
Agenda for a meeting of the Waikato District Community Wellbeing Trust to be held via Microsoft Teams on **FRIDAY 22 FEBRUARY 2022** commencing at **3.30pm.**

1. **APOLOGIES AND LEAVE OF ABSENCE**
2. **CONFIRMATION OF STATUS OF AGENDA ITEMS**
3. **CONFLICT OF INTEREST AND DISCLOSURES**
4. **WAIKATO DISTRICT COMMUNITY WELLBEING TRUST FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021**
5. **WAIKATO DISTRICT COUNCIL COMMUNITY WELLBEING TRUST DRAFT STATEMENT OF INTENT FOR 2022/23**
6. **GENERAL BUSINESS**

To	Trustees of Waikato District Community Wellbeing Trust
Report title	Waikato District Community Wellbeing Trust – Financial Statements for the six months ended 31 December 2021

1. Purpose of the report

Te Take moo te puurongo

To inform the Trustees of the Wellbeing Trust and the Strategy and Finance Committee on the half year financial performance of the Wellbeing Trust for the period ending 31 December 2021.

2. Executive summary

Whakaraapopotanga matua

Appended to this report are the Waikato District Community Wellbeing Trust (Wellbeing Trust) six-month financial statements to 31 December 2021.

Key items to note are:

1. The attached six-month financial statements have not been audited.
2. The actual results for the year ended 30 June 2021 referred to in the financial statements are currently still being audited.
3. The Wellbeing Trust has achieved a surplus of \$190,210 for the six months compared with a surplus of \$230,554 in the corresponding period of the previous year. This is still a favourable result when compared with the full year budgeted deficit of \$39,472.
4. Budgets are based on an assumed long term, sustainable return of 4% for the forecasted years (a conservative approach as advised by Kiwi Wealth). This allows for the expected fluctuations in financial returns and enables the Trustees to take the longer-term view reflected in their investment and distribution policy. At 31 December 2021, the return on the Trust's portfolio since its inception in 2012 has been 9.3% on an annualised basis.

5. There has been a change in the makeup of the Trust's income as a result of the shift towards the use of PIE funds as the investment vehicle for the Trust's investments. Finance income is now simply the interest earned on the Trust's BNZ account and the small amount of cash held by Kiwi Wealth on behalf of the Trust. All income from the PIE funds is in the form of realised or unrealised gains and losses.
6. There have been no grant payments expensed during the six months to 31 December 2021, however, grants committed in previous periods and re-accrued and yet to be paid are:

	\$\$
Waikato District Crime Prevention Technology Trust – grant 2	30,000
Waikato District Crime Prevention Technology Trust – grant 3	19,556
The Glen Afton Citizens' Sports Club	50,000
	99,556

3. Staff recommendations Tuutohu-aa-kaimahi

That the Trustees of the Wellbeing Trust receive the report and that the financial statements be provided to Waikato District Council in accordance with the Local Government Act.

4. Background Koorero whaimaarama

Pursuant to section 66 of the Local Government Act 2002, Council is required to receive regular financial reports from the Wellbeing Trust.

The Wellbeing Trust was established in May 2010 to receive, manage and distribute the funds received from the Waikato Foundation Trust. The funds were actually received in May 2012 by way of transfer of funds managed by Kiwi Wealth Ltd (then known as Gareth Morgan Investments or GMI) from the Foundation Trust to the Wellbeing Trust.

Trustees of the Wellbeing Trust have adopted an investment policy intended to provide a long-term sustainable return which protects the real value of the fund, allows the fund to grow and provides for funds to be distributed to approved community projects, via an application process.

5. Discussion Matapaki

The Trustees have governance responsibility for the Wellbeing Trust. Council is receiving the reports as required under the Local Government Act.

6. Next steps Ahu whakamua

The six-month financial statements will be made available on Council's website.

7. Attachments Ngaa taapirihanga

Attachment 1 – Waikato District Community Wellbeing Trust Financial Statements for the six months ended 31 December 2021

Date:	28 February 2021
Report Author:	Jean de Abreu
Authorised by:	Alison Diaz Chief Financial Officer

Waikato District Community Wellbeing Trust
Six month Performance Report
For the period ending 31 December 2021

Statement of financial performance
For the six months ended 31 December 2021

	6 months		Full year	
	Actual	Actual	Budget	Actual
	\$	\$	\$	\$
	2021/22	2020/21	2021/22	2020/21
Revenue				
Finance income	17	48	378	65
Realised gains on investments	72,037	55,291	41,153	123,217
Unrealised gains on investments	133,132	315,344	148,490	592,067
Total revenue	205,186	370,683	190,021	715,349
Expenses				
Audit fees				
- Current year	-	4,314	8,627	8,985
Other expenditure	14,976	13,815	35,385	28,480
Grants	-	122,000	185,481	122,000
Unrealised losses on investments	-	-	-	-
Total expenses	14,976	140,129	229,493	159,465
Surplus (deficit) for the period	190,210	230,554	(39,472)	555,884

Statement of financial position
As at 31 December 2021

	6 months		Full year	
	Actual	Actual	Budget	Actual
	\$	\$	\$	\$
	2021/22	2020/21	2021/22	2020/21
Assets				
Current assets				
Cash and cash equivalents	10,419	1,378	14,422	872
Prepayments	-	-	490	430
Other financial assets	5,355,251	4,842,587	4,713,845	5,174,013
Total current assets	5,365,670	4,843,965	4,728,757	5,175,315
Total assets	5,365,670	4,843,965	4,728,757	5,175,315
Liabilities				
Current liabilities				
Creditors and other payables	270,653	231,833	198,595	270,576
Accrued expenses	106,655	139,309	8,982	106,586
Total current liabilities	377,308	371,142	207,577	377,162
Total liabilities	377,308	371,142	207,577	377,162
Total assets less total liabilities (net assets)	4,988,362	4,472,823	4,521,180	4,798,152
Trust equity				
Introductory fund	2,579,899	2,579,899	2,579,899	2,579,899
Capital maintenance fund	697,529	607,125	740,761	649,547
Accumulated funds	1,710,934	1,285,799	1,200,520	1,568,706
Total Trust equity	4,988,362	4,472,823	4,521,180	4,798,152

Statement of cash flows
For the six months ended 31 December 2021

	6 months		Full year	
	Actual \$ 2021/22	Actual \$ 2020/21	Budget \$ 2021/22	Actual \$ 2020/21
Cash flows from operating activities				
Cash was received from:				
Interest receipts	17	47	378	65
Cash was applied to:				
Payments to donees	-	-	(171,556)	-
Payments to suppliers	(14,400)	(13,212)	(41,210)	(26,956)
Net cash flows from operating activities	(14,383)	(13,165)	(212,388)	(26,891)
Cash flows from investing and financing activities				
Cash was received from:				
Sale of investments	188,168	256,281	41,153	(491,338)
Cash was applied to:				
Acquisition of investments	(164,237)	(278,847)	171,129	481,994
Net cash flows from investing and financing activities	23,931	(22,566)	212,282	(9,345)
Foreign exchange translation differences	-	-	-	-
Net increase (decrease) in cash for the year	9,547	(35,731)	(106)	(36,236)
Add opening bank accounts and cash	872	37,109	14,528	37,108
Closing bank accounts and cash	10,419	1,378	14,422	872

Change in equity For the six months ended 31 December 2021

	Introductory fund	Capital maintenance fund	Accumulated funds	Total
Opening balance at 1 July 2021	2,579,899	649,547	1,568,706	4,798,152
Net surplus (deficit)	-	-	190,210	190,210
Capital maintenance charge	-	47,982	(47,982)	-
Closing balance at 31 December 2021	2,579,899	697,529	1,710,934	4,988,362

Investment portfolio managed by Kiwi Wealth Ltd

	31-Dec-21	31-Dec-20	30-Jun-21
Cash	9,589	509	2
Fixed income pie	2,399,969	2,141,455	2,302,072
Growth pie	2,955,282	2,701,132	2,871,941
Total portfolio value	5,364,840	4,843,096	5,174,015
6 months change from 1 July 2021	3.69%		
12 months change from 31 December 2020	10.77%		

Grant commitments

Waikato District Crime Prevention Technology Trust – grant 2	30,000
Waikato District Crime Prevention Technology Trust – grant 3	19,556
Glen Afton Citizens Sports Club	50,000
Total committed grants at 31 December 2021	99,556

To	Trustees of Waikato District Community Wellbeing Trust
Report title	Waikato District Community Wellbeing Trust – draft Statement of Intent for the year ending 30 June 2023

1. Purpose of the report

Te Take moo te puurongo

To update the Trustees of the Wellbeing Trust and the Strategy and Finance Committee on the draft Statement of Intent for the year ending 30 June 2023.

2. Executive summary

Whakaraapopotanga matua

Pursuant to section 64 of the Local Government Act 2002, a Council-Controlled Organisation (CCO) is required to provide a draft Statement of Intent to its shareholder(s) (Council) by 01 March each year.

Council then has the opportunity to provide feedback on the draft within two months of 01 March, after which time the CCO must provide a finalised Statement of Intent to the shareholder by 30 June.

3. Staff recommendations

Tuutohu-aa-kaimahi

That the Trustees of the Wellbeing Trust receives the report and

THAT the Waikato District Community Wellbeing Trust approves the draft Statement of Intent for the year ending 30 June 2023 for release to Waikato District Council.

4. Background

Koorero whaimaarama

The Trustees of the Waikato District Community Wellbeing Trust (Wellbeing Trust) are required to present a draft Statement of Intent for the year ending 30 June 2023 to Council by 01 March 2022.

This draft Statement of Intent retains the principles developed in the inaugural Statement of Intent which are:

- Ensure the real (inflation-adjusted) value of the fund is protected;
- Ensure that the total grants distributed do not exceed 50% of the accumulated retained net income after allowing for the CPI movement and expenses;
- Ensure no more than 10% of the capital is distributed in any one year;
- Identify opportunities to grow the fund;
- Have a process for promoting the fund availability and for allocating the fund; and,
- Monitor performance of investments by receiving and considering financial information.

This Statement of Intent has been prepared based on receiving a long term, sustainable return on investment of 4% before fund manager fees. The grant distributions are based on the principles identified above and on discussions between the Trustees and Kiwi Wealth Limited.

The draft Statement of Intent will be considered by Council's Strategy & Finance Committee at their 30 March 2022 meeting.

5. Discussion

Matapaki

The Trustees have the ability to decline or approve the presentation to Council of this draft Statement of Intent. In any event, a draft must be provided to Council by 01 March each year as required by section 64 of the local Government Act 2002.

6. Next steps

Ahu whakamua

The Trustees are asked to consider the draft Statement of Intent for the Waikato District Community Wellbeing Trust for presentation to Council.

7. Attachments

Ngaa taapirihanga

Attachment 1 – Waikato District Community Wellbeing Trust draft Statement of Intent for the year ended 30 June 2023.

Date:	28 February 2021
Report Author:	Jean de Abreu
Authorised by:	Alison Diaz Chief Financial Officer

Waikato District Community Wellbeing Trust

Draft Statement of intent

For the year ending 30 June 2023

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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 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 2023 and includes prospective financial information for the following two financial years.

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.

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.

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. The portfolio investment manager will report regularly to the Trustees.
4. 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, EA to the Chief Operating Officer, 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.

Prospective statement of financial performance

Prospective performance reports for the years ending 30 June 2022 - 2025

Prospective statement of financial performance

	FY Budget	FY Forecast			
	2021/22 \$	2021/22 \$	2022/23 \$	2023/24 \$	2024/25 \$
Revenue					
Finance income	378	35	357	357	357
Dividend income from portfolio of investments managed by Kiwi Wealth Limited	-	-	-	-	-
Realised gains on investments	41,153	91,240	47,777	48,353	46,690
Unrealised gains on investments	148,490	196,700	158,159	160,063	154,559
Total revenue	190,021	287,975	206,293	208,773	201,606
Expenses					
Audit fees	8,627	9,352	9,352	9,352	9,352
Portfolio management fees	33,480	36,942	36,168	36,649	35,252
Other expenditure	1,905	1,909	1,956	2,019	2,083
Grants	185,481	99,556	340,050	90,604	41,806
Unrealised losses on investments	-	-	-	-	-
Total expenses	229,493	147,758	387,527	138,624	88,493
Surplus/(deficit) for the period	(39,472)	140,216	(181,234)	70,149	113,113

Prospective statement of financial position

Prospective statement of financial position

	FY Budget				
	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$
Assets					
Current assets					
Cash and cash equivalents	14,422	14,445	14,570	14,058	14,190
Other financial assets	4,713,845	5,143,680	5,205,517	5,026,823	5,090,958
Prepaid insurance	490	434	451	469	488
Total current assets	4,728,757	5,158,559	5,220,539	5,041,351	5,105,636
Total assets	4,728,757	5,158,559	5,220,539	5,041,351	5,105,636
Liabilities					
Current liabilities					
Creditors and other payables	198,595	110,937	354,140	104,793	55,955
Accrued expenses	8,982	109,253	109,263	109,273	109,283
Total current liabilities	207,577	220,190	463,403	214,066	165,238
Total liabilities	207,577	220,190	463,403	214,066	165,238
Net assets	4,521,180	4,938,369	4,757,136	4,827,285	4,940,398
Equity					
Introductory fund	2,579,899	2,579,899	2,579,899	2,579,899	2,579,899
Capital maintenance fund	740,761	745,511	847,841	949,382	1,052,650
Accumulated funds	1,200,520	1,612,959	1,329,395	1,298,003	1,307,849
Total net assets / equity	4,521,180	4,938,369	4,757,135	4,827,285	4,940,398

Prospective statement of cash flows

Prospective statement of cash flows

	FY Budget				
	2020/21	2021/22	2022/23	2023/24	2024/25
	\$	\$	\$	\$	\$
Cash flows from operating activities					
Cash was received from:					
Interest receipts	378	35	357	357	357
Dividends received	-	-	-	-	-
Cash was applied to:					
Payments to donees	(171,556)	(230,217)	(99,556)	(340,050)	(90,604)
Payments to suppliers	(41,210)	(73,670)	(44,586)	(44,678)	(43,589)
Net cash flows from operating activities	(212,388)	(303,852)	(143,785)	(384,371)	(133,837)
Cash flows from investing and financing activities					
Cash was received from (applied to):					
Realised gains from investments	41,153	91,240	47,777	48,353	46,690
Sale (acquisition) of investments	171,129	226,186	96,133	335,506	87,278
Net cash flows from investing and financing activities	212,282	317,426	143,910	383,859	133,968
Foreign exchange translation differences	-	-	-	-	-
Net increase (decrease) in cash for the year	(106)	13,574	125	(512)	131
add opening bank accounts and cash	14,528	872	14,445	14,570	14,058
Closing bank accounts and cash	14,422	14,445	14,571	14,059	14,190

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 \$2 million.

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 41 Financial instruments.

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.

Statement of accounting policies (cont.)

Income tax

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

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 follows:

Financial Asset

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Fixed Interest Investment

The fixed interest investment is classified as a financial asset at fair value through surplus or deficit. The contractual cash flows of the investment are solely principal and interest, however, these are neither held for the purpose of collecting contractual cash flows nor held for collecting contractual cash flows and for sale. Consequently, all investments are measured at fair value through surplus or deficit. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Growth (Equity) Investment

Financial assets at fair value through surplus or deficit include financial assets held for trading. After initial recognition, this investment is measured at its fair value with gains or losses on re-measurement recognised in the surplus or deficit.

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

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 4% per annum for financial years 2022 to 2025 before expenses.

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 \$9,352 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. Grant's expenditure

It is assumed that for the current (2022) year all outstanding grants will be paid by 30 June 2022. 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.

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 of 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:

2021/22	95.7%
2022/23	91.1%
2023/24	95.8%
2024/25	96.8%

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.