

Agenda for a meeting of the Strategy & Finance Committee to be held in the Council Chambers, District Office, 15 Galileo Street, Ngaruawahia on **WEDNESDAY, 18 MARCH 2020** commencing at **9.30am**.

**1. APOLOGIES AND LEAVE OF ABSENCE**

**2. CONFIRMATION OF STATUS OF AGENDA**

*Jason Dawson, Chief Executive of Hamilton & Waikato Tourism, will be in attendance to discuss Item 6.1*

*Mr Michael Bassett-Foss, Chief Executive of Te Waka – Waikato Regional Economic Development Agency, will be in attendance to discuss Item 6.2*

*Mr Kelvin French, Chief Executive WLASS, will be in attendance to discuss items 7.1 and 7.2. It is proposed that these two items be taken after Item 5 - Confirmation of Hearing Minutes.*

**3. DISCLOSURES OF INTEREST**

**4. CONFIRMATION OF MINUTES**

Meeting held on Wednesday, 5 February 2020. 3

**5. CONFIRMATION OF HEARING MINUTES**

Meeting held on Tuesday, 11 February 2020 9

*Minutes to be circulated under separate cover*

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GJ Ion  
**CHIEF EXECUTIVE**

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**Open Meeting**

<b>To</b>	Strategy & Finance Committee
<b>From</b>	Gavin Ion Chief Executive
<b>Date</b>	13 February 2020
<b>Prepared by</b>	Lynette Wainwright Committee Secretary
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1301
<b>Report Title</b>	Confirmation of Minutes

## **1. EXECUTIVE SUMMARY**

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To confirm the minutes of the Strategy & Finance Committee meeting held on Wednesday, 5 February 2020

## **2. RECOMMENDATION**

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**THAT the minutes of the meeting of the Strategy & Finance Committee held on Wednesday, 5 February 2020 be confirmed as a true and correct record of that meeting.**

## **3. ATTACHMENTS**

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S&F Committee Minutes – 5 February 2020

Minutes of a meeting of the Strategy & Finance Committee of the Waikato District Council held in the Council Chambers, District Office, 15 Galileo Street, Ngaruawahia on **WEDNESDAY, 5 FEBRUARY 2020** commencing at **9.30am**.

**Present:**

Cr JM Gibb (Chairperson)  
His Worship the Mayor, Mr AM Sanson  
Cr AD Bech  
Cr CA Eyre  
Cr SD Lynch  
Cr RC McGuire  
Cr FM McNally  
Cr EM Patterson  
Cr JD Sedgwick  
Cr NMD Smith  
Cr LR Thomson  
Cr CT Woolerton

**Attending:**

Mr D Whyte (Chair, Huntly Community Board)  
Mr B MacLeod (Deputy Chair, Raglan Community Board)

Mr G Ion (Chief Executive)  
Mr R MacCulloch (General Manager Service Delivery)  
Mrs S O’Gorman (General Manager Customer Support)  
Mr J Ebenhoh (Acting General Manager Community Growth)  
Ms A Diaz (Chief Financial Officer)  
Mr J Quinn (Communications, Engagement and Marketing Manager)  
Mr C Bailey (Finance Manager)  
Mrs LM Wainwright (Committee Secretary)

Ms E O’Dwyer (Waikato Times)

**APOLOGIES AND LEAVE OF ABSENCE**

**Resolved: (His Worship the Mayor/Cr Gibb)**

**THAT an apology be received from Councillor Church and Councillor Henderson.**

**CARRIED**

**S&F2002/01**

**CONFIRMATION OF STATUS OF AGENDA ITEMS**

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

**THAT** the agenda for a meeting of the **Strategy & Finance Committee** held on **Wednesday, 5 February 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** the **Mr Whyte**, Chair of the **Huntly Community Board** be given speaking rights for the duration of the open section of this meeting;

**AND FURTHER THAT** the **Mr MacLeod**, Deputy Chair of the **Raglan Community Board** be given speaking rights for the duration of the open section of this meeting.

**CARRIED**

**S&F2002/02**

**DISCLOSURES OF INTEREST**

There were no disclosures of interest.

**CONFIRMATION OF MINUTES**

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

**THAT** the minutes of a meeting of the **Strategy & Finance Committee** held on **Monday, 2 December 2019** be confirmed as a true and correct record of that meeting.

**CARRIED**

**S&F2002/03**

## **REPORTS**

### Climate Response Planning Agenda Item 5.1

The report was received [*S&F2002/02 refers*]. The Acting General Manager Community Growth summarised the report, which the Committee then discussed.

#### **Resolved: (Crs Bech/Sedgwick)**

**THAT the Strategy and Finance Committee direct staff to develop a Climate Action Plan (Option 2 in the staff report), including both mitigation and adaptation for both Council and the District, that advances Council's commitment to climate leadership on behalf of its communities, whilst simultaneously implementing operational initiatives.**

## **CARRIED**

**S&F2002/04**

### Economic and Community Development Update Agenda Item 5.2

The report was received [*S&F2002/02 refers*]. In speaking to the report, the Economic and Community Development Manager highlighted the following points:

- Franklin Tourist Group had met with Ngaruawahia Tourism Group giving best practice guidance.
- Te Waka Business Growth in Huntly.

**ACTION:** The Economic and Community Development Manager to advise elected members the numbers of people in Huntly interested in going through Te Waka for business advice.

- School Based Growth – The Community Development Team were working with Huntly and Ngaruawahia Schools on engagement with Council, democracy and communities to create solutions for project-based learning to gain credits towards NCEA.
- Hampton Downs Cluster meeting had been held with over 40 participants. There was national and regional interest in what Hampton Downs would look like in the future.
- Corrections - Waikeria Prison would be employing approximately 800 new staff and would be looking at the Waikato region for housing opportunities.

Financial Performance Summary for the period ending 31 December 2019

Agenda Item 6.1

The report was received [S&F2002/02 refers]. In speaking to the report, the Chief Financial Officer and the Finance Manager highlighted the following points:

- Actual/Forecast Capital Expenditure - Council staff would be re-evaluating the capex for the balance of the current financial year.
- Disaster Recovery – The reserve would be replenished and increased under the LTP process.

Treasury Risk Management Policy – Compliance Report at 31 December 2019

Agenda Item 6.2

The report was received [S&F2002/02 refers]. In speaking to the report, the Chief Financial Officer highlighted the following points:

- Policy limit breaches – Council was working with PwC to remedy the variances.
- Borrowing of funds from Watercare had been explored through the Watercare contract negotiations.
- Concern had been raised on the forward start swaps and Council had sought advice.

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

**THAT the Committee note the two breaches against the Treasury Risk Management Policy for the December quarter regarding actual to budgeted borrowing costs and fixed to floating interest rate controls being exceeded.**

**CARRIED**

**S&F2002/05**

Council Credit Rating

Agenda Item 6.3

The report was received [S&F2002/02 refers]. In speaking to the report, the Finance Manager highlighted the following:

- The aim was to achieve a formal credit rating of AAA-. Subject to confirming cashflow forecasts for the capex, it would be expected that the credit rating would be in place prior to 30 June 2020.

Civic Financial Services – Statement of Intent for 2020

Agenda Item 6.4

The report was received [S&F2002/02 refers] and the Chief Financial Officer summarised the report.



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### **Open Meeting**

<b>To</b>	Strategy & Finance Committee
<b>From</b>	Gavin Ion Chief Executive
<b>Date</b>	11 March 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 Hearings for the Waikato District Council Growth & Economic Development Strategy held on Tuesday, 11 February 2020; Wednesday 12 February 2020 and Tuesday, 10 March 2020.

### **2. RECOMMENDATION**

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**THAT** the hearing minutes of the meeting of the Strategy & Finance Committee held on Tuesday, 11 February 2020; Wednesday, 12 February 2020 and Tuesday, 10 March 2020, be confirmed as a true and correct record of that meeting.

### **3. ATTACHMENTS**

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S&F Committee Hearing Minutes – 11-12 February, 10 March 2020 – *to be circulated under separate cover*

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### **Open Meeting**

<b>To</b>	Strategy & Finance Committee
<b>From</b>	Clive Morgan General Manager Community Growth
<b>Date</b>	3 March 2020
<b>Prepared by</b>	Jason Dawson CE – Hamilton & Waikato Tourism
<b>Reference #</b>	GOV0508
<b>Report Title</b>	Hamilton & Waikato Tourism Six Monthly Report

### **I. EXECUTIVE SUMMARY**

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The purpose of this report is for Jason Dawson to provide a verbal presentation on Hamilton & Waikato Tourism's six monthly report to the Waikato District Council.

### **2. RECOMMENDATION**

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**THAT the Strategy & Finance Committee receive Hamilton & Waikato Tourism's report.**

### **3. ATTACHMENTS**

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Attachment – HWT Six monthly report July-Dec 2019

# Hamilton & Waikato TOURISM

## Six Monthly Report to Waikato District Council 1 July – 31 December 2019

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

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

HWT is funded through a public/private partnership with the region's tourism industry and seven local authorities including Hamilton City and Matamata-Piako, Otorohanga, Waikato, Waipa, Waitomo and South Waikato Districts.

### Key highlights (Jul – Dec 2019)



## Executive summary

The region's visitor expenditure has climbed to \$1.576 billion for the six months ended December 2019, a 2% increase on the previous year. International visitors contributed an estimated \$374 million to the region, while domestic spend injected \$1.201 billion into the regional economy.

Our national rankings are holding with Waikato RTO region the fifth largest in New Zealand for international visitor expenditure behind Auckland, Christchurch, Queenstown and Wellington. We are now the fourth largest region for domestic visitor expenditure behind Auckland, Christchurch and Wellington.

Commercial guest nights are also growing with an estimated 1.511 million commercial guest nights in the region, which is a 6.1% increase on the previous year. Peer to peer accommodation continues to grow in our region. AirBnB data that is available shows 2101 listings for the month of December 2019 (333 more than December 2018). Occupancy rates range from 35% at the lowest month (May) through to 68% for the highest month (January).

Although international visitor arrivals are starting to soften into New Zealand, the Waikato region has been bucking the trend with growth continuing across all our key long-haul markets including UK/Europe, North America (USA/Canada) and China. However, we are now starting to see the impact of the Covid-19 outbreak and are reviewing our market strategy to stimulate domestic demand, and partner with Tourism NZ on international.

The Hamilton & Waikato region is the fourth largest region behind Auckland, Wellington and Christchurch for conferences, meetings and business events for the period ending June 2019. Our region remains steady securing 10.1% market share of total business events, while market share of delegate days has increased to 7.5% (MBIE Business Events Activity Survey). The MBIE Business Events Activity Survey report was wound up with the report to 30 June. A newly named Business Events Venue Survey will commence in February 2020; Fresh Info has been contracted to collect and report data going forward.

Every conference we can secure for Hamilton and Waikato is significant for the region, regardless of the sector or size. Conference delegates are also influenced to return for a future holiday based on their positive Waikato experiences. A delegate attending a business event is worth twice as much of a leisure traveller to the region, with an average delegate per night value of \$326 per night for international delegates and \$533 per night for domestic delegates (MBIE Business Events Delegate Survey YE Dec 2018, the report to YE Dec 2019 is unavailable at time of writing. For the record after the BEDS report to Dec 2019 has been published, this report will cease in its current format. Data collection and reporting going forward will be conducted by Fresh Info).

Progress continues with delivering on the Tourism Opportunities Plan and the Visitor Strategy, with the launch of Locals Week, development of the region's first Ambassador programme in Hamilton, executing the Major Events Strategy and the continued roll-out of 'The Mighty Waikato' regional visitor brand.

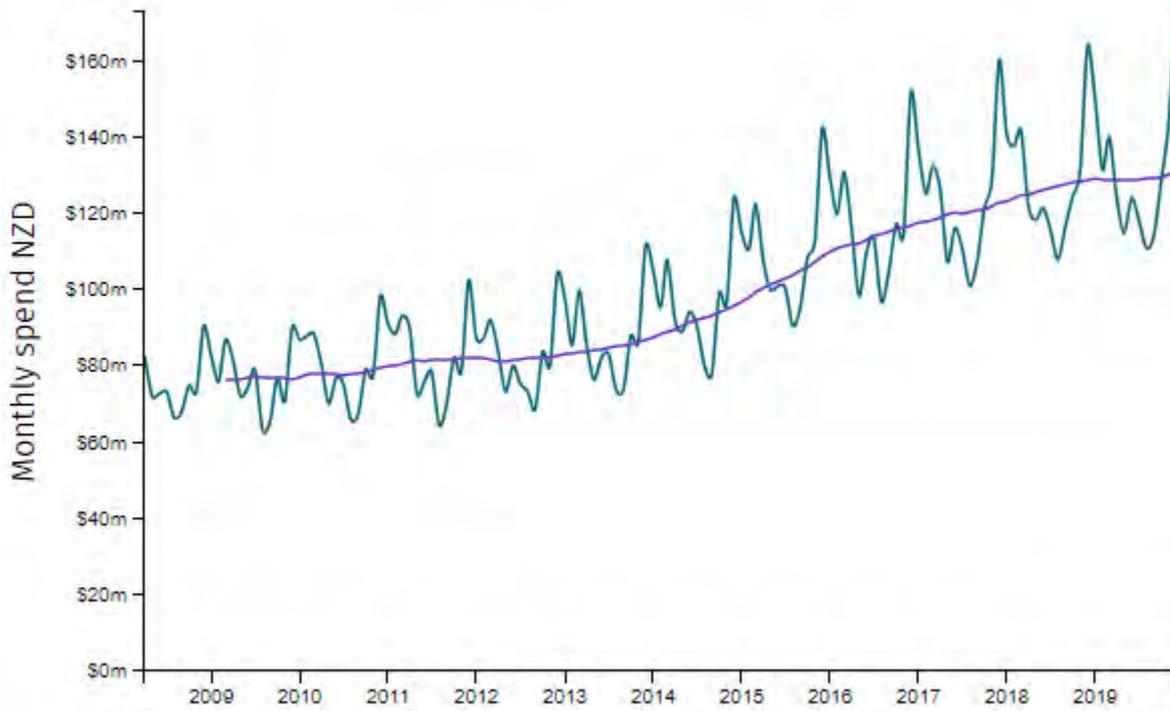
## Performance targets

Hamilton & Waikato Tourism (HWT) have seven performance targets which are set in the 'Schedule of Services for Local Government 2019-2020'. The results are provided below.

Measure	Result
 <p><b>Visitor nights</b> 5% increase of total visitor nights' vs national</p>	 <p><b>6.1%</b> for Waikato <b>1.2%</b> national growth rate (Year ending September 2019)</p>
 <p><b>Visitor spend</b> 5% increase in visitor spend across the region</p>	 <p><b>2%</b> increase on previous year <b>\$1.576 billion</b> annual expenditure (Year ending December 2019)</p>
 <p><b>Conventions, incentives &amp; business events</b> Grow market share of business events from 9% to 10%</p>	 <p><b>10.1%</b> market share Fourth largest region behind Auckland, Wellington &amp; Christchurch (FY ending June 2019 – survey finished with this report, new survey to commence Feb 2020)</p>
 <p><b>Visitor awareness &amp; perception</b> Improve by 3 points, including Waikato residents</p>	 <p><b>8/10</b> likelihood to recommend as a place to visit (Annual measurement undertaken July 2020)</p>
 <p><b>Website &amp; social media: waikatoz.com</b> 5% digital engagement on 2019-20</p>	 <p><b>22.2%</b> from 1 July 19 to 30 Dec 19</p>
 <p><b>Industry investment</b> \$450,000 of industry contribution towards marketing activities &amp; campaigns</p>	 <p><b>\$252,353</b> international &amp; domestic campaigns, trade show investment, famil in-kind contributions &amp; visitor guide sales (Year to date December 2019)</p>
 <p><b>Return on investment</b> Total visitor spend per dollar of HWT spend</p>	 <p><b>\$1,282</b> Visitor spend per dollar of council funding (Year ending December 2019)</p> <p><b>1.23</b> Commercial guest nights per dollar of council funding (Year ending September 2019)</p>

# Visitor statistics and expenditure

## Historical monthly spending pattern

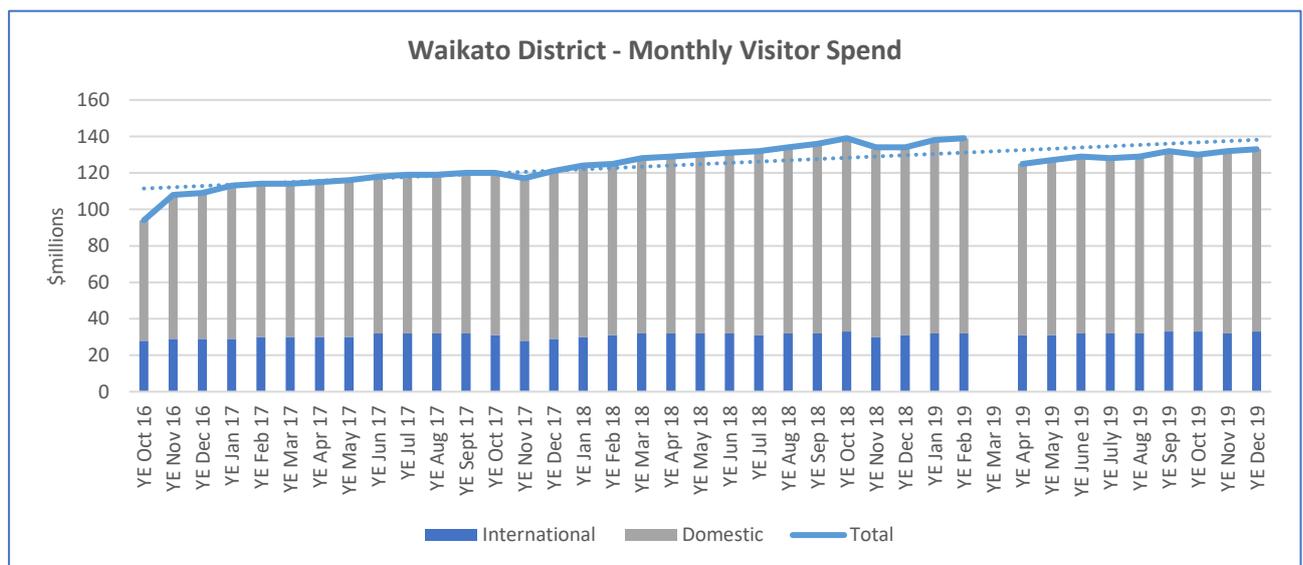


Source: Monthly Regional Tourism Estimates, MBIE (December 2019)

## Visitor expenditure in Waikato District

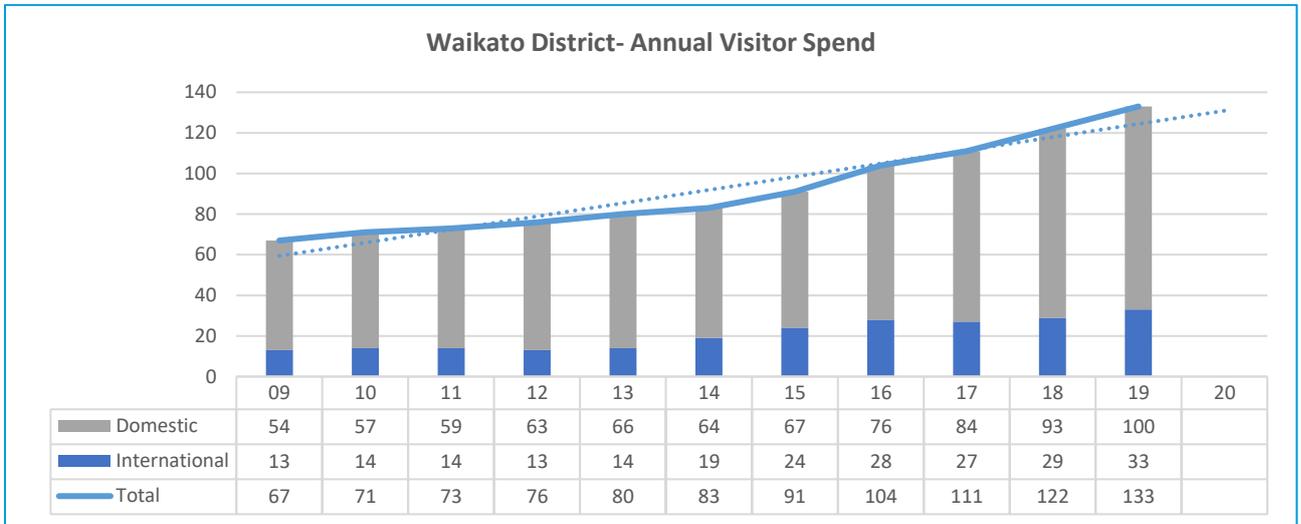
Visitor expenditure data is measured by the Ministry of Business, Innovation and Employment (MBIE) in the Monthly Regional Tourism Estimates (MRTE).

*Note: There was no MRTEs for individual Territorial Authorities in March 2019.*



Source: Monthly Regional Tourism Estimates, MBIE (December 2019)

Overall annual visitor expenditure for Waikato has grown by 8%, now injecting \$133 million into the district’s economy, with \$100 million generated by domestic visitors and \$33 million from international.

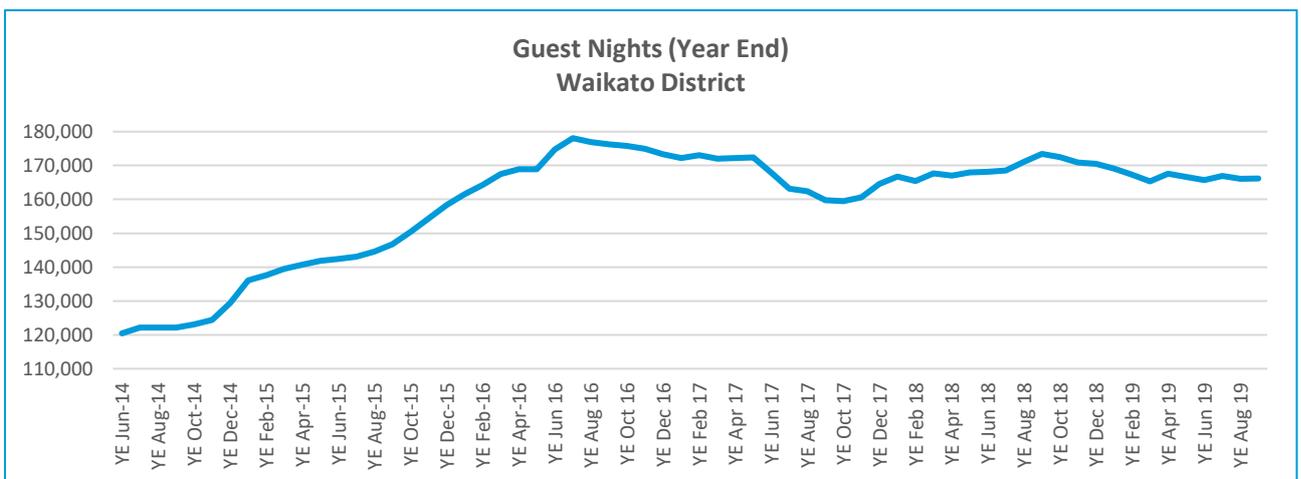


Source: Monthly Regional Tourism Estimates, MBIE (December 2019)

## Commercial accommodation in Waikato District

Commercial guest nights (hotels, motels, backpackers & holiday parks) for Waikato District has remained relatively steady since June 2017. The latest statistics confirm 166,181 commercial guest nights for the year ending September 2019, which is a slight dip of 4.2% from the same time in 2018.

Our key national measurement tool for commercial accommodation and visitor numbers, the Commercial Accommodation Monitor (CAM), ended in September 2019. The Ministry for Business, Innovation & Employment are working with StatsNZ and industry to develop a replacement data set, although there is likely to be a data gap of 3-6 months.



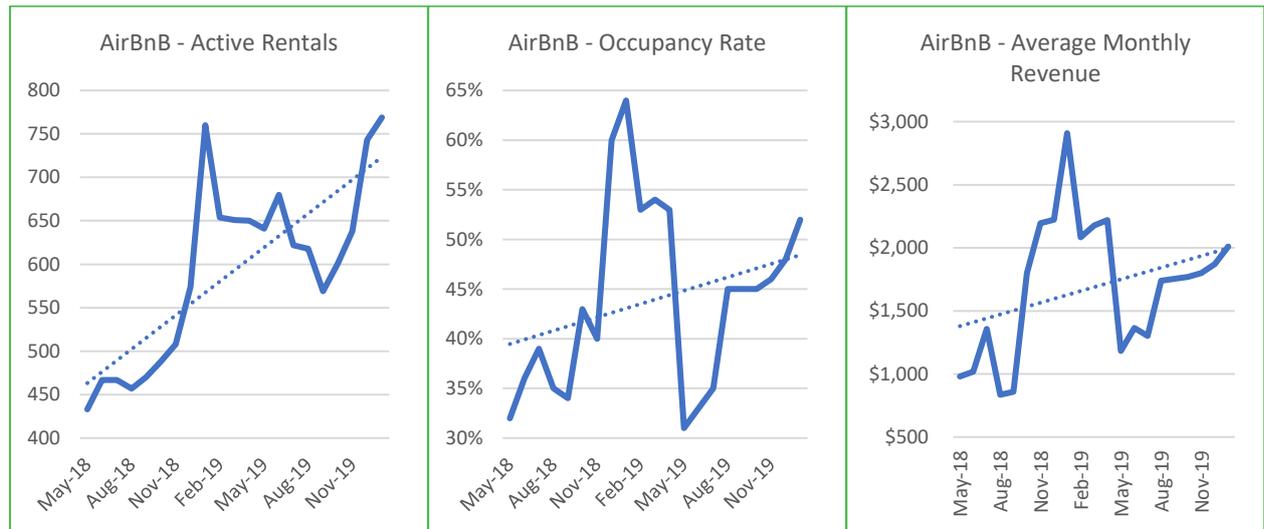
Source: Commercial Accommodation Monitor, Stats NZ (September 2019)

## Non-commercial accommodation in Waikato

Waikato District had 743 properties listed on AirBnB during December 2019 as alternative accommodation to the traditional commercial offerings.

This has grown from 169 listings in December 2018.

These properties experienced 48% occupancy during December 2019. For the 12 months January 2019 to December 2019, the average occupancy rate for AirBnB properties in Waikato District is 46%.



## Trade & leisure marketing

### International marketing

The 'Explore Central North Island' (ECNI) international marketing alliance (including Waikato, Rotorua, Taupō, Coromandel, Bay of Plenty, Ruapehu and Hawke's Bay regional tourism organisations) has undertaken several key activities in the July-Dec period including a North American sales mission in October to train key travel wholesalers and sellers (170 agents trained) and a joint online marketing campaign with Tourism NZ's US office.

Profile of the Waikato has continued in Tourism New Zealand's 'Good Morning World' campaign which features a 'Good Morning World' message each morning from local tourism operators and people. During this summer period regional destinations Raglan, Hobbiton Movie™ Set, Hamilton and South Waikato have been showcased. By having the Waikato featured throughout the campaign is an effective way to showcase the region and our people on a global stage, plus help inspire more travellers to visit our part of the country.

There was a concentrated period of trade training and famils towards the end of 2019. Several of Tourism New Zealand's famils originally scheduled for March 2019 were postponed due to the Christchurch Mosque attacks and reconvened in October-November 2019.

Two of these famils included the Australia mega famil (100 agents) and South East Asia mega famil (60 agents). HWT participated in these mega famils through the agent training days and famil group hosting, while also training 138 agents in Australia during December as part of a Tourism New Zealand roadshow. We also hosted a number of other Tourism New Zealand and wholesaler trade famils traveling through the region.

## **Domestic marketing**

### **Locals Week Initiative**

HWT's inaugural 'Locals Week' launched in September. A key action identified in our Visitor Strategy – the campaign aimed to engage our Waikato residents by making it easy for them to experience what's in their own backyard and become the biggest advocates for our exceptional tourism industry here.

The goal was to educate and inspire our local residents to become ambassadors for tourism across the region by experiencing what we have on offer. We wanted to make it easy for locals to 'give it a go', increase their pride in place and help them become tourism experts for Waikato by offering exclusive and significant 'locals-only' deals for one week.

Other destinations around New Zealand (and internationally) run these types of initiatives and find them extremely beneficial as once locals have experienced tourism products and activities they tend to have a more positive perception of said experience and will recommend our operators when they have friends and family visit.

### **Campaigns**

HWT undertook two Christmas focussed campaigns towards the end of 2019. The first focussed on Christmas functions. Targeted at local businesses, the October campaign showcased HWT's domestic partners as well as convention bureau partners to promote their Christmas function ideas and events. Following on from this in early December HWT then ran a mini 'Christmas Gift Guide' campaign to promote vouchers for tourism operator partners' experiences and upcoming events as ideal Christmas gifts to Waikato residents.

The Summer Explore Your Own Backyard campaign which aimed to encourage locals to explore the Waikato over the festive holiday season launched in late December and ran through January. The online campaign featured domestic operator partners and focussed heavily on profiling region's natural assets such as walks, waterfalls, beaches and cycleways as well as summer events and school holiday activities.

HWT partnered with Hamilton-based business 1day.co.nz on a month-long marketing promotion in October to promote our amazing region and the fantastic things there are to see and do here. An iconic NZ brand and consumer purchasing portal with a significant audience and reach, 1-day are passionate local advocates and are keen to help spread positive messaging about the Waikato.

As part of the campaign we offered 1-day's customers the chance to win one of four regional prize packages which showcased a range of Waikato tourism businesses relevant to the themes - Adventure Mad, Culture Vulture, Fanatic Foodie and Crazy Kids.

The promotion, which featured Te Awamutu-born James McOnie, was profiled through both organisation's channels including 1-day's email database of 800,000 and we received around 6,000 entries and email addresses to add to our consumer database.

### Major Events

HWT supported Hamilton City Council's H3 team and local organising committees and event promoters in the promotion and marketing of major events during July-December 2019 including All Blacks vs Tonga, World Darts, Great Britain Rugby League Lions Tour and the HSBC NZ Sevens. This support includes prepping team and media welcome packs, team activity options, event landing pages on waikatoz.com, media and player promo event opportunities and support for bids.

### Annual Visitor Guide

100,000 copies of the 2020 official Regional Visitor Guide were distributed in late December 2019, featuring the new Mighty Waikato branding. Distributed nationally through i-SITES and airports, national and international trade shows and conference delegate packs, the guide is a cost-neutral project with advertising sales funding production and distribution.

## Marketing activity for Waikato District

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

Target market	Campaign or activity	Waikato experiences profiled
<b>Media – domestic &amp; international famils</b>	Media hosting and famils profiling Waikato: <ul style="list-style-type: none"> <li>• Social Influencer -Young Adventuress</li> <li>• Freelance Journalist – Tim Richards</li> <li>• Sunday Star Times</li> </ul>	Punnet Eatery, Solscape Eco Retreat, Raglan Fish, Zealong Tea Estate, Bow Street Studios, Ulos Kitchen, Raglan Township, Raglan beach, Raglan Roast, Tony Sly Pottery
<b>Travel Trade - famils</b>	Waikato profiled in following trade famils: <ul style="list-style-type: none"> <li>• Taiwan Product Managers famil</li> <li>• AOT/ATS Mega famil</li> <li>• TNZ Premium Famil</li> <li>• ECNI Roadshow winner</li> </ul>	Zealong Tea Estate, Castaways Resort
<b>Travel Trade – events</b>	Trade Training events and sales calls to ITOs and wholesalers throughout the period including the TNZ AU mega famil (100 agents) and TNZ South East Asia mega famil (60 agents)	Raglan Surf School, Zealong Tea Estate, GoSkydive NZ, Franklin Tourism Group, Cornerstone Alpacas, Castaways

Target market	Campaign or activity	Waikato experiences profiled
<b>Domestic – consumer media</b>	Waikato was profiled as part of regional promotions in the following publications: <ul style="list-style-type: none"> <li>• RV Travel – NZ Motorhome Show special edition</li> <li>• Avenues Magazine</li> <li>• Go Travel</li> <li>• Regional News</li> </ul>	Zealong Tea Estate, Raglan Township, Te Awa River Ride, Wairēinga/Bridal Veil Falls, Go Skydive NZ
<b>Travel Trade – Explore Central North Island Alliance</b>	HWT are part of the Central North Island RTO alliance known as ‘Explore Central North Island’ which includes the two touring routes – The Thermal Explorer Highway and the Pacific Coast Highway. Key activities Jul-Dec: <ul style="list-style-type: none"> <li>• ECNI North America Roadshow, Oct 19</li> <li>• UK In-market representation</li> </ul>	Raglan Surf School, Zealong Tea Estate, GoSkydive NZ, Franklin Tourism Group, Cornerstone Alpacas, Castaways Resort
<b>Domestic consumer - Local, Hamilton &amp; Waikato</b>	<ul style="list-style-type: none"> <li>• ‘Explore Your Own Backyard’ campaign Dec 2019 -Jan 2020</li> <li>• ‘Locals Week” – Sept 2019</li> </ul>	Zealong Tea Estate, Hakarimata Summit Climb, Hampton Dows Motorsport Park, Raglan Surfing School, Raglan township, GoSkydive NZ, Hakarimata Walkway, Castaways, Cornerstone Alpacas
<b>Domestic consumer – Chinese New Zealanders</b>	Ongoing campaign activity has continued through our Weibo social media channel, blogs, forums etc	Zealong Tea Estate, Hampton Dows Motorsport Park, Raglan Surfing School, GoSkydive NZ, Wairēinga/BridalVeil Falls, Cornerstone Alpacas
<b>Domestic &amp; International consumer and trade</b>	2020 Hamilton & Waikato Regional Visitor Guide	Waikato district and towns profiled in ‘Regional highlights’ section and ‘North Waikato’ and ‘Raglan’ sections. Waikato district -based tourism operators have advertised in their relevant sections of the guide

Target market	Campaign or activity	Waikato experiences profiled
<b>Domestic &amp; international consumer, travel trade and media</b>	Quarterly e-newsletters are distributed to our consumer, trade and media databases	Raglan Surfing School, Zealong Tea Estate, Cornerstone Alpaca Stud, Raglan Rock, Soundsplash, Raglan Coconut Yoghurt, Castaways, GoSkydive NZ, Hampton Downs Motorsport Park, Soundsplash
<b>Domestic &amp; International consumer</b>	Waikato profiled through HWT's website and various social profiles including Facebook, Instagram, Twitter & YouTube.	Zealong Tea Estate, Hampton Dows Motorsport Park, Raglan Surfing School, Raglan Kayak & Paddleboard, GoSkydive NZ, Raglan Roast, Solscape, Manu Bay, Pedal4Prostate, Cruising for Hope, Mt Karioi, Cherry Tree Festival, Wairēinga/Bridal Veil Falls, Raglan, Lake Hakanoa, Karamu Walkway, Ngarunui Beach, Te Toto Gorge, Port Waikato, Perry Bridge, Hakarimata Summit Trail, Hakarimata Kauri Loop Track, Karioi Classic Cycle Ride, La Valla Estate, Prowear Chrome Expression Session, Raglan Coconut Yoghurt, Nikau Caves, Thundercross Valley, Tuakau Hotel, Castaways, Luxury Under Canvas, Rangiriri, The Waikato War Driving Tour, Pokeno, Te Awa River Ride, Ngaruawahia, Turangawaewae Marae, Huntly, Tuakau, Mercer Art & History Museum, Soundsplash

## Conferences, incentives & business events

The Hamilton & Waikato region is the fourth largest region behind Auckland, Wellington and Christchurch for conferences, meetings and business events for the period ending June 2019. Our region remains steady securing 10.1% market share of total business events, while market share of delegate days has increased to 7.5% (MBIE Business Events Activity Survey). The MBIE Business Events Activity Survey report was wound up with the report to 30 June. A newly named Business Events Venue Survey will commence in February 2020, Fresh Info have been contracted to collect and report data

Every conference we can secure for Hamilton and Waikato is significant for the region, regardless of the sector or size. Conference delegates are also influenced to return for a future holiday based on their positive Waikato experiences. A delegate attending a business event is worth twice as much of a leisure traveller to the region, with an average delegate per night value of \$326 per night for international delegates and \$533 per night for domestic delegates (MBIE Business Events Delegate Survey YE Dec 2018, the report to YE Dec 2019 is unavailable at time of writing. For the record after the BEDS report to Dec 2019 has been published, this report will cease in its current format. Data collection and reporting in the future will be carried out by Fresh Info).

The devastating fire at NZICC (NZ International Convention Centre) at the end of last year has had minimal impact for Hamilton and the Waikato region, the majority of conferences deferred or re-located are international conferences with attendee numbers in excess of 1,500. Due to limited hotel inventory and lack of hotels at the top end of the star rating the region is unable to accommodate conferences of this size.

In December 2019, HWT hosted a multiday famil of the Hamilton and Waikato region for 20 national conference organisers, associations and in-house meeting planners. Most of the 'buyers' came from Wellington, which is a result of increased Convention Bureau activity with the association market which is predominantly based in Wellington. This famil showcased 16 HWT Convention Bureau partners.

## Convention Bureau activity

A summary of specific trade and conference marketing activity between 1 July to 31 December 2019 is detailed below.

Activity	Detail
<b>Enquiries</b>	60 total leads received and managed. <b>Waikato District:</b> <ul style="list-style-type: none"> <li>• Bids/proposals: 16 (opportunity sent to four Waikato operators)</li> <li>• Leads: 6 (opportunity sent to two Waikato operators)</li> <li>• Recommendations: 21 (opportunity sent to two Waikato operators)</li> <li>• Basic assists: 17 (opportunity sent to one Waikato operator)</li> </ul>
<b>Buyers Hosted</b>	29 buyers hosted to the region.

Activity	Detail
<b>Famils</b>	<p><b>5-7 December 2019:</b> Annual multiday Mega Famil, attended by 20 buyers from Wellington, Auckland, Christchurch and Palmerston North for two nights. Attendees included professional conference &amp; event organisers, in-house corporate event managers, personal / executive assistants, association conference organisers, marketing managers and a journalist.</p> <p>Sixteen Convention Bureau Partners included (inclusion based on partnership level).</p> <p>Waikato partners included were Hampton Downs Motorsport Park and Zealong Tea Estate.</p>
<b>TNZ Famils</b>	<p>None during this period. The majority of TNZ famils are conducted in conjunction with major trade shows (TRENZ and MEETINGS) which are held in the first half of the calendar year.</p>
<b>Bespoke Famils</b>	<p>Seven bespoke famils organised. Eight buyers were hosted and shown 18 venues across Waikato, including Waikato Convention Bureau Partner Zealong Tea Estate.</p>
<b>Trade Shows</b>	<ul style="list-style-type: none"> <li>• September 2019: Regional stand Australasian Society of Association Executives (AuSAE) Linc Conference held in Napier.</li> <li>• December 2019: Exhibited with Tourism NZ and CINZ (Conference &amp; Incentives NZ) at the Professional Conference Organisers Association Conference held in Sydney.</li> </ul>
<b>Hosted Events</b>	<ul style="list-style-type: none"> <li>• October 2019: Wellington function, attended by over 50 buyers. Co-hosted with six Convention Bureau Partners, including Waikato Convention Bureau Partner Zealong Tea Estate.</li> <li>• October 2019: Meet North South dinner, attended by five guests. Hosted by the Convention Bureau and Dunedin Business Events.</li> <li>• November: Hosting to Swan Lake Ballet, attended by nine buyers. Co-hosted with Claudelands.</li> <li>• November: America Concert, attended by eight guests. Co-hosted with Tourism New Zealand/HWT Convention Bureau Project Waikato Group to create awareness about the CAP and recruit ambassadors.</li> </ul>
<b>Sales Activity</b>	<ul style="list-style-type: none"> <li>• December: Sales calls with Claudelands Platinum Partner - Christchurch.</li> </ul>

<b>AuSAE NZ Networking Activity</b>	<p>AuSAE – Australian Association for Association Executives</p> <ul style="list-style-type: none"> <li>• August: Wellington</li> <li>• September - Conference: Napier</li> <li>• November: Wellington</li> </ul>
<b>Tourism NZ Activity</b>	<ul style="list-style-type: none"> <li>• September 2019 - co-hosted table with Tourism NZ at The Kudos Awards to create awareness about the Conference Assistance Programme and recruit ambassadors.</li> <li>• Project Waikato group meetings – business incubator group to seek opportunities for Australasian and international conferences for the Waikato region. Specific focus given to conferences that respond to the needs of the community by creating a social, environmental or cultural impact on the Waikato region.</li> </ul>
<b>Partner Communication &amp; Development</b>	<ul style="list-style-type: none"> <li>• Thursday 3<sup>rd</sup> October: Google DMO breakfast for Convention Bureau Partners</li> <li>• Tuesday 25<sup>th</sup> February: Henley Hotel ‘Open Home’ Partner Networking Function</li> <li>• Partner EDM newsletters/updates</li> <li>• Monthly lead reporting to Platinum &amp; Gold Partners</li> <li>• 75 BEW Partners. <ul style="list-style-type: none"> <li>– <b>Waikato:</b> Hampton Downs Motorsport Park, Waikato Tainui College, Zealong Tea Estate, Castaways Resort, Woodlands Estate and Wahine Moe Boat Charters.</li> </ul> </li> <li>• 93 Face-to-face BEW Partner meetings - includes mentoring and support. <ul style="list-style-type: none"> <li>– <b>Waikato:</b> Hampton Downs Motorsport Park, Zealong Tea Estate, Castaways Resort and Woodlands Estate.</li> </ul> </li> </ul>
<b>Communications &amp; Media</b>	<ul style="list-style-type: none"> <li>• Client newsletters x 1 (database over 2,500)</li> <li>• Editorial x 24</li> <li>• Business Events Directory</li> <li>• Website <a href="http://www.meetwaikato.com">www.meetwaikato.com</a></li> </ul>

### **INTERNATIONAL CONFERENCE BIDS – in conjunction with Tourism New Zealand’s Conference Activity Programme (CAP)**

Bidding for international conferences is a key activity of the Hamilton & Waikato Convention Bureau, with the support of the Conference Assistance Programme from Tourism New Zealand.

The following international conferences have been secured or pending a decision:

- International Conference on AI & Law (ICAAIL) 2021 – in bid process, looks promising.
- AV/EV Conference & Exhibition – lead, in discussion.
- SESTECH Technology Conference 2020, EV \$892,200 – lost. Conference didn’t go ahead.

## Destination & product development

### Regional Tourism Opportunities Plan

Development that furthers the Hamilton & Waikato Tourism Opportunities Plan (adopted 2016) continues to be a focus based around the five game-changers:

1. Activating the Waikato River, including the Waipā and Waihou Rivers
2. Development and leverage of a Regional Visitor Brand Strategy
3. Support for the continued development of the Hamilton City Riverfront
4. Telling the Kiingitanga Story through Maori tourism development – whanau, hapu and marae-led, as well as iwi-based initiatives
5. Development of a Regional Major Events Strategy

To find download a copy of the Tourism Opportunities Plan:

[www.hamiltonwaikato.com/TOP](http://www.hamiltonwaikato.com/TOP)

### Activating tourism opportunities in Waikato District

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

- Rangiriri development – financial contribution to feasibility study; supporting PGF application
- Kimihia Lakes development – continue to support
- Sculpture Park @ Waitakaruru – support and guidance for expanded hours and tour offerings
- Franklin Tourism Group – attended AGM; ongoing support and collaboration
- Hampton Downs – attended the recent strategy workshop and provided support for the V8 Supercar event relocating for April 2020
- Whaanga Lodge, Raglan – market & business sector advice
- i-SITEs – support and advice

We have begun a three-year review of the Plan to report on progress towards achieving our development goals and targets set for the region in 2016, as well as refresh our 2014 Visitor Strategy. The review will see the Tourism Opportunities Plan and Visitor Strategy develop into a Destination Management Plan framework which has been released by the Ministry for Business, Innovation and Employment.

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

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

Every region is different, with unique attributes, assets, challenges and opportunities. There is no 'one-size-fits-all' approach to DM; solutions should be customised for the destination. However, we can learn from international experiences and enable productive, resilient, inclusive and sustainable destinations across New Zealand-Aotearoa, creating better value for visitors and residents alike.

To find out more:

[www.mbie.govt.nz/immigration-and-tourism/tourism/destination-management-guidelines](http://www.mbie.govt.nz/immigration-and-tourism/tourism/destination-management-guidelines)

## **Regional Major Events Strategy**

In 2018, Hamilton & Waikato Tourism developed the region's first Major Events Strategy to ensure the spotlight continues to shine and grow on our region, as we work to develop a full calendar of events, especially outside of our peak summer period.

It is important to develop an events programme that smooths seasonal fluctuations in the visitor industry, providing increased, more reliable employment and greater returns to businesses.

We are very fortunate to have our biggest international, iconic anchor event in June, our quieter winter season. The annual New Zealand National Agricultural Fieldays is an event that attracted over 130,000 visitors in 2018, generated \$492 million in sales and contributed \$221 million to New Zealand's GDP.

Events like Fieldays not only generate significant economic impact for our region – it also contributes to cultural and social outcomes for our community.

The Regional Major Events Strategy builds on our successful track record of delivering star-studded international events by identifying gaps and opportunities for the attraction of new events while supporting the long-term growth of our current events.

With the growth and attraction of major events into the region, it also grows our reputation in the domestic market as an emerging visitor destination.

As part of activating the strategy, we now provide co-ordination and support for major event bids into the Waikato region. We have supported the following successful event bids over the previous six months:

- New Zealand's World Series of Darts – Claudelands (23-24 August 2019)
- International rugby – All Blacks v Tonga, FMG Waikato Stadium (7 September 2019)
- International rugby league – Lions vs Tonga, FMG Waikato Stadium (26 October 2019)
- UCI Elite and U23 Road Championships – secured by RIDE Festival to host in Cambridge (2020 to 2023)

We were successful in leading the event bidding process for the International Breast Cancer Paddler Commission – Dragon Boat Regatta – Karapiro and Mystery Creek (March 2022), as well as attracting seed funding from WEL Energy Trust to activate the strategy.

## Industry development

### **The Tiaki Promise**

Seven key New Zealand organisations joined forces to conceive and develop *Tiaki – Care for New Zealand*, an initiative that actively encourages international and domestic travellers to act as guardians of Aotearoa.

Tiaki is a powerful and diverse word in te reo Māori, meaning to care and protect, and to look after people and place.

Launched in November 2018 by Tourism Minister Hon Kelvin Davis, the seven organisations involved included Air New Zealand, the Department of Conservation, Local Government New Zealand, New Zealand Māori Tourism, Tourism Holdings Ltd, Tourism Industry Aotearoa and Tourism New Zealand.

The Tiaki Promise communicates why caring for New Zealand is important and how to care for Aotearoa while travelling around the country.

A range of Tiaki Promise materials are provided free of charge to all New Zealand tourism organisations, including a brochure and supporting video. The resources are initially available in English, Te Reo Māori, German and Chinese, with more languages to follow.

The second stage of Tiaki Promise was launched in November 2019, including a responsible camping campaign, which is focussed on the domestic market and creating future New Zealanders as good hosts. Find out more at [www.tiakinewzealand.co.nz](http://www.tiakinewzealand.co.nz).

### **Alibaba partnership with Christchurch Airport**

Hamilton & Waikato Tourism has joined the “South Alibaba programme” from Christchurch Airport, to help grow the success of Waikato businesses in the Chinese market.

Working with the HWT team, tourism operators and the wider business community, we will continue to grow both understanding and capability of the China market, which is even more important given the impact of Coronavirus. Our long-term goal is to attract more high value Chinese guests to the region and encourage them to do more while they are here.

We held a Chinese market workshop open to all businesses, followed by rolling out Alipay across Hamilton & Waikato to help local businesses attract Chinese customers, as well as provide a convenient form of payment to grow spend. We also launched a dedicated Waikato store on Alibaba's travel platform, Fliggy (the Chinese equivalent of TripAdvisor and Expedia).

## **Google destination marketing partnership**

Hamilton & Waikato Tourism have partnered with Google and Miles Partnership to become the region's official 'Google Destination Management Organisation' as part of their new push into the travel market. We have become a 'Google verifier' for the region as part of this destination marketing programme.

We initially launched with Tourism Bay of Plenty and Destination Rotorua on rolling out 'Google My Business' workshops to improve the tourism-related content on tourism operator business listings and our regional destination search results.

As a result of the Google partnership, we are now rolling out an extensive update of Waikato-wide content and are currently working with each city and district council on co-management opportunities for public sites/spaces listings.

## **Provincial Growth Fund**

Working with Matamata-Piako District Council and Te Waka, we were able to secure the first successful funding application of \$900,000 to complete a feasibility study and business case for the activation of the Te Aroha Mineral Spas and the surrounding area. This project was identified in our Tourism Opportunities Plan 2016.

We have also provided our support to a number of individual PGF applications, including Te Ara Wai, Otorohanga Kiwi House, Waitomo Hotel development, Rangiriri Cultural Precinct, Waikato Regional Theatre, Raglan Wharf and the Waitomo SkyGarden proposal.

## **Regional partnerships**

HWT are about to sign a Memorandum of Understanding (MoU) with Te Waka – Waikato's regional economic development agency. The three key areas we will partner with Te Waka for regional benefit include investment attraction (tourism), advocacy for the region (Central Govt) and sector capability (tourism).

Alongside Creative Waikato and Te Waka, we are working towards the establishment of the Waikato Film Office, to help grow the region's profile as a key film location. We currently work with a number of national and international broadcasting networks and film companies to host productions across the Waikato region. A Film Office will ensure we can further leverage funding and promotional activity from NZ Screen and the NZ Film Commission.

We are a foundation partner with Ahikōmako – a new Centre of Māori Innovation & Entrepreneurship at the Mangakotukutuku (Glenside) campus at Te Wānanga o Aotearoa. This project attracted financial support from Te Puni Kōkiri and the Provincial Growth Fund. Other foundation partners include Waikato Tainui, Te Hūmeka Waikato Māori Business Network and Te Waka. It is hoped that if this pilot hub is successful, it will be rolled out nationally via Te Wānanga o Aotearoa campuses.

## **Tourism Infrastructure Fund (TIF)**

The Tourism Infrastructure Fund (TIF) will be maintained and remain separate from the PGF. During the previous three rounds, we supported the following successful Waikato councils funding applications:

### **Round 4**

- Matamata Piako District Council (\$259,000 for redevelopment of toilets at Waharoa and \$175,010 for upgrade of toilets at Wairere Falls)

### **Round 3**

- South Waikato District Council (\$157,131 for freedom camping facilities at Whakamaru)
- Waitomo District Council (\$206,000 to enlarge public toilet capacity at Mokau & \$160,500 for the installation of public toilets at Kiritehere and Waikawau)
- Maungatautari Ecological Trust (\$190,000 for upgrade of carpark and entrance to Sanctuary Mountain)

### **Round 2**

- Hamilton City Council (\$220,000 for toilet facilities at Hamilton Gardens)
- Waipā District Council (\$250,000 for toilet facilities in Pirongia)

Round five of the Tourism Infrastructure Fund opened on 1 March 2020. We continue to work with our seven local councils to actively support and pursue any tourism infrastructure funding to help develop your local communities.

## **Responsible Camping Fund**

In addition, our region has received funding via the new “Responsible Camping Fund”

For the 2019/2020 summer season:

- Waikato District Council (\$370,000) for monitoring and enforcement; increased septic drainage and rubbish collection; development of communications and engagement plan and an ambassador programme; and
- Waitomo District Council (\$211,400) for two responsible camping wardens and operational costs for additional servicing of toilets and rubbish facilities at 14 visitor sites across the district.

## **International Visitor Levy**

From 1 July 2019, most international visitors entering New Zealand are charged a levy of \$35 that will be invested in sustainable tourism and conservation projects.

The International Visitor Levy is not a contestable fund like the Tourism Infrastructure Fund (TIF). Project funding will awarded as part of an initial investment plan with a long-term plan in development which is expected to be released in later this year.

## Conclusion

It has been another successful six months of visitor growth and added-value for Hamilton and the Waikato region. Our key focus areas for the coming six months include:

- continue to grow a sustainable, year-round visitor proposition to address seasonality;
- drive regional dispersal to encourage visitation to lesser visited areas of our region;
- support the development of large-scale commercial accommodation to increase average length of stay;
- assist new and existing visitor experiences to grow the value in market share;
- hold fourth position for market share in the business events sector;
- actively participate in national initiatives to improve regional data and insights;
- enhance the reputation of Hamilton & Waikato in the domestic visitor market; and
- support the industry through the impacts of the Covid-19 coronavirus outbreak from our key markets.

On behalf of the board and management of Hamilton & Waikato Tourism, we would like to thank Waikato District Council, our local government partners and the industry for their continued support. We are proud to help super-charge our regional visitor economy to deliver significant economic, social and cultural outcomes for our communities.

**Jason Dawson**

**Chief Executive**

Hamilton & Waikato Tourism

February 2020

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**Open Meeting**

<b>To</b>	Strategy & Finance Committee
<b>From</b>	Clive Morgan General Manager Community Growth
<b>Date</b>	11 March 2020
<b>Prepared by</b>	Grace Brady Democracy Advisor
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318 / 2535303
<b>Report Title</b>	Te Waka Six Monthly Report July to December 2019

## **1. EXECUTIVE SUMMARY**

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The purpose of this report is to present the six monthly report from Te Waka from July to December 2019.

## **2. RECOMMENDATION**

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**THAT** the report from Te Waka – Waikato Regional Economic Development Agency be received.

## **3. ATTACHMENTS**

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Te Waka 6 Monthly Report July to December 2019



# REPORT

July - December 2019

# Te Waka's Role

Our Role

Lead

Enable

Connect

## LEAD

- Advocate and share the unique value of the Waikato
- Promote the advancement of regional and local economic outcomes, unlocking central government support and funding
- Advocate for regulatory and policy change to support growth

**Champion the Waikato's story**

## ENABLE

- Shared insights and intelligence to enable quality decision making (Economic Insights)
- Partnering with Māori business to grow capability and capacity (Te Whare Ohaoha)
- Support the development of a quality and qualified workforce (Regional Labour Market Strategy)
- The advancement of research and development initiatives to grow innovation and technology (Digital Strategy)
- Partner with business and industry sectors to grow capability (via Regional Business Partner Network)

**Enhance the capability of Waikato**

## CONNECT

- Unlock inward investment both international and domestic, corporate and private
- Build engagement and achieve alignment to drive strategic outcomes
- Share knowledge, collaborate and build industry led outcomes
- Connecting companies and individuals with opportunities to grow and innovate

**Partnering with Business and Community**

# Executive Summary

JULY – DECEMBER 2019

## LEAD

- 15 connections with Ministers or Senior Government Agency Officials since July 2019.
- 67 stories published to the Waikato Story, sharing the Waikato's unique value.
- 32% increase in Waikato Story Facebook followers.
- Submissions and feedback provided to Central Government Policy and Plans across a number of topics including:
  - The Review of Vocational Education
  - New Zealand AgriTech strategy
  - Research Science and Innovation Strategy.
- Led the Registration of Interest, in partnership with Hamilton City Council, Waikato-Tainui and the Waikato Chamber of Commerce, to become the home of the New Zealand Institute of Skills and Technology (submitted January 15, 2020).
- \$400K secured over two years via the Provincial Growth Fund, leveraged by \$400K professional support from Deloitte and PWC to actively provide capability and capacity to 25 Provincial Growth Fund Projects over the last 6 months.
- Partnered with Smart Waikato to submit RFP response for Education to Employment service as part of Economic Development New Zealand national response.

## ENABLE

- Extended business growth service in a hub and spoke model in Te Kuiti, Ōtorohanga, Matamata and Te Aroha, stimulating 53 new business engagements to date.
- Facilitated \$1.5M in successful research and development funding applications to Callaghan Innovation.
- Distributed \$256K in capability vouchers from New Zealand Trade and Enterprise.
- Launched the Digital Strategy, in partnership with CultivateIT, in October.
- Launched and will lead the implementation of the Waikato Regional Labour Market Strategy, and leveraged resourcing from MSD and MBIE to assist.

- Collaborating to progress actions in Te Whare Ohaoha (Māori Business Strategy); 22 actions – 4 complete; 14 in progress and 4 yet to start.
- Partnered with the Regional Housing Initiative (Waikato Plan) as a member of the Working Group.
- With support from Waikato Regional Council, delivered quarterly economic reports. Labour Market Productivity (April); Tourism (July); Labour Market Structure (October); Hamilton to Auckland Corridor (December).

## CONNECT

- 300 regional leaders registered to celebrate Te Waka's one-year-on event in September.
- Strategic partners and sponsors forum held in November to assist and guide Te Waka's work programme.
- Connected six inward investment leads to local points of contact.

## TE WAKA STRATEGIC AND OPERATIONAL DEVELOPMENT

- Supported Tainui Waka iwi to select and appointed Craig Barrett as the iwi representative to the Te Waka Board.
- \$250K received in additional commercial sponsorship through Deloitte, PWC, APL and Loop Carshare partners.
- The role of Strategic Partnerships and Project Manager role filled in September 2019.
- Extended our partnership with government with 0.4FTE seconded role from MBIE Immigration to support the delivery of outcomes for the Labour Market Strategy.

*Improving the well-being and living standards of Waikato Communities through sustainable and inclusive growth.*

*Recognising and valuing the health of our Wai and Whenua for future generations.*

# Regional Round-up

JULY – DECEMBER 2019



- ▶ Six month investment by Council \$70,000.
- Worked alongside Momentum and other stakeholders for the Waikato Theatre to provide advice and advocacy to government for Provincial Growth Fund support of \$12m.
- Active involvement in Rabobank, Te Awa Lakes and other business attraction opportunities.
- Advocacy to central government and support for key infrastructure projects in greater Hamilton area including Spine Rd and Southern Links.
- Facilitated successful R&D applications to the value of \$424,000 since July.
- Issued \$220,000 in capability vouchers to business in the last 12 months.
- Six month PGF Investment by Te Waka \$13,000.



- ▶ Six month investment by Council \$10,000.
- Assisted to run three Business Bites breakfasts on the topics hiring and firing, social media and 2020 business challenge with between 15 and 35 businesses attending each event.
- Provided support for successful \$731,771 PGF application for Historical Maritime Park.
- Funded \$8,000 of advice and support to a significant aquaculture initiative involving iwi, industry, council and the University of Waikato.
- Issued \$10,000 in capability vouchers to business in the last 12 months.



- ▶ Six month investment by Council \$15,000.
- Provided oversight for Provincial Growth Fund projects in Te Aroha and Waharoa through membership of governance groups.
- Provided connections and local advice to a new large scale business development.
- Launched Business Growth Service hubs in Matamata and Te Aroha in November, which stimulated 15 business engagements within two weeks as a result.
- Issued \$13,000 in capability vouchers to business in the last 12 months.



- ▶ Provided significant advocacy to the Provincial Development Unit for the trades training/digital hub including a visit to parliament as part of South Waikato delegation.
- Attended the South Waikato District Council hosted Symposium with a view to supporting Regional Delivery of the Waikato Labour Market Strategy.
- Issued \$6,000 in capability vouchers to business in the last 12 months.



- ▶ Entered a formal partnership with Enterprise Great Lake Taupo for delivery of Business Growth Services in the district with 20 business engagements and \$200,000 in approved R&D funding from Callaghan Innovation since July
- Supported government funding application for Taupo airport expansion and initiated discussion with Taupo District Council and Enterprise Great Lake Taupo to advance applications to the Provincial Growth Fund.

- ▶ Six month investment by Council \$5,000.
- Launched Business Growth Hub in September stimulating 10 business engagements resulting in 4 approved capability vouchers issued for a total value of \$11,000.
- Advice and review for Kiwihouse revamp and significant advocacy to the Provincial Development Unit for funding support.
- Developed and submitted a Provincial Growth Fund application to provide access for land locked Whenua Māori land blocks
- Developed model for South Waikato Driver Training concept – not progressed by councils.
- Presentations to Ngaati Mahuta ki te Hauaauru and INCITE.
- Six month PGF Investment by Te Waka \$37,000

- ▶ Six month investment by Council \$15,000.
- Provided advice, review and advocacy for four Provincial Growth Fund applications in the aquaculture sector and skills/community development.
- Judge and judge convener for Coromandel Hauraki Business Awards.
- Issued \$29,000 in capability vouchers to business in the last 12 months.

- ▶ Six month investment by Council \$30,000.
- Working with inland port at Horotiu as pilot for regional business attraction programme.
- Reviewed and provided advice to PGF waste orientated application for H2A corridor location.
- Will work in partnership with Waikato District Council in early 2020 to support sector led Construction Labour Market Forum(s) and subsequent initiatives.
- Issued \$23,000 in capability vouchers to business in the last 12 months.
- Six month PGF Investment by Te Waka \$20,000

- ▶ Six month investment by Council \$25,000.
- Developed applications to the Provincial Growth Fund for two projects to value of \$7m.
- Provided support for Waipa Business Awards and Fieldays Innovations event.
- Facilitated successful R&D grants to the value of \$870,000 since July.
- Issued \$82,000 in capability vouchers to business in the last 12 months.
- Six month PGF Investment by Te Waka \$58,000.

- ▶ Six month investment by Council \$5,000.
- Launched Business Growth Hub in April 2019 resulting in 28 businesses receiving business advisory services.
- Provided consultancy funding to advance the Waitomo Hotel development and significant advocacy to Provincial Development Unit to accept a funding application.
- Coordinated the planning of a tourism training hub in Waitomo/ Ōtorohanga with key stakeholders and industry.
- Presentations/meetings with North King Country Development Trust, Ruapuha Uekaha Trust, Maniapoto.
- Marae Pact Trust, Legendary Te Kuiti, Pakihi Business Start Up workshop and Te Wananga o Aotearoa.
- Issued \$24,000 in capability vouchers to business in the last 12 months.
- Six month PGF Investment by Te Waka \$29,000.



# Local Authority Partnership:

PROGRESS AGAINST KPI'S



● At Risk     
 ● Off Track     
 ● On Track     
 ● Completed

## Contribute to operationalising the Waikato Regional Economic Development Strategy

### KPI's:

- Confirmed Funding agreements to fully fund the Te Waka Business Plan by March 2020
- Hold two strategy sessions per year for business sponsors
- Present to at least 60% of the meetings for the Waikato Mayoral Forum, Waikato Plan Leadership Committee and CE's Forum

### HIGHLIGHTS:

- 300 people confirmed attendance to the “one-year-on” event at Claudelands hosted by Te Waka to celebrate regional efforts to support the establishment of Waikato region’s first Economic Development Agency. An update was provided on progress with relevant speakers supporting the event.
- Te Waka has increased its advocacy and connections with government. Te Waka has met with Ministers or senior agency officials on 15 occasions since July. The focus of these discussions has been on advocating for support for regional priorities and collaborative approaches to progress these priorities.
- Te Waka has accepted all invitations to present to regional forums including Waikato Plan Leadership Committee, Mayoral Forum, Waikato Plan CEs Advisory Group, CEs Forum and directly to council meetings and with council staff.
- APL, Loop Carshare, Deloitte and PWC confirmed sponsorship agreements as announced at the one-year-on event. MBIE via their immigration team has confirmed a partnership agreement in support of implementing the labour market strategy with a 0.4FTE seconded position.
- The Board has initiated a review of Te Waka’s role in relation to regional priorities and engagement is underway with our stakeholders. We will continue engagement on this topic this year with outcomes reflected in our strategic planning cycle in around April 2020 – this information is included for Councillor and Council staff information at the start of this report.

### CHALLENGES:

- Funding still considerably less than comparable agencies around the country.
- Will demonstrate value to renew three year funding contracts.
- Aspire to engage corporate sponsors to enable additional programmes of work.
- Aim to develop multi-year funding agreements with regional trusts to ensure continuity of programmes.

### LOOKING AHEAD TE WAKA WILL:

- Continue to sharpen its aim reflecting the Waikato’s Economic Story and prioritising projects and action plans for the next 10 years that reflect the potential for impact of the 2018-2022 Regional Development Programme.
- Develop a Central Government Engagement Plan across Ministers, MP’s and Agency Officials to strengthen the breadth and depth of engagement.
- Partner with Local Authority ED staff to develop and design a shared programme of connections that reflects a desire to enhance capacity and capability and knowledge sharing across the network.
- Continue to respect valued existing Sponsor partners and seek new and additional funding to grow a business led approach to our work.
- Continue to adopt a Governance model that provides diversity of thought, quality of experience and knowledge and a desire for the development of a sustainable economic development agency here to stay.
- Work with Waikato Regional Council and the Waikato Plan to refresh the Regional Economic Development Strategy.

● At Risk     
 ● Off Track     
 ● On Track     
 ● Completed

## Provide contracted Business Growth Advisory, Innovation and Mentoring Services

### KPI's:

<span style="color: green;">●</span>	Meet all Regional Business Partner contract conditions throughout year (business engagements, funding approved)
<span style="color: blue;">●</span>	Expand Business Growth Services to Waitomo and Ōtorohanga districts by August 2019
<span style="color: green;">●</span>	Hold two forums involving Waikato Council Economic Development staff to assess and improve delivery of this service across the region
<span style="color: blue;">●</span>	Work with each council area to co-design and deliver in partnership an initiative aligned with business growth services
<span style="color: green;">●</span>	Develop a mechanism to measure outputs/outcomes of the business growth services
<span style="color: orange;">●</span>	Collaborate with appropriate stakeholders to initiate the development of a regional innovation programme for Waikato

### HIGHLIGHTS:

- With launch events for hubs in Te Kuiti in April, Ōtorohanga in September Matamata and Te Aroha in November, the hub and spoke delivery model for business growth services now extends across all major arterial routes and covers 14 regional visits across 10 districts at least monthly.
  - Te Waka has hosted three forums with economic development staff from Waikato councils to guide our work and enable increased collaboration within the ecosystem. Primary themes have included regional investment, labour market development, regional economic reports and insights, government funding opportunities and delivery of business growth services. The greatest value has come from participants sharing their knowledge and connections.
- Results for the Business Growth Team YTD December follow.
- Client Engagements YTD figures show ahead of target – sitting at 244 with a full year target of 400.
  - Capability Voucher scheme tracking against budget nicely \$256k (\$500k full year)
  - Net Promoter Score a World Class Result of +70 in December 2019, the baseline score averages in the mid 50s.
  - Callaghan Innovation Seven R&D projects grants approved in the 2020 year with a total project cost of \$5.9m and grants of \$1.5m.

- Additionally, there have been 11 placements for the summer R&D Student Experience grants across 6 businesses.

### CHALLENGES:

- Reengaging with some of our early spokes
- Delivery of refreshed collateral promoting business growth advisory services requires engagement with councils and local stakeholders.
- Reporting to councils and local stakeholders about business engagements in local areas.
- Recruiting local mentors to strengthen the cohesiveness of the support available to communities that is local and place-based.

### LOOKING AHEAD TE WAKA WILL:

- Continue to work with councils and their communities to promote business growth advisory services for SME's in their district.
- Continue to promote and respect the business community in our region and apply a customer-focussed approach to advisory services.
- Develop CRM system to assist reporting of business engagements.
- Launch an Innovation Programme via our newly seconded Innovation Manager who will work with key stakeholders to develop and fund a programme of work to improve the innovation ecosystem.
- Encourage local mentors.

● At Risk    
 ● Off Track    
 ● On Track    
 ● Completed

## Deliver and Continue to Develop the Waikato Story

### KPI's:

- Transition the Waikato Story to a new Technology platform that is integrated with the Te Waka digital platform
- Develop and implement a refreshed focus and framework for Waikato Story content
- Refresh the Waikato Story tool-kit with new images
- Maintain readership numbers through this transition and develop a growth/promotional strategy

### HIGHLIGHTS:

- The development of the Te Waka and Waikato Story digital platform will be underway in January 2020.
- Readership levels have been maintained and the social media following on Facebook has increased by 32%.
- 67 stories have been published to the website, with a mix of original content produced by Waikato Story and other contributors including CultivateIT, Wintec, Creative Waikato, Fieldays, Waikato Food Inc, Kudos Science Trust, Soda Inc, Clarence St Theatre, Hamilton Waikato Tourism, Stark Property, The Red Barn, Company X, Hamilton Central Business Association.

### CHALLENGES:

- Multi-year funding required to ensure sustainability of programme.
- Engaging with regional stakeholders is important to ensure there is a pipeline of useful stories.

### LOOKING AHEAD TE WAKA WILL:

- Launch the new digital platform in June 2020.
- Infographics and imagery in the toolkit will be updated.
- Continue to work with regional trusts to secure multi-year funding.



● At Risk    ● Off Track    ● On Track    ● Completed

## Develop and Deliver a Sector and Industry Development Programme

### KPI's:

- Recruit a suitably experienced Sector Strategy Manager
- Work with industry leaders to develop sector/industry plans for at least two priority sectors
- Align sector development priorities with implementation of the Waikato Regional Labour Market Strategy

### HIGHLIGHTS:

#### SECTOR DEVELOPMENT

- Michelle Hollands started in the role of Strategic Partnerships and Projects Manager in September.
- Priority for Sector Development has been given to ensuring the implementation of some existing strategies that either Te Waka leads or plays a support role. These include:
  - The Labour Market Strategy: With the interest from Government in the Review of Vocational Education (RoVE) and resulting programmes, labour market sector programmes will focus on Construction, Manufacturing, Forestry and Aquaculture, all seen as representative of geographic priorities with constrained workforce and high demand where access to skilled employees is seen as a major constraint to growth.
  - Regional Housing Initiative: Increased support has been given to the Regional Housing Initiative working group to plan how to take the Waikato Region Housing Stocktake report and into an implementation plan for the region.
  - Insights to Implications: Early stages as yet, a project has been initiated to explore Economic Insights, their use across the region and opportunities to enhance the capability of accessing the implications of insights to enhance investment decisions.

#### INVESTMENT

- There is an overlap in this work and the increased interest from the Minister for

labour market and economic development to become more integrated with the Hamilton to Auckland corridor work.

- We went to market to fill the position of Strategic Investment Manager in November with interviews held in December, recruitment for this role continues.
- Much of the work in regional investment has revolved around business attraction activity with three referrals from New Zealand Trade and Enterprise and a further direct contacts. Te Waka works with district councils and relevant stakeholders to support these opportunities.

#### CHALLENGES:

- Significant attention, especially from government, in labour programmes has consumed available sector resources
- Progressing the development of the investment programme of work has been restrained without dedicated resourcing

#### LOOKING AHEAD TE WAKA WILL:

- Continue to facilitate the labour market leadership group and lead the implementation of the labour market strategy with forums planned for the construction sector.
- Continue engagement with Government to ensure available resources are aligned to regional efforts.
- Recruit a suitably qualified Investment Manager and develop the investment programme of work with input from councils and local stakeholders.

● At Risk    ● Off Track    ● On Track    ● Completed

## Support Māori Enterprise and co-facilitate the implement of the Iwi Economic Development Plans

### KPI's:

- Māori Enterprise and Māori business will comprise at least 15% of Te Waka Business Growth Advisory Engagements
- Collaborate with Māori and Iwi leaders to implement and support Māori leadership for the implementation of strategies and action plans
- Confirm agreement with TPK to co-fund a Māori Economic Development Manager and recruit a suitably experienced person for this role in a process that is supported by TPK and Māori leadership by September 2019
- Implement at least 70% of actions outlined in the refreshed Waikato Māori Economic Development Plan

### HIGHLIGHTS:

- Te Waka is coordinating the actions in Te Whare Ohaoha (Māori Economic Action Plan Refresh) launched by Minister Mahuta on June 14, 2019, in collaboration with Iwi, Te Humeka, Te Puni Kokiri, Ministry for Social Development, Ministry for Business Innovation and Employment and Tainui Waka Tourism.
- Te Whare Ohaoha anchors 22 measurable economic goals of Māori in the Waikato region by coordinating opportunities to improve collaboration between, and improve capability and capacity, of Waikato region Māori Collectives, Whanau Enterprises and Rangatahi (Youth).  
Of the 22 actions; nine actions are complete; 11 actions are in progress and on task for completion and two actions are yet to be started.

- Te Waka continues to integrate Māori economic development outcomes across other streams of work through a focus on Māori enterprise. Māori business engagements by the Business Growth Team has exceeded its growth target of 15% which is also reflected in our funding to support enterprise growth.
- Te Waka continues to partner with key stakeholders for Māori business events including Te Ahikōmako, Waikato-Tainui and Te Humeka. Recently, Te Waka supported the first Māori Business (tech focussed) Start-up Wānanga – a weekend long business bootcamp which saw 13 teams test their entrepreneurial skills, validate their ideas and pitch for funding and support. Te Waka also supported the CANZUS (Canada, NZ and USA) Common Roots Common Futures,

Indigenous Governance Symposium.

- Under the guidance of our Kaumaatua, Tame Pokaia, Iwi engagement across the region has commenced. The purpose is to understand how support can be provided for the economic development aspirations of individual iwi.
- The appointment process to appoint an Iwi Representative to the Te Waka board began in late 2019 and is expected to be completed early 2020.

### CHALLENGES:

- Māori Collectives are at different stages of economic development and individualised engagement is resource hungry.
- Māori SME's are different stages of enterprise growth. Support for Whānau Enterprise start-up, including microfinance, is limited.

### LOOKING AHEAD TE WAKA WILL:

- Continue to implement and promote an integrated approach to the delivery of Māori economic development outcomes across the region.
- Continue to partner with Waikato Iwi, Māori SME's and business associations and agencies, to deliver economic development outcomes across the region.
- Scope how we might support Iwi with developing (or adding value to current) economic development plans
- Provide a 6-month report on Te Whare Ohaoha, in partnership, to Minister Mahuta.

● At Risk    
 ● Off Track    
 ● On Track    
 ● Completed

## Support and Facilitate, as agreed, a Waikato Regional Labour Market Strategy, actions and initiatives

### KPI's:

- Extend the partnership with Ministry for Social Development to June 2020 to assist implementation of the strategy
- Develop a labour market needs analysis and associated employee pipeline interventions for at least two priority sectors, industries or significant projects
- Convene at least six meetings of the labour market leadership group to assist and guide the implementation of the strategy

### HIGHLIGHTS:

- With the partnership with Ministry for Social Development utilising 0.4 FTE seconded staff, initial forums have been held with the tech and manufacturing sectors. Further work is needed with these sectors in order to develop sector led labour market plans.
- The Ministry for Business, Employment and Innovation (MBIE) has agreed to bolster support for implementation of the Regional Labour Market Strategy with a 0.4FTE secondment from their immigration team.
- Work is underway in partnership with Council partners, relevant agencies and industry to hold a construction sector forum in early 2020 to support this sector with labour market needs.
- Discussions have been facilitated with MBIE, the Tertiary Education Commission and key regional stakeholders to develop a local response to the RoVE. This includes the formation of regional skills leadership groups, the establishment of the NZ Institute of Skills and Technology, Centres of Vocational Excellence, support for workplace learning and discussions with MSD about the recently announced Education to Employment. All of these programmes may involve resourcing and other support from government.
- Te Waka has led a submission to MBIE regarding the structure and priority focus for the establishment of the Waikato Regional Skills Leadership.
- Base Labour Market profiles by district have been compiled with the intention to progress

this information to guide the development of a Construction Sector Labour Market strategy (in the first instance) followed by strategies for Manufacturing and Aquaculture. Te Waka is supporting work underway in the Forestry Sector.

### CHALLENGES:

- The Labour Market and initiatives to support the appropriate mix of skills and labour talent to enable sector growth is a complex environment both regionally and by sector. Many organisations support the delivery of outcomes and a wide range of Plans and Strategies seek to enhance delivery. MBIE's Review of Vocational Education has increased the emphasis on this important area which is a positive. This emphasis sees the Waikato as leader with its established Regional Strategy. Change will mean Te Waka will require time to continue in a collaborative approach to leadership of this strategy.

### LOOKING AHEAD TE WAKA WILL:

- Produce a sector focused profile for the Construction sector, aligning existing labour market information to future demand. Utilise this information to establish a Construction Sector Leaders Forum to design and create a platform for change. Work with the Leaders Forum to create sector led priorities for delivering change.
- Produce sector and or district focused profiles for an additional 3 areas and utilise these to generate similar programmes to that which is designed and trialed in the construction sector.

● At Risk    ● Off Track    ● On Track    ● Completed

## Develop, support and promote proposals to local, regional and national funding programmes including provincial growth fund

### KPI's:

- Meet with Government Ministers and Officials at least four times to promote regional priority projects
- Secure funding from PGF for programme management resources to support Te Waka proactively managing the pipeline of major projects in the region
- Support at least six successful funding applications to government

### HIGHLIGHTS:

- The focus of this work is to support applications from the region to the Provincial Growth Fund and assist accelerate the pipeline of projects. The successful application from Te Waka for PGF funding of \$200,000 for each of two years was signed in August. Te Waka has partnered with PWC and Deloitte with seconded staff to create \$800,000 in agile and high capability and hands on support.
- Te Waka works closely with Provincial Development Unit staff to prioritise the projects to be worked on. Through this arrangement and with support provided by other resources within Te Waka, direct support has been provided to 25 projects since July in all districts around Waikato. Te Waka works in support of project proponents and other stakeholders in this work.
- In November, Te Waka started a process to confirm major projects in each district and is advocating/supporting with the PDU to ensure funds are distributed around the region.

### CHALLENGES:

- The Provincial Growth Fund has stimulated many projects in the region but changing evaluation criteria and ring fenced funding pools have caused delays and frustrations for projects.
- Most projects in Waikato require further feasibility or business case development before they are investment ready, which is no longer fundable by Provincial Growth Fund.
- Strong relationships with central government are needed to ensure a partnership approach to progressing projects.

- The Provincial Growth Fund has been a distraction from good practise economic development.

### LOOKING AHEAD TE WAKA WILL:

- Continue to support PGF applications, work with local stakeholders to identify sub-regional priorities, promote priority projects and regional priorities for the region.
- Continue to implement stakeholder engagement plan with government, especially with senior officials.
- Provide proactive feedback to Central Government Ministers and Officials to enhance any new PGF initiative, should this eventuate.



- At Risk
- Off Track
- On Track
- Completed

<b>Deliver a communications and engagement programme to inform stakeholders of the Te Waka programme and information on the state of the Economy</b>	
KPI's:	
<span style="color: green;">●</span>	Develop a compelling organisational Te Waka Value proposition for funders and key stakeholders
<span style="color: green;">●</span>	Publish at least 8 Te Waka newsletters per annum
<span style="color: green;">●</span>	Present to at least all of the Councils one time on the status and direction for the Te Waka programme of work
<span style="color: orange;">●</span>	Undertake all requirements of sponsorship and partnership agreements
<span style="color: green;">●</span>	Partner with Waikato Regional Council to release four economic reports (annually)

**HIGHLIGHTS:**

- Te Waka has produced 10 newsletters in 2019, the open rates for these newsletters ranges from 30-46%.
- With support from Waikato Regional Council, delivered quarterly economic reports. Labour Market Productivity (April); Tourism (July); Labour Market Structure (October); Hamilton to Auckland Corridor (December).
- Each edition is provided to Waikato Times and possible features discussed. The Q3 report, The Riddle of the Labour Market, resulted in a news article.

**CHALLENGES:**

- Economic development is an emorphise theme that is not well understood by stakeholders, especially challenging to economic

development agencies around the country when describing the value proposition.

- A lot of good work goes under the radar and is not appropriate or interesting to report on.
- There are many different datasets in use by regional organisations meaning that different reports can have different statistics.

**LOOKING AHEAD TE WAKA WILL:**

- Sharpen our aim on the list of regional priorities and engage with stakeholders about Te Waka's role: Lead, Enable, Connect.
- Work with stakeholders to develop a project to explore Economic Insights, their use across the region and opportunities to enhance the capability of accessing the implications of insights to enhance investment decisions.

# Te Waka's Objectives

**1. LIFT ECONOMIC PERFORMANCE ACROSS THE WAIKATO REGION.**

**2. ATTRACT, RETAIN AND GROW INVESTMENT, TALENT AND BUSINESS ACROSS THE REGION.**

**3. CHAMPION AND LEAD THE REGION'S COLLECTIVE VOICE FOR ECONOMIC AND BUSINESS NEEDS AND OPPORTUNITIES.**

# Waikato's

## Economic Story

### Quiet giant of New Zealand's growth story

- Foundation of country's agriculture, manufacturing, minerals and food technology industries.
- A place of tourism success
- Hot-bed of digital and ICT innovation.
- Industry leader in education, aviation and technology, health services and construction.
- Cultural and spiritual epicentre of Aotearoa – home of Kingitanga.
- High growth areas.
- Auckland as our neighbour.

### A vast geography with local difference

- Pockets of growth and wealth.
- Pockets of deprivation (low levels household income,

employment and GDP per capita, poor housing, decaying and inadequate infrastructure, digital isolation and exclusion).

### The World is Heading our Way

- Rapid Change - Growing population and interest providing opportunity.
- A destination in its own right - A place to live, learn, invest, study and visit.
  - Cultural and spiritual epicentre of Aotearoa – home of Kingitanga.
  - Epicentre of smart growth – apex of the golden triangle, close to New Zealand's largest sea, land ports, connected by road, rail, sea and air.
  - Young, hi-tech and outward looking industry cluster – home of hi-tech and value add food production, manufacturing and exporting.
- New cosmopolitan city – home to young vibrant emergent metro-city, super-qualified workforce, world class learning institutions and outstanding event and cultural infrastructure.
- Taonga – greatest natural and cultural treasures already must-see attractions.
- Major Industries and Significant Business relocating to the Waikato.
- Existing Business.
- New Business.
- Tourism Sector growth.
- Existing attractions.
- New Attractions.
- Cross-Region partnerships driving and delivering change.

## Sharpening our Aim

In August 2018, we gathered together 250 of the region's top business, government, iwi and community leaders and asked them what the most important priorities were for the Waikato region. November 2018, Waikato's 2018-2022 Regional Economic Growth Programme was launched. The programme has 53 projects across 5 cross cutting priorities and 8 sectors.

We've condensed this down to a critical three themes:

### Enabling the platform

Building the infrastructure to support growth:

- More connected by Road, Air, Rail and Sea.
- Securing land for business and housing development.
- Strong and consistent fibre and telecommunications networks.

### Growing Capability

- Sharing knowledge, insight and information to guide decision making (Economic reports).
- Building, attracting and retaining skills and talent (Regional Labour Market Strategy).
- Making the most of our unique cultural heritage by working in partnership with Māori Collectives (Te Whare Ohaoha).
- Growing Research and Innovation Investment (Digital Waikato 2025).

### Attracting Investment and Interest

- Unlocking central government and private investment to support growth.
- Sharing our Unique Waikato Story.

Improving the well-being and living standards of Waikato Communities through sustainable and inclusive growth.

Recognising and valuing the health of our Wai and Whenua for future generations.



**Waikato Regional Economic  
Development Agency**

Waikato Innovation Park  
1 Melody Lane, Hamilton East  
Hamilton 3216



### Open Meeting

<b>To</b>	Strategy and Finance Committee Clive
<b>From</b>	Morgan General Manager Community Growth
<b>Date</b>	4 March 2020
<b>Prepared by</b>	Jim Ebenhoh Planning and Policy Manager
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318 / 2527885
<b>Report Title</b>	Submission on the Urban Development Bill

## I. EXECUTIVE SUMMARY

The purpose of this report is to inform the Committee of the submission made by Council on the Urban Development Bill. The attached submission was approved by the Council's Submission Forum<sup>1</sup> and submitted to Parliament's Environment Select Committee on the closing date of 14 February 2020.

The purpose of the Urban Development Bill is to prescribe the processes that the government's urban development authority, Kāinga Ora, will follow in exercising its powers, including identifying potential development projects and creating development plans for these. Council's submission on the Bill endorses the submissions of the NZ Society of Local Government Managers (SOLGM) and the Future Proof Implementation Committee, as well as a number of specific points in the Hamilton City Council submission.

<sup>1</sup> The following excerpt from the Council's "Terms of Reference and Delegations for Council, and Committees of Council," provides details on the Submission Forum and associated processes:

#### **Submissions and legislation**

7. Approve submissions to external bodies/organisations on legislation and proposals that impact governance policy or matters.

**NOTE:** The following process can be used in the event that a submission cannot be presented to the relevant committee prior to the due date for submission:

a. The Mayor, Deputy Mayor and Chairpersons of the Infrastructure, Policy & Regulatory and Strategy & Finance Committees ('the Submission Forum') may jointly approve a submission.

b. Officers will circulate the submission to the Submission Forum for approval, providing at least 24 hours for the review of the submission.

c. Each member of the Submission Forum will confirm by response whether they approve the submission or have any feedback on the submission.

d. Where possible, a consensus of the Submission Forum members should be sought. If required, a majority view will prevail.

e. Any submission approved via this process must be presented to the next relevant committee meeting for noting.

Council's submission draws attention to the intensive local, subregional and regional planning projects that it has participated in, including the Hamilton to Auckland Corridor Plan, and seeks recognition of the the existing positive collaboration between central and local government within the Waikato.

The submission indicates that Council supports the intent of the Bill and many of its provisions, but needs to see more explicit consideration of local, subregional and regional planning frameworks, respecting the high degree of community input into those processes, and providing for local representation in Kāinga Ora's decision-making processes around Specified Development Projects and development plans. The submission makes it clear that anything other than a collaborative approach would undermine community support and goodwill for the work of Kāinga Ora, and would jeopardise the overall planning framework that Council has worked so hard with its community and government partners to put in place. This collaborative approach needs to flow through administrative matters such as the collection of development contributions, ensuring that local government is not given additional responsibilities or costs without a say on how, where and to what degree this occurs.

The submission indicates that the Council wishes to be heard at the Select Committee hearings for this Bill, which have not yet been scheduled. The Council will need to decide who it would like to speak on its behalf at the Select Committee hearings. There is likely to be an opportunity to collaborate with our regional partners such as Future Proof, for example through a joint appearance, which could emphasise the strong sub-regional alignment of views, and increase the attention given to the Council's submission.

## **2. RECOMMENDATION**

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

**AND THAT the Strategy & Finance Committee notes that the approved submission on the Urban Development Bill (as attached to the staff report) was lodged with Parliament's Environment Select Committee on 14 February 2020.**

## **3. ATTACHMENTS**

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Council submission on Urban Development Bill, submitted 14 February 2020

If calling, please ask  
for  
Jim Ebenhoh

14 February 2020

Ministry for the Environment  
PO Box 10362  
Wellington 6143

**Postal Address**

Private Bag 544  
Ngaruawahia, 3742  
New Zealand

0800 492 452  
[www.waikatodistrict.govt.nz](http://www.waikatodistrict.govt.nz)

Sent by email: [en@parliament.govt.nz](mailto:en@parliament.govt.nz)

Dear Sir/Madam

**SUBMISSION ON URBAN DEVELOPMENT BILL**

Thank you for the opportunity to submit on the Urban Development Bill.

Please find attached the Waikato District Council's submission, which has been formally approved by the Council on 14<sup>th</sup> February 2020.

Should you have any queries regarding the content of this submission, please do not hesitate to contact Jim Ebenhoh – Planning and Policy Manager, by email [Jim.Ebenhoh@waidc.govt.nz](mailto:Jim.Ebenhoh@waidc.govt.nz) or phone 0800 492 452.

Yours faithfully

  
Gavin Ion  
**CHIEF EXECUTIVE**

The Waikato District Council (WDC) appreciates the opportunity to make a submission on the Urban Development Bill.

The Waikato District spans more than 400,000 hectares between Hamilton City and Auckland City, and is comprised of six towns (the largest being Huntly with approximately 7800 people) and multiple villages of various sizes. The District has strong employment, social and economic relationships with both Hamilton City and Auckland City, and is experiencing a period of unprecedented growth.

WDC is supportive of the Bill's intent, recognising the need for Kaainga Ora to have wide-ranging powers in order to achieve integrated urban development at scale and pace. WDC would like assurance, however, that the processes associated with Kaainga Ora's powers will not sideline or override the intensive local, subregional and regional planning that WDC has committed countless hours and millions of ratepayer funds towards in the past few years. In the Waikato region and district, Kaainga Ora will not be operating in a strategic planning vacuum. The powers that Kaainga Ora has to streamline processes (e.g. around land acquisition, infrastructure funding, and consenting) should be deployed in order to help implement the local, subregional and regional planning framework, not to override it.

Like its neighbour Hamilton City Council, WDC seeks that the Bill recognise the existing positive collaboration between central and local government within the Waikato. WDC is actively engaged with the Government across a range of initiatives, such as the Hamilton to Auckland Corridor Plan (H2A) and the Hamilton-Waikato Metro Spatial Plan, and seeks that the Bill recognise and complement those existing partnerships. The H2A project, which Kaainga Ora has participated in, is developing spatial plans and infrastructure strategies for our district's 'river communities' including Huntly and Pokeno. These strategic directions will be embedded in our sub-regional Future Proof Growth Strategy, and eventually in our Regional Policy Statement and District Plan; accordingly, this work must guide Kaainga Ora's work in those communities.

As a further illustration of the commitment of WDC and its communities to developing a robust strategic planning framework, WDC is in the middle of hearings for a new Proposed District Plan, with decisions expected in mid-2021. It is estimated that this District Plan Review project will have cost WDC over \$12 million by the time the Plan is made operative – not to mention the huge investment of time and funds by submitters in the process. The Council also undertook an extensive "Blueprint" process districtwide, and with 15 of its local communities, in 2018 and 2019, leading to a ground-breaking strategic document that has in turn informed the draft Growth and Economic Development Strategy ("Waikato 2070") expected to be formally adopted by May this year. Accordingly, WDC wants to ensure that it has a 'seat around the table' with respect to any Specified Development Projects (SDPs), to ensure that the district's strategic intentions with respect to growth management, amenity, environmental protection, affordability, tangata whenua interests, etc are given due regard.

With this holistic approach in mind, WDC welcomes Kaainga Ora's early focus on the Waikato district, given not only the growth pressures but the significant amount of social housing that Kaainga Ora provides in communities like Huntly West. There are certainly opportunities for refurbishment and intensification of the housing stock in these communities, and it is critical that they include a wider range of social support initiatives, as an integral part of the development projects, from the beginning.

WDC has had input into the submission of the Future Proof Implementation Committee, the governance group responsible for implementation of the Future Proof Growth Strategy applying to the sub-region consisting of the administrative areas of the territorial authorities of Hamilton City Council, Waipa District Council and Waikato District Council. WDC supports the Future Proof submission in full. A particularly important point the submission makes is the need to ensure new communities are sustainable, inclusive, thriving, well connected and safe, and that the development makes efficient and effective use of land and existing infrastructure. The concerns expressed in the submission around potential funding and financing implications are also critical; local authorities need assurance that additional infrastructure costs resulting from a development project will not fall on them, without having a say on those projects.

WDC also supports the submissions of SOLGM and the Development Contributions Working Group (DCWG) in full. Among many other important points, the SOLGM submission stresses the importance of collaboration with and representation of local government in the identification and implementation of any SDPs. The DCWG submission contains a number of important technical points and questions regarding how the development contributions regime will work across Kaainga Ora and territorial authorities, and raises concerns about potential administrative burden, costs and confusion.

WDC supports most of Hamilton City Council's submission, which is mentioned above. In addition to that submission's overarching points about the importance of recognising and complementing existing central and local government planning partnerships, other points in the Hamilton City Council submission that WDC supports include:

- WDC is broadly concerned that decision making could be removed from communities, and highlights the importance of valuing the community effort that goes into developing local strategies and plans.
- WDC supports continuous engagement with key stakeholders, including local authorities, through both the SDP and development plan processes.
- WDC supports the Bill's intent to facilitate urban development through coordinated use of land, infrastructure, and public assets. WDC broadly supports Government initiatives which bring speed, agility, a consolidated approach and new funding tools to the table.
- Kaainga Ora should be aligned with relevant territorial spatial planning when this is undertaken in partnership with Central Government and the wider region, e.g. Future Proof, Hamilton to Auckland Corridor Plan, and the Hamilton-Waikato Metro Spatial Plan.
- The Bill should strengthen the emphasis on central and local government collaboration and provide enhanced opportunities for territorial authorities to participate in decision making and delivery of the specified development projects.
- Kaainga Ora should be required to recognise best practices when designing infrastructure solutions, and provide infrastructure at a level of service consistent with the adjoining urban development unless the relevant territorial authority agrees otherwise.
- Specified Development Project (SDP) governance structures, irrespective of the form they take, will benefit from the experience and knowledge a territorial authority's nominated representative would bring. WDC strongly disagrees with Section 284 of the Bill, which allows only for representation from territorial authorities that supported a SDP. WDC seeks an amendment to allow all relevant territorial authorities to nominate a representative to the project governance board or similar, irrespective of prior support for the SDP.
- Constraints in three waters infrastructure need greater emphasis in the evaluation process.
- Existing designations that are not deemed to be of national significance should not be removed via the Section 68 process without approval of the relevant territorial authority.

- Section 43(2)(b) should extend the period for local authorities to respond to a project assessment from 10 working days to a minimum of 20 working days (as per the SOLGM submission), ideally 30 working days (as per the Hamilton City Council submission).
- Section 34 (f) should be amended to emphasise the importance of an assessment of any inconsistencies with local authority planning documents, and the impacts of those inconsistencies.
- Council needs to collect development contributions (DCs) to fund new or upgraded infrastructure, and for the avoidance of doubt WDC recommends the introduction of provisions explicitly stating that Councils have the right to levy DCs in SDP areas.
- WDC is concerned around the lack of comment on climate change, and seeks that the Minister for Climate Change be engaged during the initial assessment of an SDP.

In conclusion, WDC supports the intent of the Bill and many of its provisions, but needs to see more explicit consideration of local, subregional and regional planning frameworks, respecting the high degree of community input into those processes, and providing for local representation in Kaainga Ora's decision-making processes around Specified Development Projects and development plans. Anything other than a collaborative approach would undermine community support and goodwill for the work of Kaainga Ora, and would jeopardise the overall planning framework that we have worked so hard with our community and government partners to put in place. This collaborative approach needs to flow through administrative matters such as the collection of development contributions, ensuring that local government is not given additional responsibilities or costs without a say on how, where and to what degree this occurs.

WDC **wishes to be heard** at the Select Committee hearings for the Urban Development Bill, and thanks the Committee for this opportunity to make a submission on the Bill.

### **Open Meeting**

<b>To</b>	Strategy & Finance Committee
<b>From</b>	Clive Morgan General Manager Community Growth
<b>Date</b>	2 March 2020
<b>Prepared by</b>	Lianne van den Bemd Community Development Advisor
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV0502 / CDR0502 / 2526128
<b>Report Title</b>	Request for Community Committee Grant – Pokeno Community Committee

## **1. EXECUTIVE SUMMARY**

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The purpose of this report is to present to the Strategy & Finance Committee the request for funding from the Pokeno Community Committee (“the Committee”) towards the cost associated with the running of the Committee.

## **2. RECOMMENDATION**

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

**AND THAT an allocation of \$1000.00 is made to the Pokeno Community Committee towards the costs associated with the running of the Committee;**

**AND THAT the request from the Pokeno Community Committee towards the costs associated with the running of the Committee is declined / deferred until ..... for the following reasons:**

## **3. BACKGROUND**

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The Pokeno Community Committee, supported by Waikato District Council (“Council”) is seeking funding to assist with the ongoing costs associated with the administration and management of the Committee so they can continue to deliver to their community.

The Committee assists with community consultation and engagement between the Community and Council and for this purpose are requiring this grant to purchase stationery and printing resources, advertising and brochures, and refreshments.

### **3.1 OPTIONS**

The Strategy & Finance Committee may decide that:

- 1) the request be approved and an allocation of partial or full funding be made.
- 2) the application is declined.
- 3) the application be deferred.

## **4. CONSIDERATION**

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### **4.1 FINANCIAL**

Funding is available to allocate for the year.

The Pokeno Community Committee is seeking funding of \$1,000.00 towards the ongoing costs associated with the administration and management of the Committee so they can continue to deliver to their community.

Of the current Administration Costs Budget there is \$34,150.00 available to allocate for the current financial year ending June 2020, so the impact of supporting the application would not have a negative impact on the remaining budget.

In addition, Administration Costs budget will be replenished by \$10,000.00 at the start of the new financial year (01 July 2020).

## **5. POLICY**

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Community committees can apply for funds for the development of community plans and general administration cost of the community committee.

As per the *Waikato District Council Community Committee Plan and Administration Funding Criteria*, applications below \$300 are within the delegated authority of staff and can be approved by the Community Development Advisor.

For administration costs associated with the running of a community committee above \$300, an application must be made to the Strategy & Finance Committee

### **5.1 LEGAL**

NIL

## **6. CONCLUSION**

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Consideration by the Strategy & Finance Committee is required with regard to this funding request from the Pokeno Community Committee.

**7. ATTACHMENTS**

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NIL

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### **Open Meeting**

<b>To</b>	Strategy & Finance Committee
<b>From</b>	A Diaz Chief Financial Officer
<b>Date</b>	6 March 2020
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318 / 2529495
<b>Report Title</b>	Draft Statement of Intent for Waikato Local Authority Shared Services Limited 2020/21

## **I. EXECUTIVE SUMMARY**

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The Draft Statement of Intent for 2020/21 from the Waikato Local Authority Shared Services Limited (“WLASS”) is attached for the Strategy & Finance Committee’s consideration. The Council has two months to approve, request changes or reject the Council Controlled Organisations (“CCO”) Statements of Intent (“SOIs”) as a shareholder, with the final SOIs due on or before the 30 June 2020.

The Strategy & Finance Committee is responsible for monitoring CCO operations and making recommendations for any proposed amendments to their activities.

Additional funding will be required for WLASS in 2020/21 as the scope of activities, staffing and governance setups have changed since Council’s Long-term Plan was adopted.

Kelvin French, Chief Executive of WLASS, will be in attendance to present the draft SOI to the Committee.

## **2. RECOMMENDATION**

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

**AND THAT** pursuant to section 64 of the Local Government Act 2002 the Strategy & Finance Committee will provide feedback on the Waikato Local Authority Shared Services Limited Draft Statement of Intent for 2020/21 no later than 30 April 2020.

## **3. BACKGROUND**

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The WLASS draft SOI is attached, setting out the intentions for 2020/21, 2021/22 and 2022/23.

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

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### **4.1 DISCUSSION**

CCOs are required to prepare a Statement of Intent in accordance with Schedule 8 of the Local Government Act, the purpose of which is to:

- (a) State publicly the activities and intentions of a council-controlled organisation for the year and the objectives to which those activities will contribute; and
- (b) Provide an opportunity for shareholders to influence the direction of the organisation; and
- (c) Provide a basis for the accountability of the directors to their shareholders for the performance of the organisation.

In April 2018 the WLASS board approved a change in approach, with the objective of becoming a service delivery agent. For the first time the entity has staff consisting of a full-time Chief Executive (previously 2 days per week of contract resource), a full-time Business Analyst and a part-time Administrator. This has been supported by a skills based governance structure, with six board members including an independent chairperson.

WLASS's SOI includes the financial impacts of the change in approach, which is a departure from Council's Long Term Plan budget. As was the approach for 2019/20, staff have updated the 2020/21 draft Annual Plan for known contributions to operational costs.

Requests for changes to the direction of a CCO would require adjustments to their underlying strategies and assessment of risk.

### **4.2 OPTIONS**

The Strategy & Finance Committee can:

- a) Approve the current draft SOI; or
- b) Request amendments; or
- c) Reject the draft SOI.

Any feedback must be provided before 30 April.

## **5. CONSIDERATION**

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### **5.1 FINANCIAL**

Staff have updated the 2020/21 Annual Plan for known contributions to the change in WLASS operational costs.

### **5.2 LEGAL**

Schedule 8 of the Local Government Act 2002 requires CCO board's to make their SOI publicly available within one month of Council adoption.

## **6. CONCLUSION**

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Council has an opportunity to provide feedback on the SOI before the end of April. Once all shareholders have provided feedback, the final SOI will be issued (or the draft confirmed as final).

## **7. ATTACHMENTS**

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Waikato Local Authority Shared Services Limited draft Statement of Intent 2020/21



## **Statement of intent**

**For the year ended 30 June 2021**

June 2020

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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 data-sets 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 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 current financial year and the next and this SOI seeks a pool 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.

Funding into WLASS for the 2021 financial year (to 30 June 2021), is greater than what was forecast in last year's SOI. The funding needed is \$5.1m, \$1.0m greater than forecast. \$890k of this is 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.

Member charges for 2021 financial year (FY21)	FY21 projection (per prior year's SOI) \$000	FY21 Budget (per current SOI) \$000	Variance <sup>1</sup> : increase / (decrease) \$000
Core operating costs	510	550	40
Working parties   Projects	696	874	178
LiDAR	475	767	292
RATA business unit	697	855	158
Waikato Regional Transport Model	309	377	68
RATA – water collaboration	0	440	440
Other	1,409	1,278	(131)
<b>Total</b>	<b>4,096</b>	<b>5,141</b>	<b>1,045</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 ~\$149k.

## 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).

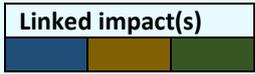
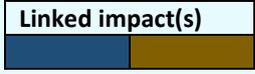
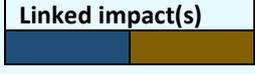
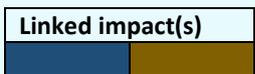
Given the evolution of the company, WLASS has revisited the way that it measures its success to reflect these roles. A performance framework has been established (see diagram 1).

<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> </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.

#### *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.

#### *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.

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

### *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.

### *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.

### *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***

## **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.*

---

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. 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 <sup>1</sup> : increase / (decrease) \$000
Core operating costs	1	510	550	40
Working parties   Projects	2	696	874	178
LiDAR	3	475	767	292
RATA business unit	4	697	855	158
Waikato Regional Transport Model	5	309	377	68
RATA – water collaboration	6	0	440	440
Other	7	1,409	1,278	(131)
<b>Total</b>		<b>4,096</b>	<b>5,141</b>	<b>1,045</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];
  - 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 of time that anticipated. This means that costs anticipated for the 2022 financial year are now expected to be incurred in 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) **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:

<b>Director</b>	<b>Representing</b>
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	1,074,310	1,090,680	1,118,050	
Working parties   projects	379,500	873,850	354,385	384,257	
RITS	n/a	31,616	32,321	33,041	
Information Technology	553,483	767,000	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	312,566	319,475	326,538	
Future Proof	609,991	602,500	602,688	513,770	
Waikato Plan	382,000	260,000	265,720	271,566	
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>6,506,616</b>	<b>5,431,512</b>	<b>5,575,846</b>	
<b>Operating Expenditure</b>					
Company Administration	573,858	1,068,887	1,089,152	1,116,380	
Working parties   projects	379,500	893,850	374,885	384,257	
RITS	n/a	31,616	32,321	33,041	
Information Technology	553,483	817,695	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	312,566	319,475	326,538	
Future Proof	609,991	602,500	602,688	513,770	
Waikato Plan	382,000	267,500	273,408	279,446	
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>6,639,520</b>	<b>5,518,511</b>	<b>5,532,089</b>	
<b>Earnings before interest, tax and depreciation/ amortisation (EBITDA)</b>	<b>(321,020)</b>	<b>(132,904)</b>	<b>(86,999)</b>	<b>43,757</b>	
Depreciation / amortisation					
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>(149,352)</b>	<b>(102,653)</b>	<b>29,173</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

Waikato Local Authority Shared Services Financial Position for the forecast financial years ended 30 June 2021-2023					
	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23	
<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)	(2,171,348)	(2,274,001)	
Plus Current Year Operating Surplus/(Deficit)	(324,730)	(149,352)	(102,653)	29,173	
<b>TOTAL CAPITAL FUNDS</b>	<b>90,209</b>	<b>785,653</b>	<b>683,000</b>	<b>712,173</b>	
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Prepayments	153,145	263,342	269,739	276,291	
Accounts Receivable	397,104	260,265	217,260	223,034	
RWT On Interest	0	0	0	0	
Local Authority Shared Services 00	0	0	0	0	
Bank	96,216	729,388	624,879	658,450	
GST Receivable / (Payable)	4,013	45,941	42,715	42,467	
<b>TOTAL CURRENT ASSETS</b>	<b>650,477</b>	<b>1,298,936</b>	<b>1,154,592</b>	<b>1,200,241</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>1,329,173</b>	<b>1,169,175</b>	<b>1,200,241</b>	
<b>LESS CURRENT LIABILITIES</b>					
Accounts Payable	535,097	462,148	402,769	402,576	
Accounts Payable Accrual	25,910	27,500	28,188	28,892	
Employee Benefits	0	53,872	55,219	56,599	
<b>TOTAL CURRENT LIABILITIES</b>	<b>561,007</b>	<b>543,520</b>	<b>486,176</b>	<b>488,067</b>	
<b>NET ASSETS</b>	<b>90,209</b>	<b>785,653</b>	<b>683,000</b>	<b>712,173</b>	

## Statement of Cashflows

Waikato Local Authority Shared Services Statement of Cashflows for the forecast financial years ended 30 June 2021-2023					
	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23	
<b>Cashflows from Operating Activities</b>					
Interest Received	14,308	2,000	2,050	2,101	
Receipts from Other Revenue	6,559,977	6,792,327	5,472,466	5,567,971	
Payments to Suppliers	(6,800,489)	(6,675,190)	(5,582,252)	(5,536,749)	
Taxes Paid	0	0	0	0	
Goods & Services tax (net)	56,103	20,481	3,226	248	
<b>Net cash from operating activities</b>	<b>(170,102)</b>	<b>139,618</b>	<b>(104,509)</b>	<b>33,571</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>(170,102)</b>	<b>139,618</b>	<b>(104,509)</b>	<b>33,571</b>	
Opening cash and cash equivalents and bank overdrafts	266,317	589,770	729,388	624,879	
<b>Closing cash, cash equivalents and bank accounts</b>	<b>96,215</b>	<b>729,388</b>	<b>624,879</b>	<b>658,450</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. Future Proof transferred to WLASS on 1 July 2016.

### 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 extent it will be used by staff to cover those future absences.

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

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.

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### **Open Meeting**

<b>To</b>	Strategy & Finance Committee
<b>From</b>	Alison Diaz Chief Financial Officer
<b>Date</b>	6 March 2020
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318 / 2529496
<b>Report Title</b>	Waikato Local Authority Shared Services Limited Interim Accounts

## **I. EXECUTIVE SUMMARY**

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The attached interim accounts from the Waikato Local Authority Shared Services Limited (“WLASS”), are presented in accordance with the requirements of section 66 of the Local Government Act 2002.

WLASS has made good progress against most of their Statement of Intent performance measures for the year. Two measures will not be achieved in relation to survey results; customer and shareholder. A new performance management framework will be implemented in the new financial year, and the effectiveness of these measures are to be reviewed.

The year-to-date surplus position is lower than anticipated at \$246,000 against a forecast position of \$387,000. This variance is expected to reverse over the remainder of the year and WLASS are forecasting a full year loss of \$80,000 well ahead of the budgeted loss of \$325,000.

## **2. RECOMMENDATION**

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

## **3. ATTACHMENTS**

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Interim Accounts for Waikato Local Authority Shared Services Limited



# **Half-yearly report to Shareholders**

1 July 2019 to 31 December 2019

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## 1 Introduction

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The Board of Waikato Local Authority Shared Services Ltd (WLASS) is pleased to present its report to shareholders on the first half of the 2020 financial year (to 31 December 2019). During the period the structural transition required as part of the company's transformation toward being a true strategic partner to councils was completed.

## 2 Overview of WLASS

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WLASS was established in December 2005. It is jointly owned (in equal portion) by the following shareholding councils:

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

WLASS was initially established to provide the local authorities in the Waikato Region with a vehicle to procure services on a shared basis. The key purpose of WLASS has evolved. In 2018 shareholders approved transforming the company into a service delivery agent and a true strategic partner to councils. That transformation means the company now has two fundamental roles:

- 1) It is a laboratory for developing opportunities that create value to councils, either by improving the experience of their customers 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).

It also drives collaboration between councils by facilitating various council staff working groups.

The vision for WLASS is to be:

*The enabler for Councils to provide their services in the most effective and efficient way*

Its objectives are:

- To enable the Waikato Councils to collectively be more effective as a region on the national stage;
- To contribute to building central government's confidence in the Waikato region, and to encourage central government investment;
- To achieve effectiveness and efficiency gains;
- To reduce duplication of effort and eliminate waste through repetition;
- To make it easier for customers to engage with councils in the Waikato region;
- To promote and contribute to the development of best practice; and
- To promote business transformation to improve customers' experiences.

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.

During the period the Directors of WLASS were:

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

### 3 Statement of Service Performance

Since its inception the company has delivered benefits to its shareholding councils through enabling:

- Improved levels and quality of service;
- A more co-ordinated approach to the provision of services;
- Reductions in the cost of services;
- The development of new initiatives;
- Standardisation of service levels;
- Opportunities for all Councils, irrespective of location or size, to benefit from joint initiatives; and
- Economies of scale resulting from a single entity representing all Councils and leveraging procurement opportunities.

#### 3.1 Highlights during the period

Highlights of activity during the six months to 31 December 2019 are:

##### **WLASS transformation project**

As noted above, the transformation of the company has continued during the period. The immediately needed structural changes have been made.

Following consultation with councils, in November the Board approved five initial priority projects to investigate opportunities that will deliver value to councils.

##### *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.

##### *Coordinated L&D programme*

Waikato councils have the same functional responsibility and therefore the same capability needs (noting the WRC 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.

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

### *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.

### *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 customer 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.

### *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.

### *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. Once business cases have established that an opportunity makes sense, councils will similarly 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, 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.

## **Coordinated Infrastructure Procurement**

In November the Board approved the opportunity to coordinate councils' infrastructure procurement.

Through the Coordinated Infrastructure Procurement (CIP) initiative we are seeking to achieve a regional strategic approach to capital works across Waikato councils. Ultimately, any agreed regional strategy would then be incorporated into council Long Term Plans (LTPs) (to the extent required).

The objectives of the project are to:

- Create savings through 'smarter' scheduling of infrastructure works across the region;
- Minimise situations where councils are competing for the same suppliers at the same time, streamlining the procurement process;
- Providing suppliers with scale and consistency of work activity, allowing them to have the confidence to invest (in staff/equipment), which in turn should improve the economic activity in the region;
- Improve councils' ability to accurately budget capital works programmes and then to deliver to this budget.

The project commenced in February 2020 and is being led by a seconded resource (Chris Barton) from Hamilton City Council. This is the first WLASS project to utilise a secondee.

Waikato councils spend ~\$230m on infrastructure additions each year. If this opportunity realised cost savings of only 0.5% that would see the councils saving \$1.2m p.a.

## RATA

### *Waters collaboration*

The 'waters' sector is facing significant change due to a number of external and internal influences.

WLASS's business unit, Regional Asset Technical Accord (RATA), investigated the opportunity for a sub-regional collaboration on three waters activities, supported by nine councils. That culminated in a business case that the WLASS Board approved in July 2019. The initial opportunities for collaboration relate to:

1. Consistent document templates to support better reporting;
2. Increased information sharing through collaborative, effective forum meetings;
3. Training and recruitment;
4. Consistent asset valuations; and
5. Collaborative procurement – materials/equipment/laboratory services.

### *Staff changes*

Appointment of a Waters lead for the RATA business unit is currently underway with a placement expected in March.

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

WLASS has secured the services of Shaun Lion-Cachet as the new RATA Manager from January 2020.

### *Value add*

The value of RATA to the region continues to be further demonstrated with the continual identification of ideas to further support councils. An achievements report written in December provides an outline of the success of RATA in delivering on its vision to date. Total savings to councils from the business unit total ~\$3m and continues to build.

## LiDAR

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

During the period LINZ and Waikato Regional Council (on behalf of WLASS) led the evaluation process to secure a supplier. A preferred supplier has been identified and it is expected the contract will commence in the first quarter of 2020. Rolf Boswell (WLASS Business Analyst), is the Waikato project manager and is assisting with the contract negotiations. Additionally, agreements are being signed with the 6 co-funding parties.

## Waikato OneView

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

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

For the councils, a key investment objective is to increase the visibility and accessibility of data with the resulting benefit of improved ability to report across council boundaries. Other objectives include the aim of reducing BAU work (because users can self-serve) and the cost-benefit of collective buying power.

## Health & Safety pre-qualification

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

## Procurement - Professional services panel

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

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

## SVDS

SVDS activity during the period centred around transferring participating councils from the old software to a new supplier under a Software As A Service (SAAS). This transition will be completed in the first quarter of 2020. Member charges will continue to reduce under the new arrangement.

## Future proof

Future Proof is undergoing several changes at the moment with the expansion of the partnership and the inclusion of the Hamilton to Auckland Corridor Plan.

## Energy management

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

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

## Waikato Building Consent Group

For the first 6 months of the 2019/2020 financial year the WBCG has been limited in the progress made since 18/19 year end. We have not had a Manager in place and have had limited resources to focus on our strategic intent. We have managed to maintain basic services and each council has taken ownership

of their own annual audits. The new Strategic Manager (Natalie Allam), commenced in January 2020 so by year end we should see some progress on the KPI's.

### 3.2 Assessment of performance against targets

The following performance measures were included in the Statement of Intent for the 2018/19 financial year. An update on their status as at 31 December 2019 is shown in the table below.

**Key:**

- Achieved or on track: has been completed or will be by 30 June 2020
- Currently behind schedule but target expected to be met by 30 June 2020
- Currently behind schedule and target unlikely to be met by 30 June 2020

Target	Measure	Outcome	
<p><b>Procurement</b> Joint procurement initiatives for goods and services for WLASS councils will be investigated and implemented.</p> <p><i>Method: Procurement is from sources offering best value, service, continuity of supply, and/or opportunities for integration.</i></p>	<p>New suppliers are awarded contracts through a competitive tender process.</p> <p>Professional Services Panel contracts are successfully negotiated.</p>	<p><b>On track:</b> Supply contracts are tendered in line with WLASS procurement policy (which in turn is consistent with the regional procurement framework developed last year). For substantial contracts (e.g. LiDAR) a public tender process has been undertaken. Other contracts have been renegotiated with existing suppliers where it is appropriate to do so.</p> <p><b>Achieved:</b> Contracts have been negotiated on time with the panel in place from 1 August 2019, as planned.</p>	<p style="text-align: center;">●</p> <p style="text-align: center;">●</p>
<p><b>Collaborative Projects</b> Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented.</p> <p><i>Method: The focus is on shared services which will benefit all councils.</i></p>	<p>A minimum of six priority projects for collaboration are identified per annum.</p>	<p><b>Achieved:</b> A new Professional Services Panel was established from 1 August 2019 with eight councils participating (previously four). Five priority projects to develop opportunities were approved by the Board in November. The workplan for these opportunities will see all five commenced prior to year-end. The Coordinated Infrastructure Procurement project was approved by the Board and will be completed in the first half of 2020. The business case to expand RATA into waters asset management services was approved by the Board in July. The business case for Waikato OneView was approved by the Board in November.</p>	<p style="text-align: center;">●</p>

Target	Measure	Outcome	
	<p>If considered of value, business cases are developed for approval by the Board, and the projects are implemented.</p> <p>Savings to Councils identified in developed business cases exceeds \$300k.</p>	<p><b>On track:</b> The development of any opportunity is subject to a phased approach involving discovery, opportunity assessment and business case (if required). The Board approves each phase before progression to the next stage.</p> <p><b>On track:</b> Business cases or opportunity assessments delivered during the period related to:</p> <ul style="list-style-type: none"> <li>•RATA – Waters collaboration: Benefits are not quantified but based on investment objectives they are considered substantial</li> <li>•Waikato OneView: From surveys undertaken, users of OneView estimate that it will save them time, conservatively estimated at ~\$500k p.a. – which should translate to reduced fees to councils. In addition, it is estimated that there will be software savings of ~\$20k p.a. and council staff time would reduce because users will be better equipped to 'self-serve'</li> <li>•Coordinated Infrastructure procurement: The case notes that if 0.5% of infrastructure spend is achieved from the project outcomes sought, that will represent a saving of ~\$1m<sup>+</sup> p.a.</li> </ul>	<p>●</p> <p>●</p>
<p><b>Existing WLASS Contracts</b> Existing contracts are managed and renegotiated as required.</p> <p><i>Method: Appointed vendors deliver on the terms of their contracts and deliver value to the shareholders.</i></p>	<p>The WLASS Contracts Register is maintained and managed.</p> <p>Contracts which are due for renewal are either renegotiated (where it makes commercial sense to continue with the current supplier) or re-tendered through a competitive process.</p>	<p><b>On track</b></p> <p><b>On track:</b> Supply contracts are tendered in line with WLASS procurement policy (which in turn is consistent with the regional procurement framework developed last year. For substantial contracts (e.g. LiDAR) a public tender process has been undertaken. Other contracts have been renegotiated with existing suppliers where it is appropriate to do so.</p>	<p>●</p> <p>●</p>
<p><b>Cost Control</b> Administration expenditure shall be managed and monitored.</p>	<p>Administration expenditure shall not exceed budget by more than</p>	<p><b>On track:</b> The latest forecast (based on actuals to October '19)</p>	<p>●</p>

Target	Measure	Outcome	
<p><i>Method: The Financial Accountant and Chief Executive review expenditure monthly.</i></p>	<p>5%, unless prior approval is obtained from the Board.</p>	<p>shows company administration expenditure is expected to exceed the 2020 budget by ~11% (\$65k). This excess is being met by funds available from the prior year. It reflects:</p> <ul style="list-style-type: none"> <li>recruitment fees (relating to the Board Chair – originally budgeted for in FY19), the Executive Assistance and a new Contract Administrator role;</li> <li>salaries associated with increasing the EA role to a full-time position; and</li> <li>professional fees to progress the digital strategy.</li> </ul> <p>Each of the above has been approved by the board.</p>	
<p><b>Reporting</b> Six monthly reports provided to Shareholders.</p> <p><i>Method: The Chief Executive prepares a written report for the WLASS Board every meeting.</i></p> <p><i>A Half-yearly and Annual Report are prepared for shareholders.</i></p>	<p>The Board shall provide a written report on the business operations and financial position of WLASS to the shareholders every six months. Every second report shall be the Annual Report.</p>	<p><b>On track:</b> The 2019 Annual report was prepared and provided to shareholders in September 2019. This Half-yearly report will be delivered in February 2020.</p>	
<p><b>SVDS</b> The SVDS is reliable, well maintained and available to all users.</p> <p><i>Method: A Contract Manager is appointed for SVDS.</i></p> <p><i>The Contract Manager monitors performance of the contractors and reports quarterly to the SVDS Advisory Group.</i></p> <p><i>Risks associated with the SVDS are well managed.</i></p>	<p>The SVDS is available to users at least 99% of normal working hours.</p> <p>The SVDS Advisory Group meets at least 6-monthly.</p> <p>The Annual Business Plan is accepted by the Advisory Group by 31 March 2020.</p>	<p><b>On track:</b> the SVDS has been available 100% for users during normal business hours.</p> <p><b>On track:</b> Two meetings held in first 6 months; August &amp; November</p> <p><b>On track:</b> The Advisory Group meeting is scheduled for 5 March.</p> <p>With the exception of TCDC (who have withdrawn from the project), the project is running to schedule and all councils are due to transition before the end of March. The current SVDS will be unavailable to councils after 31 March 2020.</p>	  

Target	Measure	Outcome	
<p><b>Insurance</b> Achieve the relevant KPIs in Appendix 4 of the Insurance Brokerage contract with Aon.</p> <p><i>Method: The Insurance Broker delivers on the terms of their contract and provides value to the participating councils.</i></p>	<p>Strategic advice provided by Aon on the insurance programme structure is assessed as satisfactory in the annual WCLASS Shareholders' survey by the participating councils.</p> <p>The day-to-day service provided by Aon is assessed as satisfactory in the annual WCLASS Shareholders' survey by the participating councils.</p>	<p><b>Not measured:</b> Formal feedback from shareholders by way of annual survey is not being undertaken this year and therefore we are unable to measure performance against this measure. WCLASS notes however that the collaborative insurance programme continues to deliver significant benefit to councils. Premium savings are estimated at \$1m- \$1.5m per annum.</p> <p>The 2020 SOI sets out a new performance framework for the company which puts in place performance measures that better reflect the outcomes we are seeking. For that reason, we are not intending on undertaking a survey of shareholders this year as we have historically done. We will instead be meeting with council CEs on a 1x1 basis and soliciting feedback on performance by this means.</p> <p><b>Not measured:</b> Refer comment above.</p>	
<p><b>RATA</b> Deliver better data for decision making across the Waikato Region, enabling more consistent best practice</p> <p><i>Method: Quarterly update reports are provided to all stakeholders participating in the Data Collection contracts.</i></p> <p><i>Data supplied by contractors is of good quality and meets all of the participating councils' requirements.</i></p>	<p>Reports are presented to stakeholders in October/January/ April and July each year.</p> <p>Reports on progress presented to WCLASS Board as at 30 December and 30 June.</p> <p>All data are reviewed for compliance and all good practice requirements are met.</p> <p>Procurement of services complies with WCLASS and NZTA's procurement requirements.</p>	<p><b>On track:</b> All reports supplied to stakeholders. The reports to four councils were submitted in January 2020.</p> <p><b>On track:</b> Reports to WCLASS Board presented to required deadlines.</p> <p><b>On track:</b> All data received was reviewed for quality requirements and approved.</p> <p><b>On track:</b> Procurement of services is in line with WCLASS procurement policy and NZTA requirements.</p>	<p>●</p> <p>●</p> <p>●</p> <p>●</p>

Target	Measure	Outcome	
<p>Lead engagement and increase capability within the sector</p> <p><i>Method:</i> <i>Innovation: Identify opportunities to modify standard approaches and/or develop new approaches that will lead to optimal asset management.</i></p> <p><i>Leadership: Lead engagement and increase capability within the sector.</i></p>	<p>Present to a national conference on RATA innovations at least once per year.</p> <p>At least two RATA guidance documents detailing good practice are produced each year.</p> <p>RATA Forums are held 2-monthly to share learnings and experience.</p>	<p><b>On track:</b> RATA presented REG Data Quality Project at RIMS conference in March 2019. RATA presented the Waters Collaboration business case to the Mayoral Forum in August 2019.</p> <p><b>On track:</b> RATA Guidance documents developed based on REG data quality reports to support improvement planning. RATA is supporting Waters Collaboration investigation work for seven participating councils. This is ongoing.</p> <p><b>On track:</b> RATA Fora were held two-monthly with high levels of attendance from participating councils. The final two fora were postponed during the recruitment of the new RATA Manager.</p>	<p>●</p> <p>●</p> <p>●</p>
<p><b>WRTM</b> The WRTM is reliable, well maintained and available to all users.</p> <p><i>Method: RATA manages the WRTM on behalf of the participating councils, and monitors the performance of the model supplier (currently Traffic Design Group).</i></p> <p><i>RATA reports quarterly to the WRTM Project Advisory Group.</i></p>	<p>All modelling reports requested from the model supplier are actioned within the agreed timeframe, scope and budget</p> <p>A report from RATA on any new developments and on the status of the model is provided to the WLASS Board at least every six months.</p> <p>The quality of the base model complies with NZTA guidelines (as set out in the NZTA's Economic Evaluation Manual), and is independently peer reviewed each time the model is updated.</p>	<p><b>On track:</b> Stantec continues to provide Service Reports 3-monthly, the most recent provided in December 2019. Ad hoc reporting is provided as requested.</p> <p><b>On track:</b> Report for the six months to 30 June 2019 tabled at the July Board meeting. The report to 31 December 2019 is being presented to the board meeting in February 2020.</p> <p><b>On track:</b> Model complies with guidelines but there are issues with modelling accuracy in some areas. Ongoing initiatives to improve accuracy with household survey data (underway and on track), updated traffic counts at screen lines (underway and on track), and validating with Census 2018 (not yet commenced, under consideration by WRTM User Group).</p>	<p>●</p> <p>●</p> <p>●</p>

Target	Measure	Outcome	
<p><b>Waikato Building Consent Group</b> Provide strategic direction and actively pursue improvements in Building Control across the Waikato region.</p> <p><i>Method: Implement the strategic priorities detailed in the "Build Waikato" May 2017 strategic review document.</i></p>	<p>Milestones for the five strategic review work streams are achieved for:</p> <ul style="list-style-type: none"> <li>• Digital experience and technology: a common online customer experience. Success is defined as user friendly, convenient, quick, end-to end management and communication, measured by customer surveys and systems comparisons.</li> <li>• People capability. Success is defined as a successful recruitment and training programme, measured by compliance with BCA Reg. 8 - 11.</li> <li>• Quality assurance. Success is defined as continued accreditation and increased service consistency, measured by accreditation outcomes, BCA annual audits, and customer surveys.</li> <li>• Lift industry competency and compliance. Success is measured by increased industry compliance, with reduced RFIs, and reducing percentages of application or building consent rejection.</li> <li>• Central government: engagement and legislative influence. Success is measured by legislative submissions and outcomes.</li> </ul>	<p><b>On track:</b> with both TCDC and Waipa having successfully implemented the preferred online Alpha One System. Waitomo DC is implementing this year and MPDC and HDC are finalising their procurement process with Alpha One in the mix. ODC is also committed to implementing Alpha One and this will probably be in 20/21 financial year. So well on track with achieving a common processing system. With the appointment of the new Strategic Development Manager for the group in January 2020 work to revitalise our web site to enhance the digital experience will be commencing in the second half of this financial year.</p> <p><b>Partially achieved:</b> Rather than a single training programme, councils have opted to ensure that capability within their organisations is lifted to comply with Regulations. WLASS is currently developing a collective approach to a cadet scheme</p> <p><b>On track:</b> There have been successful IANZ audits for both with good feedback on the cluster QA overall. A review of our QA offering is proposed for the second half of this financial year.</p> <p><b>In progress:</b> The Tech Committee is continuing to work on consistency across councils on RFI's to enhance a consistent customer experience</p> <p><b>On track:</b> Cluster submission to Building Reform Act was delivered in the 2019 financial year. The submission was similar to that from LGNZ.</p>	<p></p> <p></p> <p></p> <p></p> <p></p>

Target	Measure	Outcome	
<p><i>Method:</i> Fulfil the roles and responsibilities set out in clause 9 of the WBCG's Memorandum of Understanding, 2016.</p>	<p>There is a common understanding and buy-in by all BCAs for the WBCG vision and actions that are taken to achieve this vision, measured by:</p> <ul style="list-style-type: none"> <li>• Full participation in WBCG projects and programmes</li> <li>• Audits demonstrating implementation and compliance with the agreed QA systems</li> <li>• Consistency in service delivery, measured by customer surveys</li> </ul> <p>Risk management is visible through regular reviews of the Risk Register.</p> <p>All funding requirements are met by each of the participating councils.</p> <p>Minimum of two reports presented to the WLASS Board on the Group's activities.</p>	<p><b>In progress / ongoing:</b> Good participation of all in projects when required but could improve.</p> <p><b>On track:</b> As above audits are demonstrating compliance with QA systems.</p> <p><b>Not achieved:</b> No customer survey to be undertaken this year. However regardless, customer experience will be a key focus for new Strategic Development Manager.</p> <p><b>In progress:</b> Historically there has been a significant lack of awareness of risks and therefore how they can best be managed. This is included in the programme of work for the new Strategic Development Manager.</p> <p><b>On track:</b> All funding commitments met.</p> <p><b>On track:</b> Reporting on performance measures received and presented to board as part of the annual report. In addition, the Advisory Group Chair has provided the Board with verbal updates on progress recruiting a new group manager (which has now occurred).</p>	<p></p> <p></p> <p></p> <p></p> <p></p> <p></p>
<p><b>Future Proof</b> Planning for growth in the sub-region is co-ordinated and collaborative.</p> <p><i>Method:</i> Joint preparation and input into Phase 2 of the Strategy update</p>	<p>Phase 2 of the Future Proof Strategy is adopted by the Future Proof Implementation Committee no later than December 2020.</p>	<p><b>Behind schedule:</b> Phase 2 of the Future Proof Strategy update has been on hold to allow other projects to sufficiently progress, including the H2A, Waikato District Plan review, and Waikato District Growth and Economic Development Strategy. These projects will feed into the Strategy update. It is anticipated that work on the Future Proof Strategy will commence again in mid-2020.</p>	<p></p>

Target	Measure	Outcome	
<p>The Future Proof budget is well managed and monitored.</p> <p><i>Method:</i> Bi-monthly reports presented to the Future Proof Chief Executives Advisory Group, and six monthly and annual reports to the WLASS Board.</p> <p>Future Proof influences and inputs into District Plan, Regional Plan, growth strategy and any other planning processes which manage growth within the sub-region and neighbouring regions.</p> <p><i>Method:</i> Future Proof works collaboratively and provides input into the planning work undertaken by all FP partners and any other relevant planning authorities.</p>	<p>The overall Future Proof work programme is delivered within the approved budget.</p> <p>Future Proof makes submissions (using RMA and Local Government processes), on District Plans, LTPs, growth management planning documents, and any central government initiatives which have the potential to impact growth management planning in the sub-region.</p>	<p><b>Behind target:</b> The Future Proof work programme to end December 2019 is running slightly over budget due to unbudgeted costs associated with the Hamilton to Auckland corridor programme. The Future Proof budget will be reviewed early-2020 and reported to the Future Proof Chief Executives Advisory Group in March 2020. A contribution of \$50k towards communications is expected from the Ministry of Housing and Urban Development. A case will be made to Government for greater assistance as we partner in spatial planning initiatives not previously anticipated. Hopefully we will also have established our case for additional three waters and public transport funding assistance too.</p> <p><b>On track:</b> Future Proof has made five submissions over the past six months.</p>	<p></p> <p></p>
<p><b>Shareholder Survey</b> Shareholders are satisfied with the performance of WLASS.</p> <p><i>Method:</i> An annual survey of shareholders is undertaken to assess satisfaction levels with WLASS.</p>	<p>A survey of shareholders is undertaken each year, and the results are reported to all shareholders.</p>	<p><b>Not achieved:</b> The 2020 SOI sets out a new performance framework for the company which puts in place performance measures that better reflect the outcomes we are seeking. For that reason, we are not intending on undertaking a survey of shareholders this year as we have historically done. We will instead be meeting with council CEs on a 1x1 basis and soliciting feedback on performance by this means.</p>	<p></p>
<p><b>Review of Benefits</b> Shareholders are informed of the benefits being provided to shareholding councils by WLASS.</p>	<p>Information on the financial and non-financial benefits being achieved by WLASS are included</p>	<p><b>On track:</b> WLASS achievements are included in this report and were set out in the 2019 Annual</p>	<p></p>

Target	Measure	Outcome	
<i>Method: The benefits of WLASS (including financial and non-financial achievements) are regularly analysed and reported to shareholders.</i>	in the 6-monthly and Annual Report to shareholders.	Report provided to shareholders in September 2019.	
	The WLASS website is regularly maintained and updated.	<b>On track:</b> The WLASS website has been updated where appropriate.	

## 4 WLASS Financial Position

### 4.1 Summary

#### By the numbers:

Summary financial results for the six months to 31 December 2019 are:

	2020 actual YTD \$000	2020 forecast YTD \$000	Variance \$000 (actual v budget)	2020 budget Full Year \$000
Total income	2,692	3,020	(329)	5,673
Total operating expenditure	2,445	2,633	188	5,998
Net surplus before tax	246	387	(141)	(325)
Cash on hand	2,141	n/a	n/a	

The unfavourable variance in revenue principally relates to less than expected income from RATA (high-speed data collection contracts, and member charges for the waters collaboration which are yet to be invoiced), and member charges related to the Waikato Data Portal and LiDAR projects (with corresponding reduction in expenditure. While the net surplus is currently less than expected, this variance is expected to reverse over the remainder of the year – we are currently forecasting a full-year loss of \$80k.

The cash position is:

	Cash balance @ 1/7/19 \$000	Cash surplus / (deficit) \$000	Cash balance @31/12/2019 \$000
Company Administration	70	252	322
RITS	0	35	35
Working Parties	151	5	157
Information Technology	60	59	120
Energy Management	133	(7)	126
Shared Valuation Data Service (SVDS)	602	(198)	404
Road Asset Technical Accord (RATA)	6	53	58
Waikato Regional Transport Model (WRTM)	3	36	39
Waikato Building Consent Group (WBCG)	257	79	336
Future Proof	252	(191)	61
Mayoral Forum	92	(34)	57
Waikato Plan	197	169	366
Waters Collaboration	0	22	22
<b>Total</b>	<b>1,823</b>	<b>280</b>	<b>2,103</b>

Note: Cash balances vary from the actual cash position as a result of accounts receivable / payable which are not tracked on a activity by activity basis. The actual cash at bank as at 31 December 2019 was \$2.14m

Invariably the cash balance has arisen because actual expenditure has been less than anticipated. It is expected to reduce over the coming six months. We will be reforecasting in March and will assess the

likely year end cash position for each workstream. We have already identified some areas where we will be utilising accumulated cash reserves in the coming financial year and reducing member charges accordingly. This action is reflected in the 2020 SOI. We will continue to actively monitor the position and respond appropriately.

## 4.2 Statement of Financial Performance

### Waikato Local Authority Shared Services

#### Statement of Financial Performance

For the six months ending 31 December 2019

	Financial year 2020 YTD Actuals	Financial year 2020 YTD Forecast	Financial year 2020 YTD Budget	Financial year 2019 YTD Actuals
<b>Revenue</b>				
SVDS Data & Software Sales	246,630	233,177	233,466	508,912
Grants Received	0	0		31,418
Interest	15	844	2,502	13,134
<b>Other Revenue</b>				
Exchange Revenue	806,660	1,135,744	1,282,100	1,849,357
User Charges	1,638,302	1,813,967	1,562,048	2,110,470
<b>Total Other Revenue</b>	<b>2,444,962</b>	<b>2,949,711</b>	<b>2,844,148</b>	<b>3,959,827</b>
<b>Total Revenue</b>	<b>2,691,607</b>	<b>3,183,732</b>	<b>3,080,116</b>	<b>4,513,291</b>
<b>Expenditure</b>				
Depreciation and amortisation expense	34,065	23,170	1,854	67,314
Personnel costs	183,498	174,138	192,672	149,459
Other expenses	2,227,745	2,373,180	2,585,162	4,043,366
<b>Total Expenditure</b>	<b>2,445,308</b>	<b>2,570,488</b>	<b>2,779,688</b>	<b>4,260,139</b>
<b>Net Profit</b>	<b>246,299</b>	<b>613,244</b>	<b>300,428</b>	<b>253,152</b>

## 4.3 Statement of Cashflows

### Waikato Local Authority Shared Services

As at 31 December 2019

For the six months ending 31 December 2019

	Financial year 2020 YTD Actuals	2018/2019
<b>Cashflows from Operating Activities</b>		
Interest Received	15	16,114
Receipts from Other Revenue	3,147,605	4,031,703
Payments to Suppliers and Employees	(2,491,304)	(4,241,295)
Taxes Paid	(0)	5,746
Goods & Services tax (net)	24,547	2,123
<b>Net cash from operating activities</b>	<b>680,863</b>	<b>(185,609)</b>
<b>Cashflows from Investing Activities</b>		
Capital enhancements	0	0
Purchase of PPE	0	-5,592
Purchase of investments	0	81,000
<b>Net cash from investing activities</b>	<b>0</b>	<b>75,408</b>
<b>Net increase in cash, cash equivalents and bank accounts</b>	<b>680,864</b>	<b>(110,200)</b>
Opening cash and cash equivalents and bank overdrafts	1,459,803	1,570,003
<b>Closing cash, cash equivalents and bank accounts</b>	<b>2,140,667</b>	<b>1,459,803</b>
<b>Summary of Bank Accounts</b>		
BNZ - Call a/c	2,140,667	1,459,802
<b>Closing Balance of Bank</b>	<b>2,140,667</b>	<b>1,459,802</b>

## 4.4 Statement of Financial Position

### Waikato Local Authority Shared Services Statement of Financial Position As at 31 December 2019

	Financial year 2020 Actuals 31/12/2019	Financial year 2019 Actuals 31/12/2018
<b>Assets</b>		
<b>Current Assets</b>		
<b>Bank</b>		
Call Account	28,902	28,887
Transaction Account	2,111,764	1,430,915
<b>Cash and Cash Equivalents</b>	<b>2,140,667</b>	<b>1,459,803</b>
<b>Accounts Receivable</b>		
Accounts Receivable	185,680	770,016
Accounts Receivable Accruals	170,704	48,034
<b>Total Accounts Receivable</b>	<b>356,384</b>	<b>818,050</b>
GST	31,934	50,827
<b>IRD - RWT Tax</b>		
RWT On Interest	998	998
RWT on Payments	(2,584)	0
<b>Total IRD - RWT Tax</b>	<b>(1,585)</b>	<b>998</b>
<b>Total Receivables</b>	<b>2,527,399</b>	<b>869,876</b>
Prepayments	6,900	212,087
<b>Total Current Assets</b>	<b>2,534,299</b>	<b>2,541,766</b>
<b>Non-current Assets</b>		
SVDS - Original Cost	3,065,316	3,065,316
WRTM - Original Cost	2,296,855	2,296,855
MoneyWorks Software	1,195	1,195
Accumulated Depreciation	(5,299,427)	(5,266,295)
IT equipment	5,592	5,592
Accumulated Depreciation	(1,725)	(793)
<b>Total Non-current Assets</b>	<b>67,806</b>	<b>101,870</b>
<b>Total Assets</b>	<b>2,602,104</b>	<b>2,643,636</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
<b>Accounts Payable</b>		
Accounts Payable	172,376	614,057
Accounts Payable Accrual	305,521	140,182
<b>Total Accounts Payable</b>	<b>477,897</b>	<b>754,239</b>
Revenue in Advance	587,159	587,159
ACC Prepayments	(77)	0
Employee Entitlements	8,635	22,556
<b>Total Current Liabilities</b>	<b>1,073,615</b>	<b>1,363,954</b>
<b>Total Liabilities</b>	<b>1,073,615</b>	<b>1,363,954</b>
<b>Net Assets</b>	<b>1,528,490</b>	<b>1,279,682</b>
<b>Equity</b>		
Contributed Capital	2,957,001	2,957,001
Retained Earnings	(1,428,511)	(1,677,318)
<b>Total Equity</b>	<b>1,528,490</b>	<b>1,279,683</b>

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### **Open Meeting**

<b>To</b>	Strategy & Finance Committee
<b>From</b>	Tony Whittaker Chief Operating Officer
<b>Date</b>	02 March 2020
<b>Prepared by</b>	Debra Dalbeth Business Improvement Analyst
<b>Chief Executive Approved</b>	Y
<b>Document Set #</b>	GOV1318 / 2528176
<b>Report Title</b>	2019-2020 Second Quarter Non-Financial Performance Report

## **I. EXECUTIVE SUMMARY**

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The purpose of this report is to provide the Committee with the 2<sup>nd</sup> quarter non-financial performance results. This includes the 2019/20 Long Term Plan (“LTP”) Key Performance Indicators (“KPIs”) and the Resident Satisfaction survey.

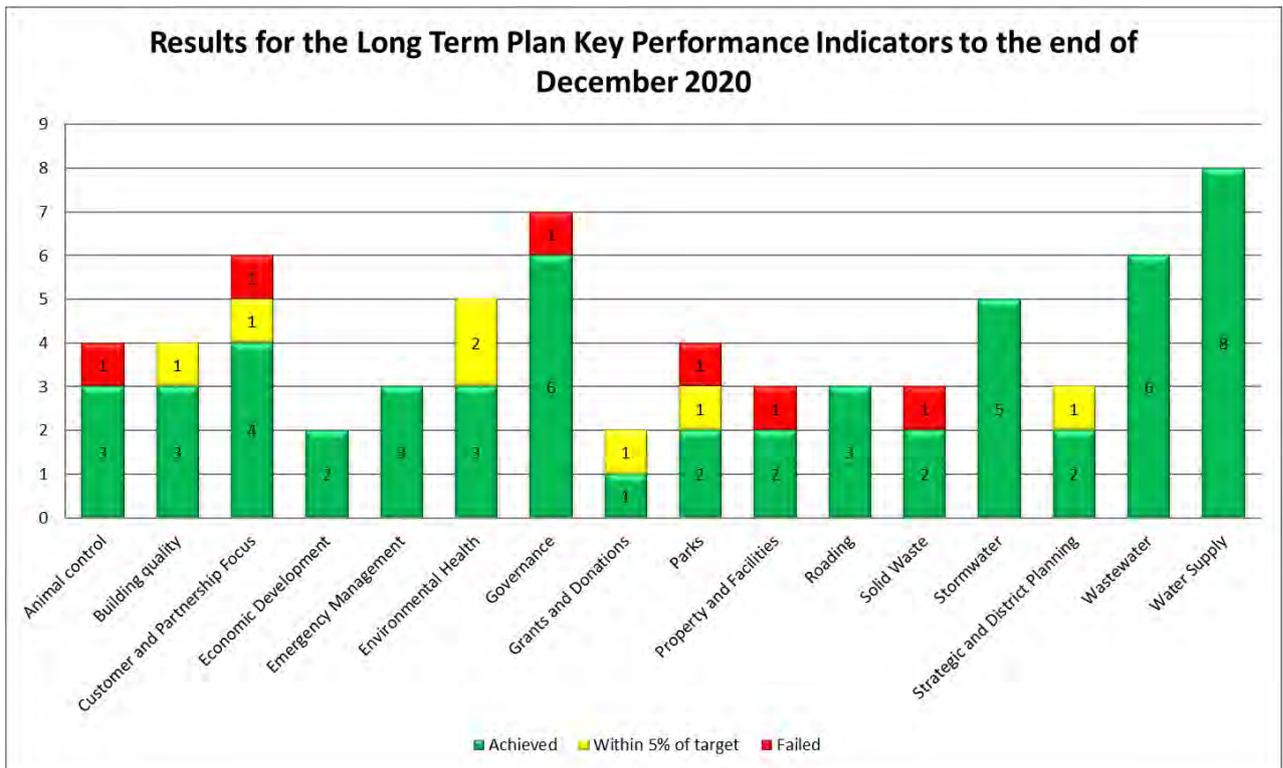
These results will be used to inform the Annual Report.

## **2. RECOMMENDATION**

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

### 3. LTP KPIs



Achieved	Within 5% of target	Failed
<b>81%</b>	<b>10%</b>	<b>9%</b>

There are seventy nine KPIs that are reported in the Annual Report. Currently 21 are measured monthly, 40 quarterly, 7 half yearly and 11 annually.

The above graph shows the number of KPIs that were achieved, came close or did not achieve, grouped by category.

This is the second year of this LTP. The below chart shows the results from the first year of this LTP were better than the results from the last LTP, however these end of year results highlighted issues with measuring some KPIs. These issues will be addressed this year.

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020 1st quarter	2019/2020 2nd quarter
<b>Achieved</b>	<b>67 (68%)</b>	<b>65 (66%)</b>	<b>57 (58%)</b>	<b>61 (77%)</b>	<b>49 (80%)</b>	<b>55 (81%)</b>
<b>On track</b>	<b>8 (8%)</b>	<b>4 (4%)</b>	<b>6 (6%)</b>	<b>5 (6%)</b>	<b>6 (10%)</b>	<b>7 (10%)</b>
<b>Not achieved</b>	<b>23 (24%)</b>	<b>29 (30%)</b>	<b>35 (36%)</b>	<b>11 (14%)</b>	<b>6 (10%)</b>	<b>6 (9%)</b>
<b>Unknown</b>				<b>2 (3%)</b>		
<b>TOTAL MEASURES</b>	<b>98</b>	<b>98</b>	<b>98</b>	<b>79</b>	<b>61</b>	<b>68</b>

Attached to this report is *Appendix 1 - 2019-20 2<sup>nd</sup> quarter LTP KPI Report*

#### 4. RESIDENTS SATISFACTION SURVEY

Some questions from the Resident Satisfaction Survey feed into the Long Term Plan but the majority of questions are to give us an indication of how residents view services and the performance across Council. These results also allow us to compare performance against other Councils and to track trends in our performance over several years.

The National Research Bureau (“NRB”) was chosen as the preferred provider as they are cost effective and they conduct a ‘Communitrak’ survey every 2 years which enables us to benchmark ourselves against all other New Zealand Councils.

Waikato District Council residents are surveyed at approximately 10 residents per week. At the end of each quarter, after 100 residents are surveyed, we receive this data. This approach mitigates seasonal bias or ‘moment in time’ events from slanting Councils annual results. The survey summary from the last quarter is attached.

*Attached Appendix 2 - 2019-20 2<sup>nd</sup> quarter Satisfaction Survey Summary*

#### Trends

Based on improvements in the level of effort and resolution of requests it would appear residents satisfaction when dealing with Council is still improving. We continue to get positive comments regarding helpful and friendly staff. Comments regarding satisfaction around the resolution of requests are mixed.

Trend graphs show that in the second quarter we saw the continuation of decreases in satisfaction with some areas, however the sample size for ‘animal control’ and ‘building and inspection services’ is very small which indicates a large margin of error and no conclusion can be made until the end of year results. Average satisfaction with unsealed roads has increased to the end of year levels.

The graphs also show that there were significant decreases in satisfaction with governance / democracy and consultation in the first quarter but results have improved to levels equivalent or better than the end of year results.

Trend graphs are attached *Appendix 3 – 2<sup>nd</sup> quarter Survey Trend Graph*

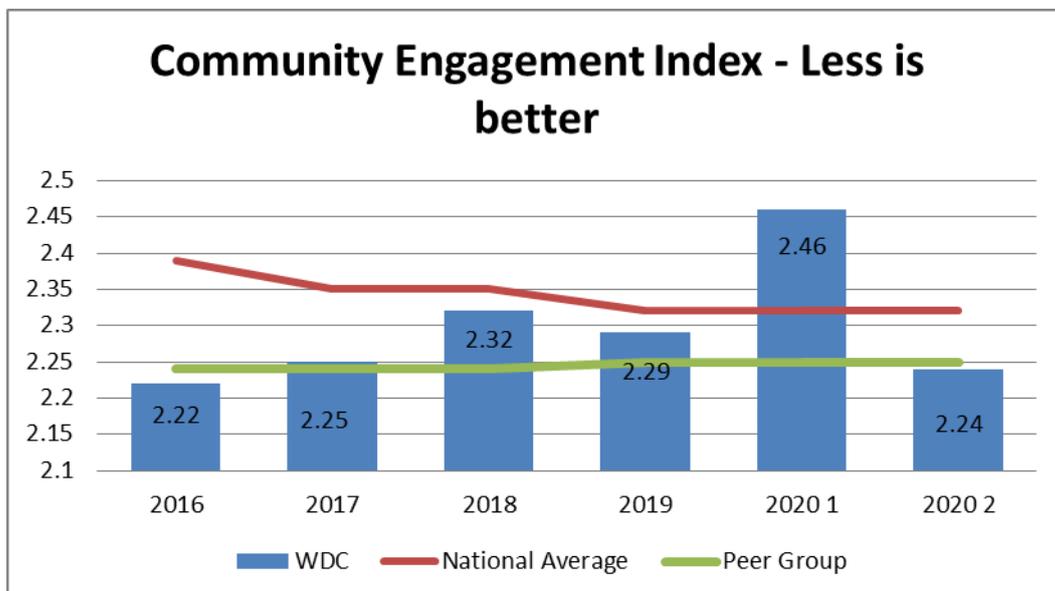
## 5. ENGAGEMENT

Engagement is measured from 5 key questions in our Residents Survey. These were chosen as they are also asked in the National Research Bureau's Communitrak survey which gives us benchmarking data against other Councils.

1. Satisfaction with the way council involves the public in the decisions it makes
2. Satisfaction with Rates Spending
3. Satisfaction with Community Spirit
4. Satisfaction with Quality of Life
5. Satisfaction that Council makes decisions that meet the needs and aspirations of their residents

Residents are asked for their satisfaction on a scale of 1 to 5 and the results from these five questions form an engagement index, the target we have set for ourselves is to have 2.25 or less.

Our peer group of Councils have an index of 2.25, the national average is slightly higher and the Waikato District Council result from the second quarter is an index of 2.24.



While the satisfaction with all 5 questions reduced in the first quarter, they have bounced back in the second quarter.

Graphs of the results from the individual questions are at the end of Appendix 3. They show a gradual degradation in satisfaction over the period of the last few years.

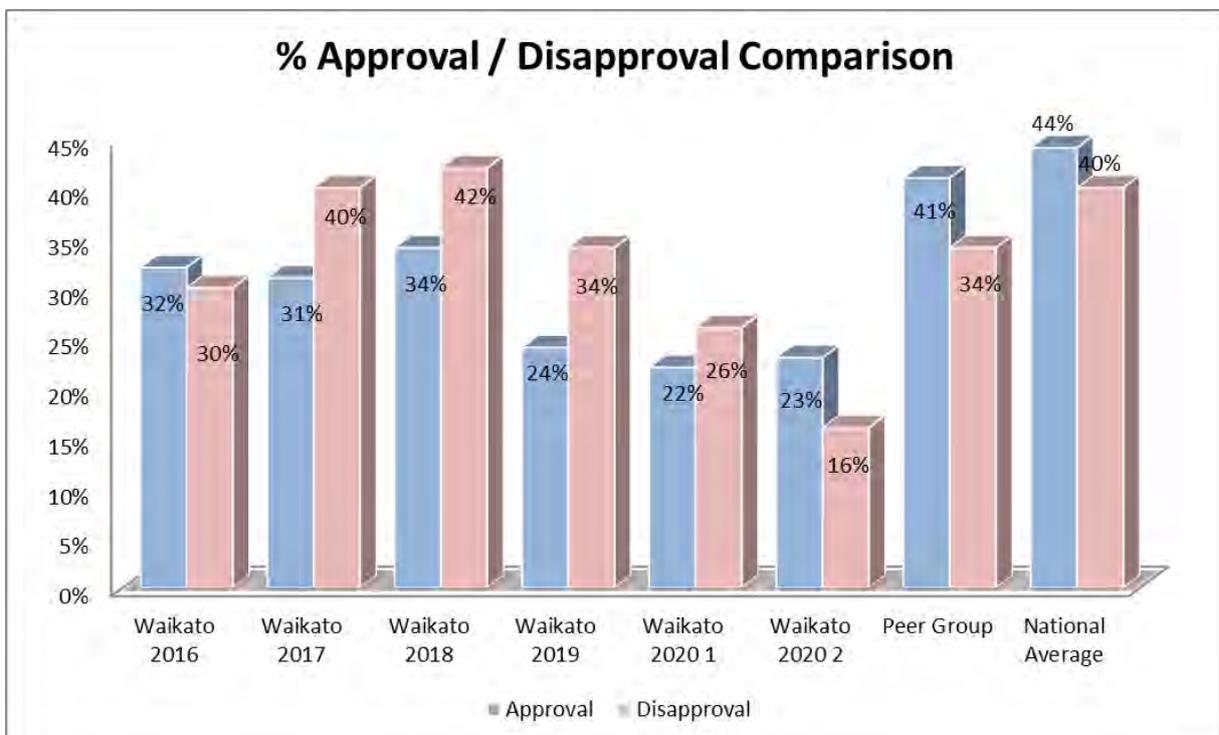
## 6. OUTCOMES

1. Is there any one thing about the Council's actions, decisions or management in the last few months that comes to mind as something you do like or approve of?
2. Is there any one thing that comes to mind with regard to the Council's actions, decisions or management in the last few months that you dislike or disapprove of?

This is asked to gauge the level of support residents had for Council's actions and decisions. The % of residents who approve of Council's actions or decisions has improved slightly in the second quarter from 22% to 23% while the % that disapprove has dramatically decreased from 26% to 16%.

In the last quarter the approval rating is above the disapproval rating which is a positive and relatively rare event for WDC as this is only the 4<sup>th</sup> time out of 22 reporting periods that this has occurred. A combined rating of 39% shows that 61% of those surveyed have found nothing to approve or disapprove of. This continued decline in approval and disapproval ratings could suggest a district that is ambivalent with council actions or possibly the potential for disengagement with our communities.

Comments from residents suggest that toilets, rubbish and recycling in towns along with speed limits, public transport and parking are concerning. Positive comments highlight gardens, skate parks, walkways and playgrounds and the use of the Hamilton library and the ability to pre-buy plots of land in cemeteries are appreciated.



## **7. GOVERNANCE / DEMOCRACY:**

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In regard to Governance/Democracy, residents were asked if they feel they have the opportunity to be involved and participate in the way the Council makes decisions, 65% said yes they feel they have the opportunity while 21% said they had actually tried to participate.

Trend graphs in Appendix 3, show a decrease in satisfaction with the governance section of questions. The quarterly result for the question about satisfaction with the ability to contact the Councillors/Mayor has a large margin of error as only 13 people responded to this question in the first quarter and 4 in the second quarter. Of those 4 people, 1 was very satisfied, 2 satisfied and 1 dissatisfied. The margin of error is high so conclusions can only be made at the end of the year with the full weighted results.

## **8. CONCLUSION**

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We are in the second year of the Long Term Plan and staff familiarity with the KPI's are increasing along with addressing issues around measurement. Information gathered from these supports the work currently being done around creating plans and measurements for the next LTP. The profile of these results is increasing through the organisation with work being done to improve them.

## **9. ATTACHMENTS**

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- Appendix 1 - 2019-20 2<sup>nd</sup> quarter LTP KPI Report
- Appendix 2 - 2019-20 Satisfaction Survey Summary
- Appendix 3 –2<sup>nd</sup> quarter Survey Trend Graph



***Waikato District Council***

***Scorecard Report***

*Period: Jul-19 - Dec-19*

**Scorecard Name**  
2019-21 LTP Half Yearly Report

**Date From**  
01-Jul-2019

**Date To**  
31-Dec-2019

<b>LINKED ITEMS</b>	<b>UNIT</b>	<b>TARGET</b>	<b>ACTUAL</b>	<b>INDICATOR</b>
<b>2019-21 LTP Governance</b>				
Satisfaction of residents that they were able to contact their Councillor as and when required	%	90.00	64.00	
<i>COMMENTS:</i> As the sample size is small there is a large margin of error for this result. In the previous quarter only 4 of the 100 people surveyed had tried to contact their Councillor, of them 3 were satisfied or very satisfied and only 1 was dissatisfied. The contact details of our Councillors are publicly available on the website or through the Call Centre. Some of our Councillors also write regular columns for community newspapers with their contact details provided and their contact details are also regularly provided in The Link newsletter.				
Lwi ki te Haapori - Number of joint committee meetings held per annum	#	2.00	2.00	
<i>COMMENTS:</i> A Nga Wai o Waipa Co Governance Committee meeting was held during the quarter				
Lwi ki te Haapori - Number of identified or notified breaches/ objections under Joint Management Agreements, MOU's and MOA's	#	0.00	0.00	
<i>COMMENTS:</i> Nil				
Lwi ki te Haapori - Number of formal governance hui held between council and iwi / hapu groups	#	2.00	2.00	
<i>COMMENTS:</i> A number of other meetings have been held on various topics which are not governance but engagement and working together. eg Okarea Marae Hui (Water issues enquiry and Nga Muka Development Trust enquiries); Koroneihana Hui @ Turangawaewae Marae (road Closure Template for events @ Turangawaewae); Waahi Pa Poukai (all Waikato Hapuu present); Hui with Nuku Henry Ngati Wairere / Huakanui Marae - Chair; Te Kopua Trust hui (Outstanding land issues); Tangata whenua iwi group (Huntly section of expressway); Port Waikato with Watercare ; Hui with WDC Rooding Team, NZTA, Tangata Whenua working Party (relationship building with 6 x local marae); Turangawaewae Trust Board (Relationship building with WDC); Ngaati Hauaa hui (Re-opening of Kohanga Reo); Ngaati Mahanga and Wairere hui (Boundaries); Waikato Tainui (Appointments panel - Maangai Maaori); Waikato Tainui Youth Recognition Awards @ Wintec ( Relationship building - 10 local iwi groups present); Waikato-Tainui Endowed College (Rotokauri project); Te Awamaarahi Marae , Port Waikato, Waikato Tainui, other Marae groups (discussing history, Waikato river, environmental issues); Waikare Poukai - Te Kauwhata (all hapuu groups present); Reretewhioi Poukai - Waiuku (all hapuu groups present); Te iti o Haua Marae Trust (Tauwhare Pa)				
Percentage of minutes of all open meetings that are made publicly available via the Council's website	%	100.00	100.00	
<i>COMMENTS:</i> All confirmed minutes for December are online.				
Percentage of Council decisions that comply with statutory requirements	%	100.00	100.00	
<i>COMMENTS:</i> All decisions have complied with statutory requirements.				
Percentage of district plan changes that are undertaken as per the RMA statutory process	%	100.00	100.00	
<i>COMMENTS:</i> The Resource Management Policy team of Council is focussing on a full review of the District Plan. This process, known as the District Plan Review, is being conducted in accordance with the required RMA processes. The District Plan Review has been split into two stages. Stage 1 covers all aspects of the District Plan apart from issues relating to natural hazard risk and climate change which form part of Stage 2. For Stage 1, Public Hearings started on 30 September 2019 - six hearings have been held so far. A draft of Stage 2 was open for public feedback between 30 September and 31 October. One integrated decision will be released on Stage 1 and 2 sometime before mid September 2021.				

**2019-21 LTP Animal Control - LTP**

LTP - The percentage of aggressive dog behaviour complaints, where immediate risk to public safety is present, that has council personnel on site within 1 hour % 95.00 100.00

*COMMENTS:* 100% of service requests (current dog threats) were responded to within the 1 hour target

LTP - The percentage of complaints regarding stray stock that have council personnel on site within 1 hour % 95.00 100.00

*COMMENTS:* 100% of service requests relating to stock on roads responded within the 1 hour target time.

LTP - The number of reported serious dog attacks on people in public places (where medical attention is required) that occur in our district does not exceed 10 per year # 5.00 7.00

*COMMENTS:* The number of serious dog attacks on people in public places reported 1 in October, 4 in November, no reported attack for December. Despite not meeting our target, it is important to note we have put in a lot of empathisis through education of obligations and enforcement to reduce the number of attacks.

LTP - Complete Engagement and Education Visits throughout the district # 60.00 75.00

*COMMENTS:* 4 dogs in libraries sessions.

**2019-21 LTP Building Quality**

LTP - The percentage of existing buildings with building WOFs that are monitored and audited for compliance annually - YTD % 16.50 18.00

*COMMENTS:* Audits of existing buildings on track to meet KPI.

The percentage of buildings that provide sleeping care or paid accommodation which are audited for compliance annually - YTD % 50.00 57.00

*COMMENTS:* Buildings with sleeping facilities also on track to meet KPI's

The percentage of swimming pools that are inspected for compliance annually - YTD % 16.50 41.19

*COMMENTS:* Because of the risk to our ratepayers, the general public and our communities especially young children this is another Not Negotiable KPI. There were 46 inspections carried out in December on Pool Fencing and YTD there has been 459 pool inspections carried out. Target per calendar year is 660 - as at 1 Jan 19 to 31 December 19 we have carried out 919 pool inspections. We will have inspected all our pools by the 3 year anniversary date i.e. January 2020. Consent numbers have been down so we have used our existing resource to carry out the inspections during the year. Should consent numbers rise again we do have a vacant position for a dedicated pool inspector we can fill to take up the workload to ensure we met the KPI.

The percentage of building consent applications which are processed within 20 working days - YTD % 100.00 99.70

*COMMENTS:* YTD - Currently we are processing 99.70% of standard consents within the statutory timeframe with Dwellings achieving 100%. Out of 995 BC's granted YTD, there has been 3 go over the 20 working day timeframe YTD for various reasons. We achieved 100% for December. Whilst 100% is a statutory requirement 95% seemed to be an acceptable level of compliance by both MBIE and IANZ. However we do not accept that and intend to try and meet the 100 % compliance going forward.

**2019-21 LTP Strategic and District Planning**

Percentage of resource consent applications which are processed within the statutory time frames % 100.00 99.40

**COMMENTS:** In December we issued 67 consents. All but one were issued within statutory timeframes.

For the six months ending 31 December 2019 this amounts to a total of 496 consents being issued, with only 3 of these being issued outside of timeframes.

LTP - The percentage of current land use consents that are older than 2 years which have been monitored in the past 2 years % 80.00 87.00

**COMMENTS:** Continue to meet KPI.

LTP - The number parking patrols that are carried out in communities that have parking controls under the bylaw. # 60.00 62.00

**COMMENTS:** Continue to meet KPI.

### 2019-21 LTP Solid Waste

The percentage of schools in the district that receive solid waste education % 20.00 53.00

**COMMENTS:** YTD Xtreme Zero Waste has delivered the education programme to 13 schools which consisted of 123 classrooms and a total of 2915 students. For the reporting period, 9 schools received the education programme.

The percentage of kerbside collection complaints that are resolved within agreed timeframes. % 97.00 97.42

**COMMENTS:** In the six months to December 2019, working with contractors and changes to the process in dealing with service requests has resulted in an increase from 85.39% in the first half of the 2018/19 year to 97.42% in the first half of the current financial year.

LTP - The % of time a contractor was engaged within 5 days from receiving the service request to to remove rubbish to resolution % 95.00 88.00

**COMMENTS:** The team has looked into this and can confirm the following: This equates to 25 service requests - 3 were out of time; for 12 requests the onsite time had not been recorded properly; and 9 had been reallocated to officers outside out team and not completed. This has been discussed and we have confirmed the correct process for completing and reallocating service requests to ensure this does not happen again.

### 2019-21 LTP Environmental Health - LTP

LTP - The percentage of licensed food premises that are verified/inspected annually % 100.00 100.00

**COMMENTS:** The annual figure will be concluded at end of this 12 month period.

LTP - The percentage of medium risk or higher fee category licensed premises that are inspected annually % 100.00 100.00

**COMMENTS:** All medium risk and high risk licensed premises were inspected during this financial year.

LTP - Percentage of excessive noise complaints responded to within agreed timeframes. (Due to geographical characteristics of the district response times will vary in different parts of the district) % 85.00 81.30

**COMMENTS:** Increasing complaint numbers over summer have impacted on overall performance figures delivered by the contractors. We are working with the contractors to increase performance.

LTP - The percentage of hazardous land use information (Hail) reports that will be completed within 10 working days. % 90.00 99.20

**COMMENTS:** Achievement against target remains consistently high for this area of work.

LTP - Percentage of environmental health complaints where the customer has been contacted within 3 working days	%	90.00	88.00	
<i>COMMENTS:</i> This service target has seen continuous improvement over the last 6 months due to a focus on staff development and responsiveness.				

### 2019-21 LTP Grants and Donations

LTP - Number of discretionary grant funding rounds undertaken per year	#	2.00	2.00	
<i>COMMENTS:</i> Round two has been completed.				

LTP - The percentage of community funding/grant recipients meeting grant obligations, as evidenced through accountability reports	%	100.00	95.00	
<i>COMMENTS:</i> Staff continue to ensure funding recipients file a return on time.				

### 2019-21 LTP Customer and Partnership Focus - EOY

Level of Customer effort	#	3.00	2.00	
<i>COMMENTS:</i> A good result indicating customers are finding it takes less effort to deal with Council.				

Net Promoter Score (level of likelihood that library users will recommend to friends and family their library as a place to go)	%	90.00	97.90	
<i>COMMENTS:</i> Of the 320 customers that took part in the December survey, 311 answered this question. 244 of those were highly likely to recommend the library to their friends and family, and 62 were likely. Only 5 were unlikely. This result corresponds with our customers level of satisfaction that the resources our libraries provide meets their needs.				

Level of customer satisfaction that the quality of libraries resources meets their needs	%	90.00	97.20	
<i>COMMENTS:</i> Of the 320 customers that took part in the survey 97.2 per cent of them very satisfied or satisfied with the resources available. Use of books (both hardcopy and talking) remain as a priority for library users and our collection appears to be hitting the mark. Also of note is the use of computers, wifi access, and obtaining information from staff or accessing council services. Levels of satisfaction are consistent across all sites with no outliers.				

Percentage of time that access to a free internet service is available in libraries	%	100.00	97.50	
<i>COMMENTS:</i> The free APNK Internet service offered at our six library sites continues to be very popular across the district. Often all seats and tables are occupied as well as people sitting on the floor.				

Percentage of customers satisfied that council consults with the community regarding the right issues	%	60.00	54.00	
<i>COMMENTS:</i> Although the second quarter results have increased significantly from the first quarter, the performance measure was still not met. During the last quarter consultation on the community hall boundaries, Waikato 2070 (Growth and Economic Development Strategy), One-way Cliff Street Proposal, Woodlands Estate Reserve Management Plan.				

Percentage of customers satisfied with the ease of access and clarity of information regarding key community issues	%	60.00	60.00	
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**COMMENTS:** Results have increased significantly from the first quarter. A large effort from the Strategic Planning team was made to provide opportunities for people to seek information and provide their feedback on the Draft Waikato 2070 (Growth and Economic Development Strategy). This included a series of open days throughout the district.

### 2019-21 LTP Stormwater

The number of flooding events that occurred throughout the district	#	5.00	0.00	
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**COMMENTS:** Target met, no flood events.

The number of habitable floors affected in a stormwater flooding event expressed per 1000 properties connected to the councils stormwater system per event	#	0.30	0.00	
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**COMMENTS:** Target met, no flood events.

The median response time to attend a flooding event, measured from the time that Council receives notification to the time that service personnel reach the site.	m	120.00	0.00	
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**COMMENTS:** Target met, no flood events

The number of complaints received by Council about the performance of its stormwater system, expressed per 1000 properties connected to the stormwater system	#	5.00	0.61	
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**COMMENTS:** Target met.

Council's level of compliance with resource consents for discharge from its stormwater system, measured by the number of abatement notices, infringement notices, enforcement orders and convictions received in relation those resource consents.	#	0.00	0.00	
--	---	------	------	--

**COMMENTS:** Resource consents are annually audited by WRC for the previous compliance year. Results of the compliance audit are typically received between Q1 and Q2 of the following compliance year, at this time all enforcement notices are presented to Council.

### 2019-21 LTP Wastewater

The number of dry weather sewerage overflows from Council's sewerage system, expressed per 1000 sewerage connections to that sewerage system	#	3.00	0.52	
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**COMMENTS:** Target met YTD.

5 dry weather overflows this quarter.

The median attendance time where Council attends to sewerage overflows resulting from a blockage or other fault in its sewerage system, from the time that Council receives notification to the time that service personnel reach the site.	m	60.00	31.00	
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**COMMENTS:** Target met with a median of 31 minutes YTD.

5 from 5 calls met the target time frame this quarter with a median of 33 minutes.

The median resolution time where Council attends to sewerage overflows resulting from a blockage or other fault in its sewerage system, from the time Council receives notification to the time personnel confirm resolution of the blockage or other fault.	m	240.00	117.00	
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**COMMENTS:** Target met with a median of 117 minutes YTD.

5 out of 5 calls resolved within target time frame of 240 minutes this quarter with a median of 96 minutes.

The total number of complaints received by Council about odour, system faults, blockages, response to issues with its sewerage system.(expressed per 1000 connections to the sewerage system):

#	10.00	4.46	
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**COMMENTS:** Target met YTD.

29 complaints this quarter.

Council's level of Compliance with resource consents for discharge from its wastewater system, measured by the number of abatement notices, infringement notices and enforcement orders

#	2.00	2.00	
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**COMMENTS:** 2 WWTP Abatement Notices were issued Apr/May 19 year. for 2017-18 compliance year.

Council's level of Compliance with resource consents, measured by the number of Convictions for discharge from its wastewater system,

#	0.00	0.00	
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**COMMENTS:** Resource consents are annually audited by WRC for the previous compliance year. Results of the compliance audit are typically received between Q1 and Q2 of the following compliance year, at this time all enforcement notices are presented to Council.

#### 2019-21 LTP Parks

Percentage of Customers who are satisfied with Parks And Reserves, including sports fields and playgrounds overall

%	90.00	82.00	
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**COMMENTS:** KPI is below target for this quarter. Survey results indicate there are concerns around the provision of parks in the Huntly area and not enough bins in parks in general. Despite this contractors continue to work hard to maintain the districts parks and reserves. Council's staff continue to audit and oversee the maintenance of parks and continually work with contractors to improve results.

Percentage of customers who are satisfied with Public toilets in the residents satisfaction survey

%	75.00	75.00	
---	-------	-------	--

**COMMENTS:** Great to reach 75% customer satisfaction. Contractors continue to perform well in a difficult area. Additional cleans are being undertaken over the peak seasons to ensure customers' expectations are met.

Percentage of customers who are satisfied with the presentation of WDC cemeteries

%	95.00	91.00	
---	-------	-------	--

**COMMENTS:** Customers have shown appreciation of the presentation of cemeteries district wide. All requirements for interments have been met to the satisfaction of the public.

Percentage of new playgrounds built to New Zealand Standard - Playground Equipment and Surfacing (NZS 5828:2015)

%	100.00	100.00	
---	--------	--------	--

**COMMENTS:** Playground projects as per play strategy are on track to construct new and renew playground.

#### 2019-21 LTP Emergency Management

Council maintains a minimum number of trained staff to foundation level, to fulfil core Emergency Operations Centre roles

#	100.00	100.00	
---	--------	--------	--

**COMMENTS:** We have maintained our pool over trained staff well above our target of 100. This includes staff members who have completed intermediate and specialist training.

Council maintains a minimum number of trained staff to Intermediate level, to fulfil core Emergency Operations Centre roles.

#

30.00

30.00



*COMMENTS:* We have maintained our key positions and team leaders for the EOC functions. The new structure has proven to be very beneficial for increasing the skill and knowledge of our team.

Successfully participate in one exercise per annum that is fully moderated by an external party

#

1.00

1.00



*COMMENTS:* We successfully completed a full scale exercise in September. We undertook the exercise alongside Hamilton City Council and the Group Emergency Management Office. This year we saw significant improvement in the execution of the exercise and the EOC processes.

### 2019-21 LTP Roading

The percentage of customer service requests relating to roads to which we respond within the timeframes specified.

%

80.00

96.44



*COMMENTS:* YTD 96.44% (1094 service requests) of customer service requests were responded to within the timeframe specified in the LTP.

The percentage of customer service requests relating to footpaths responded to within the timeframe specified in LTP

%

80.00

94.05



*COMMENTS:* YTD 94.05% (84 service requests) of customer service requests were responded to within the timeframe specified in the LTP.

The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number.

#

-1.00

-1.00



*COMMENTS:* YTD 4 fatal and 18 serious (22) injury crashes have been recorded in the NZTA crash database (Note: This measure is based on crashes, not the number of casualties.) In comparison to the data recorded for July 2018 to December 2018 the number of serious injuries and fatalities has decreased by 1.

### 2019-21 LTP Water Supply

The extent to which Councils drinking water supply (zones) complies with part 4 of the drinking water standards (bacteria compliance criteria)

#

18.00

18.00



*COMMENTS:* Compliance is not assessed and confirmed until July 2020, no transgressions have been recorded for this quarter but still to be finalised.

The extent to which Councils drinking water supply (plants) complies with part 4 of the drinking water standards (bacteria compliance criteria)

#

4.00

4.00



*COMMENTS:* Compliance is not assessed and confirmed until July 2020, no transgressions have been recorded for this quarter but still to be finalised.

The extent to which Councils drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)

#

4.00

4.00



*COMMENTS:* Compliance is not assessed and confirmed until July 2020, no transgressions have been recorded for this quarter but still to be finalised.

The median on site attendance time for an urgent call out where Council attends a call-out in response to a fault or unplanned interruption to its networked reticulation system

m

60.00

35.00



*COMMENTS:* Met target with a median of 35 minutes YTD.

38 of 50 calls met the target time frame this quarter with a median of 42 minutes.

The median resolution time for an urgent call out where Council attends a call-out in response to a fault or unplanned interruption to its networked reticulation system

m	240.00	93.00	
---	--------	-------	--

*COMMENTS:* Met target with a median of 93 minutes YTD.

49 out of 50 calls met the target time frame this quarter with a median of 101 minutes.

The median on site attendance time for a non-urgent call out, where Council attends a call-out in response to a fault or unplanned interruption to its networked reticulation system

Days	5.00	1.00	
------	------	------	--

*COMMENTS:* Target met with a median of 1 day YTD.

129 out of 129 complaints met the target time frame this quarter with a median of 1 day.

The median resolution time for a non-urgent call out where Council attends a call-out in response to a fault or unplanned interruption to its networked reticulation system

Days	5.00	1.00	
------	------	------	--

*COMMENTS:* Met target with a median of 1 day YTD.

129 out of 129 calls met the target time frame this quarter with a median of 1 day.

The total number of complaints received by Council about drinking water clarity, taste, odour, water pressure or flow, continuity of supply and response to any of these issues (expressed per 1000 connections to the water system)

#	25.00	10.90	
---	-------	-------	--

*COMMENTS:* Target met YTD.

83 complaints this quarter.

### 2019-21 LTP Property and Facilities

LTP - Percentage of customers who are satisfied with the service provided at the Raglan campground

%	90.00	93.60	
---	-------	-------	--

*COMMENTS:* Score is above target and good result after a busy summer period.

LTP - Percentage of customers who are satisfied with the service provided at the Huntly campground

%	90.00	81.00	
---	-------	-------	--

*COMMENTS:* 13/17 people were satisfied with the service they were provided at the Huntly Campground.

LTP - Percentage of visitors that find the facilities clean, accessible and welcoming (pools)

%	90.00	90.00	
---	-------	-------	--

*COMMENTS:* Belgravia survey one person per week who has used the Council pools. 90% of these customers say they are likely to return and would recommend the pool facilities.

### 2019-21 LTP Economic Development

LTP - Business perception Survey average rating

#	8.50	8.70	
---	------	------	--

*COMMENTS:* Waikato District council achieved an 8.7 out of 10 rating in the November 2019 Business net promoter

LTP - The percentage delivery of the Economic Development strategic work programme

%	95.00	100.00	
---	-------	--------	--

*COMMENTS:* Programmes were ahead of schedule as some of the listed programmes for the year were re-assigned to other departments and the Blue Print work was undertaken.

Overall Performance

115  
%

0.00

0.00





**NATIONAL RESEARCH BUREAU LTD**

PO Box 10118, Mt Eden, Auckland, New Zealand

P (09) 6300 655, [www.nrb.co.nz](http://www.nrb.co.nz)

To: Debbie Dalbeth

From: Ken Sutton and Janette Simpson

Of: Waikato District Council

Date: 20 December 2019

Dear Debbie,

### **QUARTERLY SUMMARY OF ONGOING SATISFACTION SURVEY RESULTS**

The following is a quarterly summary of your Ongoing Satisfaction survey results for the period: Friday 11th October - Tuesday 10th December, based on 100 respondents.

If you have any queries, please give one of us a call.

Kind regards,

Ken Sutton

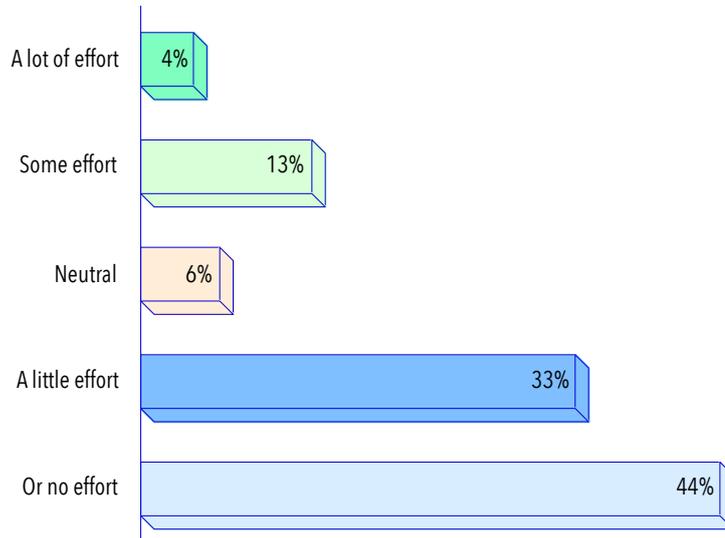
Janette Simpson

**National Research Bureau Ltd**

## CONTACT WITH COUNCIL

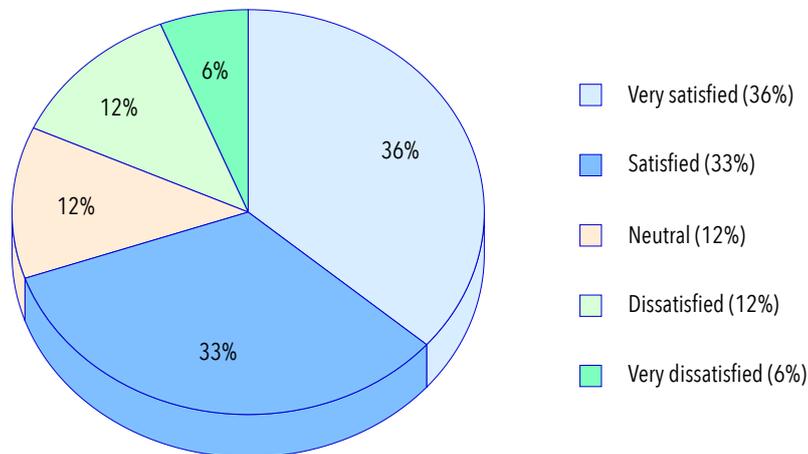
39% of residents have contacted Council staff at the Council offices or service centres by phone, in person and/or by email, in the last 12 months.

### How much effort did it take to conduct business with Council ...



Base = 41†

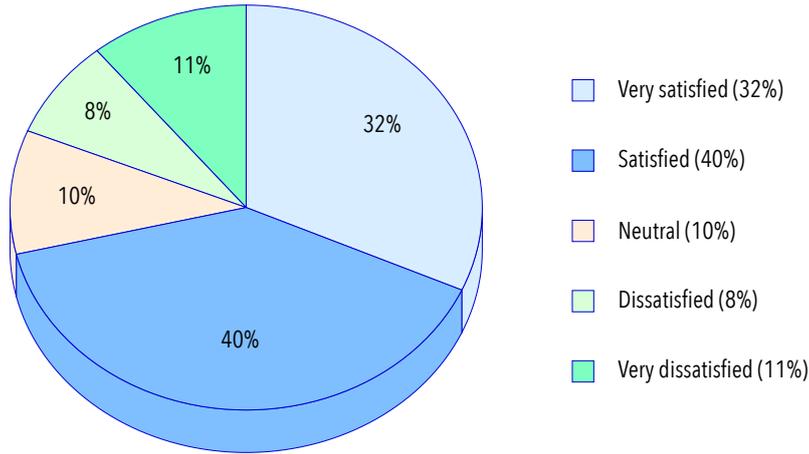
### Satisfaction with how issue was resolved



Base = 41†  
(does not add to 100% due to rounding)

† those residents who say they have contacted Council in last 12 months

**Satisfaction with overall service received**

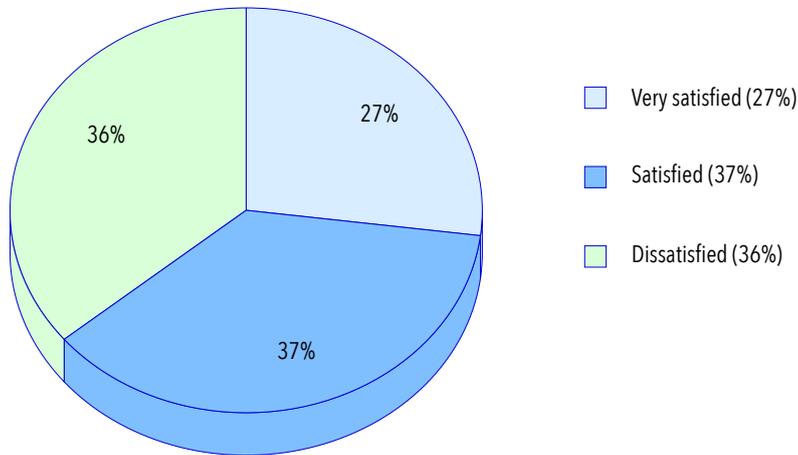


Base = 41<sup>†</sup>  
 (does not add to 100% due to rounding)  
<sup>†</sup> those residents who say they have contacted Council in last 12 months

**Contact with Councillors/Mayor**

In the last 12 months 4% of residents have contacted, or attempted to contact, a Councillor (including the Mayor).

*Satisfaction that they are able to contact them should the need arise ...*



Base = 4<sup>†</sup>  
 Caution: very small base  
<sup>†</sup> those residents who say they have contacted or attempted to contact a Councillor in last 12 months

### SATISFACTION WITH SERVICES AND FACILITIES - OVERALL

	Very satisfied/ Satisfied %	Neutral %	Dissatisfied/ Very dissatisfied %	Don't know %
Standard of Council's roads overall (excluding State Highways)	41	21	36	2
Stormwater services	41	18	19	22

## SATISFACTION WITH COUNCIL SERVICES/FACILITIES - USERS

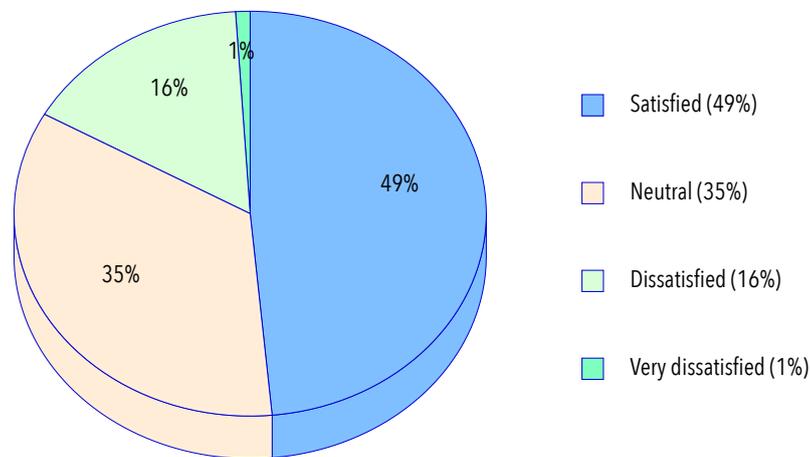
	Base	Very satisfied/ Satisfied %	Neutral %	Dissatisfied/ Very dissatisfied %	Don't know %
Public libraries	44	<b>94</b>	3	<b>3</b>	-
Cemeteries	30	<b>91</b>	9	-	-
Parks and reserves, including sports fields and playgrounds <sup>†</sup>	69	<b>82</b>	5	<b>14</b>	-
Recycling services	95	<b>78</b>	8	<b>14</b>	-
Public toilets <sup>†</sup>	38	<b>75</b>	10	<b>11</b>	3
Animal control, ie, stock and dog control <sup>†*</sup>	13	<b>65</b>	10	<b>26</b>	-
Footpaths <sup>†</sup>	79	<b>61</b>	16	<b>22</b>	-
Building and inspection services <sup>†*</sup>	6	<b>56</b>	-	<b>45</b>	-

\* caution: very small/small base

† does not add to 100% due to rounding

## Satisfaction with the standard of Council's unsealed roads

### *Driven on an unsealed Council road*



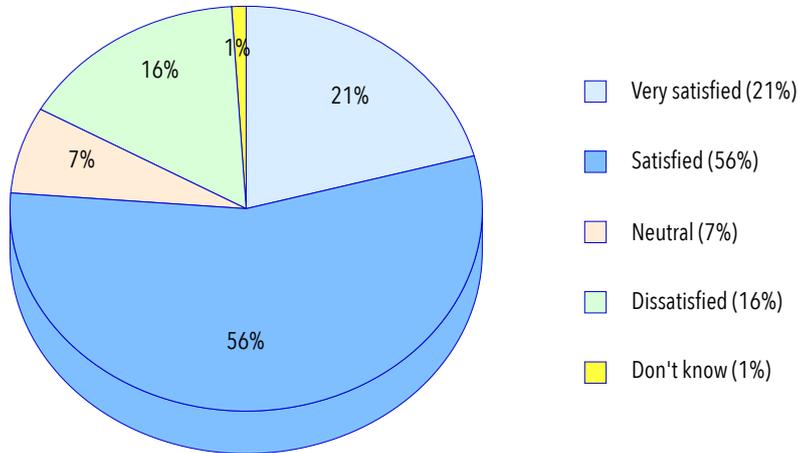
Base = 33

(does not add to 100% due to rounding)

## SATISFACTION WITH SERVICES PROVIDED BY COUNCIL

### Water supply

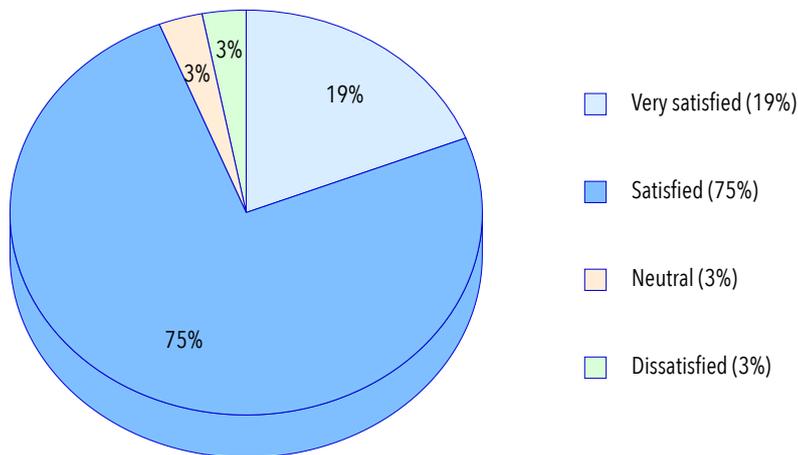
#### Council Provided Piped Water Supply



Base = 67  
(does not add to 100% due to rounding)

### Wastewater services

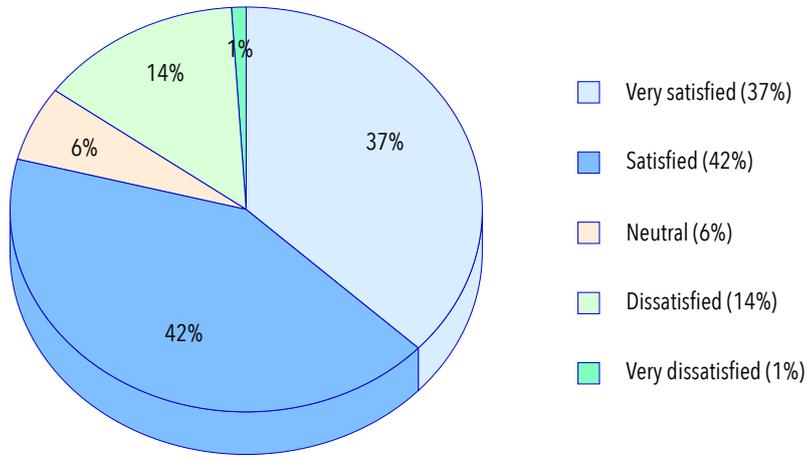
#### Council provided sewerage system



Base = 49

### Rubbish collection service

*Council provided regular rubbish collection service*



Base = 97

## LOCAL ISSUES

### Governance/democracy

65% of residents feel that as a ratepayer or resident they have the opportunity to be involved and to participate in the way the Council makes decisions, while 35% say they don't.

21% of residents have tried to participate in Council's decision making process.

#### Level of satisfaction

	Very satisfied/ Satisfied %	Neutral %	Dissatisfied/ Very dissatisfied %	Don't know %
Information about key community issues is easily accessible <sup>†</sup>	66	9	14	12
There is a suitable range of consultation options available	61	7	20	12
The public are consulted about the right issues	54	7	20	19
There is sufficient time and opportunity available to provide feedback	54	9	20	17
Information available on these issues is clear and instructive	54	15	19	12

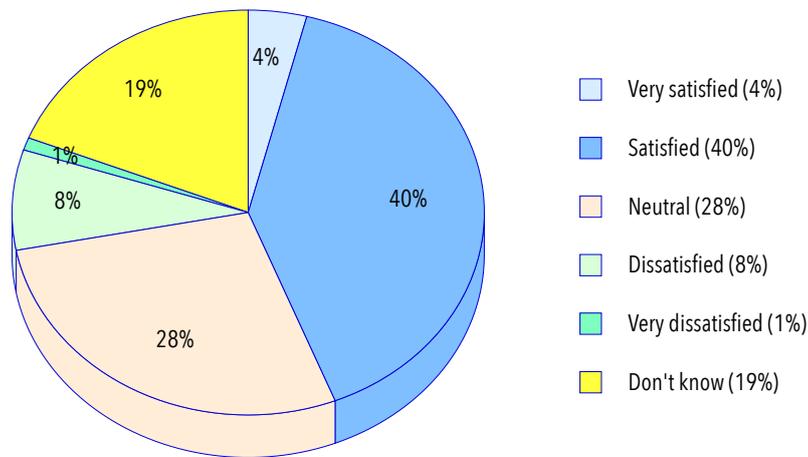
Base = 19 (those residents who say they have tried to participate in Council's decision making process) - caution: small base

<sup>†</sup> does not add to 100% due to rounding

% read across

## Overall satisfaction with the way Council involves the public in the decisions it makes

### Overall



### Participation In Decision Making Process

In general 16% of residents are interested in participating in Council's decision making process, 27% say they are not, while 51% say it depends on the issue. 6% of residents are unable to comment.

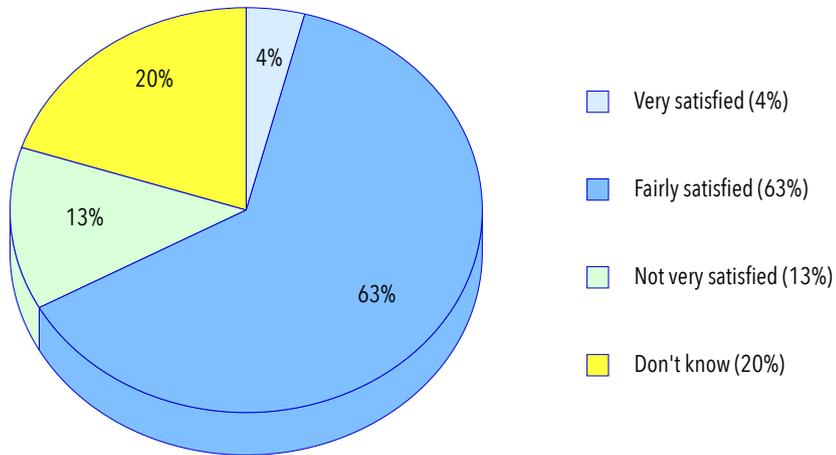
### Outcomes

16% of residents say there is a Council action/decision/management they **dislike or disapprove** of, while 23% say there is a Council action/decision/management they **like or approve** of.

### Community engagement

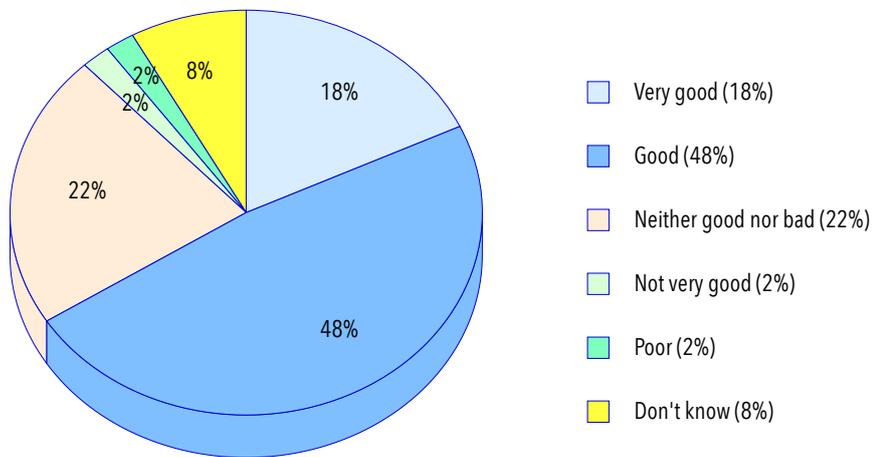
#### Satisfaction with rates spending

Overall



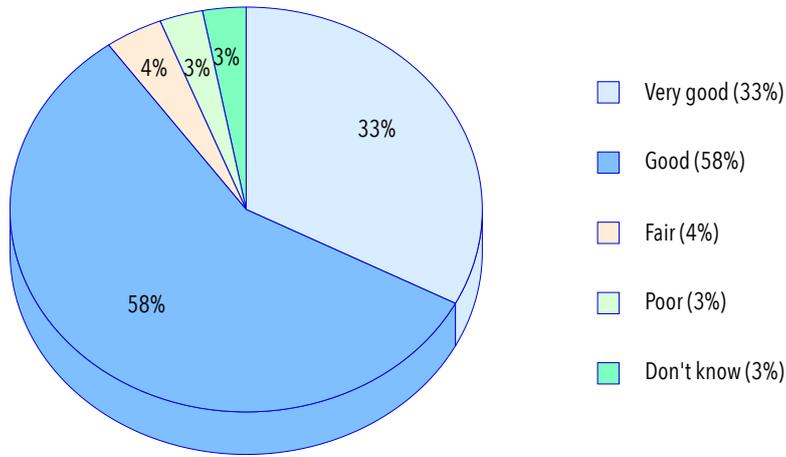
### Community spirit

Overall



### Quality of life

#### Overall



(does not add to 100% due to rounding)

### Place to live, work and play

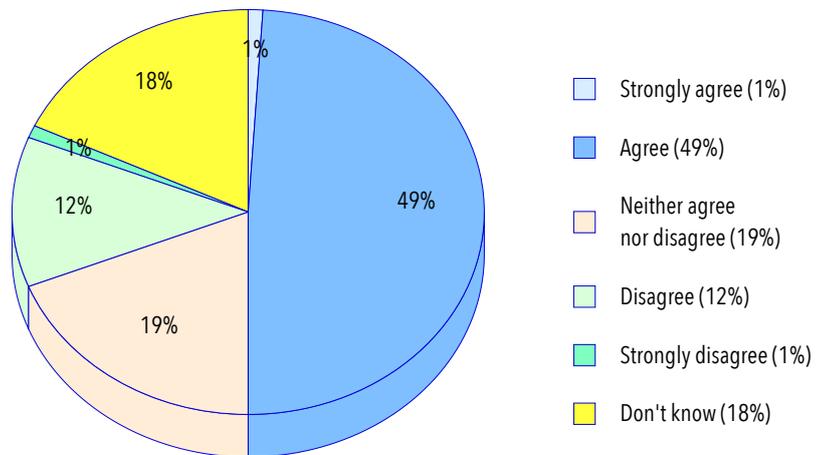
Using a scale of 0 to 10, where 0 is not at all likely and 10 is extremely likely, residents were asked to say how likely it is that they would recommend the Waikato District as a place to live.

Not at all likely 0 %	1 %	2 %	3 %	4 %	5 %	6 %	7 %	8 %	9 %	Extremely likely 10 %
-	-	-	-	2	13	7	20	41	6	11

## Council consultation and community involvement

Council makes decisions that meet the needs and aspirations of their residents?

*Overall*



### **Open Meeting**

<b>To</b>	Strategy & Finance Committee
<b>From</b>	Alison Diaz Chief Financial Officer
<b>Date</b>	18 February 2020
<b>Prepared by</b>	Mairi Davis Financial Accountant
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318 / 2529177
<b>Report Title</b>	Waikato District Community Wellbeing Trust – Draft Statement of Intent for the year ending 30 June 2021

## **I. EXECUTIVE SUMMARY**

---

Pursuant to section 64 of the Local Government Act 2002, the Waikato Community Wellbeing Trust is required to provide a Draft Statement of Intent (SOI) to Council. The SOI for the year ending 30 June 2021 was received by Council within legislative requirements. Council has the opportunity to provide feedback on the draft after which time the Council Controlled Organisation must provide a finalised SOI to Council by 30 June.

The Trustees have approved the Draft SOI subject to further investigation of the fixed: growth portfolio split which may adjust some of the return assumptions within the draft SOI (upwards). The current portfolio split is 45:55 but at a current average distribution amount of approximately \$150,000 per annum KiwiWealth have suggested the Trust review whether the distribution amount will grow or alternatively whether the fixed portion of the investment portfolio could be decreased slightly in favour of strengthening the growth portion. Feedback from KiwiWealth will be shared with the Strategy & Finance Committee so that direction may be provided to the Trust before May.

## **2. BACKGROUND**

---

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 Draft Statement of Intent has been prepared based on receiving a long term, sustainable return on investment of 7.26% before fund manager fees. The grant distributions are based on the principles identified above and on discussions between the Trustees and Kiwi Wealth Limited.

### **3. RECOMMENDATION**

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

**AND THAT** pursuant to section 64 of the Local Government Act 2002 the Strategy & Finance Committee will provide feedback on the Waikato District Community Wellbeing Draft Statement of Intent for 2020/21 no later than 30 April 2020.

### **4. ATTACHMENTS**

---

2021 Wellbeing Trust draft statement of intent.

**Waikato District Community Wellbeing Trust**

**Draft 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.

---

**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, 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.

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

**Prospective statement of financial performance**

**Prospective performance reports for the years ending 30 June 2021 - 2024**

**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>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</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	50,813	67,774	81,466	84,348	85,793
Unrealised gains on investments	-	278,849	236,759	245,136	249,337
<b>Total revenue</b>	<b>50,954</b>	<b>346,884</b>	<b>318,466</b>	<b>329,725</b>	<b>335,371</b>
<b>Expenses</b>					
Audit fees	7,921	7,811	7,810	7,810	7,810
Portfolio management fees	28,794	30,618	30,821	31,951	32,450
Other expenditure	1,761	1,781	2,159	2,254	2,349
Grants	178,162	33,500	210,165	119,145	104,415
Unrealised losses on investments	39,463	-	-	-	-
<b>Total expenses</b>	<b>256,101</b>	<b>73,710</b>	<b>250,955</b>	<b>161,160</b>	<b>147,024</b>
<b>Surplus/(deficit) for the period</b>	<b>(205,147)</b>	<b>273,174</b>	<b>67,511</b>	<b>168,565</b>	<b>188,347</b>

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

**Prospective statement of financial position**

**Prospective statement of financial position**

	FY Budget	FY Forecast			
	2019/20	2019/20	2020/21	2021/22	2022/23
	\$	\$	\$	\$	\$
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	15,053	9,243	9,499	9,608	9,899
Other financial assets	3,921,933	4,378,240	4,533,026	4,610,641	4,784,100
Prepaid insurance	391	391	408	425	442
<b>Total current assets</b>	<b>3,937,377</b>	<b>4,387,874</b>	<b>4,542,933</b>	<b>4,620,674</b>	<b>4,794,441</b>
<b>Total assets</b>	<b>3,937,377</b>	<b>4,387,874</b>	<b>4,542,933</b>	<b>4,620,674</b>	<b>4,794,441</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Creditors and other payables	217,468	134,927	222,465	131,631	117,041
Accrued expenses	8,154	8,156	8,166	8,176	8,186
<b>Total current liabilities</b>	<b>225,622</b>	<b>143,083</b>	<b>230,631</b>	<b>139,807</b>	<b>125,227</b>
<b>Total liabilities</b>	<b>225,622</b>	<b>143,083</b>	<b>230,631</b>	<b>139,807</b>	<b>125,227</b>
<b>Net assets</b>	<b>3,711,755</b>	<b>4,244,791</b>	<b>4,312,302</b>	<b>4,480,867</b>	<b>4,669,214</b>
<b>Equity</b>					
Introductory fund	2,579,899	2,579,899	2,579,899	2,579,899	2,579,899
Capital maintenance fund	485,270	564,702	649,598	735,844	825,462
Accumulated funds	646,586	1,100,189	1,082,805	1,165,124	1,263,854
<b>Total net assets / equity</b>	<b>3,711,755</b>	<b>4,244,791</b>	<b>4,312,302</b>	<b>4,480,867</b>	<b>4,669,214</b>

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

**Prospective statement of cash flows**

**Prospective performance reports for the years ending 30 June 2019 - 2022 (cont)**

**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	(214,326)	(213,746)	(123,056)	(210,165)	(119,145)
Payments to suppliers	(9,206)	(48,254)	(40,119)	(41,545)	(39,576)
<b>Net cash flows from operating activities</b>	<b>(223,391)</b>	<b>(261,739)</b>	<b>(162,934)</b>	<b>(251,469)</b>	<b>(158,480)</b>
<b>Cash flows from investing and financing activities</b>					
<b>Cash was received from (applied to):</b>					
Realised gains from investments	-	67,774	81,466	84,348	85,793
Sale (acquisition) of investments	98,644	201,326	81,724	167,230	72,978
<b>Net cash flows from investing and financing activities</b>	<b>98,644</b>	<b>269,100</b>	<b>163,190</b>	<b>251,578</b>	<b>158,771</b>
Foreign exchange translation differences	-	-	-	-	-
<b>Net increase (decrease) in cash for the year</b>	<b>(124,747)</b>	<b>7,361</b>	<b>256</b>	<b>109</b>	<b>291</b>
<b>add opening bank accounts and cash</b>	<b>139,800</b>	<b>1,882</b>	<b>9,243</b>	<b>9,499</b>	<b>9,608</b>
<b>Closing bank accounts and cash</b>	<b>15,053</b>	<b>9,243</b>	<b>9,499</b>	<b>9,608</b>	<b>9,899</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.

## **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. 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.

### **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.

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

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	94.9%
2021/22	97.0%
2022/23	97.4%

**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 and Finance Committee
<b>From</b>	Alison Diaz Chief Financial Officer
<b>Date</b>	14 February 2020
<b>Prepared by</b>	Mairi Davis Financial Accountant
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318 / 2529175
<b>Report Title</b>	Waikato District Community Wellbeing Trust – Financial Statements for the six months ended 31 December 2019

## **I. EXECUTIVE SUMMARY**

---

Attached are the Waikato District Community Wellbeing Trust (Wellbeing Trust) six-month financial statements to 31 December 2019. The operating surplus is \$177,526 compared with a full year surplus budget of \$210,275 as approved in the statement of intent and an operating deficit of \$201,913 for the same period in the previous year. The favourable market conditions seen in the second half of the previous year have continued in the current year.

## **2. BACKGROUND**

---

Pursuant to section 66 of the Local Government Act 2002, Council is required to receive regular financial reports from the Wellbeing Trust. Interim financial statements are not required to be audited.

The Wellbeing Trust was established in May 2010 to receive, manage and distribute the funds received from the Waikato Foundation Trust. The funds were 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.

The Trust achieved a surplus of \$177,526 for the six months compared with a deficit of \$201,913 in the corresponding period of the previous year and a full year budgeted surplus of \$210,275. The adverse performance of the Trust's investments during the first half of the previous year has reversed and the Trust is now generating an above budget surplus.

Budgets are based on an assumed long term sustainable return of 7.26% (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.

There has been a change in the makeup of the Trust's income as a result of the shift towards the use of Prescribed Investment Entity (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.

No grant payments have been expensed during the six months as all outstanding grants were accrued at 30 June 2019. During the same period last year the Trust paid out \$53,774 in grants. Grant commitments of \$33,500 remain outstanding.

### **3. RECOMMENDATION**

---

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

### **4. ATTACHMENTS**

---

Waikato District Community Wellbeing Trust Financial Statements for the six months ending 31 December 2019.

**Waikato District Community Wellbeing Trust**  
**Statement of financial performance**  
**For the six months ended 31 December 2019**

	6 mths		Full year	
	Actual	Actual	Budget	Actual
	\$	\$	\$	\$
	2019/20	2018/19	2019/20	2018/19
<b>Revenue</b>				
Finance income	130	91	141	223
Realised gains on investments	27,829	14,808	69,977	22,288
Unrealised gains on investments	162,758	-	215,642	253,258
<b>Total revenue</b>	<b>190,717</b>	<b>14,899</b>	<b>285,760</b>	<b>275,769</b>
<b>Expenses</b>				
Audit fees				
- Current year	-	-	7,808	7,810
Other expenditure	13,191	12,619	29,709	25,471
Grants	-	53,774	37,968	187,774
Unrealised losses on investments	-	150,419	-	-
<b>Total expenses</b>	<b>13,191</b>	<b>216,812</b>	<b>75,485</b>	<b>221,055</b>
<b>Surplus (deficit) for the period</b>	<b>177,526</b>	<b>(201,913)</b>	<b>210,275</b>	<b>54,714</b>

**Waikato District Community Wellbeing Trust**
**Statement of financial position**
**As at 31 December 2019**

	6 mths		Full year	
	Actual	Actual	Budget	Actual
	\$	\$	\$	\$
	2019/20	2018/19	2019/20	2018/19
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	11,399	16,613	15,873	1,882
Prepayments	-	958	408	386
Other financial assets	4,372,579	3,887,194	3,963,917	4,301,156
<b>Total current assets</b>	<b>4,383,978</b>	<b>3,904,765</b>	<b>3,980,198</b>	<b>4,303,424</b>
<b>Total assets</b>	<b>4,383,978</b>	<b>3,904,765</b>	<b>3,980,198</b>	<b>4,303,424</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Creditors and other payables	166,931	171,778	50,003	234,096
Accrued expenses	67,904	17,997	8,164	97,711
<b>Total current liabilities</b>	<b>234,835</b>	<b>189,775</b>	<b>58,167</b>	<b>331,807</b>
<b>Total liabilities</b>	<b>234,835</b>	<b>189,775</b>	<b>58,167</b>	<b>331,807</b>
<b>Total assets less total liabilities (net assets)</b>	<b>4,149,143</b>	<b>3,714,990</b>	<b>3,922,031</b>	<b>3,971,617</b>
<b>Trust equity</b>				
Introductory fund	2,579,899	2,579,899	2,579,899	2,579,899
Capital maintenance fund	524,986	446,101	559,505	485,270
Accumulated funds	1,044,258	688,990	782,627	906,448
<b>Total Trust equity</b>	<b>4,149,143</b>	<b>3,714,990</b>	<b>3,922,031</b>	<b>3,971,617</b>

**Waikato District Community Wellbeing Trust**  
**Statement of cash flows**  
**For the six months ended 31 December 2019**

	6 mths		Full year	
	Actual	Actual	Budget	Actual
	\$	\$	\$	\$
	2019/20	2018/19	2019/20	2018/19
<b>Cash flows from operating activities</b>				
<b>Cash was received from:</b>				
Interest receipts	130	92	141	219
<b>Cash was applied to:</b>				
Payments to donees	(95,529)	(118,798)	(198,162)	(118,798)
Payments to suppliers	(14,248)	(19,517)	(16,983)	(31,575)
<b>Net cash flows from operating activities</b>	<b>(109,647)</b>	<b>(138,223)</b>	<b>(215,004)</b>	<b>(150,154)</b>
<b>Cash flows from investing and financing activities</b>				
<b>Cash was received from:</b>				
Sale of investments	202,892	146,091	215,824	236,530
<b>Cash was applied to:</b>				
Acquisition of investments	(83,728)	(131,054)	-	(224,299)
<b>Net cash flows from investing and financing activities</b>	<b>119,164</b>	<b>15,037</b>	<b>215,824</b>	<b>12,231</b>
Foreign exchange translation differences	-	-	-	5
<b>Net increase (decrease) in cash for the year</b>	<b>9,517</b>	<b>(123,186)</b>	<b>820</b>	<b>(137,918)</b>
Add opening bank accounts and cash	1,882	139,799	15,053	139,800
<b>Closing bank accounts and cash</b>	<b>11,399</b>	<b>16,613</b>	<b>15,873</b>	<b>1,882</b>

**Waikato District Community Wellbeing Trust**  
**Change in equity**  
**For the six months ended 31 December 2019**

	Capital			Total
	Introductory fund	maintenance fund	Accumulated funds	
Opening balance at 1 July 2019	2,579,899	485,270	906,448	3,971,617
Net surplus (deficit)	-	-	177,526	177,526
Capital maintenance charge	-	39,716	(39,716)	-
<b>Closing balance at 31 December 2019</b>	<b>2,579,899</b>	<b>524,986</b>	<b>1,044,258</b>	<b>4,149,143</b>

**Waikato District Community Wellbeing Trust**  
**As at 31 December 2019**

**Investment portfolio managed by Kiwi Wealth Ltd**

	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>30-Jun-19</b>
Cash	10,491	15,676	934
Fixed income pie	1,956,296	1,776,385	1,933,767
Growth pie	2,416,283	2,110,809	2,367,389
<b>Total portfolio value</b>	<b>4,383,070</b>	<b>3,902,870</b>	<b>4,302,090</b>
6 month change from 1 July 2019	1.88%		
12 month change from 31 December 2018	12.30%		

**Grant commitments**

Scout Association of NZ - Camp Waingaro	Install new lino in kitchen, bunkroom and corridors	5,500
Tuakau Youth Sport Trust	To build a new skatepark in Tuakau	20,000
David Johnstone Pukemokemoke Trust	To upgrade walking track and install composting	8,000
<b>Total committed grants at 31 December 2019</b>		<b>33,500</b>

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### **Open Meeting**

<b>To</b>	Strategy & Finance Committee
<b>From</b>	Alison Diaz Chief Financial Officer
<b>Date</b>	27 February 2020
<b>Prepared By</b>	Colin Bailey Finance Manager
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318 / 2529174
<b>Report Title</b>	Local Government Funding Agency Half Year Report to 31 December 2019 and 2020/21 Draft Statement of Intent

## **I. EXECUTIVE SUMMARY**

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Attached is the Local Government Funding Agency (“LGFA”) Report to shareholders for half year ending 31 December 2019. Although Council is not a shareholder of the LGFA, Council is a guaranteeing Local Authority and hence receives this reporting.

The requirements of the LGFA Statement of Intent include the provision of Council borrowers and their compliance with financial covenants based upon their annual reports as at 30 June 2019. All Council borrowers have complied with LGFA lending conditions and remain in compliance with covenants.

The LGFA 2020/21 Draft Statement of Intent is also attached for the information of Councillors.

## **2. RECOMMENDATION**

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

## **3. ATTACHMENTS**

---

Local Government Funding Agency Half Year Report ending 31 December 2019  
Local Government Funding Agency 2020/21 Draft Statement of Intent

**Financing  
the infrastructure  
investment undertaken  
by New Zealand  
councils**

**Te tuku pūtea ki ngā  
haumitanga hanganga e  
whakamahia ana e ngā  
kaunihera o Aotearoa**

Half year report  
31 December 2019

*Mā te huruhuru ka rere te manu* is a traditional saying literally meaning ‘birds need feathers to fly’.

**Its wider meaning is that ‘investment is needed for success’.**

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# Message from the Chair

## He karere mai i te Toihau

**For the six months ended  
31 December 2019**

*“LGFA continues to provide cost effective financing solutions for its growing council membership base while offering New Zealand dollar fixed income investors a choice of investment maturities with a relatively attractive yield pickup over New Zealand Government Bonds ”*

**Craig Stobo, Chair LGFA Board**



Directors would like to highlight the following developments at LGFA for the six-month period to 31 December 2019.

### Strong Financial and Operational Performance

LGFA total interest income for the six-month period of \$185.1 million was a 2.3% increase over the 2018-19 comparable period result of \$180.9 million while net operating profit of \$6.10 million was a 0.3% increase on the 2018-19 comparable period result of \$6.08 million.

Net interest income and operating profit exceeded both the previous comparable period result and are ahead of the Statement of Intent (SOI) forecast due to the early refinancing of council loans maturing in April 2020 and a higher level of new council borrowing.

Expenses have been managed under budget over the past six months. In terms of composition, lower fees from a reduced utilisation of the standby facility, and lower Approved Issuer Levy payments were somewhat offset by higher legal and NZX costs from lending and bond issuance activities.

LGFA bonds continue to be an attractive investment for investors while LGFA has also delivered savings in borrowing costs and extended the tenor of lending available to our council borrowers.

The financial strength of LGFA was reaffirmed by Fitch Ratings who maintained our credit rating at 'AA+' in November 2019 and our 'AA+' rating from S&P Global Ratings remains on positive outlook, both of which are the same as the New Zealand Government.

### Borrowing activity

LGFA issued \$1.105 billion of bonds over the past six months and nominal outstandings now total \$10.49 billion (including \$450 million of treasury stock) across nine maturities from 2020 to 2033.

The new April 2029 bond maturity by syndication of \$500 million in August 2019 was another successful issue, following on from the \$1 billion April 2024 syndication in March 2019. The April 2024 syndication was recognised at the KangaNews awards as the New Zealand Domestic Bond Deal of the Year.

LGFA is the largest issuer of New Zealand dollar securities after the New Zealand Government and our bonds are amongst the largest and most liquid New Zealand dollar debt instruments available for investors. We have seen a shift in investor

composition over the past six months as offshore investors have become less attracted to the lower yielding NZD fixed income asset class while domestic investors have increased their holdings based on the outlook for lower interest rates and lack of supply of other high-grade bonds. Our offshore investor holdings have reduced from 33% in June 2019 to 29% in December 2019, while NZ Institutional and retail investor holdings have increased from 29% to 32%.

The performance of LGFA bonds over the past six months has been positive with LGFA bond spreads to both swap and New Zealand Government Bonds (NZGB) becoming tighter with a greater narrowing on the spread to NZGB as market participants expect additional future issuance of NZGBs. Outright yields on LGFA bonds have declined modestly over the past six months by between 2 bps (0.02%) on the 2027 maturity and 11 bps (0.11%) on the 2021 maturity, although there was greater volatility with the 2027 LGFA bond yield trading a 65 bps (0.65%) range over the six-month period.

LGFA continues to issue short-dated LGFA Bills ranging in maturities from three months to 12 months through a combination of monthly tenders and private placements. As at 31 December 2019, outstandings under the programme are \$405 million. These instruments provide a source of funding for short-dated lending to our council borrowers and assist LGFA with liquidity management.

### Lending to the sector

LGFA was established in December 2011 to provide long-dated borrowing, certainty of access to markets and to reduce the borrowing costs for the local government sector. Over the past six months, we added two new members with Taranaki Regional Council joining as a guarantor and Kaikoura District Council joining as a non-guarantor. Total membership of 66 councils is very pleasing and this is expected to increase slightly in the coming six months as several councils are partly through the joining process.

Long-dated lending over the six-month period was \$732 million with the lending activity a mix of new borrowing and the refinancing of council loans maturing on 15th April 2020. The tenor of borrowing by councils at 6.8 years was longer than the average term of borrowing of 6.0 years over the 12-month period to June 2019.

Short-dated lending for terms less than 12 months has been well supported by councils and, as at 31 December 2019, LGFA had \$525 million of short-term loans outstanding to 31 councils.

The underlying credit quality of the sector continues to remain very strong with all member councils remaining compliant with the LGFA lending covenants.

### Acknowledgments

On behalf of my fellow directors we are pleased to be part of the continued success of this organisation and wish to thank our council shareholders, guarantors and borrowers as well as NZ Debt Management, our financial intermediaries, investors and staff for their continued support.

A handwritten signature in black ink, appearing to read 'C Stobo', is enclosed within a rectangular box. The signature is written in a cursive style with a horizontal line above and below the text.

**Craig Stobo**  
Chair, LGFA Board



Pipe replacement work on Queens Drive.  
Invercargill City Council

# Performance against objectives

## Tutukinga mahi ki ōna whāinga

The statement of service performance details LGFA's performance for the first half of the financial year against the objectives and targets set out in the LGFA Statement of Intent 2019-20 (SOI).

### Performance against 2019-20 primary objectives

This section sets out LGFA's performance for the six-month period ended 31 December 2019 against the two primary objectives set out in the 2019-20 SOI.

- 1. LGFA will operate with the primary objective of optimising the debt funding terms and conditions for participating local authorities. Among other things this includes:**

#### **Providing savings in annual interest costs for all participating local authorities on a relative basis to other sources of financing;**

LGFA aims to minimise its issuance margin over swap rates to provide cost-effective funding to councils. The LGFA margin to swap will depend upon several factors including the relative demand and supply of high grade bonds, general credit market conditions, performance of New Zealand Government bonds and swap rates, investor perceptions of LGFA, and the issuance volume and tenor of LGFA bonds.

## 2019-20 performance objectives

The SOI sets out two primary performance objectives and eight additional objectives for LGFA for the year ended 30 June 2020:

### Primary objectives

1. LGFA will operate with the primary objective of optimising the debt funding terms and conditions for participating local authorities. Among other things this includes:
  - i. Providing savings in annual interest costs for all participating local authorities on a relative basis to other sources of financing;
  - ii. Offering short and long-term borrowings with flexible lending terms;
  - iii. Enhancing the certainty of access to debt markets for participating local authorities, subject always to operating in accordance with sound business practice; and
  - iv. Being the debt funder of choice for New Zealand local government.
2. LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each participating local authority's financial position and the general issues confronting the Local Government sector. This includes
  - i. LGFA will review each participating local authority's financial position, its financial headroom under LGFA policies and endeavour to visit each Participating Local Authority on an annual basis;
  - ii. Implement the changes to the Foundation Policies that were approved at the November 2018 AGM to allow for lending to council-controlled organisations (CCOs). Changes to operational policies and practices need

to ensure that no additional risk is borne by lenders, guarantors or the Crown;

- iii. LGFA will analyse finances at the Council group level where appropriate and report to shareholders as to which participating local authorities are measured on a group basis; and
- iv. LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.

### Additional objectives

1. Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy;
2. Provide at least 75% of aggregate long-term debt funding to the local government sector;
3. Achieve the financial forecasts (excluding the impact of AIL) set out in section 4;
4. Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses set out in section 4;
5. Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015;
6. Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same rating agency;
7. Introduce CCO lending by December 2019 and report quarterly, the volume of lending to CCOs; and
8. Comply with its Treasury Policy, as approved by the Board.

Given that LGFA tends to match fund its on-lending to councils where possible, i.e. tends to issue bonds in a similar tenor and volume as its on-lending, LGFA only has influence over investor perception amongst the above factors that determine LGFA spreads to swap.

There will be periods within the interest rate and credit market cycles when LGFA bonds will outperform its benchmarks (spread narrowing) and there will be periods of time when LGFA bonds underperform (spread widening). It is also very difficult to find an appropriate benchmark to

measure performance against.

LGFA spreads to swap have consistently narrowed since it first began issuing bonds in February 2012 and, over the past six months, spreads to swap as measured by secondary market levels have, in general, narrowed modestly or are unchanged.

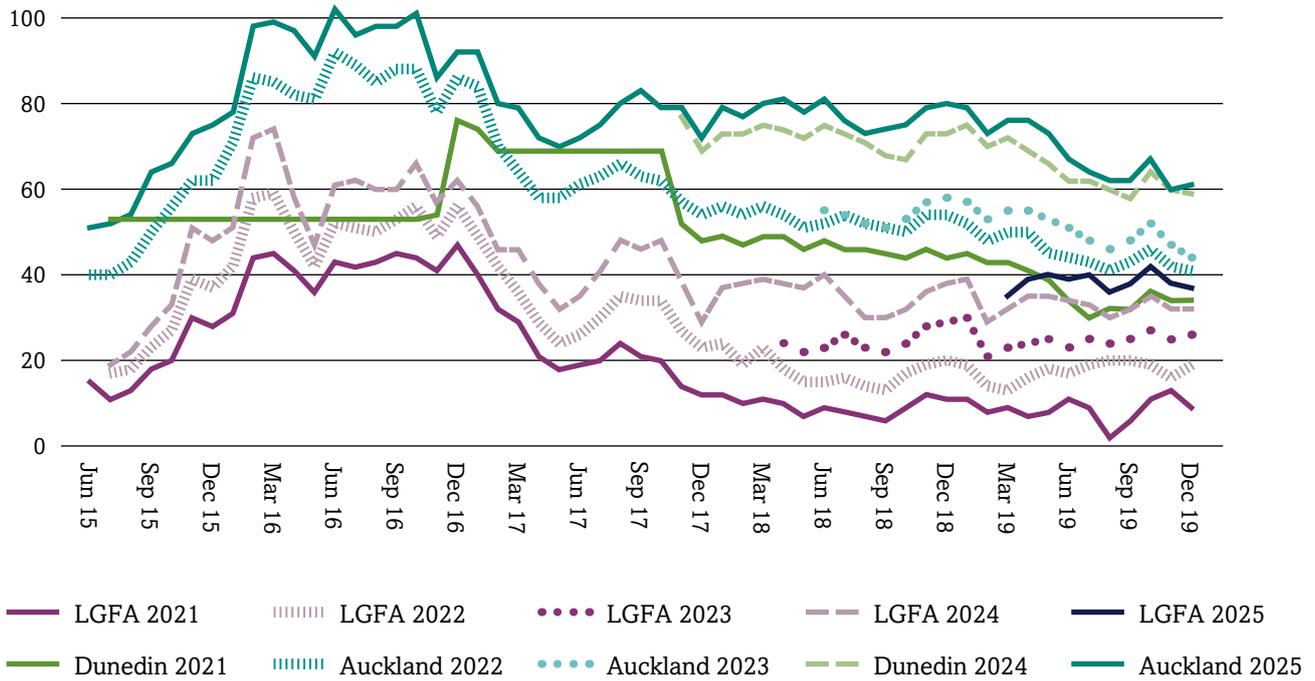
LGFA bond margin to swap	As at 31 December 2019 basis points (bps)	As at 30 June 2019 (bps)	Spread movement (bps)
15-Apr-20	7	11	(4)
15-May-21	15	15	Nil
14-Apr-22	23	22	1
15-Apr-23	27	30	(3)
15-Apr-24	34	37	(3)
15-Apr-25	40	41	(1)
15-Apr-27	46	46	Nil
20-Apr-29	59	-	n/a
14-Apr-33	67	67	Nil

Some of the movement is due to the changes in the spread between swap rates and NZ Government Bond (NZGB) yields as, over the same period, LGFA spreads to NZGB have narrowed for all maturities (except the April 2020s as the RBNZ is repurchasing this very short dated NZGB maturity).

LGFA bond margin to NZGB	As at 31 December 2019 (bps)	As at 30 June 2019 (bps)	Spread movement (bps)
15-Apr-20	37	30	7
15-May-21	27	36	(9)
14-Apr-22	35	42	(7)
15-Apr-23	41	51	(10)
15-Apr-24	46	59	(13)
15-Apr-25	50	65	(15)
15-Apr-27	56	70	(14)
20-Apr-29	68	-	n/a
14-Apr-33	73	92	(21)

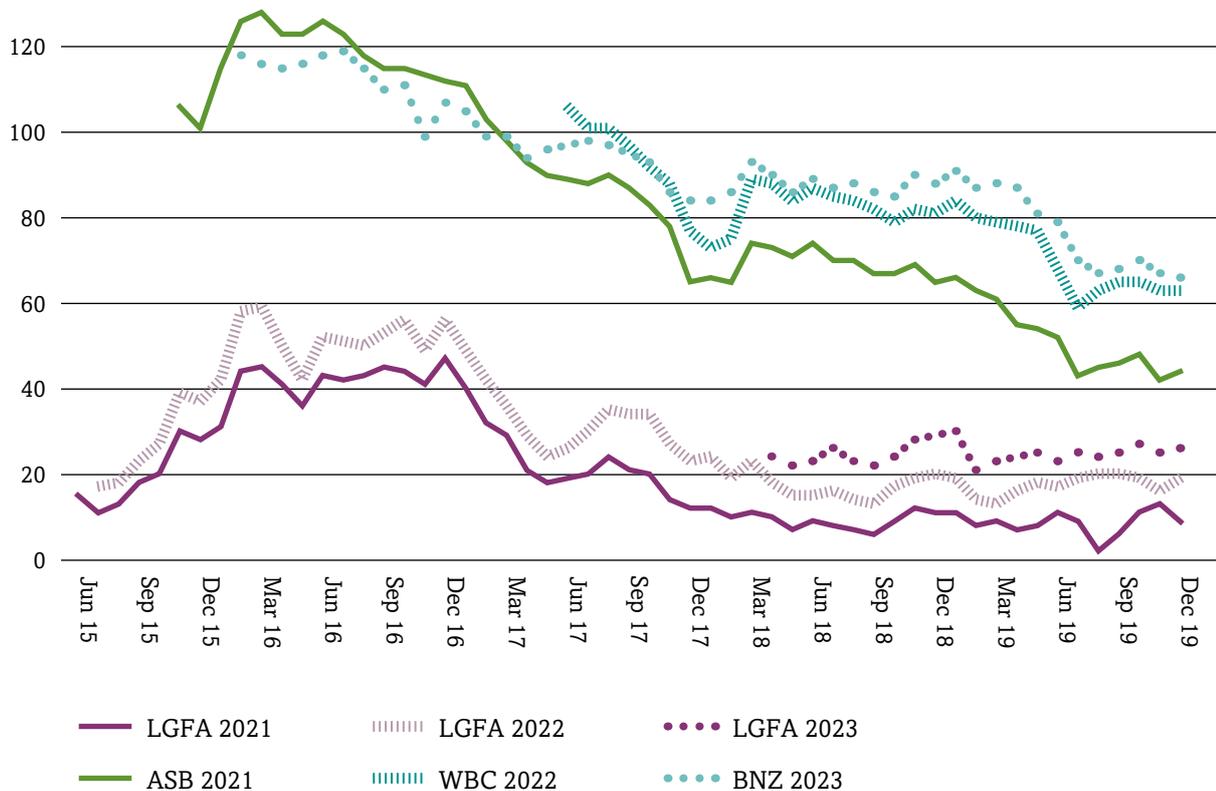
LGFA continues to provide savings in borrowing cost for councils relative to other sources of borrowing. We compare our secondary market spreads on LGFA bonds to those of Auckland Council and Dunedin City Treasury (as a proxy for councils borrowing in their own name) and a mix of banks (as a proxy for general market conditions).

### Secondary market credit spread to swap for LGFA and council bonds (basis points)



Source: Bloomberg, LGFA

### Secondary market credit spread to swap for LGFA and bank bonds (basis points)



Source: Bloomberg, LGFA

### Offering short and long-term borrowings with flexible lending terms

The average borrowing term (excluding short-dated borrowing) for the six-month period to 31 December 2019 by councils was 7.4 years, being an increase on the 6.0 years for the year to 30 June 2019. Councils lengthened the term of borrowing in response to the narrowing in borrowing spreads, low outright yields and by borrowing into 2030 and 2033 maturities.

While LGFA provides councils with the ability to currently borrow for terms from one month to 14 years, it is up to the councils to determine their preferred term of borrowing.

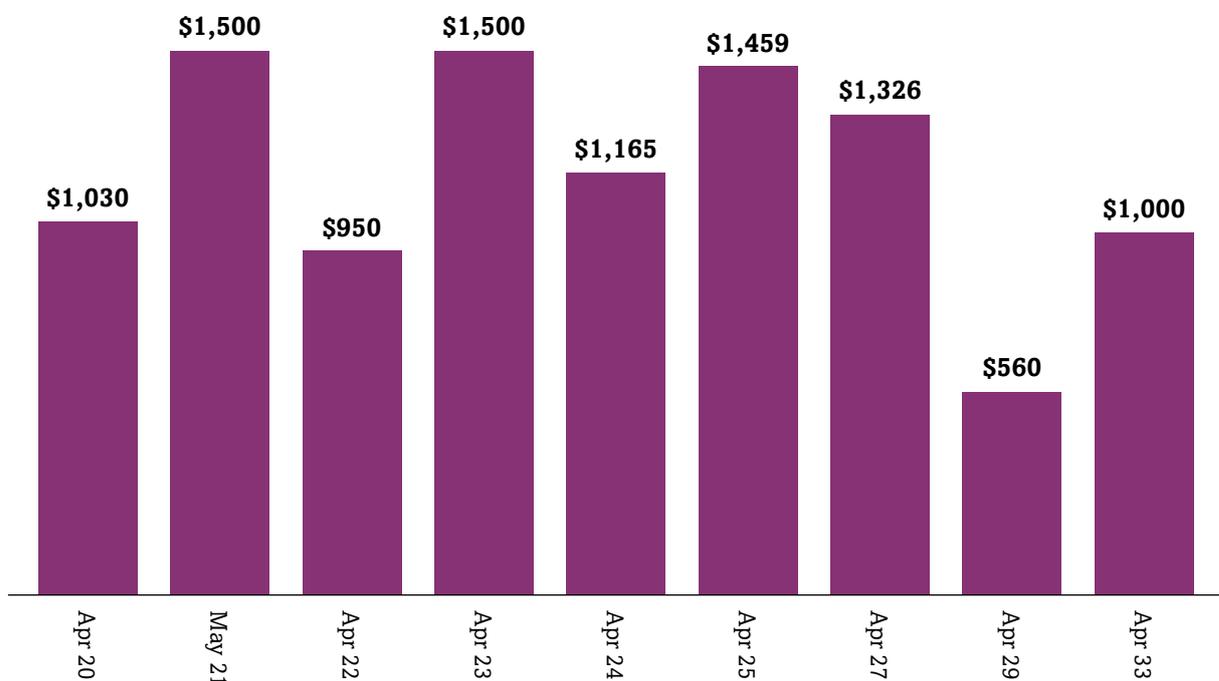
In August 2019, LGFA commenced the issuance of a 10-year bond (April 2029) providing a new benchmark to assist with the pricing of council loans between the April 2027 and April 2033 LGFA bond maturities.

The following chart shows the total LGFA bond outstandings, including treasury stock, by maturity as at 31 December 2019.

### LGFA bonds on issue (NZ\$ million)

As at 31 December 2019 : NZ\$10,490 million

Includes NZ\$450 million treasury stock



### Enhancing the certainty of access to debt markets for participating local authorities, subject always to operating in accordance with sound business practice;

LGFA listed its bonds on the NZX Debt Market in November 2015 and this has led to greater awareness and participation in LGFA bonds by domestic retail and offshore investors. Average turnover on the NZX Debt Market since listing has been \$10.6 million per month which represents 7.9% of the total turnover of the NZX Debt Market. Turnover has remained at lower than normal levels over the past six months as retail investors seek higher term deposit rates.

In late 2015, LGFA commenced the issuance of LGFA Bills (three and six months) which facilitated the offer of short-term loans of less than one year to councils. As at 31 December 2019, short-term loans totaling \$525.1 million were outstanding to 31 councils (\$360 million, 30 June 2019), which were partially funded by LGFA Bills on issue of \$403 million.

LGFA held four bond tenders during the six-month period to 31 December 2019, with an average tender volume of \$164 million and a range of \$160 million to \$170 million for each tender. LGFA also issued \$450 million of an April 2029 maturity via syndication in August 2019. This was our second syndicated issue following the successful April 2024 syndication undertaken in March 2019.

All tenders were successful although, in general, demand was less than in previous periods due to lower interest rates and tighter spreads to NZGBs. Offshore investors continue to hold LGFA bonds, but they have not increased their holdings in line with the increased issuance. The average bid-coverage ratio across the four bond tenders was 2.1 times and this compared to the average of 3.0 times for the 68 bond tenders held since LGFA first commenced issuance in February 2012.

The successful bid range (i.e. difference between the highest and lowest successful bid yield) for each maturity at each tender averaged between 0 bps and 3.8 bps, with an average of 1.9 bps across all maturities and tenders over the six-month period.

Issuance Dates	Issuance Volumes (NZ\$million)					Total
	Apr 22	Apr 24	Apr 25	Apr 29	Apr 33	
11-Dec (tender)	40	30	-	60	35	165
6-Nov (tender)	40	40	30	-	50	160
2-Oct (tender)	50	35	-	-	75	160
21-Aug (syndication)	-	-	-	450	-	450
17-Jul (tender)	60	60	-	-	50	170
<b>Total issuance six-months to 31 Dec 2019</b>	<b>190</b>	<b>165</b>	<b>30</b>	<b>510</b>	<b>210</b>	<b>1105</b>
<b>Average tender bid coverage ratio</b>	<b>1.97x</b>	<b>2.49x</b>	<b>2.3x</b>	<b>1.82x</b>	<b>1.96x</b>	<b>2.1x</b>
<b>Average tender successful bid range</b>	<b>0.8 bps</b>	<b>1.1 bps</b>	<b>1.5 bps</b>	<b>1 bps</b>	<b>3.8 bps</b>	<b>1.9 bps</b>

### Being the debt funder of choice for New Zealand local government.

Councils access flexible lending through short-term and term lending products. Short-term are loans between 30 days and 364 days, while term lending is for any council-elected term between one year and the longest-dated LGFA bond maturity (currently 14 April 2033) for any drawdown date. Therefore, councils can borrow for terms ranging from 30 days to almost 14 years at any time they wish to drawdown.

As at 31 December 2019, short-term borrowing by councils totaled \$525.1 million, an increase of \$163.1 million from 30 June 2019.

We survey council members each year and the latest survey in July 2019 returned a 100% satisfaction result to the question “How would you rate LGFA in adding value to your borrowing requirements?” and 99% satisfaction result to the question “How satisfied are you with the pricing that LGFA has provided to your Council?”

### 2. LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each participating local authority’s financial position and the general issues confronting the local government sector. This includes:

#### LGFA will review each participating local authority’s financial position, its financial headroom under LGFA policies and endeavour to visit each Participating Local Authority on an annual basis;

LGFA completes a detailed financial assessment for each member council by reviewing annual plans, long-term plans and annual financial statements, and assigns an internal credit rating to each council as part of this review exercise.

As at 30 June 2019, all councils were compliant with LGFA financial covenants. A copy of each council’s borrowing position and compliance with LGFA covenants were provided to LGFA shareholders and non-shareholder guarantors with the December 2019 quarterly report.

LGFA management met with 29 individual councils over the six-month period to 31 December 2019.

**Implement the changes to the Foundation Policies that were approved at the November 2018 AGM to allow for lending to CCOs. Changes to operational policies and practices need to ensure that no additional risk is borne by lenders, guarantors or the Crown**

LGFA expect to commence lending to CCOs in the first half of the 2020 calendar year, with implementation being delayed due to requiring shareholder approval at the November 2019 AGM and ensuring the process and controls are robust.

**LGFA will analyse finances at the Council group level where appropriate and report to the Shareholder Council and shareholders as to which participating local authorities are measured on a group basis.**

LGFA reviews the financial position of each council on a parent basis, the exception being Auckland Council. For Auckland Council, LGFA analyses the financial statements at both parent and group level.

**LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues**

LGFA management aim to meet with the management team of each council at least once a year. We are also available to present to elected officials at councils prior to them joining LGFA to remind them of their obligations.

LGFA have been involved in discussions between central government agencies around infrastructure funding and financing to assist both central and local government with this workstream.

LGFA presented at various capital market conferences and met with banks and investors on a regular basis.

## Performance against 2019-20 additional objectives

In addition to the two primary performance objectives, LGFA has eight performance objectives which complement the primary objectives. This section sets out LGFA's performance for the six-month period to 31 December 2019 against the additional objectives set out in the 2019-20 Statement of Intent.

### 1. Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy

The LGFA Board has discretion to set the dividend and the policy is to pay a dividend that provides an annual rate of return to shareholders equal to LGFA's cost of funds plus 2%.

On 20 August 2019, LGFA directors declared a dividend for the year to 30 June 2019 of \$1,165,000 (\$0.0466 per share) calculated on LGFA's cost of funds for the 2018-19 year of 2.66% plus a 2% margin.

The 2019 dividend was lower than the previous year (2018: \$0.0514 per share) due to a lower interest rate environment resulting in a lower cost of funds for LGFA. While council borrowers benefit from lower borrowing costs, the dividend payment calculated is lower than it would other-wise be in an environment of higher interest rates.

LGFA's average cost of funds for the six-month period to 31 December 2019 was 1.78%.

### 2. Provide at least 75% of aggregate long-term debt funding for participating local authorities

Councils have strongly supported LGFA by joining as members and borrowing from LGFA. As at 31 December 2019, 63 of our 66 member councils have borrowed from LGFA.

In the six months to 31 December 2019, two councils joined LGFA. Taranaki Regional Council joined as a guarantor borrower while Kaikoura District Council joined as a non-guarantor borrower.

The following chart shows LGFA's share of new local government long-term debt issuance and is derived from survey data provided by PwC. LGFA's share of long-term borrowing by the sector including non-members of LGFA was 87.7% for the rolling 12-month period to 31 December 2019.

The market share is influenced by the amount of debt issued by the sector's largest domestic borrower, Auckland Council (in its own name). Auckland Council is required to issue debt under its own name as LGFA's foundation policies restrict

total loans outstanding to Auckland to a maximum of 40%. If Auckland Council's external borrowing is excluded, then LGFA's estimated market share for the period was 90.6%.

## LGFA Market Share – rolling one year average



Source: PwC, LGFA

— LGFA Rolling Annual Market share

— LGFA Rolling Annual Market Share Adjusted for Auckland Borrowing in Own Name

### 3. Achieve the financial forecasts (excluding the impact of AIL) set out in Section 4

For the six-month period to 31 December 2019, net interest income was \$435k above budget while total expenses were \$169k below budget. Excluding AIL, expenses were \$35k below budget. Net operating gain of \$6.110 million was \$598k above SOI target.

### 4. Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses

Issuance and operating expenses for the six-month period to 31 December 2019 were \$169k under SOI budget.

### Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015;

LGFA has a Health and Safety Staff Committee with regular reporting to the board on health and safety by the Risk and Compliance Manager. There were no health and safety incidents during the six-month period to 31 December 2019.

### 5. Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency;

LGFA has credit ratings from S&P Global Ratings (S&P) and Fitch Ratings (Fitch). Both the S&P and Fitch ratings are the same as, and are capped by, New Zealand Government's credit ratings.

LGFA meets with both agencies each year and last met with Fitch in September 2019 and S&P in November 2019.

On 4 February 2019, S&P placed our long-term credit rating on positive outlook, following their decision to place the long-term credit rating of the New Zealand Government on positive outlook the previous week.

On 6 November 2019, Fitch reaffirmed our long-term credit rating as AA+ and classified LGFA as a corporate mission, government related entity (GRE) under its GRE rating criteria. Fitch equalises our ratings with those of the New Zealand Government.

S&P and Fitch ratings reports are available on our website ([www.lgfa.co.nz/for-investors/ratings](http://www.lgfa.co.nz/for-investors/ratings)).

**6. Introduce CCO lending by December 2019 and report quarterly, the volume of lending to CCOs to both the Shareholder Council and shareholders**

LGFA expect to commence lending to CCOs in the first half of the 2020 calendar year, the implementation being delayed due to requiring shareholder approval at the November 2019 AGM.

**7. Comply with its Treasury Policy as approved by the Board**

There were no compliance breaches at any time during the six-month period to 31 December 2019.

**Meet or exceed the Performance Targets outlined in section 5.**

LGFA has achieved (or is on track to achieve at year-end) all of our ten performance targets in the six-month period to 31 December 2019.

Performance measure	Target	Result to 31 December 2019	Outcome
LGFA net interest income for the period to June 2020	> \$17.88 million	\$9.80 million	✓ On track to be met
Annual issuance and operating expenses (excluding AIL)	< \$6.30 million	\$3.05 million	✓ On track to be met
Total lending (short and long term) to participating councils	At least \$9.79 billion	\$10.15 million	✓ Met
Conduct an annual survey of councils	80% satisfaction score	Survey completed July 2019	✓ Met. Survey outcome of 100%
Meet all lending requests from PLAs	100% of borrowing requests	100%	✓ Met
Achieve 75% market share of all council borrowing in New Zealand	75%	87.7%	✓ Met
Review each PLA financial position, its headroom under LGFA policies and arrange to meet each PLA at least annually	29 council visits year to date		✓ On track to be met
No breaches of Treasury Policy, any regulatory or legislative requirements including Health & Safety	No breach.	No breach	✓ On track to be met
Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due		100%	✓ On track to be met
Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating entity	AA+/AA+	AA+/AA+	✓ On track to be met

The  
redevelopment  
of Avalon Park as a  
central community  
green space.  
Hutt City Council



# Financial statements Taukī pūtea

## Statement of comprehensive income

For the six months ended 31 December 2019 in \$000s

	Note	Unaudited six months ended 31 December 2019	Unaudited six months ended 31 December 2018
<b>Interest income</b>			
Cash and cash equivalents		216	226
Marketable securities		2,072	1,229
Deposits		3,065	2,251
Derivatives		69,933	53,131
Loans to local government		109,786	124,053
Fair value hedge ineffectiveness	2	-	-
<b>Total interest income</b>		<b>185,072</b>	<b>180,890</b>
<b>Interest expense</b>			
Bills		3,521	4,610
Bond repurchase transactions		257	225
Lease liability		14	-
Bonds		169,918	164,513
Borrower notes		1,562	1,769
<b>Total interest expense</b>		<b>175,272</b>	<b>171,117</b>
<b>Net interest income</b>		<b>9,800</b>	<b>9,773</b>
<b>Operating expenses</b>			
Issuance and on-lending expenses	3	1,846	1,975
Operating expenses	4	1,851	1,723
<b>Total expenses</b>		<b>3,697</b>	<b>3,698</b>
<b>Net operating profit</b>		<b>6,103</b>	<b>6,075</b>
<b>Total comprehensive income</b>		<b>6,103</b>	<b>6,075</b>

These statements are to be read in conjunction with the notes to the financial statements

The Board of Directors of New Zealand Local Government Funding Agency Limited authorised these financial statements for issue on 27 February 2020.



Craig Stobo, Director  
Board Chair



Linda Robertson, Director  
Chair, Audit and Risk Committee

## Statement of changes in equity

For the six months ended 31 December 2019 in \$000s

	Note	Share capital	Retained earnings	Total equity
<b>Equity as at 30 June 2018</b>		<b>25,000</b>	<b>39,290</b>	<b>64,290</b>
Adjustment on adoption of NZ IFRS 9			(35)	(35)
<b>Equity as at 1 July 2018</b>		<b>25,000</b>	<b>39,255</b>	<b>64,255</b>
Net operating profit			6,075	6,075
Total comprehensive income for the period			6,075	6,075
Transactions with owners			-	-
Dividend paid on 7 September 2018			(1,285)	(1,285)
<b>Unaudited closing balance as at 31 December 2018</b>		<b>25,000</b>	<b>44,045</b>	<b>69,045</b>
<b>Equity as at 1 July 2019</b>		<b>25,000</b>	<b>49,149</b>	<b>74,149</b>
Net operating profit			6,103	6,110
Total comprehensive income for the period			6,103	6,110
Transactions with owners			-	-
Dividend paid on 6 September 2019			(1,155)	(1,155)
<b>Unaudited closing balance as at 31 December 2019</b>	<b>12</b>	<b>25,000</b>	<b>54,097</b>	<b>79,097</b>

These statements are to be read in conjunction with the notes to the financial statements

## Statement of financial position

As at 31 December 2019 in \$000s

	Note	Unaudited as at 31 December 2019	Audited as at 30 June 2019
<b>Assets</b>			
Financial assets			
Cash and bank balances		45,398	56,198
Marketable securities		252,341	255,715
Deposits		302,081	136,216
Derivatives in gain		608,089	622,559
Loans to local government	5	10,150,107	9,310,617
Non-financial assets			
Prepayments		829	570
Other assets	10	539	457
<b>Total assets</b>		<b>11,359,384</b>	<b>10,382,332</b>
Equity			
Share capital	12	25,000	25,000
Retained earnings		47,994	49,149
Total comprehensive income for the period		6,103	
<b>Total equity</b>		<b>79,097</b>	<b>74,149</b>
<b>Liabilities</b>			
Financial liabilities			
Payables and provisions		336	563
Bills	6	402,759	503,225
Bond repurchases	9	1,034	24,625
Derivatives in loss		44,200	12,926
Bonds	7	10,665,097	9,612,394
Borrower notes	8	166,564	154,168
Non-financial liabilities			
Other liabilities		297	282
<b>Total liabilities</b>		<b>11,280,287</b>	<b>10,308,183</b>
<b>Total equity and liabilities</b>		<b>11,359,384</b>	<b>10,382,332</b>

These statements are to be read in conjunction with the notes to the financial statements

## Statement of cash flows

For the six months ended 31 December 2019 in \$000s

	Note	Unaudited six months ended 31 December 2019	Unaudited six months ended 31 December 2018
<b>Cash Flow from Operating Activities</b>			
Cash applied to loans to local government		(847,625)	(1,338,445)
Interest paid on bonds issued		(184,896)	(180,956)
Interest paid on bills issued		(3,498)	(4,610)
Interest paid on borrower notes		(48)	-
Interest paid on bond repurchases		(278)	(226)
Interest received from loans to local government		117,942	121,772
Interest received from cash & cash equivalents		215	226
Interest received from marketable securities		1,711	1,627
Interest received from deposits		1,534	2,884
Net interest on derivatives		75,341	73,024
Payments to suppliers and employees		(4,270)	(4,299)
<b>Net cash flow from operating activities</b>	<b>11</b>	<b>(843,872)</b>	<b>(1,329,003)</b>
<b>Cashflow from Investing Activities</b>			
Purchase of marketable securities		3,734	161,738
Purchase of deposits		(164,334)	130,000
Purchase of plant and equipment		-	-
<b>Net Cashflow from Investing Activities</b>		<b>(160,600)</b>	<b>291,738</b>
<b>Cashflow from Financing Activities</b>			
Cash proceeds from bonds issued		1,137,733	994,187
Cash proceeds from bills issued		(100,489)	9,455
Cash proceeds from bond repurchases		(23,570)	(523)
Cash proceeds from borrower notes		10,882	16,800
Dividends paid		(1,155)	(1,285)
Cash applied to derivatives		(29,715)	(9,256)
Lease payments		(14)	-
<b>Net Cashflow from Financing Activities</b>		<b>993,672</b>	<b>1,009,378</b>
<b>Net (Decrease) / Increase in Cash</b>		<b>(10,800)</b>	<b>(27,887)</b>
Cash, cash equivalents and bank overdraft at beginning of year		56,198	50,280
<b>Cash, Cash Equivalents and Bank overdraft at end of year</b>		<b>45,398</b>	<b>22,393</b>

These statements are to be read in conjunction with the notes to the financial statements

## 1 Statement of accounting policies

### a. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating local authorities and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating local authorities.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

These financial statements were authorised for issue by the Directors on 27 February 2020.

### b. Statement of compliance

The interim financial statements are for the six-months ended 31 December 2019 and are to be read in conjunction with the annual report for the year ended 30 June 2019.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IAS 34 Interim Financial Reporting.

The financial results for the six-month period ended 31 December 2019 are unaudited.

### c. Basis of preparation

Accounting judgements, estimates and assumptions

The judgements, estimates and assumptions used to prepare these interim financial statements are consistent with those used at 30 June 2019.

Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

Changes in accounting policies

**NZ IFRS 16 Leases.** NZ IFRS 16 became effective from 1 July 2019 and did not have a material impact on the financial statements.

On adoption of NZ IFRS 16, LGFA recognised right-of-use assets and lease liabilities in relation to its property leases which had previously been classified as operating leases under NZ IAS 17 Leases.

In adopting NZ IFRS 16, LGFA elected to use the simplified retrospective approach which does not require restatement of comparative information. The lease liability is recognised at the present value of the remaining lease payments, discounted using LGFA's incremental borrowing rate, with the corresponding right-of-use asset recognised as an equal amount.

The following items in the balance sheet were impacted by the change of accounting on 1 July 2019: Other assets and Other liabilities both increased by \$0.157 million.

Lease payments previously included in other operating expense are now classified to financing and depreciation costs under NZ IFRS 16.

There have been no other changes to accounting policies.

Early adoption standards and interpretations

LGFA has not early adopted any standards.

Standards not yet adopted

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements.

### d. Financial instruments

Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand; cash in transit, bank accounts and deposits with an original maturity of no more than three months.

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

#### Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

#### Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

#### Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

### e. Other assets

#### Property, plant and equipment (PPE)

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

#### Intangible Assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

### f. Other liabilities

#### Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

### g. Revenue and expenses

#### Revenue

##### Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

##### Expenses

##### Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

##### Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

##### Goods and services tax

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

The net amount of GST recoverable from, or payable to, the IRD 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 a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

## h. Segment reporting

LGFA operates in one segment being funding of participating local authorities in New Zealand.

## i. Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. For example, the present value of large cash flows that are predicted to occur a long time into the future depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate used to calculate present values.

The estimates and associated assumptions are based on historical experience and various other

factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Where these judgements significantly affect the amounts recognised in the financial statements, the reasons are outlined in note disclosures.

## 2 Hedge accounting

LGFA is exposed to interest rate risk from fixed rate borrowing and variable rate lending to councils. LGFA uses interest rate swaps to manage this interest rate risk. For hedge accounting purposes, LGFA has designated these swaps in fair value relationships to its fixed rate borrowing and council loans.

The gain or loss on the hedging instrument and the hedged item attributable to the hedged risk for fair value hedge relationships is shown in the table below.

in \$000s	Gain/(loss) Unaudited six months ended 31 December 2019	Gain/(loss) Unaudited six months ended 31 December 2018
Hedging instruments – interest rate swaps	465,184	301,917
Hedged items attributable to the hedged risk – fixed rate bonds / loans	(465,184)	(301,917)
<b>Ineffectiveness recognised in profit or loss from fair value hedges</b>	-	-

The gains or losses on the hedging instrument (interest rate swaps) and the hedged item (bonds or loans) are mapped to the same fair value account. For this reason, the statement of comprehensive income will only report any ineffectiveness arising from the fair value hedge.

### 3 Issuance and on-lending expenses

Issuance and on-lending expenses are those costs that are incurred as a necessary expense to facilitate the ongoing issuance of LGFA debt securities.

in \$000s	Unaudited six months ended 31 December 2019	Unaudited six months ended 31 December 2018
NZDM facility fee	308	303
NZX	235	200
Rating agency fees	301	297
Legal fees for issuance	223	164
Regulatory, registry, other fees	79	68
Trustee fees	50	50
Approved issuer levy <sup>1</sup>	650	893
	<b>1,846</b>	<b>1,975</b>

1. The amount of Approved Issuer Levy is a function of the number of the offshore holders of certain LGFA bond maturities.

### 4 Operating expenses

Operating expenses are all other expenses that are not classified as 'Issuance and on-lending expenses'.

in \$000s	Unaudited six months ended 31 December 2019	Unaudited six months ended 31 December 2018
Information services	-	79
Information technology <sup>1</sup>	358	-
Consultants	52	105
Directors fees	199	189
Insurance	35	31
Legal fees	73	35
Depreciation	41	-
Other expenses	151	390
Auditors' remuneration		
Statutory audit	53	48
Advisory services	-	-
Personnel	889	846
	<b>1,851</b>	<b>1,723</b>

1. Information technology aggregates all LGFA information technology-related expenses under a single category. Previously, these expenses were recorded across information services, consultants and other expenses.

## 5 Loans to local government

in \$000s	Unaudited as at 31 December 2019		Audited as at 30 June 2019	
	Short-term loans	Loans	Short-term loans	Loans
Ashburton District Council	15,041	27,371	10,025	27,465
Auckland Council	-	2,419,254	-	2,422,898
Bay of Plenty Regional Council	70,098	121,844	90,974	50,631
Buller District Council	-	20,009	-	20,013
Canterbury Regional Council	6,005	48,148	6,006	32,108
Central Hawkes Bay District Council	-	16,077	-	2,027
Christchurch City Council	50,096	1,870,057	27,110	1,721,759
Clutha District Council	-	5,025	-	5,020
Far North District Council	20,053	56,708	-	40,149
Gisborne District Council	-	58,819	5,982	42,819
Gore District Council	6,009	13,042	6,011	13,059
Greater Wellington Regional Council	-	401,294	-	401,676
Grey District Council	4,986	15,252	4,978	15,305
Hamilton City Council	-	386,329	-	356,737
Hastings District Council	-	149,487	-	105,985
Hauraki District Council	-	43,157	-	38,192
Hawkes Bay Regional Council	-	2,510	-	2,509
Horizons Regional Council	-	37,206	-	35,182
Horowhenua District Council	16,008	94,736	11,006	85,780
Hurunui District Council	4,991	32,108	-	32,140
Hutt City Council	-	179,569	-	179,746
Invercargill City Council	37,539	30,105	25,093	30,095
Kaipara District Council	-	44,145	999	44,189
Kapiti Coast District Council	-	215,635	-	210,804
Manawatu District Council	-	69,212	-	68,229
Marlborough District Council	27,857	73,219	26,545	73,252
Masterton District Council	-	55,182	-	50,248
Matamata-Piako District Council	-	21,575	2,546	21,597
Nelson City Council	-	65,192	-	65,264
New Plymouth District Council	-	114,980	-	99,535
Northland Regional Council	-	9,729	-	9,728
Opotiki District Council	-	7,117	-	5,125

in \$000s	Unaudited as at 31 December 2019		Audited as at 30 June 2019	
	Short-term loans	Loans	Short-term loans	Loans
Otorohanga District Council	-	3,042	-	3,048
Palmerston North City Council	10,018	109,349	10,024	104,439
Porirua City Council	-	121,850	-	86,894
Queenstown Lakes District Council	20,046	95,656	20,076	85,644
Rangitikei District Council	-	3,020	-	3,013
Rotorua District Council	2,812	195,161	2,817	180,186
Ruapehu District Council	6,008	13,059	3,027	13,070
Selwyn District Council	5,022	10,037	5,097	10,053
South Taranaki District Council	-	105,371	-	80,383
South Wairarapa District Council	-	20,025	-	20,023
Stratford District Council	1,013	13,565	1,003	13,570
Taranaki Regional Council	3,962	-	-	-
Tararua District Council	4,006	25,094	4,020	21,104
Tasman District Council	41,136	137,109	25,380	127,172
Taupo District Council	-	115,322	-	115,452
Tauranga City Council	39,919	522,353	9,963	432,609
Thames-Coromandel District Council	5,009	51,188	-	51,244
Timaru District Council	12,522	67,262	17,568	67,313
Upper Hutt City Council	4,986	44,150	4,975	38,174
Waikato District Council	4,967	80,285	-	80,400
Waikato Regional Council	-	22,084	-	22,120
Waimakariri District Council	10,008	135,707	10,010	135,872
Waipa District Council	67,132	15,042	-	15,013
Wairoa District Council	-	9,037	1,514	3,519
Waitomo District Council	10,043	30,078	10,055	30,093
Wellington City Council	-	586,253	-	533,151
West Coast Regional Council	2,003	5,611	1,985	5,608
Western Bay Of Plenty District Council	-	90,331	-	90,478
Westland District Council	-	18,673	-	18,688
Whakatane District Council	5,007	57,214	5,008	57,298
Whanganui District Council	3,013	83,356	-	73,408
Whangarei District Council	9,981	132,434	9,976	122,543
	<b>527,296</b>	<b>9,622,811</b>	<b>359,771</b>	<b>8,950,846</b>

As at 31 December 2019, \$1,319 million of loans to local government are due to mature within 12 months. This comprises all short-term loans and \$792 million of loans.

## 6 Bills on issue

Unaudited as at 31 December 2019 in \$'000's	Face value	Unamortised premium	Accrued interest	Total
8 January 2020	70,000	-	(17)	69,983
17 January 2020	58,500	-	(34)	58,466
24 January 2020	32,000	-	(32)	31,968
29 January 2020	13,000	-	(11)	12,989
5 February 2020	25,000	-	(34)	24,966
12 February 2020	50,000	-	(66)	49,934
3 March 2020	5,000	-	(11)	4,989
11 March 2020	50,000	-	(114)	49,886
8 April 2020	25,000	-	(72)	24,928
7 May 2020	25,000	-	(102)	24,898
13 May 2020	25,000	-	(103)	24,897
10 June 2020	25,000	-	(144)	24,856
	<b>403,500</b>	<b>-</b>	<b>(741)</b>	<b>402,759</b>

Audited as at 30 June 2019 in \$'000's	Face value	Unamortised premium	Accrued interest	Total
4 July 2019	25,000	-	(4)	24,996
10 July 2019	85,000	-	(41)	84,959
17 July 2019	25,000	-	(23)	24,977
29 July 2019	25,000	-	(35)	24,965
5 August 2019	25,000	-	(48)	24,952
14 August 2019	50,000	-	(109)	49,891
23 August 2019	45,000	-	(117)	44,883
11 September 2019	50,000	-	(174)	49,826
4 October 2019	25,000	-	(124)	24,876
9 October 2019	25,000	-	(125)	24,875
7 November 2019	25,000	-	(168)	24,832
13 November 2019	25,000	-	(159)	24,841
4 December 2019	25,000	-	(203)	24,797
11 December 2019	25,000	-	(180)	24,820
22 January 2020	25,000	-	(266)	24,734
	<b>505,000</b>	<b>-</b>	<b>(1,775)</b>	<b>503,225</b>

## 7 Bonds on issue

Bonds on issue do not include \$450 million face value of issued LGFA bonds subscribed by LGFA and held as treasury stock. Refer Note 9: Treasury stock and bond repurchase transactions.

Unaudited as at 31 December 2019 in \$000's	Face value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
15 April 2020	980,000	(981.00)	6,265.00		
15 May 2021	1,450,000	29,988.00	11,233.00		
14 April 2022	900,000	10,716.00	5,342.00		
15 April 2023	1,450,000	49,854.00	16,996.00		
15 April 2024	1,115,000	995.00	5,347.00		
15 April 2025	1,409,000	(33,923.00)	8,258.00		
15 April 2027	1,276,000	48,291.00	12,237.00		
20 April 2029	510,000	(11,628.00)	1,526.00		
14 April 2033	950,000	(7,780.00)	7,177.00		
<b>Total</b>	<b>10,040,000</b>	<b>85,532</b>	<b>74,381</b>	<b>465,184</b>	<b>10,665,097</b>

Audited as at 30 June 2019 in \$000's	Face value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
15 April 2020	980,000	(2,674)	6,185		
15 May 2021	1,450,000	40,569	11,111		
14 April 2022	710,000	5,876	4,161		
15 April 2023	1,450,000	56,972	16,778		
15 April 2024	950,000	(3,895)	4,497		
15 April 2025	1,379,000	(38,648)	7,978		
15 April 2027	1,276,000	51,179	12,080		
14 April 2033	740,000	(35,533)	5,520		
<b>Total</b>	<b>8,935,000</b>	<b>73,848</b>	<b>68,311</b>	<b>535,236</b>	<b>9,612,394</b>

## 8 Borrower notes

Borrower notes are subordinated debt instruments which are required to be held by each local authority that borrows from LGFA in an amount equal to 1.6% of the aggregate face value of loans by that local authority.

LGFA may convert borrower notes into redeemable shares if it has made calls for all unpaid capital to be paid in full and the LGFA Board determines it is still at risk of imminent default.

## 9 Treasury stock and bond repurchase transactions

Periodically, LGFA subscribes for LGFA bonds as part of its tender process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position. As at 31 December 2019, \$450 million face value of issued LGFA bonds have been subscribed by LGFA and held as treasury stock.

LGFA makes these treasury stock bonds available to banks authorised as its tender counterparties to borrow under short-term repurchase transactions. The objective of the bond lending facility is to assist with improving secondary market liquidity in LGFA bonds. Bonds lent to counterparties are disclosed as a separate stock lending liability on the face of the statement of financial position.

Bond repurchase transactions:

Maturity date	Unaudited as at 31 December 2019	Audited as at 30 June 2019
15 April 2020	-	-
15 May 2021	-	-
14 April 2022	1,034	15,535
15 April 2023	-	-
15 April 2024	-	-
15 April 2025	-	-
15 April 2027	-	5,837
15 April 2029	-	-
14 April 2033	-	3,252
	<b>1,034</b>	<b>24,625</b>

## 10 Other assets

	Unaudited as at 31 December 2018	Audited as at 30 June 2018
Intangible assets <sup>1</sup>	382	457
Right-of-use lease asset	157	-
<b>Total</b>	<b>539</b>	<b>457</b>

1. Intangible assets comprise acquired and internally developed software costs incurred on the implementation of LGFA's treasury management system.

## 11 Reconciliation of net profit to net cash flow from operating activities

in \$000s	Unaudited six months ended 31 December 2019	Unaudited six months ended 31 December 2018
Net profit/(loss) for the period	6,103	6,075
Cash applied to loans to local government	(847,625)	(1,338,445)
Non-cash adjustments		
Amortisation and depreciation	(1,700)	4,043
Working capital movements		
Net change in trade debtors and receivables	(248)	(196)
Net change in prepayments	(259)	(308)
Net change in accruals	(143)	(172)
<b>Net Cash From operating activities</b>	<b>(843,872)</b>	<b>(1,329,003)</b>

## 12 Share Capital

As at 31 December 2019, LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled.

All ordinary shares rank equally with one vote attached to each ordinary share. Ordinary shares have a face value of \$1 per share.

### Shareholder information

	31 December 2019		30 June 2019	
New Zealand Government	5,000,000	11.1%	5,000,000	11.1%
Auckland Council	3,731,960	8.3%	3,731,960	8.3%
Christchurch City Council	3,731,960	8.3%	3,731,960	8.3%
Hamilton City Council	3,731,960	8.3%	3,731,960	8.3%
Bay of Plenty Regional Council	3,731,958	8.3%	3,731,958	8.3%
Greater Wellington Regional Council	3,731,958	8.3%	3,731,958	8.3%
Tasman District Council	3,731,958	8.3%	3,731,958	8.3%
Tauranga City Council	3,731,958	8.3%	3,731,958	8.3%
Wellington City Council	3,731,958	8.3%	3,731,958	8.3%
Western Bay of Plenty District Council	3,731,958	8.3%	3,731,958	8.3%
Whangarei District Council	1,492,784	3.3%	1,492,784	3.3%
Hastings District Council	746,392	1.7%	746,392	1.7%
Marlborough District Council	400,000	0.9%	400,000	0.9%
Selwyn District Council	373,196	0.8%	373,196	0.8%
Gisborne District Council	200,000	0.4%	200,000	0.4%
Hauraki District Council	200,000	0.4%	200,000	0.4%
Horowhenua District Council	200,000	0.4%	200,000	0.4%
Hutt City Council	200,000	0.4%	200,000	0.4%
Kapiti Coast District Council	200,000	0.4%	200,000	0.4%
Manawatu District Council	200,000	0.4%	200,000	0.4%
Masterton District Council	200,000	0.4%	200,000	0.4%
New Plymouth District Council	200,000	0.4%	200,000	0.4%
Otorohanga District Council	200,000	0.4%	200,000	0.4%
Palmerston North District Council	200,000	0.4%	200,000	0.4%
South Taranaki District Council	200,000	0.4%	200,000	0.4%
Taupo District Council	200,000	0.4%	200,000	0.4%
Thames-Coromandel District Council	200,000	0.4%	200,000	0.4%
Waimakariri District Council	200,000	0.4%	200,000	0.4%
Waipa District Council	200,000	0.4%	200,000	0.4%
Whakatane District Council	200,000	0.4%	200,000	0.4%
Whanganui District Council	200,000	0.4%	200,000	0.4%
	<b>45,000,000</b>	<b>100%</b>	<b>45,000,000</b>	<b>100%</b>

## 13 Related parties

### Identity of related parties

LGFA is related to the local authorities set out in the Shareholder Information in note 12.

LGFA operates under an annual Statement of Intent with the respective local authorities that sets out the intentions and expectations for LGFA's operations and lending to participating local authorities.

Shareholding local authorities, and non-shareholder local authorities who borrow more than \$20 million, are required to enter into a guarantee when they join or participate in LGFA. The guarantee is in respect of the payment obligations of other guaranteeing local authorities to the LGFA (cross guarantee) and of the LGFA itself.

### Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to participating councils. The lending to individual councils is disclosed in note 5, and interest income recognised on this lending is shown in the statement of comprehensive income.

The purchase of LGFA borrower notes by participating councils. Refer note 8.

The Treasury (New Zealand Debt Management) provides LGFA with a committed credit facility and is LGFA's derivatives counterparty.

## Other disclosures

### Net Tangible Assets

Net tangible assets per \$1,000 of listed bonds as at 31 December 2019 is \$7.54 (30 June 2019: \$7.95).

# Directory

## Rārangi tauwaea



### Postal address

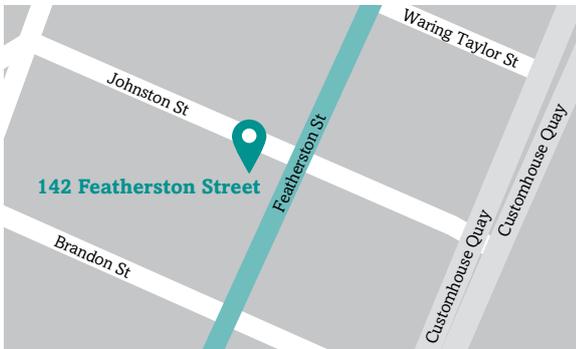
PO Box 5704  
Lambton Quay  
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### Office hours

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09.00-17.30 hrs

Except Public Holidays

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### AUCKLAND

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## Draft Statement of Intent 2020/21

### 1. Introduction

This Statement of Intent (SOI) sets out the intentions and expectations of New Zealand Local Government Funding Agency Limited (LGFA).

The LGFA is enabled under the Local Government Borrowing Act 2011 and is a council-controlled organisation (CCO) for the purposes of the Local Government Act 2002.

The SOI is prepared in accordance with section 64(1) of the Local Government Act 2002.

### 2. Nature and scope of activities

LGFA will raise debt funding either domestically and/or offshore in either NZ dollars or foreign currency and provide debt funding to New Zealand local authorities and CCOs and may undertake any other activities considered by the Board of LGFA to be reasonably related or incidentally to, or in connection with, that business.

The LGFA will only lend to Councils and CCOs that enter into all the relevant arrangements with it (such Councils being “Participating Local Authorities” and such Councils and CCOs being “Participating Borrowers”) and comply with the LGFA’s lending policies.

In lending to Participating Borrowers, LGFA will:

- Operate in a manner to ensure LGFA is successful and sustainable in the long-term;
- Educate and inform Participating Local Authorities on matters within the scope of LGFA’s operations;
- Provide excellent service to Participating Borrowers;
- Ensure excellent communication exists and be professional in its dealings with all its stakeholders; and
- Ensure its products and services are delivered in a cost-effective manner.

### 3. Objectives

#### Principal Objectives

In accordance with the Local Government Act 2002, in carrying on its business, the principal objectives of LGFA will be to:

- Achieve the shareholder-agreed objectives and performance targets specified in this Statement of Intent;
- Be a good employer;
- Demonstrate social and environmental responsibility;
- Maintain strong and sound corporate governance;
- Set and model high standards of ethical behaviour; and
- Operate in accordance with sound business practice.

#### Primary Objectives

LGFA will optimise the debt funding terms and conditions for Participating Borrowers. Among other things, this includes:

- Providing interest cost savings relative to alternative sources of financing;
- Offering flexible short and long-term lending products that meet Participating Borrowers' borrowing requirements;
- Delivering operational best practice and efficiency for its lending services;
- Ensuring certainty of access to debt markets, subject always to operating in accordance with sound business practice.

LGFA will ensure its asset book remains at a high standard by ensuring it understands each Participating Borrower's financial position, as well as general issues confronting the Local Government sector. Amongst other things, LGFA will:

- Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies;
- Analyse finances at the Council group level where appropriate and report to shareholders;
- Endeavour to visit each Participating Borrower annually, including meeting with elected officials as required, or if requested; and
- Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.

**Additional objectives**

LGFA has the following six measurable and achievable additional objectives which complement the primary objective. Performance against these objectives is reported annually.

LGFA will:

1. Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.
2. Provide at least 75% of aggregate long-term debt funding to the Local Government sector.
3. Achieve the financial forecasts outlined in section 4 for net interest income and operating expenses, including provision for a shareholder dividend payment in accordance with approved dividend policy.
4. Meet or exceed the Performance Targets outlined in section 5.
5. Comply with the Health and Safety at Work Act 2015.
6. Comply with the Shareholder Foundation Policies and the Board-approved Treasury Policy at all times.

#### 4. Financial forecasts

LGFA's financial forecasts for the three years to 30 June 2023 are:

<b>FINANCIAL YEAR (\$M)</b>	<b>SOI 2021 FEB DRAFT</b>		
	<b>Jun-21</b>	<b>Jun-22</b>	<b>Jun-23</b>
<b>Comprehensive income</b>			
Interest income	246.1	247.7	271.2
Interest expense	227.1	227.8	248.8
<b>Net Interest income</b>	<b>19.0</b>	<b>19.9</b>	<b>22.4</b>
Approved Issuer Levy	1.5	1.0	1.0
Issuance & onlending costs	2.7	2.7	2.7
Operating overhead	4.0	4.1	4.2
<b>Issuance and operating expenses</b>	<b>8.1</b>	<b>7.7</b>	<b>7.9</b>
<b>P&amp;L</b>	<b>10.8</b>	<b>12.1</b>	<b>14.4</b>
<b>Financial position (\$m)</b>	<b>Jun-21</b>	<b>Jun-22</b>	<b>Jun-23</b>
Capital	25.0	25.0	25.0
Retained earnings	68.9	80.1	93.5
Total equity	93.9	105.1	118.5
Shareholder funds + borrower notes / Total assets	2.3%	2.3%	2.3%
Dividend provision	0.9	0.9	1.0
Total assets (nominal)	11,655.1	12,451.4	12,915.8
Total LG loans - short term (nominal)	500.0	500.0	500.0
Total LG loans (nominal)	10,527.5	11,213.4	11,497.7
Total bills (nominal)	400.0	400.0	400.0
Total bonds (nominal) ex treasury stock	10,941.0	11,716.0	12,166.0
Total borrower notes (nominal)	168.4	179.4	184.0

Note that there is some forecast uncertainty around the timing of Net Interest Income, Profit and Loss, Total Assets, LG Loans, Bonds and Borrower Notes depending upon council decisions regarding the amount and timing of refinancing of their May 2021, April 2022 and April 2023 loans. LGFA will work with council borrowers to reduce this uncertainty. The above table assumes gross issuance of LGFA bonds per year of \$2.28 billion (2021/22), \$1.85 billion (2022/23) and \$1.9 billion 2023/24), however the issuance volume will be determined by LGFA at the relevant time by reference to factors including refinancing of existing borrowing by councils and (if applicable) council-controlled organisations, new borrowing by councils and (if applicable) council-controlled organisations and LGFA's own borrowing requirements for liquidity purposes. No decision has been made as to final issuance volume at this point and will depend upon market conditions.

## 5. Performance targets

LGFA has the following performance targets:

- LGFA's net interest income for the period to:
  - 30 June 2021 will be greater than \$19.0 million.
  - 30 June 2022 will be greater than \$19.9 million.
  - 30 June 2023 will be greater than \$22.4 million.
- LGFA's annual issuance and operating expenses (excluding ALL) for the period to:
  - 30 June 2021 will be less than \$6.7 million.
  - 30 June 2022 will be less than \$6.8 million.
  - 30 June 2023 will be less than \$7.0 million.
- Total lending to Participating Borrowers<sup>1</sup> at:
  - 30 June 2021 will be at least \$11,027 million.
  - 30 June 2022 will be at least \$11,713 million.
  - 30 June 2023 will be at least \$11,998 million
- Conduct an annual survey of Participating Borrowers who borrow from LGFA and achieve at least an 80% satisfaction score as to the value added by LGFA to the borrowing activities
- Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.
- Achieve 75% market share of all council borrowing in New Zealand
- Review each Participating Borrower's financial position, its headroom under LGFA policies and arrange to meet each Participating Borrower at least annually.
- No breaches of Treasury Policy, any regulatory or legislative requirements including the Health and Safety at Work Act 2015.
- Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due.
- Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating agency.

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<sup>1</sup> Subject to the forecasting uncertainty noted previously

## 6. Dividend policy

LGFA will seek to maximise benefits to Participating Local Authorities as Borrowers rather than Shareholders. Consequently, it is intended to pay a limited dividend to Shareholders.

The Board's policy is to pay a dividend that provides an annual rate of return to Shareholders equal to LGFA fixed rate bond cost of funds plus 2.00% over the medium term.

At all times payment of any dividend will be discretionary and subject to the Board's legal obligations and views on appropriate capital structure.

## 7. Governance

### Board

The Board is responsible for the strategic direction and control of LGFA's activities. The Board guides and monitors the business and affairs of LGFA, in accordance with the Companies Act 1993, the Local Government Act 2002, the Local Government Borrowing Act 2011, the Company's Constitution, the Shareholders' Agreement for LGFA and this SOI.

The Board comprises six directors with five being independent directors and one being a non-independent director.

The Board's approach to governance is to adopt best practice<sup>2</sup> with respect to:

- The operation of the Board.
- The performance of the Board.
- Managing the relationship with the Company's Chief Executive.
- Being accountable to all Shareholders.

All directors are required to comply with a formal Charter.

The Board will meet on a regular basis and no fewer than 6 times each year.

### Shareholders' Council

The Shareholders' Council is made up of between five and ten appointees of the Shareholders (including an appointee from the Crown). The role of the Shareholders' Council is to:

- Review the performance of LGFA and the Board, and report to Shareholders on that performance on a periodic basis.
- Make recommendations to Shareholders as to the appointment, removal, replacement and remuneration of directors.
- Make recommendations to Shareholders as to any changes to policies, or the SOI, requiring their approval.

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<sup>2</sup> Best practice as per NZX and Institute of Directors guidelines

- Ensure all Shareholders are fully informed on LGFA matters and to coordinate Shareholders on governance decisions.

## **8. Information to be provided to Shareholders**

The Board aims to ensure that Shareholders are informed of all major developments affecting LGFA's state of affairs, while at the same time recognising both LGFA's obligations under NZX Listing Rules and that commercial sensitivity may preclude certain information from being made public.

### **Annual Report**

The LGFA's balance date is 30 June.

By 30 September each year, the Company will produce an Annual Report complying with Sections 67, 68 and 69 of the Local Government Act 2002, the Companies Act 1993 and Financial Reporting Act 2013. The Annual Report will contain the information necessary to enable an informed assessment of the operations of the company, and will include the following information:

- Directors' Report.
- Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position, Statement of Cashflows, Statement of Accounting Policies and Notes to the Accounts.
- Comparison of the LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Auditor's Report on the financial statements and the performance targets.
- Any other information that the directors consider appropriate.

### **Half Yearly Report**

By 28 February each year, the Company will produce a Half Yearly Report complying with Section 66 of the Local Government Act 2002. The Half Yearly Report will include the following information:

- Directors' commentary on operations for the relevant six-month period.
- Comparison of LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Un-audited half-yearly Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position and Statement of Cashflows.

### **Quarterly Report**

By 31 January, 30 April, 31 July, and 31 October each year, the Company will produce a Quarterly Report. The Quarterly Report will include the following information:

- Commentary on operations for the relevant quarter, including a summary of borrowing margins charged to Participating Borrower's (in credit rating bands).

- Comparison of LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Analysis of the weighted average maturity of LGFA bonds outstanding.
- In the December Quarterly Report only, commentary on the Net Debt/Total Revenue percentage for each Participating Local Authority that has borrowed from LGFA (as at the end of the preceding financial year).
- To the extent known by LGFA, details of all events of review in respect of any Participating Borrower that occurred during the relevant quarter (including steps taken, or proposed to be taken, by LGFA in relation thereto).
- Details of any lending to CCOs during the quarter and the amount of CCO loans outstanding.

### **Statement of Intent**

By 1 March in each year the Company will deliver to the Shareholders its draft SOI for the following year in the form required by Clause 9(1) of Schedule 8 and Section 64(1) of the Local Government Act 2002.

Having considered any comments from the Shareholders received by 30 April, the Board will deliver the completed SOI to the Shareholders on or before 30 June each year.

### **Shareholder Meetings**

The Board will hold an Annual General Meeting between 30 September and 30 November each year to present the Annual Report to all Shareholders.

The Company will hold a meeting with the Shareholders' Council approximately every six months – prior to the Annual General Meeting and after the Half Yearly Report has been submitted. Other meetings may be held by agreement between the Board and the Shareholders' Council.

## **9. Acquisition/divestment policy**

LGFA will invest in securities in the ordinary course of business. It is expected that these securities will be debt securities. These investments will be governed by LGFA's lending and/or investment policies as approved by the Board and/or Shareholders.

Any subscription, purchase or acquisition by LGFA of shares in a company or organisation will, if not within those investment policies, require Shareholder approval other than as concerns the formation of wholly-owned subsidiaries and the subscription of shares in such wholly-owned subsidiaries.

## **10. Activities for which compensation is sought from Shareholders**

At the request of Shareholders, LGFA may (at its discretion) undertake activities that are not consistent with its normal commercial objectives. Specific financial arrangements will be entered into to meet the full cost of providing such as activities.

Currently there are no activities for which compensation will be sought from Shareholders.

## **11. Commercial value of Shareholder's investment**

LGFA will seek to maximise benefits to Participating Local Authorities as Borrowers rather than Shareholders.

Subject to the Board's views on the appropriate capital structure for LGFA, the Board's intention will be to pay a dividend that provides an annual rate of return to Principal Shareholders equal to LGFA fixed rate bond cost of funds plus 2.00% over the medium term.

As the Shareholders will have invested in the LGFA on the basis of this limited dividend, the Board considers that at establishment the commercial value of LGFA is equal to the face value of the Shareholders' paid up Principal Shares - \$25 million.

In the absence of any subsequent share transfers to the observed share transfers on 30 November 2012, the Board considers the current commercial value of LGFA is at least equal to the face value of the Shareholders' paid up Principal Shares of \$25 million. This equates to a value per share of \$1.00.

## **12. Accounting policies**

LGFA has adopted accounting policies that are in accordance with the New Zealand International Financial Reporting Standards and generally accepted accounting practice. A Statement of accounting policies is attached to this SOI.

**The following statement is taken from the Financial Statements presented as part of LGFA's Annual Report 2019 (updated where necessary), accordingly, the statement does not contemplate LGFA lending to CCOs.**

**ATTACHMENT: Statement of accounting policies****1 Statement of accounting policies****a. Reporting entity**

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating local authorities and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating local authorities.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

**b. Statement of compliance**

LGFA is an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). These financial statements have been prepared in accordance with that Act and the Financial Reporting Act 2013. LGFA's bonds are quoted on the NZX Debt Market.

LGFA is a profit orientated entity as defined under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IFRS and other applicable Financial Reporting Standard, as appropriate for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

**c. Basis of preparation****Measurement base**

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

**Functional and presentation currency**

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

**Foreign currency conversions**

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

## Changes in accounting policies

NZ IFRS 9. New Zealand Equivalent to International Financial Reporting Standard 9. Financial Instruments.

NZ IFRS 9 (2014) is effective for the fiscal year commencing 1 July 2018.

NZ IFRS 9 replaces NZ IAS 39 Financial Instruments: Recognition and Measurement and sets out the requirements for hedge accounting and impairment for financial assets and liabilities. LGFA early adopted NZ IFRS 9 (2010) for the classification and measurement of financial instruments at commencement of business in 2012.

LGFA has elected to apply NZ IFRS 9 (2014) on a retrospective basis. Comparative information has not been restated as there has not been a material impact. Instead, the impact of adopting the new standard is reflected in opening equity on 1 July 2018.

## Hedge accounting

There has been no change to accounting policy for hedge accounting as LGFA's current fair value hedge accounting meets the requirements of NZ IFRS 9.

## Impairment

NZ IFRS 9 prescribes an expected credit loss impairment model which replaces the incurred loss impairment model in NZ IAS 39. The expected credit loss model requires LGFA to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

LGFA has not previously incurred any credit losses under the incurred loss impairment model (NZ IAS 39) and the introduction of the expected credit loss model (NZ IFRS 9) has not had a material impact on the measurement of LGFA's financial assets.

The changes to LGFA's accounting policies for expected credit losses on financial assets are set out below.

## Methodology to determine expected credit losses

As at 30 June 2019, LGFA deemed that there had been no significant increase in credit risk since initial recognition for any financial asset and calculated the loss allowance for these instruments at an amount equal to 12-month expected credit losses, using the estimated probability of default multiplied by the estimated recovery rate.

The estimated probability of default is based on the Standard & Poor's' (S&P) Annual Global Default Study. Individual securities were assigned a probability of default over the 12-month period year based on their S&P, Fitch or Moody's credit rating. Unrated local authorities were assigned a shadow credit rating of A+, based on all complying with LGFA's financial covenants as at 31 December 2018, and S&P rating methodology where all New Zealand local authorities who have a credit rating from S&P are rated between AA and A+.

The estimated recovery rate is assigned using the S&P recovery rating scale. All local authorities were assigned a category of 1+, based on LGFA holding security over a council's rates which, in the event of a default, would give a statutory manager the legal right to impose a targeted rate to recover the principal and interest owing. All other financial assets were assigned a recovery rate based on the industry category and average S&P recovery rates for the security type.

The Treasury (New Zealand Debt Management) was assigned a category of 1+ for derivatives in gain.

#### **Early adoption standards and interpretations**

LGFA has not early adopted any standards.

#### **New standards adopted**

NZ IFRS 15. Revenue from Contracts with Customers.

NZ IFRS 15 has been adopted from 1 July 2018. There has been no impact on the financial statements.

#### **Standards not yet adopted**

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements.

NZ IFRS 16 Leases

NZ IFRS 16 becomes effective from 1 July 2019 and will not have a material impact on the financial statements.

#### **Change in presentation. Statement of financial position**

LGFA has changed the order of presentation of assets and liabilities in the Statement of financial position to reflect the order of liquidity for financial assets and liabilities. The change in presentation has been applied to both the current reporting period as well as associated comparatives.

#### **d. Financial instruments**

##### **Financial assets**

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand; cash in transit, bank accounts and deposits with an original maturity of no more than three months.

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

**Financial liabilities**

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

**Derivatives**

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

**Fair value hedge**

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

**e. Other assets****Property, plant and equipment (PPE)**

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

**Intangible Assets**

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

**f. Other liabilities****Employee entitlements**

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

**g. Revenue and expenses****Revenue****Interest income**

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

### **Expenses**

Expenses are recognised in the period to which they relate.

### **Interest expense**

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

### **Income tax**

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

### **Goods and services tax**

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

The net amount of GST recoverable from, or payable to, the IRD 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 a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

#### **h. Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

#### **i. Segment reporting**

LGFA operates in one segment being funding of participating local authorities in New Zealand.

#### **j. Judgements and estimations**

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. For example, the present value of large cash flows that are predicted to occur a long time into the future depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate used to calculate present values. Refer note 2a for fair value determination for financial instruments.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Where these judgements significantly affect the amounts recognised in the financial statements they are described below and in the following notes.

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### **Open Meeting**

<b>To</b>	Strategy & Finance Committee
<b>From</b>	Alison Diaz Chief Financial Officer
<b>Date</b>	6 March 2020
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318 / 2529492
<b>Report Title</b>	Waikato Regional Airport Limited Interim Accounts

## **I. EXECUTIVE SUMMARY**

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The attached interim accounts from the Waikato Regional Airport Limited (“WRAL”) are presented in accordance with the requirements of section 66 of the Local Government Act 2002.

The attached report indicates that the performance measures stipulated within WRAL’s Statement of Intent (“SOI”) for 2019/20 are likely to be met and in most instances exceeded for the year, with the exception of expected land sales. When compared against prior period results, performance has been far better, with an operating surplus increase of \$2.3 million principally due to an increase in both operating and land sales revenue.

The overview from the Chair provides a summary of highlights, including not only revenue growth but milestones achieved against key strategic initiatives.

## **2. RECOMMENDATION**

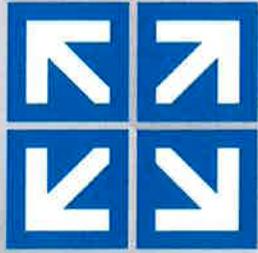
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**THAT the report from the Chief Financial Officer be received.**

## **3. ATTACHMENTS**

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Interim Accounts for Waikato Regional Airport Limited



# Hamilton Airport

## INTERIM REPORT

WAIKATO REGIONAL AIRPORT LIMITED  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

# CHIEF EXECUTIVE'S REPORT

KEY RESULTS AT A GLANCE	
+ 8%	Passenger Volume - 207,000 Growth of 16,000
- 9%	Aircraft movements - 61,000 Decrease of 6,000
+44%	Operating revenue - \$6.7m Growth of \$2.1m
+20%	EBITDA excluding land sales - \$2.1m Growth of \$0.4m
+16.7%	Total shareholder funds - \$99.7m Growth of \$14.2m

\* Growth is measured compared to the six months ended 31 December 2019.

## COMMENTARY

The six-month period to 31 December 2019 ended with year-on-year growth across all aspects of Group operations. This included a \$2.1m increase in recurring operating revenue with even contributions from the core aeronautical business and new subsidiary; Waikato Regional Airport Hotel Limited.

Increases in Group operating expenditure, personnel costs and depreciation charges were incurred due to the addition of new subsidiary Waikato Regional Airport Hotel Limited with approximately \$0.3m of non-recurring costs attributable to start-up expenses; a component of our total investment into the venture.

New commercial charges for both airline operators and general aviation tenants took full effect during the period, bolstering aeronautical earnings. The full year benefit of the new charges will be approximately \$1.5m, delivering a fair market return on our aeronautical assets.

Aeronautical earnings were further strengthened by 8% year-on-year passenger growth, resulting in revenue increases across landing charges, car parking and retail. Indicators remain positive for aeronautical performance for the remainder of the June 2020 financial year. Beyond this timeframe we expect to see a flattening of the market due to constraints in

aircraft availability following the additional market opportunities created by the withdrawal of Jetstar regional services.

A year-on-year decrease in aircraft movements resulted from decreased activity by L3 CTS Airline Academy and Waikato Aviation, following an exceptionally high number of movements in 2018 (up 11% on 2017).

The Group celebrated two significant achievements in its 10-year property strategy during the last six months. Firstly, the construction of Titanium Park's Southern Precinct, resulting in the settlement of \$5.9m of land sales and yielding almost \$2.4m in gross margin. Construction of the second stage of this precinct, and the fourth stage of the Central Precinct will commence in the second half of the year to service a pipeline of \$5.0m further land sales scheduled to settle during the following financial year.

Secondly, Titanium Park secured its first lease-build property investment, which sees TPL starting the evolution from property development to property investment. Construction of the building, to be situated on a 1-hectare site on Southern Precinct, will commence in the second half of this financial year with the tenant due to move in October 2020.

Aside from property development, the Group continues to invest across the Airport Precinct. The \$4.2m capital expenditure in the period included a \$3.2m investment into the upgrade and refurbishment of the airport hotel and conference centre and reinvestment in aeronautical infrastructure; primarily major upgrades to rescue fire infrastructure. The hotel capital works culminated in the property being accredited by Qualmark as a 4 Star hotel in December 2019 and earning a Qualmark Silver environmental accreditation in the process. Despite the disruption caused by refurbishment works resulting in some additional unbudgeted costs, the achievement of the 4 Star rating is expected to bolster earnings in the second half of the financial year.

The capital works programme for the six months to June 2020 will be dominated by the commencement of the terminal refurbishment and resilience project running through to mid-late 2021. Architectural plans are due to be finalised by February 2020 and lead construction contractors and key subcontractors will be appointed in late March 2020.

Hamilton & Waikato Tourism continue to make good progress on advancing the Tourism Opportunities Plan for the region, which has included delivery of two of the five game-changers.

Despite the softening of international visitor arrivals, the region continues to perform well as a leisure and business events destination, maintaining New Zealand's fourth largest convention and meetings market share, and third largest for domestic tourism.

A key focus for this year has been the activation of the Regional Major Events Strategy. HWT has been working with a new funding partner as it seeks to build capability as an organisation that will coordinate bids for the region in order to secure new major national and international events in our off-peak season, as well as grow the economic value of existing events such as the Hamilton Garden Arts Festival and Balloons Over Waikato.

**Mark Morgan - Chief Executive**

# FINANCIAL STATEMENTS

## Consolidated Statement of Comprehensive Income & Expense

For the six month period ended 31 December 2019

	2019 \$ '000	2018 \$ '000
<b>Revenue</b>		
Operating revenue	6,751	4,678
Land sales	5,875	1,121
Other gains/(losses)	1,096	75
	<b>13,722</b>	<b>5,874</b>
<b>Expenses</b>		
Operating expenses	(2,740)	(1,752)
Cost of land sales	(3,500)	(812)
Employee benefits expense	(1,927)	(1,191)
Depreciation & amortisation	(1,602)	(1,234)
Finance costs	(299)	(263)
	<b>(10,068)</b>	<b>(5,252)</b>
<b>Net surplus/(deficit) before tax</b>	<b>3,654</b>	<b>622</b>
Tax expense	(923)	(193)
<b>Net surplus/(deficit) after tax</b>	<b>2,731</b>	<b>429</b>
<b>Other comprehensive revenue &amp; expense</b>		
Revaluation of property, plant & equipment	-	-
Deferred tax	-	-
<b>Total other comprehensive revenue &amp; expense</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive revenue &amp; expense</b>	<b>2,731</b>	<b>429</b>

These interim financial statements have been prepared in accordance with Tier 2 PBE Accounting Standards.



**Hamilton Airport**

# FINANCIAL STATEMENTS

## Consolidated Statement of Changes in Equity

For the six month period ended 31 December 2019

	Share Capital \$ '000	Retained Earnings \$ '000	Revaluation Reserves \$ '000	Total \$ '000
Opening Balance - 1 July 2018	14,860	23,573	46,842	85,275
Net surplus/(deficit) after tax	-	429	-	429
Other comprehensive revenue & expense	-	-	-	-
Disposal of revalued property, plant & equipment	-	-	-	-
Total comprehensive revenue & expense	-	429	-	429
Dividends paid to shareholder	-	(250)	-	(250)
<b>Closing Balance - 31 December 2018</b>	<b>14,860</b>	<b>23,572</b>	<b>46,842</b>	<b>85,454</b>
Opening Balance - 1 July 2019	14,860	25,323	57,102	97,285
Net profit/(loss) after tax	-	2,731	-	2,731
Other comprehensive income	-	-	-	-
Disposal of revalued property, plant & equipment	-	-	-	-
Total comprehensive income	-	2,731	-	2,731
Dividends paid to shareholder	-	(300)	-	(300)
<b>Closing Balance - 31 December 2019</b>	<b>14,860</b>	<b>27,752</b>	<b>57,102</b>	<b>99,714</b>

## Consolidated Statement of Financial Position

As at 31 December 2019

	2019 \$ '000	2018 \$ '000
<b>Current Assets</b>		
Cash and cash equivalents	390	56
Trade and other receivables	1,228	684
Inventories	427	95
Development property	8,262	9,220
	<b>10,307</b>	<b>10,055</b>
<b>Non Current Assets</b>		
Property, plant and equipment	95,028	74,477
Investment property	18,942	21,503
Intangible & other non-current assets	1,566	874
	<b>115,536</b>	<b>96,854</b>
<b>Total Assets</b>	<b>125,843</b>	<b>106,909</b>
<b>Current Liabilities</b>		
Trade and other payables	3,717	1,262
Income received in advance	440	137
Employee entitlements	284	230
Borrowings	48	48
	<b>4,489</b>	<b>1,677</b>
<b>Non Current Liabilities</b>		
Borrowings	13,168	12,632
Deferred tax liability	8,472	7,326
	<b>21,640</b>	<b>19,958</b>
<b>Total Liabilities</b>	<b>26,129</b>	<b>21,635</b>
<b>Net Assets</b>	<b>99,714</b>	<b>85,274</b>
<b>Equity</b>		
Share capital	14,860	14,860
Retained earnings	27,752	23,572
Revaluation reserves	57,102	46,842
	<b>99,714</b>	<b>85,274</b>

# FINANCIAL STATEMENTS

## Consolidated Statement of Cash Flows

For the six months ended at 31 December 2019

	2019 \$ '000	2018 \$ '000
<b>Operating activities</b>		
Receipts from operations	12,254	5,799
Payments to suppliers and employees	(4,707)	(3,661)
Payments for construction of development property	(1,022)	(832)
Payment of interest	(292)	(263)
Payment of income taxes	(812)	(452)
Net cash from/(used in) operations	<b>5,421</b>	<b>591</b>
<b>Investing activities</b>		
Receipts from sale of property, plant and equipment	4	606
Purchases of property, plant & equipment	(3,756)	(314)
Purchases of investment properties	-	(46)
Purchases of intangible assets	-	-
Acquisition of business	(500)	-
Net cash from/(used in) investment activities	<b>(4,252)</b>	<b>246</b>
<b>Financing activities</b>		
Receipts from/(repayments of) borrowings	(1,290)	(565)
Payments of dividends	(300)	(250)
Net cash from/(used in) financing activities	<b>(1,590)</b>	<b>(815)</b>
<b>Net change in cash for the period</b>	<b>(421)</b>	<b>34</b>
Add opening cash and cash equivalents balance	811	22
<b>Closing cash and cash equivalents</b>	<b>390</b>	<b>56</b>

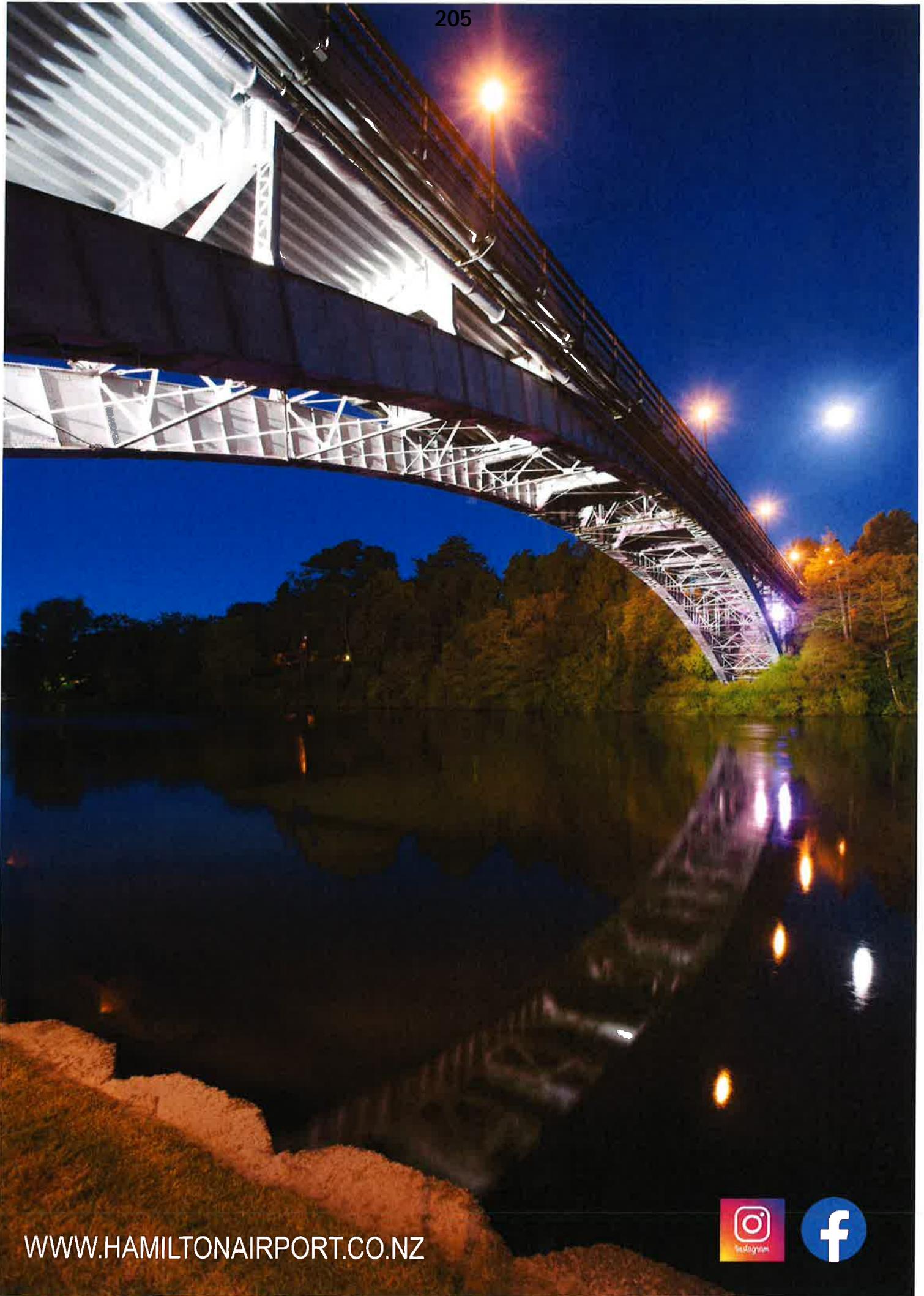
# PERFORMANCE REPORTING

## Performance against Statement of Intent

For the six months ended 31 December 2019

	SOI 30/06/2020	Actual 31/12/2019	Forecast 30/06/2020
<b>Financial Targets</b>			
EBITDA excluding Land Sales	4,000	2,084	4,468
EBITDA including Land Sales	6,000	4,459	6,843
Net Profit after Tax	1,200	2,731	1,857
Net Operating Cash Flow	2,500	568	2,960
Total Debt	25,000	13,168	16,480
Total Liabilities to Shareholders Funds	35.65	26.74	27.73
Net Profit after Tax to Shareholders Funds	1.0%	2.7%	1.9%
Net Profit after Tax to Total Assets	1.3%	2.2%	1.5%
Percentage of non-landing charge revenue (minimum)	60%	67%	68%
Land sales of at least	7,000	5,875	5,875
Interest cover of at least	4.0	7.0	6.4

The group has a number of non-financial performance targets covering across the range of activities the group undertakes. At 31 December 2019, the Group was on track to meet, and expects to meet all measures for the year ended 30 June 2020.



### Open Meeting

<b>To</b>	Strategy & Finance Committee
<b>From</b>	A Diaz Chief Financial Officer
<b>Date</b>	27 February 2020
<b>Prepared by</b>	Colin Bailey Finance Manager
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318/ 2529487
<b>Report Title</b>	Approved Counterparty Review

## I. EXECUTIVE SUMMARY

Treasury related transactions can only be entered into with organisations specifically allowed for under Council's Treasury Management Policy.

Counterparties and limits are approved on the basis of long-term and short-term credit ratings of A- and above and A2 or above respectively. Limits are spread across a number of Counterparties to manage credit exposure. Counterparty limits are reported quarterly, while credit ratings are reviewed on an ongoing basis with any material credit downgrades dealt with immediately. The Standard & Poors ratings are reported to the Committee every six months and any changes noted.

The current credit ratings (updated 24 January 2020) are shown in the table below:

	Long Term		Short Term		Within Policy?
	S&P	Policy	S&P	Policy	
ANZ Bank	AA-	A-	A-1+	A2	✓
ASB Bank	AA-	A-	A-1+	A2	✓
Bank of New Zealand	AA-	A-	A-1+	A2	✓
HSBC	AA-	A-	A-1+	A2	✓
Westpac	AA-	A-	A-1+	A2	✓

There has been no change since the ratings were last reported.

## 2. RECOMMENDATION

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

**3. ATTACHMENTS**

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Nil

### Open Meeting

<b>To</b>	Strategy & Finance Committee
<b>From</b>	A Diaz Chief Financial Officer
<b>Date</b>	3 March 2020
<b>Chief Executive Approved</b>	Y
<b>Reference #</b>	GOV1318 / 2529501
<b>Report Title</b>	Submission on the Infrastructure Funding and Financing Bill

## I. EXECUTIVE SUMMARY

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The Productivity Commission undertook an inquiry into local government funding and financing during 2019. The final report on their findings was presented to the Government on 30 November 2019, with the Infrastructure Funding and Financing Bill (“the Bill”) presented shortly thereafter.

The Commission’s inquiry assessed the adequacy and efficiency of the current local government funding and financing framework and the factors that will affect local government costs now and in the future. The proposed legislation is an output of the Urban Growth Agenda, a programme of work aimed at improving housing affordability by removing undue constraints to land supply, development capacity and infrastructure provision.

The Bill seeks to expand the funding and financing toolbox, offering a new option for council’s who have reached their debt capacity limits. The Bill proposes an off-balance sheet approach through the use of Special Purpose Vehicles (SPV), where developers, central and local government will work in collaboration to accelerate housing supply opportunities.

The funding and financing model for viable projects will use SPV’s to construct and finance infrastructure with local authority rating mechanisms used for revenue collection (payback). Properties in the project area of benefit will be charged a levy each year to cover the cost of infrastructure. These levy schemes are expected to be in place for 30 plus years, and the price of land is expected to decrease as the incidence of costs falls to property owners rather than developers as is the case with development contributions.

Council, while not currently experiencing debt capacity limitations, may need to look to new funding mechanisms as the Hamilton to Auckland corridor work progresses. The attached submission was approved via the Submissions Forum and is presented along with the Bill’s explanatory note, for information and discussion purposes only.

The regulatory impact statement which provides more detail of the proposed model is available via the following link:

[https://www.dia.govt.nz/diawebsite.nsf/Files/Proactive-releases/\\$file/IFF-Regulatory-Impact-Assessment-18-April-2019.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Proactive-releases/$file/IFF-Regulatory-Impact-Assessment-18-April-2019.pdf)

## **2. RECOMMENDATION**

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

**AND THAT** the **Strategy & Finance Committee** notes that the approved submission on the **Infrastructure Funding and Financing Bill** (as attached to the staff report) was lodged with **Parliament's Transport and Infrastructure Committee** on **5 March 2020**.

## **3. ATTACHMENTS**

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- Infrastructure Funding and Financing Bill explanatory note
- Submission on the Infrastructure Funding and Financing Bill

# Infrastructure Funding and Financing Bill

Government Bill

## Explanatory note

### General policy statement

This Bill is an omnibus Bill that amends more than 1 Act and is introduced under Standing Order 263(a) because the amendments deal with an interrelated topic that can be regarded as implementing a single broad policy. That single broad policy is to provide a funding and financing model to support the provision of infrastructure for housing and urban development that supports functioning urban land markets and reduces the impact of local authority financing and funding constraints.

### *Introduction*

New Zealand's current infrastructure funding and financing system presents a range of constraints that are making it difficult for the market and local and central government to respond to urban pressures. As a result, housing and infrastructure are not meeting the needs of New Zealanders. Specifically, local authorities face several challenges in relation to the financing of housing-related infrastructure and supplying serviced urban land.

This Bill establishes an alternative funding and financing model (the **Model**) to address these challenges and support the provision of infrastructure to support housing and urban development. The Model is an important step in the long-term evolution of the local authority funding and financing system and seeks to support the functioning of urban land markets by appropriately allocating the costs of infrastructure.

The Model is about creating flexibility in the infrastructure financing system to ensure that economically viable projects proceed, without being unnecessarily encumbered by a council's financing constraints. This will improve the responsiveness of infrastructure supply to service land for housing and competitive urban land markets, reducing the overall cost of housing in the long term. The Model also seeks to facilitate urban development infrastructure that supports community needs. Importantly, it

allows for a project to be ring-fenced from the local authority's finances, ensuring that there is no recourse to the local authority.

### *The Model*

#### **The levy**

At the core of the Model is a multi-year levy (the **levy**) which is paid by beneficiaries of infrastructure projects to a Special Purpose Vehicle (**SPV**). The levy will be enabled by legislation and authorised by an Order in Council (a **levy order**). Where appropriate, the design of the levy mimics many of the rating provisions within the Local Government (Rating) Act 2002. The person who is liable to pay the rates on a property is the person liable to pay the levy, and this will be collected by the territorial authority that is the responsible levy authority for the infrastructure.

The levy is applied to a geographic area of land and this will be identified within each levy order as the relevant area liable for the levy. The Bill provides for categories of eligible costs that are authorised to support the eligible infrastructure within a project area and recovered by the levy.

The Bill includes provisions requiring the agreement from owners of protected Māori land to the inclusion of their land within the area subject to the levy. This enables the owners of protected Māori land affected to assess the risks and benefits to them of the levy being applied and the development potential it will finance.

#### **Special purpose vehicle**

An SPV services the finance raised to cover the costs of the infrastructure via the levy and is responsible for both financing and construction of the infrastructure assets. Once constructed, the infrastructure will vest in the relevant local authority or public body. The SPV has a range of bespoke disclosure and reporting obligations that it must comply with. Depending on the structure and nature of the project, an SPV will have the following roles: raising capital (utilising the levy revenue stream), financing infrastructure, commissioning construction, transferring the infrastructure to the relevant local authority (or other relevant public entities), and repaying any finance raised for infrastructure. These functions may be divided between 2 or more SPVs named in the levy order.

#### **Recommender**

The role of the recommender is to provide independent, well-informed advice to the Minister for Urban Development on a levy proposal, and subsequently on whether to recommend the use of a levy, with a view to protect the interests of consumers and the Crown.

The assessment of a levy proposal by the recommender will make a recommendation on the structure and application of the levy, long-term beneficiary interests, affordability, and the expected distribution of benefits in the levy area. Consequently, the role of the recommender is critical in safeguarding the interests of levypayers through the

provision of high-quality advice to the Minister before a levy is authorised by a levy order.

### **Statutory powers**

There are several statutory powers that SPVs require to effectively and efficiently construct infrastructure. These include accessing powers conferred on network utility operators under the requiring authority regime in the Resource Management Act 1991. These powers provide an SPV with the ability to seek, hold, or receive a designation or to compulsorily acquire land through the Minister for Land Information. Local authorities are also enabled to exercise their existing Public Works Act 1981 powers in respect of projects that proceed, or are intended to be undertaken by an SPV, under the Model. In some instances, a public body may wish to transfer land held for a public work to an SPV to undertake that work.

Protected Māori land is excluded from compulsory acquisition powers; however, the voluntary sale of such land is possible.

It should be noted that the Model will continue to work with complementary regulatory regimes, such as resource and building consenting processes. However, as the Model provides local authorities with an additional tool to finance infrastructure, this may influence how local authorities allocate capital, meet other regulatory requirements, and plan urban development.

### **Monitor**

The role of the monitor is to ensure that SPVs comply with the terms of the empowering Act and levy orders. The monitor performs as a regulator within the Model and is an important safeguard for both the Crown and levypayers once a levy order has been made. The monitor also has a role in considering and determining any objection by a person subject to the levy as to the accuracy of the levy assessed to that person.

In order to fulfil its purpose, the monitor has the power to require information from SPVs and to annually confirm the amount of levy to be collect from levypayers, and will ensure that the SPV applies the levy in accordance with the levy order. The Monitor can give statutory directions to SPVs when they are in breach of these obligations and, if those directions are not followed, ultimately recommend that the Crown step in to manage the SPV until any significant problems are resolved.

### **Local authority involvement**

The local authority endorsement mechanism in the Bill is another safeguard to protect the legitimate interests of the local authority (or relevant public body) in which the assets will vest. A proposal for a levy must receive an asset endorsement and a levy endorsement before the Minister recommends it to Cabinet. The local authority must also assess and collect the levy on behalf of the SPV. This may entail including the levy on a rates invoice, with the levy paid simultaneously with rates collection.

Following construction, the asset will vest in the responsible infrastructure authority, be it a local authority, the New Zealand Transport Authority, or a council-controlled organisation.

### **Departmental disclosure statement**

The Department of Internal Affairs is required to prepare a disclosure statement to assist with the scrutiny of this Bill. The disclosure statement provides access to information about the policy development of the Bill and identifies any significant or unusual legislative features of the Bill.

A copy of the statement can be found at <http://legislation.govt.nz/disclosure.aspx?type=bill&subtype=government&year=2019&no=204>

### **Regulatory impact assessment**

The Department of Internal Affairs produced a regulatory impact assessment on 10 May 2019 to help inform the main policy decisions taken by the Government relating to the contents of this Bill.

A copy of this regulatory impact assessment can be found at—

- <https://www.dia.govt.nz/Resource-material-Regulatory-Impact-Statements-Index#five>
- <http://www.treasury.govt.nz/publications/informationreleases/ria>

### **Clause by clause analysis**

*Clauses 1 and 2* name the Bill and provide for when it commences.

## **Part 1**

### **Preliminary provisions**

*Clause 3* sets out the purpose of the Bill, which is to provide a funding and financing model for the provision of infrastructure to support housing and urban development.

*Clause 4* provides an outline of the Bill.

*Clause 5* relates to transitional, savings, and related provisions, setting up *Schedule 1* for that purpose. There are no such provisions at present.

*Clause 6* provides that the Crown is bound by the Bill.

*Clause 7* contains definitions, including definitions of construction, levy area, levy period, levypayer, SPV, responsible SPV, responsible levy authority, responsible infrastructure authority, surplus levy, and excess levy.

*Clause 8* defines the eligible infrastructure whose construction may be supported by a levy and *clause 9* defines eligible costs that may be recovered by the use of a levy.

*Clause 10* describes the kinds of persons and bodies that may be an SPV and provides that an SPV may be established and operated only for that purpose.

*Clauses 11 to 14* provide for land in which Māori have an interest. *Clause 11* defines protected Māori land, which is exempted from some provisions of the Bill, or in relation to which consent or agreement must be obtained before certain powers can be exercised. *Clauses 12 to 14* provide that Te Ture Whenua Maori Act 1993, the Marine and Coastal Area (Takutai Moana) Act 2011, and Treaty settlement obligations prevail if there is any inconsistency with the Bill.

*Clause 15* describes how provisions of the Local Government (Rating) Act 2002 are modified in order to apply to the levy scheme in the Bill. Provisions of that Act are applied topic by topic under *Part 3*.

## Part 2

### Authorisation of levy

*Clause 16* provides an outline of *Part 2*.

#### Subpart 1—Consideration of levy proposal

*Clauses 17 and 18* provide who may propose the use of a levy and what information a levy proposal must contain.

*Clauses 19 to 26* provide for the assessment of a levy proposal by the recommender, endorsements given by local authorities or other bodies, the need for the consent of the owners of protected Māori land, and the recommender's recommendation that is reported to the responsible Minister.

*Clauses 27 and 28* provide for the responsible Minister's recommendation to the Governor-General in Council that a levy order be made, including the matters that the Minister must take into account and the other Ministers who must be consulted.

#### Subpart 2—Levy order

*Clauses 29 to 34* provide for the making and the content of an Order in Council that authorises the use of a levy (a **levy order**), and also the publication of the recommender's report on the levy proposal that resulted in the levy order. The content of the levy order is extensive and includes the levy area, the levy period, the eligible infrastructure to be constructed, the eligible costs of construction that may be recovered by the levy, the SPV or SPVs and their roles, the maximum levy that may be collected, the rating units that are to be levied, and how the levy is to be assessed for those rating units.

#### Subpart 3—Basis of liability for levy

*Clauses 35 to 39* provide for preliminary levy-related matters, including that rateable land under the Local Government (Rating) Act 2002 is leviable, that ratepayers are liable to pay the levy when they pay the rates, and that the levy period begins on 1 July of the first levy year.

*Clause 40* requires the responsible SPV to set the annual levy for each levy year.

*Clause 41* requires the responsible levy authority to give a responsible SPV all rating information that the SPV reasonably requests.

*Clauses 42 to 50* provide for the confirmation of annual levy. The annual levy is set by the responsible SPV once confirmed by the monitor, or as directed by the monitor.

*Clause 51* allows a responsible SPV to correct an annual levy.

*Clause 52* requires a responsible SPV to reduce a levy or levy period if the amount of forecast excess levy exceeds the amount specified in the levy order.

### Part 3

#### Administration of levy

*Clause 53* provides an outline of *Part 3*.

##### Subpart 1—Who administers levy

*Clause 54* provides that the responsible SPV is authorised to administer a levy and requires the responsible levy authority to administer levy on the SPV's behalf in accordance with the levy order, *subpart 2* of this Part, and a levy administration agreement between the 2 parties.

*Clauses 55 and 56* provide for the levy administration agreement, and for the intervention of the monitor if the parties cannot agree on all necessary terms.

*Clause 57* provides that, if rates are paid on a rating unit but the levy is not paid, the responsible levy authority is not required to recover the unpaid levy. (The responsible SPV may do so under *clause 54*.)

*Clause 58* provides that a levy on a rating unit is a charge against the unit.

*Clause 59* provides that a person must not refuse to pay a levy on the ground that it is invalid unless the person brings proceedings to challenge the validity of the levy on the ground that the responsible levy authority or the responsible SPV is not empowered to set or assess the levy for the person's rating unit.

##### Subpart 2—Responsible levy authority administers levy

This subpart provides for the administration of a levy in the same way that rates are administered under the Local Government (Rating) Act 2002. Clauses in this subpart impose requirements on the responsible levy authority and also apply relevant provisions of the Local Government (Rating) Act 2002 with necessary modifications (*see clause 15*).

*Clause 60* requires a responsible levy authority to pay levy proceeds to the responsible SPV.

*Clauses 61 to 67* provide for how the responsible levy authority must use the rating information database and rates records kept under the Local Government (Rating) Act 2002 in collecting a levy. Matters covered include notifications by levypayers of changes in circumstances, dealing with objections, the correction of errors in the data-

base and records, and the requirement for the responsible SPV to give any necessary levy-related information to the responsible levy authority.

*Clauses 68 to 72* provide that the responsible levy authority must assess (and invoice) a levy along with rates.

*Clause 73* provides for how a levy is paid and provides that small amounts need not be collected.

*Clause 74* provides for the addition of penalties to a levy that has not been paid.

*Clauses 75 to 77* provide for the remission of a levy and the postponement of the requirement to pay a levy in accordance with policies agreed by the responsible SPV and the responsible levy authority.

*Clauses 78 and 79* provide for action that the responsible levy authority may take to recover unpaid levy (including any penalties). This includes taking legal proceedings, enforcing judgments (including by selling or leasing land), selling or leasing abandoned land on which a levy is unpaid, and recovery action in relation to Maori freehold land.

### Subpart 3—When SPV recovers unpaid levy

*Clauses 80 to 84* authorise the responsible SPV to recover an unpaid levy (and penalties) when there are no unpaid rates (*see clause 57*). Relevant provisions of the Local Government (Rating) Act 2002 are applied, with necessary modifications, and recovery action includes taking legal proceedings, enforcing judgments (including by selling or leasing land), and recovery action in relation to Maori freehold land. The responsible levy authority must make all necessary information available to the SPV.

## Part 4

### Other operational and financial matters

*Clause 85* provides an outline of *Part 4*.

#### Subpart 1—SPV's ongoing duties

*Clauses 86 and 87* set some key controls for the SPV that are implemented through the levy order. A responsible SPV must not collect more than the maximum levy revenue set by the levy order. The SPV must not apply levy revenue to costs other than eligible costs set by the levy order (or otherwise as permitted by the Act, for example under *clause 89*).

*Clause 88* requires the responsible SPV to enter into a vesting agreement with the responsible infrastructure authority and to transfer the eligible infrastructure to the authority in accordance with that agreement.

### Subpart 2—Excess levy and previous contributions

If there is excess levy held by the responsible SPV at the end of the levy period, *clause 89* requires that amount to be paid to the responsible levy authority. The responsible levy authority—

- must remit rates on the rating units to reflect that amount of excess levy if the amount of excess levy is more than the excess levy threshold permitted under *clause 90*; or
- if it is less than that threshold, may retain the excess levy.

The formula for calculating the excess levy threshold for this purpose allows for an annual CPI adjustment (to be published by the monitor).

*Clauses 91 to 95* relate to the case where development contributions or financial contributions have been previously given in relation to any eligible infrastructure. *Clause 92* requires the responsible levy authority to provide a list of these previous contributions to the responsible SPV. The responsible SPV may then direct the responsible levy authority to transfer those amounts to the SPV and then remit the levies on rating units to reflect the correct proportion of levy that should be payable (after deducting the previous contributions, using the formula set by *clause 93*). If the responsible SPV does not direct the transfer of the previous contributions, the responsible levy authority must instead refund them to the relevant ratepayers for the rating units on which the contributions were paid. *Clause 95* provides that the usual rules in the Local Government Act 2002 that relate to the refund of previous contributions do not apply to previous contributions under this Bill.

### Subpart 3—SPV's powers relating to construction

*Subpart 3* contains some specific powers for the responsible SPV (which apply only if applied by a levy order).

These specific powers include powers equivalent to those of local authorities under the Local Government Act 2002 to construct infrastructure on private land (*clause 96*).

The powers also include the ability to construct, place, and maintain water services infrastructure on roads and public areas and, for that purpose, break up roads and public land (*clause 97*). Before breaking up roads and public land, the SPV must give written notice to the person with jurisdiction over the road or land (*clause 98*), and must comply with reasonable conditions notified to it (*clauses 99 and 100*). There is provision for work to be started urgently without notice (*clause 101*), but in this case, the SPV must give notice later. *Clause 102* allows the SPV to appeal against conditions to the District Court.

### Subpart 4—Other financial matters

*Subpart 4* contains other financial accountability provisions.

*Clause 104* requires an SPV to pay all levy revenue into a separate bank account with a registered bank.

*Clauses 105 and 106* require the SPV to prepare financial statements for each levy year, and have them audited by a qualified auditor.

*Clauses 107 and 108* require an annual report to be provided with those financial statements and the auditor's report to the monitor. The annual report must also contain information on the eligible costs and other costs incurred by the SPV and other information needed to enable the monitoring of the levy collection. Under *clause 109*, the monitor may require additional information to be contained in the annual report.

*Clause 110* prohibits the responsible levy authority from guaranteeing or indemnifying the SPV in any way, or from providing it with any loans or other financial support (including uncalled capital).

*Clause 111* makes it clear that the Crown is not liable to contribute to the SPV's debts. This position must be clearly stated in disclosure documents for any capital raising or other financing under the Financial Markets Conduct Act 2013 (*clause 112*).

## Part 5

### Monitoring, remedies, enforcement, and miscellaneous

*Clause 113* provides an outline of *Part 5*.

#### Subpart 1—Role of monitor

*Subpart 1* provides for the monitor, which is a government agency appointed under *clause 114*.

The functions of the monitor (set out in *clause 115*) are to—

- publish general information about the levy scheme for the public benefit. *Clause 116* sets out this function in more detail:
- determine objections to incorrect levy data or assessment under *clauses 62 and 65*;
- monitor compliance with this Bill and the levy order by the SPV. *Clause 117* provides powers for the monitor to obtain information and assistance from the responsible SPV or responsible levy authority. *Clause 118* enables the monitor to supervise any change of control in the responsible SPV;
- inquire into, and intervene in, a responsible SPV's operations if need be. Under *clauses 119 and 120*, the monitor may inquire into any significant problems, potential non-compliance with the Bill or a levy order, or any concerns as to financial stability or governance and management of the SPV. The monitor may direct the SPV to address significant problems. Under *clause 121*, the monitor may also recommend the appointment of a Crown Manager if the monitor determines that the SPV has not addressed the significant problem.

#### Subpart 2—Role of Crown Manager

*Subpart 2* provides for the appointment of a Crown Manager over a responsible SPV if the monitor has made a written recommendation and if the responsible Minister

reasonably believes a significant problem with the SPV exists (*clause 122*). The Crown Manager may exercise and perform all the powers and functions of the SPV (*clause 123*) and must keep the responsible Minister and the monitor informed of progress (*clause 124*). *Clauses 125 to 128* provide for the ability of the responsible Minister to terminate the Crown Manager's appointment, the Crown Manager's protection from liability, the Crown's entitlement to be reimbursed by the SPV for costs relating to the appointment, and the Crown Manager's entitlement to remuneration and expenses.

### Subpart 3—Modified rights and remedies for creditors

*Clause 129* provides that creditors' usual rights and remedies apply in relation to SPVs, except as set out in this subpart.

*Clauses 130 to 137* modify the application of the Receiverships Act 1993 to work more appropriately for SPVs in broadly the same way as the application of that Act is modified for local authorities. The modifications are designed to enable a receiver to exercise control over levy revenue, but not otherwise control non-charged assets of the SPV, and to ensure that appropriate constraints apply in relation to charged assets (for example, to ensure that public health is not compromised).

*Clause 138* limits the usual rules under the Companies Act 1993 and the Property Law Act 2007 that allow transactions or dispositions of property at under value to be clawed back for the benefit of creditors. If a levy order applies the limits in these Acts, those rules do not apply to the transfer of eligible infrastructure by a responsible SPV to a responsible infrastructure authority or the transfer between responsible SPVs of money to finance the construction of eligible infrastructure.

### Subpart 4—Enforcement

*Subpart 4* provides for enforcement, including—

- powers for the monitor to seek court injunctions against an SPV for possible contravention of the Bill or a levy order (*clauses 139 and 140*);
- powers for the monitor to seek a court order compelling an SPV to remedy non-compliance (*clause 141*);
- powers for the monitor to seek a civil liability order directing the refund of money or return of property from a person who has contravened a levy order to the SPV if the court is satisfied that the SPV has suffered loss or damage (*clause 142*) or a compensatory order if that order is not practicable in the circumstances (*clause 143*). Defences to both types of order are provided in *clauses 144 and 145*;
- in *clause 146*, defining involved in a contravention for the purpose of *clauses 142, 143, and 145*.

*Clauses 147 to 149* create offences for making false statements, refusing or failing to give information when required under the Bill, or obstructing a person acting in per-

formance of their functions or duties, or in the exercise of their powers, under the Bill.

### Subpart 5—Miscellaneous

*Subpart 5* provides for miscellaneous matters. These include—

- the appointment and functions of the recommender (*clauses 150 and 151*);
- the ability of a responsible levy authority and an SPV to delegate powers and functions under the Act, other than the SPV's functions, duties, and powers relating to the setting of the annual levy (*clauses 152 and 153*);
- the application of various provisions of the Local Government (Rating) Act 2002 (*clause 154*).

### Subpart 6—Amendments to other Acts

*Clause 155* empowers amendments to other Acts that are set out in *Schedule 2*. The key amendments are as follows:

- to the Goods and Services Tax Act 1985: the amendment ensures that GST is payable on the levy amount:
- to the Land Transport Management Act 2003: the effect of the amendment is to enable responsible SPVs to be considered for funding under the national land transport fund:
- to the Local Government Act 2002: the effects of the amendments are—
  - to allow a local authority to require development contributions to support the construction of eligible infrastructure that has been, or is intended to be, transferred to the authority under *clause 88* of the Bill:
  - to allow a local authority's policy relating to development contributions (and also financial contributions under the Resource Management Act 1991) to include contributions that support the construction of eligible infrastructure that has been, or is intended to be, transferred to the authority under *clause 88* of the Bill:
  - that a contract or an arrangement under the Bill for the provision of eligible infrastructure does not in itself contravene section 136 or 137 of that Act:
  - to allow a local authority to use the powers of emergency entry under section 173 of that Act appropriately in relation to eligible infrastructure being constructed under the Bill:
- to the Local Government (Auckland Council) Act 2009: the effect of the amendment is to allow an Auckland water organisation to give an asset endorsement under *clause 20* of the Bill or to accept a transfer of eligible infrastructure under *clause 88* of the Bill without breaching its obligations under section 57(1) of that Act:

- to the Local Government Official Information and Meetings Act 1987: the effect of the amendment is to require that a land information memorandum issued by a territorial authority under section 44A of that Act must include specified information relating to levy under the Bill if the relevant land is in a levy area:
- to the Local Government (Rating) Act 2002: the amendments provide how the rates recovery provisions of that Act apply in a case concerning both unpaid rates and unpaid levy under the Bill:
- to the Public Works Act 1981: the effects of the amendments are—
  - to allow a local authority to compulsorily acquire land under that Act for the construction of eligible infrastructure, but to prohibit the compulsory acquisition of protected Māori land; and
  - to allow the local authority to transfer land that has been acquired to a responsible SPV for the construction, and for the SPV to transfer the land back to the authority under *clause 88* of the Bill without having to comply with sections 40 to 42A of that Act:
  - to require the authority or the SPV that is disposing of land no longer required for eligible infrastructure to comply with those provisions:
- to the Resource Management Act 1991: the effects of the amendments are,—
  - by including a responsible SPV in the definition of network utility operator under that Act, to enable the SPV to apply for approval as a requiring authority that may—
    - require a designation for a project or work whether or not that SPV has financial responsibility for the project or work; or
    - apply to the relevant Minister to acquire land (other than protected Māori land) for the work:
  - to enable a responsible infrastructure authority to require a designation for work that relates to the construction of eligible infrastructure whether or not the authority has financial responsibility for the work:
  - to enable a responsible infrastructure authority that holds a designation for work that relates to the construction of eligible infrastructure to delegate to a responsible SPV those designated functions, duties, and powers that relate to the construction:
- to the Utilities Access Act 2010: the effect of the amendments is to require a responsible SPV, when accessing or working in a transport corridor, to comply with the same code of practice that other utility operators must comply with.

5 March 2020

Infrastructure Funding and Financing Bill  
Committee Secretariat  
Transport and Infrastructure Committee  
Parliament Buildings  
WELLINGTON

Dear Sir/Madam,

**RE: Submission from the Waikato District Council on the Infrastructure Funding and Financing Bill**

Waikato District Council (“WDC”) appreciates the opportunity to make a submission on the Infrastructure Funding and Financing Bill (“the Bill”). WDC would like to acknowledge the strong collaborative approach adopted between central and local government throughout the development of the Bill.

The Waikato district is one of the fastest growing territorial authority areas in New Zealand. The district’s current population is 74,000 and is projected to reach 116,000 by 2045. Its location – spanning more than 400,000 hectares between Auckland and Hamilton (and at the heart of the golden triangle between these two cities and Tauranga) - is a key factor contributing to the district’s appeal as a place to invest, work and live.

The district is also a key focus of government’s Urban Growth Agenda initiative through the Hamilton to Auckland Corridor Plan. We are heartened by the level of interest that government is placing on this corridor (the longest portion of which is within the Waikato district).

**Submission**

WDC is supportive of the Bill’s intent, recognising the need for expanding the funding and financing toolbox for infrastructure particularly where Councils have debt capacity constraints. WDC is supportive of the sector submissions from the Society of Local Government Managers (SOLGM), Waipa District, Auckland, Hamilton and Tauranga City Councils, especially with respect to the following points:

- **General concern around overloading the rating system with additional levy administration.**  
For clarity, WDC are supportive of using this mechanism for localised infrastructure as is proposed with both the Urban Development Bill and the Infrastructure Funding and Financing (IFF) Bill because this type of infrastructure provision is “business as usual” albeit accelerated, however WDC does not support the use of the rating system where the issue is nation-wide such as with the review of funding for Fire and Emergency services.
- **Use of this tool should support development that aligns with Council spatial and strategic plans**  
Council is conscious that this proposed tool should not side-line or override the intensive local, sub regional and regional planning that WDC has committed countless hours and millions of ratepayer funds towards in the past few years. In the Waikato region and district, any new development proposals will not be operating in a strategic planning vacuum. Proposals should be deployed in order to help implement the local, sub regional and regional planning framework, not to override it. Acceleration of well evidenced development should be the desired outcome.

- **That land and land acquisition costs (including reserves) should be added to the legislation as eligible infrastructure and eligible costs**

WDC is also supportive of Auckland Council's request to include waste and recovery centre infrastructure, noting that as the management of waste is a nation-wide environmental issue (and in some cases not serviced by the local authority), other central government investment mechanisms may be more appropriate.

- **Strengthening the endorsement process**

Changes are required to ensure the asset specification endorsements are compulsory prior to approval of a levy. WDC appreciates the flexible nature of the Bill while it remains largely untested (exception of CIP's Milldale project), but strengthening this process through amendments to the proposed legislation rather than through guidance materials will provide more robust mitigation of upstream risks for all parties. This will be essential for cross-boundary proposals where technical specifications may differ between local authorities.

- **Broadening the scope from a 'new housing' focus to a tool to finance significant infrastructure proposals**

This will be of particular importance for cross-boundary infrastructure proposals where the new infrastructure may replace in entirety the current asset/s servicing an area.

With the heightened focus on three waters management and creation of a new regulatory body WDC envisages that significant investment will be required in water and wastewater treatment plants where growth in particular localities may be constrained due to environmental factors e.g. coastal or subsidence zones, areas prone to flooding etc. While WDC does not consider that the Bill explicitly precludes this tool from being used in this situation, the current frame-up is focused on housing development. The benefit of this approach for The Crown will be that direct Crown interventions for local infrastructure provision will be further reduced.

An example of where the IFF model may have been beneficial for WDC is in Pokeno – an area of substantial growth which expanded an already established village. The infrastructure costs were borne upfront by the developer who was able to provide half of the 2200 houses planned for over thirty years in only six years. Existing village residents did not have reticulated wastewater so through the development process were given an opportunity to join the scheme. However at a cost of approximately \$13,500 per connection the scheme was poorly subscribed despite having ten year payment options. In the Pokeno example, the incidence of cost was spread on a beneficiary basis yet affordability and willingness to pay were problematic. With the length of the repayment period shifting to thirty years plus as the Bill contemplates, the uptake would have been different, mainly due to a more compulsory charging proposition, but WDC considers that an IFF approach would have in all likelihood been supported by ratepayers due to a more sustainable charging mechanism.

- **The tool should be complementary to established development contribution regimes rather than a replacement**

For territorial authorities with district or city-wide development contributions (DC's) the expectation is that IFF levies will work in a complementary manner, and that DC's will continue to be charged to developers for infrastructure not directly subject to an IFF levy. Councils do not have money; ratepayers, developers and users of council services have money, so WDC is focussed on ensuring that the Bill expands the toolbox rather than constraining it, or moving the incidence of costs in favour of developers over the interests of ratepayers.

- **The IFF levy should be incorporated into the Rates Rebate Scheme**  
 While WDC accepts that the main benefit sought from introducing IFF levies is to bring forward housing supply, it will take time and good communication (greenfield property purchasers rarely apply for Land Information Memoranda) to ensure that housing prices are sensitive to this new funding and financing mechanism. In the interim, properties with an existing dwelling in an IFF catchment should be able to seek some relief through the Rates Rebate Scheme.
- **Regional councils should be part of the proposal process**  
 Regional councils must be part of the solution given their consenting mandate. They should be part of the process from inception of the proposal to ensure that once a levy is created they are sufficiently resourced to move into implementation mode. With the potential for multiple levy orders within a regional boundary, regional councils need the ability to plan in order for successful outcomes to be achieved.

On the strength of the sector submissions, WDC has only **two further points** for the Committee to note as they deliberate; the first being an appreciation **of the level of upfront support required to ensure the process for cross-boundary proposals is efficient and ultimately successful**, and the second being **inclusion of transition clause/s** to allow for the disconnect with Long-term Plan timeframes.

WDC is fortunate to have a group of elected members who work well together and display alignment on the strategic issues our district faces. This has been evident through the work undertaken across the sub-region to find a solution for providing better quality and more effective water services to our communities. Our councillors unanimously supported the establishment of a Waters Council Controlled Organisation (CCO) partnering to the south with Hamilton and Waipa due to the critical nature of this service and the benefits that would come through economies of scale. The hurdles to get the sub-regional option across the line were substantial due to the financial investment, differing benefits for each council and so forth. On this occasion we instead partnered to the North with WaterCare Service Limited for service provision. While the desired outcomes have been achieved, the time and resource to deal with what is a strategic long-term proposal has been extensive. WDC believes that cross-boundary collaboration on capital programmes will be beneficial and work well in the long-term but would request that specific cross-boundary guidance materials are looked at to support local authorities from the outset as they navigate this opportunity. When it comes down to affordability considerations, the tension between in-boundary versus cross-boundary investment priorities and inconsistency at technical and policy levels the conversations to be had will impact each authority in different ways.

Finally the Committee should be aware that councils are well underway with their long-term planning and it is likely that the passage of the Bill will no longer coincide seamlessly with the audit of our Long-term Plans (section 6 of the Regulatory Impact Statement assessed that the mechanism would need to be in place by 2019 in order to utilise for 2021 Long-term Plans). Given that the opportunity to use SPV's to bring forward infrastructure provision could impact on financial and infrastructure strategies, related budget and financial policy assumptions as well as the narrative of community consultation, WDC would like to see a transition clause with particular reference to reduced or removed audit requirements should a Long-term Plan amendment be triggered through the introduction of new IFF legislation.

**Summary**

- Waikato District Council supports the sector submissions from the Society of Local Government Managers (SOLGM), Waipa District, Auckland, Hamilton and Tauranga City Councils
- Supports use of IFF levies administered by Local Authorities provided they are used for development that aligns with council spatial and strategic plans and the levies are a complementary tool, rather than replacement of development contributions
- Advocates broadening the scope from increased housing supply to funding and financing of significant infrastructure proposals
- Suggest minor changes to eligible infrastructure and cost definitions, and compulsory requirement for asset specification endorsements to inform levy endorsement
- IFF levies should be eligible for the Rates Rebate Scheme where there is an existing dwelling on the property
- Regional councils should be involved throughout the process to ensure smooth implementation of projects
- Development of separate specific guidance materials for cross-boundary proposals would assist local authorities to pursue the opportunities this model supports
- Transitional clauses should be included to allow councils to retrofit Long-term Plans for use of the tool without incurring additional audit fees

WDC is supportive of the Bill's intent and would like to thank the Committee for the opportunity to make a submission. If the Committee has any queries regarding this submission please contact Alison Diaz (Chief Financial Officer) via email [alison.diaz@waidc.govt.nz](mailto:alison.diaz@waidc.govt.nz) in the first instance.

**WDC wishes to be heard** at the select committee hearings.

Yours sincerely,

Allan Sanson

**MAYOR**

### Open Meeting

<b>To</b>	Strategy & Finance Committee
<b>From</b>	Gavin Ion Chief Executive
<b>Date</b>	12 March 2020
<b>Prepared by</b>	Lynette Wainwright Committee Secretary
<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
<p><b>1.1 Board Director Appointments – Waikato Regional Airport Limited (WRAL)</b></p> <p><b>1.2 Waikato Regional Airport Limited Draft Statement of Intent for 2020/21</b></p>	<p><b>Good reason to withhold exists under Section 6 or Section 7 Local Government Official Information and Meetings Act 1987</b></p>	<p><b>Section 48(1)(a)</b></p>

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
1.1	7(2)(a)	To protect the privacy of natural persons, including that of deceased natural persons.
1.2	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.
	7(2)(i)	To enable the Council to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).