

Waikato District Community Wellbeing Trust

Statement of intent

For the year ending 30 June 2017

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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 of the Trust 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 2017 and also includes prospective financial information for the following two financial years.



Dynes Fulton (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.

Objectives of the Trust

Governance

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

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

- a) To consider and approve projects submitted by Waikato District Council (Council);

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- 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.

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.

Performance measures

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

Objectives

- 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 Measures

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

Fund disbursement

The Trust will, as appropriate, disburse funds towards projects that meet the Trust's criteria and that 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 retained net income after allowing for accumulated expenses, inflation movements and prior year distributions.

Performance Measures

- 1 The 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 2016-17 year.
- 2 Six monthly reports are received from all successful applicants within the required time frames.

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Review of statement of intent

The Trustees must consider and approve the Statement of Intent by 30 June each year.

Structure of the Trust's operations, including governance arrangements

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

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

The Trustees are:

Mayor	Allan Sanson
Deputy Mayor	Dynes Fulton (Chair)
Councillor	Shelley Lynch
WDC appointee	Eileen Bateup
WDC appointee	Judi Muru

Main sources of the Trust's cash and resources

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

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

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Prospective statement of financial performance

		2015/16	2015/16	2016/17	2017/18	2018/19
	Note	Budget		Forecasts		
		\$	\$	\$	\$	\$
Revenue						
Finance income	1,2	51,626	57,674	53,105	53,460	55,577
Dividend income from portfolio of investments managed by Gareth Morgan Investments (GMI)	2	24,583	35,305	25,288	25,457	26,465
Gains and losses	2	169,626	(3,338)	174,483	175,652	182,606
Total revenue		245,835	89,641	252,876	254,569	264,648
Expenses						
Audit fees		7,200	8,024	7,200	7,200	7,200
Portfolio management fees	3	20,939	24,530	23,891	24,051	25,003
Other expenditure	4	1,251	1,211	1,252	1,251	1,251
Grants	5	74,921	196,596	75,630	74,948	78,040
Total expenses		104,311	230,361	107,973	107,450	111,494
Surplus (deficit) for the year		141,524	(140,720)	144,903	147,119	153,154

Prospective statement of financial position

		2015/16	2015/16	2016/17	2017/18	2018/19
	Note	Budget		Forecasts		
		\$	\$	\$	\$	\$
Assets						
Current assets						
Bank accounts and cash	6	342,773	331,791	333,968	347,113	361,147
Other financial assets	7	3,456,447	3,344,711	3,367,112	3,500,417	3,642,709
Total current assets		3,799,220	3,676,502	3,701,080	3,847,530	4,003,856
Total assets		3,799,220	3,676,502	3,701,080	3,847,530	4,003,856
Liabilities						
Current liabilities						
Creditors and other payables	9	325,729	205,559	85,232	84,563	87,735
Accrued expenses	10	1,796	7,239	7,240	7,240	7,240
Total current liabilities		327,525	212,798	92,472	91,803	94,975
Total liabilities		327,525	212,798	92,472	91,803	94,975
Net assets		3,471,695	3,463,704	3,608,608	3,755,727	3,908,881
Equity						
Introductory fund	12	2,579,899	2,579,899	2,579,899	2,579,899	2,579,899
Capital maintenance fund	11	260,246	265,731	335,006	407,178	482,292
Accumulated funds		631,550	618,074	693,703	768,650	846,689
Total net assets / equity		3,471,695	3,463,704	3,608,608	3,755,727	3,908,881

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Prospective statement of cash flows

	2015/16 Budget	2015/16	2016/17	2017/18	2018/19
Note	\$	\$	\$	\$	\$
Cash flows from operating activities					
Cash received from:					
Interest receipts	51,626	65,122	54,118	53,381	55,104
Dividends received	24,583	35,305	25,288	25,457	26,465
Cash applied to:					
Payments to suppliers	(20,756)	(25,223)	(24,784)	(24,878)	(24,963)
Net cash flows from operating activities	55,453	75,203	54,622	53,960	56,606
Cash flows from investing and financing activities					
Cash was received from (applied to):					
Sale (acquisition) of investments	(35,232)	122,420	151,070	42,426	39,987
Repayment of debt	-	(162,800)	(203,515)	(83,241)	(82,559)
Net cash flows from investing and financing activities	(35,232)	(40,380)	(52,445)	(40,815)	(42,572)
Net increase (decrease) in cash for the year	20,221	34,823	2,177	13,145	14,034
add: opening bank accounts and cash	322,552	296,968	331,791	333,968	347,113
Closing bank accounts and cash	6 342,773	331,791	333,968	347,113	361,147

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.

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Bank accounts and cash

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

Investment portfolio

Components of the investment portfolio are classified as financial assets at fair value through surplus (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.

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Notes to the prospective performance statement

1. Finance income

Finance income comprises the interest component of portfolio income plus an allowance for interest received on the BNZ account.

2. Portfolio income

		2015/16	2016/17	2017/18	2018/19
		Forecasts			
		\$	\$	\$	\$
Interest	(21% of total)	57,640	53,104	53,459	55,576
Dividends	(10% of total)	35,305	25,288	25,457	26,465
Gains (losses)		(3,338)	174,483	175,652	182,606
Total portfolio income		89,607	252,875	254,568	264,647

3. Portfolio management fees

Management fees are calculated at 0.65% of the portfolio market value at the end of the previous year.

4. Other expenditure

		2015/16	2016/17	2017/18	2018/19
		Forecasts			
		\$	\$	\$	\$
Other portfolio expenses		800	800	800	800
Advertising		300	300	300	300
Annual return fee		51	51	51	51
Miscellaneous expenditure		60	101	100	100
Total other expenditure		1,211	1,252	1,251	1,251

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5. Grants expenditure

	2015/16	2016/17	2017/18	2018/19
	Forecasts			
	\$	\$	\$	\$
<u>Forecast grants expenditure for 2016 comprises:</u>				
<i>Prior year grants not yet paid</i>				
North Waikato Crime Prevention Trust	20,000			
Raglan Mountain Bike Club	20,000			
Glen Afton Pukemiro Society Incorporated	20,000			
	<u>60,000</u>			
<i>2015/2016 grants</i>				
Onewhero Old School Building Group	35,000			
Bush Tramway Club	31,096			
Ngaruawahia United Football Club Inc	30,500			
Te Kauwhata Committee Inc	40,000			
	<u>136,596</u>			
Forecast total grant expenditure 2015/2016	<u>196,596</u>			
<u>Forecast grant expenditure for the years 2017-2019</u>				
is calculated as:				
Surplus before grants		220,533	222,067	231,194
Less: capital maintenance charge (see note 11)		(69,274)	(72,172)	(75,115)
X 50%		<u>75,630</u>	<u>74,948</u>	<u>78,040</u>

6. Bank accounts and cash

	2015/16	2016/17	2017/18	2018/19
	Forecasts			
	\$	\$	\$	\$
<i>BNZ account</i>				
Opening balance	1,006	996	957	918
Fees and charges	(45)	(40)	(40)	(40)
Interest	35	1	1	1
Closing balance	<u>996</u>	<u>957</u>	<u>918</u>	<u>879</u>
Cash investments managed by GMI (see note 8)	330,795	333,011	346,195	360,268
Total bank accounts and cash	<u>331,791</u>	<u>333,968</u>	<u>347,113</u>	<u>361,147</u>

7. Other financial assets

	2015/16	2016/17	2017/18	2018/19
	Forecasts			
	\$	\$	\$	\$
Fixed interest investments				
Equity instruments	1,617,223	1,628,054	1,692,509	1,761,310
	<u>1,727,488</u>	<u>1,739,058</u>	<u>1,807,908</u>	<u>1,881,399</u>
Total other financial assets	<u>3,344,711</u>	<u>3,367,112</u>	<u>3,500,417</u>	<u>3,642,709</u>

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8. Managed portfolio

	2015/16	2016/17	2017/18	2018/19
	Forecasts			
	\$	\$	\$	\$
Opening balance	3,773,878	3,675,506	3,700,123	3,846,612
plus Income (return of 6.88% on opening portfolio value)	89,607	252,875	254,568	264,647
less Management fees (@ 0.65% of opening portfolio value)	(24,378)	(23,944)	(24,038)	(24,923)
less Other portfolio expenses	(800)	(800)	(800)	(800)
Plus(minus) Contributions (withdrawals)	(162,800)	(203,515)	(83,241)	(82,559)
Closing portfolio value	3,675,506	3,700,123	3,846,612	4,002,977
Closing portfolio is made up of:				
Cash investments (9%)	330,795	333,011	346,195	360,268
Fixed interest (44%)	1,617,223	1,628,054	1,692,509	1,761,310
Equity instruments (47%)	1,727,488	1,739,058	1,807,908	1,881,399
Total portfolio value	3,675,506	3,700,123	3,846,612	4,002,977

9. Creditors and other payables

	2015/16	2016/17	2017/18	2018/19
	Forecasts			
	\$	\$	\$	\$
Creditors				
1/12 th portfolio management fee	2,044	1,991	2,004	2,084
WDC payable				
Opening balance	162,118	203,515	83,241	82,559
plus Audit fees and other expenditure	7,601	7,611	7,611	7,611
plus Grant payments	196,596	75,630	74,948	78,040
less Repayments	(162,800)	(203,515)	(83,241)	(82,559)
Total WDC payable	203,515	83,241	82,559	85,651
Total creditors and other payables	205,559	85,232	84,563	87,735

10. Accrued expenses

	2015/16	2016/17	2017/18	2018/19
	Forecasts			
	\$	\$	\$	\$
Audit fee and disbursements	7,199	7,200	7,200	7,200
Bank audit and confirmation fee	40	40	40	40
Total accrued expenses	7,239	7,240	7,240	7,240

11. Capital maintenance charge

A capital maintenance charge has been allowed at 2% of total opening equity.

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12. Introductory fund

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.

An allowance for capital maintenance, of no less than the CPI, will be made each year. (see note 11)

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:

2015/16	94.2%
2016/17	97.5%
2017/18	97.6%
2018/19	97.6%

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.