

Agenda for a meeting of the Strategy & Finance Committee to be held in the Council Chambers, District Office, 15 Galileo Street, Ngaruawahia on **WEDNESDAY 22 JULY 2020** commencing at **9.30am**.

- 1. APOLOGIES AND LEAVE OF ABSENCE**
- 2. CONFIRMATION OF STATUS OF AGENDA**
- 3. DISCLOSURES OF INTEREST**
- 4. CONFIRMATION OF MINUTES**  
Meeting held on Wednesday 10 June 2020. 5
- 5. STRATEGY ACTIONS**
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- 7. FINANCE REPORTS**
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- 8. EXCLUSION OF THE PUBLIC** 74

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 one appointed Maangai Maaori
<b>Meeting frequency:</b>	Six-weekly
<b>Quorum:</b>	Majority of members (including vacancies) <sup>1</sup>

### **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.

<sup>1</sup> Quorum will be half of Committee members (including vacancies) until Maangai Maaori are appointed.

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.

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### **Open Meeting**

<b>To</b>	Strategy & Finance Committee
<b>From</b>	Gavin Ion Chief Executive
<b>Date</b>	13 July 2020
<b>Prepared by</b>	Grace Brady Democracy Advisor
<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 10 June 2020.

### **2. RECOMMENDATION**

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**THAT the minutes of the meeting of the Strategy & Finance Committee held on Wednesday 10 June 2020 be confirmed as a true and correct record of that meeting.**

### **3. ATTACHMENTS**

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S&F Committee Open Minutes – 10 June 2020

Minutes of a meeting of the Strategy & Finance Committee of the Waikato District Council held by audio-visual conference on **WEDNESDAY, 10 JUNE, 2020** commencing at **9.30 am.**

**Present:**

Cr JM Gibb (Chairperson)  
 Cr AD Bech  
 Cr JA Church  
 Cr CA Eyre  
 Cr SL Henderson  
 Cr SD Lynch  
 Cr FM McNally  
 Cr RC McGuire  
 Mrs M Moana Tuwhangai (Maangai Maaori)  
 His Worship the Mayor, Mr AM Sanson [*until 11.25am*]  
 Cr JD Sedgwick  
 Cr NMD Smith  
 Cr LR Thomson  
 Cr CT Woolerton

**Attending:**

Mr B MacLeod (Raglan Community Board Deputy Chair)  
 Mr S Jackson (Onewhero-Tuakau Community Board Chair)  
 Mr D Whyte (Huntly Community Board Chair) [*from 9.52am*]

Mr G Ion (Chief Executive)  
 Mr T Whittaker (Chief Operating Officer)  
 Mr R MacCulloch (General Manager Service Delivery)  
 Mrs S O’Gorman (General Manager Customer Support)  
 Mr C Morgan (General Manager Community Growth)  
 Mr V Ramduny (Strategic Projects Manager)  
 Mr C Bailey (Finance Manager)  
 Mrs J Dolan (Economic and Community Development Manager)  
 Mr M Davey (Community Growth Analytics Manager)  
 Mr J Quinn (Communications, Marketing & Engagement Manager)  
 Mr G King (Chief Information Officer)  
 Ms M Russo (Team Leader, Planning and Policy - Corporate Planning)  
 Mr J Fuller (Senior Environmental Planner)  
 Ms A Brodie (Development Contributions Coordinator)  
 Ms G Brady (Democracy Advisor)  
 Mrs LM Wainwright (Committee Secretary)

The chair welcomed the new Maangai Maaori representative, Mrs Moana Tuwhangai.

**APOLOGIES AND LEAVE OF ABSENCE**

Resolved: (Crs Church/McInally)

THAT an apology be received from Cr Patterson.

**CARRIED**

**S&F2006/01**

**CONFIRMATION OF STATUS OF AGENDA ITEMS**

Resolved: (Crs Thomson/Sedgwick)

THAT the agenda for a meeting of the Strategy & Finance Committee held on Wednesday, 10 June 2020 be confirmed and all items therein be considered in open meeting with the exception of those items detailed at agenda item 7 which shall be considered with the public excluded;

AND THAT all reports be received;

AND FURTHER THAT in accordance with Standing Order 9.12 the Committee resolves that the following item be added to the Open Agenda as a late item as advised by the Chairperson;

- Late Item 5.3 - COVID-19 Analytics Report - May 2020

AND FURTHER THAT the Chair of the Onewhero Tuakau Community Board, Mr Jackson, Deputy Chair of the Raglan Community Board, Mr McLeod, and Chair of Huntly Community Board, Mr Whyte, be given speaking rights for the duration of the open section of this meeting.

**CARRIED**

**S&F2006/02**

**DISCLOSURES OF INTEREST**

Mr S Jackson (Onewhero-Tuakau Community Board Chair) advised Committee members that he had an interest in item 5.1.

**CONFIRMATION OF MINUTES**

Resolved: (Crs Thomson/Sedgwick)

THAT the minutes of a meeting of the Strategy & Finance Committee held on Wednesday, 18 March 2020 be confirmed as a true and correct record of that meeting.

**CARRIED**

**S&F2006/03**

## **REPORTS**

### Progressing the River Communities Spatial Intent in light of Council adopting Waikato 2070 Agenda Item 5.1

The report was received [*S&F2006/02 refers*]. The Strategic Projects Manager spoke to a PowerPoint presentation and the following matters were discussed::

- Process of consultation with Community Boards and Community Committees had been put on hold as a result of Waikato 2070.
- Key areas of focus had been a cluster of settlements, as identified on the presentation map.
- Acknowledged that Taupiri should be an area of future growth and development for industrial and residential uses and.
- Ohinewai had potential for industrial and residential growth, which was important to the development of Huntly. Development north of Huntly, due to topography, was the only safe development option. Local employment possibilities in relation to potential building growth in this area was discussed.
- Further discussion would be required to enable agreement between Waikato District Council and Waikato Regional Council in relation to future development, particularly around Ohinewai.
- Staff indicated that Waikato 2070 would need to be updated subject to the completion of the Future Development Strategy, phase 2 of the Future Proof review. This update would incorporate the Hamilton to Auckland Corridor Spatial thinking.
- The Strategic Projects Manager acknowledged Te Kauwhata's potential in growth to 8,500 people in next 50 years and the document recognised the aspirations of the town, based on the Blueprint adopted by the community last year.

**ACTION:** Staff to present a roadmap of planning and implementation with definitive timelines to a future Committee meeting.

- Projected growth for the District was currently unknown due to post-Covid impact.

**ACTION:** Staff to provide more accurate projections of growth in future updates.

Mr Whyte joined the meeting at 9.52am during the discussion on the above item and was given speaking rights.



Submission National Policy Statement – Indigenous Biodiversity  
Agenda Item 5.2

The report was received [S&F2006/02 refers]. The Senior Environmental Planner spoke to his report and the following matters were discussed:

- The Committee supported the report in general but stated that it was essential that Council partnership for land owners and incentivisation continued.
- Concern expressed over land values and rates due to reduced land productivity.

**ACTION:** Staff to provide clarity on details of partnership and framework in relation to page 36, question 30 of the report.

**Resolved: (Crs Eyre/Woolerton)**

**THAT the Strategy and Finance Committee notes that the approved submission on the Draft National Policy Statement – Indigenous Biodiversity (as attached to the staff report) was lodged with the Ministry for the Environment on 19 March 2020.**

**CARRIED**

**S&F2006/04**

COVID-19 Analytics Report - May 2020

Late Item 5.3

The report was received [S&F2006/02 refers]. In speaking to the report, the Analytics Manager highlighted the following points:

- There would be an estimated 12-24 month period of difficulty for the District in relation to unemployment and business closures, and that negative effects were widespread and not geographically contained.
- Survey respondents were very positive about hearing from Council during this difficult time. Over 90% stated they would like to hear from Council again.
- Findings for the survey were taken during Levels 4 and 3, which impacted the results. Further surveys would be carried out.
- A large proportion of ratepayer home owners in the Waikato District had experienced decreased income levels. The wage subsidy scheme would end shortly. Unemployment in Waikato District was disproportionately higher than in other areas in the country.

The following matters were raised by the Committee members:

- A lot of employees in New Zealand had not received their wage subsidy even though their employer had.
- The report mainly reflected home-owners and the report's high level findings section was misleading and overly optimistic.
- Ongoing support would be required for primary industries such as agriculture and forestry, particularly following previous hardships such as drought.
- Concern about Council diversifying from core business.
- A clear line was required between Council's ability to support community partnership and its level of resourcing.
- Report lacked perspective in terms of family violence and suicide incidences in relation to population. Proportionality relative to population was required.

The Committee discussed the next survey to be undertaken, including timing to take into account the general elections.

**ACTION:** Staff to hold a workshop with Committee members ahead of the next survey and the proposed date be reassessed by staff.

### Financial Performance Summary for Period Ending 30 April 2020

#### Agenda Item 6.1

The report was received [*S&F2006/02 refers*]. The Finance Manager spoke to the report and the following matters were discussed:

- Point 17 in the Treasury report should refer to \$15 million and not \$10 million.
- The impact Covid would have on Council's ability to deliver services. The Finance Manager noted that the Annual Plan was based on no impact on services and that no reduction of level of services were planned for next financial year.
- Some projects which had commenced in the current financial year would be carried over to next year. Projects would be prioritised and it was anticipated that next year's Annual Plan would include a large proportion of carry over.
- Streamlining had taken place to make reporting easier and more transparent.
- Staff considered that public consultation of the Annual Plan, with the exception of water services, was not triggered.
- Staff were concerned about expenses that would arrive later this year when cash income may be down.
- Consistency across the Annual Plan was key. The Plan was based on value of assets invested this financial year, with depreciation accounted for to allow for sufficient funds to cover project costs.

- The Finance Team had taken a conservative approach in terms of liquidity and charges.
- Staff agreed that it was essential that the organisation had the ability to deliver on projects post-Covid.

### **EXCLUSION OF THE PUBLIC**

Agenda Item 7

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

**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 Actions Register		
Item 3.1 Director Appointments – Civic Financial Services Limited		
Item 3.2 Draft Hamilton-Waikato Metropolitan Spatial Plan		
Item 3.3 Development Contributions Policy – Rangimarie Road		

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		Refer to the previous Public Excluded reason(s) in the Agenda for this meeting.

Item 2.1		Refer to the previous Public Excluded reason(s) in the Agenda for this meeting.
Item 3.1	7(2)(a)	To protect the privacy of natural persons, including that of deceased natural persons.
Item 3.2	7(2)(c)(i)	To protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source and is in the public interest that such information should continue to be supplied.
Item 3.3	7(2)(j)	To prevent the disclosure or use of official information for improper gain or improper advantage.
	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.

**CARRIED****S&F2006/05**

*Resolutions S&F2006/06 – S&F2006/11 are contained in the public excluded section of these minutes.*

Having concluded the public excluded meeting, the following item was released into open meeting:

**REPORTS (CONTINUED)****Development Agreement - 25 Rangimarie Road, Ngaruawahia**  
**PEX Agenda Item 3.3**

It was resolved [*Resolution No. S&F2006/10*] during the public excluded section of the meeting that the following resolution be released into open meeting but the report remain confidential and unavailable to the public:

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

**THAT the Strategy and Finance Committee recommends that Council approve the draft Development Agreement with J and M Allan in relation to 25 Rangimarie Road, Ngaruawahia (Attachment 2 to the staff report).**

**CARRIED**"

There being no further business the meeting was declared closed at 12.33pm.

Minutes approved and confirmed this                      day of                      2020.

**Cr J Gibb  
CHAIRPERSON**

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### **Open Meeting**

<b>To</b>	Strategy and Finance Committee
<b>From</b>	Vishal Ramduny Acting General Manager Community Growth
<b>Date</b>	30 June 2020
<b>Prepared by</b>	Sandy Mason Personal Assistant to Clive Morgan
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318 / 2662615
<b>Report Title</b>	Actions Register – June 2020

## **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 Acting General Manager Community Growth be received.**

## **3. APPENDIX**

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Strategy and Finance Committee's Action Register – June 2020

## Strategy and Finance Committee's Action Register – June 2020

Meeting Date	Action	Team Responsible	Status
10 June 2020 Open Meeting	<p><b>Agenda Item 5.1</b> Progressing the River Communities Spatial Intent in light of Council adopting Waikato 2070</p> <p><b>Actions required:</b></p> <ol style="list-style-type: none"> <li>1. Staff to present a roadmap of planning and implementation with definitive timelines to a future Committee meeting.</li> <li>2. Staff to provide more accurate projections of growth in future updates.</li> </ol>	Community Growth	<ol style="list-style-type: none"> <li>1. The current roadmap is in the process of being updated and streamlined and will go to a Committee meeting in September 2020.</li> <li>2. Population and household projection work is underway along with capacity modelling for current zones and future (proposed district plan zones). This work will help inform Asset Management Plans and the 2021 LTP.               <ol style="list-style-type: none"> <li>a. An update on this work will be presented at the 2 September 2020 meeting.</li> </ol> </li> </ol>
	<p><b>Agenda Item 5.2</b> Submission National Policy Statement – Indigenous Biodiversity</p> <p><b>Action required:</b> Staff to provide clarity on details of partnership and framework in relation to page 36, question 30 of the report.</p>		<p>The reason the officer recommended “Do not agree” to question 30, was that the tool kit proposed in the National Policy Statement (NPS): Indigenous Biodiversity was very limited in its nature. The officer concedes that this could have been worded as “Agrees in Part” to make it more positive and supportive indigenous biodiversity and climate change resilience.</p> <p>The officer also wanted to avoid each council developing separate indigenous biodiversity</p>

		<p>responses and that this can be done better as a consistent common council/local government approach. The Waikato District Council supports collaborating in developing these processes and the officer should have made this clearer in the submission point.</p> <p>As an example, through the Draft Waikato 2070 submission process, WDC received a submission on natural water storage options that could be utilised to maintain biodiversity in times of drought. Incentivising, the planting of waterways/wetlands, could also reduce flooding. The officer sees merit in being more creative and incentivising landowners in the above approaches rather than being too prescriptive as is the current direction of the NPS Indigenous Biodiversity.</p>
	<p><b>Action Item 5.3</b> COVID-19 Analytics Report – May 2020</p> <p><b>Action required:</b> Staff to hold a workshop with Committee members ahead of the next survey and the proposed date be reassessed by staff.</p>	<p>The findings of the survey were presented to Council in May 2020. Further discussions with the Chair of Strategy and Finance, concluded that there would be no need for a workshop to discuss the next survey. The Analytics Manager, with support from the Economic and Community Development Manager, will undertake a second survey in August 2020. Preparations for this work, including resourcing conversations is currently being worked through.</p>



### **Open Meeting**

<b>To</b>	Policy & Regulatory Committee
<b>From</b>	Gavin Ion Chief Executive
<b>Date</b>	7 July 2020
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318
<b>Report Title</b>	Maangi Maaori

## **I. EXECUTIVE SUMMARY**

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Following discussions held in 2019 about embedding the role of Maangi Maaori in the JMA Agreement we are now seeking the Committee's approval to progress this matter.

## **2. RECOMMENDATION**

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**THAT** the report from the Chief Executive be received.

**AND THAT** the Committee supports, in principle, the inclusion of the Maangai Maaori roles in the Joint Management Agreements between the Waikato Raupatu River Trust and Waikato District Council;

**AND FURTHER THAT** the Committee requests the Chief Executive to prepare a draft variation to the Joint Management Agreement, for the Council's consideration, on this matter.

## **3. BACKGROUND**

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The Maangi Maaori roles have been introduced to provide the opportunity to reflect the views of Maaori in decision making. This can be reinforced by embedding these roles in the JMA agreement to reflect the commitment of Council and Waikato-Tainui to improved community engagement.

## **4. DISCUSSION AND ANALYSIS OF OPTIONS**

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### **4.1 DISCUSSION**

Councillors will recall the Mayor spoke at the inception of this concept about the importance of continuity and reflecting the voice of Maaori in decision making. This report proposes embedding the Maangi Maaori positions in the JMA agreement to stress Council and Waikato-Tainui's commitment to improved community engagement. The matter was discussed at the JMA hui in 2019 but deferred for the incoming Council to consider.

## 4.2 OPTIONS

The Committee could decide to support the concept of embedding the Maangi Maaori positions in the JMA agreement or not.

## 5. CONSIDERATION

### 5.1 FINANCIAL

The Maangi Maaori representatives are remunerated in a similar way to Councillors.

### 5.2 LEGAL

Council has legal obligations to involve Maaori in decision making. As well as adding diversity around the Committee table, this also assists with meeting Council's responsibilities.

### 5.3 STRATEGY, PLANS, POLICY AND PARTNERSHIP ALIGNMENT

The appointment of Maangi Maaori is consistent with the Council vision of "Liveable, Thriving and Connected Communities".

### 5.4 ASSESSMENT OF SIGNIFICANCE AND ENGAGEMENT POLICY AND OF EXTERNAL STAKEHOLDERS

(Ascertain if the Significance & Engagement Policy is triggered or not and specify the level/s of engagement that will be required as per the table below (refer to the Policy for more detail and an explanation of each level of engagement):

Highest levels of engagement	Inform	Consult	Involve	Collaborate	Empower
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Tick the appropriate box/boxes and specify what it involves by providing a brief explanation of the tools which will be used to engage (refer to the project engagement plan if applicable).</i>	Council has collaborated with Waikato-Tainui about the introduction of Maangi Maaori and finding a way where this involvement will continue.				

State below which external stakeholders have been or will be engaged with:

Planned	In Progress	Complete	
			Internal
			Community Boards/Community Committees
		✓	Waikato-Tainui/Local iwi -Discussion at the JMA hui in 2019
			Households
			Business
			Other Please Specify

Comment: This report follows discussion between Council and Waikato-Tainui at our 2019 JMA hui.

## **6. CONCLUSION**

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This report seeks support from the Committee to embed the Maangi Maori roles in our JMA agreement. The exact wording of this embedding will need to be agreed.

## **7. ATTACHMENTS**

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NIL

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### **Open Meeting**

<b>To</b>	Strategy and Finance Committee
<b>From</b>	Vishal Ramduny Acting General Manager Community Growth
<b>Date</b>	6 July 2020
<b>Prepared by</b>	Melissa Russo Corporate Planning Team Leader
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318 / 2663099
<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 every three years. The next long-term plan will need to be adopted before 30 June 2021.

Staff have been working on the Long Term Plan 2021-31 ('LTP') for a number of months, with the input and decision making from Council and Community Board and Committee Chairs, largely through a series of workshops.

The purpose of this report is to recap the progress and decisions made to date on the LTP. The workshops and outcomes are detailed in the attachment.

The two forthcoming workshops will be on:

- Gauging Council's appetite for the application of the user-pays principle; and
- Review of Council's Key Performance Indicators (KPI's).

At the time of writing this report, dates for these workshops were yet to be confirmed.

## **2. RECOMMENDATION**

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

## **3. ATTACHMENT**

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LTP Progress and Outcomes – July 2020

<b>Date</b>	<b>Workshop</b>	<b>Led By</b>	<b>Outcome</b>
2 March	Strategic Direction Setting	Margaret Devlin	Feedback sought on issues and opportunities for WDC and the district.
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 on the linkage to the Sustainable Development Goals. A number of these were supported.
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.
21 May	Communications and Engagement	Jake Quinn	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	Rob Ashley, Steve Browning (Morrinson Low)	Feedback sought on the proposed approach to reviewing Council's Levels of Service. Each KPI will link 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 of the proposed changes to the Significance and Engagement Policy. Alison provided information on the financial policies.

### Open Meeting

<b>To</b>	Strategy & Finance Committee
<b>From</b>	Alison Diaz Chief Financial Officer
<b>Date</b>	13 July 2020
<b>Prepared by</b>	Colin Bailey
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318/ 2672807
<b>Report Title</b>	Treasury Risk Management Policy – Draft Compliance Report at 30 June 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 and is based on the Interim Compliance Report at 30 June 2020 as the final figures for the year ended 30 June are not yet available.

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.
- Fixed to floating interest rate controls (item 10): Council has interest rate cover in place that exceeds the underlying debt position (\$101.5 million nominal SWAPs vs external borrowing of \$95 million). The nominal SWAP position is secured based on rolling 18 month cashflow forecasts. The accuracy of these forecasts needs to improve.  
Closing out live SWAPs would be cost prohibitive in the current market.
- Balanced budget benchmark (revenue/expenses): not balanced yet as year-end funding not completed.

Debt at 30 June 2020 is \$95 million compared to budgeted debt of \$131.9 million.

Further debt will not be required until late in the 2020 calendar 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 - Interim Compliance Report at 30 June 2020

## Waikato District Council

## Treasury risk management policy - Compliance report

As at 30 June 2020

INTERIM REPORT ONLY - Financial statement results subject to (and will) change

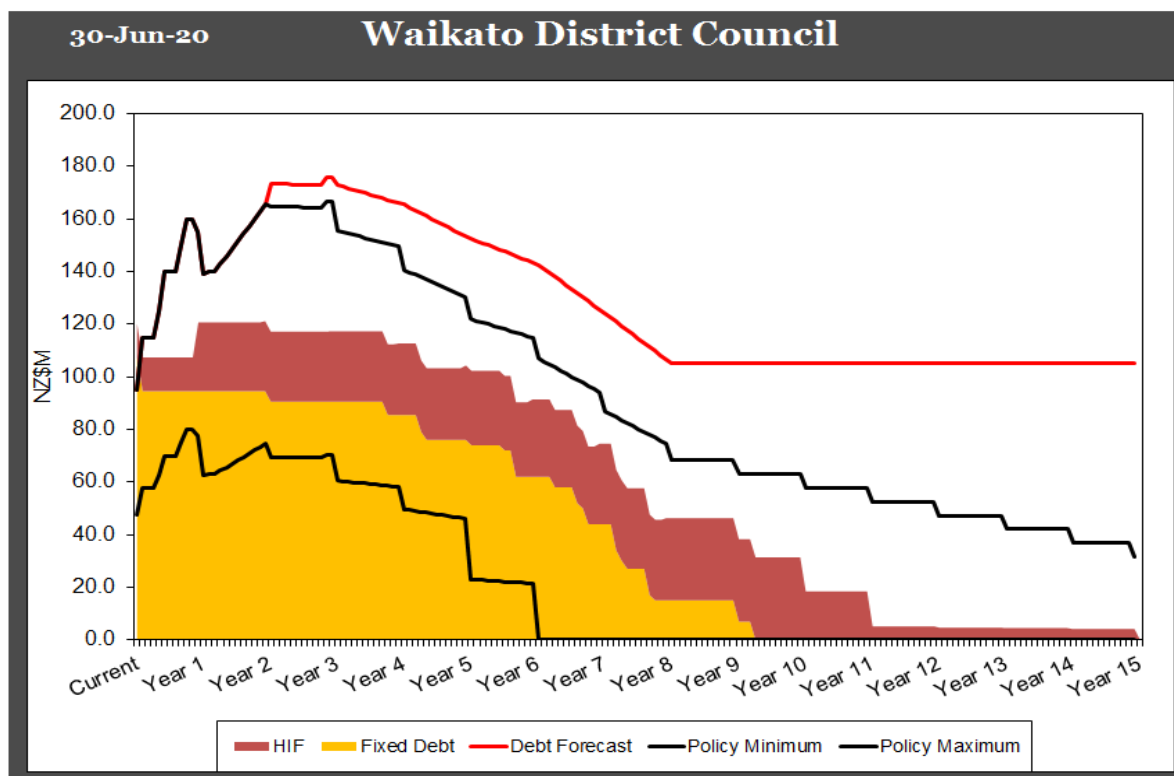
	Policy criteria	Policy limit	Actual	Within policy?																																								
1	The percentage of net external debt to annual revenue Net external debt =  Total annual revenue =	<150%	33.8%	✓																																								
2	Net interest expense on net external debt as a percentage of total annual revenue Net interest expense =	<20%	2.1%	✓																																								
3	Net interest expense on net external debt as a percentage of planned annual rates	<25%	4.8%	✓																																								
4	Liquidity ratio Liquidity =	>110%	111%	✓																																								
5	<p><u>Interest rate benchmark chart</u></p> <p>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> <table border="1"> <caption>Interest Rate Benchmark Chart Data (Estimated)</caption> <thead> <tr> <th>Month</th> <th>Benchmark (%)</th> <th>Budget (%)</th> <th>Actual (%)</th> </tr> </thead> <tbody> <tr><td>Jun-18</td><td>4.35</td><td>5.35</td><td>4.85</td></tr> <tr><td>Sep-18</td><td>4.20</td><td>4.50</td><td>4.15</td></tr> <tr><td>Dec-18</td><td>4.30</td><td>4.50</td><td>4.15</td></tr> <tr><td>Mar-19</td><td>4.20</td><td>4.50</td><td>4.45</td></tr> <tr><td>Jun-19</td><td>3.85</td><td>4.50</td><td>4.40</td></tr> <tr><td>Sep-19</td><td>3.95</td><td>4.25</td><td>4.40</td></tr> <tr><td>Dec-19</td><td>3.95</td><td>4.25</td><td>4.15</td></tr> <tr><td>Mar-20</td><td>3.50</td><td>4.25</td><td>4.60</td></tr> <tr><td>Jun-20</td><td>3.30</td><td>4.25</td><td>4.75</td></tr> </tbody> </table>	Month	Benchmark (%)	Budget (%)	Actual (%)	Jun-18	4.35	5.35	4.85	Sep-18	4.20	4.50	4.15	Dec-18	4.30	4.50	4.15	Mar-19	4.20	4.50	4.45	Jun-19	3.85	4.50	4.40	Sep-19	3.95	4.25	4.40	Dec-19	3.95	4.25	4.15	Mar-20	3.50	4.25	4.60	Jun-20	3.30	4.25	4.75			
Month	Benchmark (%)	Budget (%)	Actual (%)																																									
Jun-18	4.35	5.35	4.85																																									
Sep-18	4.20	4.50	4.15																																									
Dec-18	4.30	4.50	4.15																																									
Mar-19	4.20	4.50	4.45																																									
Jun-19	3.85	4.50	4.40																																									
Sep-19	3.95	4.25	4.40																																									
Dec-19	3.95	4.25	4.15																																									
Mar-20	3.50	4.25	4.60																																									
Jun-20	3.30	4.25	4.75																																									
6	Actual borrowing costs are <= budgeted borrowing costs Current month Year to date	Budget \$349,583 \$4,195,000.00	Actual \$349,056 \$4,504,442	✓ ✗																																								



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	20-Jul-12	20-Oct-20	5.59%
		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	
		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	
		3,000,000	15-Mar-18	20-Oct-20	4.22%
		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>125,500,000</b>	<b>Total swaps</b>		
		<b>101,500,000</b>	<b>Total "live" swaps</b>		
		<b>Average interest rate of live swaps</b>			<b>3.91%</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	Counterparty credit risk - swaps NZ registered banks (each) - ANZ / National - ASB - BNZ - HSBC - Westpac	\$30m	\$0m	✓	
			\$0m	✓	
			\$21.86m	✓	
			\$0m	✓	
			\$0m	✓	

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

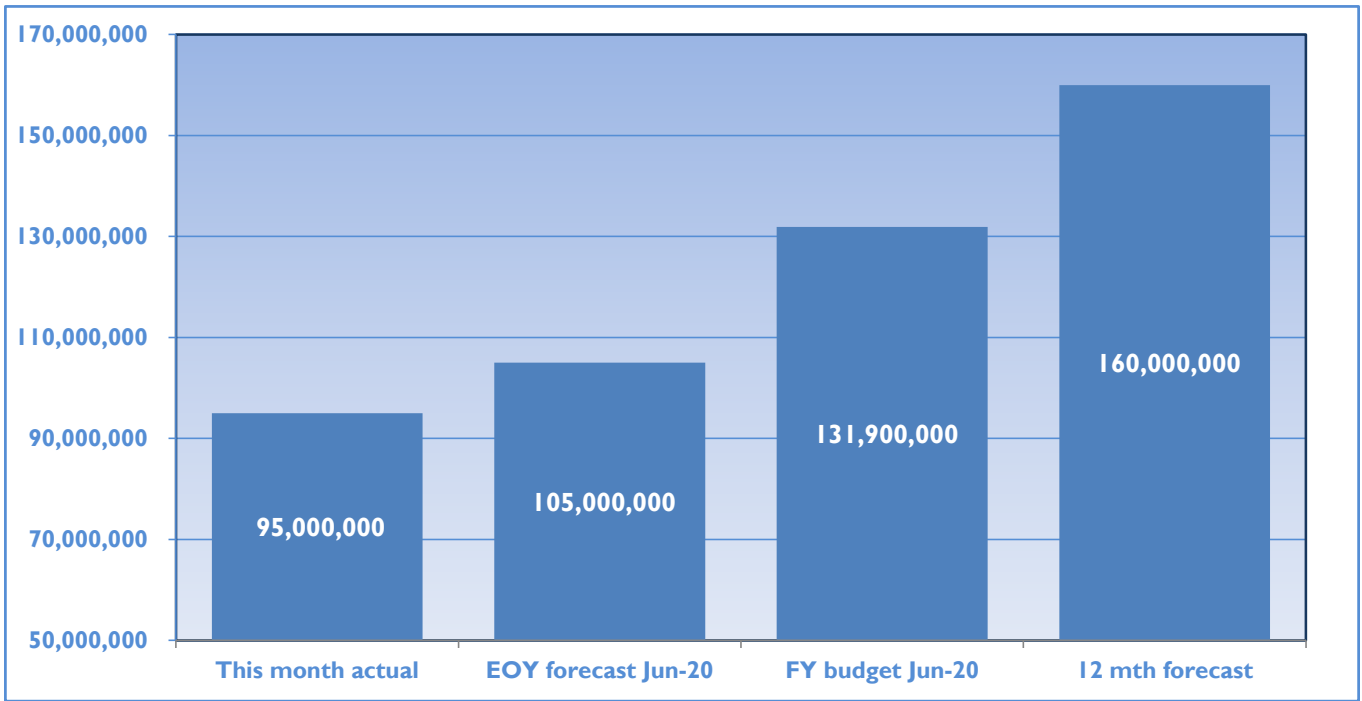
Debt period ending	\$m	Policy criteria	Actual	Within policy
Current	95	50% - 100%	127%	*
Year 1	139	45% - 100%	86.8%	✓
Year 2	173	40% - 95%	67.6%	✓
Year 3	173	35% - 90%	67.9%	✓
Year 4	165	30% - 85%	68.1%	✓
Year 5	152	15% - 80%	67.1%	✓
Year 6	143	0% - 75%	64.2%	✓
Year 7	124	0% - 70%	60.1%	✓
Year 8	105	0% - 65%	44.1%	✓
Year 9	105	0% - 60%	36.5%	✓
Year 10	105	0% - 55%	14.7%	✓



	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%	99%	*
13	Essential services benchmark (CAPEX / dep'n - infrastructure)	>=100%	110%	✓
14	Debt servicing benchmark (borrowing costs / revenue) borrowing costs =	<15%	3.2%	✓
		finance expenses per statement of comprehensive revenue and expense		

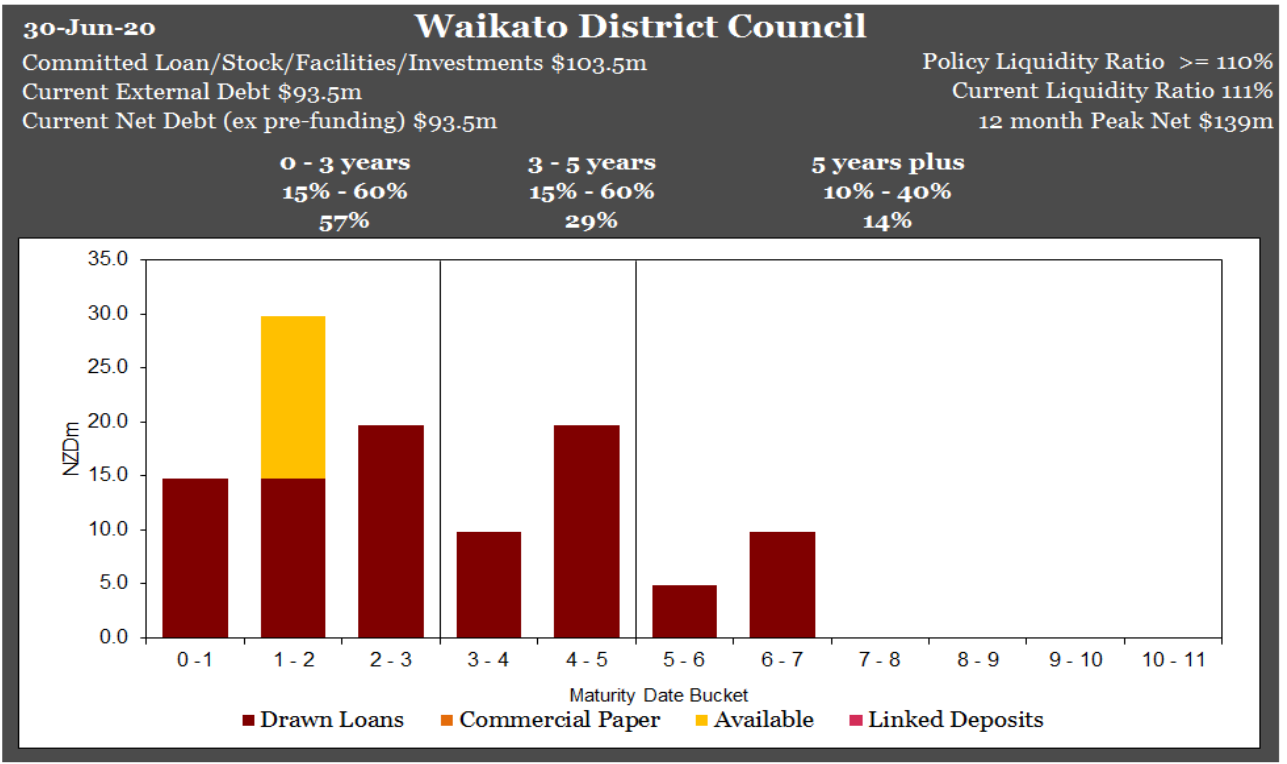
**15** Borrowing at June 2020

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



<b>16</b>	Actual monthly (gross) borrowing is within end-of-year budget	\$131,900,000	\$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%	57%	✓
	3 to 5 years	15% - 60%	29%	✓
	5 years plus	10% - 40%	14%	✓



<b>18</b>	<b>Financial assets</b>			<b>\$'000</b>
	<i>Share investments held for strategic purposes</i>			
	Local Authority Shared Services Limited			220
	Waikato Regional Airport Limited			15,176
	Strada Corporation Limited			700
	Civic Financial Services Limited			93
	<i>Investments held to reduce the current ratepayer burden</i>			
	Community loans as below			92
	<i>Short-term investments held for liquidity &amp; working capital requirements</i>			
	Bank & cash balances			253
	Short-term bank deposits			26,200
	<b>Total investments</b>			<b>\$16,534</b>
	For treasury purposes, LGFA borrower notes are netted off against related borrowing			
<b>19</b>	<b>Community loans</b>			
	<b><u>Borrower</u></b>	<b><u>Current balance \$\$</u></b>	<b><u>Maturity date</u></b>	<b><u>Interest rate</u></b>
	Tamahere Hall Committee	78,123	Jun-22	} all at 5.28%
	Te Kowhai Hall Committee	10,584	Jun-22	
	Woodlands #2	-	Oct-19	
	Tauhei Hall Committee	-	Jun-20	
	Opuatia Community Centre (ex Franklin loan)	2,800	Dec-20	0%
		<u>\$91,507</u>		
	<b>Policy criteria</b>	<b>Policy limit</b>	<b>Actual</b>	<b>Within policy?</b>
<b>20</b>	<b><u>Counterparty credit risk - investments</u></b>			
	NZ Government	unlimited	\$0m	✓
	NZD resistered supranationals	\$20m	\$0m	✓
	LGFA	\$20m	\$1.52m	✓
	NZ registered banks (each)	\$20m		
	- ANZ / National		\$6.55m	✓
	- ASB		\$6.55m	✓
	- BNZ		\$6.55m	✓
	- HSBC		\$0m	✓
	- Westpac		\$6.55m	✓
<b>21</b>	<b><u>Counterparty credit risk - total</u></b>			
	NZ registered banks (each)	\$50m		
	- ANZ / National		\$6.55m	✓
	- ASB		\$6.55m	✓
	- BNZ		\$28.41m	✓
	- HSBC		\$0m	✓
	- Westpac		\$6.55m	✓

### Open Meeting

<b>To</b>	Strategy & Finance Committee
<b>From</b>	Alison Diaz Chief Financial Officer
<b>Date</b>	13 July 2020
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318/ 2672723
<b>Report Title</b>	Final Statements of Intent 2020/21

## I. EXECUTIVE SUMMARY

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Pursuant to section 64 of the Local Government Act 2002 (“LGA”), a Council Controlled Organisation is required to provide a draft Statement of Intent (“SOI”) to its shareholder/s (Council) by 1 March each year. Council has an opportunity to give feedback on the draft before May, with each Council Controlled Organisation (CCO) required to provide a final SOI to the shareholder/s by 30 June.

Following feedback from the shareholding Councils along with consideration of COVID-19 impacts, WRAL and WLASS have finalised their Statements of Intent for 2020/2021. The WBT, which is wholly owned by Council, has adjusted their SOI to reflect the changed economic climate.

The three SOI’s comply with the schedule 8 LGA requirements as well as specified timings and are attached.

## 2. RECOMMENDATION

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

**AND THAT** the Strategy & Finance Committee, as per section 65(2)(a) of the Local Government Act 2002 agree to the 2020/21 Statements of Intent received from the Waikato Regional Airport Limited, Waikato Local Authority Shared Services Limited and Waikato District Community Wellbeing Trust;

**AND FURTHER THAT** the Strategy & Finance Committee confirm that Strada Corporation Limited and its subsidiary Waikato Quarries Limited remain exempted in the classification as Council Controlled Organisations and are therefore not required to submit a Statement of Intent.

### 3. BACKGROUND

Council has three CCO's that prepare SOI's: Waikato Regional Airport Limited ("WRAL"); Waikato Local Authority Shared Services Limited ("WLASS"); and Waikato District Community Wellbeing Trust ("WBT").

Council has exempted Strada Corporation Limited and its subsidiary Waikato Quarries Limited from being classified as CCO's as allowed for under section 7(3) of the LGA. The quarrying business was sold in 2016 and the companies have effectively not been trading since that time. Following expiration in 2019 of the guarantee specified in the sale agreement, Council has confirmed that the company should be wound up and that the decision to exempt these companies as CCO's remains valid. Therefore, these companies do not have to prepare an SOI.

All required draft SOI's were received by 1 March 2020 and reported to both the Strategy & Finance and Audit & Risk Committees. Feedback on the drafts were provided to each CCO in writing, noting changes to final SOI's were anticipated given the coronavirus pandemic and related economic challenges.

### 4. DISCUSSION AND ANALYSIS OF OPTIONS

#### 4.1 DISCUSSION

##### WRAL ADJUSTMENTS

COVID-19 has significantly affected the aviation and tourism sectors. Accordingly, some short-term objectives and financial projections in the WRAL SOI have been revised. The long-term objectives and purpose remain unchanged.

The following table shows the changes between the draft and final SOI:

Changes	Draft SOI	Final SOI
Key objectives	Operate the airport hotel to meet or exceed its financial growth targets and customer satisfaction targets.	Operate the airport hotel to recover from the effects of COVID-19 and achieve revised financial targets.  Maintain pre-COVID customer satisfaction targets.
	Marketing the Hamilton & Waikato region as a visitor destination to international and domestic visitors	Marketing the Hamilton & Waikato region as a visitor destination to domestic visitors.
Nature and scope of activities to be undertaken	Identify opportunities to develop new and expand existing passenger services.	Assist Air NZ to identify opportunities to recover flight schedules and passenger numbers.
	Promote development and growth of the general aviation sector	Promote the recovery of the general aviation sector.

Changes	Draft SOI	Final SOI
	N/A	Investigate opportunities to open up Hamilton Airport again to international air services, however the emergence of COVID-19 may impact consultation and timing.
Key capital and investment projects and initiatives for the year ending 30 June 2021	<p>Complete an upgrade of the airport terminal to ensure the terminal meets all regulatory requirements, remains fit for purpose and responsive to growing domestic passenger traffic.</p> <p>Development and improvement of roading and underground services infrastructure on the eastern side of the airport precinct to ensure the Group can continue to develop Titanium Park and the terminal is serviced by modern infrastructure that is optimal to forecasted needs.</p> <p>Upgrade and refurbishment of the Airport Hotel and Conference Centre property to a Qualmark 4 Star standard.</p>	<p>Removed</p> <p>Removed</p> <p>Removed</p>
Non-financial performance targets	<p>Tourism (Hamilton &amp; Waikato Tourism Limited)</p> <p>Achieve 5% growth in visitor nights and visitor expenditure (as measured by key MBIE Tourism statistics)</p>	Removed
	<p>Hotel operation</p> <p>Achieve growth in key metrics such as occupancy, room rates and customer satisfaction in line with the expectations underlying the achievement of a Qualmark 4 Star rating.</p>	Implement a recovery plan to enable a steady return to pre-COVID key metrics such as occupancy, room rates and customer satisfaction in line with the expectations underlying the achievement of a Qualmark 4 Star rating.

Financial Performance Targets	Draft SOI			Final SOI		
	2021	2022	2023	2021	2022	2023
EBITDA excluding land sales	\$5.5m	\$5.8m	\$6.1m	(\$0.5m)	\$2.3m	\$2.9m
EBITDA including land sales	\$8.0m	\$6.5m	\$6.9m	\$0.3m	\$2.3m	\$2.9m
Net profit before tax <i>no less than</i>	\$3.0m	\$2.0m	\$2.2m	(\$3.7m)	(\$1.5m)	(\$1.0m)
Net operating cash flow (excl land sales)	\$3m	\$3m	\$3m	(\$1.5m)	\$1.5m	\$2.6m
Total debt, excluding funding for design-build properties <i>not exceeding</i>	\$25m	\$25m	\$25m	\$30m	\$30m	\$30m
Percentage of non-landing charges revenue of <i>at least</i>	60%	60%	60%	no change	no change	no change
Land sales	\$6m	\$1.5m	\$1.5m	\$4m	\$2m	\$3m
Interest cover <i>at least</i>	4x	4x	4x	-4x	3x	3x
Total liabilities/shareholders' funds (debt/equity ratio) <i>a maximum of</i>	35:65	35:65	35:65	removed	removed	removed
Net profit after tax to total shareholders' funds	2.5%	1.8%	1.8%	removed	removed	removed
Net profit after tax to total assets	1.3%	1.3%	1.7%	removed	removed	removed

### WLASS ADJUSTMENTS

The performance measures contained within the SOI have not changed between the draft and the final. However, in terms of the prospective financial statements, income has decreased due to a decision to use funds on hand which will reduce member charges in the coming year. This change coupled with an increase in costs, mainly related to changes in the timing of the LiDAR project has increased the forecast deficit by \$33,336 to \$182,688 for the 2020/21 financial year.

### WBT ADJUSTMENTS

The draft SOI was based on receiving a long term, sustainable return on investment of 7.26% before fund management fees. In recognition of the economic downturn resulting from COVID-19, advice was sought from Kiwi Wealth Limited regarding the sustainability of this level of return. Based on that advice, the assumed rate of return used in the final SOI has reduced to 5% for each of the three budgeted years.



The impact of this change is that revenue budgeted for 2021 has reduced by almost 32% (from \$318,466 to \$216,899) and grants available for approval over the three budgeted years are down 36% (from \$433,725 to \$318,938). The performance measures remain unchanged.

## **4.2 OPTIONS**

The Committee under section 65(2) of the LGA could choose to:

- a) agree to the final SOI's as attached, or
- b) request the board of the CCO to make modifications as allowed for under clause 6 of schedule 8 of the LGA (which would require resolution of all shareholders)

## **5. CONSIDERATION**

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### **5.1 FINANCIAL**

Council's 2020/21 Annual Plan has been adjusted to align with the revised final SOI's. This required removal of the WRAL dividend and changes to WLASS related expenditure.

### **5.2 LEGAL**

All specified timeframes and content of the SOI's comply with the requirements of the LGA.

Strada Corporation Limited and Waikato Quarries Limited while owned by Council are exempted in the classification as CCO's and as such are not required to prepare an SOI.

Council is required to publish the SOI's online within 1 month of the adoption date as per section 64(9) of the LGA and maintain the statements for a period of no less than seven years.

### **5.3 STRATEGY, PLANS, POLICY AND PARTNERSHIP ALIGNMENT**

Staff consider the decision in this report to have low significance and that the recommendations comply with Council's legal requirements.

### **5.4 ASSESSMENT OF SIGNIFICANCE AND ENGAGEMENT POLICY AND OF EXTERNAL STAKEHOLDERS**

External stakeholder engagement is not required under Council's Significance and Engagement Policy. Individual shareholder feedback has been considered by the CCO board's and incorporated into the final SOI's.

## **6. CONCLUSION**

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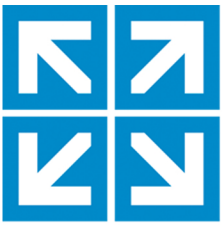
It is recommended that the Committee agree to the final SOI's received from the WRAL, WLASS and the WBT.

## **7. ATTACHMENTS**

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- Waikato Regional Airport Limited Statement of Intent 2020/21
- Waikato Local Authority Shared Services Limited Statement of Intent 2020/21

- Waikato District Community Wellbeing Trust Statement of Intent 2020/21



# Hamilton Airport



## GROUP STATEMENT OF INTENT 2020/2021

(June 2020)

# INTRODUCTION

This statement is presented by the Directors in accordance with s.64 (1) of the Local Government Act 2002 and sets out the Board's intentions for the Company and Group for the year ending 30 June 2021 and succeeding two financial years.

## COVID-19 and the WRAL Group

The COVID-19 pandemic resulted in world-wide crises: from health, to social and economic devastation. The impact on the WRAL Group was significant, as the business is primarily aviation and hospitality-focused with strong links to tourism and therefore projected revenues have dropped substantially. This has necessitated a conservative, yet cautiously optimistic outlook for recovery over the next three years for the Group.

Fortunately, the Group's 10-year strategy has a focus on non-aeronautical income diversification activities which will continue to be critical to our future. Our property initiatives served us well through the initial COVID-19 crisis period and the anticipated recovery through 2021. In the short to medium term, we expect property initiatives will continue to provide a level of support to the Group, minimising future economic volatility, whilst aviation, hospitality and tourism begin to recover to at least self-supporting levels.

## STRATEGIC INTENT

*The Group has identified its core purpose and key objectives that recognise the strategic intent of the business:*

### CORE PURPOSE

- 1) Enabler of air services to the region.
- 2) Operate a first class, safe and compliant airport.
- 3) Strategic positioning of the business to enhance capital value.

### WRAL: KEY OBJECTIVES

- 1) Operate an efficient, compliant and resilient airport.
- 2) Enhance the traveller experience.
- 3) Maintain a viable aeronautical business.
- 4) Maximise revenue diversification through non-aeronautical business opportunities.



## KEY OBJECTIVES OF THE GROUP:

The Group incorporates Titanium Park Limited, Hamilton & Waikato Tourism Limited and Waikato Regional Airport Hotel Limited.

- 1) Operate an efficient, compliant and resilient airport.
- 2) Enhance the traveller experience.
- 3) Maintain a viable aeronautical business.
- 4) Maximise revenue diversification through non-aeronautical business opportunities.
- 5) Develop and optimise the land holdings of the Group to generate a long-term property income from a diversified property portfolio.
- 6) Operate the airport hotel to recover from the effects of COVID-19 and achieve revised financial targets. Maintain pre-COVID customer satisfaction targets.
- 7) Marketing the Hamilton & Waikato region as a visitor destination to domestic visitors.
- 8) Grow the visitor economy through tourism development and destination management.

## Nature and scope of activities to be undertaken:

- 1) **Operate an efficient and compliant airport.**  
Operate a safe, secure and compliant airport by providing for essential projects, together with any compliance expenditure warranted.
- 2) **Enhance the traveller experience.**  
Maximise traveller satisfaction and airport experience.
- 3) **Maintain a viable aeronautical business.**  
The COVID-19 pandemic has painted a very different canvas for the aviation sector over the next few years. We will:  
  
Assist Air NZ to identify opportunities to recover flight schedules and passenger numbers.  
  
Promote the recovery of the general aviation sector.  
  
Develop and implement a five year plan to give effect to, or seek renewal of the runway extension designation.  
  
Position and protect the airport as an efficient, cost-effective international port of arrival for private, corporate and medical aircraft.  
  
Investigate opportunities to open up Hamilton Airport again to international air services, however the emergence of COVID-19 may impact consultation and timing.

- Remain collaborative with local authorities and government agencies for joint infrastructure and transport initiatives.
- 4) **Maximise revenue diversification through non-aeronautical business opportunities**  
Support the development of land within the bounds of a sound strategic approach to long-term planning for the airport precinct by its subsidiary Titanium Park Limited (TPL).

TPL will continue marketing for sale, development and optimised investment, all available surplus airport-owned land in a planned and co-ordinated approach.

Land sales and property development are always subject to volatility dependent on regional and national economic conditions. Therefore, as demonstrated by the COVID-19 pandemic, this presents a degree of risk for the Group that will be carefully managed through the staged precinct developments of Titanium Park.

In conjunction with the hotel manager, maximise the recovery plan and earnings of the recently acquired and upgraded airport hotel business.

- 5) **Ensure appropriate internal and external resource to enable a commercially driven and high performing organisation**  
Knowledgeable and capable, high performing and appropriately resourced management team to ensure sound reporting and accountability, and delivery of the strategic plan.

## 6) Key capital and investment projects and initiatives for the year ending 30 June 2021.

Having now finalised a masterplan for Titanium Park's proposed Northern Precinct development (current site of the WRAL farm), prepare a private plan change submission to Waipa District Council to future-proof development options.



## In pursuing its goals, the group will:

- At all times behave in a professional and ethical manner in all its business dealings with its customers and stakeholders.
- Be an employer of choice.
- Ensure a safe and healthy workplace environment that complies with legislation.
- Identify and recognise Shareholders' expectations, within the bounds of corporate prudence.







## PERFORMANCE TARGETS

The following annual performance targets are proposed for the Waikato Regional Airport Limited in relation to its core purpose and key objectives.

Based on Company forecasts	Year ending 30 June		
	2021	2022	2023
EBITDA excluding land sales	(\$0.5m)	\$2.3m	\$2.9m
EBITDA including land sales	\$0.3m	\$2.9m	\$3.7m
Net profit before tax <i>no less than</i>	(\$3.7m)	(\$1.5m)	(\$1.0m)
Net operating cash flow (excl land sales)	(\$1.5m)	\$1.5m	\$2.6m
Total debt, excluding funding for design-build properties <i>not exceeding</i>	\$30.0m	\$30.0m	\$30.0m
Percentage of non-landing charges revenue of at least	60%	60%	60%
Land sales	\$4.0m	\$2.0m	\$3.0m
Interest cover <i>at least</i>	-4.0x	3.0x	3.0x

## NON-FINANCIAL PERFORMANCE TARGETS

	<b>Health, safety and well-being</b>
	Facilitate Health & Safety meetings every two months with representatives from each entity in the Group
	Zero Work Safe notifiable accidents/injuries
	Independently review and audit the Health & Safety system each year
	<b>Operational compliance</b>
	To achieve the Airport Certification Standards as required by the Civil Aviation Authority and as evidenced by Civil Aviation Authority audit reports.
	Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events)
	Monitor aeronautical noise and facilitate noise management meetings every four months in accordance with the Noise Management Plan.
	<b>Property (Titanium Park Limited)</b>
	Complete construction of the 4 <sup>th</sup> Stage of Titanium Park's Central Precinct and 2 <sup>nd</sup> Stage of Southern Precinct.
	Prepare a private plan change submission to Waipa District Council in relation to the future Northern Precinct Development.
	Complete construction of Titanium Park's first design-build property on Southern Precinct.
	<b>Hotel operation</b>
	Implement a recovery plan to enable a steady return to pre-COVID key metrics such as occupancy, room rates and customer satisfaction in line with the expectations underlying the achievement of a Qualmark 4 Star rating.



### Statement of accounting policies

The accounting policies adopted by the Group for the year ending 30 June 2021 and succeeding two years are those as adopted in the 2019 Annual Report prepared under Tier 2 of the Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR). The impact of accounting standards changes is not expected to have a material impact on the Group's financial statements or their comparability with previous results.

### Dividend policy

The Directors propose that no dividend be paid during the three year period ending 30 June 2021 given the impact of the COVID-19 pandemic.

### Information to be provided to Shareholders

The Annual Report of the Company and Group.

An interim Report circulated to Shareholders each half-year including a Chair's Report, Consolidated Income Statement, Consolidated Balance Sheet and progress against Financial Performance Targets.

Shareholder Briefings held at least twice annually.

### Future investment proposals

If the Group wishes to subscribe for, purchase, or otherwise acquire shares in any other company or any other organisation, it can do so only after first obtaining approval from the majority of shareholders at either a General Meeting or at a Special Meeting convened for that purpose.

### Commercial value of the Shareholders' investment

No valuation of shares has been completed.

The consolidated balance sheet of WRAL as at 30 June 2019 shows shareholder equity of \$97m based on recent independent valuations of the Group's property, plant and equipment and investment properties.

### Compensation from Local Authorities

There are no known activities of the Company or Group for which the Directors would seek compensation from any local authority.

### Major transactions

Shareholders approve major transactions via a special resolution. A major transaction for WRAL is defined as:

- (a) the acquisition of, or an agreement to acquire (whether contingent or not), assets the value of which is more than 10% of the value of the Company's assets before the acquisition; or

- (b) the disposal of, or an agreement to dispose of (whether contingent or not), assets the value of which is more than 10% of the value of the Company's assets before the acquisition; or

- (c) a transaction which has or is likely to have the effect of the Company acquiring rights or interests or incurring obligations or liabilities, the value of which is more than 10% of the value of the company's assets before the transaction;

### Health & Safety and Wellbeing

The Board and Management will ensure that all requirements to the Health & Safety at Work Act 2015 are maintained. This will be achieved by the engagement of an independent consultant and audit processes to ensure the organisation and its subsidiary companies are maintaining compliant and best practice processes. At all times the Group will continue to monitor and review health and safety requirements via monthly reporting.





## **Statement of intent**

**For the year ended 30 June 2021**



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This SOI is a public declaration of the activities and intentions of the Council Controlled Organisation, Waikato Authority Shared Services Ltd (WLASS). It outlines the nature and scope of the work it will undertake, the Directors' accountabilities to the shareholders for corporate performance and financial forecasts, as required by Schedule 8 of the Local Government Act 2002. This information is provided in relation to the financial years ended 30 June 2021 to 30 June 2023.

## Executive summary

The past 12 months has seen the completion of the structural changes necessary to transform the company into a service delivery agent and strategic partner to the councils. The company has a small core team of employees and a smaller, more agile, board with an independent chair to help challenge status quo.

These changes have helped facilitate several new initiatives which collectively will deliver value to councils and their communities through:

- Improving water asset management practices;
- More efficient spend and improved procurement practices around infrastructure;
- Reducing energy costs and improving energy and carbon management;
- Improving community and council staff experiences in relation to geospatial datasets by saving time and increasing accessibility;
- Better decision-making around resource consenting, climate change planning and natural hazards through a region-wide LiDAR data set;
- Savings (time and cost) to councils through the establishment of an expanded professional services panel with standardised terms and rates.

This SOI sets out a new performance framework for the company. To date the measures of performance used have been extensive and heavily process orientated. While that may have been appropriate historically, it no longer is. The new framework directly links the company's roles, and the performance measures used to assess our success in fulfilling those roles, to the ultimate outcomes we are seeking.

In the second half of 2019 WLASS Management and the Board collated the suite of current opportunities (from what we are seeing and hearing with councils), and from that, gave priority to five opportunities for further development. A workplan is in place to develop those opportunities commencing in the current financial year and the next, and this SOI seeks a pool of funding to do so.

While WLASS now has a small core team it remains reliant on council resource to advance opportunities. This is the company's single biggest challenge. The extent to which councils are willing to commit resource (time and money), will determine the pace of change we can achieve. The ability to opt out of a project's implementation and service offering can be made. However, councils need to commit to and engage in resourcing the development of opportunities. Councils must also take on the challenge of changing the way things are done when there is a sound case for doing so, if WLASS is to maximise the value it can bring to its shareholders.

The company has been working through where it believes it is not adding value for its shareholders, or where it is involved in activity it neither controls nor has an ability to influence. As a result, WLASS has been working with stakeholders to see a smooth transition of its functions related to Waikato Plan and Future Proof by July 2020. These 'workstreams' are therefore not reflected in the financial information in this SOI.

These are unprecedented economic times. They are impacting all of us in a way we could not have imagined at the beginning of 2020. WLASS is fortunate that Covid-19 has not had a significant, direct impact. However, the company is acutely aware of the financial pressure many of our shareholding councils are facing. Now, more than ever, it makes sense for councils to collaborate, to reduce costs, take the best of what each is doing to lift the game, and be better together. WLASS is a critical part of this.

Funding into WLASS for the 2021 financial year (to 30 June 2021), is \$4.8m, \$700k greater than what was forecast in last year's SOI. This increase is principally due to initiatives approved by shareholding

councils since the last SOI or, in the case of LiDAR, a change in when the forecast expenditure is being incurred. Equally, some of this expenditure may reflect a transfer of amounts budgeted elsewhere in council to WLASS (as a collaborative initiative), rather than an increase in council costs per se.

The following table summarises the changes.

<b>Member charges for 2021 financial year (FY21)</b>	<b>FY21 projection (per prior year's SOI) \$000</b>	<b>FY21 Budget (per current SOI) \$000</b>	<b>Variance <sup>1</sup>: increase / (decrease) \$000</b>
Core operating costs	510	566	56
Working parties   Projects	696	1,146	450
LiDAR	475	980	505
RATA business unit	697	855	158
Waikato Regional Transport Model	309	377	68
RATA – water collaboration	0	440	440
Future Proof	610	0	(610)
Waikato Plan	252	0	(252)
Other	547	416	(131)
<b>Total</b>	<b>4,096</b>	<b>4,747</b>	<b>684</b>

<sup>1</sup> Commentary on the variances is included in the body of the document.

Following an assessment of the cash surplus / (deficit) in each workstream we have made the decision to reduce the member charges for the coming year in some areas and instead utilise brought forward surpluses. As a result, member charges will be reduced by ~\$185k (from that forecast in last year's SOI) across Procurement, the Waikato Data Portal project, the Energy and Carbon Management Programme and SVDS. The amounts shown in the above table are net of this \$185k.

A flow on effect of this action is that we are budgeting a net deficit for the 2021 financial year of ~\$183k.

## Introduction

WLASS is owned in equal portion by the 12 Waikato local authorities:

- Hamilton City
- Hauraki District
- Matamata-Piako District
- Otorohanga District
- Rotorua Lakes
- South Waikato District
- Taupō District
- Thames-Coromandel District
- Waikato District
- Waikato Regional
- Waipa District
- Waitomo District

It was established in 2005 as a vehicle through which these councils could collaborate and identify opportunities for undertaking activity on a shared basis. Prior to 2019, it operated solely using a part-time contracted resource.

## The WLASS transformation – 12 months in

In the 2019 SOI WLASS asked shareholding councils to commit to transforming the company into a service delivery agent to allow it to better serve those councils. That transformation had three key elements:

- Establishing in-house resources: WLASS has since employed a small core team (a Chief Executive, Business Analyst and Executive Assistant);
- Changing the WLASS governance structure: The Board has reduced to six members - an independent Chair and five Council Representative Directors; and
- Thought leadership: By providing these structural changes it will better enable the company to explore ways in which councils can operate better for the benefit of their communities.

***The structural transition is complete***

With these changes, the structural transition is complete (but will continue to evolve as the company's areas of activity expand).

We have already started seeing the results of these changes. The last 12 months has seen the company provide thought leadership in several areas culminating in the following significant developments:

- Expanding the RATA service offering (historically focused on roading), into 'waters' assets;
- Developing and delivering the opportunity to coordinate infrastructure procurement between councils (to be reflected in councils' 2021 long-term plans);
- Introducing a new Energy and Carbon Management programme;
- Developing the 'Waikato OneView' opportunity, with the implementation project commencing mid-2020;
- Commencing the project to capture region-wide LiDAR; and
- Establishing a new, significantly expanded, panel of professional services providers.

***New initiatives are being delivered***

In addition, at the end of last year, following consultation with councils, the Board agreed those opportunities that the company will focus on over the coming months (discussed further below). Other ideas have been included on a 'long list' of potential opportunities that will be considered in the future.

***Priority opportunities are identified***

The various functional cross-council working parties have (and will continue to), help identify and develop opportunities. Within each of these groups WLASS last year facilitated ideation sessions to foster new ideas. It will continue to use these groups to feed the ideas pipeline and to foster collaboration between the councils.

## The outcomes we are looking for – performance reporting

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.

Transforming the company into a service delivery agent and a true strategic partner to councils, means the company has two fundamental roles:

- 1) It is a laboratory for developing opportunities that create value to councils, either by improving the experience of their communities or by making the councils themselves, collectively, more efficient and effective; and
- 2) It is a provider of services to councils where a business case to do so has been established (recognising that it may make sense for some services to be provided by someone other than WLASS).


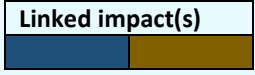
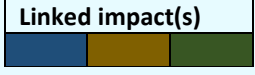
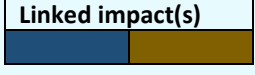
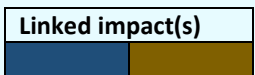
Given the evolution of the company, WLASS has revisited the way that it measures its success to reflect these roles. A performance framework has been established (see diagram 1).

<b>Our vision</b>	<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>					
<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

**Diagram 1**

## Priorities and performance measures

We will track how well we are delivering on our strategic priorities using the following performance measures:

Priority	Performance measure	Target
Prioritise and develop opportunities that add value to councils by achieving one or more of our objectives  	<ul style="list-style-type: none"> <li>➤ Business cases will include measurable benefits linked to one or more of the outcomes sought</li> <li>➤ Opportunity assessments are supported by councils (evidenced by Board minutes)</li> </ul>	Projected savings to councils of \$300k+  75% of councils
Develop opportunities and deliver projects within agreed budgets and timelines <sup>1</sup>  	<ul style="list-style-type: none"> <li>➤ Opportunities / projects are developed / delivered within agreed timelines</li> <li>➤ Opportunities / projects are developed / delivered, within approved budget</li> </ul>	80%  90%
Ensure projects realise their expected benefits  	<ul style="list-style-type: none"> <li>➤ Measurable benefits are actively monitored and reported against</li> <li>➤ Audit &amp; Risk Committee undertake an assessment of projects following implementation (which will include an assessment of whether projected benefits have been realised)</li> </ul>	Six-monthly  \$200k+ Projects  Within 15 months  90% of projected quantifiable benefits are realised
Ensure existing services are meeting the needs of councils  	<ul style="list-style-type: none"> <li>➤ The services we provide (below) are considered by councils who use that service to meet or exceed their expectations (evidenced by an annual survey):               <ul style="list-style-type: none"> <li>○ RATA – roading &amp; waters</li> <li>○ Waikato Building Cluster</li> <li>○ Regional Infrastructure Technical Specifications</li> <li>○ Energy &amp; Carbon Management</li> <li>○ Professional Services Panel</li> <li>○ Health &amp; Safety pre-qualification</li> </ul> </li> </ul>	80% of councils
Foster and promote cross-council collaboration and networking to share ideas on improving efficiencies and best practice  	<ul style="list-style-type: none"> <li>➤ Across these groups, ideas for future consideration and/or initiatives are identified each year</li> </ul>	Six per annum

<sup>1</sup> Budgets and timelines for opportunity development will be those established following discovery and/or opportunity assessment. A business case will refine these parameters with respect to project delivery.

The targets noted above are for the three-year forecast period. They will form the baseline from which we will seek to continually improve going forward.

## Transparency and reporting to councils

The company will deliver the following information to shareholders:

- Within two months of the end of the first half of the financial year, a half-yearly report, including Statements of Financial Performance, Financial Position, and Cashflows and commentary on service performance including an assessment of progress against performance measures; and
- Within three months of the end of the financial year, an audited Statement of Financial Performance, Statement of Changes in Equity, Statement of Financial Position, Statement of Cashflows and commentary on service performance.

WLASS recognises that it must be able to clearly show the value that it is providing to shareholding councils. We want to be completely transparent about that and ensure that we continue to focus on the right services. Therefore, we will be communicating with councils more on the value they are receiving from their investment in the company.

## The WLASS Transformation – the next 12 months

### The initial priority projects

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In December, the Board approved five priority projects to investigate opportunities that will deliver value to councils.

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#### *Waters 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. With Waikato District’s departure from this arrangement (given its new relationship with Watercare Ltd), it is timely to consider the future of this shared service.

This project is to explore the extent to which there is interest from other councils in the region to utilise this service offering and whether it makes sense to have that service “delivered” through WLASS. The work commenced in May 2020.

#### *Regulatory support services*

Councils operate in an ever-changing regulatory environment. This project will consider how WLASS could track changes in legislation and regulation and push that information out to councils. This service would eliminate the need for each council to expend time and effort keeping up to date with changes on their own. It will also consider to what extent other agencies (e.g. SOLGM) provide such a service already.

#### *Building consent shared services*

The issue and monitoring of building consents is a critical function of councils. It is important that this function is delivered with the community in mind and in the most efficient way. Councils are also facing a shortage in capability in this area. This project is to consider how the delivery of this function across Waikato could be improved. Following initial discovery work, in May 2020 the Board approved progressing the development of this opportunity. The project is currently being mobilised to commence on 1 July 2020.

### *Collaborative L&D programme*

Waikato councils have the same functional responsibility and therefore the same capability needs (noting that Waikato Regional Council have some different requirements). This project will consider how the learning and development programmes and supporting material can be aligned and shared to lessen the burden on council staff having to each do their own thing. It will also consider to what extent material and services of other agencies (e.g. SOLGM<sup>1</sup>) can be leveraged. The initial focus area is building consenting units (as part of the broader project referred to above).

### *Human Resources shared services*

This project will explore which human resource functions in councils are common (likely procedural in nature) and could therefore be delivered by WLASS to each of the councils. Taking these processes out of the councils themselves would free up council resource to focus on people and capability services that provide greater value to the council. A 'central' human resource function could also support smaller councils who have limited resource and are therefore susceptible to disruption where staff leave or are unable to work for a period.

### *Future projects*

The company is committed to progressing ideas as fast as possible. This means that once we have established whether or not to pursue the priority projects, and put in place to teams to develop those that are to progress, we will move on to other areas where we think we can add value. We already have a long list and a further five ideas that were tagged to be considered next. However, we want to continue to sense check where our focus should be with councils. This is particularly important given that Covid-19 has fundamentally shifted the landscape since the long list was established last year. In May 2020, the company started consulting with councils on those 'next ideas'.

### *Concluding comment*

We expect each of these projects will add value to councils and they have been prioritized accordingly. However, if, as an opportunity is explored and developed, it becomes apparent that it will not achieve this aim, it will not be pursued. The initial 'discovery' of the opportunity will be undertaken by WLASS. Councils will be consulted prior to funds being invested (if required), to develop opportunities if the board agrees they should be pursued. However, once the decision is made to proceed with developing an opportunity, councils need to commit to supporting the decision to do so. Once business cases have established that an opportunity makes sense, councils will be able to choose whether to receive the service on offer.

These ideas will challenge the way things are currently done and therefore be disruptive – this is necessary if we are to meet the expectations of our shareholders and have the impact we are looking for. Similarly, while a council will always have the ability to 'opt out' of an offering, if we are going to make a difference, it is critical that this be by exception and that councils are willing to commit to change where the business case says it is the right thing to do.

***Councils need to be bold and willing to commit to change***

### *Resetting the focus*

The company has considered each of the service offerings it provides to councils to determine whether those offerings should remain:

- Do they contribute to the outcomes we are seeking?
- Are they the best use of company resource?
- Does the company control, or is able to influence, the offering?

<sup>1</sup> Society of Local Government Managers



As a result of this review the Board has approved to transition away from the Waikato Plan and Future Proof initiatives. Both initiatives have their own governing body. WLASS's role is limited to finance administrative support and importantly, is the contracting party. Being the contracting party, when it is not involved in the decision-making process on those contracts, carries risk. It also adds additional and unnecessary steps in the process, creating inefficiencies. WLASS is working with relevant stakeholders to ensure an orderly transition of its functions.

## Resourcing

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While WLASS now has a small core team that allows it to develop opportunities, change at pace, which is what our shareholders are seeking, requires council resource. **This is the company's single biggest challenge.**

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The company has considered how projects could be resourced.

The company could progress opportunities using its existing capability. That will still necessitate support from councils to provide information and act as a sounding board for WLASS to ensure opportunities are meeting a need. This approach is largely status quo.

Greater support from councils can be provided through making staff available (either as part of a project team or on a seconded basis to lead projects), or funding, to allow the company to procure external services. The extent of that support will determine the speed at which opportunities can be developed and the number of opportunities under consideration at any point.

In February the Board considered the resourcing options for each of the initial priority projects. From that meeting the decision has been made to develop opportunities as fast as possible. We will therefore be seeking council resource (as noted above), to allow us to consider opportunities quickly and either discount or implement them. As previously noted, a pipeline of ideas is already established to allow us to progress further opportunities as soon as we are able.

## Our commitment to each other

WLASS can make a real difference to councils and their communities. We are committed to delivering against our performance measures and in doing so, having a positive impact on council operations. We will regularly update councils on their investment into the company (either as member charges or fees for services), and the value they are receiving from that investment.

Shareholders have committed to the transformation of WLASS and an increased investment to bring about change at pace. However, for WLASS to succeed councils must also commit to:

***Change at pace can only happen with council support***

- Making staff available for projects and ensuring that information is provided, and decisions made, in a timely manner; and
- Accepting the challenge of changing the way things are done where there is a sound case for doing so.

If councils do this, WLASS will be successful in maximising the value it can bring to shareholding councils.

## Activities for which the Board seeks compensation

The **overall** funding via member charges that is being sought, and the comparable amount set out in the prior SOI is:

Member charges for 2021 financial year (FY21)	Note	FY21 projection (per prior year's SOI) \$000	FY21 Budget (per current SOI) \$000	Variance: increase / (decrease) \$000
Core operating costs	1	510	566	56
Working parties   Projects	2	696	1,146	450
LiDAR	3	475	980	505
RATA business unit	4	697	855	158
Waikato Regional Transport Model	5	309	377	68
RATA – water collaboration	6	0	440	440
Future Proof	7	610	0	(610)
Waikato Plan	7	252	0	(252)
Other	8	1,409	1,278	(131)
<b>Total</b>		<b>4,958</b>	<b>5,642</b>	<b>684</b>

### Notes:

- 1) **Core operating costs:** The increase in the overall shareholder contribution principally relates to an increase in governance costs and increasing the Executive Assistant/Company Administrator role from part- to full-time.
- 2) **Working parties | Projects:** This reflects the following:
  - the appointment of a part-time Contract Administrator which is needed to effectively manage the Professional Services Panel (and other) contracts WLASS has entered on behalf of councils. Previously, PSP contracts had been managed by one of the councils on behalf of all participating councils. However, this proved ineffectual and councils are asking that the function be performed by WLASS under the new panel arrangement [\$48k];
  - WLASS priority projects (Building Consent Shared Services and Waters Shared Services Integration) which are underway [\$112k];
  - working party funding [\$50k]: WLASS has reviewed how it allocates costs related to the administration of its various workstreams to ensure that those costs fall where they should. As a result, it is now charging a small (\$5k) fee for the facilitation and administration of each of the working parties (note this doesn't increase the overall cost to councils – it correspondingly reduces the member charges for core operating costs noted above). In addition, to improve the efficiency of these working parties a \$5k collaboration fund has been included for each group to allow it to undertake a small amount of spend, if and when necessary, to advance initiatives throughout the year, without the need to revert to shareholding councils;
  - opportunity development pool [\$100k]: As noted above, the Board has approved the development of five priority opportunities. WLASS is asking for funding to support the development of these opportunities. While it is not possible to accurately assess at this time how much it will cost to develop these opportunities, the pool will assist in allowing the company to provide value by being agile and making change at the pace councils are seeking. As assessment of cost for an opportunity will be made at the end of the discovery phase (which is undertaken by WLASS staff). Councils will be consulted prior to the Board approving (or otherwise) progressing the opportunity beyond this stage and the pool will not be accessed unless the Board approves the opportunity;
- 3) **LiDAR:** The overall cost of the project is less than the budget approved by councils in 2019. However, having now gone to market, project delivery is occurring over a shorter period than anticipated. This means that costs anticipated for the 2022 financial year are now expected to be incurred in 2020-2021. Conversely, none of the amounts budgeted to be invoiced in 2019-2020, in last year's SOI (\$465k), have been, and will instead flow through into 2020-2021;
- 4) **RATA business unit:** This reflects an additional role to manage the overall business unit with the expansion into waters. This was approved as part of the waters collaboration business case;
- 5) **Waikato Regional Transport Model:** This reflects the latest estimate of the cost to update the model and associated peer review;

- 6) **RATA – water collaboration:** In the second half of 2019 councils approved the expansion of the RATA business unit into waters. This is the first SOI to reflect that service offering;
- 7) **Future Proof | Waikato Plan:** These charges are excluded from WLASS from 2020-21 with the decision to transition the support services away from the company;
- 8) **Reductions in member contributions:** The company has made the decision to utilise funds on hand in some areas and therefore has reduced member charges for the coming year. Those areas, and the reduction in member charges are:

Workstream	Reduction in member charges \$000
Procurement	20
Waikato Data Portal	54
Energy & Carbon Management Programme	55
SVDS	55
<b>Total</b>	<b>184</b>

## Governance arrangements

WLASS conducts itself in accordance with its constitution, its annual Statement of Intent as agreed with shareholders, the provisions of the Local Government Act 2002 and WLASS policies.

In conjunction with council consultation on the 2019 SOI, WLASS sought a shareholder resolution to change the constitution of the company relating to the Board's composition. As a result, effective 1 July 2019, the Board changed to five council representative directors and an independent chair.

From 1 September 2019, Peter Stubbs was appointed as independent Chair of the Board.

The current Directors of WLASS are:


Director	Representing
Peter Stubbs	Independent Chair
David Bryant	Hamilton City Council
Gareth Green	Otorohanga, Rotorua, Taupo, South Waikato and Waitomo District Councils
Gavin Ion	Waikato and Waipa District Councils
Vaughan Payne	Waikato Regional Council
Rob Williams	Hauraki, Matamata-Piako and Thames-Coromandel District

Under the amended constitution Gareth Green must resign his position on 30 June 2020, but may be reappointed by the councils he represents for a further 3-year term.

The independent Chair of WLASS receives director fees and reimbursed expenses. Directors representing the Councils will not receive any fees or reimbursed expenses for work undertaken on behalf of the company.

# Financials


## Statement of Financial Performance

<b>Waikato Local Authority Shared Services Company Summary for the forecast financial years ended 30 June 2021-2023</b>				
	2019 SOI	2020 SOI		
	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23
<b>Income</b>				
Company Administration	576,730	1,102,910	1,119,605	1,147,308
Working parties   projects	379,500	1,145,858	464,155	496,297
RITS	n/a	31,616	32,321	33,041
Information Technology	553,483	1,007,000	82,691	84,510
Energy Management	119,175	70,000	70,000	129,222
Shared Valuation Data Service (SVDS)	736,566	379,761	388,115	452,357
Road Asset Technical Accord (RATA)	1,815,766	1,300,557	1,330,613	1,360,016
Waikato Regional Transport Model (WRTM)	218,760	389,456	349,823	357,519
Waikato Building Consent Group	275,942	333,250	341,764	348,563
Future Proof	609,991	-	-	-
Waikato Plan	382,000	-	-	-
Waikato Mayoral Forum	5,000	5,000	5,000	5,000
Water Collaboration	0	440,000	540,000	540,000
<b>Total Income</b>	<b>5,672,913</b>	<b>6,205,408</b>	<b>4,724,088</b>	<b>4,953,833</b>
<b>Operating Expenditure</b>				
Company Administration	573,858	1,087,487	1,108,217	1,135,922
Working parties   projects	379,500	1,165,858	484,655	496,297
RITS	n/a	31,616	32,321	33,041
Information Technology	553,483	1,108,531	82,696	84,543
Energy Management	119,175	124,900	124,900	129,222
Shared Valuation Data Service (SVDS)	1,060,456	384,993	393,550	402,357
Road Asset Technical Accord (RATA)	1,815,766	1,300,557	1,330,613	1,360,016
Waikato Regional Transport Model (WRTM)	218,762	389,456	349,823	357,519
Waikato Building Consent Group	275,942	333,250	340,615	348,142
Future Proof	609,991	-	-	-
Waikato Plan	382,000	-	-	-
Waikato Mayoral Forum	5,000	5,000	5,000	5,000
Water Collaboration	0	440,000	540,000	540,000
<b>Total operating expenditure</b>	<b>5,993,933</b>	<b>6,371,648</b>	<b>4,792,390</b>	<b>4,892,059</b>
<b>Earnings before interest, tax and depreciation/ amortisation (EBITDA)</b>	<b>(321,020)</b>	<b>(166,240)</b>	<b>(68,301)</b>	<b>61,774</b>
<b>Depreciation / amortisation</b>				
Company admin	3,712	1,864	1,071	-
WRTM	0	14,583	14,583	14,583
<b>Total Depreciation / amortisation</b>	<b>3,712</b>	<b>16,447</b>	<b>15,655</b>	<b>14,583</b>
<b>Net Surplus (Deficit) before tax</b>	<b>(324,732)</b>	<b>(182,688)</b>	<b>(83,956)</b>	<b>47,191</b>


### Key risk

The single biggest risk to achieving the forecasted financial results is WLASS's continuing ability to sell valuation data (forecast to generate ~\$380k of revenue in the coming year). The central government's drive toward open data may see the development of a nation-wide sales portal. It will be critical that any change in this area does not see WLASS/the councils lose ownership of the sales data and with it, the ability to sell that data. WLASS are engaging with Land Information New Zealand on this issue.

## Statement of Financial Position

<b>Waikato Local Authority Shared Services</b>					
<b>Financial Position</b>					
<b>for the forecast financial years ended 30 June 2021-2023</b>					
	<b>Budget 2019/20</b>	<b>Budget 2020/21</b>	<b>Budget 2021/22</b>	<b>Budget 2022/23</b>	
<b>CAPITAL</b>					
Shares - SVDS	1,607,001	1,607,001	1,607,001	1,607,001	
Shares - WRTM	1,350,000	1,350,000	1,350,000	1,350,000	
Retained Earnings	(2,542,062)	(2,021,997)	(2,204,684)	(2,288,640)	
Plus Current Year Operating Surplus/(Deficit)	(324,730)	(182,688)	(83,956)	47,191	
<b>TOTAL CAPITAL FUNDS</b>	<b>90,209</b>	<b>752,317</b>	<b>668,361</b>	<b>715,552</b>	
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Prepayments	153,145	253,342	259,489	265,785	
Accounts Receivable	397,104	248,216	188,964	198,153	
RWT On Interest	0	0	0	0	
Local Authority Shared Services 00	0	0	0	0	
Bank	96,216	647,330	600,516	655,153	
GST Receivable / (Payable)	4,013	29,628	30,281	31,034	
<b>TOTAL CURRENT ASSETS</b>	<b>650,477</b>	<b>1,178,516</b>	<b>1,079,249</b>	<b>1,150,125</b>	
<b>NON-CURRENT ASSETS</b>					
SVDS - Intangible Asset	3,085,700	3,065,316	3,065,316	3,065,316	
WRTM - Intangible Asset	2,296,855	2,296,855	2,296,855	2,296,855	
MoneyWorks Software	1,195	1,195	1,195	1,195	
<i>Accumulated Depreciation</i>	(5,383,750)	(5,334,200)	(5,348,783)	(5,363,366)	
IT Equipment	6,307	5,592	5,592	5,592	
<i>Accumulated Depreciation - IT equipment</i>	(5,568)	(4,521)	(5,592)	(5,592)	
<b>TOTAL NON-CURRENT ASSETS</b>	<b>739</b>	<b>30,237</b>	<b>14,583</b>	<b>(0)</b>	
<b>TOTAL ASSETS</b>	<b>651,216</b>	<b>1,208,754</b>	<b>1,093,832</b>	<b>1,150,124</b>	
<b>LESS CURRENT LIABILITIES</b>					
Accounts Payable	535,097	367,565	334,377	341,202	
Accounts Payable Accrual	25,910	35,000	35,875	36,772	
Employee Benefits	0	53,872	55,219	56,599	
<b>TOTAL CURRENT LIABILITIES</b>	<b>561,007</b>	<b>456,437</b>	<b>425,471</b>	<b>434,573</b>	
<b>NET ASSETS</b>	<b>90,209</b>	<b>752,317</b>	<b>668,361</b>	<b>715,552</b>	

## Statement of Cashflows

<b>Waikato Local Authority Shared Services</b>					
<b>Statement of Cashflows</b>					
<b>for the forecast financial years ended 30 June 2021-2023</b>					
	<b>Budget 2019/20</b>	<b>Budget 2020/21</b>	<b>Budget 2021/22</b>	<b>Budget 2022/23</b>	
<b>Cashflows from Operating Activities</b>					
Interest Received	14,308	2,000	2,050	2,101	
Receipts from Other Revenue	6,559,978	6,503,169	4,781,291	4,942,542	
Payments to Suppliers	(6,800,489)	(6,484,401)	(4,829,502)	(4,889,253)	
Taxes Paid	0	0	0	0	
Goods & Services tax (net)	56,103	36,794	(652)	(754)	
<b>Net cash from operating activities</b>	<b>(170,101)</b>	<b>57,561</b>	<b>(46,813)</b>	<b>54,637</b>	
<b>Cashflows from Investing Activities</b>					
Capital enhancements	0	0	0	0	
Purchase of PPE	0	0	0	0	
Purchase of investments	0	0	0	0	
<b>Net cash from investing activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Net increase in cash, cash equivalents and bank accounts</b>	<b>(170,101)</b>	<b>57,561</b>	<b>(46,813)</b>	<b>54,637</b>	
Opening cash and cash equivalents and bank overdrafts	266,317	589,770	647,330	600,516	
<b>Closing cash, cash equivalents and bank accounts</b>	<b>96,216</b>	<b>647,330</b>	<b>600,516</b>	<b>655,153</b>	
<b>Summary of Bank Accounts</b>					
BNZ - Call a/c	96,216	647,330	600,516	655,153	
<b>Closing Balance of Bank</b>	<b>96,216</b>	<b>647,330</b>	<b>600,516</b>	<b>655,153</b>	

## Appendix I: What we do - current activities

The principal initiatives operating under the WLASS umbrella are:

- Shared Valuation Data Service
- Regional Asset Technical Accord
- Waikato Regional Transportation Model
- Waikato Building Consent Group
- Future Proof
- Historic aerial photos
- Waikato Regional Aerial Photography Service
- Regional Infrastructure Technical Specifications
- Energy management
- Contractor health & safety pre-qualification
- Aligned resource consent planning
- Joint procurement initiatives

### Shared Valuation Data Service (SVDS)

This service provides timely and accurate valuation data to the participating councils. The SVDS has become the accepted valuation database for the region. Data sales significantly reduce the net cost to the participating councils. Councils are currently transitioning to a new software-as-a-service arrangement with a new provider which will further reduce cost.

### Regional Asset Technical Accord (RATA)

RATA was initially established as a centre of excellence for road asset planning in 2014 as a work stream under the Waikato Mayoral Forum. The activity transferred to WLASS on 1 July 2016.

The original aim of RATA was to achieve best practice in road asset management by improving capability, capacity and outcomes through effective collaboration. This aim remains but in 2019 the business unit received approval to expand its activity into waters assets. By leading asset management best practice, RATA delivers better decision-making through the effective collection and use of good quality data, and the implementation of good practice processes and systems for data collection, analysis and management.

Waipa District Council employs RATA staff who are then contracted to provide services to WLASS.

### Waikato Regional Transportation Model (WRTM)

The WRTM became fully operational in February 2010. It provides accurate information to councils and to external users (for a charge) for their transport modelling requirements. The WRTM is the only recognised strategic transport modelling resource in the Waikato Region and is jointly funded by the NZTA.

WRTM is making a significant contribution to strategic planning surrounding land use and infrastructure within the region and has been involved in regionally and nationally significant investigations including the Waikato Expressway Network Plan, the Waikato Regional Land Transport Strategy and Regional Policy Statement and transport impact assessments in relation to the development of Ruakura.

### Waikato Building Consent Group (WBCG)

The WBCG was initially set up by five Waikato local authorities in 2004 to foster co-operation, collaboration and consistency in building functions, legislative interpretation and process documentation across the partnering councils. The activity transferred to WLASS on 1 July 2016 and now comprises eight councils.

The WBCG has developed a common quality assurance system with associated supporting documentation that meet the legislative requirements of the Building Act 2004 and the Building

(Accreditation of Building Consent Authorities) Regulations 2006. These regulations cover all aspects of the operational management and compliance of a Building Consent Authority (BCA).

### Future proof

Future Proof is a collaborative partnership between Hamilton City, Waikato and Waipa Districts, Waikato Regional Council and Tāngata whenua, with assistance from the NZTA. The partners have jointly developed the Future Proof Growth Strategy and Implementation Plan – a 50-year vision and implementation plan specific to the Hamilton, Waipa and Waikato sub-region, which was adopted by the partners in June 2009.

The accommodation, overhead and employment arrangements of the Future Proof Administrator are managed by Hamilton City Council. The activity is fully funded by the participating councils and operates as a separate cost centre. The company's role supporting Future Proof ceases 1 July 2020.

### Regional Infrastructure Technical Specifications (RITS)

The RITS document sets out how to design and construct transportation, water supply, wastewater, stormwater and landscaping infrastructure. Prior to developing RITS, each Council had its own technical specifications for infrastructure resulting in different standards having to be met across the Waikato region. RITS provides a single regional guide, making business easier.

The RITS is published on the WLASS website (<http://www.waikatolass.co.nz/>), and ongoing maintenance of the document is the responsibility of a Project Co-ordinator, managed by WLASS.

### Energy management

WLASS entered into a three-year Collaboration Agreement with the Energy Efficiency Conservation Authority (EECA) in February 2016. Across the programme EECA provided funding of \$210,000. Implemented projects have delivered 3.62m kWh in energy reduction annually (as against a target of 2.5m kWh), saved \$446,000 per annum.

From 1 July 2019 a new energy and carbon management programme was entered into between WLASS and participating councils.

### Contractor health & safety pre-qualification scheme

WLASS contracts with SHE Software to manage the Local Government Health & Safety Contractor Pre-qualification Scheme on behalf of councils. Twenty councils and one CCO are now using the scheme with approximately 1,600 contractors registered, which enables them to be pre-qualified to work for any of the participating councils.

Further detail on these activities and the councils involved in each can be found on the WLASS website at <http://www.waikatolass.co.nz/>.

### Historic aerial photos

In May 2015, WLASS entered into a Memorandum of Understanding with LINZ to scan the Waikato Historic Aerial Photos archive. The LINZ Crown archive contains over 500,000 historic aerial photo negatives captured by surveys flown over New Zealand between 1936 and 2005. All shareholding councils are participating in this 4-year project, which includes a subsidy of \$56,000 from LINZ. Scanning is now complete.

### Waikato Regional Aerial Photography Service (WRAPS)

WRAPS was set up in the 1990s for the supply of colour, digital, ortho-rectified, aerial photography for the Waikato Region. So far, there have been five WRAPS contracts, the most recent in 2016.

### **Aligned resource consent planning**

This toolkit provides regional consistency and best practice processes in the administration of resource consenting. It is used by nine councils (Taupo and Otorohanga are not currently participating, and Waikato Regional Council processes different types of resource consents from the territorial local authorities). WLASS controls the documentation on the WLASS website, and the Waikato Resource Consent forum manages the process for making updates and amendments to the templates and documents in the toolkit.

### **Joint procurement initiatives**

WLASS is a party to numerous joint procurement contracts between the company, shareholding councils and suppliers. Councils choose whether to be a party to a particular contract. Wherever possible we negotiate a syndicated contract with the supplier to allow additional councils to join later.

In 2019 standard regional procurement policies, templates and procedures were developed for use by councils and procurement training provided to council staff.



## Appendix II: Policy Statements

### Statement of accounting policies

#### 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 a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002 (LGA), by virtue of the shareholding councils’ right to appoint the Board of Directors.

The primary objectives of the Company are to:

- Develop opportunities that benefit the Waikato region's local authorities; and
- Act as a vehicle to deliver value-added services to those local authorities.

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

### Summary of significant accounting policies

#### Basis of preparation

Financial statements are prepared on the going concern basis, and the accounting policies are applied consistently throughout the period.

#### Statement of Compliance

Financial statements are 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).

Financial statements are prepared in accordance with and comply with Tier 2 PBE Standards reduced disclosure regime (RDR). WLASS is eligible to report under the RDR as it:

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

The accounting policies set out below are consistent with the prior year, other than the inclusion of policy:

- on operating leases, related to the lease of commercial premises;
- employees; and
- property, plant and equipment.

#### Measurement base

The financial statements are 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.

#### 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.

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

The net GST paid to, or received from the IRD, 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.

### Critical accounting estimates and assumptions

In preparing the financial statements the Company makes 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. There are no areas requiring estimate or assumptions made that are considered to carry a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

#### 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 future sale of the asset.

An incorrect estimate of the useful life of 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 measure 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 by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is higher of an assets fair value less costs to sell and value in use.

If an asset's 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 deficit.

### Change of accounting estimate

#### Revision of useful lives of intangible assets

At year end the estimated total useful lives to Waikato LASS of the SVDS and WRTM intangible assets were revised. The net effect of the changes in the current financial year was decrease in amortisation expense of \$97,071.

Revised estimated useful lives are: SVDS – March 2020, WRTM – June 2023. The effect of amortisation for future years are as follows:

Year ending 30 June	\$
2020	53,321
2021	14,583
2022	14,583
2023	14,583

## Revenue

### Revenue

Revenue comprises the fair value of the considerations received or receivable for the sale of goods and services, excluding GST, 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.

### Other Revenue

Member charges for all activities are recognised when invoiced to the user (i.e. councils). The recorded revenue is the net amount 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. Until such time, contributions are recognised as liabilities.

## Operating expenses

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.

## Personnel costs

### 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.

## Receivables

Short-term receivables are recorded at the amount due, less any provision for amounts not considered collectable.

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.

## Cash and cash equivalents

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.

## Income tax

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.

### **Intangible assets Other financial assets**

Investments in bank deposits are measured at fair value plus transaction costs.

At each balance date the Company assesses whether there is any objective evidence that an investment is impaired. Any impairment losses are recognised in the income statement.

### **Payables and deferred revenue**

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

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.

### **Employee benefits liabilities**

#### **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 includes 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 extend 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.

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.

#### Reconciliation of equity

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.

**Waikato District Community Wellbeing Trust**

**Statement of intent**

**For the year ending 30 June 2021**

**Waikato District Community Wellbeing Trust**  
**Statement of intent**  
**For the year ending 30 June 2021**

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**Waikato District Community Wellbeing Trust**  
**Statement of intent**  
**For the year ending 30 June 2021**

**Introduction**

This Statement of Intent (SOI) is presented by the Waikato District Community Wellbeing Trust (the Trust) as required by Section 64(1) of the Local Government Act 2002.

The SOI forms the basis for the accountability of the Trustees to Waikato District Council, and sets out the objectives, scope of activities undertaken, and performance targets by which the Trust will be measured.

The purpose of this statement of intent is to:

- State publicly the activities and intentions of this council-controlled organisation for the year and the objectives to which those activities will contribute;
- Provide a basis for accountability and transparency.

This Statement of Intent covers the year to 30 June 2021 and also includes prospective financial information for the following two financial years.

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**Jacqui Church (Chair)**

**Entity information**

**Legal name**

Waikato District Community Wellbeing 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.

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



**Waikato District Community Wellbeing Trust**  
**Statement of intent**  
**For the year ending 30 June 2021**

**Objectives of the Trust**

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.

**Governance**

The Trust will be governed in accordance with the terms of the Trust Deed.

Objective

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.

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.

Performance measure

1. Undertake an annual legal review of compliance with the Trust Deed; no later than two months after the end of the financial year.

**Investment**

The Trust will, in accordance with the Trust Deed, invest or reinvest part or parts of the Trust Fund not immediately required for the purposes of the Trust (whether income or capital) in investments or securities, as the Trust Board considers beneficial to the Trust Fund. The Trust will also seek other opportunities and avenues for growing the trust Fund. The intention of the Trustees is that the real value of the Trust Fund is preserved.

Objective

1. To adhere to the Trust's *Management of Investment Portfolio and Distribution Policy*.
2. To review, on an annual basis, the investment mandate and the performance of the portfolio manager.

Performance measure

1. At each quarterly meeting, review compliance with the Trust's *Management of Investment Portfolio and Distribution Policy* during that quarter.

## Waikato District Community Wellbeing Trust Statement of intent For the year ending 30 June 2021

### Fund disbursement

The Trust will, as appropriate, disburse funds towards projects that meet the Trust's criteria and meet the objectives of the Trust Deed.

#### Objective

1. As per the *Management of Investment Portfolio and Distribution Policy*, to distribute total grants that do not exceed 50% of the accumulated net income after allowing for accumulated expenses, inflation movements and prior year distributions.

#### Performance measures

1. A distribution process is undertaken that distributes the annual fund to eligible recipients in accordance with funding targets set up by the Trustees in accordance with the *Management of Investment Portfolio and Distribution Policy* for the current year
2. Six monthly reports are received from all successful applicants within the required time frames.

### Portfolio and distribution policy compliance

#### Agreed targets

1. Ensure that the real (inflation-adjusted) value of the Fund is protected.
2. Ensure that no more than 10% of the capital is distributed in any one year.
3. Ensure there is diversification of investments with a 7.5% cap on the value of any single investment in the portfolio.
4. The portfolio investment manager will report regularly to the Trustees.
5. The Trustees will annually review the performance of the portfolio manager.

## 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 Trustees are:

Mayor	Allan Sanson
Councillor	Jacqui Church (Chair)
Councillor	Rob McGuire
WDC appointee	Judi Muru
WDC appointee	vacant position

The operation and administration of the Trust are undertaken by staff of WDC. Those staff are: Chief Financial Officer, Team Administrator Operations Group, Community Development Coordinator and Financial Accountant.

## 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.

**Waikato District Community Wellbeing Trust**  
**Statement of intent**  
**For the year ending 30 June 2021**

**Prospective statement of financial performance**

	<b>FY Budget</b>	<b>FY Forecast</b>			
	<b>2019/20</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	\$	\$	\$	\$	\$
<b>Revenue</b>					
Finance income	141	261	241	241	241
Dividend income from portfolio of investments managed by Kiwi Wealth Limited	-	-	-	-	-
Realised gains on investments	69,977	55,329	55,464	56,154	56,002
Unrealised gains on investments	215,642	242,680	161,194	163,197	162,755
<b>Total revenue</b>	<b>285,760</b>	<b>298,270</b>	<b>216,899</b>	<b>219,592</b>	<b>218,998</b>
<b>Expenses</b>					
Audit fees	7,808	7,811	7,810	7,810	7,810
Portfolio management fees	27,545	30,618	30,452	30,840	30,718
Other expenditure	2,164	1,781	2,159	2,254	2,349
Grants	37,968	33,500	190,719	75,166	53,053
Unrealised losses on investments	-	-	-	-	-
<b>Total expenses</b>	<b>75,485</b>	<b>73,710</b>	<b>231,140</b>	<b>116,069</b>	<b>93,930</b>
<b>Surplus/(deficit) for the period</b>	<b>210,275</b>	<b>224,560</b>	<b>(14,241)</b>	<b>103,523</b>	<b>125,068</b>

**Waikato District Community Wellbeing Trust**  
**Statement of intent**  
**For the year ending 30 June 2021**

**Prospective statement of financial position**

	<b>FY Budget</b>	<b>FY Forecast</b>			
	<b>2019/20</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	15,873	9,151	9,214	9,153	9,310
Other financial assets	3,963,917	4,329,718	4,383,471	4,371,620	4,474,499
Prepaid insurance	408	391	408	425	442
<b>Total current assets</b>	<b>3,980,198</b>	<b>4,339,260</b>	<b>4,393,093</b>	<b>4,381,198</b>	<b>4,484,251</b>
<b>Total assets</b>	<b>3,980,198</b>	<b>4,339,260</b>	<b>4,393,093</b>	<b>4,381,198</b>	<b>4,484,251</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Creditors and other payables	50,003	134,927	202,991	87,564	65,539
Accrued expenses	8,164	8,156	8,166	8,176	8,186
<b>Total current liabilities</b>	<b>58,167</b>	<b>143,083</b>	<b>211,157</b>	<b>95,740</b>	<b>73,725</b>
<b>Total liabilities</b>	<b>58,167</b>	<b>143,083</b>	<b>211,157</b>	<b>95,740</b>	<b>73,725</b>
<b>Net assets</b>	<b>3,922,031</b>	<b>4,196,177</b>	<b>4,181,936</b>	<b>4,285,458</b>	<b>4,410,526</b>
<b>Equity</b>					
Introductory fund	2,579,899	2,579,899	2,579,899	2,579,899	2,579,899
Capital maintenance fund	559,505	564,702	648,626	732,265	817,974
Accumulated funds	782,627	1,051,575	953,411	973,295	1,012,654
<b>Total net assets / equity</b>	<b>3,922,031</b>	<b>4,196,177</b>	<b>4,181,936</b>	<b>4,285,458</b>	<b>4,410,526</b>

**Waikato District Community Wellbeing Trust**  
**Statement of intent**  
**For the year ending 30 June 2021**

**Prospective statement of cash flows**

	FY Budget	FY Forecast			
	2019/20	2019/20	2020/21	2021/22	2022/23
	\$	\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
<b>Cash was received from:</b>					
Interest receipts	141	261	241	241	241
Dividends received	-	-	-	-	-
<b>Cash was applied to:</b>					
Payments to donees	(198,162)	(213,746)	(123,056)	(190,719)	(75,166)
Payments to suppliers	(16,983)	(48,254)	(39,806)	(40,554)	(38,036)
<b>Net cash flows from operating activities</b>	<b>(215,004)</b>	<b>(261,739)</b>	<b>(162,621)</b>	<b>(231,032)</b>	<b>(112,961)</b>
<b>Cash flows from investing and financing activities</b>					
<b>Cash was received from (applied to):</b>					
Realised gains from investments	-	55,329	55,464	56,154	56,002
Sale (acquisition) of investments	215,824	213,679	107,220	174,817	57,116
<b>Net cash flows from investing and financing activities</b>	<b>215,824</b>	<b>269,008</b>	<b>162,684</b>	<b>230,971</b>	<b>113,118</b>
Foreign exchange translation differences	-	-	-	-	-
<b>Net increase (decrease) in cash for the year</b>	<b>820</b>	<b>7,269</b>	<b>63</b>	<b>(61)</b>	<b>157</b>
<b>add opening bank accounts and cash</b>	<b>15,053</b>	<b>1,882</b>	<b>9,151</b>	<b>9,214</b>	<b>9,153</b>
<b>Closing bank accounts and cash</b>	<b>15,873</b>	<b>9,151</b>	<b>9,214</b>	<b>9,153</b>	<b>9,310</b>

**Waikato District Community Wellbeing Trust**  
**Statement of intent**  
**For the year ending 30 June 2021**

**Statement of accounting policies**

**Basis of preparation**

The Board of Trustees has 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 \$2million.

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

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.

**Goods and services tax**

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 the end of the period 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 Board 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.

**Waikato District Community Wellbeing Trust**  
**Statement of intent**  
**For the year ending 30 June 2021**

**Statement of accounting policies (cont)**

**Bank accounts and cash**

Bank accounts and cash comprise 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 (deficit) for the year. The reason for this classification is that the portfolio is comprised of identified financial instruments which are managed together and for which there is evidence of short-term profit-taking.

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

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.

## **Forecast assumptions**

### **1. Portfolio income**

Kiwi Wealth has estimated an average return on the portfolio of 7.26% per annum before expenses and in prior years that is the rate of return used in preparing budgets. In the wake of the economic downturn sparked by the COVID19 pandemic, Kiwi Wealth has advised that a rate of 5.0% is more appropriate.

The split of the total return between interest, dividends and gains/losses is estimated using proportions calculated from an average of past results while taking into account changes to the components of the portfolio.

### **2. Expenses**

Audit fees are estimated at \$7,810 for each of the four forecast years.

Portfolio management fees are assumed at a rate of 0.61% of the opening portfolio value in each year.

Other expenditure comprises annual return fees, bank charges, general expenses and audit disbursements.

### **3. Grants expenditure**

It is assumed that for the current (2020) year all outstanding grants will be paid by 30 June 2020. It is further assumed that in subsequent years 80% of the maximum allowable distribution will be approved and fully paid by year end.

The maximum allowable distribution is set out in the *Management of Investment Portfolio and Distribution Policy*. Total grants must not exceed 50% of the accumulated net income after allowing for accumulated expenses, inflation movements and prior year distributions.

### **4. Prepayments**

Prepayments represent four months of insurance costs.

### **5. Creditors and other payables**

Creditors and other payables are made up of the amount owing to Waikato District Council and the June portfolio management fee.

It is assumed that the year-end balance owing to WDC is paid in full in the following year.

### **6. Accrued expenses**

Accrued expenses comprise audit fees and disbursements.



**Waikato District Community Wellbeing Trust**  
**Statement of intent**  
**For the year ending 30 June 2021**

## 7. Equity

The Trust was established with an initial capital 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 capital maintenance fund is made up of accumulated annual charges transferred from accumulated funds to maintain the real value of the Trust fund.

The accumulated funds and capital maintenance funds together represent the total net increase in the fund value since the inception of the Trust.

## Other financial disclosures

### Ratios

The Local Government Act 2002 requires a statement of intent to include the projected ratio of equity to total assets.

The ratio of equity to total assets is forecast as follows:

2019/20	96.7%
2020/21	95.2%
2021/22	97.8%
2022/23	98.4%

### Compensation

The Trustees will not seek any fees or expenses for work undertaken on behalf of Waikato District Community Wellbeing Trust.

### Information to be provided to the Trustees

The Trustees will be provided with the following information:

- Within four months of the end of the financial year the audited financial statements plus a summary of how the Trust has performed against its objectives and performance targets;
- Quarterly reports on the performance of investments; and,
- A draft statement of intent for consideration in February of each year.

### Open Meeting

<b>To</b>	Strategy & Finance Committee
<b>From</b>	Gavin Ion Chief Executive
<b>Date</b>	13 July 2020
<b>Prepared by</b>	Grace Brady 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 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 Update on Economic and Community Development Work Programme		
Item 2.3 Professional Negligence and Weathertight Homes Claims Report		

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.

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