

# Council Controlled Organisations

The Council operates three Council Controlled Organisations (CCOs). These organisations independently manage facilities and deliver services. The following information explains what the organisations do and how their performance is measured.

Council sought feedback from the community on our continued involvement in the Waikato Regional Airport Limited and Tanlaw Corporation. Council resolved to continue our shareholding in both organisations.

## Tanlaw Corporation Limited

### Why does it exist?

Tanlaw Corporation was established in 1992 as a wholly owned Local Authority Trading Enterprise. Council wished to separate the development of its work programme and planning from the physical works. Tanlaw was established to achieve this and to operate as a profitable business for the benefits of the Council, and ultimately Waikato district ratepayers. The Council holds shares in this organisation as this operation provides roading and related services, which are seen as being part of the core business of Council.

Since its formation, the company has traded profitably and provided significant dividends which supplement Council's income.

Tanlaw provides services to Council and a number of other clients.

The relationship between Council and Tanlaw is arms' length and most of the work is fully contestable through the tender process.

### What does it do?

Tanlaw's core business is civil engineering, road construction and maintenance, quarry operations and any associated business.

Performance measures	06/07	07/08	08/09
Ratio of consolidated shareholder's funds to total assets	55%	55%	55%
Net profit after tax as a % of average shareholder's funds	7%	7%	7%
Debt / equity ratio	20:80	20:80	20:80
Interest coverage	2:1	2:1	2:1

## Waikato Regional Airport Limited

### Why does it exist?

In December 1995, the Council, along with four other local authorities, purchased the Crown's 50% shareholding in the Waikato Regional Airport Ltd. The purchase increased Council's shareholding to 15.625%. Council considers that the airport is a significant infrastructural asset for the region and is important for economic growth and development. For this reason, the Council has elected to retain its shareholding. In addition, the Local Government Act defines shareholding in an airport as a strategic asset.

### What does it do?

The company's objectives are to provide affordable, reliable and safe access to the air transport system and to enhance the economic development of the Waikato region on a commercially sound basis.

Performance measures*	2006/07	2007/08	2008/09
Net profit after tax as a % of average shareholders funds	1.58%	2.05%	2.87%
Debt/Equity ratio	53:47	52:48	44:56
Net profit after tax to total assets	0.74%	0.98%	1.50%
Net profit before tax/interest to average shareholder's funds	21.70%	22.93%	20.77%

\* These performance measures have been taken from the Waikato Regional Airport's Statement of Intent 2006/07.

A development plan and commercial area development plan have been agreed to by the Councils that have an ownership in the airport. A public consultation process has been completed.

These plans mean additional borrowing by the airport of \$12.1 million (in addition to the existing loans of \$9.5 million). This loan is being met by uncalled capital of \$21.6 million. Waikato District Council's share of this uncalled capital is \$3,375,000 (this represents a liability to pay should the airport default on loan payments).

These plans have resulted in budgeted operating losses in the 2006/07, 2007/08, 2008/09 and 2009/10 years.

The shareholders have also committed to provide a further \$2,000,000 by way of loan or uncalled capital in 2007 if required for the development of the airport. Council's portion is \$312,500.

# Council Controlled Organisations continued

## Local Authority Shared Services Limited

Local authorities of the Waikato Region have established Local Authority Shared Services (LASS) Ltd as a Council Controlled Organisation by way of a company, in which each local authority will have a single share. This company will be used as an umbrella for future development of shared services through the region. The company was established during 2005/06.

LASS Ltd is jointly owned by the 13 local authorities of the region, being Waikato Regional Council (Environment Waikato), Hamilton City Council, Franklin District Council, Hauraki District Council, Matamata-Piako District Council, Otorohanga District Council, Rotorua District Council, South Waikato District Council, Taupo District Council, Thames-Coromandel District Council, Waikato District Council, Waipa District Council and Waitomo District Council.

### Why does it exist?

The local authorities of the Waikato Region have worked closely together over a number of years on mutually beneficial joint projects. These projects have demonstrated the benefits that can be gained both in terms of outcomes achieved and reduction in costs to the community.

The Councils believe that the company will generate savings through economies of scale and through additional purchasing power and the ability to recover costs.

### What does it do?

There are a number of services provided by local authorities, particularly in respect of information collection and management, where improved services at lower aggregate cost can be achieved by having a number of authorities participate in purchase or development of the infrastructure for the service, and ongoing operation of it. Historically, the above have been addressed by one Council developing the service and sharing it with others on an agreed basis.

### Performance measures

The initial performance measures shown below are best estimates and will be reviewed on a year-by-year basis to ensure that the products being offered continue to provide state of the art and cost effective processes for the shareholders.

The Performance Targets are that:

- All products are to be fully costed including development costs and to be recovered by way of revenue over a maximum of a five-year period.
- The company will enter into long term contracts of at least three years' duration with each of the participating parties in relationship to any product development so as to ensure the costs of development are spread equitably between the partners and over a realistic time frame.
- Guarantees will be obtained from the participating parties to provide for the capital and cash requirements of the organisation and to ensure that, based on prevailing interest rates, the cost of the development of new products is covered.
- A positive cash flow will be maintained such that the equity ratio is maintained at least 40%.
- Customers will be surveyed annually to ensure that there is at least a 90 percent satisfaction with the services being provided.