

Agenda for a meeting of the Strategy & Finance Committee to be held in the Council Chambers, District Office, 15 Galileo Street, Ngaruawahia on **TUESDAY, 9 FEBRUARY 2021** commencing at **9.30am**.

1. **APOLOGIES AND LEAVE OF ABSENCE**
2. **CONFIRMATION OF STATUS OF AGENDA**  
*Jason Dawson from Hamilton & Waikato Tourism will be in attendance to discuss item 6.1*
3. **DISCLOSURES OF INTEREST**
4. **CONFIRMATION OF MINUTES**  
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6. **STRATEGY REPORTS**
  - 6.1 Hamilton & Waikato Tourism Six-monthly report to Waikato District Council  
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  - 6.2 Long Term Plan 2021-31 Update 36
7. **FINANCE REPORTS**
  - 7.1 Treasury Risk Management Policy - Compliance Report at 31 December 2020 41
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8. **EXCLUSION OF THE PUBLIC** 140

GJ Ion  
**CHIEF EXECUTIVE**

## TERMS OF REFERENCE AND DELEGATION

<b>Reports to:</b>	The Council
<b>Chairperson:</b>	Cr Janet Gibb
<b>Deputy Chairperson:</b>	Cr Aksel Bech
<b>Membership:</b>	The Mayor, all Councillors and Mrs Maxine Moana-Tuwangai (Maangai Maaori)
<b>Meeting frequency:</b>	Six-weekly
<b>Quorum:</b>	Majority of members (including vacancies)

### **Purpose:**

The Strategy & Finance Committee is responsible for:

1. Monitoring of Council's strategy, and performance (both financial and non-financial) against the Long Term Plan and Annual Plan.
2. Setting the broad vision and direction of the District, determine specific outcomes that need to be met to deliver on that vision, and develop and monitor strategies to achieve those goals.
3. Determining financial matters within its delegations and Terms of Reference and making recommendations to Council on financial matters outside its authority.
4. Guiding and monitoring Council's interests in Council Controlled Organisations (CCOs), Council Organisations (COs) and subsidiaries.

***In addition to the common delegations on page 10, the Strategy & Finance Committee is delegated the following Terms of Reference and powers:***

### **Terms of Reference - Strategy:**

1. Develop and agree strategy and plans for the purposes of consultation.
2. Recommend to Council strategy and plans for adoption, including community plans (e.g Blueprints).
3. Monitor and review adopted strategies and plans.
4. To monitor and provide advice on the development and implementation of growth and development strategies, land use, and spatial plans in line with national policy requirements.
5. To enhance the District's economic position by promoting it as a business-friendly and business-enabled location and providing direction on strategic initiatives, plans, projects and potential major developments relating to economic and business development.
6. To monitor and provide direction on engagement with the District's communities in relation to the Council's strategies and plans.
7. To monitor and make decisions on environmental management and sustainability within the District.

8. To receive and consider presentations and reports from stakeholders, government departments, organisations and interest groups on development and wellbeing issues and opportunities within the District.

**Terms of Reference – Finance:**

9. To monitor Council's financial strategy, and performance against that strategy.
10. To provide clear direction to Council's CCOs and COs on Council's expectations, including feedback on draft statements of intent.
11. To receive six-monthly reports of Council's CCOs and COs, including on board performance.
12. To undertake any reviews of CCOs and agree CCO-proposed changes to their governance arrangements, except where reserved for full Council's approval.
13. To monitor Council's investments and Local Government Funding requirements in accordance with Council policy and applicable legislation.

**The Committee is delegated the following powers to act:**

- Approval of:
  - a. appointments to, and removals from, CCO and CO boards; and
  - b. a mandate on Council's position in respect of remuneration proposals for CCO and CO board members to be presented at Annual General Meetings.
- Approval of letters of expectation for each CCO and CO.
- Approval of statements of intent for each CCO and CO.
- Approval of proposed major transactions of CCOs and COs.
- Approval or otherwise of any proposal to establish, wind-up or dispose of any holding in, a CCO or CO.
- Monitor work on Future Proof, Waikato Plan, Growth & Economic Development Strategy and cross-boundary issues.
- Approval of any process for making decisions where additional opex or capex funding, or deferred capex, is required.
- Review and make recommendations to Council in relation to Fees & Charges (after consultation with relevant community boards or committees).
- Review and recommend to Council the adoption of the Annual Report.
- Review and recommend to Council the approval of Development Agreements.
- Approval of transactions in relation to investments in accordance with Council policy.
- Approval of contractual and other arrangements for supply and services, and revenue generating contracts, which exceed the Chief Executive's delegations, but exclude contracts or arrangements that are reserved for the Council or another committee's approval.

- Approval of rating issues where these exceed the delegated authority of officers, or are an appeal against officer decisions. For clarity, this excludes decisions that are required, by law, to be made by the Council.
- Approval to write-off outstanding accounts that exceed officer delegations.
- Approval of funding applications for the Heritage Assistance Fund and Conservation Fund as recommended to the committee by officers or relevant assessment bodies.

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### **Open Meeting**

<b>To</b>	Strategy & Finance Committee
<b>From</b>	Gavin Ion Chief Executive
<b>Date</b>	13 January 2021
<b>Prepared by</b>	Lynette Wainwright Committee Secretary
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1301
<b>Report Title</b>	Confirmation of Minutes

### **1. EXECUTIVE SUMMARY**

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To confirm the minutes of the Strategy & Finance Committee meeting held on Wednesday, 25 November 2020.

### **2. RECOMMENDATION**

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**THAT the minutes of the meeting of the Strategy & Finance Committee held on Wednesday, 25 November 2020 be confirmed as a true and correct record of that meeting.**

### **3. ATTACHMENTS**

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S&F Committee Open Minutes – 25 November 2020

Minutes of a meeting of the Strategy & Finance Committee of the Waikato District Council held in the Council Chambers, District Office, 15 Galileo Street, Ngaruawahia on **WEDNESDAY, 25 NOVEMBER 2020** commencing at **9.30 am**.

**Present:**

Cr JM Gibb (Chairperson)  
Cr AD Bech  
Cr CA Eyre  
Cr SL Henderson  
Cr FM McNally  
Cr RC McGuire  
Mrs M Moana Tuwhangai (Maangai Maaori)  
His Worship the Mayor, Mr AM Sanson  
Cr JD Sedgwick  
Cr NMD Smith  
Cr LR Thomson  
Cr CT Woolerton [*until 9.47am*]

**Attending:**

Mr G Ion (Chief Executive)  
Mr T Whittaker (Chief Operating Officer)  
Mr C Morgan (General Manager Community Growth)  
Ms A Diaz (Chief Financial Officer)  
Mr R MacCulloch (General Manager Service Delivery)  
Mrs S O’Gorman (General Manager Customer Support)  
Mr J Quinn (Communications, Marketing & Engagement Manager)  
Mr V Ramduny (Strategic Projects Manager)  
Mr C Bailey (Finance Manager)  
Mr J Ebenhoh (Planning and Policy Manager)  
Ms D Dalbeth (Business Improvement Analyst)  
Mrs J Dolan (Economic and Community Development Manager)  
Mr M Davey (Community Growth Analytics Manager)  
Ms M Russo (Team Leader Corporate Planning)  
Ms C Pidduck (Legal Counsel)  
Ms B Stringer (Democracy Manager)

**APOLOGIES AND LEAVE OF ABSENCE**

Resolved: (Crs Patterson/Sedgwick)

**THAT** an apology be received from Crs Church and Lynch.

**CARRIED**

**S&F2011/01**

**CONFIRMATION OF STATUS OF AGENDA ITEMS**

Resolved: (Crs Thomson/McGuire)

**THAT** the agenda for a meeting of the Strategy & Finance Committee held on 25 November 2020 be confirmed and all items therein be considered in open meeting with open meeting with the exception of those items detailed at agenda item 8 which shall be considered with the public excluded;

**AND THAT** all reports be received;

**AND FURTHER THAT** following supplemental reports be added to the Open Agenda:

Item 6.4 i-Site Tender Review Subcommittee

Item 7.6 Annual Report 2019/20 Update.

**CARRIED**

**S&F2011/02**

**DISCLOSURES OF INTEREST**

There were no disclosures of interest.

**CONFIRMATION OF MINUTES**

Resolved: (Crs Sedgwick/Patterson)

**THAT** the minutes of a meeting of the Strategy & Finance Committee held on Tuesday, 13 October 2020 be confirmed as a true and correct record of that meeting.

**CARRIED**

**S&F2011/03**

## **REPORTS**

### Action Register Agenda Item 5.1

The report was received [S&F2011/02refers] was taken as read. No discussion was held.

### Long Term Plan 2021-31 Update Agenda Item 6.1

The report was received [S&F2011/02refers]. The Team Leader Corporate Planning spoke to the report and the following matters were discussed:

- Staff had been working on the initial draft of financial budgets and the Asset Management Plans.
- Upcoming milestones – an addition to those listed on page 18 of the Agenda being the presentation of Activity and Asset Management Plans to Councillors on 16 December 2020. A high-level view of the financial position and key challenges would also be discussed at the same workshop.
- Initial draft of budget and projects would be presented to the Executive Leadership Team on 14 December 2020.
- A Zoom meeting with Committee members could be held over the New Year break if there were any urgent matters to discuss.

**ACTION: Staff to circulate to Committee members the material presented to the Executive Leadership Team on 14 December 2020 for their consideration over the Christmas/New Year period.**

- Uncertainty around some national issues and how these would be considered in the Long Term Plan (e.g. 3 waters' reform, National Policy Statements).
- Budgeting for cross-boundary collaboration issues.



Blueprint Feedback, Prioritisation and Next Steps

## Agenda Item 6.2

The report was received [S&F2011/02refers]. The Planning & Policy Manager summarised the report and the following matters were discussed:

- The updated tables would be uploaded online alongside the 2019 Blueprints document. Rangiriri would be shown separately.
- District wide consultation that was undertaken in 2018 and 2019
  - The Blueprints process with initial tranche of work followed by working on additional towns.
  - Blueprints would be a living document.

**ACTION: Tuakau public toilets to be removed as a priority project as already completed.**

**Resolved: (Crs Smith/Sedgwick)**

**THAT the Strategy & Finance Committee endorses the revised list of prioritised and ranked Blueprint initiatives in Appendix I to the staff report, as an input to considerations for the 2021-2031 Long Term Plan.**

**CARRIED**

**S&F2011/04**

Update on Economic and Community Development Work Programme – November 2020  
Agenda Item 6.3

The report was received [S&F2011/02refers]. The Economic and Community Development Manager spoke to the report and the following matters were discussed:

- Te Waka was undergoing a review of its services for business mentoring and advice in the District. A Te Waka representative would join the Economic and Community Development team to connect with the District's businesses.
- Youth engagement – trial through the Waikato Plan to connect youth to employment in partnership with MSD. Initial trial in Raglan and Te Kauwhata; focus on engagement with employers who would not predominantly use youth as employees.
- Community Waikato was recruiting to meet increased demand.
- Government's 'Lunches in schools' initiative in South Waikato and the opportunities to build on this.

Cr Woolerton retired from the meeting during the above item at 9.47am.

i-Site Tender Review Subcommittee Report  
Agenda Item 6.4 – Supplemental Agenda

The report was received [S&F2011/02refers] and the item was considered alongside Item 6.3. The Economic and Community Development Manager advised the Committee of the work undertaken, including the lease of the vacant premises to the Destination Management Organisation approved by the Subcommittee. It was noted that Council would fund the first two years of the rental.

Members of the Subcommittee spoke to the Committee on the work completed.

**Resolved: (Crs Sedgwick/Thomson)**

**THAT, in accordance with clause 30(5)(b), Schedule 7 of the Local Government Act 2002, the Strategy & Finance Committee discharge the i-Site Tender Review Subcommittee.**

**CARRIED**

**S&F2011/05**

### 2020-2021 First Quarter Non-Financial Performance Report

#### Agenda Item 7.1

The report was received [S&F2011/02refers]. The Business Improvement Analyst spoke to the report and the following matters were discussed:

- Environmental health complaints – the KPI of responding within three days was aspirational; there were a few occasions when the KPI could not be met.
- The impact of Covid-19 on swimming pool inspections.

### Treasury Risk Management Policy –Compliance Report at 30 September 2020

#### Agenda Item 7.2

The report was received [S&F2011/02refers]. The Finance Manager spoke to the report and noted that “budgeted debt” was \$139million, not \$115 million as noted in the cover report. The following matters were discussed:

- Non-compliance in relation to lower than anticipated capital expenditure.
- Cost of existing swaps - importance of taking a long-term view of interest rates as part of Council’s risk management
- Interest rate benchmark and rates – it was noted that Council was not currently drawing down debt.

### Civic Financial Services Limited Half Yearly Accounts

#### Agenda Item 7.3

The report was received [S&F2011/02refers] and taken as read.

### Financial performance summary for the period ending 30 September 2020

#### Agenda Item 7.4

The report was received [S&F2011/02refers]. The Chief Financial Officer spoke to the report and highlighted the following matters:

- Financial results remained subject to audit sign-off so were subject to change, though staff were not expecting significant amendments.
- Tracking well in terms of development contributions due to increased growth.
- Annual rate for 2020/21 was below the budgeted level, as noted at the last Committee meeting.
- Good current working capital ratio.
- Limit of total debt – currently about 46% of the financial year limit, noting this was net of borrowing notes.

In response to questions the following matters were discussed:

- Management of debt through Long Term Plan and impact of growth – why debt was needed and the type of activities for which it was used (e.g. acquisition of land for infrastructure and community areas). Growth assumptions and figures based on work undertaken by the Analytics team were used, which was constantly monitored.
- Limit of total debt
  - Impact of speed of development and consequential infrastructure required.
  - Positive that developers had undertaken a substantial part of infrastructure works. Highlighted that going forward Council would need to make some large investments (e.g. 3 waters).
  - Council should not be disadvantaged in discussions with central government agencies in relation to debt funding to meet requirements of reforms.
- A report would be presented to the Infrastructure Committee on 30 November 2020 providing an update on carry-forwards in the current financial year and expectation of projects going to market.

#### Local Government Funding Agency Annual Report 2020

##### Agenda Item 7.5

The report was received [*S&F2011/02refers*] and taken as read. There was no discussion.

#### 2019/20 Annual Report update

##### Agenda Item 7.6 – Supplemental Agenda

The report was received [*S&F2011/02refers*]. The Finance Manager, supported by the Chief Financial Officer, spoke to the report and the following matters were discussed:

- The attached draft Annual Report required some improvements on the quality of formatting.
- The Audit & Risk Committee would review the Report in relation to audit and risk issues, not the financials.
- Foreshadowing upcoming reforms and impact on ratepayer – staff recommended that no late changes were introduced. Audit NZ had difficulties in future-focussed information being presented in an Annual Report. This position could change if councils were able to move to integrated reporting in the future.

**EXCLUSION OF THE PUBLIC**

Agenda Item 8

**Resolved: (Cr Bech/Ms Moana-Tuwhangai)****THAT the public be excluded from the following parts of the proceedings of this meeting.**

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Item 1 Confirmation of Public Excluded Minutes	Good reason to withhold exists under Section 6 or Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
Item 2.1 S&F Action Register		
Item 2.2 Te Awa Cycleway Partner Funding Agreement		

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item No.	Section	Interest
2.2	7(2)(b)(i)	To protect information where the making available of the information would disclose a trade secret.
	7(2)(b)(ii)	To protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.
2.3	7(2)(a)	To protect the privacy of natural persons, including that of deceased natural persons.

**CARRIED****S&F2007/06**



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### **Open Meeting**

<b>To</b>	Strategy and Finance Committee
<b>From</b>	Clive Morgan General Manager Community Growth
<b>Date</b>	18 January 2021
<b>Prepared by</b>	Sandy Mason Personal Assistant
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318 / 2991333
<b>Report Title</b>	Action Register – January 2021

## **1. EXECUTIVE SUMMARY**

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Purpose of this report is to provide the Strategy and Finance Committee with an update on Actions arising the previous meeting.

## **2. RECOMMENDATION**

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**THAT the report from the General Manager Community Growth be received;**

## **3. ATTACHMENT**

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Strategy and Finance Committee's Action Register – January 2021

## Strategy and Finance Committee's Action Register – January 2021

Meeting Date	Action	Team / Person Responsible	Status Update
25 November 2020	<p><b>Agenda item 6.1</b> - Long Term Plan 2021-31 Update</p> <p>Summary: Initial draft of budget and projects would be presented to the Executive Leadership Team on 14 December 2020.</p> <p><b>Action:</b> Staff to circulate to Committee members the material presented to the Executive Leadership Team on 14 December 2020 for their consideration over the Christmas / New Year period.</p>	Community Growth – Ben Burnand	<p>A workshop was held with Councillors in late December to present Activity Management Plans and a high-level view of the financial challenges.</p> <p>The February workshops will be used to present draft budgets and options for consultation with our communities.</p>
	<p><b>Agenda item 6.2</b> - Blueprint Feedback, Prioritisation and Next Steps</p> <p><b>Action:</b> Tuakau public toilets to be removed as a priority project as already completed.</p>	Community Growth – Jim Ebenhoh	<p>The full spreadsheet of Blueprint actions has been amended to indicate 'complete' as the status, as is the case with various other Blueprint initiatives, so that no further work will occur on this initiative.</p> <p>The completed initiatives have not been removed from the summary table on the website but have been retained, along with their priority levels, to document their relative importance in the Blueprint.</p> <p>The next Blueprint review in 2022 will provide an opportunity to generate a new / updated list of Blueprint initiatives that do not include completed ones.</p>



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### **Open Meeting**

<b>To</b>	Strategy and Finance Committee
<b>From</b>	Clive Morgan General Manager Community Growth
<b>Date</b>	19 January 2021
<b>Prepared by</b>	Sandy Mason Personal Assistant
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318 / 2991335
<b>Report Title</b>	Hamilton & Waikato Tourism Six Monthly Report to Waikato District Council – 1 July - 31 December 2020

## **I. EXECUTIVE SUMMARY**

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The purpose of this report is to advise the committee that Jason Dawson, Chief Executive Hamilton & Waikato Tourism, will be in attendance to present to Council the Six Monthly Report to Waikato District Council – 1 July - 31 December 2020.

## **2. RECOMMENDATION**

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**THAT the report from the General Manager Community Growth be received.**

## **3. ATTACHMENT**

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Hamilton & Waikato Tourism Six Monthly Report to Waikato District Council – 1 July - 31 December 2020

# Hamilton & Waikato

## TOURISM

### Six Monthly Report to Waikato District Council

## 1 July – 31 December 2020

Hamilton & Waikato Tourism (HWT) is the region's Regional Tourism Organisation (RTO) whose role is to generate competitive economic benefit through visitor sector strategies focused on increasing visitor length of stay and spend.

Hamilton & Waikato Tourism is a subsidiary company under the Council Controlled Organisation (CCO) of Waikato Regional Airport Limited. It has a commercial board with Annabel Cotton as its Chair.

HWT is funded through a public/private partnership with the region's tourism industry and seven local authorities including Hamilton City and Matamata-Piako, Ōtorohanga, Waikato, Waipā, Waitomo and South Waikato Districts. This is the six-monthly report from 1 July to 31 December 2020.

### Key highlights (Jul – Dec 2020)



### Waikato District showcased in print & online publications

Cuisine Magazine (Jan 21), NZ House & Garden (Dec 20), Good Magazine (Aug 20), Stuff Travel, NZ Herald Travel, NewsHub Travel (Jul – Dec 2020)

## Executive summary

Hamilton & Waikato Tourism has been relentless in leading the restart and rebuild strategy for Waikato's visitor economy. From supporting our tourism and event businesses through the initial lockdown, lobbying for additional Government support and now working hard to attract domestic visitors back to the region post-COVID, we've launched a number of marketing campaigns targeting the leisure, business and events market in key 'drive and fly' markets.

Waikato residents positively responded and supported our 'Mighty Local' campaign during Alert Levels 3 & 4. We are now halfway through delivering the 'It's Just Magic' summer campaign in the leisure market for domestic travellers outside of the Waikato, the 'Mighty Welcome' campaign in the business events market and a new 'deals' section on our website [www.waikatoz.com](http://www.waikatoz.com) are helping to drive increased visitation and spend.

We have also partnered with Tourism New Zealand's 'Do Something New, New Zealand' campaign to successfully drive demand to our tourism sector. The campaign video has been viewed more than 16.2 million times. The Waikato also featured in the 'Do Something New, New Zealand' music video written by comedians Madeleine Sami and Jackie van Beek which appeared on television and social media throughout summer.

Prior to COVID-19, around 75% of visitors to the Waikato region were from domestic travellers. With around 2.6 million people living within a three-hour drive radius of Hamilton and the Waikato region, we were already a significant domestic drive market for the Upper North Island.

The Waikato also scored the second highest level of domestic visitors during the July school holidays (4 – 19 July 2020) across New Zealand in a recently published report by Data Ventures. This followed the success of domestic travel returning into the region during Queen's Birthday weekend.

According to the report, Waikato achieved 19% growth in domestic visitor numbers during the July 2020 school holidays compared to July 2019, with an average of 55,140 domestic travellers visiting during the holidays, compared to 46,350 visitors this time last year. We were only second in the country to Auckland who attracted 79,160 domestic visitors into their region.



August domestic visitor spend remained flat compared with last year, given Aucklanders were unable to travel for a large part of the month. Although, the September school holidays were softer with regards to demand it was actually an incredibly encouraging result given this was traditionally during our quietest travel period.

In October, an Industry Confidence Survey was undertaken by Tourism New Zealand. Key findings showed although we have seen an increase in domestic tourism, it's still not enough to off-set the loss of international spend for tourism operators. However, it was pleasing to see business confidence was stronger in the Hamilton & Waikato Tourism region compared to other parts of the country.

Economic impact for the tourism sector is ongoing, however it has been estimated that 42% of New Zealand's visitor economy comes from international tourism and there is an expected gap of \$12.9 billion in visitor expenditure. Tourism is vital to the region's recovery with every \$178,000 of tourism spend creates a job which equates to 40 international visitors or 480 domestic overnight trips. International visitors spend on average \$232 per day which is over three-times more than local residents at \$74 per day or domestic travellers at \$155 per day.

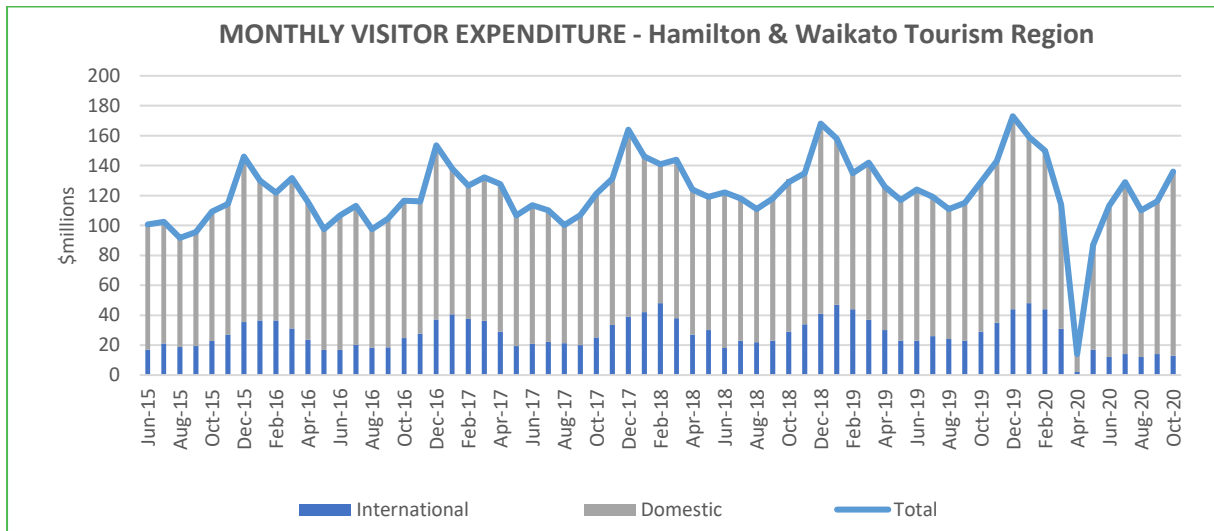
## Performance targets

Given the restart journey for the visitor economy post-COVID, Hamilton & Waikato Tourism (HWT) revised six performance targets which are set in the 'Schedule of Services for Local Government 2020-2021'. The results are provided below.

Measure	Result						
 <b>Visitor nights</b> 0% increase of total visitor nights' vs national compared to 2019-20	 <b>4.1m</b> guest nights (AA Traveller; Year ending November 2020)						
 <b>Visitor spend</b> 0% increase in visitor spend across the region compared to 2019-20	 <b>-9%</b> down on previous year <b>\$1.439 billion</b> annual expenditure (MBIE; Year ending October 2020)						
 <b>Conventions, incentives &amp; business events</b> Rebuild & restore market share of total business events to 5%	 <b>10.1%</b> market share Fourth largest region behind Auckland, Wellington & Christchurch (Year ending June 2020. New survey to commence Feb 2021)						
 <b>Industry investment</b> \$100,000 of industry contribution towards marketing activities & campaigns	 <b>\$72,000</b> domestic campaigns, famil in-kind contributions & visitor guide sales (Year to date December 2020)						
 <b>Media &amp; travel trade</b> 10 media outlets hosted + 50 travel trade trained or hosted	 <table border="0"> <tr> <td><b>14</b></td> <td><b>10</b></td> <td><b>417</b></td> </tr> <tr> <td>media outlets hosted</td> <td>agents hosted</td> <td>agents trained</td> </tr> </table> (As at 31 December 2020)	<b>14</b>	<b>10</b>	<b>417</b>	media outlets hosted	agents hosted	agents trained
<b>14</b>	<b>10</b>	<b>417</b>					
media outlets hosted	agents hosted	agents trained					
 <b>Return on investment</b> Total visitor spend per dollar of Council funding	 <b>\$1,141</b> Visitor spend per dollar of council funding (MBIE; Year ending November 2020)						

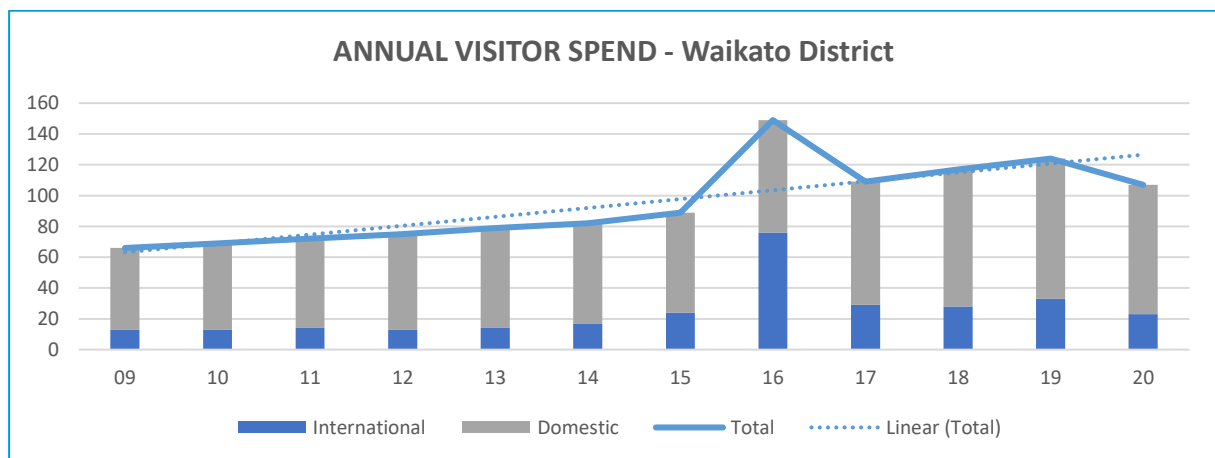
## Visitor statistics and expenditure

Compared to 2019, tourism spending dropped across all regions for the year ended October 2020. Auckland experienced the largest decline, with a 26% drop in annual spend. The Wairarapa region reported a 6% increase in expenditure. The entire Waikato region performed well with a decline of only 3% in Coromandel and decline of 6% in Taupo; the Hamilton & Waikato region recorded a 9% decrease. In comparison, Rotorua suffered a 19% decline in visitor expenditure.

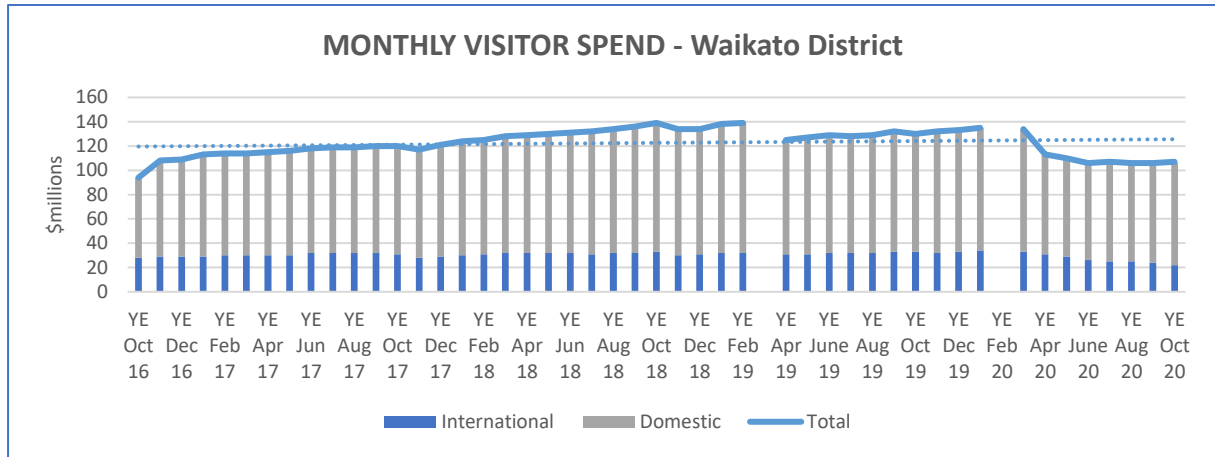


## Visitor expenditure in Waikato District

Annual visitor expenditure for Waikato district declined 16% to year end October 2020, with Hamilton City achieving the smallest decline for the region at 4.9%. Waitomo District suffered the largest decline at 28.3% reduction in annual visitor expenditure.



For the year ending October 2020, the visitor economy injected \$107 million into Waikato District’s economy, with \$84 million generated by domestic visitors and \$23 million from international travellers. This is a 16% decline from the year ending October 2019.



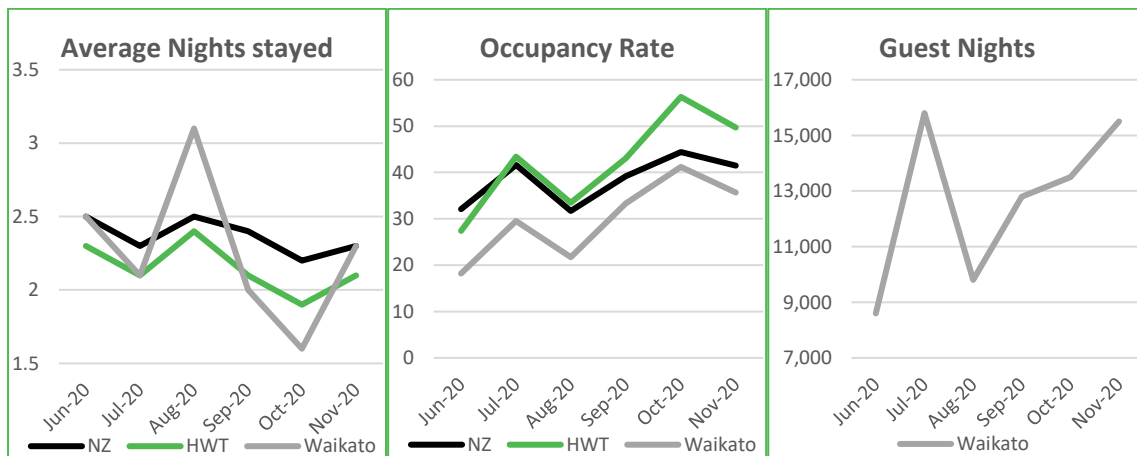
Source: Monthly Regional Tourism Estimates, MBIE (October 2020)

**Note:** Monthly visitor expenditure data is measured by the Ministry of Business, Innovation and Employment (MBIE) in the Monthly Regional Tourism Estimates (MRTE).

## Commercial accommodation in Waikato District

The new national ‘bed nights’ measurement tool, the Accommodation Data Programme (ADP) began providing monthly measurements from June 2020.

Waikato District have 24 commercial accommodation providers contributing data into this programme (unlike the old Commercial Accommodation Monitor, this is not a legal requirement). The Occupancy rate for Waikato District accommodation providers in November 2020 was 35.7%, with an average stay of 2.3 nights. This resulted in 15,500 guest nights in November 2020.

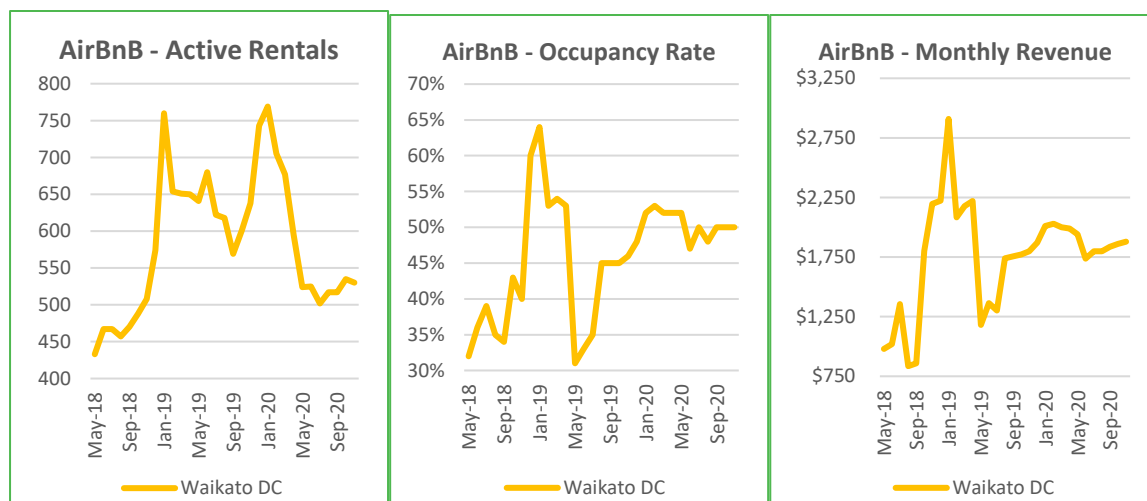


Source: Accommodation Data Plan, MBIE (November 2020)

## Non-commercial accommodation in Waikato District

Waikato also had 530 properties listed on AirBnB during November 2020 as alternative accommodation to the traditional commercial offerings. This has declined from 638 listings (down 108) in November 2019 due to the impacts of COVID-19.

These properties experienced 50% occupancy during November 2020. For the 12 months October 2019 to November 2020, the average occupancy rate for AirBnB properties in Waikato District was 54%.



Source: AirDNA (November 2020)

## Trade & leisure marketing

### Domestic marketing

#### External domestic markets: Open for Exploration Campaign

Our domestic marketing campaign, 'Open for Exploration', ran from June to August targeting the key drive markets for the Waikato (Auckland, Bay of Plenty, Rotorua, Taupo and Taranaki). Running across Facebook, Instagram, Google Display & Search, YouTube and digital placements with NZ Herald, the campaign was designed to complement the 'Do something new, New Zealand' national campaign by encouraging visitors to see new things in familiar places, while also exploring the known and unknown adventures of the Waikato. The campaign creative included user generated content (UGC) imagery, videos featuring our tourism operators welcoming visitors back and the 'Do Something New NZ' device.

### **External & internal domestic markets: School Holidays Promotions**

Given the environment and the importance of the September school holidays for operators, HWT undertook a specific digital ‘school holidays’ campaign. The campaign targeted drive markets as well as Waikato residents to promote travel to and within the Waikato and channels included social media advertising and e-DMs.

### **Hot Deals Platform**

We launched a free, user-generated platform designed to showcase operators’ latest promotions, experiences, deals and information to HWT’s consumer audience while optimising their Google My Business (GMB) posts at the same time.

The platform integrates a wide variety of Waikato businesses – from activities and accommodation to tour operators, as well as retail and hospitality providers. Operators are able to upload their own offer, experience, deal or upcoming event through the platform and the information displays on waikatonz.com as well as their GMB listing. HWT understands this to be the first platform in NZ that allows for this to happen, providing time and process-efficiencies for operators across the two channels.

### **External domestic markets: Summer ‘It’s just magic!’ campaign**

Our Summer inspiration campaign ‘It’s just magic,’ targeting key drive markets inspiring them to visit the Mighty Waikato as part of their summer travel plans, was live from 18 November to 14 December. Like the rest of New Zealand, we have never had to promote the region to domestic visitors over the summer period as our tourism operators are normally busy with international visitors.

The Summer campaign was primarily video-led and focused on highlighting personal experiences of previous visitors to the region. We know the Waikato is well placed for a short break, so this campaign targeted this type of travel rather than the traditional week-long breaks taken over the summer period.

### **Internal domestic market: Christmas Campaign - Gift Guide**

Our annual Christmas Gift Guide campaign launched into the local Waikato market on 30 November and concluded on 21 December. With the theme of ‘Give the gift of Magic’ the campaign encouraged Waikato residents to gift experiences from local tourism businesses or tickets to upcoming local events. This campaign targeted the internal domestic market for the Waikato through Facebook and Google adverts and advertising in local newspapers including the Cambridge Edition, Hamilton Press, Matamata Chronicle and Waikato Times.

### **Internal domestic market: Summer ‘It’s just magic!’ Campaign**

The Summer “Explore Your Own Backyard” campaign used the same personal concept as the external Summer campaign with video pieces from locals who had visited and loved Waikato various attractions. Aimed to encourage locals who weren’t travelling out of the Waikato during this time to explore the region over the festive holiday season, this campaign launched in late December and ran through January. The online campaign featured domestic operator partners and the region’s natural assets such as walks, waterfalls, beaches and cycleways as well as summer events and school holiday activities.



### **‘Get Out More NZ’ Domestic Campaign - Central North Island collective**

For the first time, we partnered with our neighbouring regions Bay of Plenty, Rotorua, Taupō, Ruapehu and Tairāwhiti Gisborne in the domestic market. Targeting drive markets through online and print channels, the ‘Get out More NZ’ campaign ran from September until mid-December. A second phase is planned for 2021. As part of our collaborative activity, the group exhibited at the Motorhome & Caravan Show at Mystery Creek in the destination marquee. Using a life-size viewmaster and the theme of ‘view something new’ as the hook, the aim was to raise awareness and drive preference for holidays in the Central North Island.

### **Tourism New Zealand - Urban Experiences Campaign**

As a region with a main metro, we worked with Tourism New Zealand and the other four main cities across the country (Auckland, Wellington, Christchurch and Dunedin) on an ‘Urban Experiences’ campaign to showcase urban short breaks and holidays and encourage city visitation. The first phase of the campaign launched in mid-October using the content platform Neat Places and showcased each city through five local experts’ guides of their favourite things. A second phase is planned for mid-January with a wider integrated and multi-channel approach.

### **Tourism New Zealand - Summer Campaign**

Tourism New Zealand worked with Regional Tourism Organisations (RTOs) across the country to develop the content for their Summer campaign. The production crew visited the Waikato during early October filming in three locations to showcase different ways to ‘do something new’ in the region over summer. Surfing in Raglan was a key feature of the creative, as well as visiting Hamilton Gardens and kayaking with Lake District Adventures. This campaign launched into market late November to play off the back of their ‘firework’ song launch in early November in which the region also features.

### **Content Creators Project**

We are working with Tourism New Zealand and social media agency Socialites on a content creation project. The programme matches micro-influencers around New Zealand with operators in each region who need assistance with creating visual content for their social media channel. The content created by the influencers when they visit the operator can be used by the operators, HWT and Tourism New Zealand as well.

Tourism New Zealand are funding five influencers per region and HWT is funding another five so the region will receive a total of ten content creation pieces. Matching is currently underway with all content to be created by the end of January. The project includes some workshops and resourcing to lift capability and upskill operators in their own social media content creation and utilisation as well.

### **Regional Events**

We have supported regional events during July-December by profiling them in campaign activity, on social media and coverage on waikatonz.com. Events are an important driver for domestic visitation as well as local expenditure, and post-COVID provide great reasons for repeat visitation to a region. A specific ‘Summer of Events’ campaign is underway.

## Annual Visitor Guide

50,000 copies of the 2021 Official Regional Visitor Guide were distributed in late December 2020. This is a reduced number from the 2020 distribution due to the impacts of COVID-19. They have been distributed nationally through i-SITEs and airports, displayed at visitor attractions, used at trade shows, and conference delegate packs. This guide remained a cost-neutral project with cheaper advertising sales funding production and distribution.

## Media

Post-lockdown, we have had a successful year for domestic travel media coverage with a number of media pitches, famils and hosting. Domestic media platforms and publications are hungry for content and we have been quick to take up this opportunity. Coverage so far includes content in NZ Herald Travel Supplements, NZ House & Garden, Cuisine Magazine, NewsHub, Good Magazine, AA Directions and coverage across the Stuff network in print and online.

## International marketing

While no physical training or sales activity with international travel trade has been possible (on or offshore), we have continued to undertake virtual trade training and promotional activities over the last couple of months.

## Webinars

HWT was selected to work with Tourism New Zealand on the following trade webinars:

- **TNZ North America – Relaxation & Romance webinar**
  - 180 agents from around North America tuned in for the NZ Relaxation & Romance webinar which featured a live cross to Waikato and the Hamilton Gardens along with five other destinations around the country.
- **TNZ Australia Virtual Famil**
  - This the first ‘virtual famil’ activation where six regions across New Zealand were selected as part of a Relaxation & Romance themed event. For Waikato, we featured Zealong Tea Estate where HWT and a representative from Zealong toured the plantation and took part in a tea tasting together.
- **TNZ UK/Europe – Wildlife webinar**
  - The Waikato was selected to be the only RTO to present to 140 travel sellers around the UK/Europe in TNZ’s Wildlife webinar. HWT presented on the wildlife experiences available in the Waikato including Sanctuary Mountain Maungatautari and trade-ready experiences that showcase glowworms such as Waitomo operators and Lake District Adventures.

## Accor Famil

We hosted an Accor-organised famil in November with 12 key Inbound Tour Operators (ITOs). During the visit, we showcased Zealong Tea Estate and Good George Brewery, including their tours and experiences. The itinerary included Novotel Tainui Hamilton to view the new executive rooms and we presented on what the wider region has to offer. As a result, several of the ITOs have reached out about follow-up opportunities and itinerary creation for their NZ-based clients and international clients when borders open.

## Marketing activity for Waikato District

A summary of specific trade and leisure marketing for Waikato District is detailed below.

Target market	Campaign or activity	Waikato District experiences profiled
<b>Media – domestic &amp; international famils</b>	Media hosting and famils profiling Waikato District: <ul style="list-style-type: none"> <li>• Good Magazine famil</li> <li>• NewsHub famil</li> <li>• Stuff.co.nz Roadie</li> <li>• Cuisine Magazine famil</li> <li>• NZ Herald famil</li> </ul>	Punnet Eatery, Solscape Eco Retreat, Raglan Fish, Zealong Tea Estate, Raglan Township, Raglan beach, Raglan Roast, Tony Sly Pottery, Raglan Surf School, Rock-it Kitchen, Raglan Roast, Raglan Artisan Bread, Bridal Veil Falls
<b>Media - domestic</b>	Waikato District was profiled as part of regional promotions in the following publications: <ul style="list-style-type: none"> <li>• NZ Herald Travel Supplements</li> <li>• Avenues Magazine</li> <li>• NZME 'Where I'd Rather Be' column</li> <li>• Family Times</li> <li>• Stuff.co.nz</li> <li>• NZ House &amp; Garden</li> </ul>	Zealong Tea Estate, Raglan Township, Te Awa River Ride, Wairēinga/Bridal Veil Falls, Go Skydive NZ, Raglan Beach, Raglan Wharf, Raglan Fish, Ulo's Kitchen, La La Land, Raglan Roast, The Silos, Solscape Eco Retreat, The Shack, Isobar, Te Toto Gorge, Karakariki Scenic Reserve, Mercer Cheese
<b>Travel Trade - famils</b>	Waikato District profiled in following trade famils: <ul style="list-style-type: none"> <li>• Accor Inbound Tour Operators</li> </ul>	Zealong Tea Estate
<b>Travel Trade – webinars</b>	Trade training webinars throughout the period <ul style="list-style-type: none"> <li>• TNZ North America</li> <li>• TNZ Australia</li> <li>• TNZ UK/Europe</li> </ul>	Zealong Tea Estate, Castaways Resort
<b>Travel Trade – Explore Central North Island Alliance</b>	HWT are part of the Central North Island RTO alliance known as 'Explore Central North Island' which includes the two touring routes – The Thermal Explorer Highway and the Pacific Coast Highway. Trade training webinars Jul-Dec: <ul style="list-style-type: none"> <li>• Thermal Explorer highlights</li> <li>• Waikato region update</li> </ul>	Raglan Surf School, Zealong Tea Estate, Cornerstone Alpacas, Castaways Resort

Target market	Campaign or activity	Waikato District experiences profiled
<b>Domestic consumer - Local, Hamilton &amp; Waikato</b>	<ul style="list-style-type: none"> <li>• School Holidays – Sept 2020</li> <li>• Hot Deals – Oct 2020</li> <li>• Christmas Gift Guide – Dec 2020</li> <li>• Locals – It’s just magic! – Dec 2020 – Jan 2021</li> </ul>	Zealong Tea Estate, Hakarimata Summit Climb, Hampton Downs Motorsport Park, Raglan Surf School, Raglan township, GoSkydive NZ, Hakarimata Walkway, Cornerstone Alpacas, Raglan Rock
<b>Domestic consumer - External Drive &amp; Fly Markets</b>	<ul style="list-style-type: none"> <li>• Open for Exploration Campaign – July - August 2020</li> <li>• School Holidays – Sept 2020</li> <li>• Hot Deals – Oct 2020</li> <li>• It’s just magic! – Nov – Dec 2020</li> </ul>	Hakarimata Summit Track, Wairēinga/Bridal Veil Falls, Zealong Tea Estate, GoSkydive NZ, Hampton Downs Motorsport Park, Raglan Surf School, Solscape Eco Retreat, Raglan Rock, Te Awa River Ride, Raglan township
<b>Domestic consumer – Chinese New Zealanders</b>	Ongoing campaign activity has continued through our Weibo social media channel, blogs, forums etc	Cornerstone Alpacas, Hakarimata Scenic Reserve, Woodlands Estate, Lake Hakanoa, Pukemokemoke Bush Loop Track, Mt Karioi, Karamu Walkway, Wairēinga/Bridal Veil Falls, Raglan.
<b>Domestic &amp; International consumer and trade</b>	2021 Hamilton & Waikato Regional Visitor Guide	Waikato district and towns profiled in ‘Regional highlights’ section and ‘North Waikato’ and ‘Raglan’ sections. Waikato district -based tourism operators have advertised in their respective sections.
<b>Domestic &amp; international consumer, travel trade and media</b>	Quarterly e-newsletters are distributed to our consumer, trade and media databases	Standard Duathlon - Hampton Downs, Raglan Art Weekend, Pioneer Fundays At Woodlands Estate, The 66th New Zealand Grand Prix, GoSkydive NZ, Zealong Tea Estate, Wairēinga/Bridal Veil Falls, Ngarunui Beach, Raglan Surf School, Raglan Rock.

Target market	Campaign or activity	Waikato District experiences profiled
<b>Domestic &amp; International consumer</b>	Waikato profiled through HWT's website and various social profiles including Facebook, Instagram, Twitter & YouTube.	Hopnotic, Hampton Downs Duathlon, Hampton Downs 2 Hour Race Track Run, Lake Hakanoa, Pioneer Fundays at Woodlands Estate, Te Awa River Ride, Pedal4Prostate Pukemokemoke Bush Loop Track, Mt Karioi, Soundsplash 2021, Raglan Brewing Company, Karamu Walkway, Raglan, Wairēinga/Bridal Veil Falls, Raglan Arts Weekend, Karakariki Track, Port Waikato, Tainui Bridge, Hakarimata Kauri Loop Track, Weathertop Hollow, Perry Bridge, Ngaruawahia, Lake Ohinewai, Manu Bay, Raglan Harbour, La La Land, Raglan Surf School, Raglan Rock, Hampton Dows Motorsport Park, Zealong Tea Estate, New Zealand Grand Prix.

## Conferences, incentives & business events

### Conference leads and rehousing

During June through December 2020, Business Events Waikato managed 16 leads and 26 referrals. Our business events team successfully relocated 16 business events after Jet Park Hotel Hamilton Airport became a designated Managed Isolation Facility. We were able to re-house most of the events within the Waikato.

We are fortunate the Waikato is predominantly a domestic conference destination and easy to get to from key markets. Our marketing activity is focused on multi-day association and the corporate conference market.

Unfortunately, three of our largest commercial accommodation providers are now unavailable as they are Managed Isolation Facilities which has impacted on the conference market, significantly reducing our offer. Hosting some of the larger conferences is now very challenging due to limited accommodation availability.

In addition to our limited commercial accommodation inventory, the biggest threat to the conference market is uncertainty. Event organisers cannot confidently book conference venues and accommodation, plus they are afraid of the force majeure clauses in contracts. Currently venues are experiencing short lead-in times which brings its own challenges.

### Business Events Waikato Showcase

The Business Events Waikato Showcase scheduled for 24<sup>th</sup> September 2020 had to be cancelled due to the change in COVID-19 alert levels. The business events team will look to hold an exhibition including Waikato business events partners within the 2021 calendar year. The target market for this event will be local organisers, meeting planners, EAs and PAs based within driving distance of the Waikato. We will predominantly target corporates who organise one day meetings through to multi-day conferences and events.

### Convention Bureau activity

Summary of specific conference marketing activity (1 July 2020 to 31 Dec 2020)

Activity	Detail
Enquiries	50 enquiries managed
Buyers Hosted	<ul style="list-style-type: none"> <li>September 2020: Five Waikato PCOs hosted to the region for International Hobbit Day</li> <li>December 2020: Six buyers hosted before BE:Reconnected Tradeshow in Auckland</li> </ul>
Trade Shows	<ul style="list-style-type: none"> <li>November 2020: Regional stand and shared 'Meet North South' stand with Dunedin at Australasian Society of Association Executives (AuSAE) Linc Conference, Wellington</li> <li>December 2020: Regional stand at BE:Reconnected Tradeshow held in Auckland</li> </ul>
Hosted Events	<ul style="list-style-type: none"> <li>October 2019: Wellington Soiree, attended by over 50 buyers Co-hosted with six business events Waikato partners</li> </ul>
AuSAE NZ Networking Activity	<p><b>AuSAE – Australasian Society of Association Executives</b></p> <ul style="list-style-type: none"> <li>November 2020: AuSAE LINC Conference, Wellington</li> <li>December 2020: Networking Lunch, Auckland</li> </ul>
Partner Communication & Development	<ul style="list-style-type: none"> <li>July 29<sup>th</sup>: BE Waikato Partner Zoom</li> <li>October 22<sup>nd</sup>: HWT Symposium</li> <li>December 8: Christmas Partner Breakfast</li> </ul> <p><b>74 Business Events Waikato Partners total</b>  <b>Waikato District partners:</b> Hampton Downs Motorsports Park, Waikato Tainui College, Zealong Tea Estate, Castaways Resort, Woodlands Estate, Raglan Sunset Motel, Wahine Moe Boat Charters</p>

## Rebuilding the Waikato visitor economy

Hamilton & Waikato Tourism has been instrumental in leading the response, restart and rebuilding of the regional tourism and events sector. The impacts of the COVID-19 pandemic were swift and severe for the entire visitor economy which includes tourism businesses, activities and attractions, accommodation providers, retail and hospitality, transport operators, conferences and business events, major events and venues, education institutions, plus the many suppliers who partner with the sector.

There are a number of key initiatives underway to support the rebuild and reimagining of Waikato's tourism sector.

### **Strategic Tourism Assets Protection Programme (STAPP)**

The \$230m Strategic Tourism Assets Protection Programme (STAPP) was announced in the Government's budget in May to protect the assets in the tourism landscape that form the core of our essential tourism offerings to ensure their survival through the disruption caused by COVID-19. Grants and loans were allocated to tourism businesses, Inbound Tour Operators and Regional Tourism Organisations.

#### **TOURISM BUSINESSES**

130 tourism businesses received a total of \$261m in support comprised of a mix of grants and loans. The Waikato region were successful with initial funding support provided to the following tourism businesses:

- Discover Waitomo: up to \$4m over two years (year one will be a grant and year two will be a loan if required)
- Ōtorohanga Kiwi House: \$500,000
- Waitomo Adventures: \$500,000
- Spellbound Glowworm and Cave Tour, Waitomo: 401,440
- Caveworld Waitomo: \$290,000

#### **REGIONAL TOURISM ORGANISATIONS**

Hamilton & Waikato Tourism successfully applied for a maximum of \$700,000 to address the significant shortfall in industry investment. The criteria for applying for the grant was to retain existing local government investment.

The financial support can only be used to enhance work from the Aotearoa New Zealand Government Tourism Strategy in the following three priority areas:

1. domestic marketing;
2. industry capability; and
3. adopting a destination management approach.

Out of the 27 programmes of work we are looking to undertake under the three tagged areas listed above, 11 are collaboration projects with other regions which border the Waikato.

Specific STAPP projects we will deliver for the Waikato District include:

- Development of an Ambassador programme for the district: [www.nzambassador.com](http://www.nzambassador.com)
- Review and refresh of touring routes (collaboration project with Visit Ruapehu and Destination Rotorua)
- Co-curate and development of food tourism experiences, including itineraries, marketing initiatives and product development (collaboration project with Destination Rotorua)
- Domestic marketing to build demand and attract visitation to the district, including event promotion and a joint Auckland drive market campaign with Auckland Unlimited (previously ATEED)
- Participation in the national and Central North Island domestic marketing campaigns driving visitation into the district
- Regional tourism marketing advisory services for tourism businesses
- Launching a regenerative tourism leadership programme to enhance sustainability initiatives for tourism operators

All other projects from participation with Tourism New Zealand's national domestic marketing campaign, partnerships with AA Traveller and the NZ Motor Caravan Association through to procurement of visitor travel data, will benefit the district and wider region as well.

## **Adopting a destination management approach for Waikato**

Destination management brings together different stakeholders to achieve the common goal of developing a well-managed, sustainable visitor destination. It is an ongoing process that requires destinations to plan for the future and considers the social, economic, cultural and environmental risks and opportunities.

Adopting a destination management approach enables communities and destinations to respond to changing conditions and determine the type of tourism they would like to have and the benefits they would like to receive, taking an active role in managing these.

Destination management requires a holistic and integrated approach with three interdependent components:

1. **Visitor Experience:** the Waikato's experience offering, including activities, attractions, supporting infrastructure, services and amenities.
2. **Marketing and Promotion:** the destination's marketing and promotional activity, creating demand and enabling the destination to be competitive, productive and sustainable.
3. **Resource Management:** the region's strategy, policy and regulatory frameworks, Te Tiriti o Waitangi, co-governance arrangements, organisational structures and the investments that support the destination.



We have successfully managed to attract funding from the Ministry for Business, Innovation and Employment to undertake this work.

## **Major and regional events**

Hamilton & Waikato Tourism know that hosting major and business events are crucial to lead the economic and social recovery of the Waikato region. Tourism New Zealand research indicates that up to one-third of domestic travel is primarily driven by people looking to participate in events.

Post-COVID, the national funding made available has enabled us to activate our Regional Major Events Strategy.

### **Domestic Events Fund**

The Domestic Events Fund was a \$10 million fund established to support the events sector which had been significantly impacted by the COVID-19 pandemic. It was a contestable fund to provide funding to events that deliver the greatest flow-on benefits to regional economies. This fund was designed to inject immediate cash-flow to the sector and the broader supply chain.

We were part of the regional evaluation panel and recommendations were made to Major Events NZ who approved the funding. Waikato worked with Rotorua, Taupō and Ruapehu. Collectively we had 12 events approved of funding, equating to \$1.25 million. Of these, six were events in our Waikato area.

### **Regional Events Fund – Thermal Explorer Highway**

The four regions of the Thermal Explorer Highway collective including Waikato, Rotorua, Taupō and Ruapehu were approved \$3.75 million for regional events by Tourism Minister Stuart Nash on 18 December 2020.

The Regional Tourism Organisations (RTOs) from Waikato, Rotorua, Taupō and Ruapehu, alongside their council partners, worked together on developing a collaborative regional events investment plan for the next 2-3 years to drive additional domestic visitation into their regions.

This was the first investment from the \$50 million Regional Events Fund to stimulate domestic tourism and travel between regions through holding events. The fund is intended to support the tourism and events sector, while replacing some of the spend from international tourists as a result of COVID-19.

Hamilton & Waikato Tourism were selected as the Lead Entity for the Regional Events Fund across the four regions. We see the collaboration between Waikato, Rotorua, Taupō and Ruapehu will lead to a strong and compelling event proposition for our four regions, who also partnered together for the Domestic Events Fund.

The bulk of the \$3.75 million fund will be used to create a contestable fund with successful events being supported over a three-year period. The focus will be on the development of iconic or anchor events, with a mix of new and expansion of existing events. Another

portion of the funding will be used to run capability building workshops and training for event organisers and suppliers, plus develop or update existing regional event strategies; with the remainder to cover administration, legal and event measurement.

Expressions of Interest for the Contestable Fund will open on 2 February 2020.

## **Activating tourism opportunities in Waikato District**

New opportunities, product development and events supported by Hamilton & Waikato Tourism during the first six months of the financial year include:

- Kimihia Lakes development – continue to support
- Sculpture Park @ Waitakaruru – support and guidance for expanded hours and tour offerings
- Franklin Tourism Group – operator support and collaboration
- Hampton Downs – advice and support for securing of events
- Tata Valley development – continue to support
- i-SITE visitor information network – support and advice around strategic review
- Food tourism in Raglan – support new operators and tours

## **Regional Business Partner Network**

The Government provided funding for subsidised business advice services under the COVID Business Recovery Programme. In the Waikato region, this was delivered through the Regional Business Partner (RBP) programme with Te Waka. Hamilton & Waikato Tourism were sub-contracted to Te Waka for three months to provide advice and support for tourism businesses. In total, 77 tourism businesses were supported through the RBP programme.

## **Tourism Futures Taskforce**

In June 2020, the Minister of Tourism set up the New Zealand Tourism Futures Taskforce (the Taskforce) following the significant change to global travel and tourism in New Zealand as a result of COVID-19.

The main purpose of the Taskforce is to advise on what changes New Zealand can make to the tourism system, so that tourism enriches both New Zealand and the wellbeing of New Zealanders.

The Taskforce is co-chaired by Rotorua Mayor Steve Chadwick and Grant Webster from Tourism Holdings Limited. It will make recommendations to address the long-standing productivity, inclusivity and sustainability (environmental, social and economic) issues present in some parts of the tourism sector.

The Taskforce will use a design-thinking approach to draft recommendations, which will be aligned with the four capitals – economic, environmental, social and cultural – set out in the Treasury’s Living Standards Framework.

The Taskforce will provide an initial report on the future of tourism in New Zealand in December 2020, with final recommendations and steps for implementation in April 2021.

## Conclusion

As we continue to lead the rebuilding and reimagining of our tourism industry post-COVID, our key focus areas for the coming six months include:

- continuing to work with our industry to stimulate domestic demand between now and through the autumn/winter season;
- continue to leverage partnership with Tourism New Zealand's national marketing campaign;
- support tourism businesses through the impacts of the COVID-19 and lead industry capability building;
- develop a destination management plan approach by merging our existing Visitor Strategy and Tourism Opportunities Plan;
- investigate, review and enhance existing and new touring routes around the region and across borders;
- promote the hero domestic traveller experiences of our region, including cycling and food;
- support event organisers, venues and suppliers to restore our market share in the business events sector;
- support the development of large-scale commercial accommodation to increase average length of stay;
- assist new visitor experience development across the region;
- lead the implementation of the Regional Events Fund for Waikato, Rotorua, Ruapehu and Taupō;
- deliver the additional 27 programmes of work funded under STAPP to boost our economic and social recovery; and
- continue to lobby and advocate for the tourism sector with Government.

On behalf of the board and management of Hamilton & Waikato Tourism, we would like to thank Waikato District Council, our local government partners and the industry for their continued support, especially as we continue to work our way through the long-term impacts of COVID-19. Your proactive and supportive approach during COVID-19 has been greatly appreciated by the tourism sector and our community.

**Jason Dawson**  
 Chief Executive  
 Hamilton & Waikato Tourism  
 January 2021

### Open Meeting

<b>To</b>	Strategy and Finance Committee
<b>From</b>	Clive Morgan General Manager Community Growth
<b>Date</b>	18 January 2021
<b>Prepared by</b>	Ben Burnand Long Term Plan Project Manager
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318 / 2991331
<b>Report Title</b>	Long Term Plan 2021-31 Update

## I. EXECUTIVE SUMMARY

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Councils are required to adopt a Long Term Plan (LTP) every three years. The next LTP will need to be adopted before 30 June 2021.

The purpose of this report is to summarise the progress and decisions made to date regarding the LTP and to provide an update on where the project is at. The workshops and outcomes are detailed in the attachment.

The next phase of work is focused on a number of Councillor workshops scheduled for February which will enable the presentation of detailed information that will cover the following matters:

- Financials – A detailed financial pack will be presented that will allow for exploration and discussion of potential budget options. It will also include the Significant Forecasting Assumptions (SFAs).
- Draft Financial Strategy and draft Infrastructure Strategy.
- Draft Revenue and Financing Policy.
- Draft Development Contributions Policy.
- Draft Key Performance Indicators (KPIs) that are proposed for inclusion in the LTP and will be used for performance monitoring and reporting.
- Draft User Fees and Charges which will have undergone a further review to identify more opportunities around cost recovery for consideration.
- Draft Consultation Document – An early draft will be presented. It is likely that the document will undergo a number of revisions ahead of the consultation period. Workshops will be scheduled accordingly to accommodate this as and when required.

The Financials will be presented at the workshops scheduled for 3-4 February. The remaining LTP components listed above will be scheduled in due course and are dependent upon finalising draft versions. There will also be scope in February/March to consider individual issues and options should they arise through Councillor workshops.

Placeholder Councillor workshops and Council meeting dates will be secured in March to allow for further reviews on LTP components should they be required.

### Upcoming Key Milestones

Milestone	Date
Detailed financials and options	3-4 February
Draft LTP components <ul style="list-style-type: none"> <li>- Draft Infrastructure Strategy</li> <li>- Draft Financial Strategy</li> <li>- Draft Development Contributions Policy</li> <li>- Draft Revenue and Financing Policy</li> <li>- Key Performance Indicators</li> <li>- Draft User Fees and Charges</li> <li>- Draft Consultation Document</li> </ul>	10 February 15 February 22 February (Council meeting)  March TBC
Adoption of Draft LTP for Consultation	23 March
Consultation period	24 March – 23 April
Hearings	May (dates under review)
Deliberations	May (dates under review)
Adoption of LTP	21 June

## 2. RECOMMENDATION

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**THAT the report from the General Manager Community Growth be received;**

## 3. ATTACHMENT

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- LTP Progress and Outcomes – January 2021

Date	Workshop	Led By	Outcome
2 March	Strategic Direction Setting	Margaret Devlin	Feedback sought and received on issues and opportunities for WDC and the district. A Strategic Story was developed as a result of this workshop and circulated to Elected Members and staff.
17 April	Strategic Priority Setting and Community Outcomes	Jim Ebenhoh	Notes were provided on the information that was captured at the 2 March workshop. Community Outcomes were confirmed and feedback was sought and received on the linkage to the Sustainable Development Goals. Council supported these in general.
14 May	Approach to delivery of services	Roger MacCulloch	Roger provided information on the key issues and complexities Council is facing with the delivery of services to the community. No decision was sought. The purpose of this workshop was to provide Elected Members with an understanding of the current challenges we are facing around the delivery of services.
21 May	Communications and Engagement	Jake Quinn	The workshop focussed on the progress made on the draft Communications and Engagement Strategy, and responded to the communication related points raised at the 2 March workshop.
22 June	Approach to Levels of Service Review (Part 1)	Rob Ashley, Steve Browning (Morrison Low)	Feedback was sought on the proposed approach to reviewing Council's Levels of Service. Council supported the approach of each KPI linking back to a Community Outcome. Transport was used as a case study.
30 June	Significance and Engagement, and financial policies	Melissa Russo, Alison Diaz	Feedback sought and received on the proposed changes to the Significance and Engagement Policy. The proposed policy has since been presented to the Policy and Regulatory Committee for approval for consultation which was received. Consultation was scheduled to commence 12 August however has been delayed due to the changes to the national Covid-19 situation and staff believing that the level of feedback received could be compromised. Alison provided information on the financial policies.

28 July	Userpays Principles	Sue O'Gorman	Feedback was sought and received through an interactive exercise on the userpays principles and high level split of userpays vs. rates funded activities. The results of the feedback will be applied when the first draft of the Fees and Charges is developed.
28 July	Partnership Funding	Nick Johnston	An overview of the current outlook on partnership funding was provided and feedback was sought and received on high level thinking for how partnership funding could be most effectively utilised.
6 August	Population Projections and Capacity Modelling	Mark Davey	Support was sought and received on the Population & Household numbers and assumptions that are being used for the Long Term Plan, 30 Year Infrastructure Strategy and the Activity Management Plans.
6 August	Approach to Levels of Service Reviews (Part 2)	Rob Ashley, Steve Browning (Morrison Low)	This workshop was a continuation of the previous Levels of Service presentation held on 22 June. The difference between operational tactical and strategic LOS were defined, and how existing and proposed LOS statements and performance measures will be reflected in Councils AMP's LTP and Infrastructure Plan were discussed. Elected Members supported the approach of more Levels of Service developed at a Strategic and Tactical level. The coming workshops will be in response to the feedback received at this workshop.
31 August	Transport Levels of Service	Rob Ashley, Steve Browning (Morrison Low)	The purpose of the workshop was to discuss options around Levels of Service and their relationship with risk and cost. Feedback was sought and received via an interactive poll on the areas of the asset the Council is most interested in. The draft Performance Measures will be presented back to Council for consideration.
14 September	Open Spaces Levels of Service	Duncan MacDougall, Rob Ashley	The purpose of the workshop was to discuss options around Levels of Service and their relationship with risk and cost. Feedback was sought and received via an interactive poll on the areas of the asset the Council is most interested in. The draft Performance Measures will be presented back to Council for consideration.

15 September	Facilities Levels of Service	Rob Ashley, Megan May	The purpose of the workshop was to discuss options around Levels of Service and their relationship with risk and cost. Feedback was sought and received via an interactive poll on the areas of the asset the Council is most interested in. The draft Performance Measures will be presented back to Council for consideration.
15 September	Solid Waste Levels of Service	Rob Ashley, Jackie Bishop	The purpose of the workshop was to discuss options around Levels of Service and their relationship with risk and cost. Feedback was sought and received via an interactive poll on the areas of the asset the Council is most interested in. The draft Performance Measures will be presented back to Council for consideration.
28 October	Maaori Participation in Decision Making	Melissa Russo	The purpose of this workshop was to seek feedback from Council on how best to represent what Council does to encourage Maaori participation in decision making. Council currently has a policy however an option was provided to include information throughout the LTP on what we do, in addition to the information contained in the policy. The aim of this approach is to be more reflective of Council's relationship with Maaori. Feedback from this discussion was to retain the policy and include information in the LTP on what we do.
28 October	Significance and Engagement Policy	Melissa Russo	Following a period of consultation, the purpose of this workshop was to present the consultation results as well as a proposed policy including amendments as a result of the feedback received. The amendments were discussed and a revised policy will be presented at the November Policy & Regulatory Committee meeting.
16-17 December	Presentation of Activity Management Plans	Activity Managers	The workshops provided an overview of the organisational challenges, opportunities and impact heading into this LTP. All activity managers presented their asset and non-asset Activity Management Plans including key challenges and opportunities, any changes to their plans of operation and any requests for additional resource. Further financial details and options for consideration to be presented during February workshops.



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### **Open Meeting**

<b>To</b>	Strategy & Finance Committee
<b>From</b>	Alison Diaz Chief Financial Officer
<b>Date</b>	28 January 2021
<b>Prepared by</b>	Colin Bailey
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318
<b>Report Title</b>	Treasury Risk Management Policy – Compliance Report at 31 December 2020

## **I. EXECUTIVE SUMMARY**

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The purpose of this report is to inform the Strategy & Finance Committee of compliance with Treasury Risk Management Policy as at 31 December 2020.

All areas of treasury risk management are within policy limits with the exception of:

- Actual to budgeted borrowing costs (item 6): due to a classification adjustment between Local Government Funding Agency borrower notes and interest expense. This permanent variance has been raised with the Committee previously.

Debt at 31 December 2020 is \$95 million compared to budgeted debt of \$134.5 million.

Further debt is unlikely to be required this financial year, subject to Rates receipts remaining at similar levels to 2019/2020 and capital expenditure not exceeding Annual Plan levels.

## **2. RECOMMENDATION**

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**THAT the report from the Chief Financial Officer be received.**

## **3. ATTACHMENTS**

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Treasury Risk Management Policy – Compliance Report at 31 December 2020

## Waikato District Council

## Treasury risk management policy - Compliance report

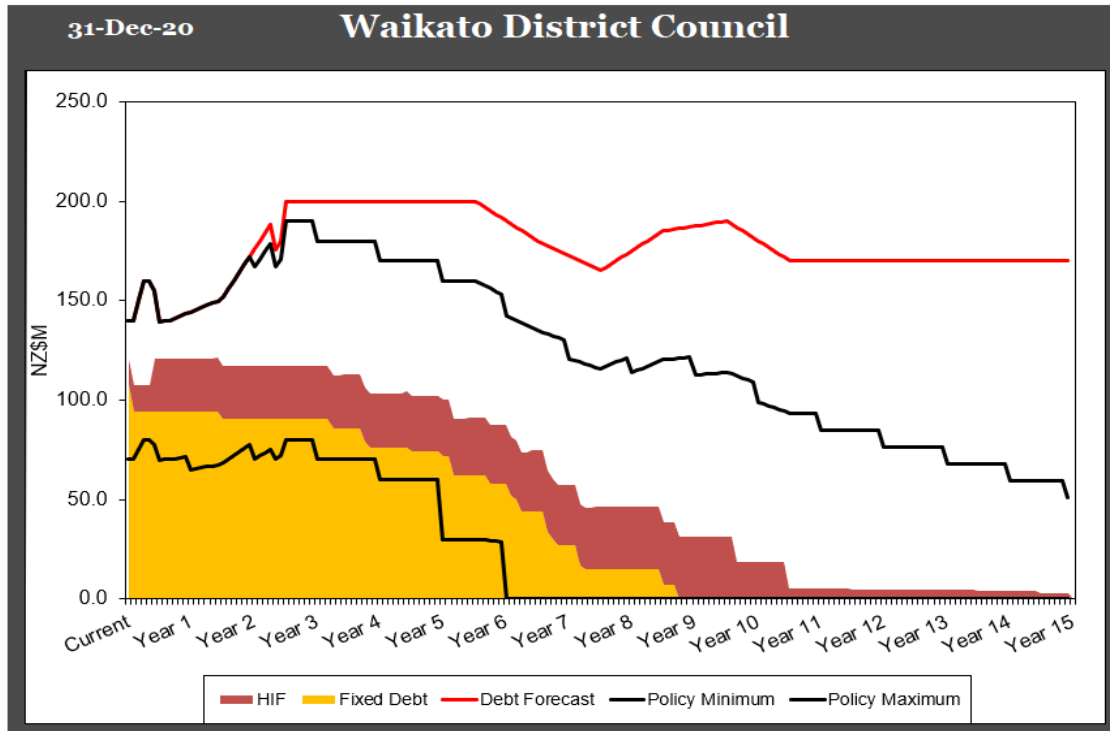
As at 31 December 2020

	Policy criteria	Policy limit	Actual	Within policy?
1	The percentage of net external debt to annual revenue Net external debt = Total annual revenue =	<150%	54.1%	✓
		total external debt (net of related borrower notes) less term deposits and available cash / cash equivalents		
		earnings from rates, government grants & subsidies, user charges, interest, dividends, financial and other revenue excluding non-government capital contributions (eg developer contributions and vested assets)		
2	Net interest expense on net external debt as a percentage of total annual revenue Net interest expense =	<20%	3.4%	✓
		total interest and financing costs less interest income		
3	Net interest expense on net external debt as a percentage of planned annual rates	<25%	4.6%	✓
4	Liquidity ratio Liquidity =	>110%	116%	✓
		external term debt plus committed bank facilities plus available liquid investments as a percentage of external term debt		
5	<p><u>Interest rate benchmark chart</u> Comparison of actual monthly and year-to-date accrued returns vs investing the entire treasury portfolio at the combined average of the 90-day bill rate and the five-year investor swap rate over the last two years.</p> <p>Legend: Benchmark (Blue line), Budget (Pink line), Actual (Green line)</p>			
6	Actual borrowing costs are <= budgeted borrowing costs Current month Year to date	<u>Budget</u> \$457,750 \$2,746,500.00	<u>Actual</u> \$507,269 \$2,274,323	* ✓

7	Current interest rate swaps (including forward starts)			
	<u>Amount</u>	<u>Effective date</u>	<u>Termination date</u>	<u>Fixed rate</u>
	\$			(if effective)
	3,000,000	22-Jun-13	22-Mar-23	4.00%
	4,000,000	22-Jun-13	22-Jun-22	3.83%
	2,000,000	21-Mar-16	21-Mar-24	4.94%
	3,000,000	23-Mar-15	23-Mar-24	4.64%
	4,000,000	23-Mar-20	25-Mar-24	4.75%
	3,000,000	23-Mar-15	23-Sep-24	4.53%
	4,500,000	23-Dec-15	23-Sep-24	4.59%
	4,000,000	22-Jun-16	23-Sep-24	4.62%
	3,000,000	20-Oct-20	21-Oct-24	4.78%
	3,000,000	22-Sep-17	23-Sep-24	4.78%
	4,000,000	23-Mar-20	25-Mar-24	4.85%
	3,000,000	20-Oct-20	21-Oct-24	4.86%
	6,000,000	31-Oct-17	31-Jan-27	3.67%
	2,000,000	1-Mar-19	1-Dec-25	3.85%
	2,000,000	25-Sep-17	25-Feb-27	3.67%
	2,000,000	22-Jun-17	23-Jun-25	3.52%
	3,000,000	22-Mar-23	22-Jun-29	
	4,000,000	25-Mar-24	25-Sep-26	
	4,000,000	25-Mar-24	25-Mar-27	
	4,000,000	23-Sep-24	23-Sep-27	
	3,000,000	21-Oct-24	21-Oct-27	
	10,000,000	30-Sep-19	28-Sep-29	3.55%
	5,000,000	30-Jun-20	29-Jun-29	3.63%
	10,000,000	28-Feb-19	27-Feb-26	3.33%
	10,000,000	28-Aug-18	30-Aug-27	3.37%
	10,000,000	28-Feb-18	28-Feb-28	3.33%
	2,000,000	19-Jun-19	19-Mar-28	3.10%
	2,000,000	19-Jun-19	19-Mar-27	3.28%
	<b>119,500,000</b>	<b>Total swaps</b>		
	<b>101,500,000</b>	<b>Total "live" swaps</b>		
		<b>Average interest rate of live swaps</b>		<b>3.90%</b>
8	Forward start period to be no more than 24 months <u>unless</u> there is a match with the expiry date of an existing swap of the same notional amount		5 swaps with start periods > 24 months forward	all are matched with existing swaps
9	<u>Counterparty credit risk - swaps</u>			
	NZ registered banks (each)	\$30m		
	- ANZ / National		\$0m	✓
	- ASB		\$0m	✓
	- BNZ		\$20m	✓
	- HSBC		\$0m	✓
	- Westpac		\$0m	✓

10 Council's net external debt should be within the following fixed/floating interest rate risk control limits.:

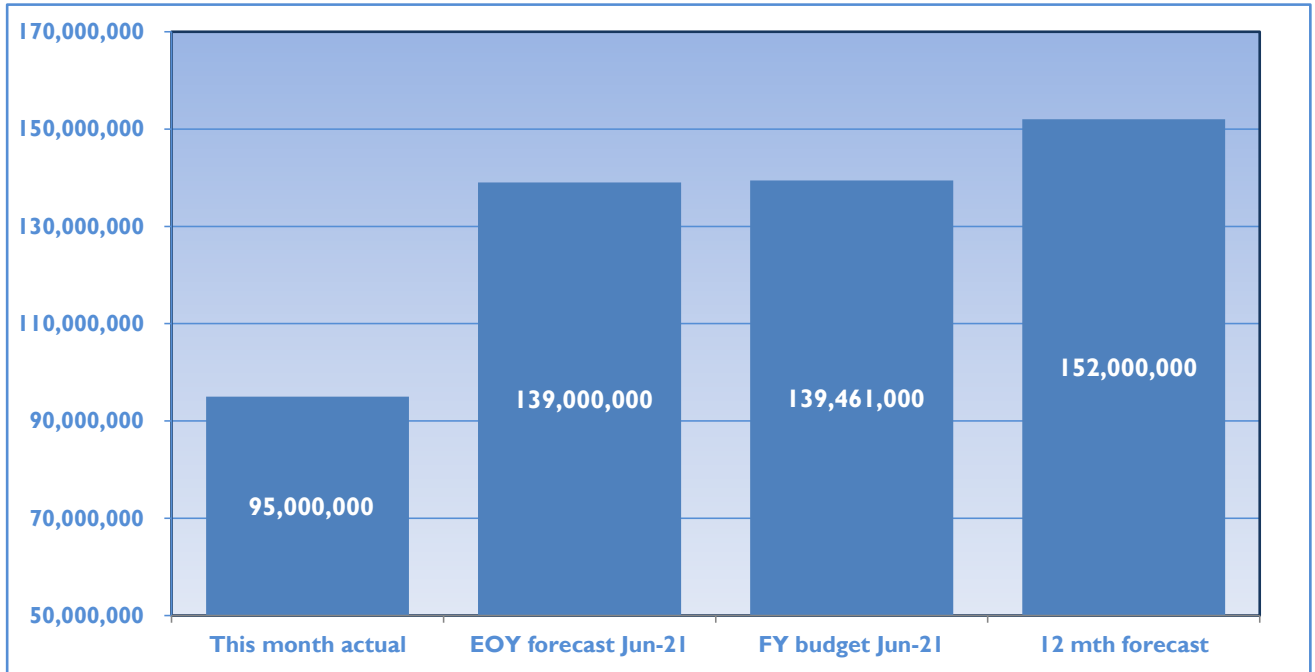
Debt period ending	\$m	Policy criteria	Actual	Within policy
Current	140	50% - 100%	86%	✓
Year 1	144	45% - 100%	83.6%	✓
Year 2	176	40% - 95%	66.6%	✓
Year 3	200	35% - 90%	58.7%	✓
Year 4	200	30% - 85%	51.6%	✓
Year 5	200	15% - 80%	50.2%	✓
Year 6	190	0% - 75%	46.0%	✓
Year 7	173	0% - 70%	33.4%	✓
Year 8	175	0% - 65%	26.5%	✓
Year 9	188	0% - 60%	15.1%	✓
Year 10	180	0% - 55%	8.6%	✓



	Policy criteria	Policy limit	Actual	Within policy?
11	Debt affordability benchmark - limit on debt (actual debt <= limit on debt)	<= \$196.5m	\$95m	✓
12	Balanced budget benchmark (revenue / expenses)	>=100%	102%	✓
13	Essential services benchmark (CAPEX / dep'n - infrastructure)	>=100%	105%	✓
14	Debt servicing benchmark (borrowing costs / revenue) borrowing costs =	<15%	3.2%	✓
		finance expenses per statement of comprehensive revenue and expense		

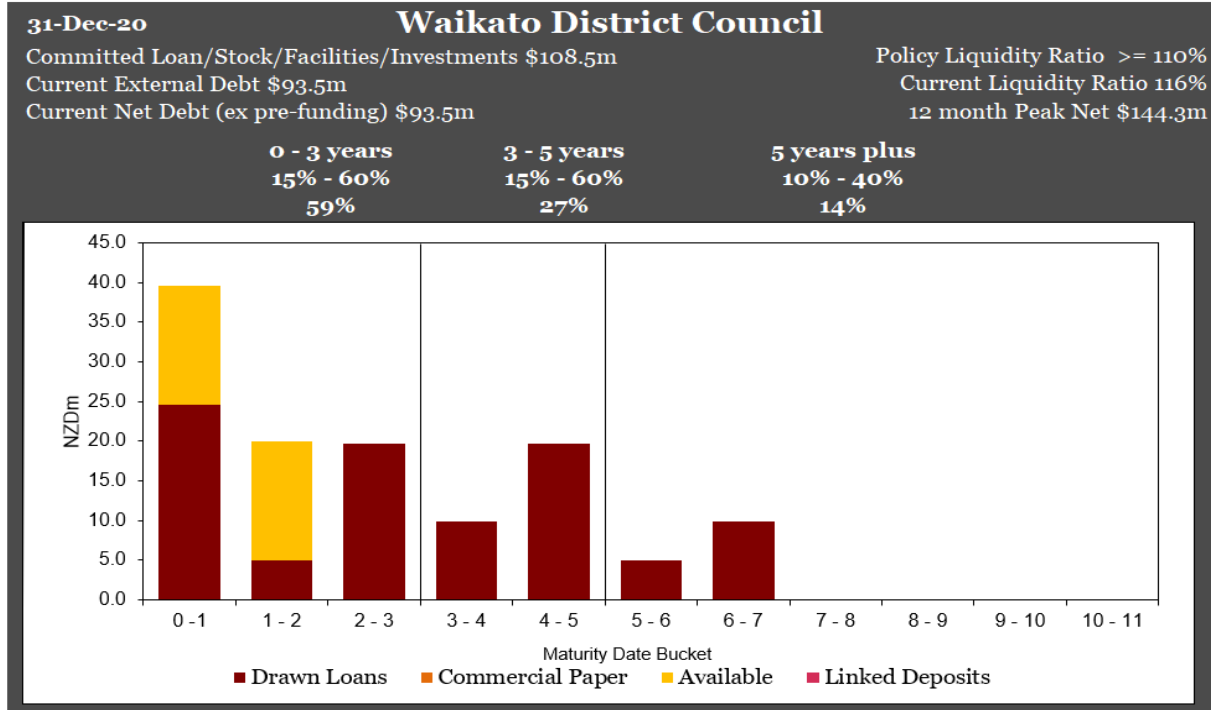
**15** Borrowing at December 2020

This graph depicts actual borrowing - LGFA plus bank (BNZ).



<b>16</b>	Actual monthly (gross) borrowing is within end-of-year budget	\$139,461,000	\$95,000,000	✓
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<b>17</b>	The maturity profile of the total committed funding in respect of all loans and committed facilities			
	0 to 3 years	15% - 60%	59%	✓
	3 to 5 years	15% - 60%	27%	✓
	5 years plus	10% - 40%	14%	✓





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### **Open Meeting**

<b>To</b>	Strategy & Finance Committee
<b>From</b>	Alison Diaz Chief Financial Officer
<b>Date</b>	28 January 2021
<b>Prepared by</b>	Sharlene Jenkins Executive Assistant
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318 / 2998045
<b>Report Title</b>	Council Controlled Organisations Annual Reports

## **I. EXECUTIVE SUMMARY**

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The purpose of this report is to present the Annual Reports of Council's three Council Controlled Organisations:

- Waikato Regional Airport Limited
- Waikato District Community Wellbeing Trust
- Waikato Local Authority Shared Services

These can be found [here](#) on Council's website as required by legislation.

## **2. RECOMMENDATION**

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**THAT the report from the Chief Financial Officer be received.**

## **3. ATTACHMENTS**

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- Waikato Regional Airport Limited Annual Report and Consolidated Financial Statements for the year ended 30 June 2020
- Waikato District Community Wellbeing Trust Performance Report for the year ended 30 June 2020
- Waikato Local Authority Shared Services Annual Report 2020



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**Waikato Regional Airport Limited**  
Annual Report & Consolidated Financial Statements  
For the year ended 30 June 2020

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**Waikato Regional Airport Limited**  
**Annual Report & Consolidated Financial Statements**  
**For the year ended 30 June 2020**

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**Waikato Regional Airport Limited**

Chairman's Forward

For the year ended 30 June 2020

While it is hard to look past the effects of the global COVID-19 pandemic on the last quarter of the financial year there are many underlying positives to reflect on over the full year which left WRAL well positioned to recover quickly and strongly.

- Up to March 2020, the Aeronautical business had achieved steady growth of 8% in passenger numbers which had flowed through to related revenue streams such as car parking and in-terminal retail, including the recently acquired airport terminal café. While the airport finished the year down 21% on the previous year's passenger activity with just 304,000 passengers; the Group benefited from a full year of the revised commercial charges agreed with Air New Zealand in 2018, which ultimately meant our aeronautical income represented a small increase on the prior year. There were no scheduled airline flights during Alert Levels 4 and 3, however the Airport remained fully operational during this time for essential services, medical and military flights. A capital program of over \$1 million was delivered as we continued reinvestment in our infrastructure to preserve our core aeronautical capabilities.
- Titanium Park delivered almost \$6m in land sales from its first 'self-developed' precinct, the Southern Precinct, making a gross contribution to the Group's Net Profit before Tax of over \$2.2 million. Construction of almost 6ha Stage One development was completed and later in the year the Stage Two construction began in response to continued strong demand. The Central Precinct also continues to expand with the 4th Stage under construction at year end and the 5th Stage well advanced in planning. We continue to look to the future with due diligence continuing on the opportunity to develop the Airport's farm into a industrial and commercial 100-hectare Northern precinct.
- Our capital works program of over \$6.5m in the current year was underpinned by the \$4.0m investment in the Airport's Hotel that we assumed ownership of late in the previous financial year. The project remains on budget and is substantially complete with every room having been refurbished and renovated and only a few remaining rooms requiring the last cosmetic upgrades. All areas of the hotel have been modernised and refurbished. The highlight of the year was having hotel operators Jet Park Hotels lift the service and product standards, along with the refurbished property, to be accredited as a Qualmark 4-Star hotel. Like the aeronautical business, promising trading results were hampered late in the year due to the suspension of firstly international travel, then domestic travel and the resulting impact on tourism and conference activity.
- Hamilton & Waikato Tourism continue to promote the region as a destination for domestic and international leisure and business travellers alike. The success of the organisation is perhaps best reflected in its nomination as a finalist for the Ministry of Business, Innovation and Employment Industry Connections Award at the 2019 Tourism New Zealand Awards. The organisation has been very proactive in re-launching domestic tourism to the Waikato, with several pivotal initiatives. These include the very successful Mighty Local campaign encourages Waikato locals to support their local businesses and explore their own backyard, and the Mighty Welcome and Open for Exploration campaigns which were launched later in the year to attract visitors to the region during the July school holidays.



**Waikato Regional Airport Limited**

Chairman's Forward (continued)

For the year ended 30 June 2020

Our Statement of Comprehensive Revenue and Expense is punctuated by two very material line items, Other gains of \$6.1m and Other losses of \$1.5m. Despite the underlying strength of the business and the milestones our Group achieved it is clear the impact of COVID-19 on our business has been significant and will continue to be for some time. The decisions we have made as a group of companies to ensure our costs and upcoming investment remain right-sized to our earnings opportunity in the near future mean we have had to write down the value of several assets, particularly in relation to the aeronautical business.

On a more positive note, we have reported a \$6.1m gain from the revaluation of our investment property portfolio. While this is a paper gain in 2020, the uplift in valuation reflects added value to the shareholders and signals an opportunity for increasing future earnings including returns from ground leases and investment properties. Much of the value-add arises from growth in local property prices spurred on by our own Titanium Park development. This reaffirms our confidence that the decision to adopt a non-aeronautical strategy centred around maximising the value in our property holdings was well founded. The investment into non-aeronautical ventures has proven its worth over the past few months and while there have been marked downturns in our aeronautical and tourism businesses the Group has remained responsive to opportunity and able to invest through a more cautious and measured lens.

At the time of writing, the heavily impacted aeronautical and hotel businesses have recovered well and the horizon for the next few months is very positive.

- We have seen airline activity recover quickly to 40% of its pre-COVID levels with expectations that airline scheduling will see 80% of pre-COVID activity resuming in the domestic market by the end of the 2020 calendar year. If passenger traffic keeps up with this, it is possible the Airport could deliver a 2021 result not materially different to 2020.
- Early in July 2020, our hotel operator Jet Park Hotels secured an agreement with the Ministry of Health to contract the property as a Managed Isolation Facility for New Zealanders returning from overseas to spend their 14 days of border isolation. This provides a very strong and secure income stream to a hotel which was already making great gains in recovering from the downturn in tourism. The securing of this contract is a credit to Jet Park Hotels and dovetails the success of the quarantine facility operated from their Auckland Airport property.

The outlook for next year is as positive as can be expected with the Group forecasting to generate positive cash flows from operations, although it will not be profitable. There are no identified impediments to prohibit us from achieving key milestones set out in our 10 year plan in 2018 and we do not anticipate needing to fully utilise our debt funding lines or call on our shareholders for financial support.




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Barry Harris  
Chairman



**Waikato Regional Airport Limited**

## Consolidated Statement of Comprehensive Revenue and Expense

Year ended 30 June 2020

		2020 \$ '000	2019 \$ '000
<b>Revenue</b>			
Operating revenue	2A	12,385	10,484
Land sales		5,875	2,575
Other gains	2B	6,166	1,123
		<u>24,426</u>	<u>14,182</u>
<b>Expenses</b>			
Operating expenses		(5,574)	(3,903)
Cost of land sales		(3,608)	(1,573)
Employee benefits expense		(3,938)	(2,617)
Depreciation & amortisation	3A, 3B	(3,368)	(2,538)
Other losses	2B	(1,544)	-
Finance costs		(614)	(530)
		<u>(18,646)</u>	<u>(11,161)</u>
<b>Net surplus/(deficit) before tax</b>		<b>5,780</b>	<b>3,021</b>
Tax expense	4A	2,969	(692)
<b>Net surplus/(deficit) after tax</b>		<b>8,749</b>	<b>2,329</b>
<b>Other comprehensive revenue &amp; expense</b>			
Revaluation of property, plant & equipment		-	11,725
Deferred tax		-	(1,455)
<b>Total other comprehensive revenue &amp; expense</b>		<b>-</b>	<b>10,270</b>
<b>Total comprehensive revenue &amp; expense</b>		<b>8,749</b>	<b>12,599</b>

The accompanying notes form part of these financial statements



**Waikato Regional Airport Limited**  
 Consolidated Statement of Changes in Equity  
 Year ended 30 June 2020

	Share Capital \$ '000	Retained Earnings \$ '000	Revaluation Reserves \$ '000	Total \$ '000
Opening Balance - 1 July 2018	14,860	23,192	46,885	84,937
Net profit/(loss) after tax	-	2,329	-	2,329
Other comprehensive income	-	-	10,270	10,270
Disposal of revalued property, plant & equipment	-	53	(53)	-
Total comprehensive income	-	2,382	10,217	12,599
Dividends paid to shareholder	-	(250)	-	(250)
<b>Closing Balance - 30 June 2019</b>	<b>14,860</b>	<b>25,323</b>	<b>57,102</b>	<b>97,285</b>
Opening Balance - 1 July 2019	14,860	25,323	57,102	97,285
Net profit/(loss) after tax	-	8,749	-	8,749
Other comprehensive income	-	-	-	-
Disposal of revalued property, plant & equipment	-	-	-	-
Total comprehensive income	-	8,749	-	8,749
Dividends paid to shareholder	-	(300)	-	(300)
<b>Closing Balance - 30 June 2020</b>	<b>14,860</b>	<b>33,772</b>	<b>57,102</b>	<b>105,734</b>

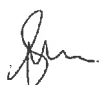
The accompanying notes form part of these financial statements



**Waikato Regional Airport Limited**  
 Consolidated Statement of Financial Position  
 As at 30 June 2020

		2020 \$ '000	2019 \$ '000
<b>Current Assets</b>			
Cash and cash equivalents	5B	629	811
Trade and other receivables		558	1,322
Inventories		117	110
Development property	3C	9,409	10,858
		<b>10,713</b>	<b>13,101</b>
<b>Non Current Assets</b>			
Property, plant and equipment	3A	95,262	92,830
Investment property	3D	25,376	17,132
Intangible & other non-current assets	3B	1,225	1,157
		<b>121,863</b>	<b>111,119</b>
<b>Total Assets</b>		<b>132,576</b>	<b>124,220</b>
<b>Current Liabilities</b>			
Trade and other payables	4B	2,784	3,089
Employee entitlements		388	382
Provisions	4C	-	632
Borrowings	5B	15,888	96
		<b>19,060</b>	<b>4,199</b>
<b>Non Current Liabilities</b>			
Provisions	4C	1,396	-
Borrowings	5B	1,739	14,410
Deferred tax liability	4A	4,647	8,326
		<b>7,782</b>	<b>22,736</b>
<b>Total Liabilities</b>		<b>26,842</b>	<b>26,935</b>
<b>Net Assets</b>		<b>105,734</b>	<b>97,285</b>
<b>Equity</b>			
Share capital		14,860	14,860
Retained earnings		33,772	25,323
Revaluation reserves	5A	57,102	57,102
<b>Total Equity</b>		<b>105,734</b>	<b>97,285</b>

Authorised for issue by the Board of Directors on 30 November 2020



Barry Harris  
 Chair, Board of Directors



Annabel Cotton  
 Chair, Audit & Risk Committee

The accompanying notes form part of these financial statements

**Waikato Regional Airport Limited**  
 Consolidated Statement of Cash Flows  
 Year ended 30 June 2020

	2020 \$ '000	2019 \$ '000
<b>Operating activities</b>		
Receipts from operations	19,135	13,152
Payments to suppliers and employees	(10,104)	(6,251)
Payments for construction of development property	(1,616)	(3,198)
Payment of interest	(588)	(530)
Payment of income taxes	(636)	(863)
Net cash from/(used in) operations	<b>6,191</b>	<b>2,310</b>
<b>Investing activities</b>		
Receipts from sale of property, plant and equipment	5	606
Purchases of property, plant & equipment	(6,473)	(2,499)
Purchases of investment properties	(2,108)	(46)
Purchases of intangible assets	(118)	(122)
Acquisition of business combination	(500)	(549)
Net cash from/(used in) investment activities	<b>(9,194)</b>	<b>(2,610)</b>
<b>Financing activities</b>		
Receipts from/(repayments of) borrowings	3,121	1,339
Payments of dividends	(300)	(250)
Net cash from/(used in) financing activities	<b>2,821</b>	<b>1,089</b>
<b>Net change in cash for the period</b>	<b>(182)</b>	<b>789</b>
Add opening cash and cash equivalents balance	811	22
<b>Closing cash and cash equivalents</b>	<b>629</b>	<b>811</b>

5B

The accompanying notes form part of these financial statements



**Waikato Regional Airport Limited**

Notes to the Consolidated Financial Statements

Year ended 30 June 2020

**Section One: About our annual report**

This section of notes explains how we have prepared the financial statements and the general accounting policies we have applied. More specific policies and judgements we have made are explained in sections 2-4.

**1A Reporting entity**

Waikato Regional Airport Limited owns and operates Hamilton Airport. Its consolidated financial statements include the results of the Company and its wholly owned subsidiaries:

- Titanium Park Limited conducts commercial and industrial property development around the airport precinct.
- Hamilton & Waikato Tourism Limited is the Waikato region's official Regional Tourism Organisation and promotes the region as a business and leisure tourism destination both nationally and internationally.
- Waikato Regional Airport Hotel Limited commenced operating the Jet Park Hamilton Airport Hotel & Conference Centre in May 2019.

**1B Basis of preparation**

These consolidated financial statements have been prepared to comply with:

- Companies Act 1993
- Local Government Act 2002
- Airport Authorities Act 1966

The financial statements are prepared in accordance with Generally Accepted Accounting Practice, which in the case of the Group, is the Public Benefit Entity standards for Public Sector organisations that have less than \$30 million annual expenditure ("Tier 2 PBE Standards"). The Group is eligible to apply Tier 2 PBE Standards, including the Reduced Disclosure Regime as it is not publicly accountable or large.

In preparing the consolidated financial statements, transactions including revenues, expenses and loans occurring between entities and balances owing/receivable between entities at year end in the Group have been eliminated. Individual entity financial statements are adjusted if necessary to comply with the Group's accounting policies upon consolidation.

The financial statements are presented in New Zealand Dollars and rounded to the nearest thousand dollars unless otherwise stated. The Group does not routinely enter into material transactions denominated in foreign currencies.

Except as disclosed in the Notes to the Financial statements, all amounts have been recorded using the historical cost measurement basis, on the assumption the Group is a going concern. All amounts presented are shown exclusive of GST, except for amounts owing or receivable where the balance is inclusive of GST.

**1C Specific Accounting Policies**

Accounting policies adopted by the Group and critical estimates and judgements made in preparing these financial statements are detailed further in the accompanying notes, in addition to those outlined below.

All accounting policies have been applied consistently to both the current reported period balances and the comparative amounts, and there have been no changes in accounting policies in the current or previous year. Certain amounts have been restated from previous periods to comply with current year presentation. Additionally, there have been no material changes arising from the adoption of newly effective accounting standards

**Critical estimates and judgements**

In preparing financial statements that comply with Tier 2 PBE Standards, the Company has made certain estimates and judgements which have a material impact on the amounts reported, in particular the valuation of Property, Plant & Equipment (Note 3A), impairment of Intangible Assets (Note 3B); cost of Development Property (Note 3C); valuation of investment Property (Note 3D); recognition and measurement of assets acquired in business combinations (Note 3E); and provisions and contingencies in respect of Infrastructure Development (Note 4C).





**Waikato Regional Airport Limited**

Notes to the Consolidated Financial Statements

Year ended 30 June 2020

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**(i) Land Sales**

Revenue from sale of development property is recognised when the significant risks and rewards of ownership have passed to the purchaser. This ordinarily coincides with settlement by the purchaser. Upon recognising the sale of development property, the cost of that property and any transaction costs are expensed to net surplus/(deficit).

**(ii) Employee benefit expense & Employee entitlements**

Employee benefit expense includes all salaries, wages, any performance bonuses paid to staff and contributions to post-employment benefit schemes (e.g. Kiwi Saver). The Group's expense also includes PAYE income tax and other deductions made by the Group. Amounts owing to staff, and any deductions collected but not yet paid, are recognised within the Employee entitlements liability. All Employee entitlements including performance bonus schemes are expected to be settled in the next twelve months, so no discounting adjustment is made.

**(iii) Finance Costs**

Finance costs include interest incurred on borrowings and other similar charges. Finance costs are expensed except to the extent they relate to borrowings specifically incurred to finance construction of qualifying assets, in which case the finance costs are capitalised as part of the asset's cost. Qualifying assets typically take more than 6 months to construct. Upon completion of the asset construction, capitalisation of further finance costs ceases.

**(iv) Trade and other receivables**

Trade and other receivables are recorded at their expected realisable value, net of an allowance for balances where collection appears doubtful. Balances receivable by the Group are subject to a provision where there is material uncertainty around collection at 30 June 2020 of \$53,000 (2019: nil).

**(v) Inventory**

Inventories include consumables for use in the Group's operations which are recorded at cost, and goods for re-sale in the Group's retail outlets which are recorded at lower of cost or net realisable value when it is identified the selling price will be less than their cost. There have been no material write downs of inventory in the current or previous period.

**(vii) Impairment of non-financial assets**

All assets not already recorded at fair value are reviewed for indicators of impairment when there are indicators that asset's value may not be recoverable. An impairment loss is recognised when an asset's recoverable value is less than its current carrying value. Impairment losses are recognised in net surplus/(deficit) except to the extent a loss relates to a reduction in the fair value of an asset previously revalued through the Asset Revaluation Reserve, in which case the revaluation reserve is reduced. The recoverable value of an asset is the greater of its disposal value or value in use, being its depreciated replacement cost.

**Waikato Regional Airport Limited**

Notes to the Consolidated Financial Statements

Year ended 30 June 2020

**Section Two: About our performance for the year**

This section provides information about how we performed for the year including how we derived our revenue and earnings, and how we performed against our Statement of Intent.

**2A Operating Revenue**

Operating revenue from exchange transactions is recognised when the underlying goods or services have been provided to the customer. Rental income from property leased to customers by the Group is recognised on a straight line basis over the lease term. Amounts received from customers in advance of the underlying goods or services being delivered are deferred initially and recognised as a liability.

Revenue from non-exchange transactions arise when there is no obligation to deliver goods or services directly in return to the funding provider. Revenue is only deferred if there are other substantive performance obligations yet to be met or conditions to return unspent amounts to the funding provider. Included in non-exchange income is government grant revenues recognised for the COVID19 employer wage subsidy. Grant monies received for the extended period covering July and August 2020 were recognised as a liability at year end as not all performance obligations were met to recognise these revenues by 30 June 2020.

		2020 \$ '000	2019 \$ '000
Aeronautical, landing and passenger charges		3,379	3,350
Leases, rentals and concessions		2,245	2,160
Carparking & retail		2,438	2,540
Hotel trading		1,995	282
Other		132	447
<b>Total exchange revenue</b>		<b>10,189</b>	<b>8,779</b>
Regional Tourism Organisation funding		1,632	1,705
Government grants	2C	564	-
<b>Total non-exchange revenue</b>		<b>2,196</b>	<b>1,705</b>
<b>Total operating revenue</b>		<b>12,385</b>	<b>10,484</b>

**2B Other gains and (losses)**

		2020 \$ '000	2019 \$ '000
<b>Other gains</b>			
Gain on revaluation of investment property	3D	6,136	285
Gain on disposal of property, plant and equipment	3A	30	838
		<b>6,166</b>	<b>1,123</b>
<b>Other losses</b>			
Impairment expense	2C	(1,484)	-
Loss on disposal of property, plant and equipment		(60)	-
		<b>(1,544)</b>	<b>-</b>

**Waikato Regional Airport Limited**

Notes to the Consolidated Financial Statements

Year ended 30 June 2020

**2C Impact of COVID19 Pandemic**

For the majority of the financial year all entities within the group had operated in line with expectations and were achieving substantially all of the performance measures set in their respective Statements of Intent. The global pandemic's impact was most significantly felt during the final quarter of the financial year with the following impacts on each entity:

<b>Waikato Regional Airport Limited (Hamilton Airport)</b>	During Alert Levels 4 and 3, airline services were suspended however the airport remained fully operational to receive medical, essential service and military flights. Limited scheduled services resumed under Alert Level 2 and by year end around 40% of pre-COVID services had resumed. The impact was a \$1.6m shortfall against budget for the 3 month period in operating income attributable to the Airport due to an overall 80% decline in aeronautical activity for the same period.
<b>Titanium Park Limited</b>	There were no material impacts to the current year trading results however certain future property contracts have been cancelled.
<b>Hamilton &amp; Waikato Tourism</b>	A number of promotional events and campaigns did not proceed due to suspension of both domestic and international travel during Alert Levels 4 and 3. This resulted in a reduction in income from industry partners by \$80,000.
<b>Waikato Regional Airport Hotel Limited (Jet Park Hotel Hamilton Airport)</b>	During Alert Level 4 the Hotel facility was contracted to the Ministry of Health as an isolation facility and the hotel remained open under Alert Level 3 to service essential service travellers. Despite this, the general down turn and restrictions on tourism resulted in a 60% decline in trading revenue for the period.

All entities were eligible for the Government COVID19 Employer Wage Subsidy and during the period \$564,000 of income was recognised in respect of this scheme.

As a result of the pandemic there were no material additional operating expenses incurred however there were some savings in operating costs due to cost saving initiatives implemented by the Group during the period and variable operating costs due to the downturn in activity. There were no additional liabilities, commitments or contingencies incurred at 30 June 2020 as a result of cost saving initiatives being implemented.

At the time of issuing these financial statements the Group has not identified any material risk to its ability to continue as a going concern. Due to the effects of the pandemic on the tourism industry being expected to last for up to 24-36 months, it is expected the Group will not likely return net profits after tax in the coming periods, however it will be able to maintain positive operating cash flows inclusive of interest and tax obligations due to the diversity of its income streams. The Group is also in the process of renewing its banking facilities which include an increase in available borrowing facilities to \$30 million.

**Waikato Regional Airport Limited**

Notes to the Consolidated Financial Statements

Year ended 30 June 2020

**2C Impact of COVID19 Pandemic (continued)**

While trading had resumed and recovered positively by 30 June for most areas of the Group, the Group expects the impact of the pandemic to be ongoing for at least 24-36 months based on predictions for the global tourism industry. The medium-term down turn in trading outlook has resulted in the Group assessing and testing its assets for impairment.

▪ Property, plant and equipment items that were not already independently revalued at 30 June 2020 were assessed for impairment by considering prices for similar assets achieved in post-COVID market transactions where available and considering whether assets will be utilised in the normal course of business going forward or whether they are now obsolete, no impairment was identified in this respect. By 30 June 2020, certain capital projects under construction had been suspended resulting in provisions for impairment being recorded against these projects as it is uncertain if or when they will resume.

▪ Certain Intangible assets arising from business combinations were recognised on the basis of assumptions around future cash flows driven by tourism activity in the Airport and Hotel businesses. Where it was estimated the carrying value of these assets would not likely be recovered based on the reduced outlook for tourism over the next 24-36 months, the assets were deemed to be impaired.

▪ Investment property was revalued resulting in a gain of \$6.136m being recognised in the current year. This has been based on independent valuations as further described in Note 3D. The valuers indicated that COVID19 is currently having a major impact on the New Zealand economy. Due to the severe market disruption and the lack of transactional data at the time of valuation, a greater degree of uncertainty is attached to their valuation.

▪ Development property was assessed for impairment by considering price evidence for commercial and industrial land achieved in post-COVID market transactions. In this regard no impairment was identified however due to the cancellation of certain future property contracts, costs incurred in relation to development for these contracts have been fully impaired.

▪ The downturn in trading outlook for the Group and industry as a whole led to increases in provisions for obsolescence of inventory and bad and doubtful accounts receivable collections.

Impairment and other losses in the recoverability of the Group's assets arising from these assessments is summarised below:

Impairment Expense		2020 \$ '000	2019 \$ '000
Property, plant & equipment	3A	(1,186)	-
Intangible assets	3B	(165)	-
Development property		(66)	-
Accounts Receivable		(53)	-
Inventories		(14)	-
<b>Total Impairment Expense</b>		<b>(1,484)</b>	<b>-</b>



**Waikato Regional Airport Limited**

Notes to the Consolidated Financial Statements

Year ended 30 June 2020

**2D Our performance against our financial targets set in our Statement of Intent (Our Statement of Service Performance)**

	2020			2019		
	Actual \$ '000	Target \$ '000	Met	Actual \$ '000	Target \$ '000	Met
<b>Earnings performance targets</b>						
Net surplus/(deficit) after tax <i>no less than</i>	(965)	1,200	✗	615	127	✓
Earnings before tax, interest, depreciation & amortisation (EBITDA) excl Land Sales <i>of at least</i>	2,873	4,000	✗	3,964	3,400	✓
Earnings before tax, interest, depreciation & amortisation (EBITDA) incl Land Sales <i>of at least</i>	5,140	6,000	✗	n/a	n/a	n/a
Percentage of non-landing charges to total revenue <i>of at least</i>	73%	60%	✓	68%	74%	✗
Land Sales <i>of at least</i>	5,875	7,000	✗	n/a	n/a	n/a
Interest coverage ratio <i>of at least</i>	4.7	4.0	✓	7.5	4.0	✓
<b>Cash flow and funding performance targets</b>						
Net operating cash flow excl Land sales <i>of at least</i>	1,932	2,500	✗	2,310	1,900	✓
Net debt <i>a maximum of</i>	16,998	25,000	✓	13,695	18,000	✓
<b>Shareholder value performance targets</b>						
Shareholder funds to total assets <i>of at least</i>	80%	65%	✓	78%	65%	✓
Net profit after tax, interest and revaluations to total assets <i>of at least</i>	4.6%	1.3%	✓	2.0%	0.1%	✓
Net profit after tax, interest and revaluations to total shareholder funds <i>of at least</i>	5.8%	1.0%	✓	3.6%	0.5%	✓

All earnings and profitability financial performance targets exclude the effect of land sales (and land cost of sales) and revaluation gains and losses recognised in net surplus/(deficit) after tax unless otherwise stated. Refer Note 2C for further details around the impact of COVID19 on the Group's ability to meet its performance targets.

**2D Our performance against our non-financial targets set in our Statement of Intent (Our Statement of Service Performance)**

Performance Target	Comment	Met	
		2020	2019
<b>Facilitate health &amp; safety meetings every 2 months with representatives from each company department.</b>	Health & Safety committee meetings are undertaken on a monthly basis	✓	✓
<b>Zero WorkSafe notifiable accidents/injuries.</b>	There were no notifiable incidents in either 2019 or 2020	✓	✓
<b>Independently review and audit the health and safety system each year.</b>	An independent audit of the Group's health and safety framework was undertaken and all recommendations were implemented	✓	✓
<b>To achieve airport certification standards required by the Civil Aviation Authority (CAA) as evidenced by CAA audit reports.</b>	The airport continues to meet all relevant CAA certification standards	✓	✓
<b>Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events).</b>	There have been no incidences of scheduled flights being operationally impacted by controllable events	✓	✓
<b>Facilitate noise management meetings every 4 months in accordance with the noise management plan.</b>	Regular meetings have been facilitated every 4 months	✓	✓

**Waikato Regional Airport Limited**

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Year ended 30 June 2020

**2D Our performance against our non-financial targets set in our Statement of Intent (Our Statement of Service Performance)**

Performance Target	Comment	Met	
		2020	2019
<b>Titanium Park Limited</b>			
<b>Finalise subdivision plans for the 4th Stage of Titanium Park's Central Precinct</b>	Plans were finalised and construction commenced during the year.	✓	n/a
<b>Develop a masterplan for Titanium Park's Northern Precinct and prepare a private plan change submission to Waipa District Council</b>	The masterplan was completed however the project was halted due to the Group's financial constraints arising from COVID19.	✗	n/a
<b>Hamilton &amp; Waikato Tourism</b>			
<b>Achieve 5% growth in visitor nights and visitor expenditure (as measured by key MBIE Tourism statistics)</b>	Growth in these metrics were on track for the year until the travel restrictions imposed due to COVID19 effectively halted Tourism.	✗	n/a
<b>Jet Park Hotel Hamilton Airport (Waikato Regional Airport Hotel Limited)</b>			
<b>Complete a refurbishment program (both internally and externally) that will allow the hotel to be accredited to a Qualmark 4 Star standard</b>	Extensive refurbishment work was undertaken and the property gained Qualmark 4 Star and Silver Enviro accreditations	✓	n/a



### Section Three: About our assets

This section provides information about the assets we own, how much they are worth and how we value and report them on an ongoing basis.

#### 3A Property, Plant and Equipment

##### Classes of Asset

Property plant and equipment comprises the following classes of assets:

- Land owned by the Group for use in its own operations or retained for strategic purposes
- Buildings owned by the Group for use in its own operations or retained for strategic purposes
- Airport infrastructure, including runways, taxiways, apron areas, reticulated systems, internal roading and carparking
- Other plant and equipment, including motor vehicles, general plant and equipment, computer & IT equipment and furnishings

##### Initial recognition

Items of property, plant and equipment are recognised initially at cost. Assets under construction (work in progress) are recognised at cost and are not depreciated until available for use.

##### Subsequent measurement

- Land is revalued to fair value determined from market based evidence of similar land.
- Buildings and Airport infrastructure are revalued on a depreciated replacement cost basis except for the Airport Hotel & Conference Centre building which is valued on a market value basis.

Valuations are undertaken when the Group estimates there has been a material change in fair value, and at least every 5 years. All valuations are undertaken by independent, professional valuers with experience in the types of assets the group owns. Telfer Young Waikato undertake land valuations (last valuation: 2019), Beca Valuations Limited undertake all building and aeronautical infrastructure (last valuations: buildings 2019, infrastructure 2016), except for the Airport Hotel & Conference Centre Hotel Buildings which are valued by Jones Lange LaSalle (last valuation: 2020).

Changes in fair value are recognised within Other comprehensive revenue & expense except where a revaluation results in a carrying value below the asset's cost, in which case decreases below cost are recognised in net surplus/(deficit) for the period.

##### Depreciation

Except for land, the cost or valuation of all items of property, plant and equipment are depreciated over their estimated useful lives on a straight line basis

- Buildings - 4-59 years
- Airport infrastructure - 4-79 years
- Other plant and equipment - 2-50 years

##### Disposals

Upon disposal of an asset, any gain or loss arising between the disposal proceeds and carrying value is recognised in net surplus/(deficit). Any revaluation reserve attributable to the asset is transferred directly to retained earnings.



**Waikato Regional Airport Limited**  
Notes to the Consolidated Financial Statements  
Year ended 30 June 2020

**3A Property, Plant and Equipment (continued)**

	Land	Buildings	Airport Infrastructure	Other Plant & Equipment	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Cost/Valuation</b>					
Cost/Valuation at 1 July 2018	36,206	18,864	22,665	4,952	82,687
Additions	3,448	3,501	935	1,138	9,022
Disposals	(978)	-	-	(13)	(991)
Revaluation	6,530	4,077	-	-	10,607
Cost/Valuation at 30 June 2019	45,206	26,442	23,600	6,077	101,325
Cost/Valuation at 1 July 2019	45,206	26,442	23,600	6,077	101,325
Additions	1,117	3,565	755	1,113	6,550
Disposals	-	(13)	-	(555)	(568)
Revaluation	-	-	-	-	-
Cost/Valuation at 30 June 2020	46,323	29,994	24,355	6,635	107,307
<b>Depreciation</b>					
Accumulated Depreciation 1 July 2018	-	(788)	(3,018)	(3,484)	(7,290)
Depreciation Expense	-	(397)	(1,574)	(367)	(2,338)
Disposals	-	-	-	13	13
Revaluation	-	1,120	-	-	1,120
Accumulated Depreciation 30 June 2019	-	(65)	(4,592)	(3,838)	(8,495)
Accumulated Depreciation 1 July 2019	-	(65)	(4,592)	(3,838)	(8,495)
Depreciation Expense	-	(690)	(1,621)	(558)	(2,869)
Disposals	-	3	-	502	505
Revaluation	-	-	-	-	-
Impairment Expense	2C	(1,186)	-	-	(1,186)
Accumulated Depreciation 30 June 2020	-	(1,938)	(6,213)	(3,894)	(12,045)
<b>Carrying Value</b>					
30 June 2019	45,206	26,377	19,008	2,239	92,830
30 June 2020	46,323	28,056	18,142	2,741	95,262

At 30 June 2020, airport infrastructure of \$497,000 (2019: \$252,000), other plant & equipment \$250,000 (2019: \$401,000) and buildings of \$13,000 (2019: \$500,000) remained under construction and were not in use or depreciated.

Included in additions for the year ended 30 June 2019 is \$2,855,000 of buildings and \$1,800,000 of land re-classified from Investment property. Additions also include \$58,000 of Other plant & equipment acquired under business combinations (2019: \$205,000)

Additions of land for the year ended 30 June 2019 also include \$423,000 of land reclassified from development property.

**Waikato Regional Airport Limited**

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**3B Intangible and other assets**

Intangible and other assets comprise:

▪ Aeronautical designations are consents issued by local authorities that provide regulatory protection for the Group to undertake activities such as extend the airport runway and install approach lighting on neighbouring properties. Assets are recognised initially at the cost obtaining consent from the local authorities, and amortised on a straight line basis over the period of the consents which are between 10 and 15 years (between 1 and 6 years remaining). These assets have been designated as being held in non-cash generating units as the principal purpose is to protect and enhance the future service potential of the airport, over and above generating an economic return.

▪ Other intangibles have arisen primarily from the acquisition of other business around the airport. They reflect the benefit to the Group of acquiring these businesses with standing contracts and customers and are amortised on a straight line basis over the length of the remaining lives of the contracts which are normally up to 3-6 years. During the year ended 30 June 2020 \$606,000 (2019: \$272,000) of other intangible assets were recognised in the business combination transaction. These assets are designated as being held in cash generating units as these businesses were acquired for the purpose of generating a profit, rather than to enhance the service potential of the aeronautical business.

▪ Other assets that are recognised initially at the cost of acquisition and amortised on a straight line basis over the expected life of the underlying asset.

	Designations \$ '000	Other Intangibles \$ '000	Other Assets \$ '000	Total \$ '000
<b>Cost</b>				
Cost at 1 July 2018	1,394	-	184	1,578
Additions	-	394	-	394
Disposals	-	-	-	-
Cost at 30 June 2019	1,394	394	184	1,972
Cost at 1 July 2019	1,394	394	184	1,972
Additions	-	732	-	732
Disposals	-	-	-	-
Cost at 30 June 2020	1,394	1,126	184	2,704
<b>Amortisation</b>				
Accumulated Amortisation 1 July 2018	(497)	-	(119)	(616)
Amortisation Expense	(163)	(27)	(9)	(199)
Disposals	-	-	-	-
Accumulated Amortisation 30 June 2019	(660)	(27)	(128)	(815)
Accumulated Amortisation 1 July 2019	(660)	(27)	(128)	(815)
Amortisation Expense	(163)	(327)	(9)	(499)
Impairment Expense	-	(165)	-	(165)
Disposals	-	-	-	-
Accumulated Amortisation 30 June 2020	(823)	(519)	(137)	(1,479)
<b>Carrying Value</b>				
30 June 2019	734	367	56	1,157
30 June 2020	571	607	47	1,225

2C

**Waikato Regional Airport Limited**

Notes to the Consolidated Financial Statements

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**3C Development Property**

The Group, through its subsidiary Titanium Park Limited, undertakes the development of commercial and industrial property for sale. Land held by the Group for development is recognised initially at cost, or carrying value on the date it is designated for development if previously held as Investment property, or Property, plant and equipment. The balance of Development Property includes the costs of land plus costs such as roading and utilities infrastructure as well as consents from regulatory authorities needed to develop subdivisions and interest capitalised on borrowings used to finance development.

Development property is carried at the lower of its cost or its fair value less cost to sell. Fair value less cost to sell is determined by the Group based on contracted future sales prices, and estimates of market value of land not committed to future sale, taking into account sales activity of comparable properties and typical costs incurred in completing sales.

	2020 \$ '000	2019 \$ '000
Opening balance	10,858	9,157
Development costs capitalised	1,977	3,666
Reclassification to property, plant and equipment	-	(392)
Less cost of development property sold	(3,426)	(1,573)
	<b>9,409</b>	<b>10,858</b>

At 30 June 2020, the Group has 19.1 hectares (2019: 24.6 hectares) available for development and sale.

**3D Investment property**

Investment properties are land and buildings owned by the Group and held for capital appreciation, or primarily for earning rental income under operating leases. Investment properties are recognised initially at cost then subsequently measured to fair value annually, with changes recognised in net surplus/(deficit).

Fair value is determined by independent, professional valuers Telfer Young Waikato who have experience in the type of investment properties owned by the Group. Valuations are derived from comparable market data for similar properties.

	2020 \$ '000	2019 \$ '000
Opening balance	17,132	21,456
Acquisitions & additions	2,108	46
Redesignation of investment property	-	(4,655)
Changes in fair value	6,136	285
	<b>25,376</b>	<b>17,132</b>

During the year ended 30 June 2019, \$4,655,000 of investment property was redesignated as property, plant and equipment due to it now being occupied by the Group.



**Waikato Regional Airport Limited**

Notes to the Consolidated Financial Statements

Year ended 30 June 2020

**3E Business Combination**

On 27 September 2019, the Group completed the acquisition of the Mavis Lounge Airport Cafe business via its parent company Waikato Regional Airport Limited. The business was previously a tenant of the Airport. The Group employed all existing staff at that date and acquired assets/(liabilities) at their fair values as detailed below. The cafe, situated in the Airport passenger terminal, continued to trade under WRAL ownership while still using the Mavis Lounge name until May 2020 when it was rebranded to Propeller Airport Cafe.

The following assets/(liabilities) were acquired at their fair values

	<b>2020</b>
	<b>\$ '000</b>
Intangible assets	606
Property, plant & equipment	58
Inventories	10
Deferred tax asset arising on acquisition	(169)
Employee entitlements	(5)
Fair value of acquired assets and liabilities	<b>500</b>

As the consideration paid equalled fair value of assets and liabilities acquired, no goodwill arose on acquisition. The intangible asset recognised was assessed based on the incremental future cash flow benefit expected to WRAL from owning the business compared to being solely the income it would have received under the former lease agreement. The amortisation period of the asset was deemed to be 6 years, being the remaining period of the lease controlled by the vendor.

The business' trading was significantly impacted by COVID19 and for the period controlled by WRAL, it contributed a net deficit of \$260,000 including \$285,000 of depreciation, amortisation and impairment losses. Refer Note 2C for further information.



**Waikato Regional Airport Limited**

Notes to the Consolidated Financial Statements

Year ended 30 June 2020

**Section Four: About our obligations and commitments**

This section details the future liabilities and commitments we have, and how we have measured and calculated them.

**4A Income Tax**

Income tax is recognised in net profit/(deficit) except to the extent it relates to items recognised in equity. Income tax expense for the period comprises current tax and deferred tax. Current tax is the estimated income tax payable based on the current period taxable income, plus any adjustments to income tax payable in respect to prior periods.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax losses used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Income Tax Expense	2020 \$ '000		2019 \$ '000	
Net surplus/(deficit) before tax		5,780		3,021
Income tax at Group's tax rate	28.0%	(1,618)	28.0%	(846)
Effect of tax exempt income	(32.9%)	1,899	(3.6%)	109
Effect of expenditure non-deductible for tax purposes	21.8%	(1,259)	13.4%	(404)
Adjustments in respect of prior periods	(1.7%)	99	(0.9%)	26
Current tax expense	15.2%	(879)	36.9%	(1,115)
Effect of change in legislation for building depreciation	(48.9%)	2,825	0.0%	-
Effect of temporary differences (deferred tax expense)	(17.7%)	1,023	(14.0%)	423
Total tax expense	(51.4%)	2,969	22.9%	(692)

Movement in Deferred Tax Assets/(Liabilities)	1 July 2018	Recognised in Surplus	Recognised in OCRE	Business Combination	30 June 2019
Property, plant and equipment	(7,393)	392	(1,455)	54	(8,402)
Employee entitlements	28	(7)	-	-	21
Other	12	38	-	5	55
	<b>(7,353)</b>	<b>423</b>	<b>(1,455)</b>	<b>59</b>	<b>(8,326)</b>

Movement in Deferred Tax Assets/(Liabilities)	1 July 2019	Recognised in Surplus	Recognised in OCRE	Business Combination	30 June 2020
Property, plant and equipment	(8,402)	3,586	-	-	(4,816)
Employee entitlements	21	19	-	-	40
Other	55	243	-	(169)	129
	<b>(8,326)</b>	<b>3,848</b>	<b>-</b>	<b>(169)</b>	<b>(4,647)</b>

**Waikato Regional Airport Limited**

Notes to the Consolidated Financial Statements

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**4B Trade and other payables**

Trade and other payables are recorded initially at their fair value. All amounts are interest free, and expected to be settled in the next accounting period.

	2020 \$ '000	2019 \$ '000
Trade payables and accrued expenses	1,305	1,892
Revenue received in advance	664	714
Income tax payable	815	483
	<b>2,784</b>	<b>3,089</b>

**4C Provision for Infrastructure Development**

Due to the nature of property development undertaken by the Group via its subsidiary Titanium Park Limited, the Group has a number of actual and potential future obligations to construct (or contribute to the construction of) water supply and reticulation, waste water facilities and roading infrastructure around the Hamilton Airport precinct.

Provisions are recognised at the Group's best estimate of future costs in relation to commitments where a present obligation has arisen, discounted for the expected timing of the construction or contribution being made. The initial cost of a provision is capitalised as part of the asset to which it relates with subsequent changes in the provision due to discounting reflected in net surplus/(deficit).

	2020 \$ '000	2019 \$ '000
Opening balance	632	632
Additional obligations and commitments capitalised	743	-
Provision utilised	(5)	-
Other changes recognised in net surplus/(deficit)	26	-
	<b>1,396</b>	<b>632</b>

During the year ended 30 June 2020, the Group was able to extend certain consents by up to 5 years meaning it could defer \$632,000 of obligations that were previously classified liabilities at 30 June 2019. Accordingly, these obligations have been classified as non-current liabilities at 30 June 2020.



**Waikato Regional Airport Limited**

Notes to the Consolidated Financial Statements

Year ended 30 June 2020

**4C Infrastructure Development (continued)**

Contingent liabilities are recognised where there is less certainty about the timing, amount or likelihood of a future commitment, and when no present obligation exists. The Group's best estimate of the potential future commitment is disclosed where practicable, but not included within its balance sheet.

<b>Contingent liabilities</b>	<b>2020</b> <b>\$ '000</b>	<b>2019</b> <b>\$ '000</b>
Waipa District Council - water supply upgrade contribution	690	502
NZTA State Highway 21 - intersection upgrade contribution	unknown	unknown

The estimate of costs in relation to the NZTA State Highway 21 Intersection cannot be reliably estimated as the eventual intersection design is dependent on future traffic flow and generation which are outside the control of the Group.

**4D Commitments**

At 30 June 2020, the Group had capital commitments of \$851,000 (2019: \$1,071,000)

**4E Events subsequent to balance date**

Subsequent to year end the Group entered into an agreement to purchase a neighbouring property for approximately \$1,000,000



**Waikato Regional Airport Limited**

Notes to the Consolidated Financial Statements

Year ended 30 June 2020

**Section Five: About how we are funded and our shareholder value**

This section gives information about our shareholders including their shareholdings and how their interest in the Group has grown in value.

**5A Equity****Share Capital**

The shareholding of Waikato Regional Airport Limited at 30 June 2020 was:

	Ordinary Shares	Percentage
Hamilton City Council	2,486,752	50.0%
Waipa District Council	777,110	15.6%
Waikato District Council	777,110	15.6%
Matamata Piako District Council	777,110	15.6%
Otorohanga District Council	155,422	3.2%
	<b>4,973,504</b>	<b>100.0%</b>

There were no changes in shareholding during the year (2019: none). All shares are fully paid and carry equal rights to vote and share the net assets of the Company. The shares have no par value, nor any fixed dividend rights.

**Asset Revaluation Reserve**

The accumulated, unrealised gains in asset revaluation are accumulated in the Asset revaluation reserve and are attributable the following asset classes:

	2020 \$ '000	2019 \$ '000
Land	34,712	34,712
Buildings	7,832	7,832
Airport Infrastructure	14,558	14,558
	<b>57,102</b>	<b>57,102</b>



**Waikato Regional Airport Limited**

Notes to the Consolidated Financial Statements

Year ended 30 June 2020

**5B Cash and Borrowings**

Cash and cash equivalents comprise cash on hand and bank accounts held with reputable retail banks in New Zealand. This balance also includes overdraft facilities used for working capital purposes and set off facilities between account balances among Group entities.

Borrowings are longer term debt facilities held with retail banks in New Zealand used to finance capital and investment requirements.

<b>Borrowings</b>	<b>2020</b>	<b>2019</b>
	<b>\$ '000</b>	<b>\$ '000</b>
Current portion - due within 12 months	15,888	96
Non-current portion - due between 12 and 24 months	1,739	12,671
Non-current portion - due between 24 and 36 months	-	1,739
<b>Total drawn borrowing facilities</b>	<b>17,627</b>	<b>14,506</b>
Undrawn bank overdraft facilities	1,050	1,050
Undrawn term borrowing facilities	6,303	6,494
<b>Total unutilised borrowing and overdraft facilities</b>	<b>7,353</b>	<b>7,544</b>

The weighted average interest rate on borrowings at year end was 3.58% (2019: 4.07%). All borrowings and overdraft facilities are held with the Bank of New Zealand and are secured by way of a general security agreement and mortgages over certain land, buildings, investment properties.

<b>Cash and cash equivalents</b>	<b>2020</b>	<b>2019</b>
	<b>\$ '000</b>	<b>\$ '000</b>
Cash and bank balances held by the Group	224	221
Cash and bank balances held in trust and with restrictions on use	405	590
	<b>629</b>	<b>811</b>

As is common for the types of land sales contracts entered into by Group, customers pay a deposit which is customarily retained in an independent trust account until settlement of a property sale is complete. The Group includes such amounts as part of its cash and cash equivalents balance but these are restricted in their use as the Group must first get approval of customers to use such monies to meet specific performance obligations under its land sale contracts.

**Section Six: Corporate Governance and Management**

Section Six provides details about remuneration provided to the Group's Directors and Key Management Personnel, as well as details of transactions that took place with related parties

**6A Related parties**

The following transactions took place with entities and individuals related to the Group

	2020 \$ '000	2019 \$ '000
<b>Remuneration</b>		
Directors	187	219
Number of directors	9	11
Key management personnel	959	1,001
Number of personnel (full time equivalent)	6	6
<b>Other</b>		
Transactions in which directors declared an interest	152	199

Transactions carried out between the Group and its related parties arise from interests declared by directors. These transactions were for purchases of IT-related goods and services in the normal course of the Group's business.



**Waikato Regional Airport Limited**

Notes to the Consolidated Financial Statements

Year ended 30 June 2020

**6B Directors Holding Office**

	<b>Director Fees</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$ '000</b>	<b>\$ '000</b>
<b>Waikato Regional Airport Limited</b>		
John Spencer CNZM (Chair, retired 30 April 2019)	-	38
Barry Harris (Chair, appointed 1 March 2019)	48	13
Annabel Cotton	29	30
Carlos Da Silva	29	30
Margaret Devlin	29	30
<b>Titanium Park Limited</b>		
Margaret Devlin (Chair) - (2019: 4 months)	-	6
Carlos Da Silva - (2019: 4 months)	-	6
Graham Dwyer - (2019: 4 months)	-	6
<b>Waikato Regional Airport Hotel Limited (incorporated 9 April 2019: 3 months)</b>		
John Spencer CNZM (Chair, retired 30 April 2019)	-	-
Barry Harris (Chair)	-	-
Annabel Cotton	-	-
Carlos Da Silva	-	-
Margaret Devlin	-	-
<b>Hamilton &amp; Waikato Tourism</b>		
Annabel Cotton - Chair	18	18
Simon Douglas (retired December 2019)	6	12
Steven Gow (appointed January 2019)	12	6
Richard Leggat (appointed January 2019)	12	6
Mark Morgan	-	-
Don Scarlet (retired December 2018)	-	6
Karleen Turner Puriri (retired December 2019)	6	12

From 1 November 2018, the Directors of the Parent Company (WRAL) became the Directors of Titanium Park Limited under a common Board of Directors. From this point forward, the Directors were no longer separately remunerated by Titanium Park Limited. The common Board of Directors also included Waikato Regional Airport Hotel Limited from April 2019; the Directors receive no separate remuneration from this entity.

In addition to Director Fees paid, Margaret Devlin received payment for other advisory services of \$3,000 (2019: \$8,000) and Graham Dwyer \$41,000 during the 2019 financial year only. Annabel Cotton received \$5,000 (2019: \$5,000) for Chairing the Group's Audit & Risk Committee.

**Waikato Regional Airport Limited**

Notes to the Consolidated Financial Statements

Year ended 30 June 2020

**6C Employee Remuneration**

The numbers of employees outlined below received remuneration including salaries and performance bonuses exceeding \$100,000:

	2020	2019
\$330,000-\$339,999	-	1
\$260,000-\$269,000	1	-
\$190,000-\$199,999	-	1
\$180,000-\$189,999	1	-
\$170,000-\$179,999	1	1
\$150,000-\$159,999	1	-
\$140,000-\$149,999	-	1
\$100,000-\$109,999	-	1

**6D Auditor**

Pursuant to the Local Government Act 2002, Audit New Zealand is the auditor of the Group on behalf of the Auditor General. Audit New Zealand were paid \$139,000 for the audit of the Group and subsidiary financial statements (2019: \$109,000).



## Independent Auditor's Report

### To the readers of Waikato Regional Airport Limited's Group financial statements and performance information for the year ended 30 June 2020

The Auditor-General is the auditor of Waikato Regional Airport Limited Group (the Group). The Auditor-General has appointed me, David Walker, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Group on his behalf.

### Opinion

We have audited:

- the financial statements of the Group on pages 4 to 12 and 16 to 28, that comprise the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and the notes to the consolidated financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages 13 to 15.

In our opinion:

- the financial statements of the Group on pages 4 to 12 and 16 to 28:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Reporting Standards Reduced Disclosure Regime; and
- the performance information of the Group on pages 13 to 15 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives, for the year ended 30 June 2020.

Our audit was completed on 30 November 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of Covid-19 on the Group. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

## **Emphasis of matter – impact of Covid-19**

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Group as set out in note 2C to the financial statement. We draw specific attention to the following matter due to the significant level of valuation uncertainty caused by Covid-19:

### ***Investment property***

Note 2C on page 12 describes the greater degree of uncertainty highlighted by the valuer, related to estimating the fair values of the Group's investment property.

## **Basis for our opinion**

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

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

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

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

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

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

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

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

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

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

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

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Group's statement of intent.

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

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

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

- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and the performance of the group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

### **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 3, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

### **Independence**

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit and the services we were provided through the use of the Jet Park Hotel and conference centre, we have no relationship with, or interests in, the Group.



David Walker  
Audit New Zealand  
On behalf of the Auditor-General  
Auckland, New Zealand



# Waikato District Community Wellbeing Trust

## Performance Report

### For the year ended 30 June 2020

Table of contents

Entity information

**Legal name**

Waikato District Community Wellbeing Trust (the Trust).

**Type of entity and legal basis**

The Trust was incorporated on 1 November 2010 under the Charitable Trust Act 1957 and is domiciled in New Zealand. On the same date the Trust was registered in accordance with the Charities Act 2005 to give it charitable status. (Registration number: CC45642)

The Trust is controlled by Waikato District Council (Council) and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002, by virtue of Council's right to appoint the Trustees.

### Objectives of the Trust

1. To comply with the terms of the Trust Deed and in particular with the duties of the Trust as set out in clause 11 of the Deed \*;
2. To develop an investment mandate seeking for the portfolio both income and growth from suitably diversified investments having a moderate investment risk.

\* Clause 11 of the Deed lists the Trust's objectives as:

- a) To consider and approve projects submitted by Waikato District Council (Council);
- b) To publicise the projects and activities of the Trust;
- c) To actively promote the work of the Trust with a view to ensuring the long term operations of the Trust;
- d) To ensure information about the Trust's activities and objectives is available to people within the area and fosters a sense of community achievement and betterment;
- e) To develop appropriate funding allocation mechanisms; and,
- f) To be guided by a clearly defined set of principles.

The principal activities of the Trust are undertaken to:

- Promote the social, environmental and cultural wellbeing of the Waikato district and its communities;
- Deliver on the aspirations and community outcomes of the Waikato district as identified and promoted by the community; and,
- Fund projects identified by Council's planning documents.

### Structure of the Trust's operations, including governance arrangements

The Trust comprises a Board of five Trustees who oversee the governance of the Trust.

The operation and administration of the Trust are undertaken by staff of Council. Those staff members are: Finance Manager, PA to the General Manager-Strategy & Support, Community Development Coordinator and Financial Accountant.

The Trustees are:

Mayor Allan Sanson  
 Councillor Jacqui Church (Chairperson)  
 Councillor Rob McGuire  
 Council appointee Eileen Bateup (resigned 10 December 2019)  
 Council appointee Judi Muru

### Main sources of the Trust's cash and resources

The Trust's introductory fund was provided by distribution of the capital fund of the Waikato Foundation Trust.

The proceeds of that distribution are invested in a portfolio of financial assets managed by Kiwi Wealth Limited. The returns from the portfolio are the Trust's source of continuing revenue.

Statement of service performance

The following performance measures were incorporated into the Statement of Intent for the year ended 30 June 2020.

Objective	Performance Measures	2019/20 Result	2018/19 Result
<b>Governance:</b> To comply with the terms of the Trust Deed and in particular with the duties of the Trust as set out in clause 11 of the Deed.	Undertake an annual legal review of compliance with the Trust Deed no later than two months after the end of each financial year.	Achieved. The review was completed on 31 August 2020; the formal report was received on 03 December 2020.	Not achieved. The review was completed on 17 September 2019.
<b>Investment:</b> To adhere to the Trust's <i>Management of Investment Portfolio and Distribution Policy</i> .	At each quarterly meeting review compliance with the Trust's <i>Management of Investment Portfolio and Distribution Policy</i> during that quarter.	Achieved. Quarterly compliance certificates have been provided to each meeting of trustees. The certificates are reviewed and adopted by the Trust Board.	Achieved. Quarterly compliance certificates have been provided to each meeting of trustees. The certificates are reviewed and adopted by the Trust Board.
To review on an annual basis the investment mandate and the performance of the portfolio manager.		Achieved. The performance of the portfolio manager was reviewed in February 2020.	Achieved. The performance of the portfolio manager was reviewed in February 2019.
<b>Fund disbursement:</b> As per the <i>Management of Investment Portfolio and Distribution Policy</i> , to distribute a total grant disbursement that does not exceed 50% of the accumulated net income after allowing for accumulated expenses, inflation movements and prior year distributions.	A distribution process is undertaken that distributes the annual fund to eligible recipients in accordance with funding targets set by the Trustees in accordance with the <i>Management</i>	Achieved. Total cumulative Grant approvals equate to 1.73% of the accumulated net income after allowing for accumulated expenses and inflation movements.	Achieved. Grant approvals equate to 10.5% of the accumulated net income after allowing for accumulated expenses and inflation movements.

<p><b>Fund disbursement (cont)</b></p>	<p><i>of Investment Portfolio and Distribution Policy for the current year.</i></p> <p>Six-monthly reports are received from all successful applicants within the required timeframe.</p>	<p>Achieved. All required reports were received</p>	<p>Achieved. All required reports were received</p>
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**Portfolio and distribution policy compliance**

Agreed targets	Actual Outcome 2019/20	Actual Outcome 2018/19
<p>Ensure that the real (inflation adjusted) value of the fund is protected.</p>	<p>Achieved. The capital maintenance fund has been increased by 2% of opening capital while the annual Consumer Price Index increased by only 1.5% over the year.</p>	<p>Achieved. The capital maintenance fund has been increased by 2% of opening capital while the annual Consumer Price Index increased by only 1.7% over the year.</p>
<p>Ensure that no more than 10% of the capital is distributed in any one year.</p>	<p>Achieved. Grants approved of \$19,000 amount to 0.45% of total capital.</p>	<p>Achieved. Grants approved of \$97,774 equal 2.5% of total capital.</p>
<p>Ensure there is diversification of investments with a 7.5% cap on the value of any single investment in the portfolio.</p>	<p>Mostly achieved. The instances where the cap was exceeded related to the PIE investments which now make up the total investment portfolio. Given that all of the portfolio is now invested in PIE funds and the Trust does not actually own individual investments this target is under review.</p>	<p>Mostly achieved. The instances where the cap was exceeded related to the PIE investments which now make up the total investment portfolio. The Trustees will re-consider the appropriateness of this target when preparing the statement of intent for the 2020-21 financial year.</p>
<p>The portfolio investment manager will report regularly to the Trustees.</p>	<p>Achieved. The portfolio investment reports are provided to the Trustees at each meeting.</p>	<p>Achieved. The portfolio investment reports are provided to the Trustees at each meeting.</p>

### Declaration by Board of Trustees

The Board of Trustees is responsible for the preparation of the financial statements and performance information in accordance with the financial reporting standards.

The Board of Trustees is responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting and service performance results. In the opinion of the Board of Trustees, these financial statements fairly reflect or give a true and fair view of the financial position, operations and service performance of the Waikato District Community Wellbeing Trust for the year ended 30 June 2020.

Trustee: \_\_\_\_\_

Trustee: \_\_\_\_\_

Date: 22-12-2020

Date: \_\_\_\_\_

### Statement of financial performance

	Note	2019/20		2018/19
		Actual	Budget	Actual
		\$	\$	\$
<b>Revenue</b>				
Finance income	1	180	141	223
Dividend income from portfolio of investments managed by Kiwi Wealth		-	-	-
Realised gains on investments		104,634	69,977	22,288
Unrealised gains on investments		200,990	215,642	253,258
<b>Total revenue</b>		<b>305,804</b>	<b>285,760</b>	<b>275,769</b>
<b>Expenses</b>				
Audit fees		8,627	7,808	7,810
Other expenditure	2	26,528	29,709	25,471
Grants	3	-	37,968	187,774
Unrealised losses on investments		-	-	-
<b>Total expenses</b>		<b>35,153</b>	<b>75,485</b>	<b>221,055</b>
<b>Surplus (deficit) for the year</b>		<b>270,651</b>	<b>210,275</b>	<b>54,714</b>

Statement of financial position
---------------------------------

	Note	2019/20		2018/19
		Actual	Budget	Actual
		\$	\$	\$
<b>Assets</b>				
<b>Current assets</b>				
Bank accounts and cash	4	37,108	15,873	1,882
Investments	5	4,449,386	3,963,917	4,301,156
Prepayments		385	408	386
<b>Total current assets</b>		<b>4,486,879</b>	<b>3,980,198</b>	<b>4,303,424</b>
<b>Total assets</b>		<b>4,486,879</b>	<b>3,980,198</b>	<b>4,303,424</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Creditors and other payables	6	188,382	50,003	234,096
Accrued expenses	7	56,229	8,164	97,711
<b>Total current liabilities</b>		<b>244,611</b>	<b>58,167</b>	<b>331,807</b>
<b>Total liabilities</b>		<b>244,611</b>	<b>58,167</b>	<b>331,807</b>
<b>Total assets less total liabilities (net assets)</b>		<b>4,242,268</b>	<b>3,922,031</b>	<b>3,971,617</b>
<b>Trust equity</b>				
Introductory fund	8	2,579,899	2,579,899	2,579,899
Capital maintenance fund		564,702	559,505	485,270
Accumulated funds		1,097,667	782,626	906,448
<b>Total Trust equity</b>		<b>4,242,268</b>	<b>3,922,031</b>	<b>3,971,617</b>

Statement of cash flows
-------------------------

	Note	2019/20		2018/19
		Actual	Budget	Actual
		\$	\$	\$
<b>Cash flows from operating activities</b>				
<b>Cash was received from:</b>				
Interest receipts		180	141	219
Dividends received		-	-	-
<b>Cash was applied to:</b>				
Payment to donees		(95,529)	(198,162)	(118,798)

12/22/2020

Rob McGuire - Outlook Web App

Payment to suppliers	(26,819)	(16,983)	(31,575)
<b>Net cash flows from operating activities</b>	<b>(122,168)</b>	<b>(216,004)</b>	<b>(150,154)</b>
<b>Cash flows from investing and financing activities</b>			
Net investment movement	157,394	215,824	12,231
<b>Net cash flows from investing and financing activities</b>	<b>157,394</b>	<b>215,824</b>	<b>12,231</b>
Foreign exchange translation differences	-	-	5
<b>Net increase (decrease) in cash for the year</b>	<b>35,226</b>	<b>820</b>	<b>(137,918)</b>
Add opening bank accounts and cash	4	1,882	139,800
<b>Closing bank accounts and cash</b>	<b>4</b>	<b>37,108</b>	<b>1,882</b>

### Statement of accounting policies

### Basis of preparation

The Trustees have elected to apply PBE SFR-A (PS) *Public Benefit Entity Simple Format Reporting – Accrual (Public Sector)* for Tier 3 entities on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

Notwithstanding the comments above, the following Tier 2 PBE accounting standards have been used:

PBE IPSAS 4 The effects of changes in foreign exchange rates; and,  
PBE IPSAS 29 Financial instruments: recognition and measurement.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future. See note 16 for further comment.

### Goods and services tax (GST)

The Trust is not registered for GST. All amounts in the performance report are inclusive of GST.

### Significant accounting policies

### Interest and dividend revenue

Interest revenue is recognised as it is earned during the year.  
Dividend revenue is recognised when the dividend is declared.

#### **Foreign currency transactions**

Foreign currency transactions are translated into New Zealand Dollars using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses, resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in surplus (deficit) for the year.

#### **Grant expenditure**

All grants made by the Trust are classified as discretionary.

Discretionary grants are those grants where the Trust has no obligation to award on receipt of the grant application. Such grants are recognised as expenditure when approved without condition by the Trustees and the approval has been communicated to the applicant. Discretionary grants made subject to conditions are recognised as expenditure when all conditions have been met.

#### **Income tax**

The Trust has charitable status and is exempt from income tax.

#### **Bank accounts and cash**

Bank accounts and cash includes cash on hand and deposits held at call with financial institutions.

#### **Investment portfolio**

Components of the investment portfolio are classified as financial assets at fair value through surplus or deficit. The reason for this classification is that the portfolio is comprised of identified financial instruments that are managed together and for which there is evidence of short-term profit-taking.

All financial assets in the portfolio are classified as current assets.

After initial recognition, financial assets in this category are measured at their fair values with gains or losses on re-measurement recognised in the surplus(deficit) for the year.

#### **Creditors and accrued expenses**

Creditors and accrued expenses are measured at the amount owed.

#### **Budget figures**

The budget figures are derived from the statement of intent approved by the Trustees at the beginning of the financial year. The budget figures have been prepared in accordance with Tier 3 standards (with the exceptions noted above), using accounting policies that are consistent with those adopted by the Trustees in preparing these financial statements.

#### **Changes in accounting policies**

There have been no changes in accounting policies.



Notes to the performance report
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**1. Finance income**

	2019/20	2018/19
	Actual	Actual
	\$	\$
Interest income from portfolio of investments managed by Kiwi Wealth	179	191
Interest income from BNZ	1	32
<b>Total finance income</b>	<b>180</b>	<b>223</b>

All finance income is generated through exchange transactions.

**2. Other expenditure**

	2019/20	2018/19
	Actual	Actual
	\$	\$
Management fees	25,127	24,172
Insurance	1,151	1,130
Other expenses	248	169
<b>Total other expenditure</b>	<b>26,526</b>	<b>25,471</b>

**3. Grants paid**

	Purpose of Grant	2019/20	2018/19
		Actual	Actual
		\$	\$
The Bush Tramway Club Inc	To extend existing carriage storage shelter	-	10,000
Waikato District Crime Prevention Technology Trust (Huntly)	To upgrade Huntly township existing CCTV cameras	-	30,000
Raglan Community Arts Council	Towards construction of a theatre and clay shed on the Old School site in Raglan	-	20,000
Ngaruawahia Squash Racquets Club	To upgrade bathroom facilities	-	8,000
Ngaruawahia RSA Memorial Club	To upgrade building roof	-	20,000
Taupiri Rugby Football Club	To install three heating units	-	9,000
Matangi-Hillcrest Sports Club Inc	To remedy water supply issues	-	5,774

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Waikato District Crime Prevention Technology Trust	To review and upgrade all existing CCTV cameras and monitoring equipment across the Waikato District (excluding Huntly)	- 25,000
Huntly Volunteer Fire Brigade	To replace the Brigade support vehicle	- 20,000
Te Kauwhata and Districts Information & Support Centre Incorporated	To purchase the existing community building and land	- 40,000
<b>Total grants paid</b>		<b>- 187,774</b>

#### 4. Bank accounts and cash

		2019/20 Actual \$	2018/19 Actual \$
Cash at bank		909	948
Cash investments managed by Kiwi Wealth	Note 13	36,199	934
<b>Total bank accounts and cash</b>		<b>37,108</b>	<b>1,882</b>

The carrying value of cash at bank approximates its fair value.

#### 5. Investments

		2019/20 Actual \$	2018/19 Actual \$
Fixed interest instruments managed by Kiwi Wealth		1,999,955	1,933,767
Equity instruments managed by Kiwi Wealth		2,449,431	2,367,389
<b>Total investments</b>		<b>4,449,386</b>	<b>4,301,156</b>

The Trust has a portfolio of investments which is managed by Kiwi Wealth Limited. The portfolio investments are detailed in note 13.

No accrued interest (June 2019: \$nil) is included in the portfolio.

#### 6. Creditors and other payables

		2019/20 Actual \$	2018/19 Actual \$
- Audit fee 2017		7,628	7,628
- Audit fee 2018		7,730	6,693
- Audit fee 2019		7,966	-

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- Audit fee 2020	2,300	-
- Annual return fees	102	102
- Insurance	2,300	2,579
- Other expenses	-	1,272
- Grants	158,217	213,746
<b>Total Council Payable:</b>	<b>186,243</b>	<b>232,020</b>
Management fee	2,139	2,076
<b>Total creditors and other payables</b>	<b>188,382</b>	<b>234,096</b>

Creditors and other payables are non-interest bearing and are normally settled within 30 days, therefore the carrying value of trade and other payables approximates their fair value.

All payables have arisen from exchange transactions.

## 7. Accrued expenses

	2019/20	2018/19
	Actual	Actual
	\$	\$
Audit fee – current year	6,327	7,810
Grants	49,556	89,556
Other expenses	346	345
<b>Total accrued expenses</b>	<b>56,229</b>	<b>97,711</b>

## 8. Equity

	Introductory fund	Capital maintenance fund	Accumulated funds	Total equity
Balance at 1 July 2018	2,579,899	406,932	930,072	3,916,903
Surplus (deficit)	-	-	54,714	54,714
Capital maintenance charge	-	78,338	(78,338)	-
<b>Balance at 30 June 2019</b>	<b>2,579,899</b>	<b>485,270</b>	<b>906,448</b>	<b>3,971,617</b>
Surplus (deficit)	-	-	270,651	270,651
Capital maintenance charge	-	79,432	(79,432)	-
<b>Balance at 30 June 2020</b>	<b>2,579,899</b>	<b>564,702</b>	<b>1,097,667</b>	<b>4,242,268</b>

### Introductory and capital maintenance funds

The Trust was established with an initial contribution resulting from the transfer of 35% of funds previously held by the Waikato Foundation Trust as at 31 January 2012. This was recognised as revenue in that year and transferred to the introductory fund.

The Trust's performance objectives, as listed in the Statement of intent for the year to 30 June 2020, include a requirement to protect the real (inflation adjusted) value of the fund. An adjustment of 2% of opening capital is added to the Capital maintenance fund annually in order to achieve this objective.

## 9. Commitments

### *Capital commitments*

There are no capital commitments as at 30 June 2020 (June 2019: Nil).

### *Operational commitments*

As at 30 June 2020 the Trust had the following grant commitments:

Donee	Purpose of grant	Amount
Tuakau Youth Sport Trust	To build a new skatepark in Tuakau.	20,000
David Johnstone Pukemokemoke Trust	To upgrade the walking track and install composting toilets	8,000
Raglan Community Arts Centre	To establish a new power connection	9,000
Ruawaro Combined School	Install artificial turf on the sports courts	10,000
Total outstanding grants		\$47,000

All grants are subject to conditions and are not paid until those conditions are fulfilled.

## 10. Contingent liabilities

There are no contingent liabilities as at 30 June 2020 (June 2019: Nil).

## 11. Events after balance date

Since balance date Trustees have been advised that the grant to Ruawaro Combined School, as disclosed in note 9 Commitments, is no longer required.

## 12. Related party transactions

The Trust is controlled by Waikato District Council and is a member of the Waikato District Council Group along with Council and Strada Corporation Limited. All transactions with related parties were conducted at arms-length.

During the period Council has paid some expenses on behalf of the Trust and there is an amount payable to Council at balance date. Those transactions

comprise expense and grants payments and the balance outstanding at 30 June 2020 is \$186,243 (June 2019: \$232,021). See note 6 for details.

### 13. Managed portfolio

The portfolio of the Trust's investments is managed by Kiwi Wealth Limited. The portfolio composition is:

	June 2020	June 2019
	\$	\$
Cash investments	36,199	934
Fixed interest	1,999,955	1,933,767
Equity investments	2,449,431	2,367,389
Total managed portfolio	4,485,585	4,302,090

### 14. Explanation of major variances against budget

Explanations for major variances from the Trust's budget figures in the 2019/20 Statement of Intent are as follows:

- Revenue is budgeted on a conservative basis and is generally estimated at a steady return of 7.26% (before expenses) on the opening portfolio balance. Despite the potential negative economic effects of the Covid-19 pandemic, this year's actual return is only slightly lower at 7.11%.
- No grants were actually paid, compared with a budget of \$37,968; a reflection of the small number of eligible applications received. The result is that total expenses are significantly lower than expected.
- Accrued expenses include \$49,556 of grants which donees are eligible to uplift but have not yet presented invoices for; hence the very large variance between budget and actual for this liability.

### 15. Breach of section 67A of the Local Government Act 2002

The Trust did not adopt its audited financial statements within the extended time frame allowed under section 67A of the Local Government Act 2002 (before 30 November 2020).

The reason for the late adoption arose through challenges created by the Covid-19 pandemic and the audit was unable to be completed until after 30 November 2020.

### 16. Economic effects of the Covid-19 pandemic

As noted earlier, these financial statements have been prepared on a going concern-basis. This is despite the greater than usual level of volatility in the investment market which is the Trust's source of revenue.

The reason for maintaining the assumption of going-concern is that the Trust's major outgoing is its grants to community projects. The Trust's Distribution Policy factors both income and equity levels into the calculation of available grant funds. While it may be possible that the Trust will be forced to suspend grants, it is highly improbable that the Trust will be wound up as a result of the economic impact of the Covid-19 pandemic.

The Trust's investment fund has suffered no lasting impact from the effects of the pandemic. While market values fell in March 2020 a full recovery was gained almost immediately.

There has been no impact on the level of grants approved; only a small number of valid applications was received.



## Annual report 2020

**Waikato councils are working together in the best way possible, for the collective benefit of them and their communities - which means less burden on ratepayers, happier communities and council staff and more effective councils**

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## Chair & CEO report

2020 will not be a year any of us forget anytime soon. While the company has been able to continue with little direct impact from Covid-19, we recognise the significant pressure the pandemic has placed on our shareholders. We are grateful for their continued support. We believe that pressure only serves to reinforce the need for councils to use WLASS to work together in the best way possible to achieve greater value for ratepayers. Our Waikato communities will expect it – they too are feeling the pain.

Transformation of the company to a service delivery agent and strategic partner to its shareholding councils has steered the activity of the company during the year. The structural changes to that transformation have been bedded in with a smaller Board in place, chaired by an independent director.

During 2019 we consulted with shareholders to identify a long list of ideas and in the second half of the year the board approved, as priority projects, the development of some of these. The prioritised ideas are all driven by the outcomes we are seeking:

- Reducing council costs, or improving performance without increasing cost;
- Improving the experiences councils' communities have with the councils;
- Increasing central government's investment into, and engagement with, Waikato.

The board is committed to progressing opportunities as hard and as fast as possible. With the support of our shareholders, this has seen significant progress during the year across several initiatives:

- The project to consider how infrastructure procurement could be coordinated regionally was completed. An outcome from that project will be the appointment of a strategic procurement role to work with councils' procurement and contract delivery managers;
- From the prioritised ideas referred to earlier, we commenced work looking at how building consent services could be improved. We also looked at how the existing Shared Services Partnership, which provides water-related services to three of our shareholders, could be integrated into the company and the offering extended to others;
- The board approved expanding RATA to include water services and a Waters Lead Manager has been appointed;
- The business case to progress Waikato OneView was approved. That project commenced on 1 July 2020 and looks at establishing Waikato-wide geospatial data sets and a simple way for customers to view that data; and
- A new professional services panel was established, involving more than 150 suppliers and eight councils.

Our success this year is in no small part due to the support of our shareholding councils. As a small team it is critical that we can leverage resources from within the councils to help progress initiatives. While we have always done so, this year we took this further, offering secondment opportunities to council staff to get involved in WLASS projects. This allows WLASS to consider more opportunities, and progress those more quickly than it otherwise could. For councils and their staff, it provides a great opportunity for staff development. The feedback we have received on this approach has been positive.





As a small team it is also critical that we focus only on those areas where we can add the most value. We have reviewed where we believe we do not do this. From that review, the board agreed, with support from participating councils, to cease our involvement with the Future Proof and Waikato Plan initiatives.

We have improved our performance reporting framework. This framework, and the new performance measures, better align with the outcomes we are looking for.

Financially, WLASS remains in a strong position. While there was a deficit before tax of \$341k, this was in line with budget. Cash reserves are \$1.1m and equity, \$942k. Of the cash reserves, ~\$800k relates to Future Proof and Waikato Plan and has since been be paid across to Waikato Regional Council who are now administering these initiatives.

We would like to take this opportunity to thank Dawn Inglis. Dawn has been the RATA Manager since the unit's inception in 2015. She has been instrumental in the development of the services WLASS offers in this area and has shown great leadership of what is the largest part of our team. Dawn accepted a role within Waipa DC and remains a key stakeholder for WLASS. Dawn, we wish you all the very best.

The year ahead will continue to be challenging for our shareholding councils: Covid-19, water reforms and changes to the RMA confront you. We, also, will continue to challenge you, to help you reduce costs, improve performance and create happier staff and communities.



**Peter Stubbs**  
WLASS Chair



**Kelvin French**  
Chief Executive



## WLASS outcomes & objectives

We want to ensure that Waikato councils are working together the best way possible, for the collective benefit of them and their communities. We want to do this because we believe it is the right thing to do for Waikato. If we achieve this, it will mean a relatively lesser burden on ratepayers, happier communities and council staff and more impactful councils.

Given the evolution of the company, during the year we revisited how we will measure success. This is encapsulated in a new performance framework below.

<b>Our vision</b>	Waikato councils are working together in the best way possible, for the collective benefit of them and their communities - which means less burden on ratepayers, happier communities and council staff and more effective councils.					
<b>Outcomes we are seeking</b>	Council costs are reduced / performance is improved, without increase cost		The experiences of councils' communities are improved		Central government investment into and engagement with Waikato is increased	
<b>Our specific objectives</b>	<ul style="list-style-type: none"> <li>➢ Achieve effectiveness and efficiency gains</li> <li>➢ Reduce duplication of effort and eliminate waste through repetition</li> <li>➢ Helping the councils achieve an appropriate balance in risk and return</li> </ul>		<ul style="list-style-type: none"> <li>➢ Promote and contribute to the development of best practice</li> <li>➢ Make it easier for communities to engage with councils in the Waikato region on a consistent basis</li> <li>➢ Promote business transformation to improve communities' experiences</li> </ul>		<ul style="list-style-type: none"> <li>➢ Enable the Waikato councils to collectively be more effective as a region on the national stage</li> <li>➢ Contribute to building central government's confidence in the Waikato region, and to encourage central government investment</li> </ul>	
<b>Priorities: How we will achieve our outcomes</b>	Investigate the right opportunities	Develop opportunities on time and within budget	Ensure opportunity benefits are realised	Provide services that meet the needs of councils	Foster cross-council collaboration	
<b>What we must manage well</b>	Our relationships	Our services	Our projects	Our people	Our resources	Our reputation

While the assessment of our performance in this annual report is considered against the previous measures, these have been refreshed. The new measures, which are set out in the 2020 Statement of Intent, directly link to, and will provide a better gauge of how we are progressing toward, the outcomes we seek.

## WLASS achievements

The WLASS transformation project

Structural changes

The WLASS transformation project has been well advanced during the year. This is the first year the company has operated under the governance of a smaller Board, with an independent Chair. This

was the last structural change as part of the transformation, following employment of a small core team in the previous year.

#### Opportunity development

Management consulted with shareholding councils to establish a long list of ideas. The feedback received culminated in a recommendation that several of these should be the focus of WLASS' effort, having regard to the outcomes we are seeking for our shareholders and their communities. In line with that recommendation, late last year the board approved five priority projects to develop those ideas. Ultimately, well founded business cases are critical to councils taking up the recommendations flowing from them. Therefore, a robust 'opportunity development' process has been established with Stop|Go points along the way. This allows ideas to progress in a considered way and to ensure that ideas that do not warrant further consideration are stopped early on.

How those opportunities are developed has also changed. While WLASS, as a small company, has always relied on council staff, this year the company started seconding council staff to lead the opportunity development. This approach provides a greater level of committed resource to the company to allow projects to progress as hard and as fast as possible. It also provides a great opportunity for council staff development by being involved in a region-wide project and having exposure to different people and different ways of thinking.

#### A focus on value

When considering which projects should be a focus for WLASS, the company also considered where it was currently providing services that either did not help achieve the outcomes we were seeking or did not add value. Following that review, the Board, with support of the participating councils, agreed to cease its involvement with the Future Proof and Waikato Plan initiatives. The company's role with these initiatives, which was limited to contract management and financial administration support, has passed to Waikato Regional Council.

#### Priority project: Building consent shared services (including L&D and HR support)

The issue and monitoring of building consents is a critical function of councils. It is also an area where councils do not always receive great feedback. This project considers how this function can be delivered in the most efficient way, and in a way that improves the customer experience. During the year, the Board approved progressing development of the opportunity to the second phase. That phase commenced on 1 July 2020.

#### Priority project: Water Shared Services integration

Currently, Hamilton City, Waikato District and Waipa District Councils are party to an agreement under which Hamilton City host a business unit delivering trade waste management, water sampling and analysis and "Smart Waters" services to these councils. The project is to explore whether the existing service could be integrated into WLASS and the services offered to other councils in the region. In April, the board approved progressing this project to business case.

#### Priority project: Coordinated Infrastructure Procurement (CIP)

The CIP project was completed during the year. The objectives of the project were to:

- Consider opportunities to create savings by being 'smarter' at scheduling infrastructure work;
- Minimise situations where councils are competing for the same suppliers;
- Provide suppliers with scale and consistency of activity, giving them greater confidence to invest in staff and equipment and improve economic activity; and
- Improve councils' ability to budget for and deliver on their capital works programmes.



Several opportunities were identified. To crystallise the benefits the Board approved appointing a senior procurement manager focused solely on infrastructure procurement and how the councils could work together to deliver their infrastructure programmes. Recruitment is underway.

### Waikato OneView

In November 2019, the Board approved the business case to establish “Waikato OneView”. Waikato OneView is the next phase of developing a regional geospatial service and follows the successful launch of the WLASS Waikato Data Portal (WDP) in the first half of 2019.

Waikato OneView will see the alignment of key data from different councils through a common data schema and presentation of that data via a Web Map Viewer. It will improve the customer experience by reducing the time required to gather data and increasing the data’s accessibility because it covers the whole region and is always available.

For the councils, a key investment objective is to increase the visibility and accessibility of data with the resulting benefit of improved ability to report across council boundaries. Other objectives include reducing the number of enquiries of council staff (because users can self-serve), and the cost-benefit of collective buying power. The project launched in July 2020.

### Regional Asset Technical Accord (“RATA”)

#### Waters collaboration

The latter half of the 2019/20 financial year saw progress towards water reform with the establishment of a new Crown agency, Taumata Arowai, as the regulator who will administer and enforce the new drinking water regulatory system (from July 2020). WLASS’s business unit, RATA, expanded into water-related services in the latter half of 2019 in response to the expected changes, with Rachael Casey appointed as the RATA Water Collaboration Lead in March 2020.

A Water Business Plan has been developed to deliver on the strategy underpinning the Waters Collaboration Business Case (approved in July 2019). From surveying councils’ Asset Managers, we have developed a range of potential activities and priorities to establish an indicative forward works programme through to 2023.

The Kahorekau Rural Water Supply Upgrade commenced. This is an upgrade of a rural water supply scheme in Otorohanga. The project will pilot an upgrade to meet the new drinking water standards, with an output being a framework to work with DIA to ensure future compliance for similar schemes across the Waikato region.

#### Data collection

The end of the financial year was targeted to be a milestone with the delivery of the high-speed data for pavement condition across the region. The adopted multi-year data collection strategy manages the collection of traffic counts, high speed laser surveys, pavement impact testing (for residual strength), and visual pavement surveys. The milestone in question is the completion of the high-speed data component where the full road network was to be completed in advance of a one-year break. Unfortunately, COVID-19 restricted access to the road network meaning that, while a large proportion of the data collection was completed, for four councils data collection is now delayed to the new financial year.

### Staff changes

After being at the helm since RATA's inception, Dawn Inglis stepped down as RATA Manager in October last year. WLASS is grateful to Dawn for the tremendous amount of work she has done for the company in developing the business unit from its inception in 2015, into a nationally recognised model.

Two new staff members have joined the team in the final half of the year. Shaun Lion-Cachet commenced as the new RATA Manager from January and as noted earlier, Rachael Casey commenced as the Water Collaboration Lead in March. Further staff appointments will be made in the new financial year, including a new Transport Collaboration Lead and a new Water Asset Information Engineer.

### Waikato Regional Transport Model ("WRTM")

Development of the business case to upgrade the WRTM is underway. We will be working with the NZTA to determine their level of funding for the new WRTM. It is anticipated that the future WRTM will comprise a suite of models – a strategic model component covering the Waikato region and one or more meso model components representing the high growth areas to a higher level of detail.

### LiDAR

In February 2019, the Board approved the procurement of a regional Light Detection and Ranging (LiDAR) data set as part of a Land Information NZ nation-wide initiative. That initiative is supported by funding from the Provincial Growth Fund and additional third-party partners. LiDAR is essential to decisions involving the physical world. It helps to drive regional economic growth and spur new investment across the region by enabling councils and businesses to more efficiently plan and develop housing, road and water infrastructure, as well as better prepare for hazards such as flooding, landslides and erosion.

During the year WLASS engaged ixBlue to undertake the work. While we had hoped that some data would be captured before the end of the last flying season, the lockdown in response to Covid-19 prevented this from occurring.

### Waikato Building Consent Group

For the first six months of the 2019/20 financial year the WBCG had been limited in its ability to make progress. It was constrained by a lack of resource while a replacement manager was found. The last six months of the year saw the recruitment of the new Strategic Development Manager, Natalie Allam, and a Quality Assurance Coordinator. These appointments allowed for the delivery of the discovery work for the Building Consent Shared Services (BCSS) priority project referred to earlier. It also enabled the transition of IQP and Producer Statement registers from HCC to WLASS, with effect from 1 July 2020.

The coming financial year will require a review of the WBCG's strategic plan in light of the outcomes of the BCSS project.

### Health & Safety pre-qualification

SHE Software (SHE) is engaged by WLASS to provide health & safety pre-qualification services to Waikato councils. During the period WLASS, council staff and SHE worked together to complete a review of the pre-qualification question set and to make that tool on-line. The tool went live in early December and is expected to make the pre-qualification process significantly easier to complete for councils' contractors.



### Procurement - Professional services panel

A new Professional Services Panel (PSP) was established from 1 August 2019. The panel is significantly expanded from the previous arrangement, involving more than three times the suppliers and eight councils (previously four). The principle purpose of establishing the panel is to provide value to councils in two key ways:

- Securing discounted rates from consultants; and
- Eliminating the time, cost and effort otherwise required of councils to procure services for each piece of work.

### Shared Valuation Data System (“SVDS”)

The SVDS system was replaced by a Software as a Service arrangement with Cubetec. Participating councils were migrated to the new platform by the end of April. The previous SVDS system has been decommissioned. The project to replace the system has been a success: the expected reduction in operating costs is being achieved and significant capital costs to replace SVDS on a broadly like-for-like basis were avoided.

Covid-19 has had some negative impact on the level of bulk data sales, reflected in the revenue generated for the year.

### Future proof

Future Proof’s key areas of focus over the past 12 months have been:

- Developing and implementing the Hamilton to Auckland Corridor Plan;
- Establishing and maintaining key relationships with central and local government, iwi and major developers in the sub-region; and
- Lodging submissions advocating Future Proof’s position.

The Hamilton to Auckland Corridor Plan is now in implementation phase. Future Proof has been heavily involved in the Hamilton-Waikato Metro Spatial Plan and the Sub-Regional Three Waters Study. The Future Proof Implementation Advisor and Independent Chair have been key conduits between the partners and groups.

Future Proof has commissioned two technical reports including a sub-regional industrial land study and housing preference study. These reports will provide a valuable evidence base for the Future Proof councils.

Future Proof has also lodged numerous submissions over the past 12 months, including the NPS-UD, NPS-Highly Productive Land, Waikato 2070, GPS on Land Transport, Ohinewai rezonings, RMA Issues and Options paper, Cambridge Wastewater Treatment Plant consents, Action for Healthy Waterways, Arataki, Urban Development Bill, NZ Rail Plan.

### Energy management

Following the previous successful collaborative arrangement with the EECA, from 1 July last year WLASS and councils entered a new energy and carbon management programme. The programme aims at:

- 1) Extending the programme scope to include tariff validation, monitoring and reporting of all electricity and gas connections with carbon emissions reporting;
- 2) Increasing the skills and capability within councils;
- 3) Improving the visibility of energy-saving possibilities within and across councils; and
- 4) Extending the programme to include a focus on carbon mitigation and carbon reporting.

While council engagement on elective work has been slower than we would have liked, this has improved in recent months. Work that is being undertaken at the moment has generally focused on establishing a carbon inventory for a council.

## By the numbers

Summary financial results for the year:

	2020 (000s)	2019 (000s)	Change
<b>Total income</b>	5,328	4,513	18%
<b>Net surplus before tax</b>	(341)	253	
<b>Cash on hand</b>	1,127	1,460	(23%)

The net deficit before tax is in line with budget. It reflects a decision to minimise member charges in relation to SVDS and instead use cash reserves carried forward from the prior years.

## Performance measures

The following performance measures were included in the Statement of Intent for the 2019/20 financial year.

### Key:

- Achieved
- Partially achieved: Activity remains in progress
- Not achieved

Target	Measure	Outcome	
<b>Procurement</b> Joint procurement initiatives for goods and services for WLASS councils will be investigated and implemented.  <i>Method: Procurement is from sources offering best value, service, continuity of supply, and/or opportunities for integration.</i>	New suppliers are awarded contracts through a competitive tender process.	<b>Achieved:</b> Supply contracts are tendered in line with WLASS procurement policy (which in turn is consistent with the regional procurement framework developed last year). For substantial contracts (e.g. LiDAR, insurance and risk management services, Professional Services Panel), a public tender process has been undertaken. Other contracts have been renegotiated with existing suppliers where it is appropriate to do so.	●
	Professional Services Panel contracts are successfully negotiated.	<b>Achieved:</b> Contracts have been negotiated on time with the panel in place from 1 August 2019, as planned.	●

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Target	Measure	Outcome
<p><b>Collaborative Projects</b> Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented.</p> <p><i>Method: The focus is on shared services which will benefit all councils.</i></p>	<p>A minimum of six priority projects for collaboration are identified per annum.</p>	<p><b>Achieved:</b> A new Professional Services Panel was established from 1 August 2019 with eight councils participating (previously four).</p> <p>Five priority projects to develop opportunities were approved by the Board in November and development of the opportunities commenced prior to year-end.</p> <p>The legal services group is also in early deliberations on a joint procurement for a tool to support legislative compliance.</p> <p>The Coordinated Infrastructure Procurement project was approved by the Board and recommendations from that project made to the Board in June.</p> <p>The business case to expand RATA into waters asset management services was approved by the Board in July last year. The Waters Lead Manager has since been appointed.</p> <p>The business case for Waikato OneView was approved by the Board in November last year. Due to capacity constraints the Board agreed to defer commencing the project until July 2020.</p>
	<p>If considered of value, business cases are developed for approval by the Board, and the projects are implemented.</p> <p>Savings to Councils identified in developed business cases exceeds \$300k.</p>	<p><b>Achieved:</b> The development of any opportunity is subject to a phased approach involving discovery (validating why we would investigate the opportunity, or the problem being solved), opportunity assessment (a light business case), and business case (if required). The Board approves each phase before progression to the next stage.</p> <p><b>Achieved:</b> Business cases or opportunity assessments delivered during the period related to:</p> <ul style="list-style-type: none"> <li>• RATA – Waters collaboration: Benefits are not quantified but based on investment objectives they are considered substantial</li> <li>• Waikato OneView: From surveys undertaken, users of OneView estimate that it will save them time, conservatively estimated at ~\$500k p.a. – which should translate to reduced fees to councils. In addition, it is estimated that there will be software savings of ~\$20k p.a. and council staff</li> </ul>



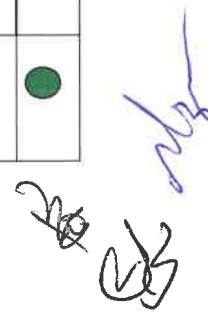




Target	Measure	Outcome	
<p><b>SVDS</b> The SVDS is reliable, well maintained and available to all users.</p> <p><i>Method: A Contract Manager is appointed for SVDS.</i></p> <p><i>The Contract Manager monitors performance of the contractors and reports quarterly to the SVDS Advisory Group.</i></p> <p><i>Risks associated with the SVDS are well managed.</i></p>	<p>The SVDS is available to users at least 99% of normal working hours.</p> <p>The SVDS Advisory Group meets at least 6-monthly.</p> <p>The Annual Business Plan is accepted by the Advisory Group by 31 March 2020.</p>	<p><b>Achieved:</b> the SVDS has been available 99.95% for users during normal business hours.</p> <p><b>Achieved:</b> Four meetings held in August, November, March &amp; June</p> <p><b>Achieved:</b> Accepted by the Advisory Group on 5 March</p>	<p>●</p> <p>●</p> <p>●</p>
<p><b>Insurance</b> Achieve the relevant KPIs in Appendix 4 of the Insurance Brokerage contract with Aon.</p> <p><i>Method: The Insurance Broker delivers on the terms of their contract and provides value to the participating councils.</i></p>	<p>Strategic advice provided by Aon on the insurance programme structure is assessed as satisfactory in the annual WLASS Shareholders' survey by the participating councils.</p> <p>The day-to-day service provided by Aon is assessed as satisfactory in the annual WLASS Shareholders' survey by the participating councils.</p>	<p><b>Not measured:</b> Formal feedback from shareholders by way of annual survey is not being undertaken this year and therefore we are unable to measure performance against this measure. WLASS notes however that the collaborative insurance programme continues to deliver significant benefit to councils. Premium savings are estimated at \$1m- \$1.5m per annum. During the year, insurance and risk management services retendered with Aon re-appointed as the successful participant.</p> <p>The 2020 SOI sets out a new performance framework for the company which puts in place performance measures that better reflect the outcomes we are seeking. For that reason, we are not intending on undertaking a survey of shareholders this year as we have historically done. We will instead be meeting with council CEs on a 1x1 basis and soliciting feedback on performance by this means.</p> <p><b>Not measured:</b> Refer comment above.</p>	
<p><b>RATA</b> Deliver better data for decision making across the Waikato Region, enabling</p>	<p>Reports are presented to stakeholders in October/January/ April and July each year.</p>	<p><b>Achieved:</b> All reports supplied to stakeholders. Improved reporting through Power BI was successfully trialled.</p>	<p>●</p>



Target	Measure	Outcome	
<p>more consistent best practice</p> <p><i>Method: Quarterly update reports are provided to all stakeholders participating in the Data Collection contracts.</i></p>	<p>Reports on progress presented to WLASS Board as at 30 December and 30 June.</p>	<p><b>Achieved:</b> Reports to WLASS Board presented to required deadlines.</p>	●
<p>Data supplied by contractors is of good quality and meets all of the participating councils' requirements.</p> <p><i>Method: Innovation: Identify opportunities to modify standard approaches and/or develop new approaches that will lead to optimal asset management.</i></p>	<p>All data are reviewed for compliance and all good practice requirements are met.</p> <p>Procurement of services complies with WLASS and NZTA's procurement requirements.</p>	<p><b>Achieved:</b> All data received was reviewed for quality requirements and approved.</p> <p><b>Achieved:</b> Procurement of services is in line with WLASS procurement policy and NZTA requirements.</p>	● ●
<p>Leadership: Lead engagement and increase capability within the sector.</p>	<p>Present to a national conference on RATA innovations at least once per year.</p> <p>At least two RATA guidance documents detailing good practice are produced each year.</p> <p>RATA Forums are held 2-monthly to share learnings and experience.</p>	<p><b>Not achieved:</b> RATA presented the Waters Collaboration business case to the Mayoral Forum in August 2019. However, conferences were delayed due to COVID-19 meaning the opportunity to present did not arise. An application to the WaterNZ conference has been submitted for a poster presentation in August 2020.</p> <p><b>Achieved:</b> Issues and Options report prepared for Traffic management Coordinators investigating operational improvements.</p> <p>Stock Underpass business case investigated improvements for management of the assets across the region.</p> <p>RATA is supporting Waters Collaboration investigation work for seven participating councils. This is ongoing.</p> <p><b>Not achieved:</b> RATA forums were significantly disrupted during the financial year with the departure of the previous RATA Manager and the COVID-19 lockdown. These have now recommenced.</p>	● ● ●
<p><b>WRTM</b> The WRTM is reliable, well maintained and available to all users.</p>	<p>All modelling reports requested from the model supplier are actioned within</p>		●



Target	Measure	Outcome	
<p><i>Method: RATA manages the WRTM on behalf of the participating councils, and monitors the performance of the model supplier (currently Traffic Design Group).</i></p> <p><i>RATA reports quarterly to the WRTM Project Advisory Group.</i></p>	<p>the agreed timeframe, scope and budget</p>	<p><b>On track:</b> Stantec continues to provide Service Reports. Ad hoc reporting is provided as requested.</p>	
	<p>A report from RATA on any new developments and on the status of the model is provided to the WLASS Board at least every six months.</p> <p>The quality of the base model complies with NZTA guidelines (as set out in the NZTA's Economic Evaluation Manual), and is independently peer reviewed each time the model is updated.</p>	<p><b>Achieved:</b> Report for the six months to 30 June 2020 is being prepared. The report to 31 December 2019 was presented to the board meeting in February 2020.</p> <p><b>Achieved</b> Model complies with guidelines but there are issues with modelling accuracy in some areas. Development of business case is underway to consider upgrading the model.</p>	●
<p><b>Waikato Building Consent Group</b></p> <p>Provide strategic direction and actively pursue improvements in Building Control across the Waikato region.</p> <p><i>Method: Implement the strategic priorities detailed in the "Build Waikato" May 2017 strategic review document.</i></p>	<p>Milestones for the five strategic review work streams are achieved for:</p> <ul style="list-style-type: none"> <li>Digital experience and technology: a common online customer experience. Success is defined as user friendly, convenient, quick, end-to-end management and communication, measured by customer surveys and systems comparisons.</li> <li>People capability. Success is defined as a successful recruitment and training programme, measured by compliance with BCA Reg. 8 -11.</li> </ul>	<p>The activity of the Waikato Building Consent Group has been heavily impacted throughout the year by a lack of resource (refer commentary under "Key Achievements" section above) and more recently, the WLASS Building Consent Shared Services (BCSS) project.</p> <p><b>On track:</b> Thames-Coromandel, Waipa and Waitomo DCs have successfully implemented the preferred online Alpha One System. Matamata-Piako DC is transitioning to Alpha One in July 2020 and Hauraki DC in September 2020. Hamilton CC and Waikato DC will initiate a transition plan for implementation in the 2021/22 financial year. Otorohanga DC are not planning on changing to Alpha One.</p> <p>The Build Waikato website redesign has been put on hold until a clear direction from the BCSS project is reached. This decision was made to avoid costs being incurred on the redesign which may quickly become redundant.</p> <p><b>On track:</b> WLASS has completed discovery work on a collaborative cadet programme. Discovery has highlighted that the immediate benefits of such a scheme are minimal until the BCSS project outcomes are clear. Councils agreed that the post-COVID environment has produced a level of uncertainty in the next financial year as to building consent</p>	●



Target	Measure	Outcome	
	<ul style="list-style-type: none"> <li>Quality assurance. Success is defined as continued accreditation and increased service consistency, measured by accreditation outcomes, BCA annual audits, and customer surveys.</li> <li>Lift industry competency and compliance. Success is measured by increased industry compliance, with reduced RFIs, and reducing percentages of application or building consent rejection.</li> <li>Central government: engagement and legislative influence. Success is measured by legislative submissions and outcomes.</li> </ul>	<p>numbers which may impact on the success of any programme. Such a programme is being considered as part of the BCSS project.</p> <p><b>On track:</b> There have been successful IANZ audits with good feedback on the cluster QA overall. A new Quality Assurance Coordinator has been appointed and work will commence in the next twelve months on the quality manual and internal audit regime.</p> <p><b>Partially achieved:</b> This is an area requiring continuous improvement. The Technical Committee is continuing to work on consistency across councils on RFI's to improve the customer experience. The BCSS project also has this work in scope.</p> <p><b>On track:</b> Submissions are made when appropriate. Importantly, engagement with Central Government (MBIE) has been targeted and is improving.</p>	<p>●</p> <p>●</p> <p>●</p>
<p><i>Method:</i>                  Fulfil the roles and responsibilities set out in clause 9 of the WBCG's Memorandum of Understanding, 2016.</p>	<p>There is a common understanding and buy-in by all BCAs for the WBCG vision and actions that are taken to achieve this vision, measured by:</p> <ul style="list-style-type: none"> <li>Full participation in WBCG projects and programmes</li> <li>Audits demonstrating implementation and compliance with the agreed QA systems</li> <li>Consistency in service delivery, measured by customer surveys</li> </ul>	<p><b>Achieved:</b> Good participation of all in projects when required but an area where we strive for continuous improvement.</p> <p><b>Achieved:</b> Audits are demonstrating compliance with QA systems.</p> <p><b>Not measured:</b> No customer survey was undertaken this year. However, customers were engaged as part of the discovery phase of the BCSS project, which reinforced that consistency could be improved. Customers are being engaged via a stakeholder reference group as part of that project which has improving "customer experience" as a critical success factor.</p>	<p>●</p> <p>●</p>

*[Handwritten signatures and initials]*

Target	Measure	Outcome	
	Risk management is visible through regular reviews of the Risk Register.	<b>On track:</b> Risk register implemented and reported on quarterly to Advisory Group	●
	All funding requirements are met by each of the participating councils.	<b>On track:</b> All funding commitments met.	●
	Minimum of two reports presented to the WLASS Board on the Group's activities.	<b>Achieved:</b> Reporting on performance measures received and presented to board as part of the annual report. In addition, the Advisory Group Chair has provided the Board with verbal updates on progress recruiting a new group manager (which has now occurred).  Monthly reporting to the WLASS CE on delivery of the annual workplan, a summary of which is included in the monthly portfolio reporting to board.	●
<b>Future Proof</b> Planning for growth in the sub-region is co-ordinated and collaborative.  <i>Method:</i> <i>Joint preparation and input into Phase 2 of the Strategy update</i>	Phase 2 of the Future Proof Strategy is adopted by the Future Proof Implementation Committee no later than December 2020.	<b>Not achieved:</b> Phase 2 of the Future Proof Strategy update has been on hold to allow other projects to sufficiently progress, including the H2A. Work has commenced again on Phase 2. It is anticipated that a draft will be completed early 2021.	●
The Future Proof budget is well managed and monitored.  <i>Method:</i> <i>Bi-monthly reports presented to the Future Proof Chief Executives Advisory Group, and six monthly and annual reports to the WLASS Board.</i>	The overall Future Proof work programme is delivered within the approved budget.	<b>Achieved:</b> the Future Proof work programme to end June 2020 was on budget; however several line items were significantly over budget due to high activity associated with the H2A. This was balanced by unspent items. Government funding for the Sub-Regional Three Waters Study has not yet been successful.	●
Future Proof influences and inputs into District Plan, Regional Plan, growth strategy and any other planning processes which manage growth within the sub-region and neighbouring regions.  <i>Method:</i>	Future Proof makes submissions (using RMA and Local Government processes), on District Plans, LTPs, growth management planning documents, and any central government initiatives which have the potential to impact growth management planning in the sub-region.	<b>Achieved:</b> Future Proof has lodged 11 submissions over the past 12 months	●





## **Independent Auditor's Report**

### **To the readers of Waikato Local Authority Shared Services Limited's financial statements and performance measures for the year ended 30 June 2020**

The Auditor-General is the auditor of Waikato Local Authority Shared Services Limited (the company). The Auditor-General has appointed me, David Walker, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance measures of the company on his behalf.

### **Opinion**

We have audited:

- the financial statements of the company on pages 23 to 45, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance measures of the company on pages 10 to 18.

In our opinion:

- the financial statements of the company on pages 23 to 45:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards Reduced Disclosure Regime; and
- the performance measures of the company on pages 10 to 18 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2020.

Our audit was completed on 11 November 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of Covid-19 on the company. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance measures, and we explain our independence.



## **Emphasis of matter – impact of Covid-19**

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Company as set out in note 20 to the financial statements.

## **Basis for our opinion**

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

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

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

## **Responsibilities of the Board of Directors for the financial statements and the performance measures**

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

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

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

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

## **Responsibilities of the auditor for the audit of the financial statements and the performance measures**

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

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

For the budget measures reported in the financial statements and the performance measures, our procedures were limited to checking that the measures agreed to the company's statement of intent.

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

### **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 9 and page 46, but does not include the financial statements and the performance measures, and our auditor's report thereon.

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

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

### **Independence**

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

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



David Walker  
Audit New Zealand  
On behalf of the Auditor-General  
Auckland, New Zealand



**Financial Statements  
for the year ended 30 June 2020**

A handwritten signature in blue ink, appearing to be "My 2020" with a stylized flourish.

# Waikato Local Authority Shared Services Limited

## Financial statements - 30 June 2020

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**Waikato Local Authority Shared Services Limited**  
**Statement of comprehensive revenue and expenditure**  
**For the year ended 30 June 2020**

**Statement of comprehensive revenue and expenditure**

For the year ended 30 June 2020

	Note	Actual 2020 \$	Budget 2020 \$	Actual 2019 \$
<b>Revenue</b>				
Data sales		456,975	466,926	508,912
Grants		-	-	31,418
Interest		2,369	5,000	13,134
Other revenue	4	<u>4,868,551</u>	<u>5,200,985</u>	<u>3,962,335</u>
<b>Total revenue</b>		<u><b>5,327,895</b></u>	<u><b>5,672,911</b></u>	<u><b>4,515,799</b></u>
<b>Expenditure</b>				
Personnel costs	6	467,588	385,342	149,459
Depreciation and amortisation expense	10,11	56,258	3,712	67,314
Other expenses	5	<u>5,144,584</u>	<u>5,608,587</u>	<u>4,043,366</u>
<b>Total expenditure</b>		<u><b>5,668,430</b></u>	<u><b>5,997,641</b></u>	<u><b>4,260,139</b></u>
<b>Surplus/(deficit) before tax</b>		<b>(340,535)</b>	<b>(324,730)</b>	255,660
Income tax expense	9	-	-	-
<b>Surplus/(deficit) after tax</b>		<u><b>(340,535)</b></u>	<u><b>(324,730)</b></u>	<u>255,660</u>
<b>Total comprehensive income</b>		<u><b>(340,535)</b></u>	<u><b>(324,730)</b></u>	<u>255,660</u>

*The accompanying notes form part of these financial statements*  
*Explanations of major variances against budget, not stated elsewhere, are provided in note 22*

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**Waikato Local Authority Shared Services Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2020**

**Statement of changes in equity**

For the year ended 30 June 2020

	Actual 2020 \$	Budget 2020 \$	Actual 2019 \$
Note			
<b>Balance at 1 July</b>	1,282,191	414,940	1,026,530
Total comprehensive revenue and expense	<u>(340,535)</u>	<u>(324,730)</u>	<u>255,660</u>
<b>Balance at 30 June</b>	14 <u>941,656</u>	<u>90,209</u>	<u>1,282,191</u>
<b>Total equity attributable to:</b>			
Equity holders of Waikato Local Authority Shared Services Limited	<u>941,656</u>	<u>90,209</u>	<u>1,282,191</u>
<b>Balance at 30 June</b>	<u>941,656</u>	<u>90,209</u>	<u>1,282,191</u>

*The accompanying notes form part of these financial statements*  
*Explanations of major variances against budget are provided in note 22*

Waikato Local Authority Shared Services Limited  
Statement of Financial Position  
As at 30 June 2020

**Statement of financial position**

As at 30 June 2020

	Note	Actual 2020 \$	Budget 2020 \$	Actual 2019 \$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	8	1,127,987	96,216	1,459,803
Exchange trade and other receivables	7	1,343,605	401,116	793,750
Non-exchange trade and other receivables	7	147,394	-	76,126
Prepayments		-	153,145	212,087
<b>Total current assets</b>		<b>2,618,986</b>	<b>650,477</b>	<b>2,541,766</b>
<b>Non-current assets</b>				
Property, plant and equipment	10	14,965	739	4,799
Intangible assets	11	43,750	-	97,071
<b>Total non-current assets</b>		<b>58,715</b>	<b>739</b>	<b>101,870</b>
<b>Total assets</b>		<b>2,677,701</b>	<b>651,216</b>	<b>2,643,636</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables and deferred revenue	12	1,683,693	561,007	1,338,889
Employee benefits	13	52,352	-	22,556
<b>Total current liabilities</b>		<b>1,736,045</b>	<b>561,007</b>	<b>1,361,445</b>
<b>Non-current liabilities</b>				
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>1,736,045</b>	<b>561,007</b>	<b>1,361,445</b>
<b>Net assets</b>		<b>941,656</b>	<b>90,209</b>	<b>1,282,191</b>
<b>EQUITY</b>				
Contributed capital	14	2,957,001	2,957,001	2,957,001
Retained earnings	14	(2,015,345)	(2,866,792)	(1,674,810)
<b>Total equity</b>		<b>941,656</b>	<b>90,209</b>	<b>1,282,191</b>

These financial statements have been authorised for issue by the Board of Directors on 11 November 2020.



Director  
11 November 2020



Director  
11 November 2020

The accompanying notes form part of these financial statements  
Explanations of major variances against budget are provided in note 22





**Waikato Local Authority Shared Services Limited**  
**Cash flow statement**  
**For the year ended 30 June 2020**

**Statement of cashflows**

For the year ended 30 June 2020

	Actual 2020 \$	Budget 2020 \$	Actual 2019 \$
<b>Cash flows from operating activities</b>			
Interest Received	2,369	14,308	16,114
Receipts from other revenue	5,289,918	6,559,977	4,031,703
Payments to suppliers and employees	(5,725,847)	(6,800,489)	(4,241,295)
Taxes received / (paid)	998	-	5,746
Goods and services tax received / (paid)	113,849	56,103	2,123
<b>Net cash flow from operating activities</b>	<u>(318,713)</u>	<u>(170,101)</u>	<u>(185,609)</u>
Purchase of property, plant and equipment	(13,103)	-	(5,592)
Settlement of term deposits with maturities greater than 3 months	-	-	81,000
	<u>(13,103)</u>	<u>-</u>	<u>75,408</u>
<b>Net cash flow from investing activities</b>	<u>(13,103)</u>	<u>-</u>	<u>75,408</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(331,816)	(170,101)	(110,201)
Cash and cash equivalents at the beginning of the year	<u>1,459,802</u>	<u>266,317</u>	<u>1,570,003</u>
<b>Cash and cash equivalents at the end of the year</b>	8 <u>1,127,986</u>	<u>96,216</u>	<u>1,459,802</u>

*The accompanying notes form part of these financial statements  
 Explanations of major variances against budget are provided in note 22*

## 1 Statement of accounting policies

### 1.1 Reporting entity

Waikato Local Authority Shared Services Limited ("the Company") is a Company incorporated in New Zealand under the Companies Act 1993 and is domiciled in New Zealand. The Company is controlled by the councils listed on the directory page of these accounts. The company is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002 (LGA), by virtue of each of the shareholding Council's right to appoint the Board of Directors.

The company seeks the following outcomes for its shareholding councils:

- i) Council costs are reduced / performance is improved, without increased cost;
- ii) The experience of councils' communities is improved; and
- iii) Central Government investment into, and engagement with, Waikato is increased.

It has the roles of developing opportunities which achieve one or more of these outcomes, and of providing any resulting services to councils, or organising someone else to do so.

The Company has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements of the Company are for the year ended 30 June 2020. The financial statements were authorised for issue by the Board of Directors on the 11 November 2020.

## 2 Summary of significant accounting policies

### 2.1 Basis of preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

#### Statement of compliance

The financial statements of the Company have been prepared in accordance with the requirements of the LGA, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance and comply with Tier 2 PBE Standards reduced disclosure regime (RDR).

WLASS is eligible to report in accordance with the Tier 2 PBE accounting standards RDR as it:

- is not publicly accountable;
- has expenses more than \$2 million, but less than \$30 million.

The accounting policies set out below are consistent with the prior year.

#### Measurement base

The financial statements have been prepared on a historical cost basis.

#### Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar unless otherwise stated. The functional currency of the Company is New Zealand dollars.

#### Budget figures

The budget figures are those approved by the Board of Directors in the 2019/20 Statement of Intent. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Company in preparing the financial statements.

### 2.2 Goods and services tax

All items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

*B. [Signature]*  
*[Signature]*

## 2 Summary of significant accounting policies (continued)

The net amount of GST recoverable from, or payable to, the Inland Revenue is included as part of receivables or payables in the statement of financial position.

The net GST paid, or received, including the GST relating to investing and financing activities, is classified as an operating cash flow in the cash flow statement.

Commitments and contingencies are disclosed exclusive of GST.

## 3 Critical accounting estimates and assumptions

In preparing the financial statements the Company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year have been included below.

### 3.1 Intangible assets

#### Useful lives and residual values

At each balance date the Company reviews the useful lives and residual values of its intangible assets. Assessing the appropriateness of useful life and residual value estimates of intangible assets requires the Company to consider a number of factors such as the expected period of use of the asset by the Company, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact the amortisation expense recognised in the income statement, and carrying amount of the asset in the balance sheet. The Company minimises the risk of this estimation uncertainty by reviewing that the asset technology is still relevant and there is no alternative options to recreate the asset at a lower price.

#### Impairment of intangible assets

Intangible assets measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell, and value in use.

If an assets carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

## 4 Revenue

### Accounting policy

#### (i) Revenue

Revenue comprises the fair value of the considerations received or receivable for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts and after eliminating sales within the Company. No provisions have been recorded as all revenue and trade receivables are expected to be received.

#### (ii) Other Revenue

Member charges for all activities are recognised when invoiced to the user, i.e. Councils. The recorded revenue is the net amounts of the member charges payable for the transaction. Contributions received for projects that were not completed in a financial year are recognised when the Company provides, or is able to provide, the service for which the contribution was charged. To the extent the service has not been delivered, contributions for that service are recorded as revenue in advance.

	Actual 2020 \$	Actual 2019 \$
<b><u>Non-exchange revenue</u></b>		
Member Charges	<u>2,753,760</u>	<u>2,110,470</u>
<b><u>Exchange revenue</u></b>		
Working Parties	520,253	437,781
Information Technology	133,869	106,613
Energy Management	126,155	116,800
Shared Valuation Data Services	-	80,189
Regional Asset Technical Accord*	921,369	567,405
Waikato Regional Transport Model	9,270	5,011
Waikato Plan**	-	371,940
Waikato Building Consent Group	28,000	85,205
Future Proof***	302,219	25,765
Waikato Mayoral Forum	12,406	51,406
RITS	61,250	3,750
Total exchange revenue	<u>2,114,791</u>	<u>1,851,865</u>
<b>Total other revenue</b>	<b><u>4,868,551</u></b>	<b><u>3,962,335</u></b>

Explanation of variance to last year:

\* During the year shareholders approved the expansion of the Regional Asset Technical Accord ("RATA") into water related services.

\*\* All revenue received for Waikato Plan has been transferred to deferred revenue as this workstream is being transferred to Waikato Regional Council in the 2020/21 financial year.

\*\*\* Phase 1 of the Sub Regional Three Waters Study was in the beginning stages in 2018/19 year with the project completed in the 2019/20 year.



## 5 Other expenses

### Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

	Actual 2020 \$	Actual 2019 \$
Audit fees	24,857	21,220
Company Administration	183,934	266,310
Working Parties	537,420	553,251
Information Technology	154,613	106,267
Energy Management	124,952	123,519
Shared Valuation Data Services*	1,044,487	510,919
Road Asset Technical Accord**	1,641,953	1,155,313
Waikato Regional Transport Model	153,286	70,041
Waikato Building Consent Group***	110,551	391,912
Future Proof****	931,156	557,377
Waikato Mayoral Forum	37,159	39,406
Waikato Plan	129,433	225,044
Rental expense relating to operating leases	32,287	3,215
RITS	38,496	22,080
<b>Total Other Expenses</b>	<b><u>5,144,584</u></b>	<b><u>4,045,874</u></b>

Explanation of variance to last year:

\* The increased expenditure reflects costs associated with the transition to the new 'software-as-a-service' arrangement. While this transition took place, costs to manage the now decommissioned SVDS software were also incurred.

\*\* The increased expenditure reflects the expansion into waters asset management services and increased data collection services.

\*\*\* The decrease in expenditure reflects the extended period required to replace the WBCG Manager which resulted in a period of reduced activity and employment costs.

\*\*\*\* The increased expenditure reflects the investment into a sub-regional Three Waters study and the Hamilton to Auckland Corridor plan.

## 6 Personnel costs

### Accounting policy

#### Defined contribution schemes

Employer contributions to KiwiSaver, the Government Superannuation Fund, and other defined contribution superannuation schemes are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit when incurred.

	Actual 2020 \$	Actual 2019 \$
Salaries and wages*	454,487	145,357
Defined contribution plan employer contributions	<u>13,101</u>	<u>4,102</u>
<b>Total personnel costs</b>	<b><u>467,588</u></b>	<b><u>149,459</u></b>

The total remuneration (including any non-financial benefits) paid or payable for the year to the Chief Executive was \$221,692.

\* The increase in salary and wages reflects the first full-year impact of the change in operating model which saw the appointment of a small core team (5 staff, 1 staff (2019)). Previously, part time contracted resource had been used to advance the company's activities.

## 7 Receivables

### *Accounting policy*

Short-term receivables are recorded at the amount due, less any provision for uncollectability.

Receivables are initially measured at nominal or face value. Receivables are subsequently adjusted for penalties and interest as they are charged and impairment losses. Non-current receivables are measured at the present value of the expected future cash inflows.

Debtors are amounts due from customers. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

	Actual 2020 \$	Actual 2019 \$
Gross trade and other receivables	253,147	179,247
Related Party Receivables (note 17)	1,237,852	633,150
Accrued Interest on Short Term Deposits and Call Accounts	-	-
GST Refund Due	-	56,481
IRD - RWT Tax	-	998
<b>Total debtors and other receivables</b>	<b><u>1,490,999</u></b>	<b><u>869,876</u></b>
<b>Exchange</b>		
Receivables from exchange transactions	1,343,605	793,750
<b>Non-exchange</b>		
Receivables from non-exchange transactions	<u>147,394</u>	<u>76,126</u>
<b>Total debtors and other receivables</b>	<b><u>1,490,999</u></b>	<b><u>869,876</u></b>

## 8 Cash and cash equivalents

### *Accounting policy*

Cash and cash equivalents include cash on hand, deposits held at call with banks, with original maturities of three months or less, and bank overdrafts.

	Actual 2020 \$	Actual 2019 \$
Cash at bank	<u>1,127,987</u>	<u>1,459,803</u>

The carrying value of cash and cash equivalents approximates their fair value.

The cash reserves principally relate to less than anticipated spend in the Future Proof and Waikato Plan initiatives. Funds on hand for these initiatives were transferred to Waikato Regional Council after balance date.

## 9 Income tax

### Accounting policy

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

	Actual 2020 \$	Actual 2019 \$
<b>Components of income tax expense:</b>		
Current tax expense	-	-
Adjustments to current tax in prior years	-	-
Deferred tax expense	-	-
<b>Tax expense</b>	-	-
 <b>Relationship between tax expense and accounting profit:</b>		
Net surplus (deficit) before tax	(340,535)	255,660
Tax at 28%	(95,350)	71,585
Non-taxable in calculating taxable income		
Non-deductible expenditure	-	444
Other timing adjustments	5,860	-
Non-taxable income	-	-
Prior year adjustment	-	-
Deferred tax adjustment	(766)	-
Tax losses not recognised	90,256	(72,029)
<b>Tax expense</b>	-	-

	PPE & Intangible assets	Employee entitlements	Provisions	Tax losses	Total
<b>Balance at 1 July 2018</b>	(45,812)	-	-	45,812	-
Charged to surplus or deficit	18,557	-	-	(18,557)	-
<b>Balance at 30 June 2019</b>	(27,255)	-	-	27,255	-
Charged to surplus or deficit	21,445	-	-	(21,445)	-
<b>Balance at 30 June 2020</b>	(5,810)	-	-	5,810	-

A deferred tax asset of \$601,911 (2019: \$509,531) has not been recognised in relation to tax losses carried forward of \$2,149,681 (2019: \$1,819,752).

## 10 Property, plant and equipment

### Accounting policy

Property, plant, and equipment consist of:

(i) *Operational assets*

Operational assets include land, buildings, plant and equipment, motor vehicles, computer equipment and furniture.

### Additions

The cost of an item of property, plant, and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

### Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write-off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Class of PP&E	Estimated useful life	Depreciation rates
IT equipment	3 years	33%
Office Furniture	8 1/2 years	12%

The residual value and useful life of an asset is reviewed and adjusted, if applicable, at each financial year end.

	Carrying amount 1 Jul 2019 \$	Current year additions \$	Current year depreciation \$	Accumulated depreciation and impairment charges 30 Jun 2020 \$	Carrying amount 30 Jun 2020 \$
<b>2020</b>					
<b>Operating assets</b>					
IT equipment	4,799	9,930	(2,874)	(3,667)	11,855
Office furniture and fittings	-	3,173	(63)	(63)	3,110
<b>Total</b>	<b>4,799</b>	<b>13,103</b>	<b>(2,937)</b>	<b>(3,730)</b>	<b>14,965</b>

	Carrying amount 1 Jul 2018 \$	Current year additions \$	Current year depreciation \$	Accumulated depreciation and impairment charges 30 Jun 2019 \$	Carrying amount 30 Jun 2019 \$
<b>2019</b>					
<b>Operating assets</b>					
IT equipment	-	5,592	(793)	(793)	4,799
Office furniture and fittings	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>5,592</b>	<b>(793)</b>	<b>(793)</b>	<b>4,799</b>



## 11 Intangible assets

### Accounting policy

#### Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software are recognised as an intangible asset.

Costs associated with maintaining computer software are recognised as an expense when incurred.

#### Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Class of intangible asset	Estimated useful life	Amortisation rates	
		Actual 2020 \$	Actual 2019 \$
Computer software	5 to 7 years	14 to 25%	
<b>Computer Software</b>			
Balance at 1 July		5,363,366	5,363,366
Disposals/asset write-offs		(3,065,316)	-
Balance at 30 June		<u>2,298,050</u>	<u>5,363,366</u>
<b>Accumulated amortisation and impairment losses</b>			
Balance at 1 July		5,266,295	5,199,774
Amortisation as per Income statement		53,321	66,521
Asset write-offs		(3,065,316)	-
Balance at 30 June		<u>2,254,300</u>	<u>5,266,295</u>
<b>Carrying Amounts</b>			
Balance at 1 July		97,071	163,592
Balance at 30 June		<b>43,750</b>	97,071

Intangible assets include the Shared Value Data Services (SVDS) computer software, and the Waikato Regional Transport Model (WRTM).

The carrying amount of the SVDS asset as at 30 June 2020 is \$0 (2019: \$38,738). During the year councils who were using the SVDS software entered into a new services arrangement, making the SVDS obsolete.

The carrying amount of the WRTM asset as at 30 June 2020 is \$43,750 (2019: \$58,333).

## 12 Payables and deferred revenue

### Accounting policy

Short-term creditors and other payables are recorded at their face value.

	Actual 2020 \$	Actual 2019 \$
<b>Current</b>		
Trade payables	159,333	633,279
Related party payables (note 17)	202,603	118,450
Accrued expenses	31,481	-
Deferred revenue	1,232,662	587,160
RWT on Payments	246	-
GST payable	57,368	-
<b>Total creditors and other payables</b>	<u>1,683,693</u>	<u>1,338,889</u>
<b>Exchange</b>		
Trade payables	361,936	611,547
Accrued expenses	31,481	140,182
Deferred revenue*	1,232,662	587,160
RWT on payments	246	-
GST payable	57,368	-
<b>Total creditors and other payables from exchange transactions</b>	<u>1,683,693</u>	<u>1,338,889</u>
<b>Non-exchange</b>		
<b>Total creditors and other payables from non-exchange transactions</b>	<u>-</u>	<u>-</u>

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payable approximates their fair value.

Contributions received for projects that were not completed in a financial year are recognised as deferred revenue until the Company provides, or is able to provide, the service for which the contribution was charged.

\* The increase in deferred revenue reflects funds received from councils participating in Future Proof and Waikato Plan that remained unspent at balance date. These funds were transferred to Waikato Regional Council post balance date.

### 13 Current liabilities - Employee Entitlements

#### *Accounting policy*

#### **Short-term employee entitlements**

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

#### **Presentation of employee entitlements**

Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

#### **Superannuation schemes**

#### **Defined contribution schemes**

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit when incurred.

	Actual 2020 \$	Actual 2019 \$
<b>Current portion</b>		
Annual leave	24,004	8,635
Salaries	<u>28,348</u>	<u>13,921</u>
<b>Total current portion</b>	<u>52,352</u>	<u>22,556</u>

**Waikato Local Authority Shared Services Limited**  
**Notes to the financial statements**  
**30 June 2020**  
(continued)

## 14 Reconciliation of equity

### Accounting policy

Equity is the shareholders' interest in WLASS and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

### Contributed equity

Contributed equity is the net asset and liability position at the time the company was formed. The allocation of capital amongst shareholders is explained in this note.

### Retained earnings

Retained earnings is the company's accumulated surplus or deficit since formation.

	Actual 2020 \$	Actual 2019 \$
<b>Total equity</b>		
Contributed equity	2,957,001	2,957,001
Retained earnings	<u>(2,015,345)</u>	<u>(1,674,810)</u>
<b>Balance at 30 June</b>	<b><u>941,656</u></b>	<b><u>1,282,191</u></b>
<b>(a) Contributed equity</b>		
Shares on Issue	3,413,569	3,413,569
Uncalled capital	<u>(456,568)</u>	<u>(456,568)</u>
<b>Balance 30 June</b>	<b><u>2,957,001</u></b>	<b><u>2,957,001</u></b>
Balance at 1 July 2018	-	-
Shares Issued	-	-
<b>Balance 30 June</b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>(b) Retained earnings</b>		
Balance at 1 July 2019	(1,674,810)	(1,930,470)
Surplus/(deficit) for the year	<u>(340,535)</u>	<u>255,660</u>
<b>Balance 30 June</b>	<b><u>(2,015,345)</u></b>	<b><u>(1,674,810)</u></b>

The Company has issued 2,186,581 (2019 - 2,186,581) shares.

Shares are called when notice is given to shareholders by the Board of Directors.

Income	Ordinary Shares	SVDS Shares	WRAPS Shares	WRTM Shares
Hamilton City Council	1	220,514	79,152	50,625
Hauraki District Council	1	40,215	2,864	-
Matamata Piako District Council	1	56,380	4,708	4,500
Otorohanga District Council	1	-	5,716	-
Rotorua Lakes Council	1	126,703	7,516	-
South Waikato District Council	1	42,571	4,916	-
Taupo District Council	1	-	21,652	4,500
Thames Coromandel District Council	1	108,015	6,476	2,250
Waikato District Council	1	106,674	9,376	11,250
Waikato Regional Council	1	803,500	287,872	50,625
Waipa District Council	1	78,748	3,780	11,250
Waitomo District Council	1	<u>23,681</u>	<u>10,540</u>	-
	12	1,607,001	444,568	135,000
	<u>1,000</u>	<u>1</u>	<u>1</u>	<u>10</u>
	12,000	1,607,001	444,568	1,350,000
	<u>(12,000)</u>	<u>-</u>	<u>(444,568)</u>	<u>-</u>
	<b><u>-</u></b>	<b><u>1,607,001</u></b>	<b><u>-</u></b>	<b><u>1,350,000</u></b>

## 14 Reconciliation of equity (continued)

### SVDS, and WRAPS Shares (Service Shares)

In relation to the service shares:

- (a) the holders are entitled to participate in certain services to be provided by the Company, on terms that reflect their investment.
- (b) the holders do not have any right to share in the distribution of the surplus assets of the Company except to the extent provided for in Schedule 1 of the Company's constitution or in accordance with the terms of issue of those shares pursuant to Clause 6 of the Company's constitution.
- (c) Except as provided in section 177 of the Act and Clause 6.1 of the Company's constitution, the holders do not have any voting rights.

During the year the SVDS software, for which the SVDS Service Shares were originally issued, was fully amortised. The initial SVDS shareholders agreed to share the costs of development and ongoing maintenance of the asset. With the asset no longer in use, the rights and obligations conferred on the shareholders are now redundant.

### WRTM shares

Holders of WRTM shares have:

- (a) A right to one vote prior to further WRTM shares being issued;
- (b) A right to one vote on the application of any surpluses arising from the WRTM service;
- (c) The right to any surplus from the sale of outputs of the WRTM service;
- (d) No right to share in the distribution of the surplus assets of the Company except to the extent provided for in (c) above;
- (e) No right to share in dividends authorised by the Company except to the extent provided for in (c) above.

## 15 Commitments

### Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

### Non-cancellable operating expenses

	Actual 2020 \$	Actual 2019 \$
Not later than one year	37,356	322,989
Later than one year and not later than five years	<u>5,500</u>	<u>-</u>
<b>Total non-cancellable operating leases</b>	<b><u>42,856</u></b>	<b><u>322,989</u></b>

## 16 Contingencies

As at 30 June 2020 the Company had no contingent liabilities or assets (2019 - \$0)

## 17 Related party transactions

The Company is controlled by the councils listed on the directory page.

### Transactions with key management personnel

Key management personnel include the Chief Executive and directors. WLASS has one independent director who receives remuneration.

	Actual 2020 \$	Actual 2019 \$
KRF Consulting - WLASS Chief Executive (June 2018 - March 2019)	-	144,404
Chief Executive Remuneration	221,692	74,540
Independent Director	45,833	-
<b>Total key management personnel compensation</b>	<b>267,525</b>	<b>218,944</b>

Related party disclosures have been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances.

Related parties have been limited to the directors, shareholders and company related roles. The following transactions were carried out with related parties:

	Actual 2020 \$	Actual 2019 \$
<b>Income</b>		
Hamilton City Council	1,009,597	684,485
Hauraki District Council	291,040	242,217
Matamata Piako District Council	430,604	265,565
Otorohanga District Council	258,905	146,490
Rotorua Lakes Council	84,821	69,138
South Waikato District Council	241,961	202,851
Taupo District Council	236,550	115,592
Thames Coromandel District Council	301,831	268,865
Waikato District Council	615,259	583,011
Waikato Regional Council	496,091	490,506
Waipa District Council	840,840	471,646
Waitomo District Council	264,232	182,225
	<b>5,071,731</b>	<b>3,722,591</b>

The income disclosed above includes revenue received relating to the 2018/19 financial year and revenue received which has been transferred to deferred revenue for 2019/20.

	Actual 2020 \$	Actual 2019 \$
<b>Expenses</b>		
Hamilton City Council	154,951	71,800
Hauraki District Council	821	-
Taupo District Council	-	4,240
Waikato District Council	114,241	364,889
Waikato Regional Council	178,676	142,432
Waipa District Council	591,206	632,990
Waitomo District Council	-	-
	<b>1,039,895</b>	<b>1,216,351</b>

Expenses are related to services provided by the related parties.

Actual 2020	Actual 2019
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## 17 Related party transactions (continued)

	Note	\$	\$
<b>Advances</b>			
<i>Trade &amp; Other Receivables</i>	7	-	-
Hamilton City Council		384,343	79,572
Hauraki District Council		67,449	23,770
Matamata Piako District Council		193,421	72,455
Otorohanga District Council		40,120	10,271
Rotorua Lakes Council		27,879	-
South Waikato District Council		69,839	31,643
Taupo District Council		113,066	7,422
Thames Coromandel District Council		81,826	20,091
Waikato District Council		135,138	236,373
Waikato Regional Council		19,545	20,518
Waipa District Council		65,926	95,688
Waitomo District Council		45,590	35,347
		<u>1,244,142</u>	<u>633,150</u>
<i>Amounts outstanding at year end:</i>			
Hauraki District Council		441	-
Waikato District Council		-	85,199
Waikato Regional Council		17,970	32,939
Waipa District Council		184,192	312
		<u>202,603</u>	<u>118,450</u>

## 18 Director and executive disclosures

\$45,833 in remuneration was paid to Directors during the year (2019: \$0).

## 19 Events occurring after the balance date

In the Board of Directors meeting held 9 April 2020 the Board approved the transfer of the WLASS role of contract and financial management related to the Waikato Plan and Future Proof workstreams to Waikato Regional Council. It was agreed between WLASS and Waikato Regional Council that any funds held at year end for these two workstreams be transferred to Waikato Regional Council. \$609,766 was transferred for Future Proof and \$225,743 for Waikato Plan in September 2020.

## 20 Covid-19 impact

On March 11, 2020, the World Health Organisation declared the outbreak of a coronavirus (Covid-19) a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. The global Covid-19 pandemic has had a significant impact on the majority of organisations and their people across the globe. New Zealand was at Alert Level 4 from late March 2020, resulting in a four-week nation wide lockdown. The country has gradually moved to Alert Level 1. The lockdown caused economic uncertainties in many industries.

Management assessed the impact of Covid-19 on the company on a line by line basis and concluded the impact of the Covid-19 pandemic on operations is minimal. The main factors for this conclusion are:

- the financial forecast position and forecasted results show a strong position at 30 June 2021
- from an operational perspective, for the most part, services remain unaffected
- receivables relate mostly to the shareholding councils. There are no indicators for impairment

Where operations have been impacted this has similarly reduced expenditure and the recovery of costs from councils, meaning there has been little impact on net profit.

## 21 Financial instruments

The Company has policies to manage the risks associated with financial instruments. The Company is risk averse and seeks to minimise exposure from its treasury activities.

### (a) Market risk

#### *Fair value interest rate risk*

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to fair value interest rate risk is limited to short-term bank deposits.

#### *Cash flow interest rate risk*

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Company to cashflow interest rate risk.

The Company currently has no variable interest rate debt or investments.

#### *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to currency risk, as it does not enter into foreign currency transactions.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to fair value interest rate risk is limited to short-term bank deposits.

### (b) Credit risk

Credit risk is the risk that a third party will default on its obligation to the Company, causing the Company to incur a loss.

Due to the timing of its cash inflows and outflows, the Company invests surplus cash with registered banks.

The Company has processes in place to review the credit quality of customers prior to the granting of credit.

The Company's maximum credit exposure for each class of financial instruments is represented by the total carrying amount of cash equivalents (note 7), investments (note 10), and trade receivables (note 8). There is no collateral held as security against these financial instruments, including these instruments that are overdue or impaired.

The Company has no significant concentrations of credit risk, as it has a large number of credit customers and only invests funds with registered banks with specified credit ratings.

### (c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty raising funds to meet commitments as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash and liquid assets, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Company maintains a target level of investments that must mature within specified timeframe's.

The maturity profiles of the Company's interest bearing investments and borrowings would be disclosed in the notes, if the Company had any.

### (d) Financial instrument categories

	Note	2020 \$	2019 \$
<b>FINANCIAL ASSETS</b>			
<b>Loans and receivables</b>			
Cash and cash equivalents	8	1,127,987	1,459,803
Receivables	7	1,490,999	869,876
Other financial assets		-	-



## 21 Financial instruments (continued)

### (d) Financial instrument categories(continued)

<b>Total loans and receivables</b>		<u>2,618,986</u>	<u>2,329,679</u>
<b>FINANCIAL LIABILITIES</b>			
<b>Financial liabilities at amortised cost</b>			
Payables and deferred revenue	12	<u>1,683,693</u>	<u>1,341,397</u>
<b>Total financial liabilities at amortised cost</b>		<u>1,683,693</u>	<u>1,341,397</u>

## 22 Explanation of major variances against budget

### Statement of comprehensive revenue and expenditure

#### Other Revenue

Member charges were higher principally due to the expansion of RATA into waters asset management.

Working Parties revenue was higher than budgeted due to the recovery of increased 3rd party costs (\$63k) and funding unbudgeted projects that had not been costed at the time the budget was prepared (\$126k).

IT revenue was lower due to delayed start of LiDAR project (-\$355k) and the expenditure for other projects being lower than expected meaning lower revenue recovery (-\$64k).

RATA revenue was lower due to interruptions to the data collection work (-\$195k).

Future Proof received unbudgeted revenue to fund the Sub-Waters Three Waters Study Phase 1 (\$229k) and other projects (\$68k).

Waikato Plan projects were delayed and therefore all revenue received was transferred to deferred revenue (-\$229k).

Personnel Costs were spent due to the employment of Waikato LASS staff, however this is offset by savings in the WBCG workstream.

#### Other Expenses

Working Parties expenditure was higher due to increased 3rd party costs (\$63k) and expenditure on unbudgeted projects (\$126k).

IT expenditure was lower due to delayed start for LiDAR project (-\$355k) and lower than expected expenditure for the Waikato data portal and collaboration portal (-\$64k).

RATA expenditure was lower due to interruptions to data collection (-\$195k). This was offset in part by the unbudgeted expenditure for Waters Collaboration (\$161k)

WBCG expenditure was lower than expected due to delays in recruitment and therefore salaries.

Future Proof expenditure was greater than budget due to the Sub-Waters Three Waters Study Phase 1 (\$251k) and the H2A corridor plan being over budget (\$100k). Note that the prior year cash surplus was used to fund expenditure.

Waikato Plan expenditure was less as project advisors worked to reduce costs (-\$142k) and there was a delayed start for two projects (-\$75k).

### Statement of Financial Position

Cash and cash equivalents is higher than budget with less than anticipated expenditure across various workstreams and/or advanced funding requests for Future Proof.

Receivables budget is based on a percentage of total budgeted revenue, however \$1.4m of the receivables balance was invoiced in June 2020.

Current liabilities are higher than budgeted due to deferred revenue increasing with the transfer of Future Proof and Waikato Plan activities to Waikato Regional Council.

The budgeted prepayment was received in July 2020 and therefore no prepayment was required.

## 22 Explanation of major variances against budget (continued)

Intangible assets are higher than budget due to the useful lives of the SVDS and WRTM intangible assets being revised, at the end of last financial year, to March 2020 and June 2023 respectively.

Employee benefits are not budgeted for.

### Statement of Cash Flows

Payment to suppliers and employees were less than budgeted due to the reasons noted in this and earlier notes to these accounts.

## Directory

Company number	1730380
Registered office	15 Wilson Street Cambridge 3434 Waikato
Directors	ION, Gavin BRYANT, David (appointed 10 March 2020) BOWCOTT, Blair (resigned 10 March 2020) GREEN, Gareth PAYNE, Vaughan STUBBS, Peter (appointed 1 September 2019) WILLIAMS, Rob
Bankers	Bank of New Zealand Hamilton Banking Centre Victoria Street Hamilton
Auditors	Audit New Zealand (on behalf of the Auditor General)



### Open Meeting

<b>To</b>	Strategy & Finance Committee
<b>From</b>	Gavin Ion Chief Executive
<b>Date</b>	Tuesday, 9 February 2021
<b>Prepared by</b>	Matthew Horsfield Democracy Advisor
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318
<b>Report Title</b>	Exclusion of the Public

## I. RECOMMENDATION

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

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Item number 1 – Confirmation of Public Excluded Minutes	Good reason to withhold exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item No.	Section	Interest
Item 1 Confirmation of Minutes	I	Refer to the previous Public Excluded reason in the agenda for this meeting.