

SECTION 4C – COUNCIL CONTROLLED ORGANISATIONS

The Local Government Act 2002 requires that Council include in the 10-year Plan information on those organisations in which Council is a shareholder. In particular, Council must include:

- a) its significant policies and objectives regarding ownership and control of the organisation;
- b) the nature and scope of the activities to be provided by the organisation; and
- c) the key performance targets and other measures by which performance may be judged.

Council is a shareholder in three organisations that are classified as council-controlled organisations as defined by the Local Government Act. The organisations are Waikato Regional Airport Ltd (Hamilton International Airport), NZ Local Government Insurance Corporation (NZLGIC) and Local Authority Shared Services (LASS).

WAIKATO REGIONAL AIRPORT LIMITED

Waikato Regional Airport Ltd (Hamilton International Airport) is jointly owned by five local authorities; Hamilton City, Waikato District, Waipa District, Otorohanga District and Matamata/Piako District Councils.

Waipa District Council's shareholding is 15.625%.

Corporate Mission

The mission of Waikato Regional Airport is to operate a successful commercial business providing safe, appropriate and efficient services for the transportation of people and freight in and out of the port of Hamilton.

Goal

The retention of the Airport as a major infrastructural facility, important to the economy of the Waikato.

A Statement of Intent provided by the Airport Company (as required by Section 64 of the Local Government Act 2002) is available but does not form part of this Plan.

Policies and Objectives

Council intends to maintain its current shareholding for the foreseeable future. There are no formal policies or objectives relating to ownership and control of Waikato Regional Airport.

Performance Targets

(Extracted from the Company's 10 year Business Plan and subject to change)	Year Ended 30 June		
	2006	2007	2008
Net profit after tax to average shareholders' funds	1.37%	2.22%	1.11%
Net profit before tax/interest to total assets	3.55%	4.01%	3.91%

(Extracted from the Company's 10 year Business Plan and subject to change)	Year Ended 30 June		
Net profit after tax to total assets	0.69%	1.04%	0.56%
Net profit before tax/interest to average shareholders' funds	6.98%	8.54%	7.78%
Percentage of Non Landing Charges Revenue ♦	81.38%	80.05%	79.64%
♦ Non-landing charges revenue is defined as revenue that has not been recovered directly from airlines.			
Total Liabilities/Shareholders Funds: (Debt/Equity Ratio)	49:51	53:47	46:54

Interest Rate Cover

The interest cover measures the number of times the Net Profit Before Interest, Tax and Depreciation (EBITDA) covers interest paid on debt and is used as an indicator of under-capitalisation.

The forecast interest coverage of 2.2 for 2005/2006 complies with Clause 22.2 of the Constitution requiring that the interest rate coverage ratio does not fall below 2.0.

The shareholding councils have agreed that WRAL may issue shares for uncalled capital totalling \$21.6 million in order to secure funding for proposed developments at Hamilton International Airport. Council's liability under this arrangement is capped at \$3.375 million.

NEW ZEALAND LOCAL GOVERNMENT INSURANCE CORPORATION (NZLGIC)

NZLGIC is wholly owned by New Zealand city, district and regional councils. It provides a range of products and services to prevent loss and manage risk.

Waipa District Council's shareholding is 0.3%.

LOCAL AUTHORITY SHARED SERVICES

Background

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

Taking this initiative a step further the local authorities have begun developing new shared service initiatives, including a valuation database to provide on-line updated information for all Councils. Taking this initiative and putting it into a formal context has resulted in the formation of the Local Authority Shared Services Limited.

The intent is for all local authorities within the region to set up a Council Controlled Organisation by way of a company, in which each local authority will have a single share. This company will be used as an umbrella for future development of shared services through the region.

Shareholders

Local Authority Shared Services Limited is jointly owned by 13 local authorities:

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

Council Policies and Objectives relating to Council Controlled Organisations

The Constitution of Local Authority Shared Services Limited sets out the principles and expectations around how the company will be governed and operated.. While Council has no formal policies and objectives, it has become a shareholder on the basis that the company will develop products and services of significant benefit to Waipa residents and ratepayers.

Company Objectives

The objective of the company is to provide Waikato region's local authorities with a vehicle to develop shared services and provide them to local authorities.

Nature and Scope of Activities

The principal nature and scope of the activity for the company is to:

- a) provide shared services to all local authorities within the Waikato Region. The company also intends to sell processes and systems as set up under individual agreements to local authorities outside the Region;
- b) pursue all opportunities to develop shared services that may benefit the community, either through enhanced services or reduced cost.;
- c) consider the development of shared service products which a majority of regional local authorities believe are of value. The objective is to provide the most effective access to regional information that may be of value to the community using modern technology and processes.;
- and
- d) explore all possible avenues to provide these services itself or contract them from outside parties, each dependent on a rigorous business case.

The initial product is a shared valuation database. It is envisaged that the company will continue to develop new products to be made available to the local authorities within the Waikato Region while at the same time exploring other opportunities to be undertaken in partnership with other local authorities

within New Zealand that might add products to the current stable, eg, aerial photographs, GIS systems, emergency management systems, etc.

Performance Targets

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

- All products to be fully costed including development costs and to be recovered by way of revenue of a maximum of a five-year period.
- The company will enter into long term contracts of at least three years' duration with each of the participating parties in relation to any product development so as to ensure that the costs of development are spread equitably between the partners and over a realistic timeframe.
- The need for guarantees for the participating parties to provide for the capital and cash requirements of the organisation and to provide guarantees to the company based on prevailing interest rates in the market to cover the cost of the development of new products.
- To maintain a positive cash flow such that equity ratio is maintained at least 40%.
- To survey the customers once per year and to ensure that there is at least 90% satisfaction with the services being provided.



Pirongia Craft Day