles, reputation, and performance. Delivering services well depends on doing procurement and contract management well.

Understanding your risks

We have used our sector expertise, and recognised best practice, to develop a standardised risk assessment tool to analyse your local authority's procurement and contract management risks. We have included the sector context by displaying your position compared to other entities in the sector¹.

What do we mean by procurement and contract management?

Procurement is the overarching term used to describe all the business processes associated with purchasing goods and services.

Procurement is much more than “buying something” – it includes all the processes involved in acquiring goods and services from a third party. Effective contract management helps ensure goods and services are delivered well, to specification, and in full. Both go together to ensure public value is realised.

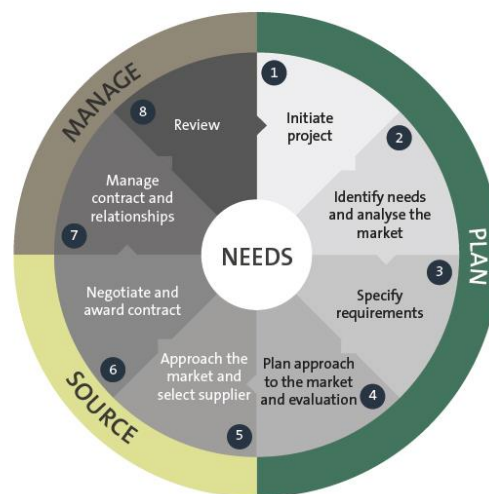
The Auditor-General's work programme – Procurement

The Office of the Auditor-General is part way through its work programme on Procurement.

Earlier this year performance auditors visited 22 local authorities in the Waikato, Bay of Plenty, Canterbury, and Wellington Regions to talk about how local authorities in those regions carry out procurement. This audit identified some challenges that local authorities need to respond to so that procurement can continue to support the delivery of infrastructure and services to local areas. This will be particularly important with the significant growth that is forecast in many areas.

The Office of the Auditor-General plans to publish its findings by the end of 2019. It will be important for each local authority to consider the Auditor-General's findings in order to determine priorities for further improving or developing the approach to procurement.

Figure 2
The eight-stage life cycle of procurement



Source: (Recoloured from) the Ministry of Business, Innovation and Employment.

¹ This analysis is limited to entities audited by Audit New Zealand only.

How do we assess risk?

Our assessment tool considers risk from two angles:

- The risk in the environment. This is the inherent risk. It is influenced by complexity, instability, change, delivery of critical services, interdependencies, and reliance on third parties. Size, strategic direction, and the nature of services are also important.
- The effectiveness of management systems and processes. This is control risk and covers the main aspects of good practice that we would expect to be applied. Effective management systems and processes mitigate aspects of inherent risk and reduce the risk of something going wrong.

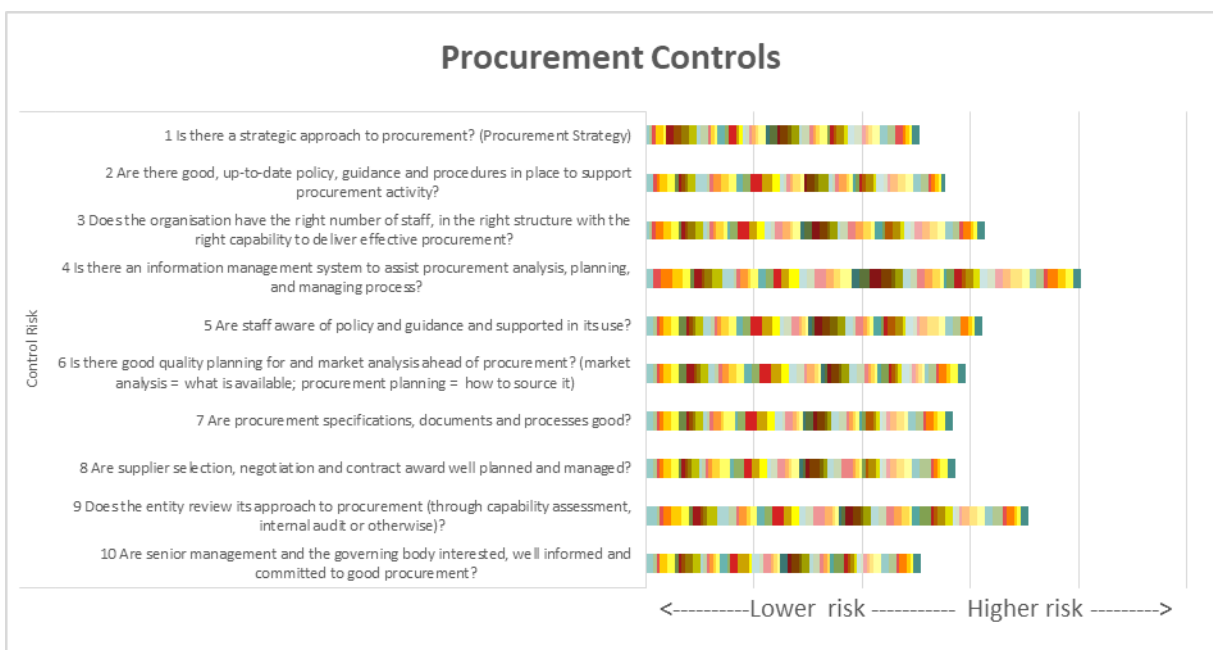
The risk assessment process we have undertaken is based on the design of the controls only. We have not performed testing to ensure the controls are operating effectively.

What are the assessments telling us?

Procurement is particularly important for local authorities, in which investment in developing, renewing and maintaining infrastructure is typically outsourced to private sector providers. In addition, many local authorities have entered into alliances, partnerships or other collaborative arrangements to support service delivery. With continued pressure on rates and other sources of funding, the need to achieve good value for money remains an important consideration. However, many local authorities have told us that they aim to use their spend to deliver other benefits, such as supporting the local economy.

Common areas of risk across local government

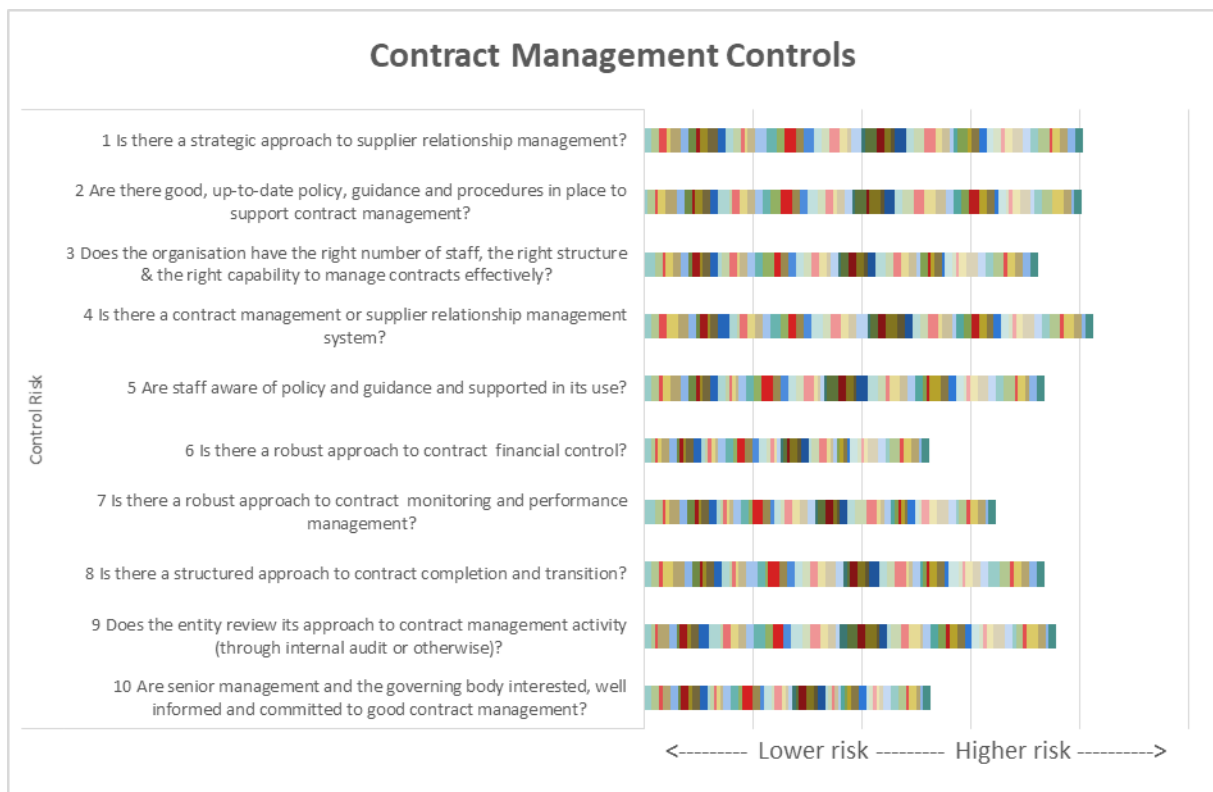
In the graph below we have summed the risk rating we assessed for each of ten procurement controls across all the local authorities we audit.



Two areas stand out across local government as priorities for improvement:

- ensuring there is an appropriate information management system so that staff can analyse procurement spend, plan and manage procurement processes, and keep good records;
- being open to continuous improvement through reviewing procurement practices and capability.

The graph below shows a similar analysis for contract management controls. Overall this indicates that contract management controls are weaker than those covering the purchasing stage of the procurement cycle. We encourage all local authorities to consider whether their approach to contract management is as clearly defined, well-resourced and implemented as it needs to be.

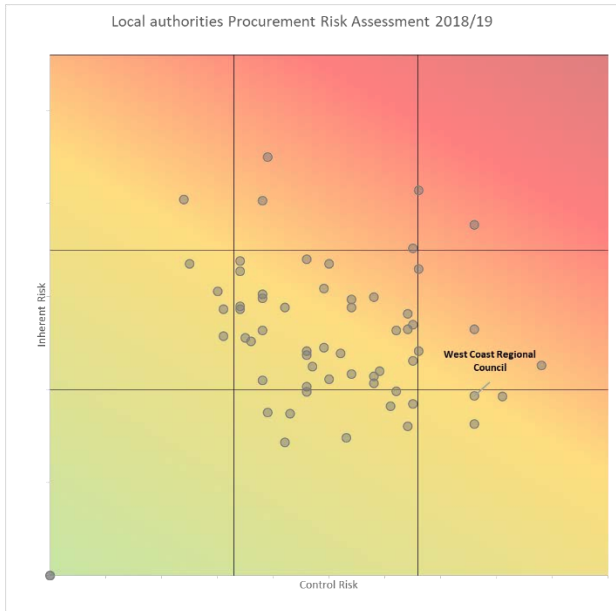


Three aspects of contract management might provide a focus for this consideration:

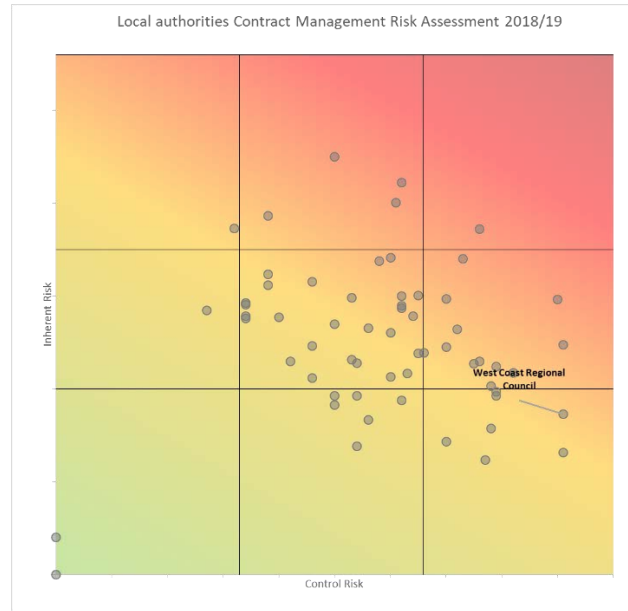
- assessing whether there is a strategic approach to supplier relationship management;
- making sure there are good, up to date policies, guidance and procedures in place to help staff manage contracts effectively; and
- ensuring there is an appropriate contract management system in place.

Each grey dot in the graphs below represents a local authority mapped according to our assessment of its inherent and control risk.

Procurement Risk levels



Contract Management Risk levels



Local authorities use a range of procurement approaches and have a significant number of contracts for a diverse range of goods and services. Levels of inherent risk vary widely depending on the size of local authorities, as well as the extent of and approach to outsourcing.

West Coast Regional Council has low to medium levels of inherent risk for both procurement and contract management.

There is little the council can or needs to do to reduce its level of inherent risk. However, it can strengthen its systems and processes to bring down the overall level of risk. In our view the controls for procurement and contract management are in the high risk category. In our view the council could strengthen its contract management systems and processes, to bring the overall level of risk down.

Our view on priorities for strengthening West Coast Regional Council's control over procurement and contract management

We expect up to date policy, procedures and guidance to form a sound basis for controlling contract management. Policy needs to be regularly updated to make sure it continues to comply with the good practice promoted by the Government Procurement Rules.

In our view, a general review of the approach to contract management would be worthwhile. Three areas in particular that could make a significant difference to strengthening West Coast's controls would be:

- 1 Considering whether there is a sufficiently strategic approach to supplier relationship management, which might include:

- Having a supplier categorisation model in place differentiating between the relative importance of suppliers (e.g. strategic partners, compared to routine suppliers).
 - Making good use of Contract Management Plans.
 - Identifying risks to contractor delivery and being proactive about how they are managed.
- 2 Ensuring there good, up-to-date policy, guidance and procedures in place to support contract management. This might include:
- Putting in place an organisation-wide policy, supported by good quality detailed guidance, procedures and templates, including standard/pro-forma contracts.
 - Applying the planned approach across all contracts (infrastructure work, VCS subcontracting, quarry management etc.).
 - Being clear on when to use contract management plans, and how to assess delivery risks, perhaps with templates provided.
 - Comprehensive guidance on what to do when contract performance obligations and expectations are not being met.
 - Policy on negotiating and approving contract variations with cross reference to delegations.
- 3 Making sure the organisation has the right number of staff, the right structure & the right capability to manage contracts effectively, which might include:
- Good oversight and coordination of staff with devolved contract management responsibility.
 - Contract management staff are qualified and experienced, and can provide support to other staff.
 - Appropriate use made of legal support.

Continuing focus on risk for 2019/20

As part of our 2019/20 audit we will consider procurement-related risks during our audit planning, based on our knowledge of your local authority, your pattern of spend and the range of contracts you have in place.

6 Public sector audit



The Regional Council is accountable to Parliament, their local community and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the Regional Council said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the Regional Council has fairly reflected the results of its activities in its financial statements and non-financial information.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the Regional Council carrying out its activities effectively and efficiently;
- the Regional Council incurring waste as a result of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the Regional Council or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by a public entity or by one or more of its members, office holders, or employees.

We have nothing to bring to your attention regarding these matters.

7 Adoption of new accounting standards



The Regional Council must apply new group accounting standards PBE IPSAS 34-38 in preparing the 30 June 2020 financial statements. This will have impacts in relation to the Regional Council's existing associate investments.

Management is responsible for performing the necessary transition work to successfully implement these new standards. This includes:

- Documenting an impact assessment of the new standards and identifying any changes required to accounting practices.
- Implementing changes to systems and processes that may be necessary to support changes in accounting practices.
- Updating the Regional Council's accounting policies.
- When required, making adjustments to the financial statements in accordance with the transitional provisions of the new standards and providing support for these adjustments.
- Keeping relevant parties informed, such as your auditor and the Council.

8 Key changes to the Government Rules of Sourcing



As from 1 October 2019, the new Government Procurement Rules (the Rules) come into force. The Rules are a revision of the previous third edition of the Government Rules of Sourcing and were approved by Cabinet in May. Much of the content is consistent with the third edition with some re-numbering of Rules. The new Rules and a table of rule changes can be found in this link [Table of Rule Changes](#). The Regional Council, is not mandated to comply, however may wish to consider the Government Procurement Rules as a matter of good practice.

Entities should watch out for a few important changes to the existing rules, these are:

Government Procurement Charter

The new rules include a Charter for the first time. The Charter sets out the Government's expectations of how agencies should conduct their procurement activity to achieve public value. The Charter applies even when the Rules do not.

Broader outcomes

The new Rule 16 outlines a number of secondary benefits that it is seeking from the way in which procurement is conducted in the public sector. These secondary benefits relating to the costs and benefits to society, the environment and the economy are required to be considered (where appropriate) along with the whole of life costs of the procurement.

To maximise the effects of these priorities, the Government will be designating some contracts or sectors where the outcomes must be prioritised. These will be published at www.procurement.govt.nz.

Procurement planning

A new Rule 15 includes guidance and expectations related to procurement planning. Rule 22 has been amended so that significant procurement plans must be submitted to the Ministry of Business, Innovation, and Employment for review on request.

Threshold changes

The thresholds for when the Rules apply (contained in Rules 6 and 7) have been taken out of the Rules document and will now be found at www.procurement.govt.nz. We understand this is to facilitate changes in the thresholds as necessary, without a full change to the GPS. The immediate change is to the threshold for new construction works, which reduces from \$10 million in the current edition to \$9 million.

We encourage procurement staff to understand the changes, and prepare for their implementation by considering the changes that are recommended to West Coast Regional Council's procurement policies, procedures and practices.

9 Useful publications



Based on our knowledge of the West Coast Regional Council, we have included some publications that the Council and management may find useful.

Description	Where to find it
Client updates	
<p>In March 2019, we hosted a series of client updates. The theme was “Improving trust and confidence in the public sector”.</p> <p>These included speakers from both Audit New Zealand and external organisations.</p>	<p>On our website under publications and resources.</p> <p>Link: Client updates</p>
Model financial statements	
<p>In July 2019, we issued updated model financial statements for Crown entities. The update primarily focuses on the early adoption of PBE IFRS 9 Financial Instruments for a tier 1 or tier 2 entity.</p>	<p>On our website under publications and resources.</p> <p>Link: Model Financial Statements</p>
<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. 	
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>On our website under publications and resources.</p> <p>Link: Client Substantiation File</p>

Description	Where to find it
<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>Severance payments</p>	
<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>
<p>Matters arising from the 2017/18 audits</p>	
<p>The OAG has published a report on the results of the 2017/18 audits for the sector.</p>	<p>On the OAG’s website under publications.</p> <p>Links: Local Government</p>
<p>Good practice</p>	
<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>

Description	Where to find it
Post-implementation reviews	
<p>The OAG have recently completed a review of Auckland Council’s post-implementation review process. While many aspects of the report are specific to Auckland Council, it documents the process that Auckland Council uses, and includes a post-implementation review checklist.</p>	<p>On the OAG’s website under publications. Link: Post-implementation review process</p>
Reporting fraud	
<p>The OAG have released data from 2012-2018 on fraud in public entities. This includes how the fraud was detected, the type of fraud and the methods and reasons for the fraud. The graphs show the high-level sector, and this can be broken down further into sub-sectors by opening the spreadsheets available.</p>	<p>On the OAG’s website under data. Link: Reporting Fraud</p>

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Necessary		
<p>Audit and risk committee</p> <p>Implement an audit and risk committee in line with good practice in the public sector.</p>	2018	<p>Outstanding</p> <p>A report for consideration to establish of an audit and risk committee is going to the February Council meeting.</p>
<p>Procurement and delegation of authority</p> <p>Review the procurement policy and delegations of authority manual, to ensure their currency with the Regional Council's operations and good practice, and consistency with each other.</p>	2018	<p>Outstanding</p> <p>The delegations of authority policy was reviewed in the prior year but there has been no change to procurement.</p>
<p>Identification and monitoring of interests</p> <p>The Regional Council maintains an interest register that includes Councillors and senior management and is populated with the following information:</p> <ul style="list-style-type: none"> • Name of the Councillor/senior manager. • The name of the entity with the interest. • The nature of the interest. • Mitigating actions required. 	2017	<p>Outstanding</p> <p>The Regional Council has agreed to implement a register and is in the process of developing this.</p>
<p>Sensitive expenditure policies and compliance</p> <p>The Regional Council review sensitive expenditure policies to allow for and provide guidance on what is reasonable expenditure.</p>	2017	<p>Outstanding</p> <p>The Regional Council has agreed to review the policies.</p>
Beneficial		
<p>Quarry rehabilitation peer review recommendations</p>	2018	<p>Outstanding</p>

Recommendation	First raised	Status
Implement the recommendation of the peer reviewer of its costings for rehabilitation and restoration of its quarries.		
<p>Gifts register</p> <p>To be in line with the OAG's good practice guidelines, we recommend the Regional Council to maintain a gifts register and communicate to all staff that gifts received in relation to work should be included in the register.</p>	2016	<p>Outstanding</p> <p>The Regional Council have agreed to implement this finding. However the LTP process took priority over this at the time, and the matter is yet to be reinitiated.</p>

Implemented or closed recommendations

Recommendation	First raised	Status
<p>Expenditure approved outside of delegation</p> <p>Enforce the delegations policy, and seek secondary Chief Executive sign off where the delegation is exceeded.</p>	2018	<p>Closed</p> <p>No issues regarding override of delegations was identified in audit testing.</p>
<p>Future accounting implications of the agreement for purchase of a further interest in PCRLP</p> <p>Seek advice on accounting for the profit share arrangement, within the agreement for purchase of the 51 percent interest in PCRLP.</p>	2018	<p>No longer applicable</p> <p>Profit share arrangement is null and void with the termination of the respective employee.</p>
<p>Fixed Asset Register</p> <p>Perform a stock take of the fixed assets register and write off any assets that are no longer in use.</p>	2018	<p>Implemented</p> <p>A full stocktake was completed prior to year-end 30 June 2019 and assets no longer in the Regional Council possession, or in use were removed from the register.</p>

Matters where management have accepted the associated risk

Recommendation	First raised	Comment
<p>Vehicle disposal process</p> <ul style="list-style-type: none"> • Review processes for vehicle disposals, and remind staff of existing policies and procedures to manage conflicts of interest. • Consider reviewing commission rates set against similar market rates for commercial providers of vehicle sales. 	2018	<p>There is a small pool of approvers for bank transactions, and risks are mitigated wherever possible.</p> <p>The commission rate is deemed as appropriate given the level of work required on the condition of the vehicles and has proven to be cost saving to the Regional Council.</p>

Appendix 2: Corrected misstatements

Current year misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Revenue from sale of rocks	1				(111,521)
Accrued revenue - sale of rock		111,521			
Cost of sales					111,521
Rock Inventory		(111,521)			
Loss on inventory	2				15,932
Rock inventory		(15,932)			
Receivable - right to rock inventory	3	60,000			
Rock Inventory		(60,000)			
Receivable - right to rock inventory	4	72,000			
Rock Inventory		(72,000)			
Loss on inventory	5				12,768
Rock inventory		(12,768)			
Revaluation reserve	6			156,000	
River Control Assets		(156,000)			
Investment Property	7	120,000			
Gain on Investment Property Revaluation					(120,000)
Vehicle additions	8	67,826			
Plant and Equipment additions		(67,826)			
Infrastructure asset additions - Inchbonnie	9	24,500			
Infrastructure asset additions - Kaniere		(24,500)			
Quarry development asset	10	172,540			
Quarry restoration provision			(172,540)		

Current year misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Non-current assets held for sale	11	126,080			
Land		(126,080)			
Prepaid interest	12	17,007			
Borrowings			(17,007)		
Revenue – VCS Ground Control	13				34,822
Revenue Aerial – VCS Aerial					79,097
Accrued revenue		(113,919)			
Hokitika seawall additions	14	31,752			
Kanieri additions		27,030			
Nelson creek additions		16,600			
River drainage and coastal protection expenses					(75,382)
User fees and charges revenue	15				546,000
Subsidies and grants revenue					(546,000)
Salary and wage accrual	16		(148,685)		
Cash in bank		148,685			
Bonus provision employee entitlement	17		(15,190)		
Payroll expense					15,190
Total parent		234,995	(353,422)	156,000	(37,573)

Explanation of uncorrected misstatements

- 1 To accrue for the revenue of the sold rock of 10,621 tonnes @ \$10.50 per tonne at Inchbonnie, and post through the reduction to the inventory balance.
- 2 To incur the loss on the sale of inventory below cost @ \$1.50 per tonne on 10,621 tonnes.
- 3 To correct the classification of the inventory at Inchbonnie not on hand as at 30 June 2019, but has been paid for by the Regional Council and agreed to be replaced.

- 4 To correct the classification of the Whataroa inventory not on hand as at 30 June 2019, but has been paid for by the Regional Council and agreed to be replaced.
- 5 Write down of the inventory balance to match the year end stocktake at Camelback.
- 6 To reduce the revaluation of river control infrastructure assets, being the net effect of the various identified errors in the first draft of the peer review of the infrastructure valuation.
- 7 To increase the valuation of investment property to agree to the Colliers International valuation report.
- 8 To correct asset addition of a vehicle which was classified as plant and equipment.
- 9 To correct the classification of an infrastructure addition at Inchbonnie, incorrectly presented as being for Kaniere.
- 10 To increase the liability and corresponding asset for the quarry restoration reflecting the decrease in Treasury risk free discount rates, and CPI inflation.
- 11 To reclassify the Whitehorse land as held for sale.
- 12 To correct borrowings to reflect the LGFA confirmation.
- 13 To adjust revenue recognised for VCS contract revenue that was yet to meet the recognition criteria at 30 June 2019.
- 14 Capital expenditure identified from the valuation that was incorrectly recognised as operational expenditure.
- 15 To change the classification of the Crown funding revenue from a fees and charges, to grants.
- 16 To adjust for the final pay run, which had been shown as being paid before year end in the system.
- 17 To accrue for VCS employee bonuses.

Corrected disclosure deficiencies

Detail of disclosure deficiency	
Note 11 Intangible Assets	
There were three intangible assets written off during the year, which were not disclosed in the intangibles note. Impacts were:	
Current year disposals	(36,218)
Transfer Amortisation on disposal	36,218
Cost/revaluation 30/06/2019	(36,218)

Detail of disclosure deficiency	
Accumulated amortisation and impairment charges 30/06/2019	36,218
Statement of Financial Position	
Removal of the reference to Note 28 Interest in Limited Partnership Held for Sale.	
Note 9 Other Financial Assets	
In the classes of asset disclosure, separate out the LGFA borrower notes of \$89,600 and disclose separately from loans as they do not meet the definition of loans receivable.	
Note 10 Property, Plant and Equipment	
River, Drainage & Coastal Protection Assets	
Reduce the revaluation surplus on the Lower Waiho asset by the impairment and include a footnote that this includes the impairment of \$1,606,000. This is so the accumulated impairment does not carry forward indefinitely.	
Note 15 Trade and Other Payables	
Reword as the narrative included a double up:" settled on monthly terms, therefore monthly terms, therefore the carrying value of trade and other payables".	
Note 3 Employee Benefit Expenses	
Payroll movements note did not reconcile to the Employee Entitlements note, all balances to be corrected so that the movements are consistent.	
Accounting Policies	
<ul style="list-style-type: none"> • Include the 'or receivable' to the following policy statement: "Revenue is measured at the fair value of the consideration received or receivable" to be in line with PBE IPSAS 9. • Include a policy on the revenue from sale of goods due to material value of sales of quarry rock. • Other financial assets policy needs to change to reflect the switch from Westpac to JBWere. • Financial assets at fair value through surplus or deficit needs to include the LGFA borrower notes. • Loans and receivables should include the Warm West Coast loan advances. • Depreciation – add in a policy for the Quarry assets - suggest this is "based on the pattern of benefits from the quarry". 	
Statement of comprehensive revenue and expense	
To be consistent with presentation, change from "Income" on the statement of comprehensive revenue and expense to "Revenue" to keep the full report consistent.	
Note 28 Rating Base Information Required to be disclosed pursuant to the Local Government 2002	
The total capital value of these rating units as at 30 June 2018 to amend to \$7,293,196,225.00.	
Note 3 b Disclosures in accordance with NZ IAS 24 and Local Government Act 2002, schedule 10, clause 32 (1), (a), (b), (c)	

Detail of disclosure deficiency
<p>The vehicle disclosures for the members of the Key Management Personnel should match to the actual benefit that was paid or payable to the employee (they should be the same as that included in the banding disclosure). FBT therefore should be excluded from the disclosure.</p>
<p>Note 16 Employee Benefit liabilities</p> <p>Amend the disclosure to accrue for the full fortnight of wages and salaries for the pay period ending 29 June 2019. This was included in Civica as a bank reconciling item. The expense has been recognised against a cash item, but it is not paid so the cash and the liability needed to be adjusted for, and disclosed in the note.</p>
<p>Prudence benchmarks</p> <p>Minor narrative corrections required, and the below quantitative errors:</p> <p>Debt Control Benchmark</p> <p>Result for 2018/19 amend to -19.08 percent.</p> <p>This is due to Trade and other receivables and inventory needing to be removed from the financial asset amount calculated. For the budget liability side, the bank overdraft has been double counted so should be removed from the calculation.</p> <p>Rates affordability benchmark</p> <p>General rate will not exceed estimated BERL "other inflation".</p> <p>The cap for the current year should be exactly what the general rate is - will match 100 percent as the BERL inflation in Year one of the Long-term plan is setting the baseline.</p> <p>Targeted rate percentage will not exceed 100 percent increase on the 2018/19 baseline over the ten year period</p> <p>The baselines need to be updated to match the respective LTP.</p> <p>Previous debt affordability benchmark graph</p> <p>The \$500 per head of population for term liabilities graph for the comparative four years is still required to be disclosed in line with the Act.</p>
<p>Note 6 Cash and Cash Equivalents</p> <p>Overdraft balance has not been disclosed as part of cash and cash equivalents. This should be disclosed as a negative balance as the funds are owed to the bank as at 30 June 2019. The face of the financials correctly discloses this. This is simply an adjustment to the Note only.</p> <p>Presentation issues with the second line only showing "or less from date of acquisition" and the note below cutting off at "fair va".</p>
<p>Note 5 Finance costs</p> <p>Separate out the interest rate hedge movement to show the gross finance costs.</p>
<p>Funding Impact Statement - River, Drainage & Coastal Protection</p> <p>Amend the River, Drainage & Coastal Protection FIS to match the Statement of comprehensive revenue and expense, for the fees and charges and subsidies and grants for the Ministry of Civil Defence and Emergency Management funding.</p>

Detail of disclosure deficiency
<p>Funding Impact Statement – agree to LTP</p> <p>Add in a FIS for Economic Development and Warm West Coast to match the 2018/28 LTP.</p>
<p>Major budget variations note</p> <ul style="list-style-type: none"> • Note 7 - other expenses - figure is not correct for the one off costs to PCR LP for the current year – amend to \$30,000. • Note 12 other income - the Crown funding receipt was \$546,000, and is disclosed as \$865,000. This will also need to be included against subsidies and grants rather than fees and charges. • Loan advances and investment property to be swapped around, as they are labelled incorrectly. • Note 16 Investment property - the variance should be disclosed as \$45,000, not \$75,000. • Note 18 Other Financial assets were \$125,000 less than budget - this does not explain the reasoning, narrative to be included on why it is below budget.
<p>Note 7 Trade and Other Receivables</p> <p>Change the classification of Crown funding from exchange to non-exchange receivables.</p>
<p>Note 7 Trade and Other Receivables</p> <p>Interest prepaid on borrowings has been put in with accruals rather than as a prepayment.</p>
<p>Warm West Coast FIS</p> <p>The capital funding is not balancing in the FIS by \$86,000.</p>
<p>Note 26 Future Quarry Restoration Liability at 30 June 2019</p> <ul style="list-style-type: none"> • Update the narrative to show the passing of time, expected cash flows have all reduced by one year. • Amend the note to show the various changes to the provision separately – change to discount rate, and unwinding of discount. • Amend the discount rates to the actuals used in the updated calculation.
<p>Note 17 Borrowings</p> <ul style="list-style-type: none"> • The comparatives in the borrowings figure in Note 17 are incorrect. These are correct in the Statement of Financial Position, just the note needs to change to be consistent. • Change the security from Westpac, to the LGFA secured by debenture trust. • Disclosure error for the Multi Option Credit line - this should state a \$2 million limit and expiry of 1 July 2020, currently indicates an \$8.5 million limit that expires on 1 July 2019.
<p>Council 2018/28 Long Term Plan and Uniform Annual General Charge (UAGC)</p> <p>Include a self-disclosure on the UAGC matter.</p>
<p>Revenue policy</p> <p>Include a policy under revenue that the MCDEM funding is grant accounted for on a cost recovery basis.</p>

Detail of disclosure deficiency
Net loss from the Associate needs to be presented on the face of the Statement of Comprehensive Revenue and Expense as a separate line item distinct from Investment income.
A heading needs to be placed under the line “Net Surplus/(Deficit) for the year” being “ Other Comprehensive Revenue and Expense”, this will then be followed by the revaluation reserve movement, and then a Total Other Comprehensive Revenue and Expense, then Total Comprehensive Revenue and Expense.
Chairman’s report, the deficit figure does not agree to the amended financial statements.
Page 10 The line “These financial statements comply with PBE Standards” needs to have “RDR” on the end.
Statement of financial position
The asset held for sale is land, it’s not an intangible, so the word “intangible” should be removed.
Statement of Cash Flows
Two of the comparative numbers do not agrees to the 2018 financial statements. Loans raised to be corrected to \$7,868,092, and Loans repaid corrected to \$5,679,564.
Note 7 Trade and Other Receivables
Draft three. The original prepayments figure has been excluded of \$195,000. This needs to be added back in and total of the note needs to reconcile to the Statement of financial position.
Major budget variations in draft three
Some figures have not been updated with the changes to the financial statements:
<ul style="list-style-type: none"> • River drainage and coastal protection. • VCS. • User fees and charges. • PPE. • The investment property and loans advances are still in the wrong lines. • The figure references in the narratives will also need to be updated accordingly.

Corrected performance reporting misstatements

Detail of misstatement
Resource Management Activities
The table should show 93 percent of Periphyton improving, 7 percent declining and 0 percent no change.
Compliance Monitoring for Discharges.
Dairy shed monitoring - 78.7 percent of dairy sheds were monitored during the year.

Detail of misstatement
<p>VCS</p> <p>The VCS profit has changed in version 2 - so the performance measure on page 49 also needs to change to agree to this.</p>
<p>Governance</p> <ul style="list-style-type: none">• State the Not Achieved for the Councillor attendance of meetings.• Update the Compliance with statutory timeframes to the current year's results.

Appendix 3: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried 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 and reporting that opinion to you. 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 carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the West Coast Regional 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>Other than the audit, we have no relationship with, or interests in, the West Coast Regional Council.</p>
Fees	<p>The audit fee for the year is \$74,977, plus additional \$3,750 as it was a year with a revaluation of river control assets, as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are \$4,000, for the limited assurance engagement over the Regional Council's Debenture Trust Deed.</p>
Other relationships	<p>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 West Coast Regional Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the West Coast Regional Council during or since the end of the financial year.</p>

AUDIT NEW ZEALAND

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West Coast Regional Council Risk Register¹

	Risk description	Mitigation actions
1	All health and safety associated risks causing death or severe harm to staff, contractors and public while carrying out operations. Quarries and VCS operations are key.	Robust hazard identification process. Staff training and standard operating procedures. Programmed work site audits. Health & Safety Plan is maintained regularly.
2	Large over-design flood event causing danger to the public and extensive damage to Council's infrastructure and private property, with substantial cost/funding implications.	Flood response plans are regularly reviewed. Robust financial risk management policy (scheme reserves, infrastructure reserve, regional catastrophe fund, borrowing capacity). Programmed reviews of levels of service.
3	Emergency Management is overwhelmed by scale of disaster, inability to mobilise resources via staff (numbers), facilities (adequacy), infrastructure (availability/adequacy).	West Coast Regional Civil Defence Emergency Group Plan together with specific disaster plans are in place and regularly reviewed. Flood Action Plans and Community Response Plans largely in place. MOU's with neighbouring regions for support in a major event. Executive/Council support and input. New CDEM structure allows for the 4 West Coast Councils to support each other.
4	Failure or non-performance of flood or erosion protection assets arising from design deficiency or lack of maintenance. Professional negligence could be a factor	Robust asset management processes including Asset Management Plans and programmed asset monitoring, maintenance. Adequate funding provision for asset maintenance. Professional liability insurance.
5	Failure to provide adequate flood warning or civil defence service.	Effective and reliable telemetry system. Flood monitoring equipment is in place at key sites around the region and is regularly monitored and maintained. Flood procedure manual regularly maintained.
6	Professional advice offered is deemed to be negligent.	Management team ensures that any advice provided is only prepared (or reviewed) by properly qualified staff or consultants. Robust professional staff training provided and professional association memberships required to be maintained. Professional liability insurance provided.
7	Deterioration of the global financial position increasing fiscal pressure on council through nonpayment of rates and fees and charges and lower returns on investments. Reduced revenue could impact on council's ability to deliver current agreed levels of service to the community.	Sound budget processes in practice including use of BERL inflationary indices. Robust aged receivable collection process in place for debtors. Annual reviews of budget and level of service with the community triennially via Long Term Plan processes. From year to year, council can adapt budgets to fit affordability by using Annual Plans. Monthly financial reporting to Council and management team.
8	Breach of bank covenants and associated impact on financial reputation.	Council governance procedures and management controls.
9	Credit Risks with regard to both WCRC borrowing and Investing.	Council Investment and Borrowing Policies are in place to mitigate this.
10	Level of rates non-payment deteriorates.	Effective follow up of overdue rates debtors to collect these amounts, utilising internal processes and external debt recovery agent where appropriate.

¹ Note that Significant Forecasting Assumptions in the Council's Long Term Plan contains risks of a financial nature, to a higher level of detail.

	Risk description	Mitigation actions
11	Commercial risks / Investments	Investment policy adopted by Council. Statement of Investment Policies and Objectives (SIPO) agreed with Fund Manager.
12	Loss of council funds due to fraud	Insurance is in place Council anti-fraud policy in place. Internal accounting controls and External audit.
13	Unbudgeted expenditure on corporate assets required to keep them functional places extreme pressure on Council's finances.	Council adoption of asset management plan for corporate buildings with a 30 year view of the needs of the organisation and associated financial implications.
14	Council building and facilities fail to meet the needs of activities, resulting in an inability to deliver agreed levels of service.	Development and implementation of sound asset management plans derived from an understanding of levels of service. Regular monitoring of levels of service KPIs and open communication with key internal stakeholders.
15	The environment could impact on current and future insurance premiums, increase of costs, insurance premiums increase, reputation of business due to non-performance	Council participated in a process with 24 other Councils to seek best value insurance cover. Continued participation will help to keep insurance costs as low as possible. Council has a designated and funded regional catastrophe fund in lieu of LAPP membership. Council continues to be a member of Riskpool to minimise its Public Liability /Professional Indemnity risks.
16	Potential loss of key skills and knowledge and difficulty to recruit replacements.	Succession Planning. Recruitment Policies/practices are in top 10%. Recruitment consultancy used where needed for key positions. Benchmarked salary levels, market-driven remuneration. Develop Key Role continuity Plan.
17	Harm to staff, contractors, and public or damage to Council property from ground or aerial pest control operations (eg. aerial 1080, herbicide spraying).	Environmental Standard Operating Procedures are kept up to date and regularly monitored by management. Health and Safety practices in this area are kept current and closely monitored.
18	Reputation affected through negative communication in media or by staff	Media and communications policy in place. Communications staff / advisor available if required. Managers properly trained in media management.
19	Council does not meet all its legislative requirements and jeopardises government funding, risks being fined and/or sued, replacement of Councillors with commissioners, loss of public confidence in council and Local Government.	Key staff are expected to have an awareness of key legislation affecting Council. Adequate training organised with regard to legislative changes. Councillors aware of legal requirements to uphold the law. Councillor training is available, and uptake is good.
20	Governance (at an elected level) non-compliance with legislation or failure to complete internal council policies. Policy development outside legislative requirements or good practice. Council failing to monitor the efficiency and effectiveness of policies/rules/methods.	Training of elected members. Keeping up to date with legislative developments via information received from government agencies and professional bodies. Ongoing policy, procedure and guideline preparation and review. Maintain standing orders.
21	Financial governance, planning or management failure caused by poor systems, lack of internal control, or data inaccuracies. Lack of qualified staff, insufficient resourcing. Devolution of responsibility from central government and/or increased community expectations.	Increase level of corporate financial literacy; continually develop financial reporting, capability and systems. Compliance with International Financial Reporting Standards and now the new International Public Sector Accounting Standards. Increase audit & risk management at governance and management level. Submissions to Central and Regional Government.

	Risk description	Mitigation actions
22	Ineffective Planning Processes caused by: (a) Inadequate strategic planning (b) Inadequate information and advice (c) Inadequate systems and resources (d) Inadequate community input (e) Poor external relationships	Continued professional development for Councillors. Continue development of the LTP decision making and prioritisation process. Media and communication management. Continue with efforts to identify correct messaging to key relationships. Plan and invest in appropriate information services, to inform decision making initiatives.
23	Long Term Plan is not delivered to meet legal requirements, political and community expectations	Project structure and management in place. Project milestones identified.
24	Loss of knowledge (IT, documents and staff) caused by: <ul style="list-style-type: none"> • Insufficient systems in place to manage data/information. • Inadequate filing, categorisation, storage of documents (electronic and physical). • Lack of culture and use of systems. • Inadequate organisational knowledge capture. 	Continue to update and improve electronic document management software and practices. Map business processes using Promapp where this will add value. Review Information Management Strategy. Develop a digital strategy. Develop Key Role Continuity Plan.
25	Technology, systems etc. inadequate to support business needs caused by any one or more of the following: <ul style="list-style-type: none"> • Failure to keep up with changes in technology and to utilise where relevant. • New ideas and thinking to respond to a changing environment are too slow. • High stakeholder expectations. • Out of date software/systems, poor training in new/existing systems, delays in software development with regards to timeframe requirements, new software not meeting organisational requirements. • Information technology infrastructure and software does not meet the short/long term needs of the business. • Loss of the provision of continuity of IT Services. • System failure/hacking . 	<ul style="list-style-type: none"> • Update our IT Strategic Plan. • Continue to develop IRIS and Civica Authority financials software as key business and RMA systems. • Update IT Business Disaster Recovery & Business Continuity Plans. • Monitor emerging technologies by attending various IT fora. • Continue to maintain and develop overarching Information Management Systems initiatives to integrate and update information services and practices that inform sound decision making. • Foster opportunities to integrate organisational best practice. • Implement and update virus software, firewalls, IT security systems/passwords etc. • Continue to work corroboratively to update with new software and networks so that we always use best practice modern approaches.
26	Lack of consultation with stakeholders	Employ consultation policies and procedures and good professional advice. Effective communication strategy and appropriate resources to support it.
27	Ineffective relations with local Iwi and failure to meet requirements of legislation involving Iwi e.g. RMA, LGA and Treaty settlements.	Develop MoU's as appropriate. Establish good relations - talking up front will serve us better.

West Coast Regional Council

Valuation of Soil Erosion and Flood Protection Infrastructure for
Financial Reporting

16 July 2020

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Executive Summary

Client:	West Coast Regional Council
Client Address:	388 Main South Road, Greymouth 7840, New Zealand
Under Instructions From:	Robert Mallinson, Corporate Services Manager
Assets Valued:	Soil Erosion and Flood Protection Infrastructure assets
Date of Valuation:	30 June 2020

The purpose of this valuation of West Coast Regional Council's Soil Erosion and Flood Protection Infrastructure assets is to provide fair values of Soil Erosion and Flood Protection Infrastructure assets as at 30 June 2020.

The valuation has been completed based on the principles of the:

- NZ Public Benefit Entity International Public-Sector Accounting Standard 17 Property, Plant and Equipment (PBE IPSAS 17),
- International Valuation Standard.
- New Zealand Infrastructure Asset Valuation and Depreciation Guidelines 2006.

Key outputs from this report include:

- Gross Replacement Cost (GRC)
- Depreciated replacement cost (DRC)
- Annual Depreciation (AD)

The scope of this valuation covers Soil Erosion and Flood Protection Infrastructure assets in service, owned and managed by West Coast Regional Council (WCRC).

The totals are summarised in the tables below:

Rating District / Scheme	Replacement Cost (RC)	Fair Value Estimate (FV)
Coal Creek Rating District	\$3,254,000	\$3,254,000
Franz Josef Rating District	\$4,316,000	\$4,316,000
Greymouth Rating District	\$15,444,000	\$15,444,000
Hokitika Seawall	\$3,323,000	\$3,323,000
Hokitika Southside Rating District	\$928,000	\$928,000
Inchbonnie Rating District	\$4,101,000	\$4,101,000
Kaniere Rating District	\$772,000	\$772,000
Karamea Granite Creek	\$201,000	\$201,000
Karamea Little Wanganui	\$1,998,000	\$1,998,000
Karamea Oparara River	\$780,000	\$780,000
Karamea River	\$5,952,000	\$5,952,000
Kongahu Rating District	\$1,411,000	\$1,411,000
Kowhitirangi	\$5,526,000	\$5,526,000
Lower Waiho Rating District	\$8,724,000	\$8,724,000
Matainui Creek Rating District	\$91,000	\$91,000
Mokihinui Rating District	\$2,098,000	\$2,098,000
Nelson Creek Rating District	\$3,970,000	\$3,970,000
Okuru Rating District	\$997,000	\$997,000
Punakaiki Rating District	\$4,132,000	\$4,132,000

Rating District / Scheme	Replacement Cost (RC)	Fair Value Estimate (FV)
Raft Creek Rating District	\$338,000	\$338,000
Redjacks Creek Rating District	\$995,000	\$995,000
Taramakau Rating District	\$10,614,000	\$10,614,000
Vine Creek Rating District	\$2,645,000	\$2,645,000
Waitangi-Taona Rating District	\$3,797,000	\$3,797,000
Wanganui Rating District	\$18,607,000	\$18,607,000
Whataroa Rating District	\$923,000	\$923,000
Grand Total	\$105,937,000	\$105,937,000

The total replacement cost of WCRC manage, and owned asset is \$105.9M, the Fair Value is \$105.9M and the annual depreciation cost is \$0.0M.

The change in asset value since 2018 Valuation for RC is 48.3%. The drivers of the increase in value is cost increases, additions and disposals of assets, and changes in quantities. Further explanation of the change in value is detailed in the report.

1 Introduction

1.1 Scope

Acting on written instructions from of West Coast Regional Council (WCRC) to carry out and undertake a valuation for reporting purposes of Soil Erosion and Flood Protection Infrastructure Assets forming the West Coast Regional Council's portfolio as at 30 June 2020. The assets valued at component level are summarized in the following Table.

Rating District / Scheme	Asset Component
Coal Creek Rating District	Fill, Rock, Top Course
Franz Josef Rating District	Fill, Rock, Rubble, Stockpile, Top Course
Greymouth Rating District	Fill, Rock, Rubble, Stockpile, Top Course, Basecourse, Pipes, Floodgates, Misc
Hokitika Seawall	Beach access, Bedding gravel, Fill, Filter fabric, Pipes, Quarry waste, Rock, Rock Large, Top Course
Hokitika Southside Rating District	Access, Culverts, Rock, Rubble
Inchbonnie Rating District	Culverts, Fill, Floodgates, Rock, Rubble, Stockpile
Kaniere Rating District	Fill, Rock, Rubble
Karamea Granite Creek	Rock
Karamea Little Wanganui	Fill, Misc, Rock, Stockpile
Karamea Oparara River	Fill, Rock
Karamea River	Fill, Misc, Rock, Stockpile
Kongahu Rating District	Culverts, Excavation, Fill, Floodgates, Rock
Kowhitirangi	Fill, Rock, Rubble
Lower Waiho Rating District	Fill, Rock
Matainui Creek Rating District	Culverts, Fill, Floodgates, Rock
Mokihinui Rating District	Culverts, Fill, Rock, Top Course
Nelson Creek Rating District	Fill, Rock, Stockpile
Okuru Rating District	Fill, Filter fabric, Rock, Rubble, Top Course
Punakaiki Rating District	Bedding gravel, Fill, Filter fabric, Pipes, Rock, Rubble, Top Course
Raft Creek Rating District	Drain, Rubble
Redjacks Creek Rating District	Excavation, Fill, Rock
Taramakau Rating District	Bridges, Culverts, Excavation, Fill, Rock, Rubble, Stockpile
Vine Creek Rating District	Fill, Rock, Rubble, Stockpile, Culverts
Waitangi-Taona Rating District	Fill, Rock, Rubble, Stockpile
Wanganui Rating District	Fill, Rock, Rubble, Stockpile
Whataroa Rating District	Rock, Misc

The following asset groups have been excluded from the valuation:

- Land value (land occupied by the assets) i.e. under pipes, seawalls, beach access etc.
- Natural features such as streams, rivers and overland flow paths

- Intellectual property (if any) related to the Soil Erosion and Flood Protection Infrastructure activity
- Work in Progress as at 30 June 2020

1.2 Objective

The objective of this valuation of West Coast Regional Council's Soil Erosion and Flood Protection Infrastructure assets is to provide fair values of Soil Erosion and Flood Protection Infrastructure assets as at 30 June 2020 for financial reporting purposes. Included in this report are description of the valuation methodology and details of the supporting data used in the valuation.

This valuation relied on client's input on the condition and status of the assets.

1.3 Asset Schedules

The valuation schedules are based on latest databases provided by WCRC. The asset component list developed is based on key elements which are considered integral to the operation of the services provided.

1.4 Valuation Outputs

Key outputs from this valuation are:

- Asset schedule for each type of asset
- Gross Replacement Cost (GRC)
- Depreciated replacement cost (DRC)
- Annual Depreciation (AD)

2 Valuation Methodology and Process

2.1 General

This valuation has been completed in accordance with PBE IPSAS 17. PBE IPSAS 17 requires that property, plant and equipment is to be revalued Fair Value and to be conducted by either an independent valuer, or where an entity employs a person sufficiently experienced to conduct a valuation, by that person, so long as the valuation has been reviewed by an independent valuer.

Fair Value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. There is the presumption that the entities are a going concern, without any intention or need to liquidate, or otherwise wind up its operations or undertake a transaction on adverse terms. An adequate period of marketing to obtain its best price is also assumed and its value is measured having regard to the highest and best use of the asset.

Where assets have been classified as Property, Plant and Equipment, the Fair Value concept is applicable, and the approach should be Sales Comparison or Income Capitalisation Approach if reliable market-based evidence to support these approaches is available. Where Property, Plant and Equipment that is not able to rely using market-based evidence for the same or similar assets, should be valued using a Depreciated Replacement Cost approach. Assets that are valued where no market-based evidence is available are Specialised Assets.

Specialised assets, by their nature, lack market evidence on which to base a market value assessment and accordingly, having particular regard to the deprival value concept, these require a replacement cost valuation methodology. Consequently, such assets are sub-categorised as replacement cost-based assets and the Market Value (in-situ) assuming continued use is derived by a depreciated replacement cost approach.

Most infrastructure assets situated at local authorities will be of specialised nature and should therefore be valued using a Depreciated Replacement Cost approach.

2.2 Depreciation

Where the depreciated replacement cost method is used the cost to replace the asset is calculated then reduced by an allowance for the reduction in the economic benefits embodied in the asset, to reflect the remaining service potential as at the date of the valuation.

The depreciated replacement cost of assets is typically calculated based on the current replacement cost of a modern equivalent asset (MEA), which is then adjusted for over-design, over-capacity and/or redundant assets, less an allowance for physical deterioration, functional or technical obsolescence and economic and external obsolescence. The resulting Depreciated Replacement Cost is considered to be Fair Value.

In order to calculate depreciation, we have applied a straight-line depreciation approach over the assets Total Useful Life. This is considered appropriate for infrastructure utilities assets as they are generally long-life assets.

For this and previous valuation, all assets are based on 'lives in perpetuity', there is no depreciation on any assets. This assumption applies to minor ancillary assets such as floodgates, bridges, access, pipes and culverts etc., and WCRC undertakes to maintain and repair the assets to previous state in perpetuity.

2.3 Optimisation

Optimisation refers to the process by which a least cost replacement option is determined for the remaining service potential of an asset. Degrees of optimization take into the following factors:

- Surplus capacity,
- Functional or technical obsolescence,

- Economic or external obsolescence,
- Site or network reconfiguration

The method of optimization has been based on the requirements of PBE IPSAS 17.

West Coast Regional Council continue to investigate opportunities for optimization; however, no opportunities for optimization were identified through this valuation.

2.4 Replacement Cost

2.4.1 General

The replacement costs take into consideration of the following costs associated with the provision of assets:

- Planning and design costs;
- Corporate overheads applicable to service provision;
- Construction and commissioning costs; and
- Demolition and reinstatement costs

The replacement costs assume the incremental or 'Brownfields' approach for replacement. This is the recommended approach for infrastructure assets. This reflects a 'reality-based' replacement program and recognizes the constraint to the existing layout/network means it may not produce the most optimal system compared to zero-based approach 'Greenfields'.

Residual values are not generally applicable to the infrastructure assets as it has been assumed the assets have zero salvage value at the end of its economic life. This is generally accepted as infrastructure assets at typically in operation till then end of its physical life and or replaced based on performance and or condition.

2.4.2 Asset Component (Rock, Rubble, Stockpile etc)

The unit replacement costs for the assets were reviewed with consideration to the following:

- Rates are comparable with recent contract costs;
- Rates cover the total cost of replacement of the asset;
- Rates are reasonable with regards to comparable contract size.

This Accounting Standard has also established a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure Fair Value. This hierarchy gives the highest priority to unadjusted, quoted market prices in active market for identical assets and the lowest priority to unobservable inputs. The established hierarchy is summarised as follows:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed as at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset or liability.

Council-built assets, the approach adopted is to use cost rates derived from recent typical renewal contract for local infrastructure (Level 1 input). Cost data were compiled and analysed for Council-built assets for physical work projects over recent years. The derived rate includes components of direct asset (supply and install) cost and indirect asset cost.

Indirect asset cost covers the Preliminary and General costs of the contract administration, site establishment and disestablishment, health and safety, quality and environmental control, services diversion, additional traffic management requirements and surface reinstatement.

The level of disclosure required by an entity increases based on what type of inputs are utilised within the Fair Value calculations. Aon Valuation Services believes that the valuation inputs utilised within this report fall within level 1 of the above hierarchy and have been valued accordingly.

The unit replacement costs for the assets are shown in Appendix A.

2.4.3 Minor Ancillary Assets (Pipe, Culvert, Bridge, Structure etc)

The specialized and unique nature of assets means a common unit rates approach is often not appropriate. The cost-based approach with suitable adjustment for inflation is a preferred and appropriate method used to revalue the assets.

Following review, we are confident that the inflation index adjustment to 2020 rates is an appropriate approach due to the on-going improvement to the assets and upgrade over the years, thus the replacement costs are recent and fit for use.

Aon Valuation Services believes that the valuation inputs utilised for the minor ancillary assets fall within level 2 of the above hierarchy and have been valued accordingly.

2.4.4 Capital Goods Price Index

The Capital Goods Price Index (CGPI) is an official statistical monitor of changes in fixed capital asset prices in New Zealand. The index tracks the change in costs for capital assets. To measure the change in capital costs the CGPI was applied to the 2018 replacement costs.

The indices shown below provided by Statistics NZ, are chosen for the exercise. It should be noted when the review was completed, the CGPI was available up to Mar 2020.

Table 2.1 – Capital Goods Price Index changes adopted in the valuation

Asset type	CEPQ	CGPI Inflation (March 2018 to March 2020)	Asset Component
Civil construction	S2GC	4.88%	Misc/Bridge/Structure
Transport ways	S2CA	4.47%	Beach Accessways
Pipelines	S2CB	6.79%	Pipes/Culvert/Floodgate
Earthmoving and site work	S2CD	3.91%	Excavation
Reclamation and river control	S2DD	3.16%	Filter Fabric/Bedding Gravel

2.4.5 Asset Lives

Standard base lives adopted for the valuation of West Coast Regional Council infrastructure assets have been based on:

- The base lives in previous valuation;
- Input from West Coast Regional Council staff;
- The NZ Infrastructure Asset Valuation Guidelines (Version 2)

All assets are based on ‘lives in perpetuity’, there is no depreciation on any assets. It is our understanding that this position has been agreed with Audit New Zealand in past valuation.

This assumption applies to minor assets such as floodgates, bridges, access, pipes and culverts etc., and the undertaking that these assets are maintained and repaired to previous state in perpetuity. Operational expense and not Capital expense will be utilised for such repair and maintenance of the assets.

2.4.6 Client Involvement

Aon has kept WCRC involved in each step of valuation process. This include making the assumptions transparent and involving WCRC in the review process. This is to ensure that WCRC's professional personal's knowledge and experience of the assets are taken into consideration.

2.4.7 Covid 19

There is still some time needed before economists have a clear picture of conditions and the full effects on the property market from Covid-19. With regards to the West Coast Regional Council's Soil Erosion and Flood Protection Infrastructure assets, the assets are specialist in nature. The values of these assets are valued by utilizing the cost approach and then allowing for depreciation on the assets (if applicable). As a result, the effects of Covid 19 on this revaluation are currently minimal.

2.5 Overhead Cost

The unit costs have been increased by a factor that includes all expenses incidental to the asset acquisition or replacement and all costs directly attributable to bringing the asset into working condition and location. These costs include professional fees and administration costs. An allowance of 10% has been included for this valuation and in addition, a 2% Resource Consent fees has also been allowed for. Reinstatement does not allow for cost escalation due to a catastrophic event causing a general or localised surge in demand for new assets or rebuilding/repairs and no allowance made for emergency work conditions.

3 Nature and Source of Information Relied Upon

3.1 General

Asset data for each site has been based on information received from West Coast Regional Council. Aon Valuation Services has used this information to locate the assets and have relied on West Coast Regional Council's ownership records.

Quantity, construction details, recent contract prices, condition survey record have been obtained from information supplied by West Coast Regional Council.

Aon Valuation Service has also relied on:

- Coal Creek Asset Register 2020 with information on asset type and quantity
- Franz Josef Asset Register 2020 with information on asset type and quantity
- Greymouth Floodwall Asset Register 2020 with information on asset type and quantity
- Hokitika Seawall Asset Register 2020 with information on asset type and quantity
- Hokitika Southside Asset Register 2020 with information on asset type and quantity
- Inchbonnie Asset Register 2020 with information on asset type and quantity
- Kaniere Asset Register 2020 with information on asset type and quantity

- Karamea Asset Register 2020 with information on asset type and quantity
- Kongahu Asset Register 2020 with information on asset type and quantity
- Kowhitirangi Asset Register 2020 with information on asset type and quantity
- Lower Waiho Asset Register 2020 with information on asset type and quantity
- Matanui Asset Register 2020 with information on asset type and quantity
- Mokihinui Asset Register 2020 with information on asset type and quantity
- Nelson Creek Asset Register 2020 with information on asset type and quantity
- Okuru Asset Register 2020 with information on asset type and quantity
- Punakaiki Asset Register 2020 with information on asset type and quantity
- Raft Creek Asset Register 2020 with information on asset type and quantity
- Redjacks Asset Register 2020 with information on asset type and quantity
- Taramakau Asset Register 2020 with information on asset type and quantity
- Vine Creek Asset Register 2020 with information on asset type and quantity
- Waitangitaona Asset Register 2020 with information on asset type and quantity
- Wanganui Asset Register 2020 with information on asset type and quantity
- Whataroa Asset Register 2020 with information on asset type and quantity
- Rock Rates
- 1.2 MBD Contracting – West Coast Regional Council Contract 2019-1 Quarry Management and Operation
- Foster invoice Blaketown rock works
- Nelson Creek Sep 2019 Steegh
- Notes for Asset Register – Grey Floodwall
- 2018 Infrastructure Valuation Review Report
- 2018 Infrastructure Valuation v2
- West Coast 2019 Coastal Flood Protection Infrastructure Valuation Report

It is assumed that the supplied information is true and correct. The following general assumptions were made in this valuation process.

- That the process of inputting the database was sound and reasonable.
- Aon has no reason to believe that the database itself was inaccurate, it was assumed at the time that all assets had been captured and that any errors with this would be deemed insignificant.
- The valuation data and processes from previous years if relied upon were correct.

3.2 Data confidence

Data is derived predominantly from Council's database and data are exported to a spreadsheet format for valuation purposes. The assessed confidence rating for each asset group in this valuation is shown in the following tables.

Table 3.1: Confidence Ratings (IIMM 2011)

Confidence Grade	Label	General Meaning
A	Highly Reliable	Data based on sound records, procedure, investigations and analysis which is properly documented and recognised as the best method assessment
B	Reliable	Data based on sound records, procedure, investigations and analysis which is properly documented but has minor shortcomings; for example, the data is old, some documentation is missing, and reliance is placed on unconfirmed reports or some extrapolation
C	Uncertain	Data based on sound records, procedures, investigations and analysis which is incomplete or unsupported, or extrapolation from a limited sample for which grade A or B data is available
D	Very Uncertain	Data based on unconfirmed verbal reports and/or cursory inspection and analysis

Table 3.2 – Confidence Rating for the 2020 West Coast Regional Council Soil Erosion and Flood Protection Infrastructure Valuation

Asset Group	Asset	Rating	Comments
Soil Erosion and Flood Protection	Main assets – Rocks, Rubbles, Stockpile etc	A	Data based on sound records, procedure, investigations and analysis which is properly documented and recognised as the best method assessment. For this valuation, WCRC staff has conducted a review on all the coastal protection and flood protection schemes to verify the asset data. The 2020 asset register has been updated based on changes to the asset base, such as replenishment of material.
	Minor ancillary assets – Pipes, Culverts, Bridges, Structure etc	B	Data based on sound records, procedure, investigations and analysis which is properly documented but has minor shortcomings; for example, the assets are expressed as lump sum with missing information on type, size, specification, material and quantity.

4 Valuation Summary

4.1 Valuation Results

The 2020 Valuation results by asset type are shown in the following tables:

Tables 4.1 – Soil Erosion and Flood Protection Assets – 30 June 2020

Rating District/Scheme	Asset Component	Replacement Cost (RC)	Fair Value (FV)	Annual Depreciation (AD)
Hokitika Seawall	Rock	\$2,205,543	\$2,205,543	\$0
	Fill	\$227,561	\$227,561	\$0
	Top Course	\$15,989	\$15,989	\$0
	Rock Large	\$210,691	\$210,691	\$0
	Quarry waste	\$309,275	\$309,275	\$0
	Bedding gravel	\$58,308	\$58,308	\$0
	Filter fabric	\$252,330	\$252,330	\$0
	Beach access	\$26,492	\$26,492	\$0
	Pipes	\$17,083	\$17,083	\$0
Hokitika Seawall Total		\$3,323,270	\$3,323,270	\$0
Karamea Granite Creek	Rock	\$200,838	\$200,838	\$0
Karamea Granite Creek Total		\$200,838	\$200,838	\$0
Karamea Oparara River	Rock	\$424,228	\$424,228	\$0
	Fill	\$355,579	\$355,579	\$0
Karamea Oparara River Total		\$779,807	\$779,807	\$0
Karamea River	Rock	\$3,223,955	\$3,223,955	\$0
	Fill	\$2,689,635	\$2,689,635	\$0
	Stockpile	\$28,050	\$28,050	\$0
	Misc	\$10,439	\$10,439	\$0
Karamea River Total		\$5,952,078	\$5,952,078	\$0
Karamea Little Wanganui	Rock	\$1,249,595	\$1,249,595	\$0
	Fill	\$696,585	\$696,585	\$0
	Stockpile	\$27,489	\$27,489	\$0
	Misc	\$23,923	\$23,923	\$0

Rating District/Scheme	Asset Component	Replacement Cost (RC)	Fair Value (FV)	Annual Depreciation (AD)
Karamea Little Wanganui Total		\$1,997,592	\$1,997,592	\$0
Kowhitirangi	Rock	\$3,021,715	\$3,021,715	\$0
	Fill	\$2,480,193	\$2,480,193	\$0
	Rubble	\$24,307	\$24,307	\$0
Kowhitirangi Total		\$5,526,214	\$5,526,214	\$0
Coal Creek Rating District	Rock	\$2,573,251	\$2,573,251	\$0
	Fill	\$662,429	\$662,429	\$0
	Top Course	\$18,547	\$18,547	\$0
Coal Creek Rating District Total		\$3,254,226	\$3,254,226	\$0
Franz Josef Rating District	Rock	\$3,350,663	\$3,350,663	\$0
	Fill	\$706,775	\$706,775	\$0
	Top Course	\$12,951	\$12,951	\$0
	Rubble	\$11,216	\$11,216	\$0
	Stockpile	\$234,779	\$234,779	\$0
Franz Josef Rating District Total		\$4,316,382	\$4,316,382	\$0
Greymouth Rating District	Misc	\$15,443,733	\$15,443,733	\$0
Greymouth Rating District Total		\$15,443,733	\$15,443,733	\$0
Hokitika Southside Rating District	Rock	\$489,671	\$489,671	\$0
	Rubble	\$398,789	\$398,789	\$0
	Access & Culverts	\$39,601	\$39,601	\$0
Hokitika Southside Rating District Total		\$928,061	\$928,061	\$0
Inchbonnie Rating District	Rock	\$2,559,589	\$2,559,589	\$0
	Fill	\$1,366,648	\$1,366,648	\$0
	Rubble	\$17,225	\$17,225	\$0
	Stockpile	\$22,216	\$22,216	\$0
	Culverts	\$40,388	\$40,388	\$0
	AP65	\$50,490	\$50,490	\$0
	AP40	\$28,813	\$28,813	\$0
	Floodgates	\$15,289	\$15,289	\$0
Inchbonnie Rating District Total		\$4,100,657	\$4,100,657	\$0
Kaniere Rating District	Rock	\$676,042	\$676,042	\$0
	Fill	\$33,203	\$33,203	\$0
	Rubble	\$62,377	\$62,377	\$0
Kaniere Rating District Total		\$771,622	\$771,622	\$0
Kongahu Rating District	Rock	\$25,290	\$25,290	\$0
	Fill	\$6,995	\$6,995	\$0
	Culverts	\$28,877	\$28,877	\$0
	Floodgates	\$71,893	\$71,893	\$0
	Excavation	\$1,277,910	\$1,277,910	\$0
Kongahu Rating District Total		\$1,410,965	\$1,410,965	\$0
Lower Waiho Rating District	Rock	\$6,077,170	\$6,077,170	\$0
	Fill	\$2,646,441	\$2,646,441	\$0
Lower Waiho Rating District Total		\$8,723,611	\$8,723,611	\$0
Matainui Creek Rating District	Rock	\$70,770	\$70,770	\$0
	Fill	\$12,125	\$12,125	\$0
	Culverts	\$5,128	\$5,128	\$0
	Floodgates	\$2,564	\$2,564	\$0
Matainui Creek Rating District Total		\$90,587	\$90,587	\$0
Mokihinui Rating District	Rock	\$980,987	\$980,987	\$0
	Fill	\$1,091,762	\$1,091,762	\$0
	Top Course	\$17,784	\$17,784	\$0
	Culverts	\$7,764	\$7,764	\$0

Rating District/Scheme	Asset Component	Replacement Cost (RC)	Fair Value (FV)	Annual Depreciation (AD)
Mokihinui Rating District Total		\$2,098,297	\$2,098,297	\$0
Nelson Creek Rating District	Rock	\$2,440,462	\$2,440,462	\$0
	Fill	\$1,525,889	\$1,525,889	\$0
	Stockpile	\$3,927	\$3,927	\$0
Nelson Creek Rating District Total		\$3,970,278	\$3,970,278	\$0
Okuru Rating District	Rock	\$496,420	\$496,420	\$0
	Fill	\$261,219	\$261,219	\$0
	Top Course	\$20,813	\$20,813	\$0
	Rubble	\$157,924	\$157,924	\$0
	Filter fabric	\$60,767	\$60,767	\$0
Okuru Rating District Total		\$997,144	\$997,144	\$0
Punakaiki Rating District	Rock	\$2,949,703	\$2,949,703	\$0
	Fill	\$702,239	\$702,239	\$0
	Top Course	\$12,118	\$12,118	\$0
	Rubble	\$131,973	\$131,973	\$0
	Bedding gravel	\$210,661	\$210,661	\$0
	Filter fabric	\$115,111	\$115,111	\$0
	Pipes	\$10,475	\$10,475	\$0
Punakaiki Rating District Total		\$4,132,280	\$4,132,280	\$0
Raft Creek Rating District	Rubble	\$70,349	\$70,349	\$0
	Drain	\$267,978	\$267,978	\$0
Raft Creek Rating District Total		\$338,328	\$338,328	\$0
Redjacks Creek Rating District	Rock	\$516,905	\$516,905	\$0
	Fill	\$440,685	\$440,685	\$0
	Excavation	\$37,868	\$37,868	\$0
Redjacks Creek Rating District Total		\$995,458	\$995,458	\$0
Taramakau Rating District	Rock	\$4,455,956	\$4,455,956	\$0
	Fill	\$5,858,683	\$5,858,683	\$0
	Rubble	\$149,114	\$149,114	\$0
	Stockpile	\$77,573	\$77,573	\$0
	Culverts	\$31,465	\$31,465	\$0
	Excavation	\$17,487	\$17,487	\$0
	Bridges	\$23,535	\$23,535	\$0
Taramakau Rating District Total		\$10,613,813	\$10,613,813	\$0
Vine Creek Rating District	Rock	\$1,281,329	\$1,281,329	\$0
	Fill	\$1,239,922	\$1,239,922	\$0
	Rubble	\$94,463	\$94,463	\$0
	Culverts	\$29,171	\$29,171	\$0
Vine Creek Rating District Total		\$2,644,885	\$2,644,885	\$0
Waitangi-Taona Rating District	Rock	\$1,975,561	\$1,975,561	\$0
	Fill	\$1,589,030	\$1,589,030	\$0
	Rubble	\$170,726	\$170,726	\$0
	Stockpile	\$42,333	\$42,333	\$0
	Excavation	\$18,945	\$18,945	\$0
Waitangi-Taona Rating District Total		\$3,796,595	\$3,796,595	\$0
Wanganui Rating District	Rock	\$9,998,216	\$9,998,216	\$0
	Fill	\$7,720,437	\$7,720,437	\$0
	Rubble	\$41,604	\$41,604	\$0
	Stockpile	\$204,989	\$204,989	\$0
	Misc	\$94,738	\$94,738	\$0
	Excavation	\$534,651	\$534,651	\$0
	Structures	\$12,120	\$12,120	\$0
Wanganui Rating District Total		\$18,606,755	\$18,606,755	\$0
Whataroa Rating District	Rock	\$748,211	\$748,211	\$0
	Fill	\$174,875	\$174,875	\$0

Rating District/Scheme	Asset Component	Replacement Cost (RC)	Fair Value (FV)	Annual Depreciation (AD)
Whataroa Rating District Total		\$923,086	\$923,086	\$0
West Coast Regional Council - Grand Total		\$105,936,563	\$105,936,563	\$0

5 Comparison with 2018 Valuation

5.1 Overall Comparison

The changes in value between 2018 and 2020 is summarised in table below.

Table 5.1 - Comparison of 2018 and 2020 Valuation (values rounded to nearest NZD1,000)

Rating District /Scheme	Replacement Cost		Difference	
	2018	2020	(\$)	(%)
COAL CREEK RATING DISTRICT	\$2,868,000	\$3,254,000	\$386,000	13.46%
FRANZ JOSEF RATING DISTRICT	\$3,160,000	\$4,316,000	\$1,156,000	36.58%
GREYMOUTH RATING DISTRICT INFRASTRUCTURAL ASSETS	\$0	\$15,444,000	\$15,444,000	New Asset
HOKITIKA SEAWALL	\$2,487,000	\$3,323,000	\$836,000	33.61%
SOUTHSIDE RATING DISTRICT	\$794,000	\$928,000	\$134,000	16.88%
INCHBONNIE RATING DISTRICT	\$3,582,000	\$4,101,000	\$519,000	14.49%
KANIERE RATING DISTRICT	\$609,000	\$772,000	\$163,000	26.77%
KARAMEA RIVER - KARAMEA RATING DISTRICT	\$6,169,000	\$8,930,000	\$2,761,000	44.76%
KONGAHU RATING DISTRICT	\$1,349,000	\$1,411,000	\$62,000	4.60%
KOWHITIRANGI FLOOD CONTROL SCHEME	\$4,728,000	\$5,526,000	\$798,000	16.88%
LOWER WAIHO RATING DISTRICT	\$3,912,000	\$8,724,000	\$4,812,000	123.01%
MATAINUI CREEK RATING DISTRICT	\$64,000	\$91,000	\$27,000	42.19%
MOKIHINUI RATING DISTRICT	\$0	\$2,098,000	\$2,098,000	New Asset
NELSON CREEK RATING DISTRICT	\$3,977,000	\$3,970,000	-\$7,000	-0.18%
OKURU RATING DISTRICT	\$876,000	\$997,000	\$121,000	13.81%
PUNAKAIKI RATING DISTRICT	\$3,512,000	\$4,133,000	\$621,000	17.68%
RAFT CREEK RATING DISTRICT	\$316,000	\$338,000	\$22,000	6.96%
REDJACKS CREEK RATING DISTRICT	\$960,000	\$995,000	\$35,000	3.65%
TARAMAKAU RATING DISTRICT	\$10,346,000	\$10,614,000	\$268,000	2.59%
VINE CREEK RATING DISTRICT	\$2,183,000	\$2,645,000	\$462,000	21.16%
WAITANGI-TAONA RATING DISTRICT	\$2,894,000	\$3,797,000	\$903,000	31.20%
WANGANUI RATING DISTRICT	\$16,629,000	\$18,607,000	\$1,978,000	11.89%
WHATAROA RATING DISTRICT	\$0	\$923,000	\$923,000	New Asset
Total Value	\$71,415,000	\$105,937,000	\$34,522,000	48.34%

5.2 Significant movements in Unit Rates

The range of unit rate changes since 2018 based on 'Asset Component', is summarised in below table:

Table 5.2 – Unit Rate changes adopted in the valuation

Asset Component	Range of Unit Rate Changes (%)
Rock	0% to 75%
Rubble	-24% to 71%
Stockpile	0% to 77%
Fill	3.91%
Top Course/Running Course/AP65/AP40	0%
Minor Ancillary Assets	3.16% to 6.79%

The result of the change is an approximate \$1.6 million (2.2% of 2018 Value) increase in replacement value of the assets

5.3 Significant movements in Quantity

The range of quantity changes since 2018 based on 'Asset Component', is summarised in below table:

Table 5.3 – Quantity changes adopted in the valuation

Asset Component	Range of Quantity Changes (%)
Rock	-2% to 82%
Rubble	0% to 14%
Stockpile	-15% to 0%
Fill	-54% to 83%
Top Course/Running Course/AP65/AP40	-100% to 0%
Minor Ancillary Assets	-58% to 0%

The result of the change is a \$15.4 million (21.5% of 2018 Value) increase in replacement value of the assets

5.4 Summary of Component of Change in Replacement Cost (RC)

The following table is to explain and reconcile the components of change from the previous valuation.

Table 5.4 – Components of Change in Values from 2018 to 2020

Item	\$
2018 Valuation	\$71,415,000
New Assets (2018 - 2020)	\$17,542,000
Rate Changes	\$1,594,000
Quantity Changes	\$15,386,000
2020 Valuation	\$105,937,000

The above table shows the key drivers of change in value. Overall, the Replacement Cost (RC) increases by \$34.5 M. The increase comes from (50.8%) assets added since 2018, (44.5%) changes in quantity and (4.7%) changes in unit rates.

6 Valuation Instruction and Declaration

This report has been prepared for the private and confidential use of West Coast Regional Council. Aon Valuation Services does not contemplate that this report or any part of it will be relied upon by any other person. Aon Valuation Services accepts no responsibility to any other person. However, any other person who obtains this report may seek our written consent to rely on it. We reserve the right to review the contents of this report if our consent is sought.

Only an original valuation report received directly from Aon Valuation Services, without any third-party intervention can be relied upon.

This valuation is prepared having reference to Fair Value evidence available as at the date of preparing this report. This report is only representative of our opinion of value as at the date of preparation and where the date of valuation is different to our date of inspection, we have assumed that the asset is in the same condition on the valuation date as the inspection date.

Moreover, this valuation is current as at the date of issue only. The value assessed herein may change significantly over a relatively short period of time because of general Fair Value movements or factors specific to the subject asset. Aon Valuation Services does not accept liability for losses arising from changes in these factors and subsequent changes in Fair value. Aon Valuation Services does not assume any responsibility for this valuation where the valuation is relied upon after a period of three months from the date of valuation without undertaking a re-inspection of the asset and further investigation and analysis, or earlier should you become aware of any factors that would negatively influence the marketability and valuation of the asset.

6.1 Identification and Status of Valuers

Personnel	Title
Peter Erceg	National Valuation Manager, MPINZ
Roger Khoo	Registered Plant, Machinery and Infrastructure Valuer, MPINZ, AAPI, IPWEA

6.2 Identification of the Client and other intended users

West Coast Regional Council is the Client. Aon Valuation Services are aware that West Coast Regional Council and West Coast Regional Council's auditor will be relying upon these valuations and know of no reason why reliance should not be placed upon the valuations.

6.3 Declaration

It is declared that:

- the valuer is registered in New Zealand to value plant and machinery and infrastructure assets;
- the valuer has satisfied the professional requirements of the Property Institute of New Zealand and is a Member of this organisation;
- the valuer is a Member of IPWEA NZ;
- this valuation has been carried out in accordance with the International Valuation Standards 2017 and the New Zealand Accounting Standards;
- the valuer does not have a pecuniary interest in the subject asset
- the valuer has experience in the location and category of the asset being valued;
- the valuer has made a personal inspection of the readily accessible parts of the asset;
- the statements of fact represented in the report are correct to the best of the knowledge of the valuer;
- the analysis and conclusions of the valuer are limited only by the reported assumptions and conditions;
- the fee for the valuation is not contingent upon any aspect of this report.
- Date of Valuation Report

This valuation has an effective date of 30 June 2020.

7 Compliance

The valuations have been completed in compliance with:

- The New Zealand International Accounting Standard PBE IPSAS 17

In addition to the accounting standards identified above, the valuations also adhere to the following requirements:

- International Valuation Standards
- The New Zealand Infrastructure Asset Valuation and Depreciation Guidelines

8 Departures

Departures from the above standards include:

- Assets have not been physically inspected, for example Soil Erosion and Flood Protection Infrastructure assets where assets are hidden from view or below ground/water level. The assets have been assessed based on an asset type and information provided by West Coast Regional Council.
- Aon Valuation Service has not search a copy of a certificate of title for any property.
- Each asset is identified in the attached tables; however, descriptive details of each asset are not stated in this report. These can be provided by Aon Valuation Services if required.
- The fair value of the portfolio could be greater or less than the sum of the fair value of the assets.

9 Basis of Valuation and Standards

9.1 Accounting Standard

NZ Public Benefit Entity International Public-Sector Accounting Standard 17 Property, Plant and Equipment (PBE IPSAS 17) is designed to, among other things, prescribe requirements for a “Public Accountable” entities financial reporting, and to give legal force to these requirements.

For local authorities, the financial reporting requirements are specified in the amendments to the Local Government Act of 2002, requiring councils to develop long term financial strategies, and to fund the decline in service potential of infrastructure assets. Typically, this requires local authorities to meet their depreciation expense from rates.

PBE IPSAS 17 defines depreciation and the way asset components should be considered. This standard has also led to the “New Zealand Infrastructure Asset Valuation and Depreciation Guidelines” to give guidance to the local government. These guidelines also drawn on Valuation Standard – IVS 300 Valuations for Financial Reporting.

The principal issues of PBE IPSAS 17 are the recognition of the assets, the determination of their carrying amounts, and the depreciation charges and impairment losses to be recognised.

The objective of this Standard is to:

- Define fair value;
- Set out a framework for measuring fair value; and
- Establish disclosure requirements for fair value measurement.

In accordance with this Standard, when a price for an identical asset or liability is not observable, a reporting entity is required to measure fair value using a valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. This standard also defines fair value as:

“The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.”

Aon Valuation Services believes that this definition is broadly in-line with the definition of fair value previously stated in this report, and we confirm that our valuation conclusions contained in this report have had due regard to a range of factors including:

- The condition and location of the assets;
- Restrictions, if any, on the sale or use of the asset;
- That the assumed transaction to sell the asset takes place in the principal market for the asset, or in the absence of a principal market, in the most advantageous market for the asset;
- The likely market participants for the asset;
- No allowance for transaction costs associated with the sale of the asset have been considered in our valuation conclusion;
- Where appropriate our valuation has considered any transportation costs that would be incurred in moving the assets from their current location to the principal market; and
- The highest and best use of the asset.

This Accounting Standard has also established a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure Fair Value. This hierarchy gives the highest priority to unadjusted, quoted market prices in active market for identical assets and the lowest priority to unobservable inputs. The established hierarchy is summarised as follows:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed as at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset or liability.

9.2 Financial Reporting Methodology

Where revaluation takes place, PBE IPSAS 17 requires that property, plant and equipment is to be revalued Fair Value (defined further) and to be conducted by either an independent valuer, or where an entity employs a person sufficiently experienced to conduct a valuation, by that person, so long as the valuation has been reviewed by an independent valuer.

Fair Value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. There is the presumption that the entities are a going concern, without any intention or need to liquidate, or otherwise wind up its operations or undertake a transaction on adverse terms. An adequate period of marketing to obtain its best price is also assumed and its value is measured having regard to the highest and best use of the asset.

Where assets have been classified as Property, Plant and Equipment, the Fair Value concept is applicable, and the approach should be Sales Comparison or Income Capitalisation Approach if reliable market-based evidence to support these approaches is available. Where Property, Plant and Equipment that is not able to rely using market-based evidence for the same or similar assets, should be valued using a Depreciated Replacement Cost approach. Assets that are valued where no market-based evidence is available are Specialised Assets.

Specialised assets, by their nature, lack market evidence on which to base a market value assessment and accordingly, having particular regard to the deprival value concept, these require a replacement cost valuation methodology. Consequently, such assets are sub-categorised as replacement cost-based assets and the Market Value (in-situ) assuming continued use is derived by a depreciated replacement cost approach.

Most infrastructure assets situated at local authorities will be of specialised nature and should therefore be valued using a depreciated replacement cost approach.

10 Conclusion

The valuation has been completed based on the principles of the NZ Public Benefit Entity International Public-Sector Accounting Standard 17 Property, Plant and Equipment (PBE IPSAS 17), The New Zealand International Financial Reporting Standard 13 (NZ IFRS 13), International Valuation Standard 2017 and The New Zealand Infrastructure Asset Valuation and Depreciation Guidelines 2006.

The West Coast Regional Council three water fair value as at 30 June 2020:

Rating District/Scheme	Replacement Cost (RC)	Fair Value (FV)	Annual Depreciation (AD)
West Coast Regional Council	\$105,937,000	\$105,937,000	\$0

The valuation is based on substantially complete asset registers, and on appropriate unit replacement costs and effective lives. The valuation reflects an acceptable level of accuracy and represents "fair" value of the assets.

Appendix A – Unit Rates

Rating District /Scheme	Unit Rates Summary																		
	Fill (m3)	Rock (tonne)	Rock Large (tonne)	Rubble (tonne)	Stockpile (tonne)	Top Course (tonne)	Running Course (tonne)	AP65 (m3)	AP40 (m3)	Excavation (m3)	Filter Fabric (m3)	Bedding Gravel (tonne)	Pipes (m)	Beach Accessways	Culvert	Floodgate	Misc	Bridge	Structure
	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020
COAL CREEK RATING DISTRICT	\$12.00	\$50.00		\$33.00		\$28.50													
FRANZ JOSEF RATING DISTRICT	\$10.39	\$51.50		\$25.50	\$46.50	\$28.50													
GREYMOUTH RATING DISTRICT INFRASTRUCTURAL ASSETS		\$69.00		\$52.00													1.00		
HOKITIKA SEAWALL	\$16.11	\$41.45	\$59.50	\$21.00		\$28.50					\$10.32	\$15.99	183.44	\$11,806					
SOUTHSIDE RATING DISTRICT		\$41.45		\$21.45											1.00				
INCHBONNIE RATING DISTRICT	\$10.39	\$32.20		\$15.20	\$22.00			\$25.00	\$30.00						1.07	1.07			
KANIERE RATING DISTRICT	\$10.39	\$39.50		\$19.50															
KARAMEA RIVER - KARAMEA RATING DISTRICT	\$25.98	\$49.75		\$26.00	\$49.50												1.05		
KONGAHU RATING DISTRICT	\$12.47	\$49.00								\$5.20					1.07	1.07			
KOWHITIRANGI FLOOD CONTROL SCHEME	\$11.43	\$36.55		\$16.55															
LOWER WAIHO RATING DISTRICT	\$10.39	\$56.50			\$0.00														
MATAINUI CREEK RATING DISTRICT	\$10.39	\$43.50													1.07	1.07			
MOKIHINUI RATING DISTRICT	\$15.00	\$60.00		\$36.00		\$25.00									1.07				
NELSON CREEK RATING DISTRICT	\$12.47	\$50.00		\$33.00	\$50.00														
OKURU RATING DISTRICT	\$12.99	\$44.20		\$15.20			\$35.00				\$10.32								
PUNAKAIKI RATING DISTRICT	\$36.37	\$69.00		\$37.00		\$60.00					\$7.74	\$20.63	1.00						
RAFT CREEK RATING DISTRICT				\$25.00									2.00						
REDJACKS CREEK RATING DISTRICT	\$12.47	\$50.00		\$33.00						\$5.00									
TARAMAKAU RATING DISTRICT	\$10.39	\$20.00		\$20.00	\$18.00					\$2.60					1.07			1.05	
VINE CREEK RATING DISTRICT	\$10.39	\$36.55		\$16.55											1.07				
WAITANGI-TAONA RATING DISTRICT	\$10.39	\$43.50		\$17.50	\$38.50					\$2.60									
WANGANUI RATING DISTRICT	\$10.39	\$30.90		\$30.90	\$25.00					\$2.60							3.59		1.05
WHATAROIA RATING DISTRICT	\$10.39	\$43.50																	

Appendix B – Quantity

Rating District /Scheme	Quantity Summary																			
	Fill (m3)	Rock (tonne)	Rock Large (tonne)	Rubble (tonne)	Stockpile (tonne)	Top Course (tonne)	Running Course (tonne)	AP65 (m3)	AP40 (m3)	Excavation (m3)	Filter Fabric (m2)	Bedding Gravel (tonne)	Pipes (m)	Beach Accessways	Culvert	Floodgate	Misc	Bridge	Structure	
	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	
COAL CREEK RATING DISTRICT	49,200	45,969				580														
FRANZ JOSEF RATING DISTRICT	60,624	57,987		392	4,500	405														
GREYMOUTH RATING DISTRICT INFRASTRUCTURAL ASSETS																	13,764,468			
HOKITIKA SEAWALL	12,593	47,424	3,156	13,126		500					21,800	3,250	83	2						
SOUTHSIDE RATING DISTRICT		10,529		16,570											35,295					
INCHBONNIE RATING DISTRICT	117,225	70,847		1,010	900			1,800	856						33,707	12,760				
KANIERE RATING DISTRICT	2,848	15,254		2,851																
KARAMEA RIVER - KARAMEA RATING DISTRICT	128,382	91,339			1,000													29,201		
KONGAHU RATING DISTRICT	500	460								219,227					24,100	60,000				
KOWHITIRANGI FLOOD CONTROL SCHEME	193,400	73,684		1,309																
LOWER WAIHO RATING DISTRICT	227,000	95,865			0															
MATAINUI CREEK RATING DISTRICT	1,040	1,450													4,280	2,140				
MOKIHINUI RATING DISTRICT	64,870	14,572				634									6,480					
NELSON CREEK RATING DISTRICT	109,070	43,502			70															
OKURU RATING DISTRICT	17,925	10,010		9,260			530				5,250									
PUNAKAIKI RATING DISTRICT	17,210	38,101		3,197		180					13,260	9,100	9,336							
RAFT CREEK RATING DISTRICT				2,508									119,420							
REDJACKS CREEK RATING DISTRICT	31,500	9,214								6,750										
TARAMAKAU RATING DISTRICT	502,532	198,572		6,645	3,841					6,000					26,260			20,000		
VINE CREEK RATING DISTRICT	106,355	31,245		5,087											24,345					
WAITANGI-TAONA RATING DISTRICT	136,300	40,477		8,695	980					6,500										
WANGANUI RATING DISTRICT	662,225	288,384		1,200	7,308					183,440							23,520			10,300
WHATAROA RATING DISTRICT	15,000	15,330																		

defined.





Valuation of West Coast Regional Council (WCRC) Soil Erosion and Flood Protection Infrastructure assets for Insurance Purposes

West Coast Regional Council

June 2020

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Appendix 1 - Valuation Statement

Section 1 - Executive Summary

Reference for this assignment:	1620119CHRP
Contact for general enquiries:	Peter Erceg Ph: +64 9 362 9118
Under instructions from:	Robert Mallinson Corporate Services Manager West Coast Regional Council 388 Main South Road, Greymouth 7840 New Zealand
Purpose of Valuation:	Valuation of West Coast Regional Council (WCRC) Soil Erosion and Flood Protection Infrastructure assets for Insurance Purposes
Date of Inspection:	June 2020
Date of Valuation:	June 2020
Sites Location:	West Coast, New Zealand
Valuer Assigned:	Roger Khoo MPINZ AAPI IPWEA
Peer Reviewer:	Peter Erceg National Valuation Manager

Valuers Special Comments and Observations:

High level insurance reinstatement cost estimate approach valuation for insurance policy setting purposes. For further details regarding the approach, assumptions and qualifications see Report & Qualifications section of this report.

An allowance has been made of the estimated costs associated with the demolition and removal of debris following a loss, for plant machinery assets detailed in this valuation report. For further details regarding the valuation approach and method refer to the Report and Qualifications section of this report.

An allowance has been made in this valuation for the estimated cost inflation (excluding any allowance for any foreign currency exchange rate fluctuations) during the policy period and the estimated post loss reinstatement period, for plant machinery assets detailed in this valuation report. For further details regarding the approach and method refer to the Report and Qualifications section of this report.

Estimated cost associated with demolition and removal of debris and estimated cost inflation following a loss are inherently uncertain and as a result the allowances in this report are a high level estimate only. Aon Valuation Service has not completed a detailed breakdown of removal of debris and if this is required we suggest further detailed is obtained. In practice you would not remove all of the fill but shift the fill to place in damaged areas and import more fill as needed to fix the “hole”.

Section 2 - Valuation Instruction

We have received instruction from Robert Mallinson, Corporate Services Manager, of West Coast Regional Council to carry out and undertake a valuation of the WCRC Soil Erosion and Flood Protection infrastructure assets for insurance purposes.

It is declared that:

- the certifying valuer has satisfied the professional requirements of the New Zealand Property Institute and is a Member of this organisation,
- this valuation has been carried out in accordance with the International Valuation Standards,
- all personnel involved in this assignment do not have a pecuniary interest in the subject property,
- a personal inspection of the assets has been made by suitably qualified staff as noted herein,
- the statements of fact represented in the report are correct to the best of the knowledge of Aon Valuation Services,
- the analysis and conclusions and any other statements noted herein are limited only by the reported assumptions and conditions,
- the fee for the valuation is not contingent upon any aspect of this report.

Section 3 - Valuation

We refer to our instructions and take pleasure in providing our valuation assessment of the assets detailed within this report on the basis of value noted.

In accordance with the asset schedules, written summary and qualifications noted in this report, we have assessed the value of the assets detailed herein and recommend the adoption of the insurance value listed below as at the date of our valuation.

Locations as per Summary of Values	June 2020
Replacement Cost Estimate	\$ 105,936,700
Replacement Cost Inflationary Provision	\$ 3,390,200
Removal of Debris Estimate	\$ 5,297,100
Estimated Property Damage Limit of Liability	\$ 114,624,000
Indemnity Value for Insurance Purposes	\$ 105,936,700

A summary of values by location is provided in the section "Summary of Values by Location and

The above Estimated Limit of Liability does not necessarily contain allowances for all sub-limits within a standard insurance policy. We recommend you review your specific policy before adopting the above values.

This report has been prepared on the basis that full disclosure of all information and facts which may affect the valuation has been provided to us. We do not accept any liability or responsibility whatsoever for the valuation if full disclosure has not been made. Further, we do not accept responsibility for any consequential error or defect in the valuation which has resulted from any error, omission or inaccuracy in the information supplied by the company, its officers and agents.

Only an original valuation report received directly from Aon Valuation Services, without any third party intervention can be relied upon. This Valuation forms part of, and should not be used or read independently from the complete report.

Neither the whole nor any part of this valuation nor any reference thereto may be included in any document, circular or statement without our approval of the form and context in which it will appear.

We thank you for the opportunity to complete this assignment on your behalf.

For and on behalf of Aon Valuation Services

.....

Roger Khoo MPINZ AAPI IPWEA

Section 4 - Basis of Valuation

In accordance with your instructions we have valued the assets specified within this report in accordance with the following definitions. We highlight that our assessment of buildings and site improvements, fitout, plant, equipment and contents includes slightly different approaches depending upon asset type. We recommend that you contact the certifying valuer to this report if you require a further explanation of these differences.

Definitions

Reinstatement Value is the cost necessary to replace or rebuild the subject assets with similar property to a standard substantially the same as but not better or more extensive than their condition when new.

Our buildings and site improvement assessed amount includes fees payable to architects, surveyors, consulting engineers and other professionals. Where appropriate our stated reinstatement value for plant, machinery and contents includes freight, insurance, duty, delivery, installation, commissioning, design, engineering costs and the like. Where production plant is no longer currently available new, an optimised approach has been used (based on capacity required), when determining the reinstatement value.

Indemnity Value is the cost necessary to replace or rebuild the subject assets to a condition substantially the same as but not better or more extensive than their condition at the date of valuation. This assessment is made only with reference to the age, condition and remaining useful life of the subject assets.

Where appropriate our stated indemnity values includes the depreciated cost of transport, installation, commissioning, and any other directly attributable costs, fees or imports.

Agreed Value is the fixed amount that an insurer will agree to cover an asset for during the current period of insurance. Unless otherwise stated, where we have provided an agreed value for an asset, our assessment has been based on the market value of that asset.

Market Value is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

Extra Cost of Reinstatement makes allowance for the additional potential cost of complying with the requirements of the Building Code of New Zealand and other legislation effecting the construction of *buildings* when reinstating the buildings and improvements.

Extra cost does not include the cost of complying with any planning or zoning requirements. The code is subject to change and is interpreted differently by different authorities so it is not possible to precisely estimate this allowance.

As the Insurer is not liable for any extra costs associated with the subject property where the current owner is already liable, we have not included any such costs within our assessment.

Demolition and Removal of Debris is the estimated cost of demolishing, shoring up, propping, underpinning and the removal and disposal of *building* debris that may be incurred after damage to the property.

It does not include removal of debris of building contents or of any hazardous materials nor any remediation costs if contaminants are present. The co-insurance condition does not apply to this cost.

We have made no allowance in this assessment for the removal of plant and equipment debris following a loss.

Allowances for Cost Inflation is the amount for which the *building* assets need to be insured to pay the cost of reinstatement at the time it is actually carried out. Rebuilding after a loss will take time to plan and implement during which time costs may increase and accordingly we recommend the following adjustments to allow for these anticipated cost escalations:

- **During the policy period.** For building assets we have utilised the projected cost increases made by the Institute of Quantity Surveyors, to calculate this value.
- **During demolition, planning and approvals.** We have assumed there are no abnormal delays and have made allowance for the estimated period this process could take.
- **During rebuilding.** The rebuilding periods are based upon typical construction times assuming there are no unforeseeable delays such as excessive wet weather, non availability of materials and industrial disputes affecting the building schedule.
- Our allowances for cost increases over the demolition, planning, approvals and rebuilding times are based on the average building cost increases over the last three years.

In calculating the above cost inflations the following inflation indices have been utilised:

State	Inflation Indices used for the Policy Period	Inflation Indices used for balance of Liability Period
New Zealand	2.00%	2.00%



Indemnity Value for New Zealand Fire Services Levy

Indemnity Value is the cost necessary to replace, repair and or rebuild the asset to a condition and extent substantially equal to but not better or more extensive than its condition and extent at the time that the date of inspection, taking into consideration the age, condition and remaining useful life of the asset.

In practice the Indemnity Value can be derived through either comparable sales or depreciated replacement cost methods.

For this valuation the Depreciated Replacement Cost approach has been applied to calculate an Indemnity Value to calculate a Fire Service Levy.

The Fire Service Act 1975 lists a number of assets that are exempt from a Fire Service Levy, assets include:

- Any ship or anything in a ship, except while the ship is on land
- Any standing bush or forest
- Any road, street or path
- Any railway track or pole, or any tramway track or pole
- Any bridge or viaduct either completed or in course of construction, or any boxing or falsework used in construction of any bridge or viaduct
- Any tunnel or cutting
- Any retaining wall, dam, breakwater, mole, groyne, fence or wall
- Any drain or channel
- Any reservoir, swimming bath, water tank (other than a water tank installed as part of the water supply system of any dwelling or farm building), water tower, or septic tank
- Any water reticulation pile (other than a water reticulation pipe which in the opinion of the Earthquake and War Damage Commission, constitutes a structural part of any building)
- Any electrical supply, telephone pole, line or cable
- Any mine or quarry
- Any aircraft or anything in an aircraft except while insured under a contract which is substantially a contract of fire insurance
- Any goods in transit, except while insured under a contract which is substantially a contract of fire insurance
- Any hazardous substance (as defined in Section 2 of the Hazardous Substances and New Organisms Act 1996)
- Any livestock
- Any growing crops (including fruit trees and vines)
- Any ensilage insured in the open field
- Any hay or other cut crops insured in the open field
- Any offshore installation for petroleum mining operations as defined in the Petroleum Act 1937
- Any pipeline, electricity cable, or telecommunications cable which is located on the sea floor



The Fire Service also considers the following not to be property within the definition of the Act, and therefore no levy is payable on:

- Demolition costs
- Fees
- Expediting costs following a claim
- Cost of property protection following a claim
- Money
- Employees tools and personal effects
- Employees vehicles whilst in use on insured's business

The above exemptions have been considered in Aon Valuation Services assessment of Indemnity Value. This is a departure from the method described in the ANZ Valuation Guidance Note 13 within the Australia and New Zealand Property Standards. As a result the Indemnity Value should not be relied upon for any other purpose than assessing the Fire Service Levies.

In line with our client approach we welcome the opportunity to discuss the above with you. If you or your insurer should require an Indemnity Value including exemptions for a IV:RV ratio please contact the signing valuer.

Inflationary Provision is an allowance for when construction cost inflation is likely to exceed depreciation over the insurance period.

Section 5 - Methodology

This assessment allows for the reinstatement of an asset on the basis of an estimated retail cost excluding goods and services tax and any allowance for discounts. Uncertainty regarding the ability to negotiate discounted purchasing contracts following a loss often leads to the insurer incurring the suppliers full retail pricing for assets on reinstatement.

No deduction has been made from our valuation in respect to any outstanding amounts owing under any finance lease or hire purchase agreements. All assets included in this report have been valued as wholly owned and free of all encumbrances.

Valuation Methodology

During the course of our research we have utilised the following methods to arrive at the values

- current pricing from subscription services,
- current pricing from subscription publications,
- current pricing from manufacturers or suppliers,
- current pricing information from our databases,
- discussions with appropriate company staff,
- recent purchase evidence or documentation,
- indexation of recent cost information allowing for currency exchange fluctuations and changes in relevant consumer price indexes,
- equivalent reinstatement values supplied by alternative manufacturers due to the original manufacturer no longer being in business, and
- existing assets superseded by modern technology have been valued on the basis of reinstatement with a modern asset capable of replicating existing capacity or output.

Allocation of Assets

Within this report the term **plant and machinery** refers to tangible assets, other than *realty*, that:

- are held by an entity for use in the production or supply of goods or services, for rental by others, or for administrative purposes; and

- are expected to be used over a period of time.

The categories of plant and machinery are:

- *Plant*: Assets that are inextricably combined with others and that may include specialised buildings, machinery, and equipment.
- *Machinery*: Individual machines or a collection of machines. A machine is an apparatus used for a specific process in connection with the operation of the entity.
- *Equipment*: Other assets that are used to assist the operation of the enterprise or entity.

In accordance with the above our reinstatement value estimates of plant, equipment, leasehold fitout and contents exclude all assets of a building or site improvements nature including building structures. In addition, our plant, machinery and contents reinstatement values exclude services such as building air conditioning, lifts and escalators, electrical services, fire protection, plumbing, drainage and sanitary fittings.

Section 6 - Assumptions, Conditions and Limitations

The following information forms part of our valuation assessment and should be noted when considering the values attributed herein.

Full Disclosure

This valuation has been prepared on the basis that all information and facts which may affect the valuation have been given to us by you or on your behalf.

We do not accept any liability or responsibility whatsoever for the valuation if full disclosure has not been made or for any error or defect in the valuation which has resulted from any error, omission or inaccuracy in information supplied by or on behalf of West Coast Regional Council.

Use of Valuation

This valuation is prepared under the specific instructions of the party detailed in the Executive Summary of this report and as such this report should not be relied upon by anyone, for that or any other purposes, other than the specified party, their nominated broker or underwriter.

Aon Valuation Services does not contemplate that this report or any part of it will be relied upon by any person other than to whom it is addressed, their nominated insurance broker and underwriter. Aon Valuation Services accepts no responsibility to any other person. However, any other person who obtains this report may seek our written consent to rely on it. We reserve the right to review the contents of this report if our consent is sought.

You must not include any part of this valuation or refer to it in any document, circular or statement without our prior approval.

Goods and Services Tax

Except for self contained dwellings used for residential purposes and strata titled units, it is our understanding that the Goods and Services Tax (GST) liability on any building construction activity can be claimed in the Business Activity Statement returns. Therefore, other than for such assets the reinstatement values included within this report exclude GST.

Should it eventuate the assumptions we have made regarding GST are not correct, we reserve the right to re-assess any effect on the values stated in this report.

Losses Following Catastrophic Events

Following a catastrophic loss situation, history has indicated that reconstruction costs often increase significantly over the likely costs to replace assets in non-catastrophic situations. This cost increase, or post loss amplification, can be attributed to four main factors, namely:

1. **Demand Surge** – inflation on prices as a result of the increase in demand for resources relative to supply;
2. **Repair Cost Delay Inflation** – price escalation caused by delays in making repairs;
3. **Claims Inflation** – increased claims activity causes difficulty for insurers to police claims against exaggeration and fraud; and
4. **Coverage Expansion** – expansion of insurance cover beyond the original policy terms and conditions, often as a result of political pressure.

Aon Valuation Services is unaware of any detailed loss amplification modelling and recommend engaging Aon Risk Consulting to model a loss.

Information Quality

This document may contain information which is directly derived from outside sources without verification by Aon Valuation Services including but not limited to planning information, "as constructed" building plans, piping and instrumentation diagrams, contamination and asbestos registers and external expert reports. Where the content of this report has been derived in whole or in part from sources other than Aon Valuation Services, we do not warrant or represent that such information is accurate.

Asset Compliance

We have assumed that all items of plant and equipment required by law to be licensed, registered or possess operating permits comply with appropriate current government regulations and/or standards. We have made no attempt to confirm this assumption and stress that if any information affecting the above is found, the values attributed to those assets in our report will require review.

With regards our building and site improvement assessments this valuation has been prepared on the assumption that the assets comply with the approvals, conditions and requirements of all appropriate authorities. If this assumption is not correct this report should be returned to Aon Valuation Services for review.

Structural Assessment

We advise that we have not:

- carried out a structural survey of the subject assets,
- inspected the assets for any faulty materials or workmanship,
- made any assessment for any omission in design, plan or specification or failure of design for the assets,
- verified that the buildings are sited within the boundaries of the subject allotment,
- tested any fire protection assets to verify that they are in a good working order,
- examined the buildings and improvements for signs of timber or any other infestation, concrete cancer and the like, and
- viewed any soil analysis or geological study.

Our estimate does not take into account any defects which may be revealed by such studies other than those we have specifically described. If subsequent studies reveal any defects, this estimate should be resubmitted to us for review.

Environmental Issues

We confirm that we are not qualified to:

- detect contaminants such as asbestos, chemicals, toxic wastes or other hazardous materials, nor confirm that the subject assets comply with current noise and air pollution requirements,
- estimate the cost of remediation of such contaminants, or
- quantify the impact of such contaminants on the value of the items assessed.

Our estimate assumes there are no contaminants at any of the locations assessed. If you or your consultants have advised us of, or if subsequent enquiries reveal the presence of such contaminants, we recommend a specialist consultant be engaged to determine the likely additional cost of its demolition and removal. This information should also be communicated with your broker.

Obsolete Assets

Assets identified as obsolete and with no future intention of use during our asset inspections have been excluded from our insurance value assessments contained within this report.

Assets Not Sighted

Where assets have not been sighted, they have been assessed on the basis of information supplied from company staff. Such assessments can only be considered as an estimate of value and should the information supplied be incorrect or omit critical detail the values applied may require review.

Any assets that have been valued without inspection have been identified within our report.

Foreign Exchange Rates

When required within our plant, equipment and contents insurance value assessment we have utilised relevant currency exchange rates.

We have not attempted to predict future foreign exchange rate fluctuations and as such should significant changes in foreign currency markets be experienced then our assessment will require review.

What is Not Included in Our Estimate

Our estimate does not include:

- Goods and Services Tax except for self contained dwellings used for residential purposes and strata titled units;
- external underground works beyond the boundary of the buildings such as ground drainage,
- trade or advertising signs and logos,
- professional fees incurred preparing a claim after a loss,
- interest and finance charges during reconstruction,
- renting alternative accommodation, relocation expenses, loss of rental income,
- land and unmined or unrecovered oil, gas and mineral deposits,
- assets in the process of construction, erection, alteration or addition,
- empty and unused premises on which demolition work has commenced,
- allowance for the additional cost of labour and materials in the event of a wide spread catastrophe,
- cost of replacing existing mature trees or plants.
- motor vehicles and other road-registered vehicles;
- stock, work in progress, materials in trade, consumable stores, safety clothing stocks;
- goodwill, patents, trade marks, registered designs;
- cash, jewellery, furs, bullion, precious metals and stone and items of a monetary nature;
- electronic data including computer records, computer software, business books of account;
- fine art including paintings, sculptures, antiques and library collections;

- reference data including drawings and microfilm;
- display and advertising matter;
- directors and employees personal effects;
- contractors' equipment;
- assets owned by, or held at the liability of others including loan and rental items;
- property in transit,
- watercraft, locomotives or rolling stock,
- aircraft and parts,
- live animals, birds, fish or any living creature,
- equipment located beneath the surface of the ground,
- assets acquired after our site inspection.

Section 7 - Summary of Values (All Assets)

State	Activity	Asset Type	Replacement Cost Estimate	Replacement Cost Inflationary Provision	Removal of Debris Estimate	Indemnity Value	Total Reinstatement Cost Estimate
West Coast Regional Council							
	Hokitika Seawall	Rock	\$ 2,205,543	\$ 70,600	\$ 44,110	\$ 2,205,543	\$ 2,320,253
		Fill	\$ 227,561	\$ 7,300	\$ 4,550	\$ 227,561	\$ 239,411
		Top Course	\$ 15,989	\$ 500	\$ 320	\$ 15,989	\$ 16,809
		Rock Large	\$ 210,691	\$ 6,700	\$ 4,210	\$ 210,691	\$ 221,601
		Quarry waste	\$ 309,275	\$ 9,900	\$ 6,190	\$ 309,275	\$ 325,365
		Bedding gravel	\$ 58,308	\$ 1,900	\$ 1,170	\$ 58,308	\$ 61,378
		Filter fabric	\$ 252,330	\$ 8,100	\$ 5,050	\$ 252,330	\$ 265,480
		Beach access	\$ 26,492	\$ 800	\$ 530	\$ 26,492	\$ 27,822
		Pipes	\$ 17,083	\$ 500	\$ 340	\$ 17,083	\$ 17,923
			\$ 3,323,270	\$ 106,300	\$ 66,470	\$ 3,323,270	\$ 3,496,040
	Hokitika Seawall Total		\$ 3,323,270	\$ 106,300	\$ 66,470	\$ 3,323,270	\$ 3,496,040
	Karamea Granite Creek	Rock	\$ 200,838	\$ 6,400	\$ 4,020	\$ 200,838	\$ 211,258
			\$ 200,838	\$ 6,400	\$ 4,020	\$ 200,838	\$ 211,258
	Karamea Granite Creek Total		\$ 200,838	\$ 6,400	\$ 4,020	\$ 200,838	\$ 211,258
	Karamea Oparara River	Rock	\$ 424,228	\$ 13,600	\$ 8,480	\$ 424,228	\$ 446,308
		Fill	\$ 355,579	\$ 11,400	\$ 7,110	\$ 355,579	\$ 374,089
			\$ 779,807	\$ 25,000	\$ 15,590	\$ 779,807	\$ 820,397
	Karamea Oparara River Total		\$ 779,807	\$ 25,000	\$ 15,590	\$ 779,807	\$ 820,397
	Karamea River	Rock	\$ 3,223,955	\$ 103,200	\$ 64,480	\$ 3,223,955	\$ 3,391,635
		Fill	\$ 2,689,635	\$ 86,100	\$ 53,790	\$ 2,689,635	\$ 2,829,525
		Stockpile	\$ 28,050	\$ 900	\$ 560	\$ 28,050	\$ 29,510

State	Activity	Asset Type	Replacement Cost Estimate	Replacement Cost Inflationary Provision	Removal of Debris Estimate	Indemnity Value	Total Reinstatement Cost Estimate
		Misc	\$ 10,439	\$ 300	\$ 210	\$ 10,439	\$ 10,949
			\$ 5,952,078	\$ 190,500	\$ 119,040	\$ 5,952,078	\$ 6,261,618
	Karamea River Total		\$ 5,952,078	\$ 190,500	\$ 119,040	\$ 5,952,078	\$ 6,261,618
	Karamea Little Wanganui	Rock	\$ 1,249,595	\$ 40,000	\$ 24,990	\$ 1,249,595	\$ 1,314,585
		Fill	\$ 696,585	\$ 22,300	\$ 13,930	\$ 696,585	\$ 732,815
		Stockpile	\$ 27,489	\$ 900	\$ 550	\$ 27,489	\$ 28,939
		Misc	\$ 23,923	\$ 800	\$ 480	\$ 23,923	\$ 25,203
			\$ 1,997,592	\$ 64,000	\$ 39,950	\$ 1,997,592	\$ 2,101,542
	Karamea Little Wanganui Total		\$ 1,997,592	\$ 64,000	\$ 39,950	\$ 1,997,592	\$ 2,101,542
	Kowhitirangi	Rock	\$ 3,021,715	\$ 96,700	\$ 60,430	\$ 3,021,715	\$ 3,178,845
		Fill	\$ 2,480,193	\$ 79,400	\$ 49,600	\$ 2,480,193	\$ 2,609,193
		Rubble	\$ 24,307	\$ 800	\$ 490	\$ 24,307	\$ 25,597
			\$ 5,526,214	\$ 176,900	\$ 110,520	\$ 5,526,214	\$ 5,813,634
	Kowhitirangi Total		\$ 5,526,214	\$ 176,900	\$ 110,520	\$ 5,526,214	\$ 5,813,634
	Coal Creek Rating District	Rock	\$ 2,573,251	\$ 82,300	\$ 51,470	\$ 2,573,251	\$ 2,707,021
		Fill	\$ 662,429	\$ 21,200	\$ 13,250	\$ 662,429	\$ 696,879
		Top Course	\$ 18,547	\$ 600	\$ 370	\$ 18,547	\$ 19,517
			\$ 3,254,226	\$ 104,100	\$ 65,090	\$ 3,254,226	\$ 3,423,416
	Coal Creek Rating District Total		\$ 3,254,226	\$ 104,100	\$ 65,090	\$ 3,254,226	\$ 3,423,416
	Franz Josef Rating District	Rock	\$ 3,350,663	\$ 107,200	\$ 67,010	\$ 3,350,663	\$ 3,524,873
		Fill	\$ 706,775	\$ 22,600	\$ 14,140	\$ 706,775	\$ 743,515
		Top Course	\$ 12,951	\$ 400	\$ 260	\$ 12,951	\$ 13,611
		Rubble	\$ 11,216	\$ 400	\$ 220	\$ 11,216	\$ 11,836

State	Activity	Asset Type	Replacement Cost Estimate	Replacement Cost Inflationary Provision	Removal of Debris Estimate	Indemnity Value	Total Reinstatement Cost Estimate
		Stockpile	\$ 234,779	\$ 7,500	\$ 4,700	\$ 234,779	\$ 246,979
			\$ 4,316,382	\$ 138,100	\$ 86,330	\$ 4,316,382	\$ 4,540,812
	Franz Josef Rating District Total		\$ 4,316,382	\$ 138,100	\$ 86,330	\$ 4,316,382	\$ 4,540,812
	Greymouth Rating District	Misc	\$ 15,443,733	\$ 494,200	\$ 308,870	\$ 15,443,733	\$ 16,246,803
			\$ 15,443,733	\$ 494,200	\$ 308,870	\$ 15,443,733	\$ 16,246,803
	Greymouth Rating District Total		\$ 15,443,733	\$ 494,200	\$ 308,870	\$ 15,443,733	\$ 16,246,803
	Hokitika Southside Rating District	Rock	\$ 489,671	\$ 15,700	\$ 9,790	\$ 489,671	\$ 515,161
		Rubble	\$ 398,789	\$ 12,800	\$ 7,980	\$ 398,789	\$ 419,569
		Asccess & Culverts	\$ 39,601	\$ 1,300	\$ 790	\$ 39,601	\$ 41,691
			\$ 928,061	\$ 29,800	\$ 18,560	\$ 928,061	\$ 976,421
	Hokitika Southside Rating District Total		\$ 928,061	\$ 29,800	\$ 18,560	\$ 928,061	\$ 976,421
	Inchbonnie Rating District	Rock	\$ 2,559,589	\$ 81,900	\$ 51,190	\$ 2,559,589	\$ 2,692,679
		Fill	\$ 1,366,648	\$ 43,700	\$ 27,330	\$ 1,366,648	\$ 1,437,678
		Rubble	\$ 17,225	\$ 600	\$ 340	\$ 17,225	\$ 18,165
		Stockpile	\$ 22,216	\$ 700	\$ 440	\$ 22,216	\$ 23,356
		Culverts	\$ 40,388	\$ 1,300	\$ 810	\$ 40,388	\$ 42,498
		AP65	\$ 50,490	\$ 1,600	\$ 1,010	\$ 50,490	\$ 53,100
		AP40	\$ 28,813	\$ 900	\$ 580	\$ 28,813	\$ 30,293
		Floodgates	\$ 15,289	\$ 500	\$ 310	\$ 15,289	\$ 16,099
			\$ 4,100,657	\$ 131,200	\$ 82,010	\$ 4,100,657	\$ 4,313,867
	Inchbonnie Rating District Total		\$ 4,100,657	\$ 131,200	\$ 82,010	\$ 4,100,657	\$ 4,313,867
	Kaniere Rating District	Rock	\$ 676,042	\$ 21,600	\$ 13,520	\$ 676,042	\$ 711,162

State	Activity	Asset Type	Replacement Cost Estimate	Replacement Cost Inflationary Provision	Removal of Debris Estimate	Indemnity Value	Total Reinstatement Cost Estimate
		Fill	\$ 33,203	\$ 1,100	\$ 660	\$ 33,203	\$ 34,963
		Rubble	\$ 62,377	\$ 2,000	\$ 1,250	\$ 62,377	\$ 65,627
			\$ 771,622	\$ 24,700	\$ 15,430	\$ 771,622	\$ 811,752
	Kaniere Rating District Total		\$ 771,622	\$ 24,700	\$ 15,430	\$ 771,622	\$ 811,752
	Kongahu Rating District						
		Rock	\$ 25,290	\$ 800	\$ 510	\$ 25,290	\$ 26,600
		Fill	\$ 6,995	\$ 200	\$ 140	\$ 6,995	\$ 7,335
		Culverts	\$ 28,877	\$ 900	\$ 580	\$ 28,877	\$ 30,357
		Floodgates	\$ 71,893	\$ 2,300	\$ 1,440	\$ 71,893	\$ 75,633
		Excavation	\$ 1,277,910	\$ 40,900	\$ 25,560	\$ 1,277,910	\$ 1,344,370
			\$ 1,410,965	\$ 45,100	\$ 28,230	\$ 1,410,965	\$ 1,484,295
	Kongahu Rating District Total		\$ 1,410,965	\$ 45,100	\$ 28,230	\$ 1,410,965	\$ 1,484,295
	Lower Waiho Rating District						
		Rock	\$ 6,077,170	\$ 194,500	\$ 121,540	\$ 6,077,170	\$ 6,393,210
		Fill	\$ 2,646,441	\$ 84,700	\$ 52,930	\$ 2,646,441	\$ 2,784,071
			\$ 8,723,611	\$ 279,200	\$ 174,470	\$ 8,723,611	\$ 9,177,281
	Lower Waiho Rating District Total		\$ 8,723,611	\$ 279,200	\$ 174,470	\$ 8,723,611	\$ 9,177,281
	Matainui Creek Rating District						
		Rock	\$ 70,770	\$ 2,300	\$ 1,420	\$ 70,770	\$ 74,490
		Fill	\$ 12,125	\$ 400	\$ 240	\$ 12,125	\$ 12,765
		Culverts	\$ 5,128	\$ 200	\$ 100	\$ 5,128	\$ 5,428
		Floodgates	\$ 2,564	\$ 100	\$ 50	\$ 2,564	\$ 2,714
			\$ 90,587	\$ 3,000	\$ 1,810	\$ 90,587	\$ 95,397
	Matainui Creek Rating District Total		\$ 90,587	\$ 3,000	\$ 1,810	\$ 90,587	\$ 95,397
	Mokihinui Rating District						
		Rock	\$ 980,987	\$ 31,400	\$ 19,620	\$ 980,987	\$ 1,032,007

State	Activity	Asset Type	Replacement Cost Estimate	Replacement Cost Inflationary Provision	Removal of Debris Estimate	Indemnity Value	Total Reinstatement Cost Estimate
		Fill	\$ 1,091,762	\$ 34,900	\$ 21,840	\$ 1,091,762	\$ 1,148,502
		Top Course	\$ 17,784	\$ 600	\$ 360	\$ 17,784	\$ 18,744
		Culverts	\$ 7,764	\$ 200	\$ 160	\$ 7,764	\$ 8,124
			\$ 2,098,297	\$ 67,100	\$ 41,980	\$ 2,098,297	\$ 2,207,377
	Mokihinui Rating District Total		\$ 2,098,297	\$ 67,100	\$ 41,980	\$ 2,098,297	\$ 2,207,377
	Nelson Creek Rating District	Rock	\$ 2,440,462	\$ 78,100	\$ 48,810	\$ 2,440,462	\$ 2,567,372
		Fill	\$ 1,525,889	\$ 48,800	\$ 30,520	\$ 1,525,889	\$ 1,605,209
		Stockpile	\$ 3,927	\$ 100	\$ 80	\$ 3,927	\$ 4,107
			\$ 3,970,278	\$ 127,000	\$ 79,410	\$ 3,970,278	\$ 4,176,688
	Nelson Creek Rating District Total		\$ 3,970,278	\$ 127,000	\$ 79,410	\$ 3,970,278	\$ 4,176,688
	Okuru Rating District	Rock	\$ 496,420	\$ 15,900	\$ 9,930	\$ 496,420	\$ 522,250
		Fill	\$ 261,219	\$ 8,400	\$ 5,220	\$ 261,219	\$ 274,839
		Top Course	\$ 20,813	\$ 700	\$ 420	\$ 20,813	\$ 21,933
		Rubble	\$ 157,924	\$ 5,100	\$ 3,160	\$ 157,924	\$ 166,184
		Filter fabric	\$ 60,767	\$ 1,900	\$ 1,220	\$ 60,767	\$ 63,887
			\$ 997,144	\$ 32,000	\$ 19,950	\$ 997,144	\$ 1,049,094
	Okuru Rating District Total		\$ 997,144	\$ 32,000	\$ 19,950	\$ 997,144	\$ 1,049,094
	Punakaiki Rating District	Rock	\$ 2,949,703	\$ 94,400	\$ 58,990	\$ 2,949,703	\$ 3,103,093
		Fill	\$ 702,239	\$ 22,500	\$ 14,040	\$ 702,239	\$ 738,779
		Top Course	\$ 12,118	\$ 400	\$ 240	\$ 12,118	\$ 12,758
		Rubble	\$ 131,973	\$ 4,200	\$ 2,640	\$ 131,973	\$ 138,813
		Bedding gravel	\$ 210,661	\$ 6,700	\$ 4,210	\$ 210,661	\$ 221,571
		Filter fabric	\$ 115,111	\$ 3,700	\$ 2,300	\$ 115,111	\$ 121,111
		Pipes	\$ 10,475	\$ 300	\$ 210	\$ 10,475	\$ 10,985
			\$ 4,132,280	\$ 132,200	\$ 82,630	\$ 4,132,280	\$ 4,347,110
	Punakaiki Rating District Total		\$ 4,132,280	\$ 132,200	\$ 82,630	\$ 4,132,280	\$ 4,347,110
	Raft Creek Rating District	Rubble	\$ 70,349	\$ 2,300	\$ 1,410	\$ 70,349	\$ 74,059

State	Activity	Asset Type	Replacement Cost Estimate	Replacement Cost Inflationary Provision	Removal of Debris Estimate	Indemnity Value	Total Reinstatement Cost Estimate
		Drain	\$ 267,978	\$ 8,600	\$ 5,360	\$ 267,978	\$ 281,938
			\$ 338,328	\$ 10,900	\$ 6,770	\$ 338,328	\$ 355,998
	Raft Creek Rating District Total		\$ 338,328	\$ 10,900	\$ 6,770	\$ 338,328	\$ 355,998
	Redjacks Creek Rating District	Rock	\$ 516,905	\$ 16,500	\$ 10,340	\$ 516,905	\$ 543,745
		Fill	\$ 440,685	\$ 14,100	\$ 8,810	\$ 440,685	\$ 463,595
		Excavation	\$ 37,868	\$ 1,200	\$ 760	\$ 37,868	\$ 39,828
			\$ 995,458	\$ 31,800	\$ 19,910	\$ 995,458	\$ 1,047,168
	Redjacks Creek Rating District Total		\$ 995,458	\$ 31,800	\$ 19,910	\$ 995,458	\$ 1,047,168
	Taramakau Rating District	Rock	\$ 4,455,956	\$ 142,600	\$ 89,120	\$ 4,455,956	\$ 4,687,676
		Fill	\$ 5,858,683	\$ 187,500	\$ 117,170	\$ 5,858,683	\$ 6,163,353
		Rubble	\$ 149,114	\$ 4,800	\$ 2,980	\$ 149,114	\$ 156,894
		Stockpile	\$ 77,573	\$ 2,500	\$ 1,550	\$ 77,573	\$ 81,623
		Culverts	\$ 31,465	\$ 1,000	\$ 630	\$ 31,465	\$ 33,095
		Excavation	\$ 17,487	\$ 600	\$ 350	\$ 17,487	\$ 18,437
		Bridges	\$ 23,535	\$ 800	\$ 1,180	\$ 23,535	\$ 25,515
			\$ 10,613,813	\$ 339,800	\$ 212,980	\$ 10,613,813	\$ 11,166,593
	Taramakau Rating District Total		\$ 10,613,813	\$ 339,800	\$ 212,980	\$ 10,613,813	\$ 11,166,593
	Vine Creek Rating District	Rock	\$ 1,281,329	\$ 41,000	\$ 25,630	\$ 1,281,329	\$ 1,347,959
		Fill	\$ 1,239,922	\$ 39,700	\$ 24,800	\$ 1,239,922	\$ 1,304,422
		Rubble	\$ 94,463	\$ 3,000	\$ 1,890	\$ 94,463	\$ 99,353
		Culverts	\$ 29,171	\$ 900	\$ 580	\$ 29,171	\$ 30,651
			\$ 2,644,885	\$ 84,600	\$ 52,900	\$ 2,644,885	\$ 2,782,385
	Vine Creek Rating District Total		\$ 2,644,885	\$ 84,600	\$ 52,900	\$ 2,644,885	\$ 2,782,385
	Waitangi-Taona Rating District	Rock	\$ 1,975,561	\$ 63,200	\$ 39,510	\$ 1,975,561	\$ 2,078,271
		Fill	\$ 1,589,030	\$ 50,800	\$ 31,780	\$ 1,589,030	\$ 1,671,610
		Rubble	\$ 170,726	\$ 5,500	\$ 3,410	\$ 170,726	\$ 179,636
		Stockpile	\$ 42,333	\$ 1,400	\$ 850	\$ 42,333	\$ 44,583
		Excavation	\$ 18,945	\$ 600	\$ 380	\$ 18,945	\$ 19,925

State	Activity	Asset Type	Replacement Cost Estimate	Replacement Cost Inflationary Provision	Removal of Debris Estimate	Indemnity Value	Total Reinstatement Cost Estimate
			\$ 3,796,595	\$ 121,500	\$ 75,930	\$ 3,796,595	\$ 3,994,025
	Waitangi-Taona Rating District Total		\$ 3,796,595	\$ 121,500	\$ 75,930	\$ 3,796,595	\$ 3,994,025
	Wanganui Rating District	Rock	\$ 9,998,216	\$ 319,900	\$ 199,960	\$ 9,998,216	\$ 10,518,076
		Fill	\$ 7,720,437	\$ 247,100	\$ 154,410	\$ 7,720,437	\$ 8,121,947
		Rubble	\$ 41,604	\$ 1,300	\$ 830	\$ 41,604	\$ 43,734
		Stockpile	\$ 204,989	\$ 6,600	\$ 4,100	\$ 204,989	\$ 215,689
		Misc	\$ 94,738	\$ 3,000	\$ 1,890	\$ 94,738	\$ 99,628
		Excavation	\$ 534,651	\$ 17,100	\$ 10,690	\$ 534,651	\$ 562,441
		Structures	\$ 12,120	\$ 400	\$ 240	\$ 12,120	\$ 12,760
			\$ 18,606,755	\$ 595,400	\$ 372,120	\$ 18,606,755	\$ 19,574,275
	Wanganui Rating District Total		\$ 18,606,755	\$ 595,400	\$ 372,120	\$ 18,606,755	\$ 19,574,275
	Whataroa Rating District	Rock	\$ 748,211	\$ 23,900	\$ 14,960	\$ 748,211	\$ 787,071
		Fill	\$ 174,875	\$ 5,600	\$ 3,500	\$ 174,875	\$ 183,975
			\$ 923,086	\$ 29,500	\$ 18,460	\$ 923,086	\$ 971,046
	Whataroa Rating District Total		\$ 923,086	\$ 29,500	\$ 18,460	\$ 923,086	\$ 971,046
	West Coast Regional Council Total		\$ 105,936,563	\$ 3,390,300	\$ 2,119,430	\$ 105,936,563	\$ 111,446,293
	Grand Total		\$ 105,936,563	\$ 3,390,300	\$ 2,119,430	\$ 105,936,563	\$ 111,446,293

Section 8 - Asset Listing

State	Activity	Area	Qty	Asset Type	Unit Value	Value Basis	Replacement Cost Estimate	Replacement Cost Inflationary Provision	Removal of Debris Estimate	Total Reinstatement Cost Estimate	Indemnity Value for Fire Service Levy
West Coast Regional Council	Coal Creek Rating District	Flood Protection	45,869	Rock	50.00	REINSTATEMENT VALUE	\$ 2,573,300	\$ 82,300	\$ 128,670	\$ 2,784,270	\$ -
West Coast Regional Council	Coal Creek Rating District	Flood Protection	49,200	Fill	12.00	REINSTATEMENT VALUE	\$ 662,400	\$ 21,200	\$ 33,120	\$ 716,720	\$ -
West Coast Regional Council	Coal Creek Rating District	Flood Protection	580	Top Course	28.50	REINSTATEMENT VALUE	\$ 18,500	\$ 600	\$ 930	\$ 20,030	\$ -
West Coast Regional Council	Franz Josef Rating District	Flood Protection	57,987	Rock	51.50	REINSTATEMENT VALUE	\$ 3,350,700	\$ 107,200	\$ 167,540	\$ 3,625,440	\$ -
West Coast Regional Council	Franz Josef Rating District	Flood Protection	392	Rubble	25.50	REINSTATEMENT VALUE	\$ 11,200	\$ 400	\$ 560	\$ 12,160	\$ -
West Coast Regional Council	Franz Josef Rating District	Flood Protection	60,624	Fill	10.39	REINSTATEMENT VALUE	\$ 706,800	\$ 22,600	\$ 35,340	\$ 764,740	\$ -
West Coast Regional Council	Franz Josef Rating District	Flood Protection	405	Top Course	28.50	REINSTATEMENT VALUE	\$ 13,000	\$ 400	\$ 650	\$ 14,050	\$ -
West Coast Regional Council	Franz Josef Rating District	Flood Protection	4,500	Stockpile	46.50	REINSTATEMENT VALUE	\$ 234,800	\$ 7,500	\$ 11,740	\$ 254,040	\$ -
West Coast Regional Council	Greymouth Rating District	Flood Protection	13,764,468	Misc	1.00	REINSTATEMENT VALUE	\$ 15,443,700	\$ 494,200	\$ 772,190	\$ 16,710,090	\$ -
West Coast Regional Council	Hokitika Southside Rating District	Flood Protection	10,529	Rock	41.45	REINSTATEMENT VALUE	\$ 489,700	\$ 15,700	\$ 24,490	\$ 529,890	\$ -
West Coast Regional Council	Hokitika Southside Rating District	Flood Protection	16,570	Rubble	21.45	REINSTATEMENT VALUE	\$ 398,800	\$ 12,800	\$ 19,940	\$ 431,540	\$ -
West Coast Regional Council	Hokitika Southside Rating District	Flood Protection	1	Asccess & Culverts	35,295.26	REINSTATEMENT VALUE	\$ 39,600	\$ 1,300	\$ 1,980	\$ 42,880	\$ -
West Coast Regional Council	Hokitika Seawall	Flood Protection	47,424	Rock	41.45	REINSTATEMENT VALUE	\$ 2,205,500	\$ 70,600	\$ 110,280	\$ 2,386,380	\$ -
West Coast Regional Council	Hokitika Seawall	Flood Protection	3,156	Rock Large	59.50	REINSTATEMENT VALUE	\$ 210,700	\$ 6,700	\$ 10,540	\$ 227,940	\$ -
West Coast Regional Council	Hokitika Seawall	Flood Protection	13,126	Quarry waste	21.00	REINSTATEMENT VALUE	\$ 309,300	\$ 9,900	\$ 15,470	\$ 334,670	\$ -
West Coast Regional Council	Hokitika Seawall	Flood Protection	12,593	Fill	16.11	REINSTATEMENT VALUE	\$ 227,600	\$ 7,300	\$ 11,380	\$ 246,280	\$ -
West Coast Regional Council	Hokitika Seawall	Flood Protection	500	Top course	28.50	REINSTATEMENT VALUE	\$ 16,000	\$ 500	\$ 800	\$ 17,300	\$ -
West Coast Regional Council	Hokitika Seawall	Flood Protection	3,250	Bedding gravel	15.99	REINSTATEMENT VALUE	\$ 58,300	\$ 1,900	\$ 2,920	\$ 63,120	\$ -
West Coast Regional Council	Hokitika Seawall	21,800 sq m	21,800	Filter fabric	10.32	REINSTATEMENT VALUE	\$ 252,300	\$ 8,100	\$ 12,620	\$ 273,020	\$ -

State	Activity	Area	Qty	Asset Type	Unit Value	Value Basis	Replacement Cost Estimate	Replacement Cost Inflationary Provision	Removal of Debris Estimate	Total Reinstatement Cost Estimate	Indemnity Value for Fire Service Levy
West Coast Regional Council	Hokitika Seawall	Flood Protection	2	Beach access	11,805.53	REINSTATEMENT VALUE	\$ 26,500	\$ 800	\$ 1,330	\$ 28,630	\$ -
West Coast Regional Council	Hokitika Seawall	82m of Pipes	83	Pipes	183.44	REINSTATEMENT VALUE	\$ 17,100	\$ 500	\$ 860	\$ 18,460	\$ -
West Coast Regional Council	Inchbonnie Rating District	Flood Protection	70,847	Rock	32.20	REINSTATEMENT VALUE	\$ 2,559,600	\$ 81,900	\$ 127,980	\$ 2,769,480	\$ -
West Coast Regional Council	Inchbonnie Rating District	Flood Protection	1,010	Rubble	15.20	REINSTATEMENT VALUE	\$ 17,200	\$ 600	\$ 860	\$ 18,660	\$ -
West Coast Regional Council	Inchbonnie Rating District	Flood Protection	117,225	Fill	10.39	REINSTATEMENT VALUE	\$ 1,366,600	\$ 43,700	\$ 68,330	\$ 1,478,630	\$ -
West Coast Regional Council	Inchbonnie Rating District	Flood Protection	900	Stockpile	22.00	REINSTATEMENT VALUE	\$ 22,200	\$ 700	\$ 1,110	\$ 24,010	\$ -
West Coast Regional Council	Inchbonnie Rating District	Flood Protection	33,707	Culverts	1.07	REINSTATEMENT VALUE	\$ 40,400	\$ 1,300	\$ 2,020	\$ 43,720	\$ -
West Coast Regional Council	Inchbonnie Rating District	Flood Protection	1,800	AP65	25.00	REINSTATEMENT VALUE	\$ 50,500	\$ 1,600	\$ 2,530	\$ 54,630	\$ -
West Coast Regional Council	Inchbonnie Rating District	Flood Protection	856	AP40	30.00	REINSTATEMENT VALUE	\$ 28,800	\$ 900	\$ 1,440	\$ 31,140	\$ -
West Coast Regional Council	Inchbonnie Rating District	Culverts & Floodgate	12,760	Floodgates	1.07	REINSTATEMENT VALUE	\$ 15,300	\$ 500	\$ 770	\$ 16,570	\$ -
West Coast Regional Council	Kaniere Rating District	Flood Protection	15,254	Rock	39.50	REINSTATEMENT VALUE	\$ 676,000	\$ 21,600	\$ 33,800	\$ 731,400	\$ -
West Coast Regional Council	Kaniere Rating District	Flood Protection	2,851	Rubble	19.50	REINSTATEMENT VALUE	\$ 62,400	\$ 2,000	\$ 3,120	\$ 67,520	\$ -
West Coast Regional Council	Kaniere Rating District	Flood Protection	2,848	Fill	10.39	REINSTATEMENT VALUE	\$ 33,200	\$ 1,100	\$ 1,660	\$ 35,960	\$ -
West Coast Regional Council	Karamea Granite Creek	Flood Protection	3,580	Rock	50.00	REINSTATEMENT VALUE	\$ 200,800	\$ 6,400	\$ 10,040	\$ 217,240	\$ -
West Coast Regional Council	Karamea Oparara River	Flood Protection	7,562	Rock	50.00	REINSTATEMENT VALUE	\$ 424,200	\$ 13,600	\$ 21,210	\$ 459,010	\$ -
West Coast Regional Council	Karamea Oparara River	Flood Protection	12,200	Fill	25.98	REINSTATEMENT VALUE	\$ 355,600	\$ 11,400	\$ 17,780	\$ 384,780	\$ -
West Coast Regional Council	Karamea River	Flood Protection	57,468	Rock	50.00	REINSTATEMENT VALUE	\$ 3,224,000	\$ 103,200	\$ 161,200	\$ 3,488,400	\$ -
West Coast Regional Council	Karamea River	Flood Protection	92,282	Fill	25.98	REINSTATEMENT VALUE	\$ 2,689,600	\$ 86,100	\$ 134,480	\$ 2,910,180	\$ -
West Coast Regional Council	Karamea River	Flood Protection	500	Stockpile	50.00	REINSTATEMENT VALUE	\$ 28,100	\$ 900	\$ 1,410	\$ 30,410	\$ -
West Coast Regional Council	Karamea River	Culvert, Floodgate & Boat ramp	8,871	Misc	1.05	REINSTATEMENT VALUE	\$ 10,400	\$ 300	\$ 520	\$ 11,220	\$ -

State	Activity	Area	Qty	Asset Type	Unit Value	Value Basis	Replacement Cost Estimate	Replacement Cost Inflationary Provision	Removal of Debris Estimate	Total Reinstatement Cost Estimate	Indemnity Value for Fire Service Levy
West Coast Regional Council	Karamea Little Wanganui	Flood Protection	22,729	Rock	49.00	REINSTATEMENT VALUE	\$ 1,249,600	\$ 40,000	\$ 62,480	\$ 1,352,080	\$ -
West Coast Regional Council	Karamea Little Wanganui	Flood Protection	23,900	Fill	25.98	REINSTATEMENT VALUE	\$ 696,600	\$ 22,300	\$ 34,830	\$ 753,730	\$ -
West Coast Regional Council	Karamea Little Wanganui	Flood Protection	500	Stockpile	49.00	REINSTATEMENT VALUE	\$ 27,500	\$ 900	\$ 1,380	\$ 29,780	\$ -
West Coast Regional Council	Karamea Little Wanganui	Floodgate & Gabion stopbank	20,330	Misc	1.05	REINSTATEMENT VALUE	\$ 23,900	\$ 800	\$ 1,200	\$ 25,900	\$ -
West Coast Regional Council	Kongahu Rating District	Excavation and Drainage	219,227	Excavation	5.20	REINSTATEMENT VALUE	\$ 1,277,900	\$ 40,900	\$ 63,900	\$ 1,382,700	\$ -
West Coast Regional Council	Kongahu Rating District	Flood Protection	460	Rock	49.00	REINSTATEMENT VALUE	\$ 25,300	\$ 800	\$ 1,270	\$ 27,370	\$ -
West Coast Regional Council	Kongahu Rating District	Flood Protection	500	Fill	12.47	REINSTATEMENT VALUE	\$ 7,000	\$ 200	\$ 350	\$ 7,550	\$ -
West Coast Regional Council	Kongahu Rating District	Flood Protection	24,100	Culverts	1.07	REINSTATEMENT VALUE	\$ 28,900	\$ 900	\$ 1,450	\$ 31,250	\$ -
West Coast Regional Council	Kongahu Rating District	Flood Protection	60,000	Floodgates	1.07	REINSTATEMENT VALUE	\$ 71,900	\$ 2,300	\$ 3,600	\$ 77,800	\$ -
West Coast Regional Council	Kowhitirangi	Flood Protection	73,684	Rock	36.55	REINSTATEMENT VALUE	\$ 3,021,700	\$ 96,700	\$ 151,090	\$ 3,269,490	\$ -
West Coast Regional Council	Kowhitirangi	Flood Protection	1,309	Rubble	16.55	REINSTATEMENT VALUE	\$ 24,300	\$ 800	\$ 1,220	\$ 26,320	\$ -
West Coast Regional Council	Kowhitirangi	Flood Protection	193,400	Fill	11.43	REINSTATEMENT VALUE	\$ 2,480,200	\$ 79,400	\$ 124,010	\$ 2,683,610	\$ -
West Coast Regional Council	Lower Waiho Rating District	Flood Protection	227,000	Fill	10.39	REINSTATEMENT VALUE	\$ 2,646,400	\$ 84,700	\$ 132,320	\$ 2,863,420	\$ -
West Coast Regional Council	Lower Waiho Rating District	Flood Protection	95,865	Rock	56.50	REINSTATEMENT VALUE	\$ 6,077,200	\$ 194,500	\$ 303,860	\$ 6,575,560	\$ -
West Coast Regional Council	Matainui Creek Rating District	Flood Protection	1,450	Rock	43.50	REINSTATEMENT VALUE	\$ 70,800	\$ 2,300	\$ 3,540	\$ 76,640	\$ -
West Coast Regional Council	Matainui Creek Rating District	Flood Protection	1,040	Fill	10.39	REINSTATEMENT VALUE	\$ 12,100	\$ 400	\$ 610	\$ 13,110	\$ -
West Coast Regional Council	Matainui Creek Rating District	Flood Protection	4,280	Culverts	1.07	REINSTATEMENT VALUE	\$ 5,100	\$ 200	\$ 260	\$ 5,560	\$ -
West Coast Regional Council	Matainui Creek Rating District	Culverts & Floodgate	2,140	Floodgates	1.07	REINSTATEMENT VALUE	\$ 2,600	\$ 100	\$ 130	\$ 2,830	\$ -
West Coast Regional Council	Mokihinui Rating District	Flood Protection	14,572	Rock	60.00	REINSTATEMENT VALUE	\$ 981,000	\$ 31,400	\$ 49,050	\$ 1,061,450	\$ -
West Coast Regional Council	Mokihinui Rating District	Flood Protection	64,870	Fill	15.00	REINSTATEMENT VALUE	\$ 1,091,800	\$ 34,900	\$ 54,590	\$ 1,181,290	\$ -

State	Activity	Area	Qty	Asset Type	Unit Value	Value Basis	Replacement Cost Estimate	Replacement Cost Inflationary Provision	Removal of Debris Estimate	Total Reinstatement Cost Estimate	Indemnity Value for Fire Service Levy
West Coast Regional Council	Mokihinui Rating District	Flood Protection	634	Top course	25.00	REINSTATEMENT VALUE	\$ 17,800	\$ 600	\$ 890	\$ 19,290	\$ -
West Coast Regional Council	Mokihinui Rating District	Flood Protection	6,480	Culverts	1.07	REINSTATEMENT VALUE	\$ 7,800	\$ 200	\$ 390	\$ 8,390	\$ -
West Coast Regional Council	Nelson Creek Rating District	Flood Protection	43,502	Rock	50.00	REINSTATEMENT VALUE	\$ 2,440,500	\$ 78,100	\$ 122,030	\$ 2,640,630	\$ -
West Coast Regional Council	Nelson Creek Rating District	Flood Protection	109,070	Fill	12.47	REINSTATEMENT VALUE	\$ 1,525,900	\$ 48,800	\$ 76,300	\$ 1,651,000	\$ -
West Coast Regional Council	Nelson Creek Rating District	Flood Protection	70	Stockpile	50.00	REINSTATEMENT VALUE	\$ 3,900	\$ 100	\$ 200	\$ 4,200	\$ -
West Coast Regional Council	Okuru Rating District	Flood Protection	10,010	Rock	44.20	REINSTATEMENT VALUE	\$ 496,400	\$ 15,900	\$ 24,820	\$ 537,120	\$ -
West Coast Regional Council	Okuru Rating District	Flood Protection	9,260	Rubble	15.20	REINSTATEMENT VALUE	\$ 157,900	\$ 5,100	\$ 7,900	\$ 170,900	\$ -
West Coast Regional Council	Okuru Rating District	Flood Protection	17,925	Fill	12.99	REINSTATEMENT VALUE	\$ 261,200	\$ 8,400	\$ 13,060	\$ 282,660	\$ -
West Coast Regional Council	Okuru Rating District	Flood Protection	530	Top course	35.00	REINSTATEMENT VALUE	\$ 20,800	\$ 700	\$ 1,040	\$ 22,540	\$ -
West Coast Regional Council	Okuru Rating District	5,250m2 of filter fabric	5,250	Filter fabric	10.32	REINSTATEMENT VALUE	\$ 60,800	\$ 1,900	\$ 3,040	\$ 65,740	\$ -
West Coast Regional Council	Punakaiki Rating District	Flood Protection	38,101	Rock	69.00	REINSTATEMENT VALUE	\$ 2,949,700	\$ 94,400	\$ 147,490	\$ 3,191,590	\$ -
West Coast Regional Council	Punakaiki Rating District	Flood Protection	3,179	Rubble	37.00	REINSTATEMENT VALUE	\$ 132,000	\$ 4,200	\$ 6,600	\$ 142,800	\$ -
West Coast Regional Council	Punakaiki Rating District	Flood Protection	17,210	Fill	36.37	REINSTATEMENT VALUE	\$ 702,200	\$ 22,500	\$ 35,110	\$ 759,810	\$ -
West Coast Regional Council	Punakaiki Rating District	Flood Protection	180	Top course	60.00	REINSTATEMENT VALUE	\$ 12,100	\$ 400	\$ 610	\$ 13,110	\$ -
West Coast Regional Council	Punakaiki Rating District	Flood Protection	9,100	Bedding gravel	20.63	REINSTATEMENT VALUE	\$ 210,700	\$ 6,700	\$ 10,540	\$ 227,940	\$ -
West Coast Regional Council	Punakaiki Rating District	12,660 m2 of filter fabric	1	Pipes	9,336.44	REINSTATEMENT VALUE	\$ 10,500	\$ 300	\$ 530	\$ 11,330	\$ -
West Coast Regional Council	Punakaiki Rating District	Flood Protection	13,260	Filter fabric	7.74	REINSTATEMENT VALUE	\$ 115,100	\$ 3,700	\$ 5,760	\$ 124,560	\$ -
West Coast Regional Council	Raft Creek Rating District	Flood Protection	2,508	Rubble	25.00	REINSTATEMENT VALUE	\$ 70,300	\$ 2,200	\$ 3,520	\$ 76,020	\$ -
West Coast Regional Council	Raft Creek Rating District	1.6km Drains	119,420	Drain	2.00	REINSTATEMENT VALUE	\$ 268,000	\$ 8,600	\$ 13,400	\$ 290,000	\$ -
West Coast Regional Council	Redjacks Creek Rating District	Flood Protection	9,214	Rock	50.00	REINSTATEMENT VALUE	\$ 516,900	\$ 16,500	\$ 25,850	\$ 559,250	\$ -

State	Activity	Area	Qty	Asset Type	Unit Value	Value Basis	Replacement Cost Estimate	Replacement Cost Inflationary Provision	Removal of Debris Estimate	Total Reinstatement Cost Estimate	Indemnity Value for Fire Service Levy
West Coast Regional Council	Redjacks Creek Rating District	Flood Protection	31,500	Fill	12.47	REINSTATEMENT VALUE	\$ 440,700	\$ 14,100	\$ 22,040	\$ 476,840	\$ -
West Coast Regional Council	Redjacks Creek Rating District	Flood Protection	6,750	Excavation	5.00	REINSTATEMENT VALUE	\$ 37,900	\$ 1,200	\$ 1,900	\$ 41,000	\$ -
West Coast Regional Council	Taramakau Rating District	Flood Protection	198,572	Rock	20.00	REINSTATEMENT VALUE	\$ 4,456,000	\$ 142,600	\$ 222,800	\$ 4,821,400	\$ -
West Coast Regional Council	Taramakau Rating District	Flood Protection	6,645	Rubble	20.00	REINSTATEMENT VALUE	\$ 149,100	\$ 4,800	\$ 7,460	\$ 161,360	\$ -
West Coast Regional Council	Taramakau Rating District	Flood Protection	502,532	Fill	10.39	REINSTATEMENT VALUE	\$ 5,858,700	\$ 187,500	\$ 292,940	\$ 6,339,140	\$ -
West Coast Regional Council	Taramakau Rating District	Flood Protection	6,000	Excavation	2.60	REINSTATEMENT VALUE	\$ 17,500	\$ 600	\$ 880	\$ 18,980	\$ -
West Coast Regional Council	Taramakau Rating District	Flood Protection	3,841	Stockpile	18.00	REINSTATEMENT VALUE	\$ 77,600	\$ 2,500	\$ 3,880	\$ 83,980	\$ -
West Coast Regional Council	Taramakau Rating District	Culverts	26,260	Culverts	1.07	REINSTATEMENT VALUE	\$ 31,500	\$ 1,000	\$ 1,580	\$ 34,080	\$ -
West Coast Regional Council	Taramakau Rating District	Bridges	20,000	Bridges	1.05	REINSTATEMENT VALUE	\$ 23,500	\$ 800	\$ 1,180	\$ 25,480	\$ -
West Coast Regional Council	Vine Creek Rating District	Flood Protection	31,245	Rock	36.55	REINSTATEMENT VALUE	\$ 1,281,300	\$ 41,000	\$ 64,070	\$ 1,386,370	\$ -
West Coast Regional Council	Vine Creek Rating District	Flood Protection	5,087	Rubble	16.55	REINSTATEMENT VALUE	\$ 94,500	\$ 3,000	\$ 4,730	\$ 102,230	\$ -
West Coast Regional Council	Vine Creek Rating District	Flood Protection	106,355	Fill	10.39	REINSTATEMENT VALUE	\$ 1,239,900	\$ 39,700	\$ 62,000	\$ 1,341,600	\$ -
West Coast Regional Council	Vine Creek Rating District	Culverts	24,345	Culverts	1.07	REINSTATEMENT VALUE	\$ 29,200	\$ 900	\$ 1,460	\$ 31,560	\$ -
West Coast Regional Council	Waitangi-Taona Rating District	Flood Protection	40,477	Rock	43.50	REINSTATEMENT VALUE	\$ 1,975,600	\$ 63,200	\$ 98,780	\$ 2,137,580	\$ -
West Coast Regional Council	Waitangi-Taona Rating District	Flood Protection	8,695	Rubble	17.50	REINSTATEMENT VALUE	\$ 170,700	\$ 5,500	\$ 8,540	\$ 184,740	\$ -
West Coast Regional Council	Waitangi-Taona Rating District	Flood Protection	136,300	Fill	10.39	REINSTATEMENT VALUE	\$ 1,589,000	\$ 50,800	\$ 79,450	\$ 1,719,250	\$ -
West Coast Regional Council	Waitangi-Taona Rating District	Flood Protection	980	Stockpile	38.50	REINSTATEMENT VALUE	\$ 42,300	\$ 1,400	\$ 2,120	\$ 45,820	\$ -
West Coast Regional Council	Waitangi-Taona Rating District	Flood Protection	6,500	Excavation	2.60	REINSTATEMENT VALUE	\$ 18,900	\$ 600	\$ 950	\$ 20,450	\$ -
West Coast Regional Council	Wanganui Rating District	Flood Protection	288,384	Rock	30.90	REINSTATEMENT VALUE	\$ 9,998,200	\$ 319,900	\$ 499,910	\$ 10,818,010	\$ -
West Coast Regional Council	Wanganui Rating District	Flood Protection	1,200	Rubble	30.90	REINSTATEMENT VALUE	\$ 41,600	\$ 1,300	\$ 2,080	\$ 44,980	\$ -

State	Activity	Area	Qty	Asset Type	Unit Value	Value Basis	Replacement Cost Estimate	Replacement Cost Inflationary Provision	Removal of Debris Estimate	Total Reinstatement Cost Estimate	Indemnity Value for Fire Service Levy
West Coast Regional Council	Wanganui Rating District	Flood Protection	7,308	Stockpile	25.00	REINSTATEMENT VALUE	\$ 205,000	\$ 6,600	\$ 10,250	\$ 221,850	\$ -
West Coast Regional Council	Wanganui Rating District	Flood Protection	662,225	Fill	10.39	REINSTATEMENT VALUE	\$ 7,720,400	\$ 247,100	\$ 386,020	\$ 8,353,520	\$ -
West Coast Regional Council	Wanganui Rating District	Flood Protection	10,300	Structures	1.05	REINSTATEMENT VALUE	\$ 12,100	\$ 400	\$ 610	\$ 13,110	\$ -
West Coast Regional Council	Wanganui Rating District	Flood Protection	183,440	Excavation	2.60	REINSTATEMENT VALUE	\$ 534,700	\$ 17,100	\$ 26,740	\$ 578,540	\$ -
West Coast Regional Council	Wanganui Rating District	Misc	23,520	Misc	3.59	REINSTATEMENT VALUE	\$ 94,700	\$ 3,000	\$ 4,740	\$ 102,440	\$ -
West Coast Regional Council	Whataroa Rating District	Flood Protection	15,330	Rock	43.50	REINSTATEMENT VALUE	\$ 748,200	\$ 23,900	\$ 37,410	\$ 809,510	\$ -
West Coast Regional Council	Whataroa Rating District	Flood Protection	15,000	Fill	10.39	REINSTATEMENT VALUE	\$ 174,900	\$ 5,600	\$ 8,750	\$ 189,250	\$ -



Appendix 1 - Valuation Statement



New Zealand Insurance Form

VALUATION FOR INSURANCE PURPOSES

Name of Client: West Coast Regional Council

Address of Assets: West Coast, New Zealand

Asset Description: For further details regarding West Coast Regional Council (WCRC) Soil Erosion and Flood Protection Infrastructure Assets see 'Section 8 - Asset Listing' of this report.

Upgrade Requirements: None known

Age: Various Use/Occupation: Public

Land Contour: Various Subsoil Type: No Geotechnical survey undertaken, assumed firm natural ground

Other Known Characteristics: None known

1.0	REINSTATEMENT		
A.	Reinstatement Cost Estimate	\$	105,936,700
B.	Inflationary Provision	\$	3,390,200
2.0	INDEMNITY		
A.	Market Related Estimate		Not Applicable
B.	Depreciated Replacement Cost (for fire service levy calculation only)	\$	-
C.	Inflationary Provision	\$	2,118,734
3.0	FUNCTIONAL REPLACEMENT (Refer to valuation report/letter for the specification of the functional design)		
A.	Functional Replacement Cost		Not Requested
B.	Inflationary Provision		Not Requested
4.0	DEMOLITION ESTIMATE		
A.	Removal of Debris	\$	5,297,100

VALUER'S SIGNATURE:

QUALIFICATIONS:

MPINZ AAPI IPWEA

NAME & COMPANY:

on behalf of AON VALUATION SERVICES

VALUATION DATE:

June 2020

Valuation Period:

12 Months

Please note: this report summary must be read in conjunction with the attached covering letter/report

- (a) All figures quoted are exclusive of Goods & Services Tax, finance costs and other indirect costs.
- (b) All figures are exclusive of any allowance for land value.
- (c) This form must be read in conjunction with the definitions of terms on the reverse hereof.
- (d) The information in this report has been prepared to establish insurance values and may not be used for other purposes without the written consent of the Valuer.
- (e) All figures assume compliance with building regulations and bylaws

Definitions of Insurance Valuation Terms

The following definitions pertain to and form an integral part of the Valuation on the reverse hereof

GENERAL	1.0 REINSTATEMENT	2.0 INDEMNITY
<p>Name of Client Normally the insured</p> <p>Address Physical location, including street address at which the assets are situated.</p> <p>Asset Description General description giving sufficient detail to identify the range of assets encompassed in the valuation including details of principal structure showing main construction materials. Any exclusions should be noted.</p> <p>Upgrade Requirements Typically, it will be helpful to summarise major differences between the insured asset and the modern equivalent asset.</p> <p>Age Estimated year of completion and dates of any major additions and upgrades.</p> <p>Use/Occupation Nature of main activity carried out at location.</p> <p>Contour Valuer's classification of the land contour containing building and immediate yard areas:</p> <ol style="list-style-type: none"> 1) Level 2) Gentle 3) Easy 4) Medium 5) Steep 6) Other – as specified <p>Subsoil Type General classification of land supporting building and immediate yard areas:</p> <ol style="list-style-type: none"> 1) Bedrock 2) Firm natural ground 3) Filled ground 4) Unknown 5) Other – as specified <p>As a geotechnical survey has not been undertaken the description is without prejudice.</p> <p>Unless otherwise stated, the figures contained in the insurance valuation assume that the insured property can be reinstated on the land, and that this reinstatement can be achieved without incurring foundation costs greater than the costs assumed in the valuation assessment, noting that these costs would typically reflect the cost to replace a modern equivalent asset on subsoil conditions as assumed.</p>	<p>A. Reinstatement Cost Estimate Is an estimate of the cost at date of valuation (including relevant fees) of replacing the asset with a new modern equivalent asset, including, where appropriate, the use of current equivalent technology, material and services. This is intended as a guide for the purpose of setting insurance premiums and, unless specified elsewhere, is not based on a detailed elemental and schedule of quantities approach as would be undertaken by a quantity surveyor or costing engineer. In construction, unanticipated problems often arise and actual rebuilding, repair or replacement costs may vary from the estimate.</p> <p>In the case of partial destruction no specific allowance has been made for any additional requirements that any Council, Government or other Authority may require as additional expenditure to upgrade, alter or amend the undamaged portion of the asset.</p> <p>Reinstatement does not allow for cost escalation due to a catastrophic event causing a general or localised surge in demand for new assets or rebuilding/repairs.</p> <p>Where an asset has elements of an historic or heritage nature, unless otherwise specified, reinstatement does not include for reproduction of the existing asset with the original heritage features, but allows for a modern asset of similar size.</p> <p>B. Inflationary Provision This amount has been estimated on the basis of a loss occurring on the last day of a 12 month insurance period, if appropriate.</p> <p>The inflation provision under 1.0 B and 3.0 B incorporates an allowance for the additional time required for damage inspections, demolition, preparation of new preliminary proposals and their approval by the Territorial Authority, preparation of working drawings and specifications, schedules of quantities, in addition to an estimated period of construction contract. No allowance is made for any delay due to the need to comply with the provisions of the Resource Management Act.</p> <p>All inflationary provisions are future projections, based on recent trends and are given without prejudice. Inflation and in particular, foreign exchange rate fluctuations affecting imported assets, are notoriously difficult to predict and the valuer cannot be responsible for any inaccuracy.</p>	<p>A. Indemnity Value Estimate Is an estimate of the loss that would be suffered by the insured in the event the asset was destroyed.</p> <p>This may be assessed using the Sales Comparison approach, Income Approach or the Depreciated Replacement Cost approach, as appropriate. (See valuation report for guidance).</p> <p>B. Inflationary Provision Is the estimated amount by which cost inflation exceeds depreciation over a 12 month period.</p> <p>3.0 FUNCTIONAL REPLACEMENT</p> <p>A. Functional Replacement Cost Is the estimated cost required to replace all assets to perform similar tasks but under optimum current design and lay-out conditions with capacity requirements not greater than currently available. The value of any partial loss has been disregarded in this context.</p> <p>B. Inflationary Provision This is calculated as per 1.0B but based on 3.0 Functional Replacement.</p> <p>4.0 DEMOLITION ESTIMATE</p> <p>For the purpose of valuation, it is assumed that 100% of the assets have been damaged beyond repair and have no salvage value.</p> <p>Unless otherwise noted in the valuation covering letter, Demolition Estimate covers the cost of demolition and removal as debris of the assets valued only excluding the cost of removal of any noxious materials, or removal of debris on adjoining premises</p> <p>The Demolition Estimate does not include for:</p> <ol style="list-style-type: none"> 1) shoring up any structures, either on the insured property, or neighbouring properties 2) the removal of building contents.