

Document No: A516000

**Report To: Council**



Meeting Date: 30 March 2021

Subject: **Deputation – Hillview Trust Incorporated  
(Hillview Home and Hospital)**

Type: Information Only

## Purpose of Report

- 1.1 The purpose of this business paper is to advise Council that Claire Grainger and Maree Tregoweth representing the Hillview Trust Incorporated will be in attendance at 9.00am to address Council in respect to the Trust's future plans including the parking on Hospital Road.

## Suggested Resolutions

The Deputation from Hillview Trust Incorporated (Hillview Home and Hospital) be received.

A handwritten signature in blue ink, appearing to read "Michelle Higgie".

MICHELLE HIGGIE  
**MANAGER – GOVERNANCE SUPPORT**

March 2021

Document No: A515463

**Report To: Council**



**Meeting Date:** 30 March 2021

**Subject:** Deputation – Creative Communities -  
Waikato Arts Navigator

**Type:** Information Only

## Purpose of Report

- 1.1 The purpose of this business paper is to advise Council that Creative Communities representatives Jeremy Mayall, Chief Executive, Des Ratima, Strategy, Research and Regional Development and Paul Bradley, Creative Development will be in attendance at 9.00am to address Council in respect of the Waikato Arts Navigator.

## Suggested Resolutions

The Deputation from Creative Communities - Waikato Arts Navigator be received.

A handwritten signature in blue ink that reads "H Beever".

HELEN BEEVER  
**GENERAL MANAGER – COMMUNITY SERVICES**

March 2021

- Separate Enclosures:
1. Waikato Arts Navigator – Report to Waitomo District Council
  2. Arts and Cultural Ecosystem in the Waikato

Document No: A513796

**Report To: Council**



**Meeting Date:** 30 March 2021

**Subject:** Presentation - Sport Waikato – Reporting against Provision of Services Grant Agreement

**Type:** Information Only

## Purpose of Report

- 1.1 The purpose of this business paper is to advise Council that Sport Waikato representatives Amy Marfell, General Manager Regional Leadership and Cait Cresswell, Regional Connectivity Coordinator (South) will be in attendance at 9.30am to present Sport Waikato's Report to Council as per the Provision of Services Grant Agreement.

## Suggested Resolutions

The Presentation from Sport Waikato – Reporting against the Provision of Services Grant Agreement be received.

A handwritten signature in blue ink, appearing to read "H. Beever".

HELEN BEEVER

**GENERAL MANAGER – COMMUNITY SERVICES**

March 2021

Attachment: Sport Waikato Report

# File 1 - Page 4

## Waitomo District Report

Date Range: 1<sup>st</sup> July – 31<sup>st</sup> December 2020

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### 1. ORGANISATIONAL UPDATE/S – Amy Marfell, Sport Waikato GM Regional Leadership

The work of Sport Waikato staff is guided by the Regional Strategy for Sport and Recreation in the Waikato – Moving Waikato 2025 – which is underpinned by a focus on 3 key areas: Our People; Building Communities; and Regional Leadership.



#### Sport Waikato Transformational Change Update

As you will be aware, the latter half of 2020 saw Sport Waikato initiate a transformational change to its way of working which saw the organisation step away from physical activity delivery to a more system-led model, which had implications for the historic District Coordinator model, as well as some of our other delivery-based programmes (e.g. Project Energize). We now wish to advise our Councils that this change has been completed, and includes the addition of four new Regional Connectivity Coordinators who are now in place and operating throughout our region's districts, including Waitomo. Sport Waikato wishes to thank Council again for their support, trust and commitment throughout our change. We are looking forward to further imbedding this new way of working in partnership with you and your communities.

#### The 2020 Waikato Sport & Active Recreation Awards

The Waikato Sport and Active Recreation Awards have been a huge success across the districts with over 80 nominations across 7 categories including community connections, partnerships, outstanding active space, diversity and inclusion, two people's choice categories and service to sport. The awards recipients were announced online during a special event designed to celebrate success in play, active recreation and sport during a year of challenge and adversity.

## 2. WAITOMO DISTRICT UPDATES

Status	On Track 	Some Challenges 	High Risk 	Complete 
Project	Approach to Date	Further Considerations/factors	Proposed Future Actions	Status
<b>Transition of delivery-based services</b>	As part of Sport Waikato's organisational transformation, we spent considerable time working with local community sport and recreation providers to ensure we could step away from delivery – this included ensuring sufficient notice and capability was in place to continue with local delivery by clubs and other organisations.	We will still maintain a focus on supporting the local sector, but this will no include a focus on sustainability, collaboration and innovation to support participation opportunities among people and communities in the Waitomo district	<ul style="list-style-type: none"> <li>• Sport Waikato will continue to support the local sector with a focus on building sustainability through collaboration and working to ensure participant-centred outcomes.</li> </ul>	
<b>Waitomo District Play, Active Recreation and Sport Plan</b>	Development of the Waitomo District Play, Active Recreation and Sport Plan began in late 2019. Through the reporting period updates were made to the plan to ensure that it closely aligned with Vibrant Safe Waitomo and helped to inform the future workplan of Sport Waikato within the District.  Careful consideration has also been paid to the impacts of the Covid-19 pandemic on both the sport and recreation sector and the community.	The inclusion of a focus on Play and Active Recreation within the plan provides an opportunity to work with the Waitomo community, council and providers to educate around provision of more informal physical activity opportunities that meet the needs of a wider demographic – including those from high deprivation communities, Maaori, women and girls and young people.	<ul style="list-style-type: none"> <li>• To be workshopped with Waitomo District Council for the purposes of seeking formal adoption.</li> </ul>	
<b>Support for Vibrant Safe Waitomo</b>	Sport Waikato has contributed to action planning and the development of Vibrant Safe Waitomo through the local working group.  We are also taking part in the Regional Coalition group.		<ul style="list-style-type: none"> <li>• Inclusion of Sport Waikato representatives on the Coalition and local working groups for Vibrant Safe Waitomo.</li> </ul>	

<p><b>Support for discussions regarding the Waitomo 2 Court Indoor Facility</b></p>	<p>Sport Waikato has advocated for the development of the Waitomo 2 Court Indoor Facility proposed for development in Te Kuiti. This has been done through the Waikato Regional Active Spaces Plan (previously the Waikato Regional Sports Facility Plan) and through staff resources.</p>		<p>Sport Waikato continue to advocate for the development of the Waitomo 2 Court Indoor Facility, including working with Sport New Zealand where appropriate.</p>	
<p><b>Establishment of equipment libraries to support schools and youth to engage in physical activity</b></p>	<p>Sport Waikato staff supported communities with the establishment of equipment libraries in communities. This supports accessibility of resources particularly in high deprivation communities.</p>		<ul style="list-style-type: none"> <li>• Complete</li> </ul>	
<p><b>2020 Waikato Regional Sport and Active Recreation awards</b></p>	<p>Because of COVID-19, we've had to change our traditional sports awards and the way we celebrate sport and active recreation. The new look awards replaced the current district sports awards and the Brian Perry Waikato Regional Awards for the 2020 year. We had over 80 nominations and were able to celebrate the achievements of community organisations in unprecedented and challenging times.</p>	<p>The new look format has provided an opportunity to celebrate some of the partnerships, activation of spaces, collaborations, community connections and steps made to demonstrate leadership in diversity that we want to see in the sector and will be considered moving forward by Sport Waikato as part of our recognition of sector success.</p>	<ul style="list-style-type: none"> <li>• Complete</li> </ul>	
<p><b>Establishment of Regional Connectivity Coordinator model</b></p>	<p>During Sport Waikato's organisational change, time was spent investigating key contacts, researching current and future projects, upskilling on Waitomo District Council strategies and policies, and working through contractual variations to be finalised.</p>	<p>Now that the organisational change has been completed the time is now for action to be taken and in conjunction with key council staff, key priority projects identified within the scope of the Sport and Active Recreation plan and Moving Waikato strategic plans will be undertaken.</p>	<ul style="list-style-type: none"> <li>• Establish further council connections and relationships.</li> <li>• Establish a full work programme within the district – particularly relating to supporting play, active recreation and sport strategy formation, implementation and review, driving local hubbing initiatives, as well as building the capability of local systems to deliver quality activity opportunities in local settings.</li> <li>• Refresh of plan and development of action plan for the Waitomo Play, Active Recreation and Sport Plan.</li> </ul>	

			<ul style="list-style-type: none"> <li>Continue to communicate with providers and establish further collaborative relationships.</li> </ul>	
<p><b>Tu Manawa Funding</b></p>	<p>Sport Waikato has actively supported the local education, community and sport and recreation sector in the Waitomo District to access funding opportunities to support the delivery of play, active recreation and sport activity programmes and activations for children (tamariki 5-11 years) and youth (rangatahi 12-18) via the Tu Manawa Active Aotearoa National Fund (a Sport NZ initiative)</p>	<p>Tu Manawa funding has been distributed to the district via Te Kuiti Primary School and King Country Rugby Football Club, thus far.</p> <p>We have also seen a number of successful Regional Sports Organisations targeting their delivery to the King Country so expect to see increased opportunities for activity in the district as a result of the fund</p>	<ul style="list-style-type: none"> <li>For more details please visit: <a href="https://www.sportwaikato.org.nz/about-us/funding/tu-manawa-active-aotearoa-fund.aspx">https://www.sportwaikato.org.nz/about-us/funding/tu-manawa-active-aotearoa-fund.aspx</a></li> <li>The current round of Tu Manawa funding is now open and we are actively encouraging applications from the Waitomo district.</li> </ul>	
<p><b>This is ME®</b></p>	<p>This reporting period has seen the continuation of the This is ME Secondary Schools Programme in Piopio College.</p> <p>Support was provided to the community in the delivery of the Pink Walk at Matakiora Brook Park, the Waitomo Golf Club for a women and girls golf series, and conversations have begun with King Country Rugby Football Club to look at opportunities to increase female participation in th code in both school and community settings.</p>	<p>Piopio College:</p> <ul style="list-style-type: none"> <li>Junior female student colour festival alongside big ball football, rip rugby and ultimate frisbee.</li> </ul> <p>Pink Walk:</p> <ul style="list-style-type: none"> <li>40 participants and 7 students volunteers developed from TKHS</li> </ul> <p>Golf:</p> <ul style="list-style-type: none"> <li>2 weekend sessions run, a number of sustained participants in twilight</li> </ul>	<ul style="list-style-type: none"> <li>We are currently working with two local sport and recreation organisations (one in Te Kuiti, one in Piopio) to identify opportunities to grow what they are doing to support women and girls to be active</li> </ul>	

## 3. REGIONAL SPORT WAIKATO PROGRAMME UPDATES

Programme	Locally-Specific Programme Updates
<b>Secondary Schools</b>	The Sport Waikato Secondary Schools team have continued to support the region’s secondary schools to delivery quality sporting opportunities for young people. A King Country Cluster meeting for Sports Coordinators was recently held to support the Coordinators to deliver quality sporting opportunities for their young people. Support was also provided to Athletics Waikato/Bay of Plenty to deliver the King Country Cluster Athletics Day.
<b>The Waikato Regional Active Spaces Plan</b>	The review of the Waikato Regional Sports Facilities Plan (now Waikato Regional Active Spaces Plan) is now complete and has been endorsed by the TA CE Forum, with endorsement by the Mayoral Forum in March. The Plan, with expanded scope, now provides guidance and direction for places and spaces for play, active recreation and sport, which appeals to a wider demographic and our region’s participation trends. Sport Waikato wish to thank our region’s Councils for their support in the review and continuation of the guiding document.
<b>Regional Sector Support</b>	This reporting period, Sport Waikato has continued to provide support to the regional sport and recreation sector with a particular lens on growing the connections between Regional Sports Organisations and their Clubs. This includes supporting increased collaborative conversations that can leverage funding opportunities such as Tu Manawa.
<b>Insights</b>	<p><b>Voice of the Rangatahi</b></p> <p>In 2020, seven schools took part in in Voice of Rangatahi – Active Student Survey, resulting in 1092 rangatahi having their say. This survey seeks to understand the sport and physical activity experiences of rangatahi (young people) at school. No schools from the Waitomo District participated in the 2020 survey but Voice of Rangatahi is an annual survey and we will be surveying two schools within the Waitomo District in 2021.</p>
<b>Regional Cycling Plan</b>	<p>Sport Waikato has led the development and implementation of the Waikato Regional Cycling Education Plan since its inception in 2019. The Plan’s purpose is to provide coordinated and collaborative approaches to the provision of Bikes in Schools and quality Cycle Safety Education as part of the national Bike Ready System, thus allowing better use of resources. Partners to the plan include Waikato Regional Council, NZTA/ACC (Bike Ready), Cycling NZ, Home of Cycling, and all Local Councils. An MOU has been developed for all plan partners to commit to the regional approach with some plan partners already cementing their commitment.</p> <p>This reporting period, the lead advisor supported Waitomo Council to apply for 100% ACC funding available for the 20/21 year for delivery of cycle education in four Waitomo Schools – approximately 167 students.</p> <p>A workshop was held in Te Kuiti to introduce the plan and generate interest in the cycling education system, with the idea to increase collaboration with community groups and generate interest in becoming cycling education instructors. These workshops were run in several other districts across the region. Themes included advocation, events, target groups adult cycling. While some of these themes are outside the scope of the regional cycling education plan, they will help form further action plans elsewhere.</p> <p>The Lead Advisor continues to work alongside Te Kuiti Primary to support them with their Bikes in Schools project.</p>

Document No: A514835

**Report To: Council**



Meeting Date: 30 March 2021

Subject: **Declaration of Members' Conflicts of Interest**

## Purpose of Report

- 1.1 The purpose of this business paper is for elected members to –
- 1 Declare interests that may be deemed a potential conflict with their role as an elected member relating to the business papers for this meeting, and
  - 2 Declare any interests in items in which they have a direct or indirect pecuniary interest as provided for in the Local Authorities (Members' Interests) Act 29168.

## Commentary

- 2.1 **Conflicts of Interest**
- 2.2 Every elected member has a number of professional and personal links to their community. They may own a business or be a member on a board or organisation. They may have a pecuniary (financial) interest or a non-pecuniary (non-financial) interest. These interests are a part of living in the community which they need to make decisions about in their role with Council.
- 2.3 Elected members are governed by the Local Authorities (Members' Interests) Act 1968 and are guided by the Auditor-General in how this Act is administered. In relation to pecuniary interests, the two underlying purposes of the Act are to:
- ensure members are not affected by personal motives when they participate in local authority matters; and
  - in contracting situations, prevent members from using their position to obtain preferential treatment from the authority (the Council).
- 2.4 Non-pecuniary interests relate to whether an elected member could be in danger of having a real or perceived bias for an issue under consideration.
- 2.5 Elected members will also have interests that are considered no greater than the public at large. For example, most elected members will own a property and therefore be a ratepayer in the Waitomo District.
- 2.6 Conflicts of interest at times cannot be avoided, and can arise without anyone being at fault. They need not cause problems when they are promptly disclosed and well managed.
- 2.7 **Declarations of Interests and Conflicts**
- 2.8 At the beginning of each triennial council term, elected members are requested to disclose known interests on behalf of themselves (including spouses and partners). It is up to the elected member to judge whether they have any interests

to declare. Some elected members may not have any, other elected members may have many.

- 2.9 As well as this, elected members may decide that they have an interest in a particular issue or item to be discussed at a meeting. There is a standing item on every meeting agenda for elected members to declare conflicts of interest.
- 2.10 These declarations should be clear as to whether there is just an "interest" with no pecuniary benefit and no greater benefit than to any member of the public, or they may be a Council appointed representative to an organization, or whether there is a "conflict of interest" in that there could potentially be a pecuniary or other direct benefit to the elected member.
- 2.11 Members who have declared a "conflict of interest" at the commencement of a meeting should make a further declaration when that item of business is considered and leave the meeting table (or the meeting room) and not take part in any discussion, debate or voting on the matter of conflict.
- 2.12 Attached to and forming part of this business paper is information to assist elected members in determining conflicts of interest.

## Declarations

Mayor Robertson will invite elected members to give notice of any conflicts of interest relating to the business for this meeting.

In the event of a Declaration being made, the elected member must provide the following information relating to the Declaration:

Elected Member Name:		
Item(s) of Business on the Order Paper	Reason for Declaration	Interest Only or Conflict If Conflict: Pecuniary or Non-Pecuniary
Item No –	•	•



MICHELLE HIGGIE  
**MANAGER – GOVERNANCE SUPPORT**

## Local Authority (Members' Interests) Act 1968

- 3.1 The Local Authority (Members' Interests) Act 1968 helps to protect the integrity of local authority decision-making by ensuring that Councillors are not affected by personal motives when they participate in Council decision-making and cannot use their position to obtain preferential access to contracts. This Act deals with two forms of "interest":
1. Pecuniary
  2. Non-pecuniary
- 3.2 **Pecuniary Interest**
- 3.3 The **two** specific rules in the Act are that members cannot:
1. Enter into contracts with their local authority worth more than \$25,000 (including GST) in a financial year unless the Auditor-General approves the contracts (referred to as the contracting rule). Breach of this rule results in automatic disqualification from office; and
  2. Participate in matters before the Council in which they have a pecuniary interest, other than an interest in common with the public (referred to as the participation rule). Breach of this rule is a criminal offence and conviction results in automatic disqualification from office
- 3.4 A pecuniary interest is one that involves money. This could be direct or indirect. It is sometimes difficult to decide whether an interest in a particular matter is pecuniary or some other kind. It is always the responsibility of elected members to make this decision, to declare any interest when appropriate and to ensure that as an elected member you comply with the Act's requirements at all times. The Act generally provides that no person shall be capable of being a member of Council if that person is concerned or interested in any contracts with the Council where the total payments made by the Council in respect of such contracts exceeds \$25,000 in any one financial year.
- 3.5 The Act also provides that an "interest" exists where a member's spouse is involved and/or where a member or their spouse is a major shareholder or have control or management of a company which contracts with Council or where the company has a pecuniary interest in the decision. It may also apply where your family trust has a contract with the Council.
- 3.6 The Act does provide that on application to it the Office of the Auditor General may give specific approval to a member being concerned or interested in a particular contract, in which case the provisions of the Act will not disqualify the Councillor from remaining in office. The approval needs be gained before the contract concerned is entered into.
- 3.7 The Act also requires that a member shall not vote or take part in the discussion of any matter in which he/she has any pecuniary interest, other than an interest in common with the public. This interest is required to be declared by the member and is noted in the minutes.
- 3.8 The Office of the Auditor General is the agency, which oversees this legislation and it also has the responsibility and power to institute proceedings against any member. The Act does not define pecuniary interest, however the Office of the Auditor-General uses the following test: "Whether, if the matter were dealt with in a particular way, discussing or voting on that matter could reasonably give rise to an expectation of a gain or loss of money for the member concerned."

3.9 In deciding whether you have a pecuniary interest you should consider the following factors: What is the nature of the decision being made? Do I have a financial interest in that decision – do I have a reasonable expectation of gain or loss of money as a result of making that decision? Is my financial interest one that is in common with the public? Do any of the exceptions in the Act apply to me? Could I apply to the Auditor-General for approval to participate?

3.10 Further guidance is provided in the booklet “Guidance for members of local authorities about the Local Authorities (Members’ Interests) Act 1968” which has been provided to 5 elected members. It is important that you pay particular attention to the contents of this booklet as this is one of the few areas of the Council’s business where staff do not set out to provide pro-active advice and members are personally liable for compliance with the provisions of this Act.

### **3.11 Non-Pecuniary Interest**

3.12 Non-pecuniary interest is any interest the member may have in an issue that does not involve money. A common term for this is “bias” or pre-determination. Rules about bias operate not only to ensure that there is no actual bias, but also so there is no appearance or possibility of bias. The principle is that justice should not only be done, but it should be seen to be done. Bias may be exhibited where: -

- By their statements or conduct a member may indicate that they have predetermined the matter before hearing or considering all of the relevant information on it (including the Council’s debate); or
- The member has a close relationship with an individual or organisation affected by the matter.

3.13 Non-pecuniary interest is a difficult issue as it often involves matters of perception and degree. The question you need to consider, drawn from case law, is: “Is there, to a reasonable, fair-minded and informed observer, a real indication of bias on the part of a member of the decision making body, in the sense that they might unfairly regard with favour (or disfavour) the case of a party to the issue under consideration?” If there is, the member should declare their interest and withdraw from the debate and take no further part in the discussion of this item. The law about bias does not put you at risk of personal liability. Instead, the validity of the Council’s decision could be at risk. The need for public confidence in the decision-making process is paramount and perception can be an important factor. Again the booklet provided by Office of the Auditor General provides some excellent advice and information on this issue.

## Waitomo District Council Procurement Policy 2018

4.1 The following are extracts from WDC's Procurement Policy:

WDC's procurement activities will be conducted in line with the core Procurement Principles and a decision framework that ensures:

- **Adherence** – all procurement is required and is undertaken in accordance with the Procurement Policy and all other associated WDC Policies and Strategies;
- **Openness** - all procurement is made in an open and transparent manner with full and fair opportunity for all eligible suppliers;
- **Fairness** - all procurement is carried out in a fair manner and decisions are made with impartiality and without bias;
- **Integrity** - all WDC employees and/or authorises third parties undertaking procurement do so ethically, equitably and with behavioural standards of the highest levels;
- **Value for Money** – all procurement considers the costs and benefits over the life of the goods, services and/or works, and in doing so takes into consideration local procurement;
- **Risk** – all procurement considers the risks (commercial and otherwise) and ensures these are managed appropriately;
- **Lawfulness** - all procurement is within the law and meets WDC's legal and organisational obligations;
- **Accountability** - employees and/or authorised third parties and suppliers are accountable for their performance; and
- **Sustainability** - all procurement is environmental and socially sustainable wherever possible, having regard to economic, environmental, and social impacts over their lifecycle.

### **Conflict of Interest and Declarations Policy 2018**

WDC is required to identify, disclose, document and manage employees' conflicts of interest, and to ensure that decisions made on behalf of WDC and the community are fair and free of bias or perceived bias.

Note: the words "decision" and "decisions" should be taken to include recommendations and advice:

- (a) that might significantly influence decisions that will be made by other people; or
- (b) on development of strategies and policies that will guide future WDC decision making on service provision, purchasing, contracting or staff employment.

WDC recognises that the professional and personal interests of employees mean that conflicts of interest sometimes cannot be avoided, and can arise without necessarily establishing a fault. Conflict need not cause difficulties, and can be managed so that the best interests of WDC and its ratepayers, residents or customers are served.

### **DEFINITION OF CONFLICT OF INTEREST**

A **conflict of interest** exists when an employee could be influenced or could be perceived as being influenced by a personal or private interest in **any transaction** while performing their WDC duties and/or responsibilities. A personal or private interest is an interest that may bring benefit to an employee as an individual, or to others associated with the employee i.e. spouse or family member, to whom the employee may later benefit.

A **transaction** includes, but is not limited to:

- (a) the exercise or performance of a function, duty, or power of WDC; or
- (b) an arrangement, agreement, or contract to which WDC is a party; or
- (c) a proposal that WDC enter into an arrangement, agreement, or contract; or
- (d) development of a strategy or policy that will guide future decision making on service provision, purchasing, contracting or staff employment; or
- (e) the consideration of or decision made by or at a meeting of Council or its committees and subcommittees.

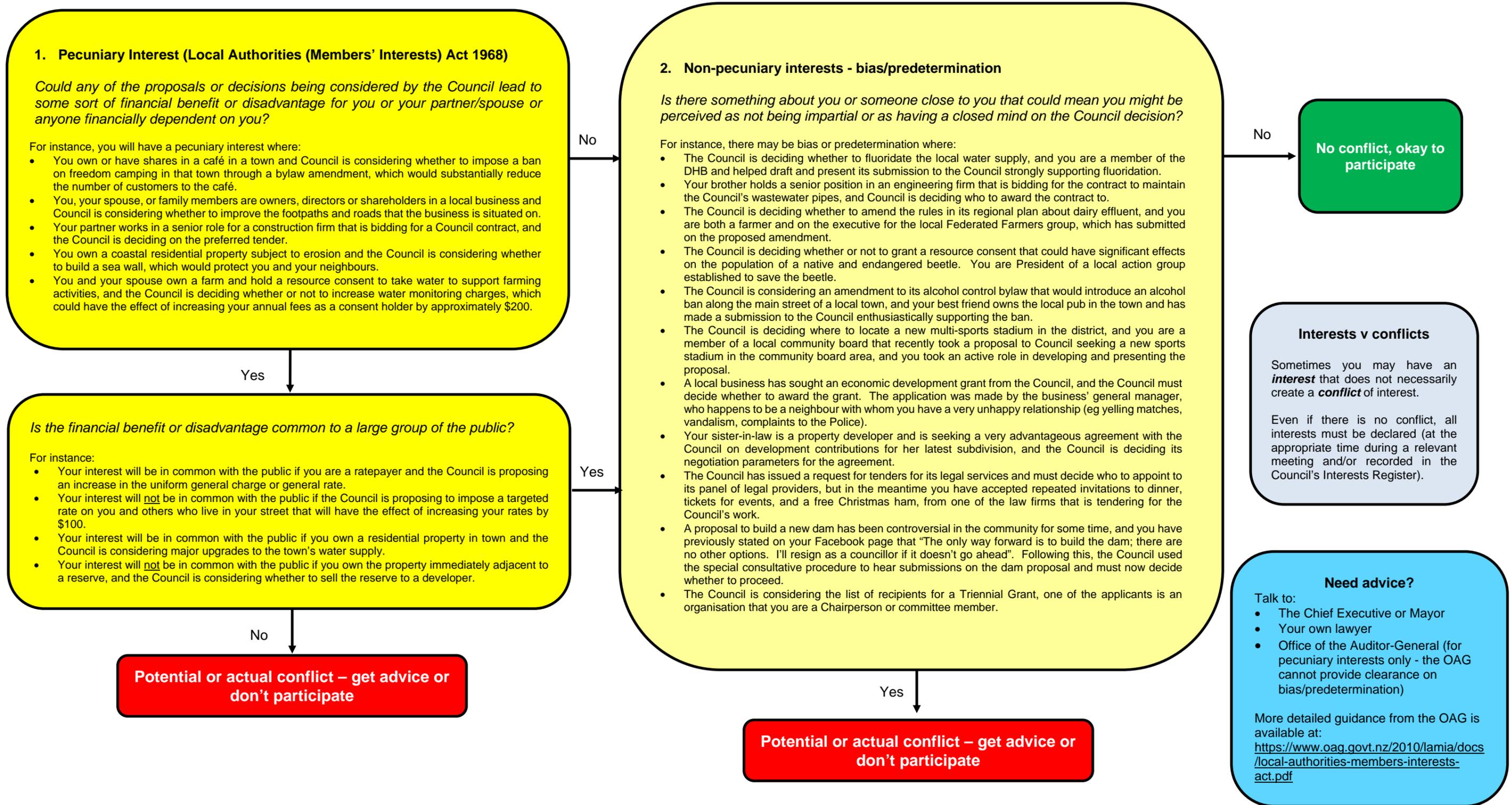
A Conflict of Interest may exist where the employee:

- will or may derive a benefit from the transaction – a financial, professional or personal benefit;
- has a financial interest in another party to a transaction;
- is a director, shareholder, officer or trustee of another party to the transaction, or is a person who will or may derive a financial benefit from the transaction;
- has an interest in another party tendering for work which WDC is considering; or
- is the partner, parent, child, spouse, sibling, or close friend of another party to the transaction, or a person who will or may derive a benefit from the transaction; or
- is an affected member or interested party in a proposal considered by Council.

Before you participate in any Council decision ...

CONFLICTS OF INTEREST

Check you don't have a pecuniary interest and that there is no bias or predetermination.



Remember: If in doubt, stay out!

<b>Document No:</b> A515990	
<b>Report To:</b>	<b>Council</b>
	<b>Meeting Date:</b> 30 March 2021
	<b>Subject:</b> Mayor's Report

Elected members have set a number of strategic objectives to guide their decision-making. They include to enable population growth in our District, to bring debt down by \$10 million by 2031, and to take account of the affordability of our rates when setting them.

We set these goals for good reason.

Our population has been stagnant for 20 years. That discourages investment in our town centres. It leads to a decline in our school rolls.

Our debt has remained high - above \$40 million for ten years. This poses risks to ratepayers when interest rates rise.

Our rates are relatively high. This makes it challenging for many in our community to make ends meet.

Council has levers it can pull to help meet the debt reduction and rates affordability objectives. Our long term plan, currently with our auditors for review, uses these. Debt reduces, and the rate take is held at last year's levels.

The population growth goal needs many levers pulled, most of which are not under Council's control. But of those that we can control, one is ready for us to use. That is releasing residential land that Council owns.

Council approved the release of land in Lawrence Street, Te Kuiti, in November last year. This will release Council land to build at least four houses on, and it will unlock land owned by others to build six houses on. I met with Kainga Ora (Housing NZ) in Auckland two weeks ago to assess their interest in partnering with this project. A meeting of the landlocked landowners is to be held at the end of April.

We have other land that we should consider releasing for housing.

The area commonly known as the Ward Street reserve is one. As with Lawrence Street, we should begin a discussion on these opportunities with those in the neighbourhood.

We also have land off Mangarino Road. From my looking over this, much of this is not buildable on, but some looks like it is. Then there is land off Eketone Street bordering Motakiora. Council could consider subdividing off a few sections of freehold land here.

Releasing more Council land for housing has considerable benefit. It helps locals get into housing. It helps regeneration. It helps economic development. And it will help us meet the goals of population growth, debt reduction and more affordable rates.



JOHN ROBERTSON, QSO  
**MAYOR**

## WAITOMO DISTRICT COUNCIL

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### MINUTES OF A MEETING OF THE WAITOMO DISTRICT COUNCIL HELD IN THE COUNCIL CHAMBERS, QUEEN STREET, TE KUITI ON TUESDAY 27 OCTOBER 2020 AT 9.00AM

**PRESENT:** Mayor John Robertson, Deputy Mayor Guy Whitaker, Council Members Phil Brodie, Allan Goddard, Janene New (for part only) and Sue Smith

**IN ATTENDANCE:** Te Oranga Anderson (2020 Mayor's TUIA Rangatahi Representative)  
Tracey Tangihaere (Lawrence Street Properties) (via ZOOM)  
Michelle Wi and Jacob Ngarewa (Te Kuiti Community Garden)  
Matthew Cooper and Amy Marfell (Sport Waikato)

9 Members of the Public

Dan Tasker (Waitomo News)

Chris Ryan, Chief Executive; Michelle Higgie, Manager – Governance Support; Jennie McFarlane, Major Projects – Senior Advisor (for part only); Alister Duncan, General Manager – Business Support (for part only); Helen Beever, General Manager – Community Services (for part only); Terrena Kelly, General Manager – Strategy and Environment (for part only); Tony Hale, General Manager – Infrastructure Services (for part only) and Ihsana Ageel, Manager – Strategy and Policy (for part only)

<b>1. Council Prayer</b>
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<b>2. Apologies</b>
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**Resolved**

The apology of Cr Marshall, and the apology for part of the meeting from Cr New be received and leave of absence granted.

Robertson/Goddard                      Carried

Mayor Robertson advised Council that in accordance with Standing Orders he has approved for Members of the public to record this meeting.

<b>3. Tuia Rangatahi Leadership Programme</b>
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Mayor Robertson introduced Te Oranga Anderson, Mayor Robertson's TUIA representative for the past year.

Te Oranga introduced herself and gave Council a brief on the reciprocal relationship between herself and Mayor Robertson relevant to the Tuia Rangatahi Leadership Programme.

## 4. Deputation (via ZOOM): Tracey Tangihaere – Lawrence Street Properties

Council received a Deputation by way of PowerPoint Presentation via ZOOM from Tracey Tangihaere on the history to the landlocked sections on Lawrence Street, Te Kuiti, informing Council of future plans for development of the land once access is addressed and informing Council of a willingness to work together, if possible, on the development of infrastructure.

### Resolved

The Deputation from Tracey Tangihaere be received.

Whitaker/Goddard Carried

## 5. Deputation: Maara Kai Roopu – Maniapoto (Te Kuiti Community Garden) (Michelle Wi and Jacob Ngarewa)

Council received a Deputation and PowerPoint Presentation from Michelle Wi and Jacob Ngarewa on the establishment and operation of the Community Garden (Maara Kai Roopu - Maniapoto) at 133 Esplanade, Te Kuiti, including the establishment of a Charitable Trust and their work in supporting the local Foodbank.

Council congratulated Michelle Wi on her initiative and results in establishing the garden to date and their future plans.

### Resolved

The Deputation from Michelle Wi and Jacob Ngarewa on the Maara Kai Roopu – Maniapoto (Te Kuiti Community Garden) be received.

Robertson/Smith Carried

Five members of the Game on Charitable Trust entered the meeting at 9.51am.

Councillor New declared a conflict of interest as a member of the Game On Charitable Trust and left the Council table.

## 6. Deputation: Game On Charitable Trust

Council received a Deputation from Robyn Lindstrom and Bruce Maunsell of the Game On Charitable Trust briefing Council on progress with the Trust's project to date.

The Trust informed Council that negotiations between the Trust and the Ministry of Education have become difficult and expressed concern that the Ministry has stated to the Trust it has concerns because Council does not support the project. The Trust requested a clear statement from the Council in support of the project so as to assure the Ministry of Council's support.

The Trust also sought confirmation from Council that the Trust would be eligible to make application to Council's Community and Partnership Fund in the future, noting that the stadium facility would not become operational until 2022.

Councillors reiterated their support to the project, congratulating the Trust on its achievements to date.

Deputy Mayor Whitaker recommended a resolution to address the Ministry of Education's concerns.

## Resolved

The Deputation from the Game On Charitable Trust be received.

Smith/Brodie Carried

One member of the Game On Charitable Trust left the meeting at 10.07am

## 7. Declarations of Member Conflicts of Interest

Members declared interests/conflicts of interest in respect to the Agenda as set out below:

### Cr New

Cr New, from the public gallery, reiterated her conflict of interest in the Items relating to the Game On Charitable Trust as follows:

Item of Business on Agenda	Reason for Declaration	Interest / Conflict
Item5: Deputation – Game On Charitable Trust		
Item 6: Community and Partnerships Fund Policy Eligibility – Game On Charitable Trust)	<ul style="list-style-type: none"><li>Trust Member</li></ul>	Conflict

## 8. Community and Partnerships Fund Policy Eligibility – Game On Charitable Trust

Council considered a business paper providing a briefing on any future application to Council's Community and Partnerships Fund by the Game On Charitable Trust and testing the eligibility of any such application against the associated Policy.

The Chief Executive expanded verbally on the business paper and answered Members' questions.

## Resolved

- 1 The business paper on Community and Partnerships Fund Policy Eligibility – Game On Charitable Trust be received.
- 2 Council note that the Game On Charitable Trust is eligible to make application for financial support from Council's Community and Partnerships Fund.
- 3 Council records its continued support of the Game On Charitable Trust for the development of the Indoor Stadium Project.

Whitaker/Goddard Carried

The Game On Charitable Trust members left the meeting 10.14am.

Cr New returned to the Council table.

Mayor Robertson requested that the public excluded business paper on Lawrence Street be brought into the public portion of the meeting.

The Chief Executive advised that other than the commercially sensitive portion of the business paper relating to costs, sale values and possible returns, the rest of the content of the business paper has already been dealt with publicly, however should Council choose to move consideration of the business paper out of public excluded part of the Council meeting, then a modified version of the business paper with the financial information redacted could be circulated.

Council considered the need to discuss some of the commercially sensitive information contained in the business paper and noted that if the item was moved to the public portion of the meeting with that commercially sensitive information redacted, there would be no opportunity to discuss it. On that basis the item remained public excluded, with Council noting that following consideration of the item a Resolution would be passed as to what information, if any, can be made public at this time.

Five members of the public left the meeting at 10.30am.

## **9. Verbal Reports: Elected Member Roles and Responsibilities**

The Councillors gave verbal reports on their individual portfolio roles and responsibilities as follows:

### Cr Goddard

- Benneydale Hall Committee
- Destination Pureora

### Cr New

- Game On Charitable Trust
- Legendary Te Kuiti
- Pre-brief Meeting with District Heath Board
- Waitomo Sister City
- Brook Park Fireworks

### Cr Brodie

- Rukahia Domain Board AGM
- Piopio Wastewater Treatment Plant Community Liaison Meeting
- Zone 2 Meeting New Chair: Kelvin Clout, Tauranga City Council  
New National Council Representative: Jim Mylchreest, Waipa District Council
- Regional Transport Committee Meeting and Workshop

### Deputy Mayor Whitaker

- Piopio Fire Brigade Honours Night
- ICL
- Mayoral ITO Graduation Ceremony
- Brook Park Fireworks

- Waitomo Sister City
- Destination Pureora

## Cr Smith

- Tere Waitomo
- Waitomo Museum
- Te Waitere Jetty Meeting
- Te Anga Hall Meeting

## Mayor

- Mayoral ITO Graduation Ceremony
- Te Kuiti High School Senior Prizegiving
- Armistice Day
- Piopio – Ceremony for placing of headstone on WW1 Veteran Grave
- Office of Auditor General ZOOM Meeting
- LGNZ Rural & Provincial Sector Meeting
- Maniapoto Arts Festival

## **Resolution**

The verbal reports be received.

Robertson/New Carried

## **10. Mayor's Report: November 2020**

Council considered the Mayor's Report prepared for the November 2020 Council Meeting.

## **Resolution**

The Mayor's Report for the November 2020 Council Meeting be noted.

Robertson/Smith Carried

## **11. Confirmation of Minutes – 27 October 2020**

## **Resolution**

The Minutes of the Waitomo District Council meeting of 27 October 2020, including the public excluded Minutes, be confirmed as a true and correct record.

Robertson/Goddard Carried

## **12. Receipt of Unconfirmed Audit Risk and Finance Committee Minutes: 13 October 2020**

## **Resolution**

The Unconfirmed Audit Risk and Finance Committee Minutes: 13 October 2020 be received.

Robertson/Brodie Carried

## 13. Receipt of Minutes: Civil Defence Emergency Management Joint Committee – 8 June 2020

Council considered a business paper providing information relating on the Civil Defence Emergency Management Joint Committee meeting of 8 June 2020.

### Resolution

The Civil Defence Emergency Management Joint Committee Minutes of 8 June 2020 be received.

Goddard/Smith Carried

The meeting adjourned for morning tea at 10.53am

All remaining members of the public left the meeting.

The meeting reconvened at 11.11am

## 14. Adoption of 2021 Council Meeting Schedule

Council considered a business paper presenting for formal adoption a Meeting Schedule for the 2021 calendar year.

The Manager – Governance Support expanded verbally on the business paper and answered Members' questions.

### Resolution

- 1 The business paper on Adoption of 2021 Meeting Schedule be received.
- 2 Council adopt the following Meeting Schedule for the 2021 Calendar Year subject to confirmation of dates for the Ten Year Plan Extraordinary Meetings and Hearings:

Tuesday	16 February 2021	Audit and Risk Committee Meeting
Tuesday	23 February 2021	Council Monthly Meeting
Friday	12 March 2021	<u>Extraordinary Council Meeting:</u> <i>Adoption of 10 Year Plan Consultation Document and Supporting Information for Audit</i>
Tuesday	30 March 2021	Council Monthly Meeting
Tuesday	To be confirmed	<u>Extraordinary Council Meeting:</u> <i>Adoption of 10 Year Plan Consultation Document and Supporting Information for Consultation</i>
Tuesday	27 April 2021	Council Monthly Meeting
Tuesday	11 May 2021	Audit and Risk Committee Meeting
Tuesday	25 May 2021	Council Monthly Meeting
Wednesday	To be confirmed	Hearing: Submissions to 10 Year Plan
Thursday	To be confirmed	Hearing: Submissions to 10 Year Plan ( <i>subject to</i>

requirement)

Wednesday	9 June 2021	<u>Extraordinary Council Meeting:</u> <i>Deliberation of Submissions to the 10 Year Plan</i>
Tuesday	22 June 2021	Hearing: Dangerous and Insanitary Buildings <i>(subject to requirement)</i>
Tuesday	29 June 2021	Council Monthly Meeting
Tuesday	27 July 2021	Council Monthly Meeting
Tuesday	17 August 2021	Audit and Risk Committee Meeting
Tuesday	31 August 2021	Council Monthly Meeting
Tuesday	28 September 2021	Council Monthly Meeting
Tuesday	12 October 2021	Audit and Risk Committee Meeting
Tuesday	26 October 2021	Council Monthly Meeting
Tuesday	30 November 2021	Council Monthly Meeting

- 3 Meetings are to be convened in the Council Chambers, Queen Street, Te Kuiti commencing at 9.00am, unless publicly notified otherwise.

Robertson/Whitaker Carried

## 15. Documents Signed and Sealed

Council considered a business paper informing Council of documents signed under the Common Seal of the Council in accordance with Council's Policy on Use of the Council Seal, where all documents authenticated or signed on behalf of the Council by way of affixing the Common Seal must be reported to the Council.

The Manager – Governance Support expanded verbally on the business paper and answered Members' questions.

### Resolution

The business paper on Documents Signed and Sealed under Council's Common Seal be received.

Smith/Whitaker Carried

The Major Projects – Senior Advisor entered the meeting at 11.21am

## 16. Delegations Register - Update

Council considered a business paper presenting for Council's consideration and approval, amendments to the Delegations Register to ensure that delegations are appropriate and current, and to reflect changes to staff position titles.

The Major Projects – Senior Advisor and Chief Executive expanded verbally on the business paper and answered Members' questions.

Council noted the delegation to the Mayor and Chief Executive over the Christmas/New Year period is a contingency provision.

The Chief Executive advised Council that this is the last meeting that the Major Projects – Senior Advisor (Jennie McFarlane) will be in attendance and acknowledged Jennie's significant contribution to Waitomo District Council's work programme during her short employment term.

## Resolution

- 1 The business paper on Delegations Register - Update be received.
- 2 Pursuant to Clause 32 Schedule 7 of the Local Government Act 2002, Council delegate its powers, duties and functions under the Local Government Act 2002, Local Government (Rating) Act 2002 and Resource Management Act 1991 as set out in Appendix 1.
- 3 The Delegations Register v 1.6 (Doc No. A482679) be updated accordingly, including any consequential amendments to format and numbering.

Robertson/Whitaker Carried

Cr New left the meeting at 11.28am.

The Major Projects – Senior Advisor left the meeting at 11.31am.

## 17. Notice of Annual General Meeting - Waikato Local Authority Shared Services Limited

Council considered a business paper informing Council of the Waikato Local Authority Shared Services Limited Annual General Meeting (AGM) scheduled for Friday 4 December 2020.

## Resolution

The business paper on Notice of the Annual General Meeting Waikato Local Authority Shared Services Limited be received.

Robertson/Brodie Carried

The General Manager – Business Support entered the meeting at 11.35am.

## 18. Draft Investment Policy

Council considered a progress report on the draft Investment Policy and requested amendments to the draft Policy.

Council noted that the draft Policy is presented for consideration only as it will be included for formal adoption as part of the 10 Year Plan Supporting Information early in 2021.

## Resolution

- 1 The business paper on Draft Investment Policy be received.

- 2 The following amendments to be made to the draft Investment Policy:
- (a) Agenda Page 93, Clause 2.5.8. Bullet Point 1 – change “director” to “directors” so the clause reads:
    - Appointing external directors with appropriate expertise to the Board of Directors;
  - (b) Agenda Page 93, Clause 2.5.3. Bullet Point 3 – delete the words “through expanding revenue streams” so the clause reads:
    - Sustained equity growth and increasing financial return;
  - (c) Agenda Page 102, Clause 11.4 – add the word “out” after the word “carried” so the clause reads:

11.4 Valuations of derivative financial instruments are to be carried **out** annually for balance date by an independent third party for financial reporting purposes. Indicative valuations are to be provided by the counter party to the financial instrument and reported to Council as part of the Quarterly Financial and Non-financial Reporting process.
  - (d) Agenda Page 102, Clause 11.5 – add the word “to” before the words “be carried” so the clause reads:

11.5 Management of derivatives will continue with the dual purpose of managing interest rate risk and remain within the hedge accounting framework. Where at all possible hedge accounting to be carried out.

Robertson/Goddard Carried

Matthew Cooper and Amy Marfell (Sport Waikato) entered the meeting at 11.41am.  
The General Manager – Community Services entered the meeting at 11.41am.

## **19. Statement of Expectation – Inframax Construction Limited**

Council considered a business paper presenting for consideration and adoption the Statement of Expectation for Inframax Construction Limited for the Financial Year 2021/2022.

The General Manager – Business Support expanded verbally on the business paper and answered Members’ questions.

### **Resolution**

- 1 The business paper on Statement of Expectation – Inframax Construction Limited be received.
- 2 The draft Statement of Expectation be adopted subject to the following amendments:
  - (a) The entire Statement of Expectation be checked to ensure all references to “Statement of Expectation (SoE)” and “Statement of Intent (SoI)” are correct.
  - (b) Agenda Page 109 – Clause 2.3.5 – Add the word “Significant” at the start of the sentence so the clause reads:

- 5 Capital expenditure and asset management intentions should be included.
- (c) Agenda Page 110 – Clause 10 – delete the words: “including natural hazards and climate change so the clause reads:
- 10 **Risk Management** - Council would like to understand better in the SOI how the Board is considering and managing risks.
- (d) Agenda Page 110 – Clause 13, Bullet Point 1 – change “eighteen months” to “two years” so the bullet point reads:
- Council expects these reviews to be carried out at least once every two years,
- (e) Agenda Page 111 – Clause 15, Bullet Point 2 – change “briefing meetings” to “briefings” so the bullet point reads:
- Informal briefings convened every two months, hosted by the Board and attended by Council nominated elected members to support governance relationships.
- (f) Agenda Page 111 – Clause 15, Bullet 3 – replace the word “meetings” with “engagement” so the bullet point reads:
- Other engagement, at an operational level, as required to support financial and non-financial reporting obligations under the LGA, the Financial Markets Conduct Act 2013 and any other relevant legislation or regulation, and to enable the sharing of information and ensure the ‘no surprises’ approach is effective.
- (g) Following amendment, relevant formatting into the Waitomo District Council Policy format and respective spelling and grammar checks be undertaken.
- 3 The Statement of Expectation be sent to the Board of Directors of Inframax Construction Limited under letter from the Mayor.
- 4 The Statement of Expectation be published on Council’s website.
- 5 Council appoint an Investment Oversight Working Party comprising of the Mayor, Deputy Mayor and Councillor Goddard to meet informally with the Board of Directors and Management of Inframax Construction Limited.

Robertson/Whitaker Carried

## 20. Deputation: Sport Waikato

Council received a Deputation via PowerPoint Presentation from Matthew Cooper and Amy Marfell providing information on:

- How the Waitomo District and Otorohanga District Regional Connectivity Coordinator will support the community and Council play, active recreation and sport outcomes.
- How Sport Waikato, as a whole, will add value and increased impact to the Waitomo District and its communities.

and providing Council with information and clarity about future funding requests to support a continued (but improved) Partnership.

## Resolved

The Deputation from Sport Waikato be received.

Brodie/Goddard Carried

The meeting adjourned for lunch at 12.23pm.

Dan Tasker (Waitomo News), Matthew Cooper and Amy Marfell (Sport Waikato) left the meeting.

The meeting reconvened at 1.03pm.

The General Manager – Business Support, General Manager – Strategy and Environment and General Manager – Infrastructure Services entered the meeting at 1.03pm

## 21. Progress Report: 30 September 2020

Council considered a Progress Report in a new format covering all of Council's Significant Activities for the period ended 30 September 2020 including the Treasury Report prepared by Bancorp.

The Chief Executive and General Managers expanded verbally on the business paper and answered Members' questions, advising that the Report will be published on Council's Website separate to the Council Agenda.

Council agreed that the new format Progress Report is very good. Council also requested the attendance of a Bancorp representative at an Audit Risk and Finance Committee meeting once a year.

## Resolution

The Progress Report for the period ending 30 September 2020 be received.

Robertson/Smith Carried

## 22. Motion to Exclude the Public

Council considered a business paper pursuant to Section 48 of the Local Government Official Information and Meetings Act 1987 giving Council the right by resolution to exclude the public and/or staff from the whole or any part of a meeting on one or more of the grounds contained within that Section.

## Resolution

- 1 The public be excluded from the following part of the proceedings of this meeting.
- 2 The general subject of each matter to be considered while the public is excluded and the reason for passing this resolution in relation to each matter, as specified by Section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:

General Subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Section 48(1) grounds for the passing of this resolution
1. 10 Year Plan Development Project – confirmation of direction	Section 7(2)(f)(i) – To maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to members or officers or employees of any local authority, or any persons to whom section 2(5) applies, in the course of their duty;	Section 48(1)(a)(i)
2. Briefing: Water Account – Lionel and Caroline Smith	Section 7(2)(i) – To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations); or	Section 48(1)(a)(i)
3. Progress Report: Lawrence Street, Te Kuiti	Section 7(2)(i) – To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations); or	Section 48(1)(a)(i)

- 3 Council agree the following staff, having relevant knowledge to assist in the consideration of the items of business to be public excluded, remain in attendance to assist the Committee with its decision making:

Staff Member	Reason for Remaining in Attendance
Chief Executive	Council CEO
Manager – Governance Support	Committee Secretary
General Manager – Strategy and Environment	Business Paper Author
General Manager – Infrastructure Strategy	Business Paper Author
General Manager – Business Support	Portfolio Holder
General Manager – Community Services	Portfolio Holder
Manager – Strategy and Policy	Portfolio Lead (10YP Development)

- 4 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 the public.

Robertson/Whitaker                      Carried



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## WAITOMO DISTRICT COUNCIL

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### MINUTES OF AN EXTRAORDINARY MEETING OF THE WAITOMO DISTRICT COUNCIL HELD IN THE COUNCIL CHAMBERS, QUEEN STREET, TE KUITI ON FRIDAY 12 MARCH 2021 AT 9.00AM

**PRESENT:** Mayor John Robertson, Deputy Mayor Guy Whitaker, Council Members Phil Brodie, Allan Goddard, Lisa Marshall and Janene New

**IN ATTENDANCE:** Two Members of the Public  
Andy Campbell (Waitomo News)

Chris Ryan, Chief Executive; Michelle Higgie, Manager – Governance Support; Alister Duncan, General Manager – Business Support (for part only); Terrena Kelly, General Manager – Strategy and Environment (for part only); Tony Hale, General Manager – Infrastructure Services (for part only) and Ihsana Ageel, Manager – Strategy and Policy (for part only)

#### 1. Council Prayer

#### 2. Apologies

##### Resolved

The apology from Councillor Smith be received and leave of absence granted.

Robertson/Brodie Carried

#### 3. Declarations of Member Conflicts of Interest

Members declared interests/conflicts of interest in respect to the Agenda as set out below:

##### Cr New

Item of Business on Agenda	Reason for Declaration	Interest / Conflict
Item 6: Adoption of Supporting Information and Draft Consultation Document for the 2021-2031 Ten Year Plan for Audit Purposes	Game On Charitable Trust Representative (Grant)	Conflict

## Deputy Mayor Whitaker

Item of Business on Agenda	Reason for Declaration	Interest / Conflict
Item 6: Adoption of Supporting Information and Draft Consultation Document for the 2021-2031 Ten Year Plan for Audit Purposes	<ul style="list-style-type: none"> <li>Shareholder/Director of Timber Trail Adventures Ltd</li> </ul>	Conflict

### 4. Standing Orders – Protocols for the Recording and Webcasting of Council Meetings

Council considered a business paper presenting proposals for consideration to amend Council's Standing Orders (including Appendix 7: Recording and Webcasting Protocols) relating to the Recording and Webcasting of Council Meetings.

The Chief Executive and Manager – Governance Support expanded verbally on the business paper and recommended Council consider an amendment to the proposal in the business paper relating to recording of meetings by the public.

Council noted that the Website Disclaimer and publishing of unconfirmed minutes are operational in nature and do not require a resolution of the Council.

#### Resolved

- 1 The business paper on Standing Orders - Protocols for the Recording and Webcasting of Council Meetings be received.
- 2 Council adopt amendments to Standing Orders as follows:
  - (a) Replace clause 4.4 with the following:

#### **4.4 Webcasting meetings**

*Webcast meetings should be provided in accordance with the protocols contained in Appendix 7.*

*Meetings (including parts of meetings) which are public excluded in accordance with the Local Government Official Information and Meetings Act 1987 will not be recorded.*

*Recordings of webcast meetings shall be available via a link on the Council's website for the duration of the triennium in which they are recorded.*

- (b) Replace clause 12.4 with the following:

#### **12.4 Public may record meetings**

*Members of the public may film and/or record any Council/Committee meeting which is open to the public subject to the requirement of first giving notice to the Chairperson at the commencement of the meeting.*

*Members of the public making their own recording of any Council/Committee meeting proceedings must ensure that –*

- (a) *The recording is carried out in a manner which does not distract the meeting from fulfilling its business.*
- (b) *The act of filming and/or recording of meeting proceedings must focus on the elected members at the Meeting Table and shall not film or record any other persons in the Council Chamber.*

*Where circumstances require, the Chairperson may request the recording be stopped for a period of time.*

- 3 Council adopt amendments to Appendix 7: Recording and Webcasting Protocols as follows:

***Appendix 7: Recording and Webcasting Protocols***

*The following protocols are approved by the Waitomo District Council as being fit for purpose for the recording and webcasting of Waitomo District Council meetings.*

**Definitions:**

***Webcast:***

*A webcast is a media presentation distributed over the Internet using streaming media technology to distribute a single content source to many simultaneous listeners/viewers. A webcast may either be distributed live or on demand. Essentially, webcasting is "broadcasting" over the Internet.*

***Live Webcast:***

*A live webcast is an online broadcast of the audio or video feed from a meeting or event in real time.*

***On Demand Webcast:***

*A webcast that's available for someone to view at any time is an on-demand webcast. This can be an archived version of a live webcast with streaming video, or it can be a presentation developed specifically for this purpose. In either case, the user decides when he or she is ready to view the webcast.*

***Recording***

*For the purpose of this Appendix, "Recording" shall mean both audio and visual recording.*

**Recording of Meetings**

- 1 *There will be four (4) preset camera views for the recording of Council meetings.*
- 2 *Preset 1: The first preset will be the default view and is a wide-angle view of the meeting table, similar to if one was viewing the meeting proceedings from the public gallery.*
- 3 *Preset 2: The second preset will be a wide-angle view of the meeting table from the opposite end of the Council Chambers to Preset 1, and will view the table and seating allocated for deputations/invitees and members of the public formally addressing the Council at the meeting table. Note: This view may include attendees seated in the public gallery in the background.*
- 4 *Preset 3: The third preset will focus solely on the Mayor/Chairperson.*

- 5 *Preset 4: The fourth preset will focus on the large drop-down Projector Screen.*
- 6 *Cameras will not pan/zoom on anyone addressing the meeting (elected members, staff or public), other than as provided for in the preset camera views set out in 1-5 above.*
- 7 *Any interjections from elected members or the public will be included in any meeting recording unless the majority of members in attendance agree to stop the recording.*
- 8 *PowerPoint presentations and other matters displayed by way of Overhead Projector shall be the focus of the recording.*
- 9 *Camera views unrelated to the proceedings of the meeting, or not in the public interest, will not be permitted.*
- 10 *If there is general disorder, or a disturbance from the public gallery the camera view will revert to the Mayor/Chairperson camera preset.*
- 11 *In the event of general disorder, or a disturbance from the public gallery, recording will continue unless the majority of members in attendance agree to stop the recording.*
- 10 *Appropriate signage will be displayed both inside and outside the Council Chambers alerting all attendees that the proceedings will be recorded for the purpose of webcasting.*
- 11 *The Mayor/Chairperson shall verbally inform all attendees (members and public) at the commencement of the meeting that the meeting is being recorded for the purpose of webcasting.*

### **Webcasting of Meetings**

- 12 *Council meetings shall be webcast in real time.*
- 13 *Recorded webcast meetings shall be made available to the public by way of a link located on the Waitomo District Council Website.*
- 14 *Uploading of recorded meetings is to be completed using a service provider whereby the Waitomo District Council retains full ownership/copyright of the uploaded material without imposing on viewers external advertising content.*

Robertson/Whitaker                      Carried

<b>5. Mayor's Report: 12 March 2020</b>
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Council noted the Mayor's Report 12 March 2021 and provided comment on its content.

### **Resolution**

The Mayor Reports be received.

Robertson/Goddard                      Carried

## 6. Adoption of Supporting Information and Draft Consultation Document for the 2021-2031 Ten Year Plan for Audit Purposes

Council considered a business paper presenting for consideration and adoption for audit purposes –

- (a) The Supporting Information (which provides the basis for preparation of the Council's Draft 2021-2031 10 Year Plan and which is relied on to shape the Draft Consultation Document); and
- (b) The Draft Consultation Document for the 2021-2031 10 Year Plan.

Council noted that all matters addressed in the Draft Consultation Document and the Supporting Information are currently "drafts", subject to change until formally adopted by Council for public consultation on 16 April 2021.

The Chief Executive and General Manager – Business Support expanded verbally on the business paper and answered Members' questions.

Council worked through the Consultation Document and Supporting Information and noted wordsmithing is required in the following documents:

- Draft Consultation Document
- Draft Significance and Engagement Policy
- Draft Forecasting Assumptions
- Draft Financial Strategy

Councillor Goddard clarified for the purpose of anyone listening in on the meeting webcast, that the reason there has been very little discussion/debate on the Draft Consultation Document and Supporting Information as presented is due to the fact that Council has workshoped all of the information and provided staff guidance on the content to be modelled for Council's consideration. Councillor Goddard thanked the staff for the extensive amount of work which has been put in to preparing the Draft Documents for audit purposes.

### Resolved

- 1 The business paper on Adoption of Supporting Information and Draft Consultation Document for the 2021-2031 10 Year Plan for Audit purposes be received.
- 2 The following Supporting Information which provides the basis for the Council's Draft 10 Year Plan 2021-2031 and is relied on for the content of the Draft Consultation Document be adopted for audit purposes:
  - (a) Draft Revenue and Financing Policy
  - (b) Draft Rates Remission Policy
  - (c) Draft Treasury Policy
  - (d) Draft Significance and Engagement Policy
  - (e) Draft Forecasting Assumptions
  - (f) Draft Performance Measures
  - (g) Draft Financial Statements
  - (h) Draft Accounting Policies
  - (i) Prescribed Funding Impact Statement and Rates examples
  - (j) Prospective Funding Impact Statements
  - (k) Draft Financial Reporting and Prudence Benchmarks
  - (l) Draft Council Controlled Organisations Statement
  - (m) Financial Strategy
  - (n) Infrastructure Strategy



## WAITOMO DISTRICT COUNCIL AUDIT, RISK AND FINANCE COMMITTEE

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### MINUTES OF A MEETING OF THE WAITOMO DISTRICT COUNCIL AUDIT, RISK AND FINANCE COMMITTEE HELD VIA ZOOM ON TUESDAY 16 FEBRUARY 2021 AT 9.00AM

#### PRESENT:

VIA INDIVIDUAL ZOOM: Independent Chairperson Bruce Robertson, Deputy Mayor Guy Whitaker, Councillors Lisa Marshall, Janene New and Sue Smith

VIA ZOOM FROM THE COUNCIL CHAMBERS: Mayor John Robertson and Councillors Phil Brodie and Allan Goddard

#### IN ATTENDANCE:

VIA ZOOM FROM THE COUNCIL CHAMBERS: Chief Executive and Manager – Governance Support

VIA INDIVIDUAL ZOOM: General Manager – Business Support; Acting General Manager – Infrastructure Services; General Manager – Community Services and General Manager – Strategy and Environment

<b>1. Declarations of Member Conflicts of Interest</b>
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Councillor New declared a potential conflict of interest relating to the Public Excluded item of business "Progress Report: Procurement Register (October 2020 - December 2020).

<b>2. Confirmation of Minutes – 13 October 2020</b>
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#### Resolution

1 The Minutes of the Waitomo District Council Audit, Risk and Finance Committee meeting of 11 August 2020 (excluding the Public Excluded minutes) be confirmed as a true and correct record.

B Robertson/J Robertson Carried

2 The Public Excluded Minutes of the Waitomo District Council Audit, Risk and Finance Committee meeting of 11 August 2020 be confirmed as a true and correct record.

B Robertson/P Brodie Carried

## **3. Mastercard Expenditure Report (September 2020 – January 2021)**

The Committee considered a business paper presenting for the Committee's information and consideration, details of expenditure incurred via Waitomo District Council issued Corporate Mastercard.

The Manager – Governance Support answered Members questions.

### **Resolution**

The Mastercard Expenditure Report for the period September 2020 to January 2021 (noting that there were no purchases made on any Corporate Mastercard in the month of January 2021) be received.

B Robertson/Whitaker Carried

## **4. Civic Financial Services – Statement of Intent 2021**

The Committee considered a business paper presenting the Civic Financial Services Ltd Statement of Intent for the ensuing year.

The General Manager – Business Support expanded verbally on the business paper and answered Members' questions.

### **Resolution**

- 1 The business paper on Civic Financial Services Ltd Statement of Intent for the Year ended 31 December 2021 be received.
- 2 The Civic Financial Services Ltd Statement of Intent for the Year ended 31 December 2021 be received.

B Robertson/J Robertson Carried

## **5. Local Government Funding Agency – Six Month Report to 31 December 2020**

The Committee considered a business paper presenting the Quarterly Report of the Local Government Funding Agency for the six months ended 31 December 2020.

The General Manager – Business Support and Chief Executive expanded verbally on the business paper and answered Members' questions.

### **Resolution**

- 1 The business paper on Six Month Report to 31 December 2020 – Local Government Funding Agency be received.
- 2 The Local Government Funding Agency Quarterly Report to Shareholders, December Quarter 2020 be received.

B Robertson/J New Carried

## **6. Quarterly Report for the period ended 31 December 2020**

The Committee considered a business paper providing an overall progress report on Waitomo District Council's financial and non-financial activities for the period ended 31 December 2020, including the Treasury Report prepared by Bancorp Treasury Services Ltd.

The General Manager – Business Support and Chief Executive expanded verbally on the business paper and answered Members' questions.

The Chairperson asked the Chief Executive to pass on to the relevant staff the Committee's appreciation at providing such an insightful report.

### **Resolution**

The business paper on Quarterly Report for period ended 31 December 2020 be received.

B Robertson/J Robertson Carried

## **7. Progress Report: Development of Draft 2021-2031 Ten Year Plan**

The Committee considered a business paper providing a progress report on the requirements (including legislative compliance) for developing the Draft 2021-2031 Ten Year Plan.

The General Manager – Business Support and Chief Executive expanded verbally on the business paper and answered Members' questions.

### **Resolution**

The Progress Report: Development of Draft 2021-2031 Ten Year Plan be received.

B Robertson/A Goddard Carried

## **8. Progress Report: WDC Resource Consents – Compliance Monitoring**

The Committee considered a business paper providing a progress report on compliance reporting against Resource Consent conditions.

The Acting General Manager – Infrastructure Services and Chief Executive expanded verbally on the business paper and answered Members' questions.

### **Resolution**

The Progress Report: Resource Consent – Compliance Monitoring be received.

B Robertson/J New Carried

**9. Progress Report: 3 Waters Reform Project Delivery to 31 December 2020**

The Committee considered a business paper providing a progress report on 3 Waters Project Delivery for the period ended 31 December 2020.

The Acting General Manager – Infrastructure Services and Chief Executive expanded verbally on the business paper and answered Members’ questions.

The Chairman commended staff on meeting the challenges in completing the required reporting within the timelines demanded.

**Resolution**

The business paper on Progress Report for the period ended 31 December 2020 be received.

B Robertson/J New                      Carried

**10. Motion to Exclude the Public**

The Committee considered a business paper pursuant to Section 48 of the Local Government Official Information and Meetings Act 1987 giving Council the right by resolution to exclude the public and/or staff from the whole or any part of a meeting on one or more of the grounds contained within that Section.

**Resolution**

- 1        The public be excluded from the following part of the proceedings of this meeting.
  
- 2        The general subject of each matter to be considered while the public is excluded and the reason for passing this resolution in relation to each matter, as specified by Section 48(1) of the Local Government Official Information and Meetings Act 1987 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
1. Progress Report: Health and Safety	Section 7(2)(a) To protect the privacy of natural persons, including that of deceased natural persons	Section 48(1)(a)(1)
2. Progress Report: Procurement Register (October – December 2020)	Section 7(2)(c)(i) – To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 48(1)(a)(1)
3. Progress Report: Investment Oversight Working Party	Section 7(2)(c)(i) – To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 48(1)(a)(1)

- 3 Council agree the following staff, having relevant knowledge to assist in the consideration of the items of business to be public excluded, remain in attendance to assist the Committee with its decision making:

Staff Member	Reason for Remaining in Attendance
Chief Executive	Council CEO
Manager – Governance Support	Committee Secretary

- 4 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 the public.

B Robertson/Whitaker Carried

## 11. Consideration of Public Excluded Items for the purpose of making information Public following Council's decision taking

Following consideration and decision taking of items of business with the public excluded, the Committee agreed that the following information be made public:

### 1 Progress Report: Health and Safety

The Resolution only be made public as follows:

#### *Resolution*

*The Progress Report: Health and Safety be received.*

*B Robertson/J Robertson Carried*

Note: The business paper for this item is not made public for the reasons set out in Item 10 - "Motion to Exclude the Public" of these Minutes.

### 2 Progress Report: Procurement Register (October – December 2020)

This item of business is not made public for the reasons set out in Item 10 - "Motion to Exclude the Public" of these Minutes.

### 3 Progress Report: Investment Oversight Working Party

This item of business is not made public for the reasons set out in Item 10 - "Motion to Exclude the Public" of these Minutes.

There being no further business the meeting closed at 11.32am

Dated this      day of                      2021.

BRUCE ROBERTSON  
INDEPENDENT CHAIRPERSON

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Confidential

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Confidential

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Document No: A515979

**Report To: Council**



**Meeting Date:** 30 March 2021

**Subject:** **North King Country Sport and Recreation Centre – Establishment of Project Steering Group**

**Type:** Decision Required

## Purpose of Report

- 1.1 The purpose of this business paper is to present for Council's consideration a letter received from Sport New Zealand seeking formal (written) confirmation of Council's willingness and commitment to being represented and participating on a Steering Group to be formed for the purpose of reviewing and addressing concerns raised by the stakeholders to the North King Country Sport and Recreation Centre proposal.

## Commentary

- 2.1 Attached to and forming part of this business paper is a copy of the email received from Sport NZ including a letter from CEO Raelene Castle and the Independent Review Report (the Review) completed by Steve Bramley of SGL Funding Limited.
- 2.2 As outlined in the Sport NZ letter, the objective of the Review funded by Sport NZ is to facilitate discussion between the relevant parties to progress a revised process and proposal which will address all parties' requirements and enable the project to proceed.
- 2.3 The Review identified that all core stakeholders have a common goal of achieving the funding needed to deliver the two-court indoor centre at Te Kuiti High School and ensure its ongoing viability.
- 2.4 The Review identifies the Project Fundamentals required that need to be reviewed and provides strategies and recommendations for how to address these. The important recommendation and strongly supported by Sport NZ is that a collective approach is taken by all key stakeholders to review and collaboratively address and solve those concerns held by parties to the project.
- 2.5 To this end, Sport NZ has recommended a Steering Group be formed comprising the most senior representatives from each stakeholder organisation to reset and achieve the project over the next four to six months.
- 2.6 Sport NZ is now seeking formal (written) confirmation from Council of its willingness and commitment to being represented and participating on the Steering Group, including the names of the Council representative(s), noting that this representation must be at a level of leadership to have the decision making ability required to act.
- 2.7 Sport NZ require this confirmation by Friday 2 April 2021.

## Considerations

### 5.1 **RISK**

5.2 There is no risk to Council in participating on the Steering Group.

### 5.3 **CONSISTENCY WITH EXISTING PLANS AND POLICIES**

5.4 Council's participation on the Steering Group is consistent with the decisions the Council has taken to date in supporting the North King Country Sport and Recreation Centre proposal.

### 5.5 **SIGNIFICANCE AND COMMUNITY VIEWS**

5.6 Council consulted with its District communities as part of its 2018-2028 Long Term Plan Consultation Document 'Shape Waitomo To Your Liking'. Of the 94 submissions received, 64 submitters were in support of providing a capital funding grant to the Game On Charitable Trust of \$1.5M.

5.7 Budget allocation was initially included in the LTP 2018-2028 of \$1M in the 2018/2019 year and \$500,000 in 2019/2020, however due to delays in the project that funding has been deferred.

## Recommendation

6.1 It is recommended that –

- (1) Council agree to participate on the Steering Group.
- (2) Council appoint the Mayor and Chief Executive to represent Council on the Project Steering Group.

## Suggested Resolutions

- 1 The business paper on North King Country Sport and Recreation Centre – Establishment of Project Steering Group be received.
- 2 Council agree to participate on the Steering Project.
- 3 Council appoint the Mayor and Chief Executive to represent Council on the Steering Group and notify Sport New Zealand accordingly.



HELEN BEEVER  
**GENERAL MANAGER – COMMUNITY SERVICES**

23 March 2021

Attachment: Sport New Zealand email dated 17 March 2021 (including attachments)  
(Doc A515981)

**From:** Jamie Delich <[Jamie.Delich@sportnz.org.nz](mailto:Jamie.Delich@sportnz.org.nz)>  
**Sent:** Wednesday, 17 March 2021 3:58 pm  
**To:** Mayor <[Mayor@waitomo.govt.nz](mailto:Mayor@waitomo.govt.nz)>  
**Cc:** Chris Ryan <[Chris.Ryan@waitomo.govt.nz](mailto:Chris.Ryan@waitomo.govt.nz)>  
**Subject:** North King Country Sport and Recreation Center - Te Kuiti High School

Warning! This message was sent from outside your organization and we are unable to verify the sender.

Kia ora John ,

Please find attached a letter from Sport NZ CEO Raelene Castle, along with the Independent Review Report completed by Steve Bramley of SGL Funding Limited.

Thank you for your contribution to the recent review process, consideration of the report and the request made by Sport NZ outlined in the letter.

Ngā mihi

**Jamie Delich**

Spaces & Places Consultant

*My days of work are Monday to Thursday*



+64 21 859 182

[sportnz.org.nz](http://sportnz.org.nz)



Sport New Zealand is the crown entity responsible for Aotearoa New Zealand's play, active recreation and sport system.

For more details, visit [www.sportnz.org.nz](http://www.sportnz.org.nz)

The information contained in this email is confidential and intended for the addressee only. If you are not the intended recipient, you are asked to respect that confidentiality and not disclose, copy or make use of its contents. If received in error, you are asked to destroy this email and contact the sender immediately.

Your assistance is appreciated.



17 March 2021

John Robertson  
Mayor  
Waitomo District Council

By email: cc Chris Ryan, Chief Executive Officer

Tēnā koe John,

## **North King Country Indoor Sport and Recreation Centre**

On behalf of Sport New Zealand (Sport NZ) thank you for your time and advice recently regarding a review of this project which aims to deliver greater opportunities to participate in physical activity for tamariki, rangatahi and the wider community.

The objective of the review funded by Sport NZ was to facilitate discussion between the relevant parties to progress a revised process and proposal that would address all parties' requirements and enable the project to proceed.

The Review, undertaken by SGL Funding Limited included engagement with you as a key stakeholder has now been completed and a copy is provided for your consideration.

Sport NZ is heartened that throughout the review process engagement that all core stakeholders expressed a common goal to find a way to achieve the funding needed to deliver the two-court indoor centre at Te Kuiti High School and ensure its on-going viability through an effective, ownership, governance and management model.

The report identifies the Project Fundamentals required that need to be reviewed and provides strategies and recommendations for how to address these. The important recommendation and strongly supported by Sport NZ is that a collective approach is taken by all key stakeholders to review and collaboratively address and solve those concerns held by parties to the project.

To this end, it is recommended a Steering Group is formed, with some urgency, comprising the most senior representatives from each stakeholder organisation to reset and achieve this project together over the next four to six months.

That said, the purpose of this letter is to seek formal (written) confirmation of your organisations willingness and commitment to being represented and participating on the Steering Group, also, who, if not yourself, will represent your organisation, being someone having the necessary leadership and decision making ability required to act.

Sport NZ gives it commitment to continue its support, engaging SGL Funding Limited to facilitate and co-ordinate the work of the Steering Group.

In closing, thank you for your on-going contribution to this important priority project and consideration to the report. Sport NZ looks forward to confirmation of your organisations continued commitment and notification of representation on the Project Steering Group.

Please send correspondence to Jamie Delich, Spaces & Places Consultant at Sport NZ [jamie.delich@sportnz.org.nz](mailto:jamie.delich@sportnz.org.nz) by Friday April 2<sup>nd</sup>, 2021.

Nāku iti noa, nā



**Raelene Castle**

Chief Executive Officer

**NORTH KING COUNTRY SPORT AND  
RECREATION CENTRE  
INDEPENDENT REVIEW**

**Confidential**

**8 March 2021**



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## 1.0 Background, Review Objective & Approach

### 1.1 Background

To best describe the background for this project, please see below two excerpts from key documents by Sport NZ and the Ministry of Education respectively.

***(Sources: Sport NZ Information for Ministerial Briefing, January 2021)***

“The Te Kuiti Indoor Sports Facility is a sub-regional priority project identified in the Waikato Regional Sports Facility Plan and National Indoor Sport Facilities Strategy.

As the MoE and the School were planning for the replacement of its existing 50-year-old gymnasium, the option to develop an indoor sports facility as a school-community partnership began back in 2015 which had the full support of the then Principal of the Schools Board of Trustees (BoT) and continues to have the full support of the current Principal and BoT.

Initially moved along by the Schools Board of Trustees, to better reflect the partnership the Game On Charitable Trust was established and assumed responsibility for the project in 2018. The Trust has seven community trustee representatives including a solicitor, accountant, Maniapoto Iwi, the schools former Principal, the schools BoT Chair, Waitomo District Council and Sport Waikato.”

“...While fundraising proved challenging, the funding of \$7.5m required to complete the project was achieved in June 2020. The MoE have committed \$1.74m to the project being their contribution to replacement of their existing undersized and ageing gym with the balance of funding committed from:

- Lotteries Significant Projects Fund \$3.0m
- Waitomo District Council \$1.5m
- Trust Waikato \$0.7m
- Crown Infrastructure \$0.5m
- Grassroots Trust \$0.05m.

After the capital investment was secured in June 2020 the focus then switched to formalising the lease and license to occupy agreements with the MoE along with operational contributions agreements with the local authority and funding agencies.”

***[Source: Correspondence from Gary Anaru, Regional Infrastructure Manager, Ministry of Education to Robyn Lindstrom, Chairperson, Game On Charitable Trust (GOCT), dated 23 December 2020]***

“I wish to advise that we are unable to support the Business Case you have presented for building the Indoor Sport and Recreation Centre at the school as it is currently proposed.

I have advised the Board that we will hold the current funding that is earmarked that the Gym until June 2021. This will give GOCT time to revise the business case and to address our concerns, prior to making a final decision, after which we will seek to remediate or rebuild the existing school gym for education purposes.

There is too much risk for both the Ministry of Education and the School BoT to carry should the Trust not be able to complete the project, or if facility proves to be unsustainable and the project doesn't have a significant underwriter which these facilities typically have.”

## 1.2 Review Objective

SGL Funding Ltd has been engaged as an independent subject expert to facilitate discussion between all relevant parties and to work with the Trust to start to progress a revised process and proposal for the MOE and other stakeholders, in particular the Te Kuiti Board of Trustees and Waitomo District Council, that will address all parties' requirements within required timeframes.

## 1.3 Approach

To fully understand the situation, SGL has reviewed all relevant documents, sought additional information or clarification from different parties as required, and held 1-1 interviews with all key stakeholders, including:

- 3 representatives from the Ministry of Education, which included the Regional Manager Infrastructure
- 3 representatives from the Waitomo District Council, which included the Mayor and CEO
- 2 representatives from the Game On Charitable Trust, which were the Chairperson and Project Co-ordinator
- And the Chair of the Te Kuiti Board of Trustees, CEO of Sport Waikato and the CEO of Trust Waikato.

SGL was also initially briefed by Sport NZ's Spaces and Places Consultant.

A full list of all interviews is provided in Appendix 1, Interview Record. A full list of all relevant documents reviewed is provided in Appendix 2, Information Review.

## 2.0 Overall Commentary

### 2.1 Current Position, Common Core Goal, and Collaborative Action Required

Leadership of any major community facility project is a lengthy and demanding process, with responsibility invariably falling only on a few, but requiring multiple skills sets to achieve a successful outcome.

The Game On Charitable Trust and Project Co-ordinator have undertaken an initial facility planning and feasibility process, and then over the last few years have achieved an excellent capital funding result of approximately \$7.5M confirmed funding. However, of necessity, the capital funding has dominated the Trust's focus, and the project to advance must now swing back to ensure all project fundamentals are fully addressed.

For clarity, SGL makes the following key summary comments:

- The Game On Charitable Trust together with the Te Kuiti High School Board of Trustees are to be commended for the community leadership, drive, and energy to get this project to this stage and to have already successfully achieved the scale of the capital funding that they have
- The concerns raised by the Ministry of Education regarding the requirement for greater assurances, to ensure that the total capital cost and the ongoing operating costs of the project are fully addressed, are valid
- In the interview process by SGL, ***all core stakeholders*** - which included the Game On Charitable Trust, Te Kuiti School Board of Trustees, Ministry of Education and Waitomo District Council, together with the support of Sport Waikato and Trust Waikato - ***expressed a common goal to find a way to safely achieve the funding, build, and ongoing viable management of a two-court indoor centre at Te Kuiti High School*** (Please note later commentary on project scope).

All parties also acknowledge the need to move with prudent urgency, both to avoid cost escalation and to also meet current public funder requirements. Consequently, at this time the goal is to address all project fundamentals to the satisfaction of all key parties by 30 June 2021, to in turn seek to let a construction contract no later than 1 October 2021.

However, ***SGL strongly recommends that a collective approach is taken by all key stakeholders, to fully review and collaboratively solve together all project fundamentals***, to ensure an achievable and enduring safe project solution, which has the potential to achieve very positive and substantive ongoing community and social impacts for the Te Kuiti and North King Country communities.

To this end, it is recommended a Steering Group is formed comprising the most senior representatives only from each stakeholder organisation, to work through, solve, and reset this project together over the next four to seven months.

## 2.2 Full Review of Project Fundamentals Required

Suggest the project fundamentals to be foremost reviewed and addressed are:

1. Final smart facility scope and an achievable capital cost
2. Adequate capitalisation and cash flow management
3. Robust procurement and project management processes for the build phase
4. Safe future operational sustainability including the most appropriate facility management model
5. Future impact by, and interrelationship with, other like/relevant facilities
6. The most appropriate structural and legal framework for facility ownership, asset management, and future operational governance and management
7. The right skills sets and robust on-going appointment processes for all future roles.

Based on known information at this time, a summary table (see section 3.0) discusses in detail each of these project fundamentals and provides specific recommendations and suggested strategies. For ease of reading, these (summary) recommendations are then fully listed in section 4.0.

Other items that will also need to be addressed include:

- a) For the remainder of the project development and build process, that the right working structures and processes to ensure effective and full engagement by all key stakeholders, including the Game On Charitable Trust, Te Kuiti School Board of Trustees, Ministry of Education, Waitomo District Council, and other important local, regional and national stakeholders including the Maniopoto Maori Trust Board, Sport Waikato, Sport NZ, Trust Waikato, and other current and future public funders, are put in place (note, see recommendation 12A)
- b) Future operational policies and processes to ensure safe and quality experiences for all future users
- c) Effective ongoing communications occur with all relevant national, regional, district and local stakeholders. Note local stakeholders are to include the Te Kuiti School community including catchment schools, the Te Kuiti and Waitomo District business communities, and the Te Kuiti and Waitomo District ratepayers and general public.

## 2.3 SGL Risk Response Alignment With Understood MOE Concerns

Please see the table below to see the alignment of SGL Risk Response with the understood MOE concerns expressed to Sport NZ.

<b>SGL RISK RESPONSE ALIGNMENT WITH UNDERSTOOD MOE CONCERNS</b>	
<b>MOE Concern Expressed to Sport NZ</b>	<b>Area/Risk Alignment</b>
“The project is large and complex, and too ambitious for an inexperienced trust and school to undertake alone and believes the Trust should consider a scaled down version”	1
“MOE is only able to fund the current requirements for the school which is a single court facility and changing rooms”	2
“There is too much risk for both the Ministry of Education and the School BoT to carry should the Trust not be able to complete the project, or if the facility proves to be unsustainable and the project doesn’t have a significant underwriter which these facilities typically have”	2, 3, 4, 5
“The Trust is not sufficiently established with a track record to provide confidence that it can manage this facility”	6, 7
“There is a risk of capital cost escalation”	2

### 3.0 Risk Review With Suggested Strategies & Recommendations

NORTH KING COUNTRY INDOOR SPORT AND RECREATION CENTRE – RISK REVIEW WITH RECOMMENDATIONS & SUGGESTED STRATEGIES			
#	Area/Risk	SGL Commentary on Current Status	SGL Suggested Strategies & Recommendations
<b>1</b>	<b><i>Smart Facility Scope and Achievable Capital Cost</i></b>		
1.1	Facility Scope	<p>The Trust positioned the Indoor Centre as a sub-regional two-court facility, which is endorsed by Sport Waikato and the Waikato Regional Facilities Plan. Reinforcing the validity of this positioning, it is noted participants for many indoor sports already travel between and within the districts of Waitomo, Otorohanga, and northern Ruapehu to participate in basketball, futsal, badminton, netball, volleyball, dance, etc. For example, over 150 children from Otorohanga currently play miniball in Te Kuiti.</p> <p>A shared community-school indoor court sport facility works much better if there is a two-court area, which provides ease of programming separation and flexibility for dual use; and if a facility is able to have separate amenity for school and community at times of dual use.</p> <p>Furthermore, inclusion of a fitness centre will usually enhance the overall facility's viability.</p> <p>By consolidating activities at one location with onsite management there is also the better opportunity for the sustained provision of a range and quality of services suited to all ages and abilities; improved behavioural supervision and the improved care of both the facility and equipment; and will help to foster a welcoming, clean, and safe environment.</p>	<p><b><i>Overall Comment by SGL</i></b></p> <p>The essential current proposed scope of a two-court facility with a fitness centre and supporting multipurpose room and amenity is justified if the District is consolidating on this indoor facility as the preferred and only venue (other than other school gyms) for all future indoor court activity, and as the principal facility in Te Kuiti for fitness-related services.</p> <p>Furthermore, for future operating viability and to optimise community outcomes, it is important the facility being provided is <u>a quality, multi-functional facility and the preferred venue of choice</u> - a place people want to go to participate and compete in sport, recreation, and fitness activities; and a community hub which is a place of physical activity for the whole family and for all ages, and that is also a positive social focus where the community meets and connect.</p> <p><b><i>Recommendation 1 – Fundamental Facility Scope</i></b></p> <p>There is no basis for revisiting the fundamental facility scope of the proposed Indoor Centre, assuming further and ongoing policies, strategies, and future funding and resourcing decisions by all key stakeholders, as much as one can, endorse and continue to reinforce this venue as the sub-regional indoor court sport venue, and as the principal facility in Te Kuiti for fitness-related services.</p>

#	Area/Risk	SGL Commentary on Current Status	SGL Suggested Strategies & Recommendations
1.2	Achievable Capital Cost	<p>Based on SGL’s review of costs and estimated escalation, and based on construction being underway by Q4 2021, suggest the current total required capital cost is in the order of about \$8.3M. Please note, <u>this rough order cost estimate only</u> includes:</p> <ul style="list-style-type: none"> <li>• The current core design and build cost</li> <li>• Escalation (assuming the build begins in Q4 2021)</li> <li>• A new power transformer</li> <li>• Fitout (with adequate fitness equipment provision and some contingency)</li> <li>• A wooden floor upgrade</li> <li>• Additional geotechnical survey cost</li> <li>• Provision for legal costs, independent QS review, and some provision for ongoing Project Co-ordinator costs.</li> </ul> <p>Note, resource consent has been approved and is valid until February 2024.</p>	<p><b>Recommendation 2 – Full Capital Cost Review</b> That a full capital cost review be undertaken by an independent QS – see section 3.1 for further detail.</p> <p><b>Recommendation 3 – Value Management Process for Facility Design</b> That a value management exercise is undertaken to reduce the total capital cost by about \$300,000 to \$400,000, i.e., to about \$8.0M or less.</p> <p>Please note, as per comments above, any reductions should <u>not</u> detract from the quality nor core multi-functional utilisation of the facility.</p> <p>Some examples only of possible items that could be considered to achieve capital cost savings are:</p> <ul style="list-style-type: none"> <li>• A smaller multipurpose room</li> <li>• No PE offices</li> <li>• No consulting rooms</li> <li>• ‘Dry’ change rooms only for normal school use, i.e., no showers</li> <li>• Reduced changing rooms for the fitness centre.</li> </ul> <p>Also, as part of this process, also need to ensure the proposed future facility design meets MOE requirements.</p> <p>Also consider any cost-effective Environmentally Sustainable Design elements that may have merit.</p>

#	Area/Risk	SGL Commentary on Current Status	SGL Suggested Strategies & Recommendations
<b>2</b>	<b><i>Adequate Capitalisation and Cash Flow Management</i></b>		
2.1	Adequate Capitalisation	<p>As per the briefing memo for the Minister of Sport in January 2021, \$7.49M of funding had been secured towards the core capital funding (see section 1.0 of main Report).</p> <p>Following review of the recent Financial Statements for the Game On Charitable Trust, and subject to the treatment of some funds, up to about \$90,000 of these funds may have already been expended, meaning there is about a residual \$7.4M confirmed funding at this time available towards a potential total capital cost of \$8.3M.</p> <p>However, it is not unrealistic to assume about \$350,000 of costs could be reduced through a value management exercise. Therefore, for safety at this time, suggest capital funding of about \$8.0M needs to be achieved.</p> <p>Furthermore, there is currently no project budget provision for an operating cashflow buffer, which would preferably be about \$250,000 (i.e., the equivalent of about 6 months annual operating expenditure).</p>	<p>In discussion with relevant parties, there is the potential to address about a further \$500,000 to \$600,000 of funding, but suggest <u>only</u> if there is a genuine collaborative and shared approach to solving the overall capital funding and ongoing operational resourcing and asset management.</p> <p>To solve, suggest the support required will need to include each and all of:</p> <ul style="list-style-type: none"> <li>• Assignment of full funds currently held by the Te Kuiti High School Charitable Trust</li> <li>• Consideration of additional support, and/or confirmation of previously indicated support, by Trust Waikato and the Grassroots Trust, both capital and operating</li> <li>• Equitable capital and ongoing operating contributions, by MOE and the Te Kuiti Board of Trustees, from eligible funding sources and acknowledging educational priorities and policy constraints</li> <li>• Equitable capital and ongoing operating contribution by Waitomo District Council and acknowledging overall District priorities and constraints.</li> </ul> <p><b><i>Recommendation 4 – Joint and Collaborative Approach by All Key Stakeholders to Solve Capital Funding and Ongoing Operational Resourcing</i></b></p> <p>That all stakeholders review together how they can fairly contribute to the current capital funding and to the future operating resourcing requirements, but also acknowledging the constraints each stakeholder must operate within.</p> <p>At this time, anticipated required costs are:</p> <ul style="list-style-type: none"> <li>• About an additional \$500,000 to \$600,000 towards initial capital costs</li> <li>• About \$250,000 towards an operating cashflow buffer, so that the initial facility management has sufficient funds to operate.</li> </ul> <p>Suggest these items are solvable, but will require collaborative action by all key stakeholders, and suggest will also include review of the most appropriate future structural and legal framework – see section 6.</p>

#	Area/Risk	SGL Commentary on Current Status	SGL Suggested Strategies & Recommendations
2.2	Cash Flow Management	No cashflow has been prepared to date for the build phase nor for the initial operating period.	<p><b>Recommendation 5 – Cash Flow From Now to End of Facility Operation Year 1</b> An independent QS, in conjunction with an accountant or similar, to prepare a cashflow from current day to the end of the facility’s first year of operation, with updated capital cost, capital funding, and Y1 operating budget inputs.</p>
<b>3</b>	<b>Procurement Process and Project Responsibility and Management Processes for the Build Phase</b>		
3.1	Procurement Process	<p>On a comparative m2 basis with other facilities, Apollo Projects Ltd appears to have submitted a competitive price. Furthermore, the contract details appear favourable, including:</p> <ul style="list-style-type: none"> <li>• A design and build contract with a maximum fixed price</li> <li>• Any savings below the maximum price are proposed to be shared equally with the client</li> <li>• Limited apparent scope to claim extra costs other than time delays without any extra financial cost.</li> </ul> <p>Furthermore, the current project cost includes a contingency of about 4.94% of core build costs before margin and provisional sums.</p> <p>However, no competitive tender process has occurred.</p>	<p><b>Recommendation 6 - Independent Review of the Apollo Projects Ltd Proposal</b> That an independent QS review the design-build proposal by Apollo Projects Ltd, which would include:</p> <ul style="list-style-type: none"> <li>• Requesting an updated proposal from Apollo Projects Ltd based on revised scope following the value management exercise and also ensuring MOE design requirements are met</li> <li>• Consideration of price competitiveness, material choice and budget adequacy to achieve quality and durable outcomes, and also adequacy of contingency, to achieve the safe provision of required outcomes</li> <li>• Contract review regarding appropriateness, specific provisions, and risks</li> <li>• Based on this review, to in turn recommend the required process, i.e., if the project should be retendered or what modifications are required to the updated proposal to be acceptable.</li> </ul> <p>That this review of the Apollo Projects Ltd is also undertaken as part of Recommendation 2 – Capital Cost Review, so that full project costs are understood.</p>
3.2	Project Responsibility and Project Management Processes for the Build Phase	Regardless of the future entity/entities responsible for owning and managing this facility, the future Project Control Group for management and oversight of the procurement, construction and fit-out process should include property and project management expertise from both MOE and Waitomo District Council, and suggest would likely also be requirements of both these stakeholders as a condition of their capital funding contributions.	<p><b>Recommendation 7 – Project Responsibility for Build Phase</b> (As part of the Structural and Legal Framework Review - see section 6) To determine where the project responsibility should rest for the financial and project management for the construction of this facility.</p> <p>In turn, to establish a Project Control Group with the requisite skills sets and representation – see Recommendation 12C.</p>

#	Area/Risk	SGL Commentary on Current Status	SGL Suggested Strategies & Recommendations
4	<b>Operational Sustainability and Facility Management Models</b>		
4.1	Operational Sustainability	<p>From review of the current financial projections, it appears some revenue is potentially optimistic, and that some operating expenditure is underestimated.</p> <p>For this type of facility in a lower socio-economic community with a relatively small catchment population (as compared to an urban population), benchmarking would suggest this type of facility can breakeven before depreciation; and with good management can meet some of ongoing fitout depreciation and Long-Term Maintenance (LTM) costs. SGL’s preliminary analysis of financial projections and information would also suggest this is the case for this proposed facility.</p>	<p><b>Recommendation 8 – Recast 5 Year Operating Budget</b> That in conjunction with the current Project Co-ordinator, that a full five-year operating model plus for the pre-opening period is recast, including:</p> <ul style="list-style-type: none"> <li>• Consideration of different management models – see next section 4.2</li> <li>• For the likely preferred management model, consider sensitivity analysis for pricing of key services, projected utilisation and revenue, and for material variable expenditure items</li> <li>• For expenditure, seek updated and specific costs where possible (e.g., building insurance, fitout depreciation and LTM – see item below), and determine policy on Living Wage</li> <li>• To cross-check revenue and expenditure with facility norm benchmarks and/or actual financials for similar facilities.</li> </ul> <p>Note, as part of the QS brief, need to consider LTM over a 30-year period, integrated with the likely regular maintenance and cleaning programme.</p>
4.2	Facility Management Models	<p>The current Business Case discussed a Hire Only model versus a Mixed Hire and Managed Programme Model for the indoor courts; and also, Direct Management versus Lease to a Commercial Operator for the Fitness Centre.</p> <p>SGL agrees with the current Business Case that direct management of a fitness centre is usually the best option for this type of facility. However, in some instances a JV with an existing market provider may have merit.</p>	<p><b>Recommendation 9 – Facility Management Models</b> Suggest, from a future risk management perspective, that future management models should be explored in greater detail to:</p> <ul style="list-style-type: none"> <li>• Clearly understand the minimum staffing level required to provide core services</li> <li>• Discuss and determine strategies to expand or contract programming services, which may be variable subject to available future grant funding</li> <li>• Understand the potential management synergies and/or interrelationship with other facilities to avoid destructive competition, to optimise use of any future facility grant funding’ to achieve efficient use of existing facility budgets, and to optimise community outcomes – see section 5 for further discussion</li> <li>• Consider testing management contractor market as appropriate.</li> </ul> <p>In summary, to fully examine management models to enable future community outcomes to be optimised, in parallel with financial and people resilience strategies to achieve a financially viable facility and the development and retention of quality staff and/or service providers.</p>

#	Area/Risk	SGL Commentary on Current Status	SGL Suggested Strategies & Recommendations
5	<b>Future Impact and Interrelationship with Like/Relevant Facilities</b>		
5.1	Te Kuiti Stadium	<p>Te Kuiti High School’s current gymnasium is about 45 years old and in poor condition, i.e., the roof leaks, the changing rooms are sub-standard and the facility is understood to contain asbestos. It is about a ¼ sized gym and consequently undersized for many sports competition users.</p> <p>If the Indoor Centre does not proceed, it is understood the MOE will either refurbish or replace the existing school gym – SGL currently assumes MOE’s decision to refurbish or replace would be based on what is considered most cost effective to meet MOE School Property Guide entitlements.</p> <p>The current main indoor sports facility in Te Kuiti, the Te Kuiti Stadium, is about 50 years old, with a limited remaining lifespan and as with any ageing asset, increasing maintenance requirements. The facility is currently owned by an incorporated society, the Waitomo Indoor Sport Centre Inc. The facility is the size of one single basketball court with limited runoff, and currently caters for basketball and miniball, badminton, and futsal, plus also for the local theatre group. It is understood miniball proposes to transfer its future activities to the new Indoor Centre but not badminton at this time.</p>	<p><b><i>Recommendation 10 – Best Facility Interrelationship to Optimise Community Outcomes and Financial Sustainability</i></b></p> <p><u>Importance of Ongoing Policy and Strategy Clarity to Consolidate Relevant Future Activity at the Indoor Centre</u></p> <p>As previously stated in section 1, this type of proposed Indoor Centre works in population catchments of this scale if it is ‘the preferred and only venue (other than other school gyms) for all future indoor court activity and is the principal facility in Te Kuiti for fitness-related services’.</p> <p>Therefore, to optimise community and financial outcomes, all key stakeholders need to work together to this end. Furthermore, these directions must also be a cemented ongoing as part of future facility and funding policies and strategies by all key stakeholders.</p> <p>This type of discussion will be a continuing debate, but invariably this debate surfaces when any new facility is proposed. It can also be a positive catalyst for asking the question, could one achieve better value from one’s existing community facility spend?</p> <p><u>Te Kuiti Stadium</u></p> <p><b><i>Recommendation 10A:</i></b> Suggest it is important there is better clarity on what activities will transfer from Te Kuiti Stadium to the new Indoor Centre, and collective discussion by relevant stakeholders on the future facility life and maintenance requirements, utilisation, financial viability, and management of this facility.</p> <p>One option in these types of situations, if there is genuine remaining facility life for the Te Kuiti Stadium without too high a spend, can be to consider jointly manage both facilities for a period, to avoid possible destructive practices such as price undercutting for court hire, etc.</p> <p>Please note, there will be a cost-benefit point where one should close the facility.</p>

	Area/Risk	SGL Commentary on Current Status	SGL Suggested Strategies & Recommendations
5.2	Fitness Centres	<p>There is currently one existing fitness centre in Te Kuiti, Lifestyle Fitness Centre, which appears to be charging about \$12 (GST exclusive) per week for a fitness centre membership, which is similar to the pricing applied in the current Business Case.</p> <p>There are currently three fitness centres in Otorohanga – note, Otorohanga’s town population was 3,027 (2018 Census) compared to Te Kuiti’s town population of 4,572 (2018 Census). Current fitness centre membership in Otorohanga range from about \$13 (GST exclusive) to about \$17 (GST exclusive).</p>	<p><b>Recommendation 10B:</b> Suggest there may be merit in further exploring what relationship if any should occur with existing fitness centre providers.</p> <p>For example, if someone is a very good operator, there could be merit in a joint venture; or there may be the opportunity with the current Te Kuiti-based gym to (commercially) agree they operate their facility until the Indoor Centre opens, then the Indoor Centre agrees to ‘purchase’ and transfer their membership base and equipment of value at a fair price on the basis of a restraint of trade for x years in Te Kuiti. This can also have the advantage it allows one to build up one’s membership prior to opening.</p>
5.3		<p>The Council-owned Waitomo District Aquatic Centre in Te Kuiti is an outdoor, 33m long pool. Council currently contracts the Aquatic Centre management to a private company, CLM.</p>	<p><u>New Facilities Raises the Question of Effective Spend of Existing Sport and Recreation Dollar, Both Council and Other Public Funders, and for the Potential for Facility Management Synergies</u></p> <p>In many communities throughout New Zealand there are considerable inconsistencies regarding which the level of subsidies are applied by Councils for the provision and operation of sport and recreation facilities, whether swimming pools to indoor stadiums to outdoor surfaces, e.g., how much should one subsidise a swimming pool versus an indoor facility? What’s the NZ norm for annual net cost per user by a Council for different types of facilities, how does one’s area compare, and where should future emphasis be placed? Furthermore, new facilities provide the opportunity to explore the potential for facility management synergies and efficiencies.</p> <p><b>Recommendation 10C:</b> Suggest, subject to what Waitomo District Council wishes to consider, that there may be merit in exploring with Council the potential for future management synergies and cost efficiencies with the Waitomo District Aquatic Centre.</p>

#	Area/Risk	SGL Commentary on Current Status	SGL Suggested Strategies & Recommendations
6	<p><b>Structural and Legal Framework for Facility Ownership, Asset Management and Future Operational Governance and Management</b></p>	<p>The current Business Case proposes that the Game On Charitable Trust (GOCT) leases the land from the MOE and owns and manages the whole facility. The lease term is proposed for up to 35 years.</p> <p>For multipurpose community facilities throughout New Zealand, it is often unrealistic to expect a community charitable Trust to be responsible for both the asset management and the operation of the facility.</p> <p>A community-led Trust is often a very good vehicle to optimise ongoing community engagement, relationships, opportunities and external funding i.e., to be responsible for the governance and management oversight of people programmes and for the operation of a facility.</p> <p>Furthermore, for a school-community facility partnership it is important an excellent relationship is maintained between the School Board and management and the Trust, which is usually best achieved by say two ongoing key School representatives on such a Trust.</p> <p>However, a community Trust is not necessarily the right entity to be responsible for the ongoing asset management of a major community facility, whereas asset management is core business for the MOE and Councils.</p> <p>In models where asset ownership rests with the MOE, Council, or a mix of both, equitable responsibility for asset management is worked through; and realistic expectations are also placed on the operating Trust to achieve sufficient operating surplus to meet some of the ongoing facility LTM costs. Ongoing and regular financial reporting by the Trust to the Council, and the proactive monitoring and support of the Trust's operating performance by the Council, are also important.</p>	<p><b><i>Recommendation 11 – Review Structural and Legal Framework, and Corresponding Financial Implications</i></b></p> <p>Suggest should fully understand current other existing and relevant community partnership models for school-based facilities.</p> <p>In turn, suggest review the legal options and the corresponding financial implications for the Indoor Centre, which could include:</p> <p><u>Option 1</u></p> <ul style="list-style-type: none"> <li>• Current BC status quo – GOCT leases, owns and manages</li> </ul> <p><u>Option 2</u></p> <ul style="list-style-type: none"> <li>• MOE owns one gym and the associated amenity (about 1,250m<sup>2</sup> or 40% of total facility)</li> <li>• Council or GOCT leases and owns the remaining facility</li> <li>• GOCT manages the whole facility.</li> </ul> <p>Note, the original Thames High School proposed model, with the only change being the Council now manages.</p> <p><u>Option 3</u></p> <ul style="list-style-type: none"> <li>• MOE owns the whole facility</li> <li>• Agreed Council operating support</li> <li>• GOCT manages the whole facility.</li> </ul> <p>Note, The Peak model in Rototuna.</p> <p><u>Option 4</u></p> <ul style="list-style-type: none"> <li>• Council leases site and owns the whole facility</li> <li>• GOCT manages the whole facility.</li> </ul> <p><u>Option 5</u></p> <ul style="list-style-type: none"> <li>• Council leases site and owns whole facility</li> <li>• Council manages the whole facility</li> </ul>

#	Area/Risk	SGL Commentary on Current Status	SGL Suggested Strategies & Recommendations
7	<p><b>Right Skill Sets and Robust On-Going Appointment Processes for All Future Roles</b></p>	<p>For projects of this nature, there is always a transition from the ‘Establishment Trust’ – the group of people that made the project a reality, i.e., from concept to business feasibility to capital funding to build; to sometimes quite a different group of people who are the ‘Operating Trust’, who are then responsible for operating the facility.</p> <p>Success of any organisation requires the right skills sets for the right roles. Transparent and robust ongoing appointment processes are also needed for all future roles</p>	<p><b>Recommendation 12 – Right Skill Sets and Representation on Right Structures</b></p> <p>Regardless of the final legal structure, the right skills sets and robust appointment processes must be put in place for different entities.</p> <p>For this next phase suggest a minimum of three groups will be required:</p> <ul style="list-style-type: none"> <li>• <b>Recommendation 12A:</b> Most critically, recommend the establishment of a Steering Group, which comprises of the most senior representatives only from each stakeholder organisation, and that has a collective goal and a collaborative approach to work through, solve, and reset this project together over the next four to seven months</li> <li>• <b>Recommendation 12B:</b> (Once Project Responsibility is determined) That a Project Control Group is established to review and oversee the facility construction process</li> <li>• <b>Recommendation 12C:</b> (Obviously subject to the final agreed legal structure) That a review of the future membership of GOCT occurs to ensure there is the right future skill set and representation to undertake a future operating role.</li> </ul>

## 4.0 Summary Recommendations

(Please note, directly correlates with the more detailed recommendations in section 3)

### ***Recommendation 1 – Fundamental Facility Scope***

There is no basis for revisiting the fundamental facility scope of the proposed Indoor Centre, assuming further and ongoing policies, strategies, and future funding and resourcing decisions by all key stakeholders, as much as one can, endorse and continue to reinforce this venue as the sub-regional indoor court sport venue, and as the principal facility in Te Kuiti for fitness-related services.

### ***Recommendation 2 – Full Capital Cost Review***

That a full capital cost review be undertaken by an independent Quantity Surveyor.

### ***Recommendation 3 – Value Management Process for Facility Design***

That a value management exercise is undertaken to reduce the total capital cost by about \$300,000 to \$400,000, i.e., to about \$8.0M or less.

Please note, any reductions should not detract from the quality nor core multi-functional utilisation of the facility.

### ***Recommendation 4 – Joint and Collaborative Approach by All Key Stakeholders to Solve Capital Funding and Ongoing Operational Resourcing***

That all stakeholders review together how they can fairly contribute to the current capital funding and to the future operating resourcing requirements, but also acknowledging the constraints each stakeholder must operate within.

At this time, anticipated required costs are:

- About an additional \$500,000 to \$600,000 towards initial capital costs
- About \$250,000 towards an operating cashflow buffer, so that the initial facility management has sufficient funds to operate.

Suggest these items are solvable, but will require collaborative action by all key stakeholders, and suggest will also include review of the most appropriate future structural and legal framework – see Recommendation 11.

### ***Recommendation 5 – Cash Flow From Now to End of Facility Operation Year 1***

An independent QS, in conjunction with an accountant or similar, to prepare a cashflow from current day to the end of the facility's first year of operation, with updated capital cost, capital funding, and Y1 operating budget inputs.

## ***Recommendation 6 - Independent Review of the Apollo Projects Ltd Proposal***

That an independent QS review the design-build proposal by Apollo Projects Ltd.

Based on this review, to in turn recommend the required process, i.e., if the project should be retendered or what modifications are required to the updated proposal to be acceptable.

## ***Recommendation 7 – Project Responsibility for Build Phase***

(As part of the Structural and Legal Framework Review) To determine where the project responsibility should rest for the financial and project management for the construction of this facility.

## ***Recommendation 8 – Recast 5 Year Operating Budget***

That in conjunction with the current Project Co-ordinator, that a full five-year operating model plus for the pre-opening period is recast.

Note, as part of the QS brief, need to consider Long-Term Maintenance over a 30-year period, integrated with the likely regular maintenance and cleaning programme.

## ***Recommendation 9 – Facility Management Models***

Suggest, from a future risk management perspective, that future management models should be explored in greater detail - To fully examine management models to enable future community outcomes to be optimised, in parallel with financial and people resilience strategies to achieve a financially viable facility and the development and retention of quality staff and/or service providers.

## ***Recommendation 10 – Best Facility Interrelationship to Optimise Community Outcomes and Financial Sustainability***

***Recommendation 10A:*** Suggest it is important there is better clarity on what activities will transfer from Te Kuiti Stadium to the new Indoor Centre, and collective discussion by relevant stakeholders on the future facility life and maintenance requirements, utilisation, financial viability, and management of this facility.

***Recommendation 10B:*** Suggest there may be merit in further exploring what relationship if any should occur with existing fitness centre providers.

***Recommendation 10C:*** Suggest, subject to what Waitomo District Council wishes to consider, that there may be merit in exploring with Council the potential for future management synergies and cost efficiencies with the Waitomo District Aquatic Centre.

## ***Recommendation 11 – Review Structural and Legal Framework, and Corresponding Financial Implications***

Suggest should fully understand current other existing and relevant community partnership models for school-based facilities.

In turn, suggest review the legal options and the corresponding financial implications for the Indoor Centre.

## ***Recommendation 12 – Right Skill Sets and Representation on Right Structures***

Regardless of the final legal structure, the right skills sets and robust appointment processes must be put in place for different entities.

For this next phase suggest a minimum of three groups will be required:

- ***Recommendation 12A:*** Most critically, recommend the establishment of a Steering Group, which comprises of the most senior representatives only from each stakeholder organisation, and that has a collective goal and a collaborative approach to work through, solve, and reset this project together over the next four to seven months
- ***Recommendation 12B:*** (Once Project Responsibility is determined) That a Project Control Group is established to review and oversee the facility construction process
- ***Recommendation 12C:*** (Obviously subject to the final agreed legal structure) That a review of the future membership of GOCT occurs to ensure there is the right future skill set and representation to undertake a future operating role.

## Appendices

### 1 Interview/Key Meeting Record

<b>Organisation</b>	<b>Name/s and Role/s</b>	<b>Date (2021)</b>	<b>Interview Type</b>
Sport NZ	Jamie Delich (Spaces and Places Consultant)	28 January, 11 February, 2 March	By phone
Game On Charitable Trust	Bruce Maunsell (Project Manager)	29 January; 2, 3, 5, 10, 11, 16, 18 February; 1, 2, 7 March	By phone except 10.02 in person (in Te Kuiti) and by Zoom 1 March
Ministry of Education	Peter Hannam (Infrastructure Manager)	2 February	By phone
Sport Waikato	Matthew Cooper (CEO), with Jamie Delich on 4 Feb; Matt Cooper only on 17 February and 1 March	4, 17 February	By Teams or phone
Waitomo District Council	Chris Ryan (CEO), Helen Beever (General Manager, Community Services)	5 February (by Zoom); 11, 22 and 25 February (by phone)	By Zoom or phone
Game On Charitable Trust	Robyn Lindstrom (Chair)	10 February (in Te Kuiti), 1 March	In person on 10.02; by Zoom 1.03
Te Kuiti High School	Hilary Karaitiana (Chair)	10 February (in Te Kuiti)	In person
Waitomo District Council	John Robertson (Mayor)	10 February (in Te Kuiti)	In person
Ministry of Education	Alan Smith (School Finance Advisor)	11 February	In person
Ministry of Education	Gary Anaru (Regional Infrastructure Manager – Central North)	18 February	By phone
Trust Waikato	Dennis Turton (Chief Executive), with Matt Cooper by Zoom	24 February	In person

## 2 Information Review

Account Summary for North King Country Indoor Stadium – September 2014 to April 2018
Apollo Letter of Offer for Construction Contract and Draft Agreement Schedules – 24 July 2020
Business Case Project Game On (North King Country Indoor Sport and Recreation Centre) – Bruce Maunsell - January 2021
Business Case Project Game On (North King Country Indoor Sport and Recreation Centre) – Bruce Maunsell – May 2018
Detailed Project Costs from 2018 – Game on Charitable Trust – February 2021
(Draft) Game On Trust Deed - 2015
Email correspondence from Bruce Maunsell regarding the building insurance estimate from Crombie Lockwood – 13 February 2021
Email correspondence from Bruce Maunsell regarding the Te Kuiti electrical supply costs and geotechnical survey costs – 16 February 2021
Email correspondence from Bruce Maunsell re demolition cost of existing gym – Azzie Specialist Ltd – 22 February 2021
Email correspondence from Gary Anaru MOE re remediation costs for Te Kuiti High School exiting gym – 19 February 2021
Email correspondence from Helen Beever, Waitomo District Council, re rates assessment – 25 February 2021
Email correspondence from Jamie Delich Sport NZ re Fitness Centre membership – 22 February 2021
(Draft) Email correspondence from Janene New (Secretary to BOT at Te Kuiti High School) to Bruce Maunsell and Kevin Forgeson for MOE regarding Game On Charitable Trust consents on 20 September 2018
Email correspondence from Joel Williams, Manager and Key Accounts at The Lines Company costs for provision and installation of transformer – 21 September 2020
Email correspondence from Mike Fox, General Manager Network at The Lines Company regarding power supply solution – 11 November 2020
Email correspondence from Mike Fox, General Manager Network at The Lines Company regarding transformer capacity and cost - 1 October 2020
Email correspondence between Peter Hannam MOE to Hilary Karaitiana TKHS Board re School Houses – 17 December 2020 and 27 January 2021
Email correspondence from Tim Hughes, Technical Director at Powell Fenwick regarding transformer capacity requirements – 9 October 2020
Financial Accounts FY2018 - Game on Charitable Trust
Financial Accounts FY2019 - Game on Charitable Trust
Fitout List (Excel) – February 2021
(Draft) Funding Agreement Between Game on Charitable Trusts and Waitomo District Council – September 2020
Funding Contribution and Operating Agreement relating to the Construction and Shared Use of Rototuna Junior and Senior High School Gymnasium (Rototuna Indoor Recreation Centre) – Ministry of Education – 5 July 2016. Also Key Points Summary
Game On Charitable Trust Sports Hub – Te Kuiti – Design and Feasibility Report, Apollo Projects - 3 September 2020
Game on Charitable Trust Forecasts (Excel) – January 2021
Game on Charitable Trust, Certificate of Incorporation – NZ Companies Office – November 2017
Game on Trust Deed – 8 November 2017
Geotechnical Assessment Report for Proposed New Gymnasium, Te Kuiti High School – Stratum Consultants/Tectum Consulting Ltd – 13 July 2016
Information for Ministerial Briefing re Te Kuiti Indoor Sports Facility Project – Sport NZ - January 2021
Ministry of Education Concerns re the Game on Charitable Trust and the Te Kuiti Stadium Project – Robyn Lindstrom (Game on Charitable Trust Chair) – 6 November 2020
North King Country Community Indoor Sports and Recreation Facility, Pre-Feasibility Investigation – Bruce Maunsell – February 2015
North King Country Indoor Sport & Recreation Centre, Financial Analysis to support Business Case – Bruce Maunsell - 2016

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North King Country Indoor Sport & Recreation Centre, Financial Analysis Project Game On – Bruce Maunsell – Updated January 2021
North King Country Indoor Sport & Recreation Centre Proposal Letter – Ministry of Education – 23 December 2020
North King Country Indoor Sport and Recreation Centre, Project Overview – November 2020
Peer Review: North King Country Indoor Sport & Recreation Centre - Draft Business Case – Geoff Canham Consulting – June 2016
Rationale for Gymnasium Budgeted Opex Spend from MOE Contribution – Bruce Stephens; and Analysis 2013 to 2016 with 2017 Budget Te Kuiti High School – Education Services
Resolution for Name Change, Game on Charitable Trust – 21 November 2017
GOCT Resource Consent Application – January 2019; and Confirmed Resource Consent
Sponsorship Proposal - Project Game On – 12 July 2018
Te Kuiti High School Facility Cashflow Forecasts – February 2016
Te Kuiti School Charitable Trust Westpac Bank Statement – 1 April 2020
Te Kuiti School Community Sports Facility Floor Plan Options 4C & 5 Comparison – IKON Architects Ltd
Te Kuiti School Community Sports Facility Floor Plan Option 5 – IKON Architects Ltd

## 3 Restrictions

This Report has been prepared solely for the purposes stated herein and should not be relied upon for any other purpose.

In preparing this Report and forming our opinion, we have relied upon the information available to us from public sources and furnished to us by the Game On Charitable Trust and other stakeholders. In turn, we have evaluated that information through analysis, inquiry and review.

This Report has been prepared solely for use by Sport NZ and may not be copied or distributed to third parties without SGL's prior written consent.

To the fullest extent permitted by law, SGL accepts no duty of care to any third party in connection with the provision of this Report and/or any related information or explanation (together, the "Information"). Accordingly, regardless of the form of action, whether in contract, tort (including without limitation, negligence) or otherwise, and to the extent permitted by applicable law, SGL accepts no liability of any kind to any third party and disclaims all responsibility for the consequences of any third party acting or refraining to act in reliance on the information.

Our Report has been prepared with care and diligence and the statements and opinions in the Report are given in good faith and in the belief on reasonable grounds that such statements and opinions are not false or misleading. No responsibility arising in any way for errors or omissions (including responsibility to any person for negligence) is assumed by us or any of our partners or employees for the preparation of the Report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the Report or assumptions reasonably taken as implicit.

We reserve the right, but are under no obligation, to revise or amend our Report if any additional information (particularly as regards the assumptions we have relied upon) which exists at the date of our Report but was not drawn to our attention during its preparation, subsequently comes to light.

**Document No:** A514674

## **Report To: Council Meeting**



**Meeting Date:** 30 March 2021

**Subject:** Inframax Construction Ltd – Draft Statement of Intent for Year Ending 30 June 2022

**Type:** Decision Required

### **Purpose of Report**

- 1.1 The purpose of this business paper is to present the draft Statement of Intent (Sol) for Inframax Construction Ltd (ICL) for the year ending 30 June 2022.

### **Background**

- 2.1 Section 64 of Local Government Act 2002 (LGA 2002) requires all council-controlled organisations (CCO) to have a Sol that must not be inconsistent with the constitution of the CCO.
- 2.2 The purpose of an Sol as set out in Schedule 8 of LGA 2002 is to —
- (a) state publicly the activities and intentions of a CCO 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.
- 2.3 The Sol must specify the following information for the CCO and any subsidiaries for next year (i.e. 2021/22) and the following two financial years:
- (a) the objectives of the group; and
  - (b) a statement of the board's approach to governance of the group; and
  - (c) the nature and scope of the activities to be undertaken by the group; and
  - (d) the ratio of consolidated shareholders' funds to total assets, and the definitions of those terms; and
  - (e) the accounting policies of the group; and
  - (f) the performance targets and other measures by which the performance of the group may be judged in relation to its objectives; and
  - (g) an estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the shareholders; and
  - (h) the kind of information to be provided to the shareholders by the group during the course of those financial years, including the information to be

included in each half-yearly report (and, in particular, what prospective financial information is required and how it is to be presented); and

- (i) the procedures to be followed before any member or the group subscribes for, purchases, or otherwise acquires shares in any company or other organisation; and
  - (j) any activities for which the board seeks compensation from any local authority (whether or not the local authority has agreed to provide the compensation); and
  - (k) the board's estimate of the commercial value of the shareholders' investment in the group and the manner in which, and the times at which, that value is to be reassessed; and
  - (l) any other matters that are agreed by the shareholders and the board.
- 2.4 Attached to and forming part of this business paper is a copy of the Inframax Construction Ltd draft Statement of Intent (ICL Sol) for 2021/22.
- 2.5 The Board of a CCO must deliver to its shareholders a draft Sol by 1 March each year for consideration. The Shareholders are invited to provide comments on the draft SOI within 2 months of 1 March. The Directors must then consider any Shareholder comments and deliver the completed Sol to Shareholders by 30 June.
- 2.6 Council developed and delivered to ICL a Statement of Expectation in December 2020, the Statement of Expectation is attached and forms part of the business paper.
- 2.7 Council is now invited to consider the draft Sol 2022 and provide comments should it choose to.

## Commentary

- 3.1 The Board have presented a draft Sol 2022 that is generally consistent with the Statement of Expectation 2021-2022. There are two inconsistencies, the reporting of financial information and a non-financial target has not been reported separately.
- 3.2 The general expectation of financial information, *"The SOI must include a complete set of high level prospective financial statements for at least three years (preferably five years) i.e. Statement of Comprehensive Income, Statement of Financial Position and Cash-flow Statement"*, these prospective financial statements have not been included in the draft Sol 2022.
- 3.3 A specific expectation for 2021/2022 for Inframax Construction Limited to *"provide support to 4 Local activities in the Waitomo District"* has been consolidated into the non-financial measure of "Number of Local Events supported" where Inframax is proposing to support a total of 15 events.
- 3.4 The key financial performance measures from the draft Sol 2022 have been included in the table below, with the measures from the Sol 2021 for comparative purposes.
- 3.5 There are modest increases in some the draft financial targets set for the Sol 2022 in comparison to the targets set in the Sol 2021.
- 3.6 These targets reflect a conservative outlook due to the uncertainty of the COVID-19 affected local economy.

Measure	Current Sol 2021	Current Sol 2022	Draft Sol 2022	Draft Sol 2023	Draft Sol 2024
Equity Ratio (shareholders' funds as a % of total assets)	55%	59%	61%	63%	66%
Current Ratio (current Assets expressed as a % of current liabilities)	Positive	Positive	Positive	Positive	Positive
EBITDA (earnings before interest, tax, depreciation and amortisation)	\$1.6m	\$2.2m	\$2.2m	\$2.3m	\$2.5m
Revenue targets	\$29m	\$31m	\$34m	\$34m	\$36m
Bank covenants	Unconditional met				

3.7 The non-financial performance measures tabled below.

Measure	Current Sol 2021	Current Sol 2022	Draft Sol 2022	Draft Sol 2023	Draft Sol 2024
Lost Rime Injury Frequency Rate	Zero	Zero	Zero	Zero	Zero
Accident Compensation days	200	150	150	150	180
ISO 2015 Accreditation	Standard Achieved	Standard Achieved			
ISO 9001 Accreditation			Standard Achieved	Standard Achieved	Standard Achieved
ISO 45001 Accreditation			Standard Achieved	Standard Achieved	Standard Achieved
Environmental Consent Compliance	Full Compliance	Full Compliance	Full Compliance	Full Compliance	Full Compliance
Number of Local Events supported	12	15	15	15	15

## Analysis of Options

- 4.1 Council, as the 100% shareholder, needs to consider the draft Sol 2022 and has the option of agreeing to it as presented as per s65 (2) (subject to confirmation of performance measures/targets/indicators from the Board).
- 4.2 Council also has the option of proposing further amendments to the Sol for the ICL Board to consider.
- 4.3 If Council intended to propose any amendments it would first need to notify the ICL Board in writing of an extension of the response deadline by one month, then provide the amendments.
- 4.4 The notification would also need to extend the deadline by one month for the Board to deliver a complete statement of intent.
- 4.5 The Board must consider any comments by the shareholders on the draft Sol that are made to it within 2 months of 1 March or a period that is notified and then deliver the completed Sol to the shareholders on or before 30 June or at a date notified.

## Considerations

- 5.1 **Risk**
- 5.2 If Council does not consider and decide either to agree to the draft Sol 2022 at this meeting or propose changes to the draft Sol 2022, then it runs the risk of non-compliance with legislative requirements around preparation and adoption of the Sol.
- 5.3 There is additional risk that ICL Board and Management will not be able to plan well and in advance, any strategy or financial changes they might need to make to accommodate the suggestions of Council.
- 5.4 **Consistency with Existing Plans and Policies**
- 5.5 The decision to agree on the draft Sol 2022 as presented will be consistent with Council's understanding of the future plans of ICL and its objectives for the CCO.
- 5.6 **Significance and Community Views**
- 5.7 The draft Sol 2022 is aligned to ICL's constitution and its plans and forecasts discussed with the Council previously and is generally aligned with the expectations of Council from its shareholding. Therefore the decision is not considered to require public engagement as per Council's Significance and Engagement Policy.

## Recommendation

- 6.1 The draft Statement of Intent be received.
- 6.2 Council responds to the Board of Inframax Construction Ltd, requesting;
  - That high level financial statements be prepared and included in the final Sol 2022.

- That the non-financial performance measure “Number of Local Events supported” be reported as two items, Events Supported in Waitomo District and Events Supported in Other Areas of Operation.

## Suggested Resolutions

- 1 The business paper on Draft Statement of Intent for year ending 30 June 2021 be received.
- 2 The draft Statement of Intent for the year ending 30 June 2021, be received.
- 3 Respond to the Board of Inframax Construction Ltd, requesting;
  - That high level financial statements be prepared and included in the final Sol 2022
  - That the non-financial measure “Number of Local Events supported” be reported as two items, Events Supported in Waitomo District and Events Supported in Other Areas of Operation.



ALISTER DUNCAN  
**GENERAL MANAGER – BUSINESS SUPPORT**

18 March 2021

Attachment(s):	1	Inframax Construction Ltd draft Statement of Intent Year Ending 30 June 2022 (A514672)
	2	Statement of Expectation 2021-2022 Inframax Construction Limited (A498203)

## **Inframax Construction Limited**

### **DRAFT STATEMENT OF INTENT**

### **FOR THE YEAR ENDING 30 JUNE 2022**

#### **1.0 INTRODUCTION**

**1.1** Inframax Construction Limited is –

- a limited liability company pursuant to the Companies Act 1993.
- a Council Controlled Organisation pursuant to Section 6 subject to the Local Government Act 2002.

**1.2** This Statement of Intent is prepared to meet the requirements of Section 64 and Schedule 8 of the Local Government Act 2002.

**1.3** It outlines the activities and intentions of Inframax Construction Limited and the objectives to which those activities will contribute. Performance targets and measures are specified, along with the Company's policies relating to governance and other matters.

**1.4** The Statement of Intent is reviewed annually by the Company following consultation with Waitomo District Council.

#### **2.0 NATURE AND SCOPE OF ACTIVITIES**

**2.1** The core business of the Company will be roading maintenance and construction, quarrying and crushing of aggregates and maintenance and construction of utilities and infrastructure assets.

**2.2** The Company will compete for infrastructure contracts in the central western North Island Districts and in other areas where it is identified that such contracts will yield an appropriate rate of return or where the Company believes that there are sound commercial reasons for doing so.

**2.3** The Company may expand into other ventures and/or activities that are consistent with the Company's objectives and the provisions of the Local Government Act 2002.

#### **3.0 OBJECTIVES**

The principal objective of Inframax Construction Limited is to operate as a successful business and to contribute to the well-being of the communities in which it operates.

In pursuing the principal objective the Company and Directors shall:

- Maximise the long-term viability and profitability consistent with the Shareholder's objectives for ownership and value creation.
- Seek and develop profitable business opportunities that make best use of the people, technical and financial resources of the Company.
- Continue to review the available options for the share ownership of the Company, so as to be able to provide informed advice to the Shareholder, as to the most efficient arrangements to enhance both profitability and/or Shareholder value.

- Ensure assets and liabilities are prudently managed consistent with the nature of a contracting business.
- Ensure transparent and informed relationships are maintained with the shareholder within the spirit of 'no surprises'.
- Act as a good employer by:
  - Providing a work environment that recruits, fosters and maintains safe, competent, motivated, committed and productive employees; and
  - Recognising and rewarding excellent performance of any staff.
- Act in an environmentally and socially responsible manner and implement sustainable business practices.

## 4.0 CORPORATE GOVERNANCE

Pursuant to Section 57 Local Government Act 2002 the Board of Directors is appointed by the Shareholder to govern and direct the activities of the Company.

All Directors are required to comply with a formal Code of Conduct, which is based on the New Zealand Institute of Directors' Code of Proper Practice for Directors.

### (a) **Role of the Board of Directors**

The Directors' role is defined in Section 58 of the Local Government Act 2002. This section states that all decisions relating to the operation of the CCO shall be made pursuant to the authority of the directorate of the Organisation and its Statement of Intent. The Board consults with the Company's Shareholder in preparing and reviewing the Statement of Intent.

The Board meets on a regular basis and is responsible for the proper direction and control of the Company's activities. This responsibility includes such areas of stewardship as the identification and control of the Company's business risks, the integrity of management information systems and reporting to the Shareholder.

The Board accepts that it is responsible for the overall control system operating within the Company but recognises that no cost-effective internal control system will permanently preclude all errors or irregularities. The control systems reflect the specific risks associated with the business of the Company.

To achieve this governance the Board will:

- Conduct regular briefings with the designated shareholder representatives to discuss emerging risk and opportunities of the business, the general forecast performance expectations and to learn of relevant changes in council policies, expectations and risk appetite.
- Act on a fully informed basis, in good faith, with due diligence and care, and in the best interests of the Company.
- Act in accordance with the Constitution and Statement of Intent.
- Ensure compliance with applicable legislation, regulation, codes and accounting standards.
- Structure itself to utilise the expertise of Directors to add value.

- Monitor the effectiveness of overall governance and make changes as needed.
- Monitor and manage potential conflicts of interest between Management, Board Members and the Shareholder.
- Appoint and monitor the performance and remuneration of the Chief Executive Officer and oversee succession planning.
- Ensure the Company's financial management is consistent with good business practice.
- Decide on necessary actions to protect the Company's financial position and the ability to meet its debts and other obligations when they fall due, and ensure such actions are taken.
- Ensure the Company's goals are clearly established, and that strategies are in place for achieving them (such strategies being expected to originate, in the first instance, from management).
- In the spirit of 'no surprises', keep the shareholder informed on significant events and issues, including those sensitive to publicity that may arise from Council being a political organisation.
- Promote a culture which requires all employees to adhere to high levels of ethical behaviour.
- Ensure the Company has appropriate risk management/regulatory compliance policies in place and that these are monitored on a regular basis.

### **(b) The Role of the Shareholder**

The Board aims to ensure that the Shareholder is informed in a timely manner of all major developments affecting the Group's state of affairs. The Shareholder is consulted with on the review of the Company's Statement of Intent and is responsible for the appointment of Directors. Information is communicated to the Shareholder in the Annual Report, the Half-Annual Report and special meetings where required.

The Shareholder is expected to:

- Deal with issues raised by the Company in a prompt and expedient fashion.
- Maintain a high level of communication with the Company on relevant matters.
- Ensure transparent and collaborative relationships are maintained with the Company.

## **5.0 PERFORMANCE INDICATORS**

In its half-year and annual report, the Company will record its performance relating to its goals and objectives.

## **6.0 PERFORMANCE MEASURES AND TARGETS**

The Company will endeavour to exceed the targets of the Projected Business Plan.

### **6.1 Ratio of Shareholder's Funds to Total Assets**

The Ratio of Shareholder's Funds to Total Assets shall not be less than that set out in this Statement of Intent.

### **6.2 Current Ratio**

The Current Ratio measures solvency. The Company will maintain a positive Current Ratio.

### **6.3 EBITDA**

Earnings before interest, tax, depreciation and amortisation gives an indication on the underlying operational profitability of the business.

### **6.4 Revenue**

Measuring revenue growth gives a good indication of the rate at which the Company has expanded the business.

### **6.5 Bank Covenants**

The Company will meet all bank covenants

	30 June 22	30 June 23	30 June 23
<b>6.1 Equity Ratio</b> Shareholders funds expressed as % of Total Assets	61%	63%	66%
<b>6.2 Current Ratio</b> Current assets expressed as a % of current liabilities	Positive	Positive	Positive
<b>6.3 EBITDA</b> Earnings Before Interest, Tax, Depreciation and Amortisation	\$2.2m	\$2.3m	\$2.5m
<b>6.4 Revenue</b> Revenue Targets	\$34m	\$34m	\$36m
<b>6.5 Bank Covenants</b> As agreed with bank from time to time	Unconditionally met	Unconditionally met	Unconditionally met

## 7.0 NON-FINANCIAL PERFORMANCE MEASURES

### 7.1 Lost Time Injury Frequency Rate

The lost time injury frequency rate will measure the number of lost time injuries for year ending 30<sup>th</sup> June 2022 relative to the number of hours worked in the same period.

$$\frac{\text{Total lost time injuries in 2022}}{\text{Total hours worked in 2022}} \times 1,000,000$$

Lost time injuries are occurrences that result in a fatality, permanent disability or time lost from work of one day/shift or more.

### 7.2 ACC Weekly Compensation Days

ACC weekly compensation days measures and gives an indication of workplace safety. It is also a measure of wellness in the workplace and indicates how a company cares for and rehabilitates employees injured at work.

### 7.3 ISO 9001 Accreditation

ISO 9001 is a quality accreditation standard verifying that the Company has systems and processes in place to operate to industry best practices. It confirms that issues within the Company are identified, recorded and information used to generate continual business improvement.

### 7.4 ISO 45001 Accreditation

ISO 45001 is a global standard for Occupational Health and Safety (OH&S) Management Systems that provides a practical solution to improve the safety and health of both employees and other personnel by preventing work-related injury and ill health, as well as by proactively improving the Company's OH&S performance.

### 7.5 Environmental Consent Compliance

There are 3 measures of environment consent compliance- full, partial and non-compliance. Full compliance of consents held by the Company indicates that all conditions of consents are met in full and the organisation is acting in an environmentally responsible manner.

### 7.6 Number of local events supported in operating area

Number of local events supported by the Company indicates that the Company is acting in a socially responsible manner, supporting and adding value to local communities in its operating area.

	30 June 22	30 June 23	30 June 23
<b>7.1 LTI Frequency rate</b>	Zero	Zero	Zero
<b>7.2 ACC Weekly Compensation Days</b>	150	150	180
<b>7.3 ISO 9001 Accreditation</b>	Standard Achieved	Standard Achieved	Standard Achieved
<b>7.4 ISO 45001 Accreditation</b>	Standard Achieved	Standard Achieved	Standard Achieved
<b>7.5 Environmental Consent Compliance</b>	Full Compliance	Full Compliance	Full Compliance
<b>7.6 Number of Local Events Supported</b>	15	15	15

## **8.0 DIVIDEND POLICY**

- 8.1** Subject to the Directors being satisfied as to the solvency of the Company, the meeting of its bank covenants and the integrity of its asset replacement and investment programme, the Company is committed to the provision of annual distributions to the Shareholder.
- 8.2** A dividend payment is not anticipated in the 2021/2022 financial year.
- 8.3** Should a distribution to the Shareholder occur, it will be made, after consultation with the Shareholder, by subvention payment, or other mutually agreed methods after taking account of all tax considerations.
- 8.4** The Company may declare dividends as approved by the Directors.
- 8.5** The Directors may from time to time pay interim dividends.

## **9.0 ACCOUNTING POLICIES**

- 9.1** The Company will maintain accounting records in accordance with the Companies Act 1993 and the Financial Reporting Act 2013.

Significant accounting policies adopted by the Company in its Annual Report are –

Compliance with New Zealand generally accepted accounting practice (NZ GAAP).

Preparation on a historical cost basis, apart from Land and Buildings and Heavy Quarry Equipment which are stated at their fair value.

Preparation on a going concern basis.

Financial assets, other than those at fair value, are assessed for impairment at each balance date.

Revenue and profit are primarily recognised based on value earned.

Trade and other receivables are stated at their expected realisable value, after providing for impairment.

Aggregate stocks are valued using standard costs based on the estimated average cost of production.

Property, plant and equipment, other than land and buildings and Heavy Quarry Equipment (which are measured at fair value), are carried at cost, less accumulated depreciation and impairment losses.

Trade and Other Payable are recognised when the Company becomes obliged to make future payments.

## **10.0 INFORMATION TO BE PROVIDED TO SHAREHOLDERS**

- 10.1** Annual Report and half-yearly operational report will be submitted in accordance with the Local Government Act 2002.
- 10.2** The half-yearly report will include details as are necessary to enable an informed assessment of the Company's performance during the reported period. This report will be accompanied by a Chairman's review of the period. The half-yearly report will be made available to the Shareholder no later than 1 March in every year.
- 10.3** The Annual Report will include all items required by the Companies Act 1993, the Financial Reporting Act 2013 and such other information as the Directors' deem necessary for the Shareholder to measure performance of the Company against performance targets agreed to in the Statement of Corporate Intent.

## **11.0 SIGNIFICANT ACQUISITIONS**

- 11.1** Procedure to be followed as per Schedule 8, Clause 9(1)(i) of the Local Government Act 2002 regarding share transactions will be at the discretion of the Directors unless the acquisition qualifies as a major transaction as defined in 11.3.
- 11.2** The Board will consult with the Shareholder before making any significant acquisition including investment in another entity.
- 11.3** Acquisitions involving more than 10% of the total assets of the company will constitute a "major transaction" under Section 129 of the Companies Act 1993 and will require a special resolution of the Shareholder.

## **12.0 ESTIMATED COMMERCIAL VALUE OF SHAREHOLDER'S INVESTMENT**

- 12.1** An independent valuation dated 8 September 2020 concluded that the fair value of 100% of the shares in the Company at 30 June 2020 was \$8.825m.
- 12.2** The Directors believe that value of the shares will continue to grow.
- 12.3** Net Assets in the Annual Report as at 30 June 2020 stood at \$11.03m.

## **13.0 CAPITAL SUBSCRIPTION**

- 13.1** No capital will be required from the Shareholder.
- 13.2** No capital injections from the Shareholder are expected in the current period.

## STATEMENT OF EXPECTATION

- 1.1 This Statement of Expectation (SOE) is intended to inform the Board of Inframax Construction Limited (Inframax) of the shareholders' high-level strategic direction and performance expectations in advance of your preparation of the Statement of Intent (SOI) 2021/22. In clarifying our expectations early, we expect that the passage of your SOI through to acceptance by Waitomo District Council will be more efficient and effective.
- 1.2 The Board and Inframax must be mindful that Waitomo District Council (Council) is accountable to its community and that the affairs of Inframax, positive and negative, can impact on Council. It is expected that the Board and Inframax will keep Council advised of any issues that may generate public interest – this is referred to as the 'no surprises' approach.

## STATEMENT OF INTENT 2021/22

- 2.1 Council expects that Inframax will treat the SOI as more than a strict compliance document and will aim for best practice. This will entail a SOI covering more than the statutory minimum requirements. As the 100% shareholder, Council is particularly interested in financial stability and profitability.
- 2.2 The SOI must meet the requirements set out in the Local Government Act 2002. Council wishes to support the company in delivering a good SOI.
- 2.3 The general expectations for Inframax are as follows:
  - 1 The SOI must include a complete set of high level prospective financial statements for at least three years (preferably five years) i.e. Statement of Comprehensive Income, Statement of Financial Position and Cash-flow Statement.
  - 2 The SOI must disclose measures such as Earnings before interest, tax, depreciation and amortisation (EBITDA) and balance sheet ratios where applicable.
  - 3 The SOI must fully comply with Schedule 8 of the Local Government Act 2002 (LGA).
  - 4 Dividends are to be disclosed along with the dividend pay-out policies. Where dividends are not increasing over time, then an explanation should be provided. E.g. increased capital expenditure.
  - 5 Capital expenditure and asset management intentions should be included.
  - 6 Inframax should use the same information for both managing the business and reporting through to the shareholders i.e. the information used for setting and reporting against for the SOI should overlap and be a subset of the information used for internal reporting.
  - 7 SOI and other reports should be in a plain style, concise, relevant, accessible and focused on meeting the needs of the Council and the community they represent. The use of graphs, tables and charts is expected to convey both financial and non-financial information along with trends (past, current and future numbers).

- 8 To be effective, the SOI must disclose the performance story for Inframax, providing a clear and succinct understanding of the purpose, the goods and services it delivers and what success looks like.
- 9 The main aspects of the SOI performance story are:
- 1 Strategic context
  - 2 Specifying and presentation of the outcomes framework
  - 3 Main measures and targets, outcomes and objectives
  - 4 Linking the strategy outputs and performance measures together to provide a comprehensive view of the Boards vision.
- 10 **Risk Management** - Council would like to understand better in the SOI how the Board is considering and managing risks, including natural hazards and climate change.
- 11 **Sustainability** – Council wishes to gain a better understanding from the SOI, how the Board is addressing sustainability including carbon emissions and waste minimisation.
- 12 **Health and Safety** - given the Health and Safety at Work Act 2015 (the Act), it is appropriate for the Council to set out its expectations in relation to Health and Safety.
- Under section 44(3) of the Act elected members do not have a duty to exercise due diligence to ensure that any CCO complies with its duties or obligations under the Act unless that member is also an officer of that CCO.
  - However, as a key funder it is still appropriate to set out expectations of Health and Safety management. Council expects the Board to set appropriate Health and Safety strategy and policy, understand the nature of risks/hazards within the business, monitor performance and activities to ensure risk is being managed and review H&S systems and performance.
- 13 **Governance Performance** - in order to aid Council when making decisions on Board remuneration and appointments, the Board should undertake regular evaluation of its own performance:
- Council expects these reviews to be carried out at least once every eighteen months,
  - The Chair of the Board should reference this evaluation when making recommendations.
- 14 **Community Consultation** -Before making a decision that may significantly affect land or a body of water, Inframax must take into account the relationship of Māori and their culture and traditions with their ancestral land, water, sites, wāhi tapu, valued flora and fauna, and other taonga. This is a new provision in the LGA effective from 22 October 2019.
- 15 **Communication** - communication is more than formal reporting. It means two-way dialogue and a commitment to sharing strategic priorities and

objectives. It also means responding promptly and appropriately on issues raised. Council's expectations around regular reporting include:

- Six monthly reporting and governance meetings between the Board and Council's Audit Risk and Finance Committee to allow progress against agreed outcomes to be measured as per the SOI.
- Informal briefing meetings convened every two months, hosted by the Board and attended by Council nominated elected members to support governance relationships.
- Other meetings at an operational level as required, to support financial and non-financial reporting obligations under the LGA, the Financial Markets Conduct Act 2013 and any other relevant legislation or regulation, and to enable the sharing of information and ensure the 'no surprises' approach is effective.

2.4 There are also some specific expectations in relation to Inframax Construction Limited this year, they are as follows:

- 1 Increase the Equity ratio towards the target of 60%
- 2 Achieve an EBITDA of greater than \$2 million
- 3 Provide support to 4 Local activities in the Waitomo District
- 4 Maintain ISO 9001 and ISO 45000 Accreditation
- 5 Ensure all conditions of a Resource Consent are complied with when undertaking any activities associated with a resource consent.

**Document No:** A514697

## **Report To: Council Meeting**



**Meeting Date:** 30 March 2021

**Subject:** **Waikato Local Authority Shared Services Ltd – Draft 2021 Statement of Intent for year ended 30 June 2022**

**Type:** Decision Required

### **Purpose of Report**

- 1.1 The purpose of this business paper is to present to Council the Waikato Local Authority Shared Services Limited (WLASS) Draft 2021 Statement of Intent (Sol) for year ended 30 June 2022.

### **Background**

- 2.1 Section 64 of Local Government Act 2002 (LGA 2002) requires all council-controlled organisations (CCO) to have a Sol that must not be inconsistent with the constitution of the CCO.
- 2.2 The purpose of an Sol as set out in Schedule 8 of LGA 2002 is to—
- (a) state publicly the activities and intentions of a CCO 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.
- 2.3 The Sol must specify the following information for the CCO and any subsidiaries for next year (i.e. 2021/22) and the following two financial years:
- (a) the objectives of the group; and
  - (b) a statement of the board's approach to governance of the group; and
  - (c) the nature and scope of the activities to be undertaken by the group; and
  - (d) the ratio of consolidated shareholders' funds to total assets, and the definitions of those terms; and
  - (e) the accounting policies of the group; and
  - (f) the performance targets and other measures by which the performance of the group may be judged in relation to its objectives; and
  - (g) an estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the shareholders; and

- (h) the kind of information to be provided to the shareholders by the group during the course of those financial years, including the information to be included in each half-yearly report (and, in particular, what prospective financial information is required and how it is to be presented); and
  - (i) the procedures to be followed before any member or the group subscribes for, purchases, or otherwise acquires shares in any company or other organisation; and
  - (j) any activities for which the board seeks compensation from any local authority (whether or not the local authority has agreed to provide the compensation); and
  - (k) the board's estimate of the commercial value of the shareholders' investment in the group and the manner in which, and the times at which, that value is to be reassessed; and
  - (l) any other matters that are agreed by the shareholders and the board.
- 2.4 Attached to and forming part of this business paper is a copy of the Waikato Local Authority Shared Services Limited Statement of Intent (WLASS Sol) for 2021/22, as Attachment one.
- 2.5 The Directors are required to approve a Draft Sol by 1 March each year for consideration by the Shareholders. The Shareholders are invited to provide comments on the Draft Sol within 2 months of 1 March. The Directors must then consider any Shareholder comments and deliver the completed Sol to Shareholders by 30 June.
- 2.6 Council is now invited to consider the Draft Sol and provide comments should it choose to.

## Commentary

- 3.1 WLASS have made significant progress on the priority projects set out in last year's statement of intent. The projects have either been completed or significantly advanced.
- 3.2 Two of the priority projects have evolved into two new services been offered by WLASS, WLASS Water Services (water sampling and analysis, trade waste management and water conservation education) and Waikato Regional Infrastructure Procurement (a coordinated approach to infrastructure procurement).
- 3.3 The performance framework and targets presented in the draft 2021 Sol are consistent with the performance framework and targets set by WLASS for 2020/2021 year.

Priority	Performance Measure	Target
<p>Prioritise and develop opportunities that add value to councils by achieving one or more of our objectives</p> <p><b>Linked impact(s)</b></p> 	<ul style="list-style-type: none"> <li>➤ Business cases will include measurable benefits linked to one or more of the outcomes sought</li> <li>➤ Business cases are supported by councils (evidenced by take up of opportunity)</li> </ul>	<p>Projected savings / increased revenue to councils of at least \$300k</p> <p>75% of councils</p>
<p>Develop opportunities and deliver projects within agreed budgets and timelines<sup>1</sup></p> <p><b>Linked impact(s)</b></p> 	<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> <li>➤ Overall, Company management / Support function will be undertaken within budget, unless additional expenditure has board pre-approval</li> </ul>	<p>80%<sup>2</sup></p> <p>90%<sup>2</sup></p>
<p>Ensure projects realise their expected benefits</p> <p><b>Linked impact(s)</b></p> 	<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>	<p>Six-monthly</p> <p>For \$200k+ projects (based on cost of opportunity development and ongoing investment)</p> <p>Projects Within 15 months</p> <p>90% of projected quantifiable benefits are realised</p>
<p>Ensure existing services are meeting the needs of councils</p> <p><b>Linked impact(s)</b></p> 	<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> </ul> </li> </ul>	<p>80% of councils</p>

	<ul style="list-style-type: none"> <li>o Professional Services Panel</li> <li>o Health &amp; Safety pre-qualification</li> </ul>	
<p>Foster and promote cross-council collaboration and networking to share ideas on improving efficiencies and best practice</p> <div style="border: 1px solid black; padding: 2px; margin-top: 10px;"> <p><b>Linked impact(s)</b></p> <div style="display: flex; width: 100%; height: 15px;"> <div style="width: 30%; background-color: #0056b3;"></div> <div style="width: 70%; background-color: #c49a3b;"></div> </div> </div>	<ul style="list-style-type: none"> <li>➤ Across these groups, ideas for future consideration and/or initiatives are identified each year</li> </ul>	<p>Four per annum</p>

- 1 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.
- 2 Time and cost targets for the development of opportunities and delivery of projects have been initially set based on what, in practical terms, are consider stretch goals, but achievable. However, we aspire to always better, or at least meet, timetables and budgets.

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
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- 3.4 The Board has considered and approved the next suite of four priority projects to investigate opportunities to deliver value to councils. These projects are:
- Shifting landscapes: Refining how and where WLASS can add most value
  - Digital enablement – creating an omnichannel for our communities
  - Establishing a GIS centre of excellence
  - Establishing an Asset Management centre of excellence
- 3.5 The pace that these projects will be delivered is dependent on the resources available, either increased shareholder contributions or making staff available (as part of a project team or on a seconded basis to lead a project).
- 3.6 The funding needs of WLASS are forecast to be \$11.6m, \$5.4m higher than that forecast in the 2020/2021 Sol. The establishment of the WLASS Water Services activity contributes \$3m of the increase, Road Asset Technical Accord (\$933k) and Waikato Regional Transport Model (\$1.2m) have significant increase costs.
- 3.7 Company Management / Support, Waikato Building Consent Group and Water Collaboration also have increased costs, these are offset by reductions in Working Parties / projects and Information Technology.
- 3.8 The Board has decided to utilize funds on hand in some areas, therefore reducing the member charges resulting in a net deficit for the 2020/2021 year of \$182k.

## Analysis of Options

- 4.1 Council as a shareholder needs to consider the draft 2021 Sol and has the option of agreeing to it as presented as per s65 (2) (subject to confirmation of performance measures/targets/indicators from the Board).
- 4.2 Council also has the option of proposing further amendments to the Sol for the WLASS Board to consider.
- 4.3 If Council intended to propose any amendments it would first need to notify the WLASS Board in writing of the extension of the response deadline by one month, then provide the amendments.
- 4.4 The notification would also need to extend the deadline by one month for the Board to deliver a complete statement of intent.
- 4.5 The Board must consider any comments by the shareholders on the draft Sol that are made to it within 2 months of 1 March or a period that is notified and then deliver the completed Sol to the shareholders on or before 30 June or at a date notified.

## Considerations

- 5.1 **Risk**
- 5.2 If Council does not consider and decide either to agree to the draft 2021 Sol at this meeting or propose changes to the draft 2021 Sol, then it runs the risk of non-compliance with legislative requirements around preparation and adoption of the Sol.
- 5.3 There is additional risk that WLASS Board and Management will not be able to plan well and in advance, any strategy or financial changes they might need to make to accommodate the suggestions of Council.
- 5.4 **Consistency with Existing Plans and Policies**
- 5.5 The decision to agree on the draft 2021 Sol as presented will be consistent with Council's understanding of the future plans of WLASS and its objectives for the CCO.
- 5.6 **Significance and Community Views**
- 5.7 The draft 2021 Statement of Intent is aligned to WLASS's constitution and its plans and forecasts discussed with the Council previously and is generally aligned with the expectations of Council from its shareholding. Therefore the decision is not considered to require public engagement as per Council's Significance and Engagement Policy.

## Recommendation

- 6.1 The draft Statement of Intent be received.
- 6.2 Council respond to the Board of Waikato Local Authority Shared Services Limited, noting that no changes to the draft 2021 Statement of Intent are suggested.

## Suggested Resolutions

- 1 The business paper on draft Statement of Intent be received.
- 2 The draft 2021 Statement of Intent for the year ending 30 June 2022, be received.
- 3 No changes are suggested to the draft 2021 Statement of Intent for the year ending 30 June 2022 for Waikato Local Authority Shared Services Limited.



ALISTER DUNCAN  
**GENERAL MANAGER – BUSINESS SUPPORT**

18 March 2021

Attachment(s):	1	Waikato Local Authority Shared Services Limited Draft 2021 Statement of Intent for year ending 30 June 2022 (A514700)
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## **2021 Statement of intent**

**For the year ended 30 June 2022**

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This SOI is a public declaration of the activities and intentions of the Council Controlled Organisation, Waikato Local 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 2022 to 30 June 2024.

## Message from the Chair

WLASS has made substantial progress in 2020. We aim to continue that in 2021.

We have been delivering what we said we would. The priority projects set out in last year's Statement of Intent have either been completed or significantly advanced. Some of those projects, notably the Building Consent Shared Services project, have challenged councils to think quite differently about how they deliver services (more on that shortly).

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“At its heart WLASS exists to identify, and develop business cases, for ideas that have the potential to transform its shareholder councils.”

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Our priority projects have recently led to two new services. WLASS Water Services supports councils by providing water sampling and analysis, trade waste management and water conservation education services. Nine councils are participating in one or more of these services. Through the Coordinated Infrastructure Procurement service, we are working with councils to facilitate a better outcome for them, their communities and suppliers, by identifying opportunities to procure and sequence infrastructure work on a cross-council basis.

At its heart WLASS exists to identify, and develop business cases, for ideas that have the potential to transform its shareholder councils. The goal is to improve the experience of councils' communities and staff, improve performance, reduce costs, and build trust and confidence with central government.

In pursuing the goal in 2020 we did strike challenges.

A good example of these challenges was provided in December 2020, when the board was presented with an indicative business case for a building consent shared services approach with a request for funding to develop a detailed business case for a particular option. While our priority projects all can add significant value, this was the first project that was truly transformational – reimagining how building consent services are delivered and recommending this be delivered on a regional basis.

With this work we struck difficulty in developing the indicative business case, and the work took longer, because of opposition from some staff within councils. In addition, the commitment of chief executives to supporting the development of the detailed business case varied.

From this work WLASS has learned that transformation means different things to different council chief executives. That the pace at which those chief executives wish to move, differs. That some chief executives are excited by the prospect of substantial change within the sector and want the region to lead the thinking on that change, while others are worried by it and feel overburdened already. And that resistance to change is hard wired into the middle management of many of the shareholder councils - like just about every organisation.

WLASS has learned other valuable lessons from this work: the need for better communication, greater focus on helping council chief executives manage the potential for change within their organisation and building more compelling business cases.

My key messages are these:

1. For WLASS to truly achieve its potential, council chief executives must actively support it to develop the best possible business case for each idea, as fast as practicable. And they must impress that support on their staff. The faster we can develop good business cases, the faster those councils who want to can implement the idea.
2. The central government's water and RMA reform agendas provide more, not less, reason to proactively show that, as a region, we are already embracing changes to create a more efficient and effective local government. In doing so, the councils of the region put themselves in a better position to control their destiny rather than have central government make it for them.

For these reasons, WLASS will continue to advance a transformational agenda. We will not shy away from challenging councils to think differently – to think regionally, but knowing that they are able to decide and then act locally, in a way that is best for their communities. Equally, we will continue to progress initiatives as hard and as fast as practicable.

I continue to believe that WLASS provides an excellent vehicle for councils to work together and share the costs of developing ideas to meet the goal, while retaining each council's right to proceed or not.

Peter Stubbs  
Chair

## Background

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

- Hamilton City
- Rotorua Lakes
- Waikato District
- Hauraki District
- South Waikato District
- Waikato Regional
- Matamata-Piako District
- Taupō District
- Waipa District
- Otorohanga District
- Thames-Coromandel 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. More recently, shareholders embarked on a transformation of the company. The purpose of that transformation was to move the company to a true service delivery agent for, and strategic partner of, the councils. The structural changes of that transformation were completed in late 2019 and bedded-in throughout 2020.

## Our vision and the outcomes we are looking for

The 2020 SOI introduced a new performance reporting framework. That framework is set out on the following page.

The framework better reflects the outcomes the transformed company is seeking, for you and your communities, and how we will go about achieving those outcomes. It highlights the company's roles of:

- Ideas laboratory - taking ideas that have the potential to create value, from their genesis through to business case; and
- Service provider to councils.

WLASS is acutely aware of the challenging and changing environment within which councils currently operate. Given this environment it is also acutely aware of the role it needs to play in reducing costs to its shareholding councils (or improving performance without an increase in cost). While improving the

experience of councils’ communities will always be front of mind as we develop ideas, we will not do this if it results in an unacceptable layer of additional, unrecoverable cost to councils. Similarly, we want to facilitate more engagement between central government and Waikato councils, and build central government’s confidence in councils in the region. However, we see this as a by-product of achieving the other two outcomes, through which we aspire to show Waikato councils to be the exemplar of how local government in a region can work.

<b>Our vision</b>	<b>Waikato councils working together to shape happier communities and staff, and forge effective councils.</b>					
<b>Outcomes we are seeking</b>	Council costs are reduced / performance is improved, without increased cost		The experiences of councils’ communities are improved		Central government investment into and engagement with Waikato councils 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

## Priorities – doing what we said we would do

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.

In the 2020 Statement of Intent, we told you we had completed the structural changes required to transform the company into a service delivery agent and a true strategic partner to councils.

While we do not see the transformation as ‘complete’, the 2020/21 financial year has seen those changes embedded and our focus turn to ensuring we do what we said we would: And we have. All five of our priority projects set out in last year’s Statement of Intent have either been completed or are under development. This has included:

- Commencing work looking at how building consent services could be improved, culminating in a recommendation that a detailed business case be developed at an estimated cost of ~\$440k;

- Expanding the service offering to include water sampling and analysis, trade waste management and water conservation services. This increases the size of the company, by revenue, by ~40%;
- Completing the project to consider how infrastructure procurement could be coordinated regionally - we have a strategic procurement manager in place, working with council staff to identify and deliver on opportunities; and
- Starting work on developing a regional approach to staff learning and development.

Beyond the priority projects, we have been managing the LiDAR project, which is now underway following a delayed start when the COVID-19 lockdown prevented flying toward the end of last summer. We have also commenced the Waikato OneView project. That project is the next phase of a roadmap toward a regional approach to Geographic Information Systems (GIS) and is looking at establishing Waikato-wide geospatial data sets and a simple way for customers to view that data.

### *Spotlight on WLASS Water Services*

In the second half of 2020 we agreed to integrate the services of the Shared Services Partnership (made up of Hamilton City and Waipa and Waikato District Councils) into the company's offerings. In doing so Sampling and Analysis, Trade Waste Management and "Smart Water" services will be taken up by eight councils across the region.



This initiative will provide high quality services, consistently, across the region, improve trade waste management practices and improve community wellbeing. It is a great example of how we can work together to benefit our communities in a cost-effective way.

Over the remainder of the financial year, we will be continuing to progress a number of these projects including the building consent shared services opportunity and Waikato OneView. We will be delivering on the coordinated infrastructure procurement and progressing the LiDAR project, with the intention of completing flying over the summer months to capture the data.

At the same time, we have had an eye to the future. With all our priority projects identified last year now either complete or underway, as noted above, the Board has considered and agreed on the next suite of projects, having had particular regard to the environment currently faced by the local government sector. Early development of some of these is already underway. The projects were conveyed to council chief executives in a letter of intent in the second half of 2020. The support received for the ideas confirms we are on the right track. The Board also agreed to add value for councils by undertaking the development of opportunities in a way that fulfils shareholding councils' obligations under section 17A of the Local Government Act 2002 (LGA) for the area being considered. Doing so will do away with each council's need to separately undertake these reviews.

Our priority projects for the coming year are:

#### **1) Shifting landscapes: Refining how and where WLASS can add most value**

Waikato councils are faced with significant change: Expected reform on waters is now clearer and changes to the RMA have been signalled. Councils are grappling with what these changes will mean for their organisations in the future, and what will remain of them when the changes are complete.

WLASS will continue to support Waikato councils to be the best they can be for their communities. It will also continue to think regionally and support councils to act locally. However, we need to be clear how councils think we best do that given the shifting landscape. How can we add the most value? What

should we focus on that is achievable and actionable? How can we support councils to influence change, to get ahead of the game and create their own destiny?

For the board to answer these questions, it needs to understand from Waikato councils what services councils believe they should ensure are delivered to their communities, and what services they believe:

### **Spotlight on LiDAR**

We are managing a project to create highly detailed 3D maps and models of the Waikato landscape using LiDAR (Light Detection and Ranging) technology. Ground survey commenced in December 2020 and aerial surveying in January 2021. The full data set will be publicly available by October 2022. LiDAR is a foundational data asset essential to decisions involving the physical world. It has the potential to help drive regional economic growth and spur new investment by enabling councils and businesses to efficiently plan and develop housing, road, and water infrastructure, and better prepare for hazards such as flooding, landslides and erosion.

The project involves funding from eleven councils plus several commercial companies and the Provincial Growth Fund (via LINZ).



- i. only the councils should deliver (noting that all councils are not the same);
- ii. could be delivered by service delivery agents (i.e. CCOs like WLASS);
- iii. could be delivered by third parties; and
- iv. central government should deliver.

This project will provide that understanding. In doing so, it will help clarify the future of local government, provide a touchstone for making better decisions on how councils can most effectively deliver their functions, and provide WLASS with clarity on its part in supporting councils to do so.

## **2) Digital enablement – creating an omnichannel for your communities**

There are rising community expectations of:

- Self-service;
- Digital engagement;
- Instant service;
- Personalised service; and
- Falling costs.

With this, there is a risk of a growing gap between community expectations and council service delivery because each council, acting individually, has limited ability (both expertise and available capital) to:

- 1) 'go digital' and provide 21<sup>st</sup> century, customer focused, digitally-enabled services; or
- 2) use technology to transform the way they work, manage assets and deliver services.

*[sourced (paraphrased) from McGredy Winder & Co Sept. 2017 report to WLASS]*

Technology is interwoven to various degrees within each council's business and operational frameworks. Any changes to technology cannot therefore be considered in isolation. However, to address the expectation gap, councils can work together to:

- Provide consistent customer and community experiences across the region;
- Realise significant cost savings and mitigate risks;
- Leverage existing skills, knowledge and experience for better digital outcomes for all;
- Achieve systems and process efficiencies through standardisation, which could lay the groundwork for potential back office shared services;
- Make better use of vendors and influence the market;

- Leverage total IT spend and cross-council resources; and
- Get recognition from central government for generating sustainable value from technology investment.

This will help address perceived problems that:

- Customers are not always able to receive a resolution at their first point of contact with council;
- Staff are not always able to find the information they need to solve customer queries;
- Cross-council knowledge is not shared effectively; and
- Staff knowledge is not retained or captured.

### **3) Establishing a GIS centre of excellence**

For most councils, there is limited ability/need for a full-time resource that has expertise in GIS. However, having access to that resource, as and when required, would be useful to meet internal needs and community enquiries in a timelier manner. There could therefore be value in the creation of a GIS centre of excellence (COE) that provides core data and GIS system management, as well as analytical work, to support the operation of councils.

This is currently planned as the last phase of the GIS roadmap and may be considered contemporaneously with the current Waikato OneView project.

### **4) Establishing an Asset Management centre of excellence**

Waikato councils collectively are responsible for significant assets. They are accountable to the public for ensuring these assets are well managed. Some councils have difficulty in attracting and retaining appropriately skilled staff. Others may simply benefit from a lift toward best practice. Regardless, there is an opportunity to consider establishing a COE, likely reflecting an expansion of RATA's existing capability, to support councils in this area.

Beyond these priority projects we will continue to look at other initiatives that add value. The RATA Advisory Group have been prioritising a suite of ideas and will develop one or more of these over the next 12 months. The various WLASS working parties, comprising representatives from each of the councils, will also continue to look at ways in which their disciplines can be improved.

## **As you asked, we've changed**

The company has changed significantly over the last 24 months. Up until the second half of 2018 it had no employees, and relied solely on a contracted, part-time resource. Today, through the transformation, it has grown to nine employees and a broader team of 35<sup>1</sup>. That increase in resourcing reflects the small team engaged to identify initiatives and develop opportunities that are then presented to councils, and the establishment of new services (water sampling and analysis, trade waste management, water education, IQP/producer statement registrations and infrastructure procurement), as a result.

Our governance structure has also been streamlined to be more agile and independent, moving from a board of twelve, to six members including an independent chair.

Fundamentally we have matured. We have:

- Robust processes in place to develop opportunities through to business case;

<sup>1</sup> Including RATA and WLASS Waters Services staff who are employed by Waipa District and Hamilton City Councils respectively, but are wholly contracted to WLASS to provide services to other councils

- Introduced secondment arrangements for council staff to contribute to the development of opportunities, at the same time increasing their capability;
- Established a change management framework to support opportunity development;
- Started moving to a ‘user pays’ approach to service offerings; and
- Shifted the dial to projects that, while posing a greater challenge, are transformational and have the potential to add significant value.

## Active council support remains critical

While WLASS has grown, it remains a small company. Council resources to support the company continues to be critical.

The WLASS working parties, comprising representatives from the councils, are an invaluable part of how we work and essential to the company being able to develop opportunities. They have a role in identifying problems to be solved. They have a role in supporting the development of opportunities, by:

- Providing resource;
- Acting as a sounding board; and
- Actively championing *the development* of ideas, including helping WLASS tell the story about why we are developing those ideas.

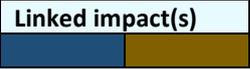
The working parties (and council chief executives and other senior leaders) also have a role in helping prepare their councils for change that might come from opportunities if the council chooses to adopt the solution. Any change management must be leader-led from within the councils themselves.

So, while we have changed, councils must also. WLASS will only be as successful as its shareholding councils allow it to be. You have asked us to go as hard and fast as possible. You have asked us to challenge you to transform how councils could operate. We are doing these things and will not shy away from continuing to promote a transformational agenda, but it will only work if councils, from the top down, embrace the opportunity to change, actively supporting the development of the best business cases possible. We said in last year’s Statement of Intent that councils need to commit to accepting the challenge of changing the way things are done where there is a sound case for doing so. That remains the case. A change in mindset must precede transformation.

## Performance measures

Last year’s Statement of Intent introduced a new suite of performance measures. We will continue to track how well we are delivering on our strategic priorities using these.

Priority	Performance measure	Target
Prioritise and develop business cases for opportunities that, if implemented, add value to councils by achieving one or more of our objectives  <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;"> <b>Linked impact(s)</b> </div> 	<ul style="list-style-type: none"> <li>➤ Business cases will include measurable benefits linked to one or more of the outcomes sought</li> <li>➤ Businesses cases are supported by councils (evidenced by take up of the opportunity)</li> </ul>	Projected savings/increased revenue to councils of at least \$300k  75% of councils

Priority	Performance measure	Target
<p>Develop opportunities and deliver projects within agreed budgets and timelines<sup>1</sup></p> <p><b>Linked impact(s)</b></p> 	<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> <li>➤ Overall, Company Management / Support functions will be undertaken within budget, unless additional expenditure has board pre-approval</li> </ul>	<p>80%<sup>2</sup></p> <p>90%<sup>2</sup></p>
<p>Ensure projects realise their expected benefits</p> <p><b>Linked impact(s)</b></p> 	<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>	<p>Six-monthly</p> <p>For \$200k+ Projects (based on cost of opportunity development and ongoing investment)</p> <p>Within 15 months</p> <p>90% of projected quantifiable benefits are realised</p>
<p>Ensure existing services are meeting the needs of councils</p> <p><b>Linked impact(s)</b></p> 	<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>	<p>80% of councils</p>
<p>Foster and promote cross-council collaboration and networking to share ideas on improving efficiencies and best practice</p> <p><b>Linked impact(s)</b></p> 	<ul style="list-style-type: none"> <li>➤ Across these groups, ideas for future consideration and/or initiatives are identified each year</li> </ul>	<p>Four per annum</p>

- 1 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.
- 2 Time and cost targets for the development of opportunities and delivery of projects have been initially set based on what, in practical terms, are consider stretch goals, but achievable. However, we aspire to *always* better, or at least meet, timetables and budgets.

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

## Transparency and reporting to councils

The company will continue to 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.

We will continue looking at ways of keeping you informed of how we are progressing. We are part of the Waikato Local Government team and know that we are not currently seen as such by some council staff. We need to work with councils to change that and will therefore be communicating more broadly, and frequently, with council staff.

## Governance arrangements

WLASS conducts itself in accordance with its constitution, its annual Statement of Intent, the provisions of the LGA and WLASS policies.

The Board is made up five council representative directors and an independent Chair. There is also a standing Audit & Risk Committee.

The current Directors of WLASS are:

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

Under the constitution Gavin Ion must resign his position on 30 June 2021, but may be reappointed by the councils he represents for a further 3-year term.

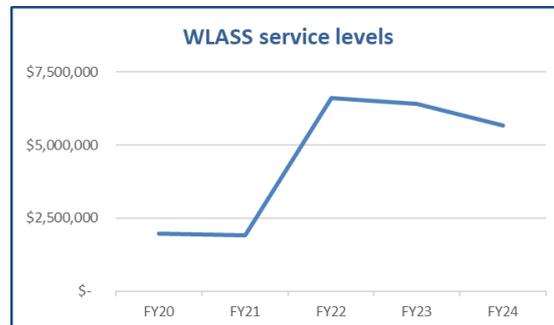
The independent Chair of WLASS receives director fees and reimbursed expenses. Directors representing the councils will not receive any fees or reimbursed expenses for work undertaken on behalf of the company.

# Financials

## Overview

### Service levels

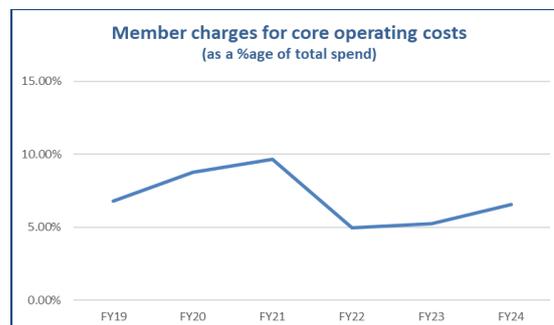
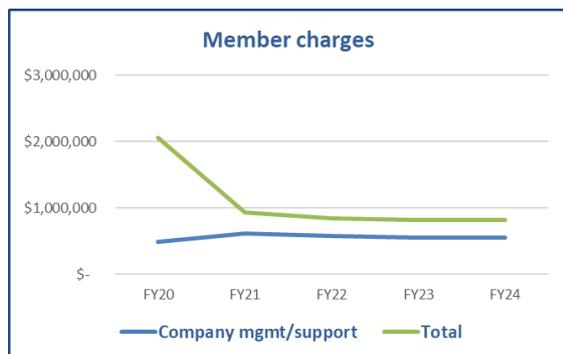
Revenue from service levels significantly increases in the 2022 financial year, being the first full year of activity for Coordinated Infrastructure Procurement and WLASS Water Services. RATA data collection projects commencing in that year also contribute to the increase. As the RATA data collection is completed, overall services fees taper off (although the other services are forecast to continue growing).



### Member charges

While service levels are forecast to increase, we are conscious of mitigating the increase in member charges. This reflects the shift toward a user pays basis. Total member charges significantly reduced in the 2021 financial year with Future Proof and Waikato Plan being transitioned to Waikato Regional Council in that year. Charges are expected to remain flat throughout the forecast period.

Member charges to meet core operating costs (company management / support) remain largely flat throughout the forecast period (averaging ~5.6% of total expenditure).



## Statement of Financial Performance

<b>Waikato Local Authority Shared Services</b> <b>Company Summary</b> <b>for the forecast financial years ended 30 June 2022-2024</b>				
	2020 SOI		2021 SOI	
	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24
<b>Income</b>				
Company Management / Support	1,102,910	1,321,190	1,305,020	1,314,765
Working parties   projects	1,145,858	716,183	527,879	535,012
RITS	31,616	27,000	27,378	27,761
Information Technology	1,007,000	725,835	77,201	47,862
Energy Management	70,000	128,000	133,000	134,862
Shared Valuation Data Service (SVDS)	379,761	388,115	396,654	402,207
Road Asset Technical Accord (RATA)	1,300,557	2,233,000	1,894,000	1,362,000
Waikato Regional Transport Model (WRTM)	389,456	1,594,706	1,893,812	454,344
Waikato Building Consent Group	333,250	654,530	588,438	596,957
Waikato Mayoral Forum	5,000	5,000	5,000	5,000
Water Collaboration	440,000	752,500	812,500	577,640
WLASS Water Services	-	3,038,380	3,082,616	3,121,253
<b>Total Income</b>	<b>6,205,408</b>	<b>11,584,439</b>	<b>10,743,498</b>	<b>8,579,662</b>
<b>Operating Expenditure</b>				
Company Management / Support	1,087,487	1,490,824	1,511,894	1,538,327
Working parties   projects	1,165,858	979,195	529,738	536,430
RITS	31,616	27,000	27,378	27,761
Information Technology	1,108,531	741,424	61,955	43,962
Energy Management	124,900	127,900	132,264	134,115
Shared Valuation Data Service (SVDS)	384,993	351,195	359,899	364,938
Road Asset Technical Accord (RATA)	1,300,557	2,233,000	1,894,000	1,362,000
Waikato Regional Transport Model (WRTM)	389,456	1,594,706	1,893,812	454,344
Waikato Building Consent Group	333,250	563,426	587,334	595,957
Waikato Mayoral Forum	5,000	5,000	5,000	5,000
Water Collaboration	440,000	752,500	812,500	577,640
WLASS Water Services	-	2,878,970	2,827,970	2,903,691
<b>Total operating expenditure</b>	<b>6,371,648</b>	<b>11,745,140</b>	<b>10,643,744</b>	<b>8,544,166</b>
<b>Earnings before interest, tax and depreciation/ amortisation (EBITDA)</b>	<b>(166,240)</b>	<b>(160,701)</b>	<b>99,754</b>	<b>35,497</b>
<b>Depreciation / amortisation</b>				
Company Management / Support	1,864	5,471	5,471	-
WBCG	0	1,104	1,104	1,000
WRTM	14,583	14,583	14,583	-
<b>Total Depreciation / amortisation</b>	<b>16,447</b>	<b>21,158</b>	<b>21,158</b>	<b>1,000</b>
<b>Earnings before interest and tax (EBIT)</b>	<b>(182,688)</b>	<b>(181,859)</b>	<b>78,596</b>	<b>34,497</b>
<b>Net Surplus (Deficit) before tax</b>	<b>(182,688)</b>	<b>(181,859)</b>	<b>78,596</b>	<b>34,497</b>

As for the current financial year, we are budgeting a loss of ~\$181k in the coming year as we continue to use cash reserves to fund some project activity. In the outyears we maintain a small profit level.

## Statement of Financial Position

<b>Waikato Local Authority Shared Services</b> <b>Financial Position</b> for the forecast financial years ended 30 June 2022-2024					
	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	
<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	(2,021,997)	(2,418,218)	(2,600,077)	(2,521,481)	
Plus Current Year Operating Surplus/(Deficit)	(182,688)	(181,859)	78,596	34,497	
<b>TOTAL CAPITAL FUNDS</b>	<b>752,316</b>	<b>356,924</b>	<b>435,520</b>	<b>470,017</b>	
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Prepayments	253,342	178,900	181,405	183,944	
Accounts Receivable	248,216	314,131	579,222	537,175	
Bank	647,330	723,837	568,629	247,924	
GST Receivable / (Payable)	29,628	22,472	21,668	22,901	
<b>TOTAL CURRENT ASSETS</b>	<b>1,178,516</b>	<b>1,239,340</b>	<b>1,350,923</b>	<b>991,945</b>	
<b>NON-CURRENT ASSETS</b>					
SVDS - Intangible Asset	3,065,316	0	0	0	
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	
Accumulated Depreciation	(5,334,200)	(2,283,467)	(2,298,050)	(2,298,050)	
IT Equipment	5,592	19,000	19,000	19,000	
Accumulated Depreciation - IT equipment	(4,521)	(11,096)	(17,670)	(18,670)	
<b>TOTAL NON-CURRENT ASSETS</b>	<b>30,237</b>	<b>22,487</b>	<b>1,330</b>	<b>330</b>	
<b>TOTAL ASSETS</b>	<b>1,208,754</b>	<b>1,261,828</b>	<b>1,352,253</b>	<b>992,274</b>	
<b>LESS CURRENT LIABILITIES</b>					
Accounts Payable	367,565	822,004	830,136	426,767	
Accounts Payable Accrual	35,000	35,000	35,000	40,000	
Employee Benefits	53,872	47,900	51,596	55,490	
<b>TOTAL CURRENT LIABILITIES</b>	<b>456,437</b>	<b>904,904</b>	<b>916,732</b>	<b>522,257</b>	
<b>NET ASSETS</b>	<b>752,317</b>	<b>356,924</b>	<b>435,520</b>	<b>470,017</b>	

## Statement of Cashflows

<b>Waikato Local Authority Shared Services</b> <b>Statement of Cashflows</b> for the forecast financial years ended 30 June 2022-2024					
	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	
<b>Cashflows from Operating Activities</b>					
Interest Received	2,000	500	507	514	
Receipts from Other Revenue	6,503,168	11,518,024	10,477,900	8,621,195	
Payments to Suppliers	(6,484,401)	(11,222,232)	(10,634,420)	(8,941,180)	
Taxes Paid	0	0	0	0	
Goods & Services tax (net)	36,794	7,156	804	(1,233)	
<b>Net cash from operating activities</b>	<b>57,561</b>	<b>303,448</b>	<b>(155,208)</b>	<b>(320,704)</b>	
<b>Cashflows from Investing Activities</b>					
Capital enhancements	0	0	0	0	
Purchase of PPE	0	(13,408)	0	0	
Purchase of investments	0	0	0	0	
<b>Net cash from investing activities</b>	<b>0</b>	<b>(13,408)</b>	<b>0</b>	<b>0</b>	
<b>Net increase in cash, cash equivalents and bank accounts</b>	<b>57,561</b>	<b>290,040</b>	<b>(155,208)</b>	<b>(320,704)</b>	
Opening cash and cash equivalents and bank overdrafts	589,770	433,797	723,837	568,629	
<b>Closing cash, cash equivalents and bank accounts</b>	<b>647,330</b>	<b>723,837</b>	<b>568,629</b>	<b>247,924</b>	
<b>Summary of Bank Accounts</b>					
BNZ - Call a/c	647,330	723,837	568,629	247,924	
<b>Closing Balance of Bank</b>	<b>647,330</b>	<b>723,837</b>	<b>568,629</b>	<b>247,924</b>	

## Appendix I: What we do - current activities

The principal initiatives operating under the WLASS umbrella are:

- Aligned resource consent planning
- Energy management
- Health & safety pre-qualification
- Joint procurement initiatives
- LiDAR
- Regional Asset Technical Accord (RATA)
- Regional Infrastructure Technical Specifications
- Shared Valuation Data Services (SVDS)
- Waikato Building Consent Group (WBCG) – including IQP/Producer Statement registrations
- Waikato Regional Aerial Photography Service (WRAPS)
- Waikato Regional Transportation Model (WRTM)
- WLASS Water Services (WWS)

### 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.

### 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 the nine participating councils. Councils were slow to engage in the elective component of the new programme notwithstanding we know councils see climate change generally as a significant issue. A lack of engagement has meant that some councils have not gotten the value out of it that they otherwise might have. We will continue to drive this programme and encourage councils to support it. More recently, there has been some activity in undertaking carbon stocktakes which is encouraging.

### Health & safety pre-qualification

WLASS contracts with RJ Safety Consulting (previously 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/>.

### 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.

The most significant suite of contracts comprises the Professional Services Panel, involving eight councils and upwards of 150 suppliers. The current panel arrangement was established in August 2019.

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

## **LiDAR**

WLASS is managing a project to create highly detailed 3D maps and models of the Waikato landscape using LiDAR (Light Detection and Ranging) technology. The project's start was delayed with Covid-19. However, flying commenced in January 2021. The project involves funding from ten councils plus several commercial companies and the Provincial Growth Fund (via LINZ).

## **Regional Asset Technical Accord (RATA)**

RATA was initially established as a centre of excellence for road asset planning in 2014.

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 expanded its activity into waters assets. By leading asset management best practice, RATA enables 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.

## **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.

## **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. In the first half of 2020, the transition to a software-as-a-service arrangement with a new provider was completed further reducing cost to councils.

## **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).

On 1 July 2020, WLASS assumed responsibility for managing the region's IQP and Producer Statement registers for the benefit of councils.

## **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. Photographs are captured periodically (~every 5 years). Most recently contracts were executed in December 2020 to undertake the latest programme.

## **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.

## **WLASS Water Services (WWS)**

In the second half of 2020 the company agreed to subsume the previous Shared Services Partnership activity (involving Hamilton City and Waipa and Waikato District Councils), into its suite of services available to other councils. Six councils accepted indicative proposals to take up one or more of the sampling and analysis, trade waste management and Smart Water services available. Onboarding the councils will occur in the first half of 2021.

## 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.

## 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.

Document No: A514691

## Report To: Council Meeting



Meeting Date: 30 March 2021

Subject: Local Government Funding Agency – Draft Statement of Intent for year ended 30 June 2022

Type: Information only

### Purpose of Report

- 1.1 The purpose of this business paper is to present to Council the Local Government Funding Agency (LGFA) Draft Statement of Intent (SoI) for year ended 30 June 2022.

### Background

- 2.1 Section 64 of Local Government Act 2002 (LGA 2002) requires all council-controlled organisations (CCO) to have a SoI that must not be inconsistent with the constitution of the CCO.
- 2.2 The **purpose** of an SoI as set out in Schedule 8 of LGA 2002 is to—
- (a) state publicly the activities and intentions of a CCO 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.
- 2.3 The SoI must specify the following information for the CCO and any subsidiaries for next year (i.e. 2021/22) and the following two financial years:
- (a) the objectives of the group; and
  - (b) a statement of the board's approach to governance of the group; and
  - (c) the nature and scope of the activities to be undertaken by the group; and
  - (d) the ratio of consolidated shareholders' funds to total assets, and the definitions of those terms; and
  - (e) the accounting policies of the group; and
  - (f) the performance targets and other measures by which the performance of the group may be judged in relation to its objectives; and
  - (g) an estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the shareholders; and

- (h) the kind of information to be provided to the shareholders by the group during the course of those financial years, including the information to be included in each half-yearly report (and, in particular, what prospective financial information is required and how it is to be presented); and
- (i) the procedures to be followed before any member or the group subscribes for, purchases, or otherwise acquires shares in any company or other organisation; and
- (j) any activities for which the board seeks compensation from any local authority (whether or not the local authority has agreed to provide the compensation); and
- (k) the board's estimate of the commercial value of the shareholders' investment in the group and the manner in which, and the times at which, that value is to be reassessed; and
- (l) any other matters that are agreed by the shareholders and the board.

2.4 Attached to and forming part of this business paper is a copy of the Local Government Funding Agency Draft Statement of Intent for 2021/22, as Attachment one.

<b>Commentary</b>
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- 3.1 LGFA have provide the Draft Statement of Intent for information only. Waitomo District Council (WDC) joined the LGFA as a borrower and guarantor in April 2017. Substantially all its borrowings are now provided from the LGFA.
- 3.2 As a borrower WDC would look to the LGFA as first lender of choice for Council's borrowing requirements. As a guarantor to the LGFA, WDC has an ongoing interest in the financial strength of LGFA.
- 3.3 The key financial performance measures from the draft Sol 2022 have been included in the table below, with the measures from the Sol 2021 for comparative purposes.

Measure	Current Sol 2021	Current Sol 2022	Draft Sol 2022	Draft Sol 2023	Draft Sol 2024
Total Operation Income	\$18.8 million	\$20.2 million	\$18.7 million	\$24.2 million	\$27.6 million
Annual Issuance and Operating Expenses	\$6.8 million	\$6.8 million	\$7.0 million	\$7.2 million	\$7.4 million
Total Lending to Participating Borrows	At Least \$11,664 million	At Least \$12,260 million	At Least \$12,874 million	At Least \$13,291 million	At Least \$13,578 million

3.4 The non-financial performance measures tabled below,

Measure	Current Sol 2021	Draft Sol 2022
Annual Survey	85% Satisfaction	85% Satisfaction
Lending Requests	100% of compliant requests	100% of compliant requests
Market Share	85%	80%
Review Participating Borrowers financial position	100% of Participating Borrowers	100% of Participating Borrowers
Treasury Policy Breaches	Nil	Nil
Refinance existing loans to councils	All loans	All loans
Refinance LGFA Bonds	All bonds	All bonds
Maintain Credit Rating	Equal to New Zealand Government (when rated by same credit rating agency)	Equal to New Zealand Government (when rated by same credit rating agency)

## Suggested Resolutions

- 1 The business paper on Local Government Funding Agency - Draft Statement of Intent be received.
- 2 The Draft Statement of Intent for the year ending 30 June 2022 be received.



ALISTER DUNCAN  
**GENERAL MANAGER – BUSINESS SUPPORT**

18 March 2021

Attachment(s):     1     Local Government Funding Agency Draft Statement of Intent for year ending 30 June 2022 (A514692)



## Draft Statement of Intent 2021/22

### 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, economic, environmental and cultural 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 meet 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 seven 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 80% of aggregate long-term debt funding to the Local Government sector<sup>1</sup>.
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.
7. Assist the local government sector with significant matters such as COVID -19 response and the proposed Three Waters Reform Programme.

<sup>1</sup> This includes Auckland Council borrowing both in its own name and through LGFA and recognising that the amount of borrowing by Auckland Council from LGFA is restricted by the Foundation Policy covenants.

## 4. Financial forecasts

LGFA's financial forecasts for the three years to 30 June 2024 are:

FINANCIAL YEAR (\$M)	Draft SOI 2021/22		
	Jun-22	Jun-23	Jun-24
<b>Comprehensive income</b>			
Interest income	160.0	182.9	200.7
Interest expense	142.0	159.6	174.1
<b>Net Interest income</b>	<b>18.0</b>	<b>23.3</b>	<b>26.6</b>
Other operating income	0.7	0.9	1.0
<b>Total operating income</b>	<b>18.7</b>	<b>24.2</b>	<b>27.6</b>
Approved Issuer Levy	0.6	0.6	0.3
Issuance & onlending costs	2.7	2.8	2.8
Operating overhead	4.2	4.4	4.5
<b>Issuance and operating expenses</b>	<b>7.6</b>	<b>7.8</b>	<b>7.7</b>
<b>P&amp;L</b>	<b>11.1</b>	<b>16.3</b>	<b>19.9</b>
Financial position (\$m)	Jun-22	Jun-23	Jun-24
Capital	25.0	25.0	25.0
Retained earnings	79.9	95.5	114.7
Total equity	104.9	120.5	139.7
Shareholder funds + borrower notes / Total assets	2.4%	2.6%	2.8%
Dividend provision	0.7	0.7	0.8
Total assets (nominal)	14,428.8	15,041.3	15,557.4
Total LG loans - short term (nominal)	350.0	350.0	350.0
Total LG loans (nominal)	12,523.6	12,940.7	13,228.3
Total bills (nominal)	500.0	500.0	500.0
Total bonds (nominal) ex treasury stock	13,405.0	13,995.0	14,495.0
Total borrower notes (nominal)	245.9	271.7	293.9

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 April 2022, April 2023 and April 2024 loans. LGFA will work with council borrowers to reduce this uncertainty. The above table assumes gross issuance of LGFA bonds per year of \$2.60 billion (2021/22), \$2.25 billion (2022/23) and \$2.15 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.

There has been no allowance made in the forecasts for the impact on councils from the proposed Three Waters Reform Programme.

## 5. Performance targets

LGFA has the following performance targets:

- LGFA's total operating income for the period to:
  - 30 June 2022 will be greater than \$18.7 million.
  - 30 June 2023 will be greater than \$24.2 million.
  - 30 June 2024 will be greater than \$27.6 million.
- LGFA's annual issuance and operating expenses (excluding AIL) for the period to:
  - 30 June 2022 will be less than \$7.0 million.
  - 30 June 2023 will be less than \$7.2 million.
  - 30 June 2024 will be less than \$7.4 million.
- Total lending to Participating Borrowers<sup>2</sup> at:
  - 30 June 2022 will be at least \$12,874 million.
  - 30 June 2023 will be at least \$13,291 million.
  - 30 June 2023 will be at least \$13,578 million.
- Conduct an annual survey of Participating Borrowers who borrow from LGFA and achieve at least an 85% 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 80% 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.

<sup>2</sup> Subject to the forecasting uncertainty noted previously

- Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating agency.

## 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>3</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

<sup>3</sup> Best practice as per NZX and Institute of Directors guidelines

remuneration of directors.

- Make recommendations to Shareholders as to any changes to policies, or the SOI, requiring their approval.
- 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 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 2020 (updated where necessary), accordingly, the statement does not contemplate LGFA lending to CCOs.**

## **ATTACHMENT: 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.

The financial statements are as at and for the year ended 30 June 2020.

These financial statements were authorised for issue by the Directors on [xx] August 2020.

### **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 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. [KPMG to review note]

## **Early adoption standards and interpretations**

LGFA has not early adopted any standards. [KPMG to review note]

## **New standards adopted**

NZ IFRS 16 Leases became effective from 1 July 2019. [KPMG to review note]

## **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. [KPMG to review note]

## **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 and 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. 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. 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.

<b>Document No:</b> A514836	
<b>Report To:</b> Council	
	<b>Meeting Date:</b> 30 March 2021  <b>Subject:</b> Motion to Exclude the Public for the Consideration of Council Business

**Purpose**

- 1.1 The purpose of this business paper is to enable Council to consider whether or not the public should be excluded from the consideration of Council business.
- 1.2 Council may choose whether or not to consider any of the items listed below in the public or public excluded portion of the meeting.

**Commentary**

- 2.1 Section 48 of the Local Government Official Information and Meetings Act 1987 gives the right, by resolution, to exclude the public from the whole or any part of the proceedings of any meeting, only on one or more of the grounds contained within that Section.

**Suggested Resolutions**

- 1 The public be excluded from the following part of the proceedings of this meeting.
- 2 The general subject of each matter to be considered while the public is excluded and the reason for passing this resolution in relation to each matter, as specified by Section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:

General Subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Section 48(1) grounds for the passing of this resolution
1. Progress Report: Investment Oversight Working Party	Section 7(2)(i) – To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations);	Section 48(1)(a)(i)

- 3 Council agree the following staff, having relevant knowledge to assist in the consideration of the items of business to be public excluded, remain in attendance to assist the Committee with its decision making:

Staff Member	Reason for Remaining in Attendance
Chief Executive	Council CEO
Manager – Governance Support	Committee Secretary

- 4 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 the public.



MICHELLE HIGGIE  
**MANAGER – GOVERNANCE SUPPORT**