

FINANCE AND CORPORATE COMMITTEE AGENDA



Time: 1.00pm
Date: Tuesday 21 April 2020
Venue: Audio Visual Meeting

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AGENDA ITEMS

1 MEMBERS

Chairperson

AW Brown

Members

His Worship the Mayor JB Mylchreest, EM Andree-Wiltens, EM Barnes, LE Brown, PTJ Coles, RDB Gordon, ML Gower, SC O'Regan, MJ Pettit, EM Stolwyk, CS St Pierre, BS Thomas, GRP Webber

2 APOLOGIES

3 DISCLOSURE OF MEMBERS' INTERESTS

Members are reminded to declare and stand aside from decision making when a conflict arises between their role as an elected member and any private or other external interest they may have.

4 LATE ITEMS

Items not on the agenda for the meeting require a resolution under section 46A of the Local Government Official Information and Meetings Act 1987 stating the reasons why the item was not on the agenda and why it cannot be dealt with at a subsequent meeting on the basis of a full agenda item. It is important to note that late items can only be dealt with when special circumstances exist and not as a means of avoiding or frustrating the requirements in the Act relating to notice, agendas, agenda format and content.

5 CONFIRMATION OF ORDER OF MEETING

Recommendation

That the order of the meeting be confirmed.

REPORTS

Reports will follow this agenda in sequential order.

FINANCE AND CORPORATE COMMITTEE REPORT



To: The Chairperson and Members of the Finance and Corporate Committee

From: Governance

Subject: **CONFIRMATION OF MINUTES**

Meeting Date: 21 April 2020

1 EXECUTIVE SUMMARY

To confirm the minutes of the Finance and Corporate meeting held on Tuesday 18 February 2020.

2 RECOMMENDATION

That the open minutes of the Finance and Corporate Committee meeting held on 18 February 2020, having been circulated, be taken as read and confirmed as a true and correct record of that meeting.

3 ATTACHMENTS

Finance and Corporate Minutes – 18 February 2020

FINANCE AND CORPORATE COMMITTEE MINUTES



Time: 1:00pm
Date: Tuesday, 18 February 2020
Venue: Council Chambers, Waipa District Council, 101 Bank Street,
Te Awamutu

1 PRESENT

Chairperson

AW Brown

Members

His Worship the Mayor JB Mylchreest, EM Andree-Wiltens, EH Barnes, AW Brown, LE Brown, PTJ Coles, RDB Gordon, ML Gower, SC O'Regan, MJ Pettit, EM Stolwyk, CS St Pierre, BS Thomas.

2 APOLOGIES

There were no apologies.

3 DISCLOSURE OF MEMBERS' INTERESTS

There were no new disclosures.

4 MINUTES OF PREVIOUS MEETING

RESOLVED

03/20/01

That the open and public excluded minutes of the Finance and Corporate Committee meeting held on 10 December 2019, having been circulated, be taken as read and confirmed as a true and correct record.

Cr Gordon / Cr St Pierre

5 LATE ITEMS

There were no late items.

6 CONFIRMATION OF ORDER OF MEETING

RESOLVED

03/20/02

That the order of the meeting be confirmed.

Cr St Pierre / Cr Gower

7 FINANCE REPORT FOR THE PERIOD ENDED 31 JANUARY 2020

Financial Accountant Nada Milne presented the 'Financial Report for the Period Ended 31 January 2020' and answered questions of the Committee. Finance Manager Sarah Davies was also present to answer questions of the Committee.

The Committee were advised of a series of arbitrage arrangements transacted between December 2019 and January 2020. The arrangements utilised \$24.5 million of fixed rate short term borrowing from the Local Government Funding Agency and re-invested these funds on a matched terms basis into term deposits with ANZ, ASB and Westpac which are maturing in various tranches between February 2020 and April 2020. These arrangements will yield \$66,000 of net interest for Council.

In response to a query, Group Manager Business Support Ken Morris advised that development contributions (DCs) are determined on a Housing Equivalent Unit (HEU) basis. With higher density there will be a greater number of HEU's that the DC requirement is spread across. Higher density will result in a lower DC rate because when the DCs are set, they are based on what capital expenditure is required to service the growth and how many HEUs will be achieved in that area given the density rules.

In response to a question regarding the increased cost of the Hanlin Road intersection, Ms Davies advised that the New Zealand Transport Authority originally agreed to fund 51% of the cost and have now agreed to fund 100%.

In response to a question regarding why the rates status report shows rates remissions being higher than penalties, Mr Morris advised that Council remits for more than just penalties so this is not unusual.

Regarding a query on rates arrears from prior years, Ms Davies advised that Council's dedicated resource for debt collection had been on parental leave but was back now and will be following up on the outstanding arrears. There is around ten thousand dollars of mortgage demands to be sought from banks as provided for in the legislation. Staff have confidence that the figure can be brought down to similar levels as prior years.

RESOLVED

03/20/03

That –

- a) *The information contained in the 'Financial Report for the Period Ended 31 January 2020' (document number 10361365), of Nada Milne, Financial Accountant, be received, and*
- b) *The Finance and Corporate Committee approve the following 2019/20 funding requests and budget changes:*
 - *An increase of THREE HUNDRED AND THREE THOUSAND DOLLARS (\$303,000) for the Water Services budget for Cambridge Growth Cell C6 Water Contract – to be Development Contribution funded.*
 - *An increase of ONE MILLION AND THREE HUNDRED THOUSAND DOLLARS (\$1,300,000) for the Stormwater budget for Stormwater Land C1 Contract – to be Development Contribution funded.*

Cr St Pierre / Cr Stolwyk

8 ELECTED MEMBER EXPENSE AND ALLOWANCE RULES

Group Manager Ken Morris and Manager Governance Jo Gread introduced the 'Elected Member Expense and Allowance Rules' report and answered questions of the Committee.

At the start of each triennium it is good practice to review the Elected Member Expense and Allowance Rules.

Changes were proposed to the Elected Member Expense and Allowance Rules. These changes cover a range of topics, but are primarily concerned with aligning the rules with the revisions proposed to the Council's Sensitive Expenditure Policy, including defined professional development provisions for Councillors, and providing for payment for childcare allowances.

In response to a question, Ms Gread confirmed that any approvals to attend the annual RMLA conference will need to be funded within the fixed amount for professional development for each individual. Mr Morris agreed that this would be regarded as a discretionary professional development cost as opposed to the mandatory cost of accreditation.

RESOLVED

03/20/04

That –

- a) *The ‘Elected Member Expense and Allowance Rules’ report (document number 10359919), of Jo Gread, Manager Governance, be received; and*
- b) *The Finance and Corporate Committee approve the ‘Elected Member Expense and Allowance Rules’ as included in Appendix 1 (document number 10359819) with all tracked changes to apply from 1 March 2020.*

Cr Coles / Cr L. Brown

9 QUARTERLY PROPERTY SERVICES REPORT

Manager Property Services John Miles presented the ‘Quarterly Property Services Report’ and answered questions of the Committee.

The purpose of the report was to provide information on the activities of the Property Services Team for the 1 October to 31 December 2019 quarter. This was an ‘information only’ report and no decisions were required.

RESOLVED

03/20/05

That the information contained in the ‘Quarterly Property Services Report’ (document number 10350356), of John Miles, Manager Property Services, be received.

Cr Barnes / Cr St Pierre

10 DISPOSAL OF RESIDENTIAL PROPERTY – 72 VOGEL STREET CAMBRIDGE

Manager Property Services John Miles presented the 'Disposal of Residential Property, 72 Vogel Street, Cambridge' report and answered questions of the Committee.

Group Manager Business Support advised that Council cannot dispose of the land as it forms part of the town's green belt.

Disposal of the residential dwelling is recommended by way of demolition.

A further confirming resolution will be required from Council as the Local Government Act 2002 requires Council itself to authorise any purchase or disposal of property not specifically provided for in the 10 Year Plan.

RESOLVED

03/20/06

That –

- a) *The 'Disposal of Residential Property, 72 Vogel Street, Cambridge' report (document number 10355792), of John Miles, Manager Property, be received;*
- b) *The Finance & Corporate Committee recommend to Council the disposal by demolition, of the house at 72 Vogel Street, Cambridge, the legal description of the land the house sits on being Section 17A Pt Lots 15-17 DP 793, both Lot 1 DPS 10007, being approximately 16.5 Ha comprised in Record of Title SA71A/93; and*
- c) *Authority is given to the Group Manager Business Support to carry out any negotiations and execute any documentation to conclude this disposal by demolition.*

Cr L. Brown / Cr Coles

There being no further business the meeting closed at 2.22pm

CONFIRMED AS A TRUE AND CORRECT RECORD

CHAIRPERSON:

.....

DATE:

.....

To: The Chairperson and Members of the Finance and Corporate Committee

From: Business Development Manager

Subject: **Hamilton and Waikato Tourism Six Month Report**

Meeting Date: 21 April 2020

1 EXECUTIVE SUMMARY

This report introduces the Hamilton and Waikato Tourism (HWT) sixth month report for the period 1 July 2019 to 31 December 2019, which will be presented by Chief Executive Jason Dawson. Also attached is *The Mighty Waikato Visitor Statistics February 2020*, a monthly publication produced by Hamilton and Waikato Tourism which references national, Waikato regional, and Waipā visitor statistics.

The following appendices accompany this report:

- Appendix 1 – Hamilton and Waikato Tourism Report to Waipā District Council 1 July 2019 to 31 December 2019 (10377670)
- Appendix 2 – The Mighty Waikato Visitor Statistics February 2020 (10377044)
- Appendix 3 – MBIE Tourism data factsheet: COVID-19 response (10381917)

2 RECOMMENDATION

That the report titled 'Hamilton and Waikato Tourism Six Month Report' (document 10374932), of Steve Tritt, Business Development Manager, together with the 'Hamilton and Waikato Tourism Six Month Report to Waipā District Council 1 July 2019 to 31 December 2019' (document 10377670), 'The Mighty Waikato Visitor Statistics February 2020' (document 10377044), and the 'MBIE Tourism data factsheet: COVID-19 response' (document 10381917) be received.

3 BACKGROUND

Events, visitors and retail spend are important to our district's economy.

Waipā visitor expenditure in February grew to \$194 million with \$38 million spent by international visitors.

Jason Dawson will be in attendance to present the six-month report and will also provide an update on the impact of Covid-19 on international and domestic tourism.



Steve Tritt

BUSINESS DEVELOPMENT MANAGER



Kirsty Downey

MANAGER STRATEGY



Debbie Lascelles

GROUP MANAGER STRATEGY AND COMMUNITY SERVICES



Approved by Ken Morris

DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT

Appendix 1

Hamilton and Waikato Tourism Six-month report to Waipā District Council 1 July 2019 to 31 December 2019 (document 10377670)

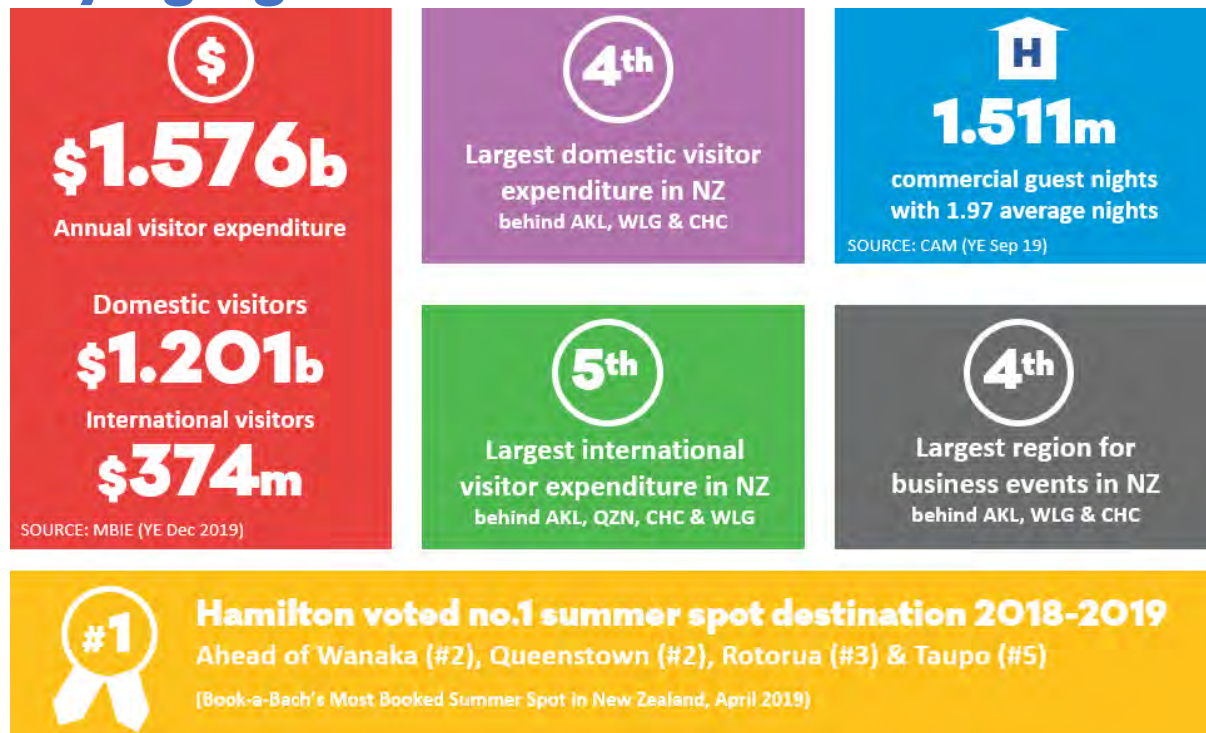
Six Monthly Report to Waipa District Council 1 July – 31 December 2019

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

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

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

Key highlights (Jul – Dec 2019)



Executive summary

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

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

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

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















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

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

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

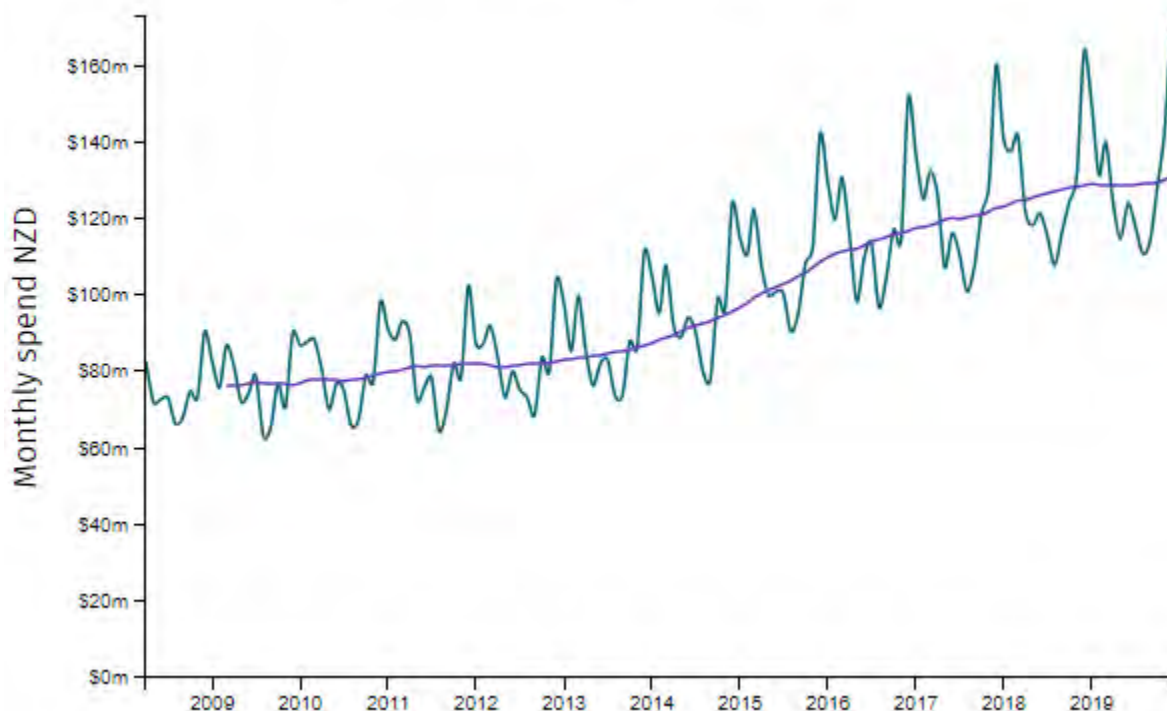
Performance targets

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

Measure	Result
 <p>Visitor nights 5% increase of total visitor nights' vs national</p>	 <p>6.1% for Waikato 1.2% national growth rate (Year ending September 2019)</p>
 <p>Visitor spend 5% increase in visitor spend across the region</p>	 <p>2% increase on previous year \$1.558 billion annual expenditure (Year ending December 2019)</p>
 <p>Conventions, incentives & business events Grow market share of business events from 9% to 10%</p>	 <p>10.1% market share Fourth largest region behind Auckland, Wellington & Christchurch (FY ending June 2019 – survey finished with this report, new survey to commence Feb 2020)</p>
 <p>Visitor awareness & perception Improve by 3 points, including Waikato residents</p>	 <p>8/10 likelihood to recommend as a place to visit (Annual measurement undertaken July 2020)</p>
 <p>Website & social media: waikatoz.com 5% digital engagement on 2019-20</p>	 <p>22.2% from 1 July 19 to 30 Dec 19</p>
 <p>Industry investment \$450,000 of industry contribution towards marketing activities & campaigns</p>	 <p>\$252,353 international & domestic campaigns, trade show investment, famil in-kind contributions & visitor guide sales (Year to date December 2019)</p>
 <p>Return on investment Total visitor spend per dollar of HWT spend</p>	 <p>\$1,275 Visitor spend per dollar of council funding (Year ending December 2019)</p> <p>1.23 Commercial guest nights per dollar of council funding (Year ending September 2019)</p>

Visitor statistics and expenditure

Historical monthly spending pattern

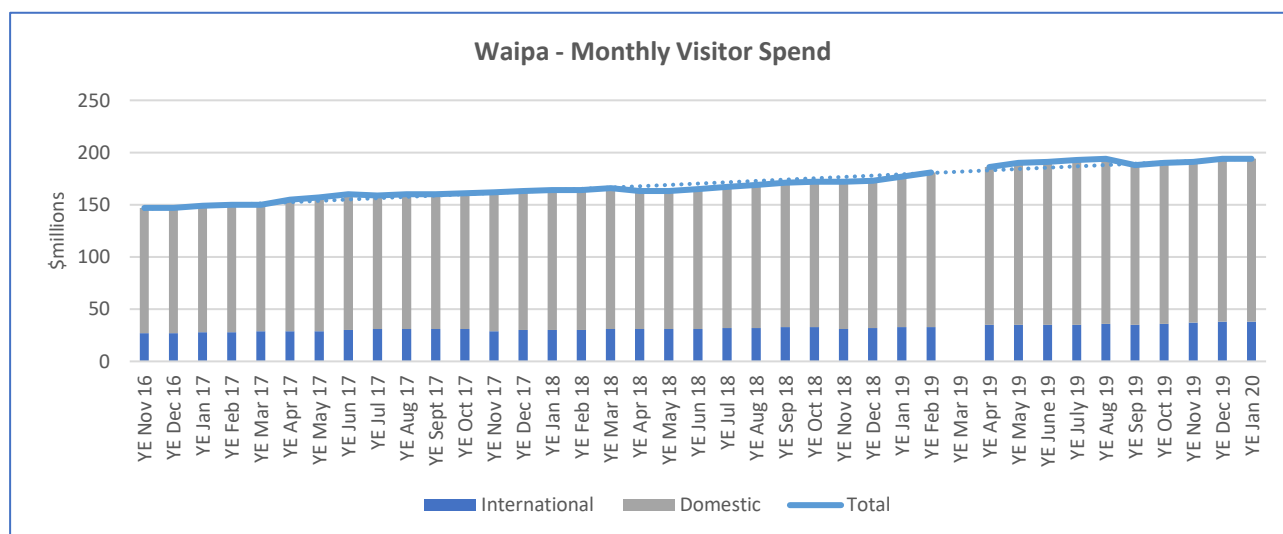


Source: Monthly Regional Tourism Estimates, MBIE (December 2019)

Visitor expenditure in Waipa

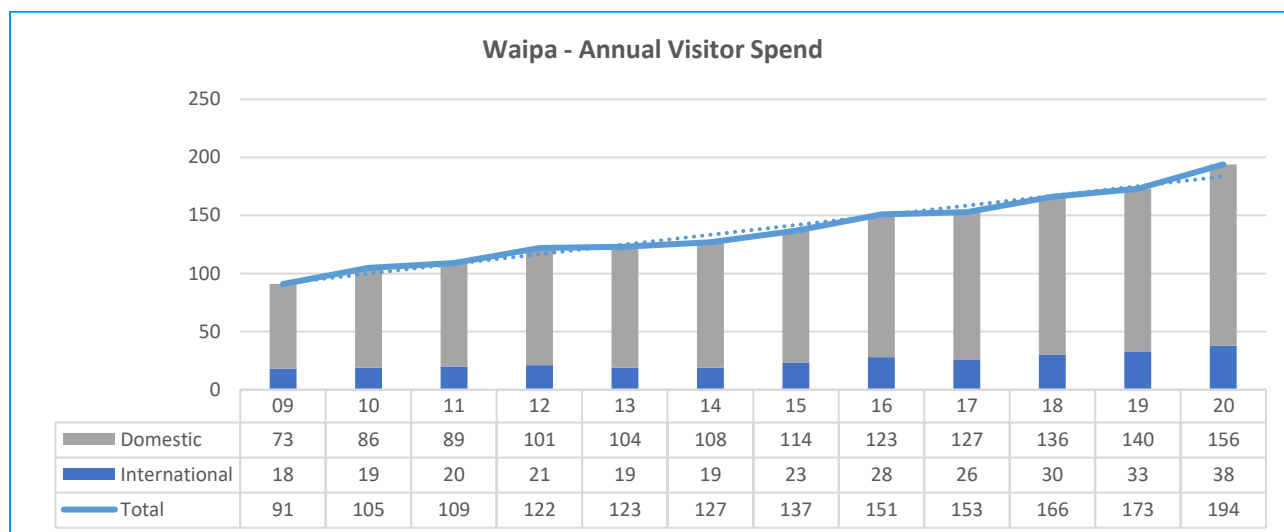
Visitor expenditure data is measured by the Ministry of Business, Innovation and Employment (MBIE) in the Monthly Regional Tourism Estimates (MRTE).

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



Source: Monthly Regional Tourism Estimates, MBIE (January 2020)

Overall annual visitor expenditure for Waipā has remained steady; now at \$194 million, with \$156 million generated by domestic visitors and \$38 million from international.

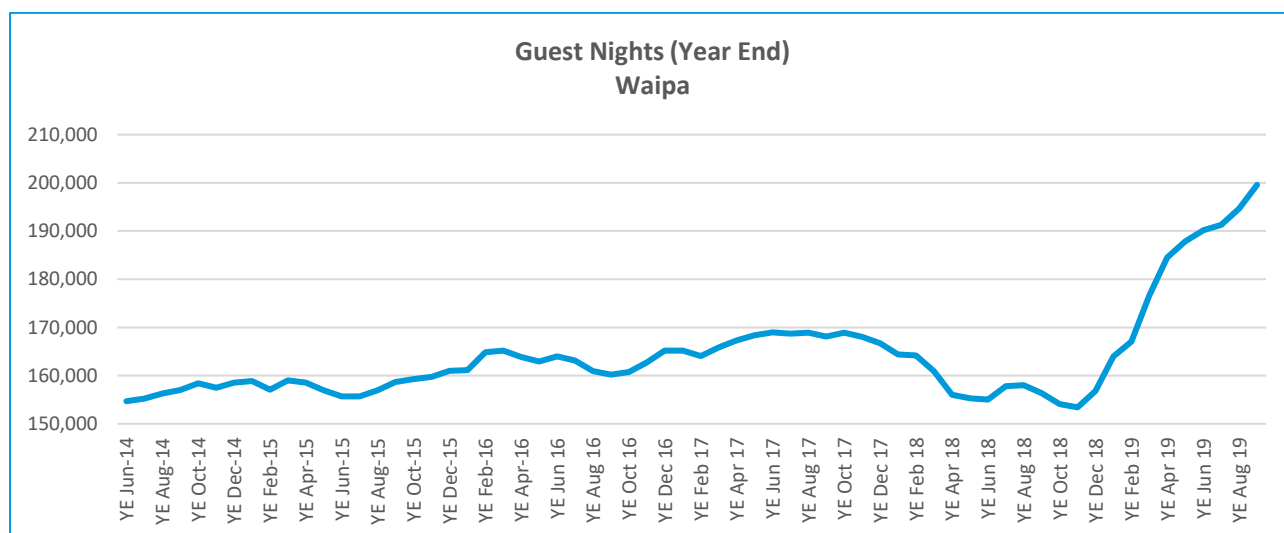


Source: Monthly Regional Tourism Estimates, MBIE (January 2020)

Commercial accommodation in Waipā

Commercial guest nights (hotels, motels, backpackers & holiday parks) for Waipā has shown steady growth over the past 12 months. The latest statistics confirm 199,573 commercial guest nights for the year ending September 2019, which is strong growth of 27.7% from 2018.

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



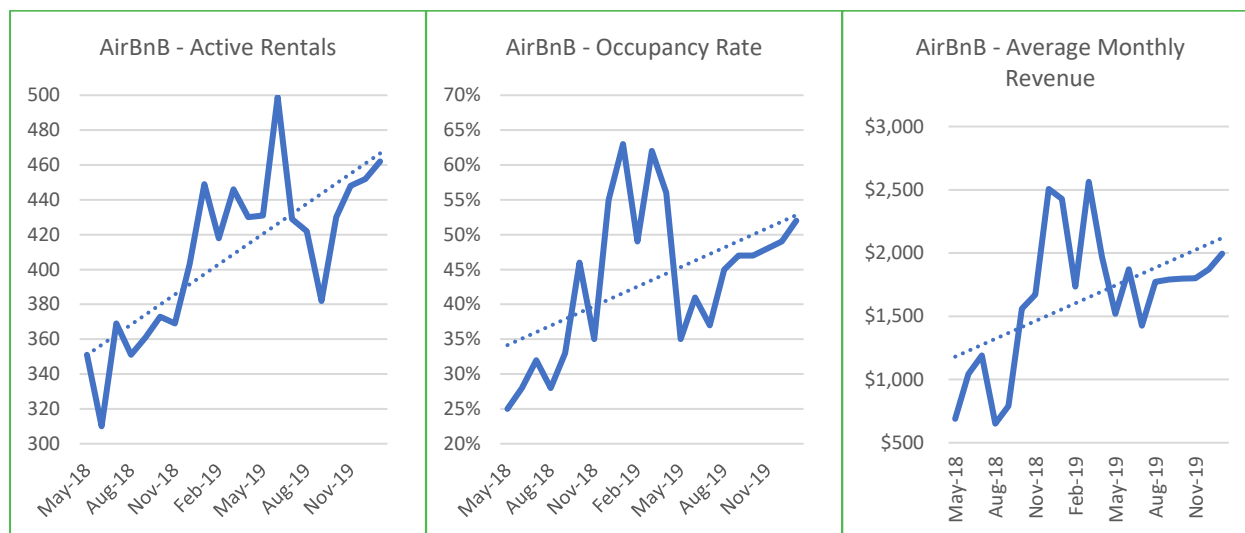
Source: Commercial Accommodation Monitor, Stats NZ (September 2019)

Non-commercial accommodation in Waipā

Waipā also had 452 properties listed on AirBnB during December 2019 as alternative accommodation to the traditional commercial offerings.

This has grown from 49 listings in December 2018.

These properties experienced 49% occupancy during December 2019. For the 12 months January 2019 to December 2019, the average occupancy rate for AirBnB properties in Waipā is 47%.



Trade & leisure marketing

International marketing

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

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

There was a concentrated period of trade training and famils towards the end of 2019. Several of Tourism New Zealand's famils originally scheduled for March 2019 were

postponed due to the Christchurch Mosque attacks and reconvened in October-November 2019.

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

Domestic marketing

Locals Week Initiative

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

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

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

Campaigns

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

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

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

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

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

Major Events

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

Annual Visitor Guide

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

Marketing activity for Waipā

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

Target market	Campaign or activity	Waipā experiences profiled
Media – domestic & international famils	Media hosting and famils profiling Waipā: <ul style="list-style-type: none"> • National Geographic – India • Young Adventuress – Social Influencer • Style Jungle – Social Influencer • Yahoo Lifestyle editor - AU 	Sanctuary Mountain Maungatautari, Henley Hotel, Punnet Eatery, Lake District Adventures
Travel Trade - famils	Waipā profiled in following trade famils: <ul style="list-style-type: none"> • TNZ Premium Famil 	Henley Hotel, Sanctuary Mountain Maungatautari, Lakeview Lodge, Lake District Adventures

Target market	Campaign or activity	Waipā experiences profiled
Domestic – consumer media	<p>Waipā was profiled as part of regional promotions in the following publications:</p> <ul style="list-style-type: none"> • RV Travel – NZ Motorhome Show special edition • Avenues Magazine • Family Times • Go Travel • NZ Today • Life & Leisure 	<p>Sanctuary Mountain Maungatautari, Henley Hotel, Lake District Adventures, Waitakaruru Arboretum and Sculpture Park, Te Awa – Great NZ River Ride, Lake Karapiro, Cambridge Township, Cambridge Farmers Market, Lake District Adventures, Sanctuary Mountain Maungatautari, Avantidrome, Cambridge Museum, Rose Creek Sheep Tours, Cambridge Golf Club, Maungakawa Scenic Reserve, Camjet, Cambridge Antique stores, Cambridge Farmers Market, Alexander Organics, Over the Moon Cheese, Paddock, Pony, Little Waipa Reserve, Lakeview Lodge Karapiro, Henley Hotel, Mighty River Domain, Podium Lodge</p>
Travel Trade – events	<p>Trade Training events and sales calls to ITOs and wholesalers throughout the period including the TNZ AU mega famil (100 agents) and TNZ South East Asia mega famil (60 agents)</p>	<p>Henley Hotel, Sanctuary Mountain Maungatautari, Lakeview Lodge, Lake District Adventures, rural experiences through Destination Cambridge, Kelly Rd, Hidden Lake Hotel, Rural Tours</p>
Travel Trade – Explore Central North Island Alliance	<p>HWT are part of the Central North Island RTO alliance known as ‘Explore Central North Island’ which includes the two touring routes – The Thermal Explorer Highway and the Pacific Coast Highway. Key activities Jul-Dec:</p> <ul style="list-style-type: none"> • ECNI North America Roadshow, Oct 19 • UK In-market representation 	<p>Henley Hotel, Sanctuary Mountain Maungatautari, Lakeview Lodge, Lake District Adventures, rural experiences through Destination Cambridge, Kelly Rd, Hidden Lake Hotel, Rural Tours</p>

Target market	Campaign or activity	Waipā experiences profiled
Domestic consumer - Local Waikato campaign	<ul style="list-style-type: none"> • ‘Explore Your Own Backyard’ campaign Dec 2019 - Jan 2020 • ‘Locals Week” – Sept 2019 	Sanctuary Mountain Maungatautari, Lake District Adventures, Gallagher Bike Skills Park, Kelly Rd Cambridge Lodge, Camjet, Kaipaki Petting Farm, Jet Park Hotel Hamilton Airport, Waitakaruru Sculpture Park
Domestic consumer – Chinese New Zealanders	Ongoing campaign activity has continued through our Weibo social media channel, blogs, forums etc	Sanctuary Mountain Maungatautari, Lake District Adventures, Lake Te Koutu, Cambridge, Henley Hotel, Kelly Rd, Ed Hilary Walkway, Hidden Lake Hotel, Waitakaruru Sculpture Park
Domestic & International consumer and trade	2020 Hamilton & Waikato Regional Visitor Guide	Waipa district and towns profiled in ‘Regional Highlights’ and Cambridge and Te Awamutu & Surrounds sections. Waipa district-based tourism operators have advertised in their relevant sections of the guide.
Domestic & international consumer, travel trade and media	Quarterly e-newsletters are distributed to our consumer, trade and media databases	Sanctuary Mountain Maungatautari, Lake District Adventures, Jet Park Hotel Hamilton Airport, Podium Lodge, Henley Hotel, Resolution Retreats, Equidays, UCI Track Cycling World Cup, Lakeview Lodge, Hidden Lake Hotel & Apartments, Camjet, Te Ara Wai Journeys
Domestic & International consumer	Waipā profiled through HWT’s website and various social profiles including Facebook, Instagram, Twitter & YouTube.	Sanctuary Mountain Maungatautari, Lake District Adventures, Jet Park Hotel Hamilton Airport, Meditation on the Maunga, Yoga on the Maunga, Lake Te Koutu, Mt Pirongia, Lake Ngaroto, Culinary Cambridge, Cambridge to Hamilton Paddle Race, Henley Hotel, Cherry Blossom Festival at Henley Hotel, Pirongia Craft Day, Equidays, Maungakawa Scenic Reserve, Lake Karapiro, Mt Kakepuku, Tissot UCI Track Cycling World Cup, Rotary Cambridge Garden Festival, Cambridge Christmas Festival, Kaniwhaniwha Caves Walk, Waterworld Lake Karapiro, Alphra Lavender, Cambridge Half Marathon, Te Ara Wai Journeys

Conferences, incentives & business events

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

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

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

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

Convention Bureau activity

A summary of specific trade activity between 1 July to 31 December 2019.

Activity	Detail
Enquiries	74 total leads received and managed. Waipā: <ul style="list-style-type: none">• Bids/proposals: 18 (opportunity sent to six Waipā operators)• Leads: 6 (opportunity sent to five Waipā operators)• Recommendations: 25 (opportunity sent to nine Waipā operators)• Basic assists: 17 (opportunity sent to four Waipā operators)

Activity	Detail
Buyers Hosted	29 buyers hosted to the region.
Famils	<p>5-7 December 2019: Annual multiday Mega Famil, attended by 20 buyers from Wellington, Auckland, Christchurch and Palmerston North for two nights. Attendees included professional conference & event organisers, in-house corporate event managers, personal / executive assistants, association conference organisers, marketing managers and a journalist.</p> <p>Sixteen Convention Bureau Partners included (inclusion based on partnership level).</p> <p>Waipā partners included were Hidden Lake Hotel & Apartments, Jet Park Hotel Hamilton Airport, Mystery Creek Events Centre, Henley Hotel and Vilagrad Winery.</p>
TNZ Famils	None during this period. The majority of TNZ famils are conducted in conjunction with major trade shows (TRENZ and MEETINGS) which are held in the first half of the calendar year.
Bespoke Famils	Nine bespoke famils organised. Fifteen buyers were hosted and shown 18 venues across Waikato, including Waipā Convention Bureau Partners Hidden Lake Hotel & Apartments, Jet Park Hotel, Mystery Creek Events Centre, Henley Hotel, Sir Don Rowlands Centre and Vilagrad Winery.
Trade Shows	<ul style="list-style-type: none"> • September 2019: Regional stand Australasian Society of Association Executives (AuSAE) Linc Conference held in Napier. • December 2019: Exhibited with Tourism NZ and CINZ (Conference & Incentives NZ) at the Professional Conference Organisers Association Conference held in Sydney.
Hosted Events	<ul style="list-style-type: none"> • October 2019: Wellington function, attended by over 50 buyers. Co-hosted with six Convention Bureau Partners. • October 2019: Meet North South dinner, attended by five guests. Hosted by the Convention Bureau and Dunedin Business Events. • November: Hosting to Swan Lake Ballet, attended by nine buyers. Co-hosted with Claudelands. • November: America Concert, attended by eight guests. Co-hosted with Tourism New Zealand/HWT Convention Bureau Project Waikato Group to create awareness about the CAP and recruit ambassadors.
Sales Activity	<ul style="list-style-type: none"> • December: Sales calls with Claudelands Platinum Partner - Christchurch.

Activity	Detail
AuSAE NZ Networking Activity	(AuSAE – Australian Association for Association Executives) <ul style="list-style-type: none"> • August: Wellington • September - Conference: Napier • November: Wellington
Tourism NZ Activity	<ul style="list-style-type: none"> • September 2019 - co-hosted table with Tourism NZ at The Kudos Awards to create awareness about the Conference Assistance Programme and recruit ambassadors. • Project Waikato group meetings – business incubator group to seek opportunities for Australasian and international conferences for the Waikato region. Specific focus given to conferences that respond to the needs of the community by creating a social, environmental or cultural impact on the Waikato region.
Partner Communication & Development	<ul style="list-style-type: none"> • Thursday 3rd October: Google DMO breakfast for Convention Bureau Partners • Tuesday 25th February: Henley Hotel ‘Open Home’ Partner Networking Function • Wednesday 15th April: Hobbiton Movie Set ‘Open Home’ Partner Networking Function • Partner EDM newsletters/updates • Monthly lead reporting to Platinum & Gold Partners • 75 BEW Partners. <ul style="list-style-type: none"> – Waipā: Hidden Lake Hotel & Apartments, Jet Park Hotel Hamilton Airport, Mystery Creek Events Centre, Avantidrome, Cambridge Raceway, Henley Hotel, Lakeview Lodge, Sir Don Rowlands Centre, Vilagrad Winery, Camjet, Helicorp, Outshine, Out in the Styx, Podium Lodge and SBI Productions. • 93 Face-to-face BEW Partner meetings - includes mentoring and support. <ul style="list-style-type: none"> – Waipā: Hidden Lake Hotel & Apartments, Jet Park Hotel Hamilton Airport, Mystery Creek Events Centre, Henley Hotel, Lakeview Lodge, Sir Don Rowlands Centre, Vilagrad Winery and Podium Lodge.
Communications & Media	<ul style="list-style-type: none"> • Client newsletters x 1 (database over 2,500) • Editorial x 24 • Business Events Directory • Website www.meetwaikato.com

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

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

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

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

Destination & product development

Regional Tourism Opportunities Plan

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

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

To find download a copy of the Tourism Opportunities Plan:

www.hamiltonwaikato.com/TOP

Activating tourism opportunities in Waipā

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

- Riverside Golf Course
- Cycle Cambridge
- Alexander Organics
- Hidden Lake Hotel
- Jet Park Hotel Hamilton
- Te Ara Wai Journeys
- Waikato Regional Council Cycle Trail Networks

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

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

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

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

To find out more:

www.mbie.govt.nz/immigration-and-tourism/tourism/destination-management-guidelines

Regional Major Events Strategy

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

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

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

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

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

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

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

- New Zealand's World Series of Darts – Claudelands (23-24 August 2019)

- International rugby – All Blacks v Tonga, FMG Waikato Stadium (7 September 2019)
- International rugby league – Lions vs Tonga, FMG Waikato Stadium (26 October 2019)
- UCI Elite and U23 Road Championships – secured by RIDE Festival to host in Cambridge (2020 to 2023)

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

Industry development

The Tiaki Promise

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

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

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

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

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

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

Regional partnerships

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

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

further leverage funding and promotional activity from NZ Screen and the NZ Film Commission.

We are a foundation partner with Ahikōmako – a new Centre of Māori Innovation & Entrepreneurship at the Mangakotokutoku (Glenview) campus at Te Wānanga o Aotearoa.

This project attracted financial support from Te Puni Kōkiri and the Provincial Growth Fund and initially will attract a couple of Maori tourism start-ups and entrepreneurs. Other foundation partners include Waikato Tainui, Te Hūmeka Waikato Māori Business Network and Te Waka. It is hoped that if this pilot hub is successful, it will be rolled out nationally via Te Wānanga o Aotearoa campuses.

Tourism Infrastructure Fund (TIF)

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

Round 4

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

Round 3

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

Round 2

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

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

Responsible Camping Fund

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

For the 2019/2020 summer season:

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

International Visitor Levy

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

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

Conclusion

It has been another successful six months of visitor growth and added-value for Hamilton and the Waikato region.

However, our number one priority now is to support the industry through the impacts of the COVID-19 outbreak. Initially we were supporting those impacted from the loss of Chinese group travel, to now the entire industry given the updated travel restrictions – domestically and internationally.

On behalf of the board and management of Hamilton & Waikato Tourism, we would like to thank Waipā District Council, our local government partners and the industry for their continued support.

Jason Dawson

Chief Executive

Hamilton & Waikato Tourism

March 2020

Appendix 2

The Mighty Waikato Visitor Statistics February 2020 (document 10377044)

The Mighty Waikato

Where magic runs deep

Visitor statistics

February 2020



How's the REGION doing? Visitor information for the Mighty Waikato

Visitor Expenditure

in the REGION

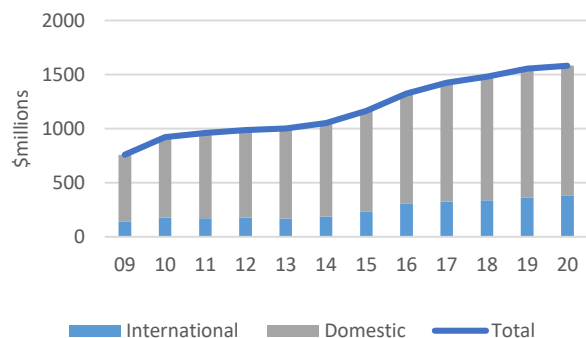
\$1.582b

5th highest in NZ

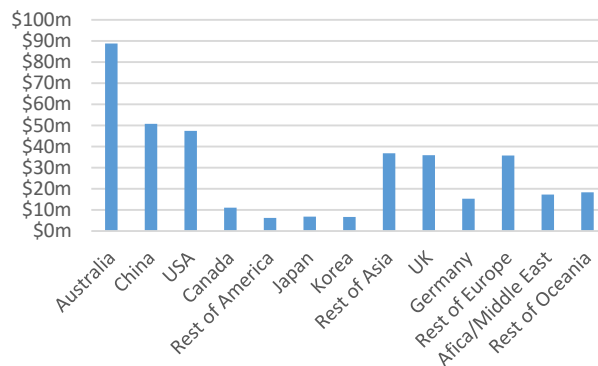
Domestic visitors - \$1.205b

International visitors - \$378m

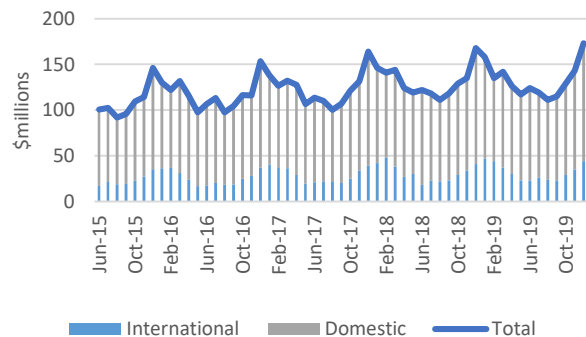
Annual Visitor Spend



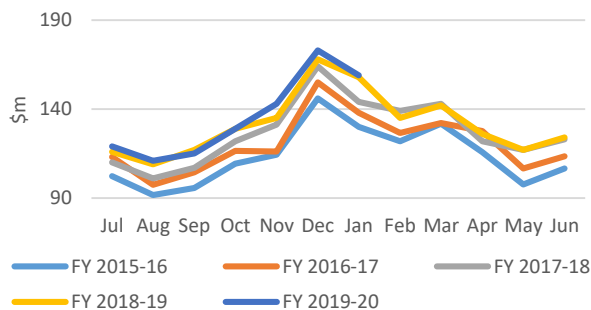
International Visitor Spend - YE Jan 2020



Monthly Regional Tourism Estimates



Visitor Spend SEASONALITY



Number of DOMESTIC Visitor Nights

(AA Traveller - estimated)

4,854,981

5.8% market share

Unpaid - 2,774,353

Hotel - 373,730

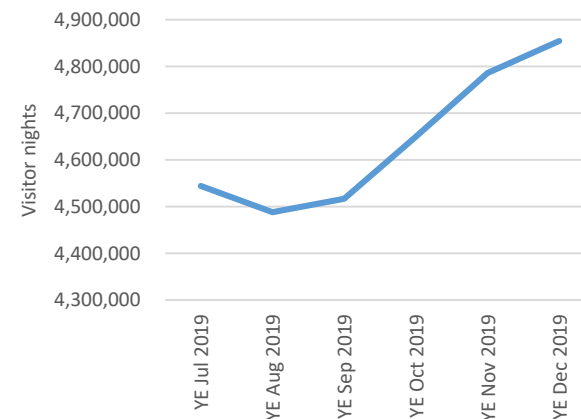
Motel - 534,319

Backpacker - 43,760

Holiday Park - 300,914

Other paid - 827,903

Visitor Nights - AA Traveller



MBIE: Monthly Regional Tourism Estimates (YE January 2020)
AA Traveller Monitor (YE Dec 2019)

Business Events in the REGION

Business Events

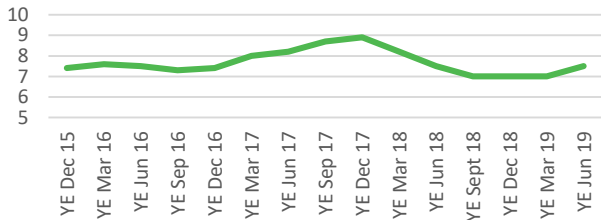
10.1%

market share of events

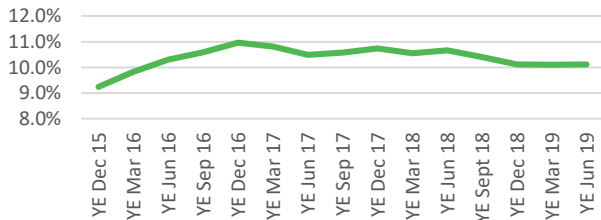
7.5%

Market share of delegate days

Hamilton & Waikato Tourism % Market Share of Delegate Days



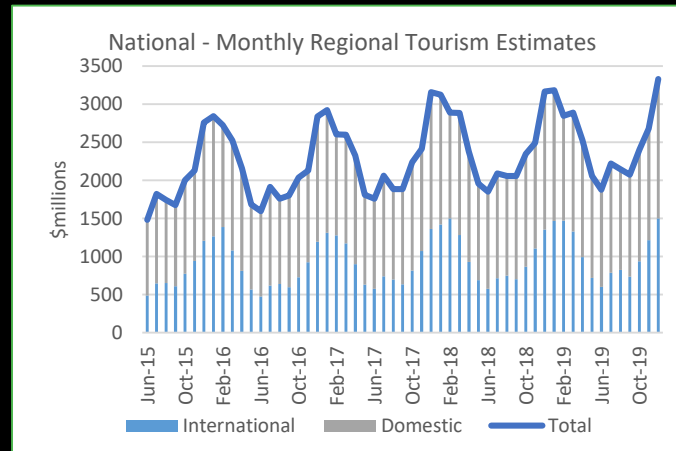
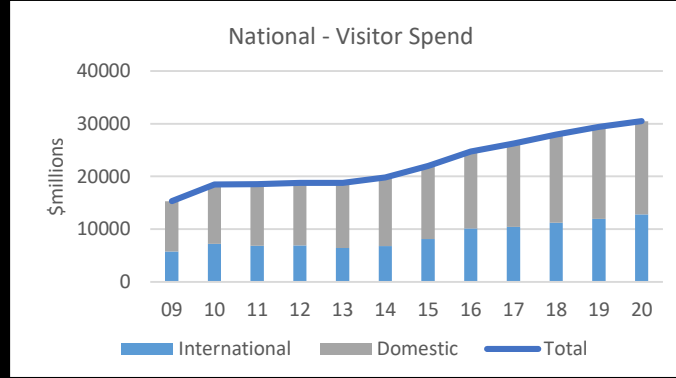
Hamilton & Waikato Tourism % Market Share of Events



NATIONAL stats

Visitor Expenditure in
NEW ZEALAND
\$30.482b

Domestic \$17.701b
International visitors \$12.780b

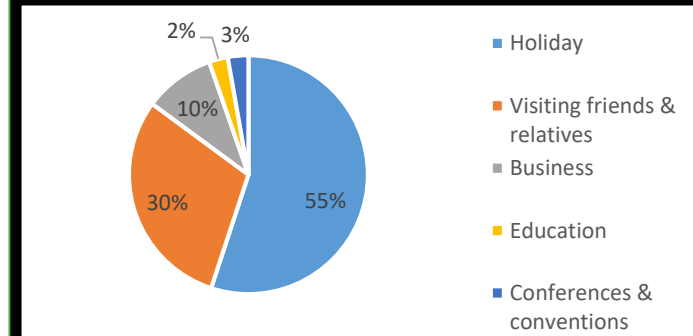


3,888,473

International visitors to NZ (+0.7%)

Australia	1,537,988	+2.9%
China	407,141	-9.2%
USA	367,958	+4.5%
UK	231,712	-2.3%
Japan	97,682	-2.1%
Germany	98,050	-4.0%

HOLIDAY	1,954,536	-3.3%
Visit Friends/Relatives	1,066,027	-2.9%
Business	339,685	+12.7%
Education	90,295	+32.5%
Conference	98,840	+28.8%
Other	339,090	



MBIE: Business Events Activity Programme (YE June 2019)
MBIE: Monthly Regional Tourism Estimates (YE January 2020)
MBIE: International Visitor Arrivals (YE December 2019)

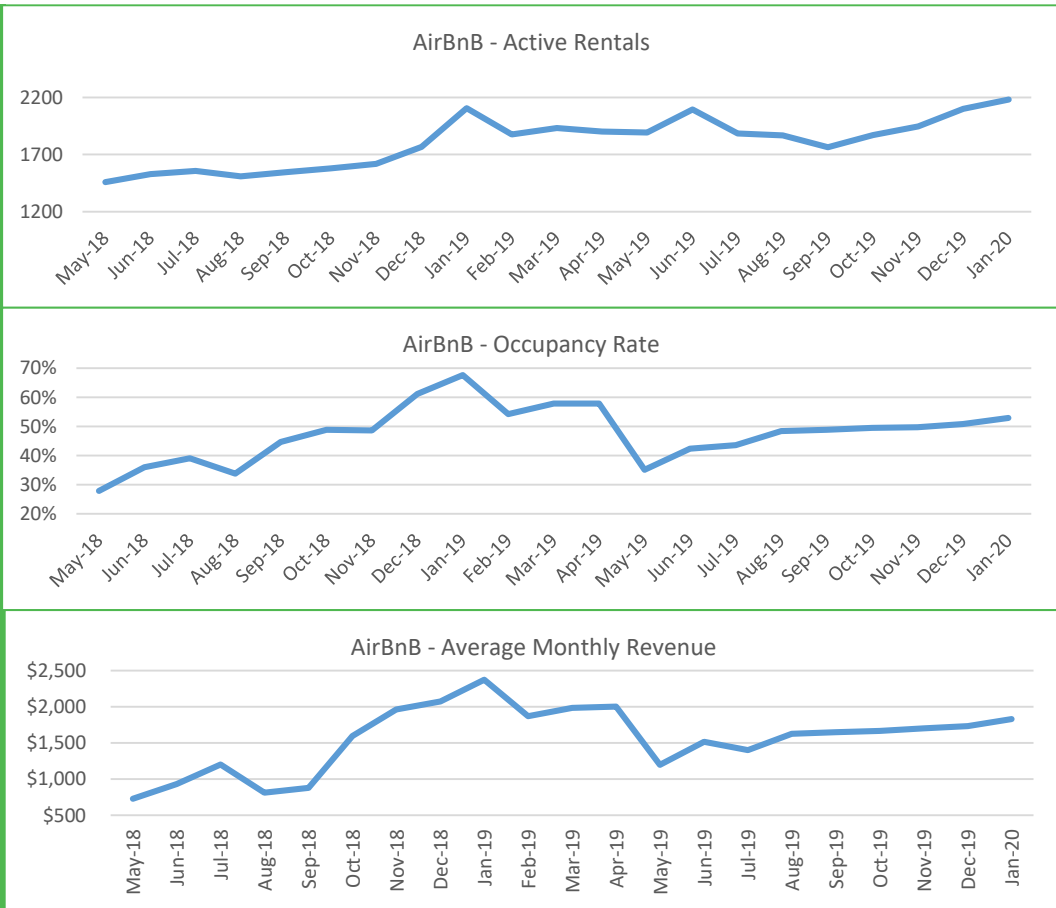
AirBnB region overview

January 2020

2,182 properties listed
 81 up from December 2019
 75 more than January 2019

53% Occupancy Rate
 15% less than January 2019
 Annual Average Occupancy 49%

\$1,831 Average Monthly Revenue
 \$543 less than January 2019
 Annual Average Revenue \$20,183



SOURCE: AirDNA (Jan 2020)

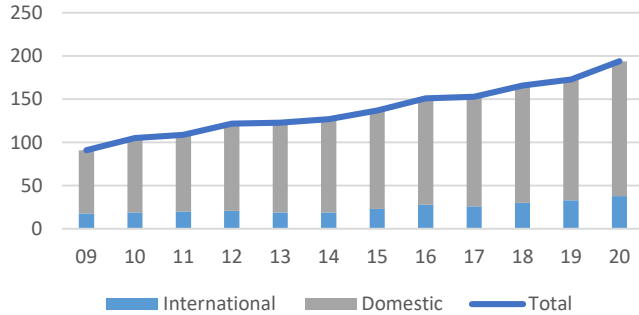
How's your district doing? Visitor information for WAIPA

Visitor expenditure in Waipa \$194m

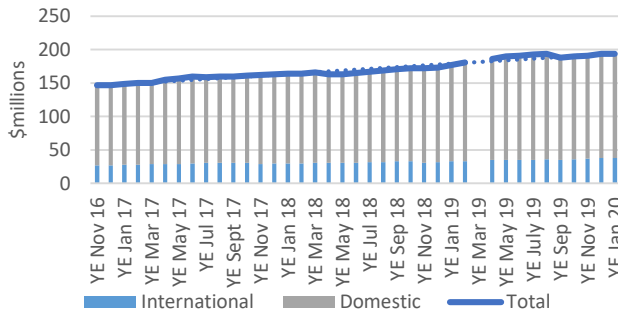
Domestic visitors - \$1574m
International visitors - \$38m

NZ +4% HWT +2% Waipa +11%

Annual Visitor Spend



Monthly Regional Tourism Estimates



NOTE: MRTE's for March 2019 were not supplied through MBIE, hence the 'gap' in the monthly graph above

waikatonz.com

AirBnB – January 2020

452 Active Rentals

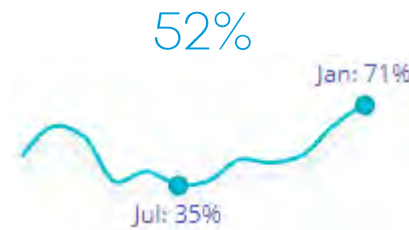
2,182 rentals in our HWT region

58% "Entire Home" Rentals

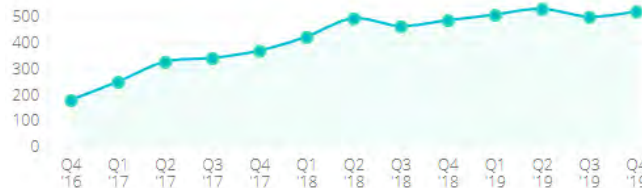
Average Daily Rate

Occupancy Rate

Monthly Revenue



Rental Demand = 49%
Quarterly Growth = 4%



Rental Size
Avg 2 Bedrooms / 5 Guests



56,200 Population Estimate (2019)
\$108,300 Avg Household Income (2018)

MBIE: Monthly Regional Tourism Estimates (YE January 2020)
www.AirDNA.co/market-data (January 2020)
MBIE: Regional Economic Activity Web Tool



Appendix 3

MBIE Tourism data factsheet: COVID-19 response (document 10381917)

Tourism data factsheet: COVID-19 response

This data compiles a range of sources to assist planning and decision-making around COVID-19. Sources used in this factsheet include data from Customs NZ, Immigration NZ, and Marketview Ltd.

Many of these data sources are provisional, indicative or early estimates, and may not align with officially released data. The data is released much earlier than usual, for the purposes of COVID-19 planning, and often doesn't have the level of checking, validation and adjustment required for official statistics. Therefore, they are likely to change, and should not be directly compared with official statistics. Please treat these numbers as they should be treated –as early indicators of potential impacts, and not definitive results.

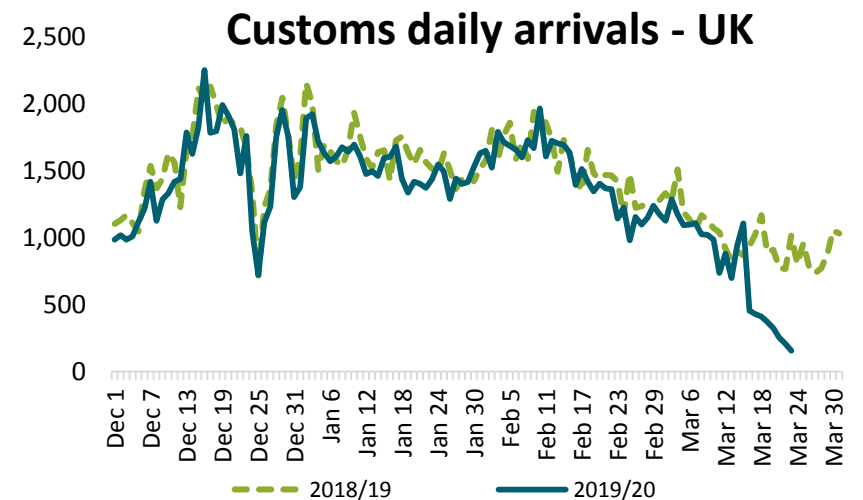
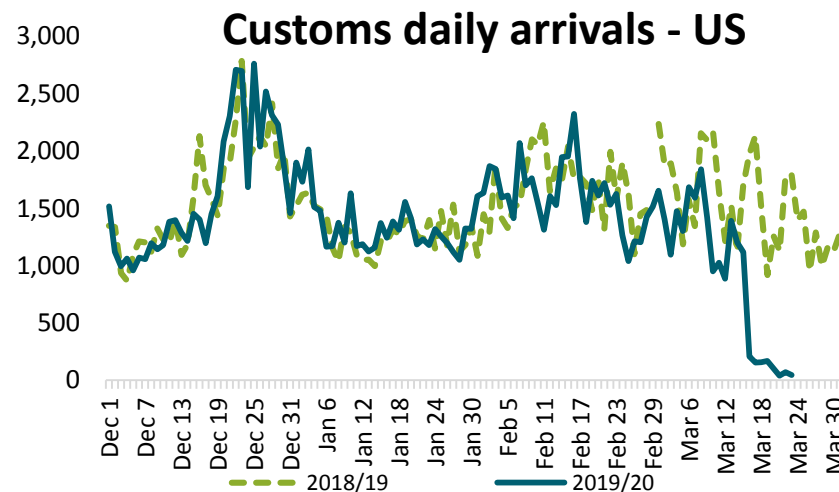
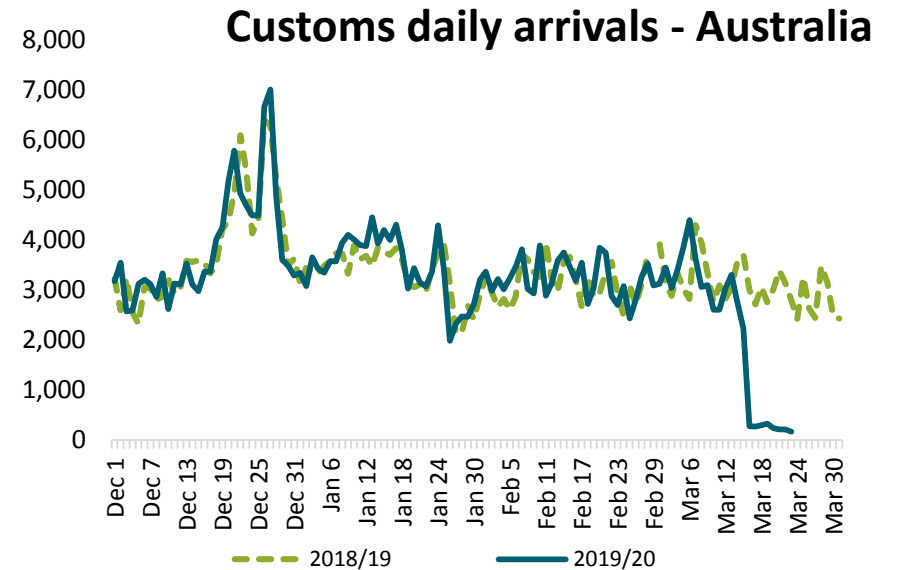
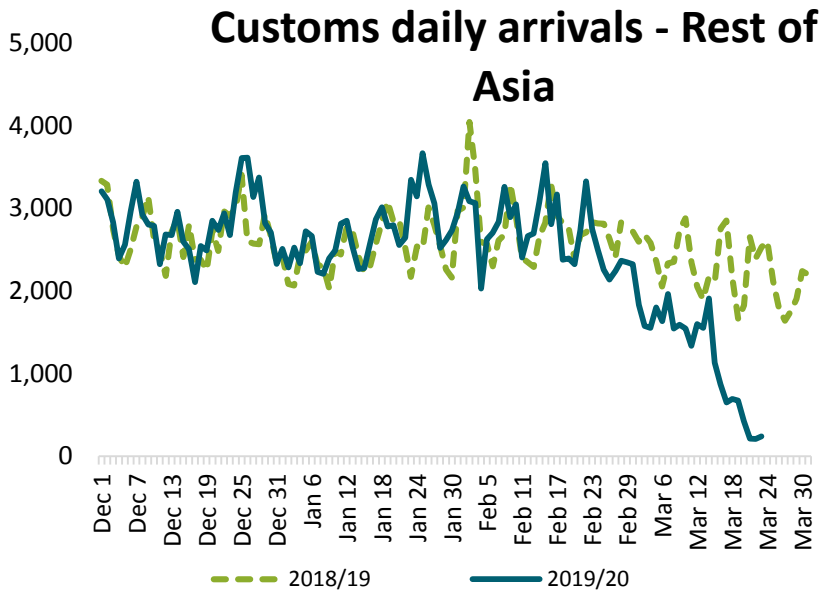
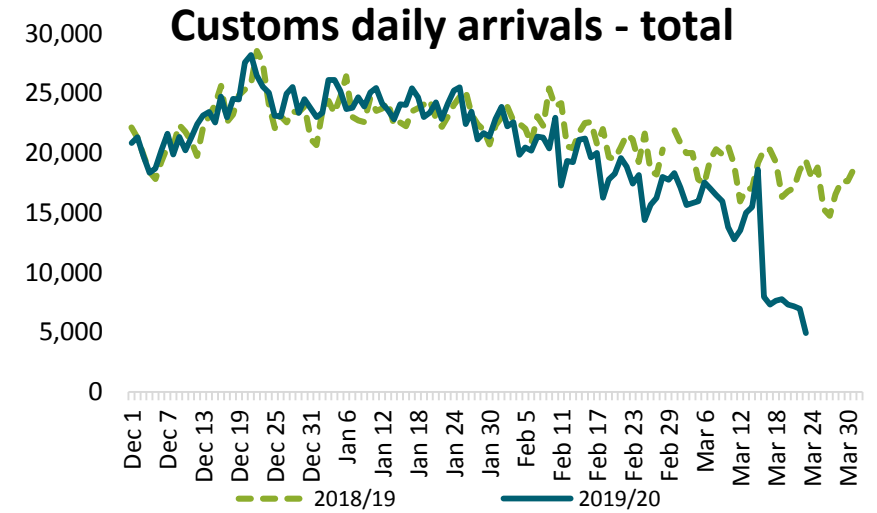
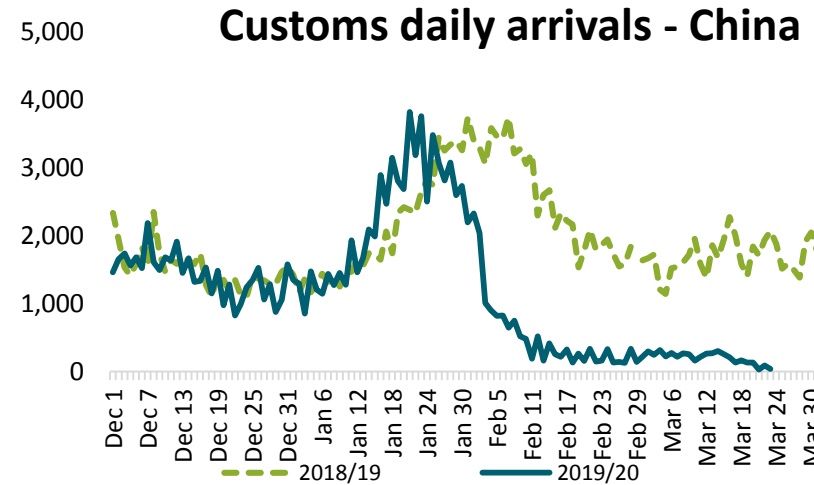
Customs visitor arrivals

Caveats: These are raw counts of arrivals of commercial air passengers based on Customs craft arrival data using passport information. It may be amended at any time.

- Customs arrivals data are available up to 23 March 2020.
- Following the announcements over the past week, visitor arrivals have slowed towards a stop. We assume that most /all arrivals picked up as “visitors” on the 23rd are New Zealand residents returning home on foreign passports.

Nationality	Same day		% change
	Arrivals (March 23)	previous year	
Total	4,938	19,413	-75%
China	38	2,074	-98%
Rest of Asia	240	2,529	-91%
Australia	172	2,804	-94%
US	46	1,800	-97%
UK	154	1,014	-85%

Source: Customs NZ



Source: Customs NZ

Marketview card spend

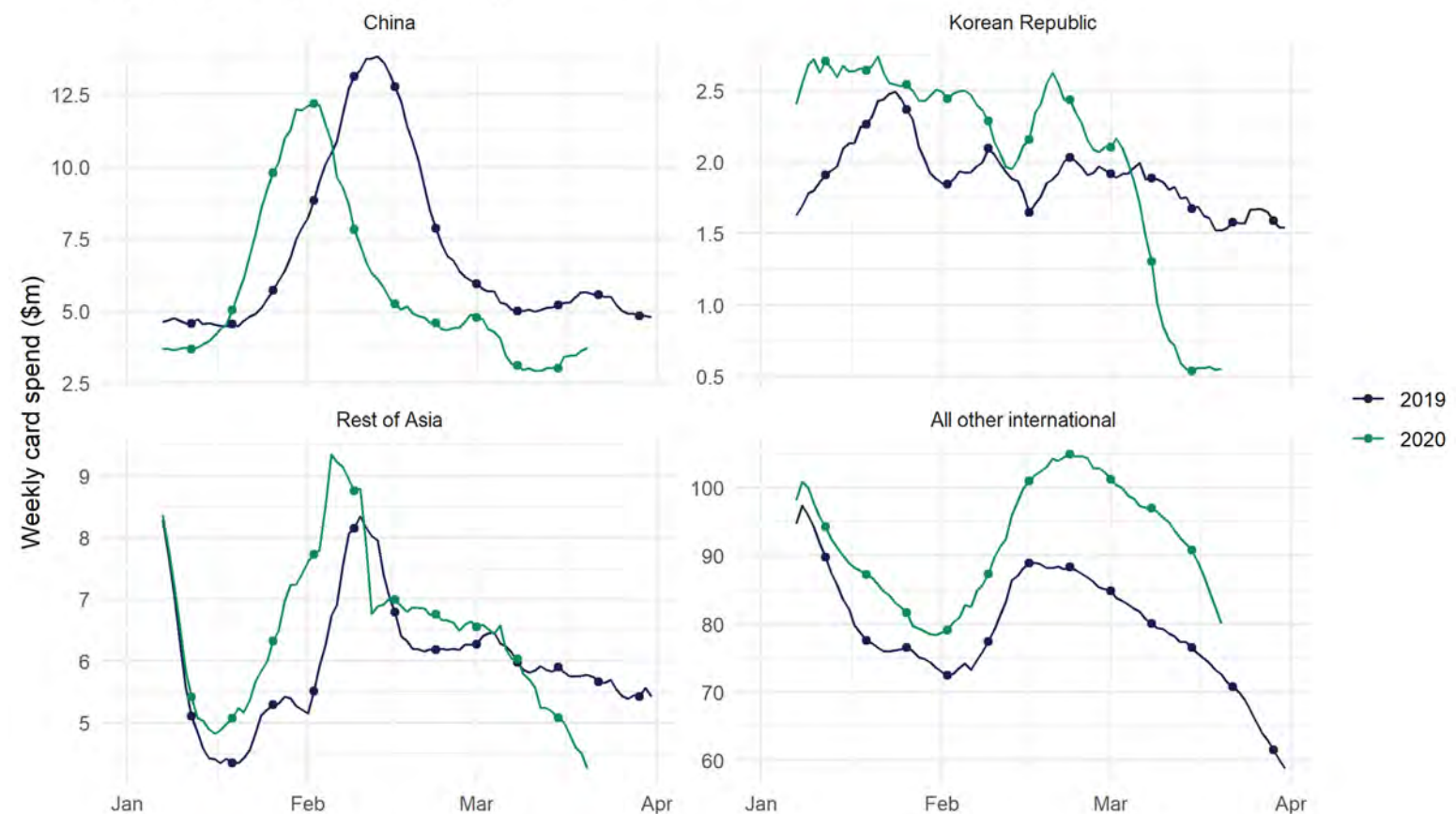
- Marketview has provided raw electronic card international tourism expenditure as a leading indicator. Latest data is for March 20 2020.
- China, Korea, and Rest of Asia are showing drops below last years' activity.
- Other international expenditure remains higher than last year, but is falling. This result is surprising, and warrants further analysis to understand this.

NB: We are working with Marketview in adding more markets. Regions and industries into this data. Expected time to receive the data is Friday, so will aim to release for next edition of the fact sheet..

Caveats: These are raw counts of electronic card transactions. The data is partial, and reflects spending on the Paymark network only. The approximately represents 60% of all payments, but this varies by market. China may be less representative on the network, as they are more likely to use cash or alternative electronic payments. These numbers will not align with the Monthly Regional Tourism Estimates.

Rolling 7-day average of international card spend in New Zealand

*Spending on Paymark network only



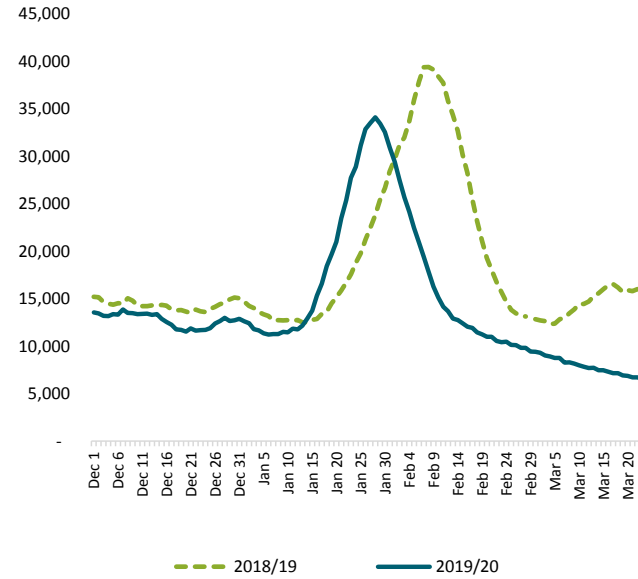
Source: Marketview

Immigration NZ data

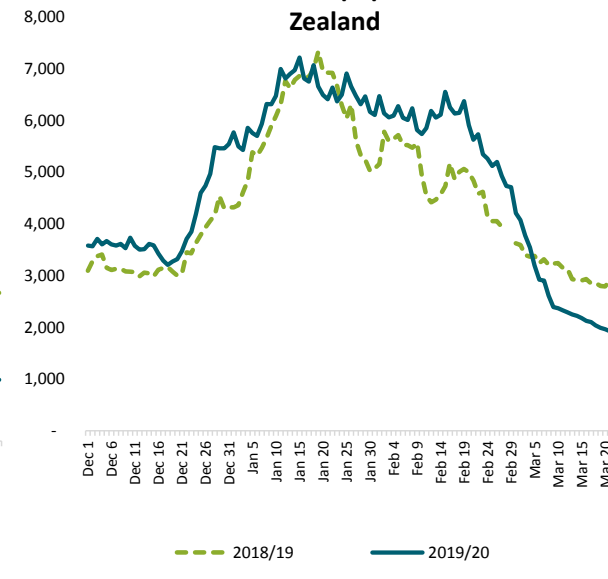
Visitor population in New Zealand

- Immigration NZ can identify, for visitor visa holders, how many are in the country at any given time. Latest data is for March 24, 2020.
- On March 24, 2020, there were 69,700 visitor visa holders in New Zealand. There were 10,300 British, 6,400 US visitors, and 6,500 Chinese here as of March 24.
- There are significantly different results shown by market. The Chinese slow reduction suggests that many visitors are staying in New Zealand (probably with friends and family). Data shows that the average length of stay of Chinese visitors is increasing markedly.
- A more rapid fall is seen in the South Korea visitor population. India has seen much growth over last year, suggesting a high number of people staying longer with friends and family.
- Looking at all visa types, there were 315,200 visa holders in the country on 24 March, with 84,100 student visa holders, 62,800 essential skills work visas, 48,400 family visas and 39,300 working holiday visas.

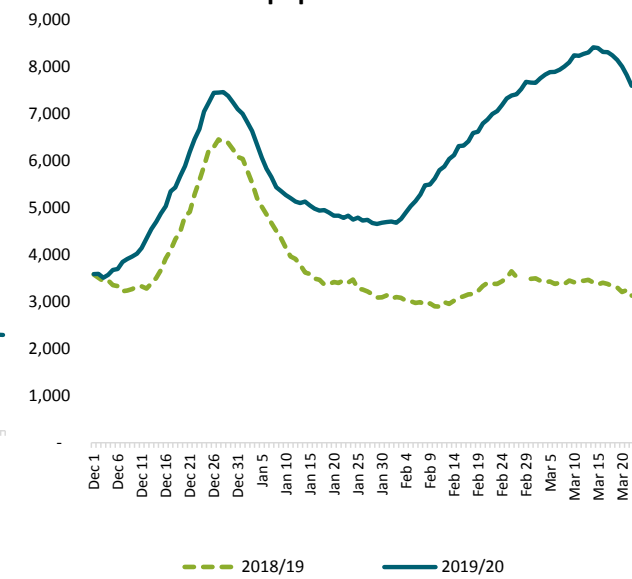
China visitor population in New Zealand



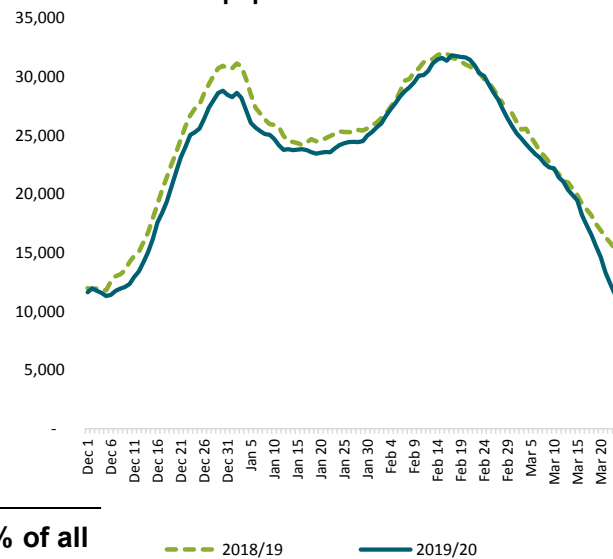
South Korea visitor population in New Zealand



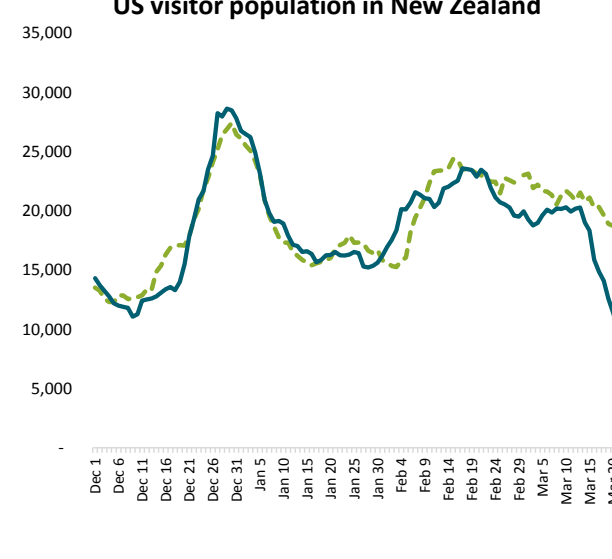
India visitor population in New Zealand



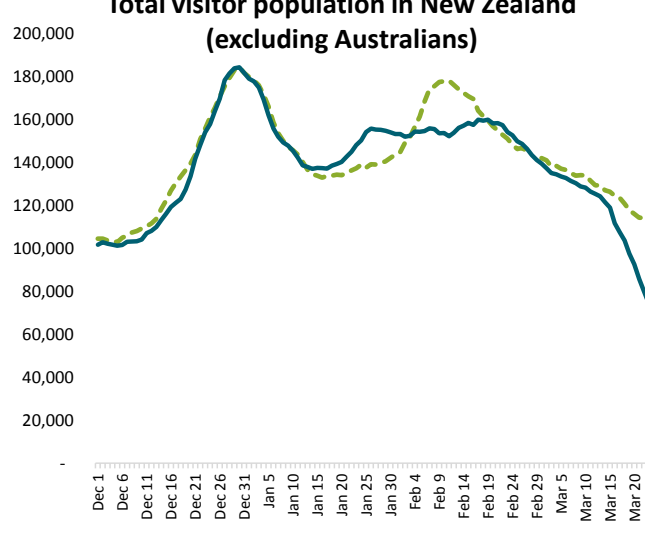
UK visitor population in New Zealand



US visitor population in New Zealand



Total visitor population in New Zealand (excluding Australians)



Visitor visas in New Zealand

Nationality	Visitor Visa holders in NZ, March 24, 2020	% of all visitors
Great Britain	10,300	15%
United States of America	6,400	9%
Germany	7,600	11%
China	6,500	9%
India	7,600	11%
Canada	2,400	3%
France	3,300	5%
Japan	1,500	2%
South Africa	1,800	3%
South Korea	1,900	3%
Other	20,400	29%
Total	69,700	100%

Source: Immigration NZ

All visa types in New Zealand

	24-Mar			
	2019		2020	
	Counts	Percentage	Counts	Percentage
Essential Skills	52,600	15%	62,800	20%
Family	43,500	13%	48,400	15%
Recognised Seasonal Employer	10,000	3%	10,800	3%
Student	84,800	25%	84,100	27%
Working Holiday Scheme	44,000	13%	39,300	12%
Visitors	110,200	32%	69,700	22%
Totals	345,100	100%	315,200	100%

Source: Immigration NZ

Source: Immigration NZ

FINANCE AND CORPORATE COMMITTEE REPORT



To: The Chairperson and Members of the Finance and Corporate Committee

From: Manager Finance

Subject: **Council Controlled Organisation Draft 2020/21 Statements of Intent and Six Monthly Reports to 31 December 2019**

Meeting Date: 21 April 2020

1 EXECUTIVE SUMMARY

Council is a shareholder in three Council Controlled Organisations (CCOs), namely Waikato Regional Airport Limited (WRAL), Waikato Local Authority Shared Services Limited (WLASS) and the New Zealand Local Government Funding Agency Limited (LGFA). All of these CCOs have provided Council with their six-monthly reports to 31 December 2019 and draft 2020/21 Statements of Intent (SOI) in accordance with the requirements of the Local Government Act 2002 (LGA). The documents are attached and contained in Appendices 1, 2 and 3 to this report.

It is important to note that in all cases these reports were prepared prior to the extent and impact of COVID-19 becoming evident. For WRAL in particular, COVID-19 will have huge impact on its aeronautical activity and the operations of its Hotel and Hamilton & Waikato Tourism Limited. This will likely require a full rework of the SOI document given the massively changed circumstances ahead.

The LGA requires a CCO board to deliver to its shareholders a draft SOI on or before 1 March each year for comment, with this comment to be provided within two months. The Board must consider any comments and then provide a completed SOI to the shareholders on or before 30 June each year. The Board must also provide a six monthly report on its operations within two months after the end of the first half of each financial year (therefore by 28 or 29 February as relevant). The six-monthly report must contain the information that the SOI for that year has indicated will be provided in these reports.

Council officers have reviewed the documents that have been received and generally support the draft SOI's for Council's CCO's. Appendices 4, 5, and 6 contain proposed

draft letters with comments to the boards on the draft SOI's as recommended by Council officers. The Committee is asked to approve these letters along with any changes or additional comments to be determined by the meeting.

We anticipate that representatives of each of the three CCO's will be joining us at the Committee meeting and if that is the case each will be given ten to fifteen minutes to speak to the documents and their activities, including the anticipated impact of COVID-19 on their business.

2 RECOMMENDATION

That –

- a) *The 'Council Controlled Organisation Draft 2020/21 Statements of Intent and Six Monthly Reports to 31 December 2019' report (document number 10382676), of Sarah Davies, Manager Finance, be received;*
- b) *The Six Month Report to Shareholders for the period to 31 December 2019 and Draft Statement of Intent 2020/21 of Waikato Regional Airport Limited (being document numbers 10378169 and 10378170 respectively and attached as Appendix 1 to this report) be received;*
- c) *The Finance and Corporate Committee **approve**, subject to any changes or additional comments, the draft letter (document number 10378472) attached as Appendix 4, being Council's proposed comments on the Draft Statement of Intent 2020/21 of Waikato Regional Airport Limited (document number 10378170), to be provided to Waikato Regional Airport Limited;*
- d) *The Six Month Report to Shareholders for the period to 31 December 2019 and Draft Statement of Intent 2020/21 of Waikato Local Authority Shared Services Limited (being document numbers 10378141 and 10378144 attached as Appendix 2 to this report) be received;*
- e) *The Finance and Corporate Committee **approve**, subject to any changes or additional comments, the draft letter (document number 10378469) attached as Appendix 5, being Council's proposed comments on the Draft Statement of Intent 2020/21 of Waikato Local Authority Shared Services Limited (document number 10378144), to be provided to Waikato Local Authority Shared Services Limited;*
- f) *The Six Month Report to Shareholders for the period to 31 December 2019 and Draft Statement of Intent 2020/21 of the New Zealand Local Government*

Funding Agency Limited (being document numbers 10378164 and 10378150 attached as Appendix 3 to this report) be received; and

- g) *The Finance and Corporate Committee **approve**, subject to any changes or additional comments, the draft letter (document number 10378468) attached as Appendix 6, being Council's proposed comments on the Draft Statement of Intent 2020/21 of the New Zealand Local Government Funding Agency Limited (document number 10378150), to be provided to the New Zealand Local Government Funding Agency Limited.*

3 STAFF COMMENT

Waikato Regional Airport Limited (WRAL) – Refer Appendix 1

(a) Six month financial overview

This report covers the six months 1 July 2019 to 31 December 2019 as required by section 66 of the Local Government Act 2002.

Group financial results

The half-year result for the Group (inclusive of Titanium Park Limited, Hamilton & Waikato Tourism Limited and new subsidiary; Waikato Regional Airport Hotel Limited) is an operating surplus after tax of \$2.7m.

Revenue for the Group of \$13.7m is improved on the prior year showing an increase of \$7.8m or 134%. Following the trend, total expenses of \$10.1m are up on prior year by \$4.8m.

Operations

New commercial charges for both airline operators and general aviation tenants took full effect during the period, bolstering aeronautical earnings.

Aeronautical earnings were further strengthened by 8% year-on-year passenger growth, resulting in revenue increases across landing charges, car parking and retail.

A year-on-year decrease of 9% in aircraft movements resulted from decreased activity by L3 CTS Airline Academy and Waikato Aviation.

There has been reinvestment in aeronautical infrastructure; primarily major upgrades to rescue fire infrastructure.

The report indicates that the capital works programme for the six months to June 2020 will be dominated by the commencement of the terminal refurbishment and resilience project running through to mid-late 2021. Architectural plans are due to be finalised by February 2020 and lead construction contractors and key subcontractors were to be appointed in late March 2020.

Titanium Park Limited

Construction of Titanium Park's Southern Precinct, resulted in the settlement of \$5.9m of land sales and yielding almost \$2.4m in gross margin. Construction of the second stage of this precinct, and the fourth stage of the Central Precinct was due to commence in the second half of the year to service a pipeline of \$5.0m further land sales scheduled to settle during the following financial year.

Titanium Park secured its first lease-build property investment, which sees TPL starting the evolution from property development to property investment. Construction of the building, to be situated on a 1-hectare site on Southern Precinct, was due to commence in the second half of this financial year with the tenant due to move in in October 2020.

Waikato Regional Airport Hotel

Aside from property development, the Group continues to invest across the Airport Precinct. The \$4.2m capital expenditure in the period included a \$3.2m investment into the upgrade and refurbishment of the airport hotel and conference centre. The hotel capital works culminated in the property being accredited by Qualmark as a 4 Star hotel in December 2019 and earning a Qualmark Silver environmental accreditation in the process. Despite the disruption caused by refurbishment works resulting in some additional unbudgeted costs, the achievement of the 4 Star rating was expected to bolster earnings in the second half of the financial year.

Hamilton & Waikato Tourism Limited

Hamilton & Waikato Tourism continue to make good progress on advancing the Tourism Opportunities Plan for the region, which has included delivery of two of the five game-changers.

Despite the softening of international visitor arrivals, the region continues to perform well as a leisure and business events destination, maintaining New Zealand's fourth largest convention and meetings market share, and third largest for domestic tourism.

A key focus for this year has been the activation of the Regional Major Events Strategy. HWT has been working with a new funding partner as it seeks to build capability as an organisation that will coordinate bids for the region in order to

secure new major national and international events in our off-peak season, as well as grow the economic value of existing events such as the Hamilton Garden Arts Festival and Balloons Over Waikato.

Performance measures

The following table sets out the 2019/20 performance targets for WRAL. The forecast to 30 June 2020 indicated the airport will meet all of its performance targets set out in its 2019/20 Statement of Intent, although there is risk that the COVID-19 situation will now impact this.

Performance against Statement of Intent

For the six months ended 31 December 2019

	SOI 30/06/2020	Actual 31/12/2019	Forecast 30/06/2020
Financial Targets			
EBITDA excluding Land Sales	4,000	2,084	4,468
EBITDA including Land Sales	6,000	4,459	6,843
Net Profit after Tax	1,200	2,731	1,857
Net Operating Cash Flow	2,500	568	2,960
Total Debt	25,000	13,168	16,480
Total Liabilities to Shareholders Funds	35:65	26:74	27:73
Net Profit after Tax to Shareholders Funds	1.0%	2.7%	1.9%
Net Profit after Tax to Total Assets	1.3%	2.2%	1.5%
Percentage of non-landing charge revenue (minimum)	60%	67%	68%
Land sales of at least	7,000	5,875	5,875
Interest cover of at least	4.0	7.0	6.4

The group has a number of non-financial performance targets covering across the range of activities the group undertakes. At 31 December 2019, the Group was on track to meet, and expects to meet all measures for the year ended 30 June 2020.

The actual and forecast performance of the airport is consistent with the Board's on-going operational focus for the company, implementation of the key initiatives from the ten year strategic plan and TPL remaining responsive to land sale and development opportunities.

(b) 2020/21 Draft SOI

It is very important to note here that the Draft SOI was prepared prior to the extent and impact of COVID-19 becoming evident. COVID-19 will have huge impact on WRAL's aeronautical activity and the operations of its Hotel and Hamilton & Waikato Tourism Limited. This will likely require a full rework of the SOI document given the massively changed circumstances ahead.

At the time of preparing the Draft SOI the group's strategic intent remains unchanged from the 2019/20 SOI.

There group objectives have slightly changed for the operation of the hotel and Hamilton Waikato Tourism (objectives 6-8).






The financial targets show a reasonably linear trend over the next three years with slightly higher profit in 2021 due to higher land sales. Net operating cash flow has been set as a constant minimum.

PERFORMANCE TARGETS

The following annual performance targets are proposed for the Waikato Regional Airport Limited in relation to its core purpose and key objectives.

Based on the Group forecasts	YEAR ENDING 30 JUNE		
	2021	2022	2023
Earnings before interest, taxation and depreciation (EBITDA) but excluding land sales of at least	\$5.5m	\$5.8m	\$6.1m
EBITDA including land sales of at least	\$8.0m	6.5m	\$6.9m
Net profit after tax of no less than	\$3.0m	\$2.0m	\$2.2m
Net operating cash flow (excluding land sales)	\$3.0m	\$3.0m	\$3.0m
Total debt, excluding funding for design-build properties, not exceeding	\$25.0m	\$25.0m	\$25.0m
Total liabilities/shareholders' funds (debt/equity ratio) a maximum of	35:65	35:65	35:65
Net profit after tax to total shareholders' funds	2.5%	1.8%	1.8%
Net profit after tax to total assets	1.3%	1.3%	1.7%
Percentage of non-landing charges revenue of at least	60%	60%	60%
Land sales of at least	\$6.0m	\$1.5m	\$1.5m
Interest cover of at least	4.0x	4.0x	4.0x
<small>(The interest cover measures the number of times the net profit before interest, tax and depreciation (EBITDA) covers interest paid on debt)</small>			

NON-FINANCIAL PERFORMANCE TARGETS

	Health, safety and well-being
	Facilitate Health & Safety meetings every two months with representatives from each entity in the Group
	Zero Work Safe notifiable accidents/injuries
	Independently review and audit the Health & Safety system each year
	Operational compliance
	To achieve the Airport Certification Standards as required by the Civil Aviation Authority and as evidenced by Civil Aviation Authority audit reports.
	Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events)
	Monitor aeronautical noise and facilitate noise management meetings every four months in accordance with the Noise Management Plan.
	Property (Titanium Park Limited)
	Complete construction of the 4 th Stage of Titanium Park's Central Precinct and 2 nd Stage of Southern Precinct.
	Prepare a private plan change submission to Waipa District Council in relation to the future Northern Precinct Development.
	Complete construction of Titanium Park's first design-build property on Southern Precinct.
	Tourism (Hamilton & Waikato Tourism Limited)
	Achieve 5% growth in visitor nights and visitor expenditure (as measured by key MBIE Tourism statistics).
	Hotel operation
	Achieve growth in key metrics such as occupancy, room rates and customer satisfaction in line with the expectations underlying the achievement of a Qualmark 4 Star rating.

Dividend policy

WRAL Directors will review any proposal for payment of a dividend based on the forecast Cash Flow and the results of the previous year on an annual basis.

Commercial value of the Shareholders Investment

No valuation of shares has been completed.

The consolidated balance sheet of WRAL as at 30 June 2019 shows shareholder equity of \$97m based on recent independent valuations of the Group's property, plant and equipment and investment properties. The Group forecasts its 30 June 2020 shareholder equity on the same basis to be \$100m.

Compensation from Local Authorities

There are no activities of the Company for which the Directorate would seek compensation from any local authority.

Waikato Local Authority Shared Services Limited (WLASS) – Refer Appendix 2

(a) Six month report

This Report covers the six months 1 July 2019 to 31 December 2019 as required by section 66 of the Local Government Act 2002.

Service performance

There are currently nine major initiatives operating under the WLASS umbrella, plus a number of Working Parties investigating new opportunities, and a support role for the collaborative work streams of the Waikato Mayoral Forum.

The report provides an update on the progress made on the following initiatives:

- WLASS Transformation project;
- Waters Shared Services Integration;
- Coordinated L&D Programme;
- Regulatory support services;
- Building consent shared services;
- Human Resources shared services;
- Coordinated Infrastructure Procurement;
- RATA;
- LiDAR;
- Waikato OneView;
- Health & Safety pre-qualification;
- Procurement - PSP;
- SVDS;
- Future Proof;
- Energy management;
- Waikato Building Consent Group.

Performance measures

At the time of preparing the report, WLASS were expecting that most of the performance measures documented in the WLASS six monthly report were met or expected to be met by 30 June 2020 except for the measures tabulated below:

TARGET	METHOD	MEASURE	ACTUAL OUTCOME	
<p>Waikato Building Consent Group Provide strategic direction and actively pursue improvements in Building Control across the Waikato region.</p>	<p>Fulfil the roles and responsibilities set out in clause 9 of the WBCG's Memorandum of Understanding, 2016.</p>	<p>Consistency in service delivery, measured by customer surveys</p>	<p>Not achieved: No customer survey to be undertaken this year. However regardless, customer experience will be a key focus for new Strategic Development Manager.</p>	●
<p>Shareholder Survey Shareholders are satisfied with the performance of WLASS.</p>	<p>An annual survey of shareholders is undertaken to assess satisfaction levels with WLASS.</p>	<p>A survey of shareholders is undertaken each year, and the results are reported to all shareholders.</p>	<p>Not achieved: The 2020 SOI sets out a new performance framework for the company which puts in place performance measures that better reflect the outcomes we are seeking. For that reason, we are not intending on undertaking a survey of shareholders this year as we have historically done. We will instead be meeting with council CEs on a 1x1 basis and soliciting feedback on performance by this means.</p>	●

Financial performance

The LASS Company expenditure for this period was under budget at \$2,445,308, compared to a year to date budget of \$2,779,668. Revenue is also under budget at \$2,691,607, compared to a year to date budget of \$3,080,116.

(b) 2020/21 Draft SOI

WLASS was established in 2005 by local authorities in the Waikato region as a vehicle to implement shared service initiatives. It also provides Councils that wish to develop new services, with a company structure for development and promotion of such services to other local authorities and external parties.

As part of providing a mechanism for supporting shared services and collaborative opportunities within the region, WLASS also provides support to the Waikato Mayoral forum.

In the second half of 2017 the Board commissioned McGredy Winder to undertake two pieces of work. The first stage was a 'think piece' on the strategic direction WLASS could take, understanding the opportunities and issues facing WLASS and its shareholding Councils, and outlining alternative business strategies. The second stage was developing a business case for the change required to deliver on the strategic direction identified from stage 1.

The business case led to the Board's decision in April 2018 to take steps to transform the company into a service delivery agent. In practical terms that means the company will be identifying different service delivery models and providing thought leadership. WLASS will also be offering ideas to Councils that enable them to be more effective and efficient.

Some of these ideas will be bold and disruptive but collectively they will have a substantial impact on Councils' activity.

WLASS Transformation

In the 2019 SOI WLASS asked shareholding councils to commit to transforming the company into a service delivery agent to allow it to better serve those councils. That transformation had three key elements:

- Establishing in-house resources;
- Changing the WLASS governance structure;
- Thought leadership.

With these changes, the structural transition is complete (but will continue to evolve as the company's areas of activity expand).

As a result of these changes, the last 12 months has seen the company provide thought leadership in several areas culminating in the following significant developments:

- Expanding the RATA service offering (historically focused on roading), into 'waters' assets;
- Developing and delivering the opportunity to coordinate infrastructure procurement between councils (to be reflected in councils' 2021 long-term plans);
- Introducing a new Energy and Carbon Management programme;
- Developing the 'Waikato OneView' opportunity, with the implementation project commencing mid-2020;
- Commencing the project to capture region-wide LiDAR; and
- Establishing a new, significantly expanded, panel of professional services providers.

In addition, at the end of last year, following consultation with councils, the Board agreed on five priority projects to investigate opportunities that will deliver value to councils:

- Waters Shared Services integration;
- Collaborative L&D programme;
- Regulatory support services;
- Building consent shared services;
- Human Resources shared services.

Other ideas have been included on a 'long list' of potential opportunities that will be considered in the future.

The various functional cross-council working parties have (and will continue to), help identify and develop opportunities. Within each of these groups WLASS last year facilitated ideation sessions to foster new ideas.

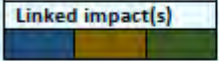

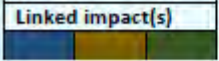
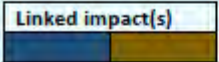
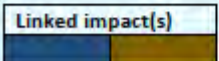
It will continue to use these groups to feed the ideas pipeline and to foster collaboration between the councils.

Performance targets

Given the evolution of the company, WLASS has revisited the way that it measures its success to reflect these roles. A performance framework has been established as set out below:

Our vision	Waikato councils are working together in the best way possible, for the collective benefit of them and their communities - which means less burden on ratepayers, happier communities and council staff and more effective councils.					
Outcomes we are seeking	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	
Our specific objectives	<ul style="list-style-type: none"> ➢ Achieve effectiveness and efficiency gains ➢ Reduce duplication of effort and eliminate waste through repetition 		<ul style="list-style-type: none"> ➢ Promote and contribute to the development of best practice ➢ Make it easier for communities to engage with councils in the Waikato region on a consistent basis ➢ Promote business transformation to improve communities' experiences 		<ul style="list-style-type: none"> ➢ Enable the Waikato councils to collectively be more effective as a region on the national stage ➢ Contribute to building central government's confidence in the Waikato region, and to encourage central government investment 	
Priorities: How we will achieve our outcomes	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	
What we must manage well	Our relationships	Our services	Our projects	Our people	Our resources	Our reputation

WLASS will track how well they are delivering on their strategic priorities using the following performance measures:

Priority	Performance measure	Target
<p>Prioritise and develop opportunities that add value to councils by achieving one or more of our objectives</p> <p>Linked impact(s)</p> 	<ul style="list-style-type: none"> ➤ Business cases will include measurable benefits linked to one or more of the outcomes sought ➤ Opportunity assessments are supported by councils (evidenced by Board minutes) 	<p>Projected savings to councils of \$300k¹</p> <p>75% of councils</p>
<p>Develop opportunities and deliver projects within agreed budgets and timelines¹</p> <p>Linked impact(s)</p> 	<ul style="list-style-type: none"> ➤ Opportunities / projects are developed / delivered within agreed timelines ➤ Opportunities / projects are developed / delivered, within approved budget 	<p>80%</p> <p>90%</p>
<p>Ensure projects realise their expected benefits</p> <p>Linked impact(s)</p> 	<ul style="list-style-type: none"> ➤ Measurable benefits are actively monitored and reported against ➤ Audit & Risk Committee undertake an assessment of projects following implementation (which will include an assessment of whether projected benefits have been realised) 	<p>Six-monthly</p> <p>\$200k+ Projects</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>Linked impact(s)</p> 	<ul style="list-style-type: none"> ➤ 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"> ○ RATA – roading & waters ○ Waikato Building Cluster ○ Regional Infrastructure Technical Specifications ○ Energy & Carbon Management ○ Professional Services Panel ○ Health & Safety pre-qualification 	<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>Linked impact(s)</p> 	<ul style="list-style-type: none"> ➤ Across these groups, ideas for future consideration and/or initiatives are identified each year 	<p>Six 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.

New Zealand Local Government Funding Agency Limited (LGFA) – Refer Appendix 3

(a) Six monthly report

Summary of performance

Key points to note for the six-month period to December 2019:

- LGFA total interest income for the six-month period of \$185.1 million was a 2.3% increase over the 2018-19 comparable period, while Net Operating Profit of \$6.10 million was a 0.3% increase on the 2018-19 comparable period of \$6.08 million.
- The financial strength of LGFA was reaffirmed by Fitch Ratings who maintained the LGFA's credit rating at AA+ in November 2019 and the AA+ rating from Standard & Poor's Global Ratings remains on positive outlook, both of which are the same as the New Zealand Government.
- LGFA issued a record \$1.105 billion of bonds over the past six months and nominal outstandings now total \$10.49 billion (including \$400 million of treasury stock) across eight maturities from 2019 to 2033.
- Long-dated lending over the six-month period was \$732 million with the lending activity a mix of new borrowing and the refinancing of council loans maturing on 15th April 2020. The tenor of borrowing by councils at 6.8 years was longer than the average term of borrowing of 6.0 years over the 12-month period to June 2019.
- Short-dated lending for terms less than 12 months has been well supported by councils and, as at 31 December 2019, LGFA had \$525 million of short-term loans outstanding to 31 councils.

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

Performance targets

Ten performance targets are specified in the 2019/20 SOI. Progress against each of these targets is discussed below, including an explanation of any material variances.

LGFA has achieved (or at the time of preparing the report has indicated it is on track to achieve at year-end) all of the ten performance targets.

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

Treasury Policy

The LGFA was compliant at all times with its Treasury Policy for the six-month period ending 31 December 2019.

(b) 2020/21 Draft SOI

The principal objectives of LGFA will be to:

- Achieve the shareholder-agreed objectives and performance targets specified in this Statement of Intent;
- Be a good employer;
- Demonstrate social and environmental responsibility;
- Maintain strong and sound corporate governance;
- Set and model high standards of ethical behaviour; and
- Operate in accordance with sound business practice.

LGFA will optimise the debt funding terms and conditions for Participating Borrowers. Among other things, this includes:

- Providing interest cost savings relative to alternative sources of financing;
- Offering flexible short and long-term lending products that meet Participating Borrowers' borrowing requirements;
- Delivering operational best practice and efficiency for its lending services;
- Ensuring certainty of access to debt markets, subject always to operating in accordance with sound business practice.

LGFA will ensure its asset book remains at a high standard by ensuring it understands each Participating Borrower's financial position, as well as general issues confronting the Local Government sector. Amongst other things, LGFA will:

- Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies;
- Analyse finances at the Council group level where appropriate and report to shareholders;
- Endeavour to visit each Participating Borrower annually, including meeting with elected officials as required, or if requested; and
- Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.

The following points regarding the Draft 2020/21 SOI are worth noting:

- Profitability is forecast to remain strong with projections for Net Operating Gain of \$10.8 million, \$12.1 million and \$14.4 million for the next three years. However, the company notes the uncertainty around the timing of the forecast given that it depends upon council decisions.
- Net interest income is expected to grow over the next three years with projections of \$19.0 million, \$19.9 million and \$22.4 million for the next three years as the balance sheet grows from council lending and the company holds additional liquid assets to manage the LGFA bond maturities.
- The company has increased its forecast for Local Government loans (short and long term) outstanding as at June 2021 to \$10.528 billion and to \$11.213 billion as at June 2022 (from \$9.524 billion and \$9.806 billion in the previous SOI).

Financial forecasts

The LGFA's financial forecasts for the three years to 30 June 2023 are:

FINANCIAL YEAR (\$M)	SOI 2021 FEB DRAFT		
	Jun-21	Jun-22	Jun-23
Comprehensive income			
Interest income	246.1	247.7	271.2
Interest expense	227.1	227.8	248.8
Net Interest income	19.0	19.9	22.4
Approved Issuer Levy	1.5	1.0	1.0
Issuance & onlending costs	2.7	2.7	2.7
Operating overhead	4.0	4.1	4.2
Issuance and operating expenses	8.1	7.7	7.9
P&L	10.8	12.1	14.4
Financial position (\$m)	Jun-21	Jun-22	Jun-23
Capital	25.0	25.0	25.0
Retained earnings	68.9	80.1	93.5
Total equity	93.9	105.1	118.5
Shareholder funds + borrower notes / Total assets	2.3%	2.3%	2.3%
Dividend provision	0.9	0.9	1.0
Total assets (nominal)	11,655.1	12,451.4	12,915.8
Total LG loans - short term (nominal)	500.0	500.0	500.0
Total LG loans (nominal)	10,527.5	11,213.4	11,497.7
Total bills (nominal)	400.0	400.0	400.0
Total bonds (nominal) ex treasury stock	10,941.0	11,716.0	12,166.0
Total borrower notes (nominal)	168.4	179.4	184.0

Note that there is some forecast uncertainty around the timing of Net Interest Income, Profit and Loss, Total Assets, LG Loans, Bonds and Borrower Notes depending upon council decisions regarding the amount and timing of refinancing of their May 2021, April 2022 and April 2023 loans. LGFA will work with council borrowers to reduce this uncertainty. The above table assumes gross issuance of LGFA bonds per year of \$2.28 billion (2021/22), \$1.85 billion (2022/23) and \$1.9 billion 2023/24), however the issuance volume will be determined by LGFA at the relevant time by reference to factors including refinancing of existing borrowing by councils and (if applicable) council-controlled organisations, new borrowing by councils and (if applicable) council-controlled organisations and LGFA's own borrowing requirements for liquidity purposes. No decision has been made as to final issuance volume at this point and will depend upon market conditions.

Performance targets

LGFA has the following performance targets:

- LGFA's net interest income for the period to:
 - 30 June 2021 will be greater than \$19.0 million.
 - 30 June 2022 will be greater than \$19.9 million.
 - 30 June 2023 will be greater than \$22.4 million.
- LGFA's annual issuance and operating expenses (excluding AIL) for the period to:
 - 30 June 2021 will be less than \$6.7 million.
 - 30 June 2022 will be less than \$6.8 million.
 - 30 June 2023 will be less than \$7.0 million.
- Total lending to Participating Borrowers at:
 - 30 June 2021 will be at least \$11,027 million.
 - 30 June 2022 will be at least \$11,713 million.
 - 30 June 2023 will be at least \$11,998 million
- Conduct an annual survey of Participating Borrowers who borrow from LGFA and achieve at least an 80% satisfaction score as to the value added by LGFA to the borrowing activities
- Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.
- Achieve 75% market share of all council borrowing in New Zealand
- Review each Participating Borrower's financial position, its headroom under LGFA policies and arrange to meet each Participating Borrower at least annually.
- No breaches of Treasury Policy, any regulatory or legislative requirements including the Health and Safety at Work Act 2015.
- Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due.
- Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating agency.



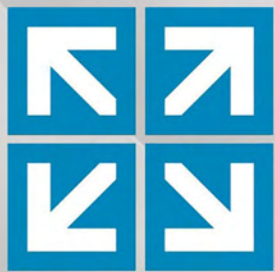
Sarah Davies
MANAGER FINANCE



Approved by Ken Morris
DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT

APPENDIX 1

Six Month Report to Shareholders for the period to 31 December 2019 (document number 10378169) and Draft Statement of Intent 2020/21 of Waikato Regional Airport Limited (document number 10378170)



Hamilton Airport

INTERIM REPORT

WAIKATO REGIONAL AIRPORT LIMITED
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

CHIEF EXECUTIVE'S REPORT

KEY RESULTS AT A GLANCE

+ 8%

Passenger Volume - 207,000
Growth of 16,000

- 9%

Aircraft movements - 61,000
Decrease of 6,000

+44%

Operating revenue - \$6.7m
Growth of \$2.1m

+20%

EBITDA excluding land sales - \$2.1m
Growth of \$0.4m

+16.7%

Total shareholder funds - \$99.7m
Growth of \$14.2m

* Growth is measured compared to the six months ended 31 December 2019

COMMENTARY

The six-month period to 31 December 2019 ended with year-on-year growth across all aspects of Group operations. This included a \$2.1m increase in recurring operating revenue with even contributions from the core aeronautical business and new subsidiary; Waikato Regional Airport Hotel Limited.

Increases in Group operating expenditure, personnel costs and depreciation charges were incurred due to the addition of new subsidiary Waikato Regional Airport Hotel Limited with approximately \$0.3m of non-recurring costs attributable to start-up expenses; a component of our total investment into the venture.

New commercial charges for both airline operators and general aviation tenants took full effect during the period, bolstering aeronautical earnings. The full year benefit of the new charges will be approximately \$1.5m, delivering a fair market return on our aeronautical assets.

Aeronautical earnings were further strengthened by 8% year-on-year passenger growth, resulting in revenue increases across landing charges, car parking and retail. Indicators remain positive for aeronautical performance for the remainder of the June 2020 financial year. Beyond this timeframe we expect to see a flattening of the market due to constraints in

aircraft availability following the additional market opportunities created by the withdrawal of Jetstar regional services.

A year-on-year decrease in aircraft movements resulted from decreased activity by L3 CTS Airline Academy and Waikato Aviation, following an exceptionally high number of movements in 2018 (up 11% on 2017).

The Group celebrated two significant achievements in its 10-year property strategy during the last six months. Firstly, the construction of Titanium Park's Southern Precinct, resulting in the settlement of \$5.9m of land sales and yielding almost \$2.4m in gross margin. Construction of the second stage of this precinct, and the fourth stage of the Central Precinct will commence in the second half of the year to service a pipeline of \$5.0m further land sales scheduled to settle during the following financial year.

Secondly, Titanium Park secured its first lease-build property investment, which sees TPL starting the evolution from property development to property investment. Construction of the building, to be situated on a 1-hectare site on Southern Precinct, will commence in the second half of this financial year with the tenant due to move in in October 2020.

Aside from property development, the Group continues to invest across the Airport Precinct. The \$4.2m capital expenditure in the period included a \$3.2m investment into the upgrade and refurbishment of the airport hotel and conference centre and reinvestment in aeronautical infrastructure; primarily major upgrades to rescue fire infrastructure. The hotel capital works culminated in the property being accredited by Qualmark as a 4 Star hotel in December 2019 and earning a Qualmark Silver environmental accreditation in the process. Despite the disruption caused by refurbishment works resulting in some additional unbudgeted costs, the achievement of the 4 Star rating is expected to bolster earnings in the second half of the financial year.

The capital works programme for the six months to June 2020 will be dominated by the commencement of the terminal refurbishment and resilience project running through to mid-late 2021. Architectural plans are due to be finalised by February 2020 and lead construction contractors and key subcontractors will be appointed in late March 2020.

Hamilton & Waikato Tourism continue to make good progress on advancing the Tourism Opportunities Plan for the region, which has included delivery of two of the five game-changers.

Despite the softening of international visitor arrivals, the region continues to perform well as a leisure and business events destination, maintaining New Zealand's fourth largest convention and meetings market share, and third largest for domestic tourism.

A key focus for this year has been the activation of the Regional Major Events Strategy. HWT has been working with a new funding partner as it seeks to build capability as an organisation that will coordinate bids for the region in order to secure new major national and international events in our off-peak season, as well as grow the economic value of existing events such as the Hamilton Garden Arts Festival and Balloons Over Waikato.

Mark Morgan - Chief Executive

FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income & Expense

For the six month period ended 31 December 2019

	2019 \$ '000	2018 \$ '000
Revenue		
Operating revenue	6,751	4,678
Land sales	5,875	1,121
Other gains/(losses)	1,096	75
	13,722	5,874
Expenses		
Operating expenses	(2,740)	(1,752)
Cost of land sales	(3,500)	(812)
Employee benefits expense	(1,927)	(1,191)
Depreciation & amortisation	(1,602)	(1,234)
Finance costs	(299)	(263)
	(10,068)	(5,252)
Net surplus/(deficit) before tax	3,654	622
Tax expense	(923)	(193)
Net surplus/(deficit) after tax	2,731	429
Other comprehensive revenue & expense		
Revaluation of property, plant & equipment	-	-
Deferred tax	-	-
Total other comprehensive revenue & expense	-	-
Total comprehensive revenue & expense	2,731	429

These interim financial statements have been prepared in accordance with Tier 2 PBE Accounting Standards.

FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

For the six month period ended 31 December 2019

	Share Capital \$ '000	Retained Earnings \$ '000	Revaluation Reserves \$ '000	Total \$ '000
Opening Balance - 1 July 2018	14,860	23,573	46,842	85,275
Net surplus/(deficit) after tax	-	429	-	429
Other comprehensive revenue & expense	-	-	-	-
Disposal of revalued property, plant & equipment	-	-	-	-
Total comprehensive revenue & expense	-	429	-	429
Dividends paid to shareholder	-	(250)	-	(250)
Closing Balance - 31 December 2018	14,860	23,572	46,842	85,454
Opening Balance - 1 July 2019	14,860	25,323	57,102	97,285
Net profit/(loss) after tax	-	2,731	-	2,731
Other comprehensive income	-	-	-	-
Disposal of revalued property, plant & equipment	-	-	-	-
Total comprehensive income	-	2,731	-	2,731
Dividends paid to shareholder	-	(300)	-	(300)
Closing Balance - 31 December 2019	14,860	27,752	57,102	99,714

Consolidated Statement of Financial Position

As at 31 December 2019

	2019 \$ '000	2018 \$ '000
Current Assets		
Cash and cash equivalents	390	56
Trade and other receivables	1,228	684
Inventories	427	95
Development property	8,262	9,220
	10,307	10,055
Non Current Assets		
Property, plant and equipment	95,028	74,477
Investment property	18,942	21,503
Intangible & other non-current assets	1,566	874
	115,536	96,854
Total Assets	125,843	106,909
Current Liabilities		
Trade and other payables	3,717	1,262
Income received in advance	440	137
Employee entitlements	284	230
Borrowings	48	48
	4,489	1,677
Non Current Liabilities		
Borrowings	13,168	12,632
Deferred tax liability	8,472	7,326
	21,640	19,958
Total Liabilities	26,129	21,635
Net Assets	99,714	85,274
Equity		
Share capital	14,860	14,860
Retained earnings	27,752	23,572
Revaluation reserves	57,102	46,842
Total Equity	99,714	85,274

FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

For the six months ended at 31 December 2019

	2019 \$ '000	2018 \$ '000
Operating activities		
Receipts from operations	12,254	5,799
Payments to suppliers and employees	(4,707)	(3,661)
Payments for construction of development property	(1,022)	(832)
Payment of interest	(292)	(263)
Payment of income taxes	(812)	(452)
Net cash from/(used in) operations	5,421	591
Investing activities		
Receipts from sale of property, plant and equipment	4	606
Purchases of property, plant & equipment	(3,756)	(314)
Purchases of investment properties	-	(46)
Purchases of intangible assets	-	-
Acquisition of business	(500)	-
Net cash from/(used in) investment activities	(4,252)	246
Financing activities		
Receipts from/(repayments of) borrowings	(1,290)	(565)
Payments of dividends	(300)	(250)
Net cash from/(used in) financing activities	(1,590)	(815)
Net change in cash for the period	(421)	34
Add opening cash and cash equivalents balance	811	22
Closing cash and cash equivalents	390	56

PERFORMANCE REPORTING

Performance against Statement of Intent

For the six months ended 31 December 2019

	SOI 30/06/2020	Actual 31/12/2019	Forecast 30/06/2020
Financial Targets			
EBITDA excluding Land Sales	4,000	2,084	4,468
EBITDA including Land Sales	6,000	4,459	6,843
Net Profit after Tax	1,200	2,731	1,857
Net Operating Cash Flow	2,500	568	2,960
Total Debt	25,000	13,168	16,480
Total Liabilities to Shareholders Funds	35:65	26:74	27:73
Net Profit after Tax to Shareholders Funds	1.0%	2.7%	1.9%
Net Profit after Tax to Total Assets	1.3%	2.2%	1.5%
Percentage of non-landing charge revenue (minimum)	60%	67%	68%
Land sales of at least	7,000	5,875	5,875
Interest cover of at least	4.0	7.0	6.4

The group has a number of non-financial performance targets covering across the range of activities the group undertakes. At 31 December 2019, the Group was on track to meet, and expects to meet all measures for the year ended 30 June 2020.



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Hamilton Airport

WAIKATO REGIONAL AIRPORT LIMITED



GROUP STATEMENT OF INTENT 2020/2021

(Draft Feb 2020)

INTRODUCTION

This statement is presented by the Directors in accordance with s.64 (1) of the Local Government Act 2002 and sets out the Board's intentions for the Company and Group for the year ending 30 June 2021 and succeeding two financial years.

STRATEGIC INTENT

The Group has identified its core purpose and key objectives that recognise the strategic intent of the business:

CORE PURPOSE

- 1) Enabler of air services to the region.
- 2) Operate a first class, safe and compliant regional airport.
- 3) Strategic positioning of the business to enhance capital value.

WRAL: KEY OBJECTIVES

- 1) Operate an efficient, compliant and resilient airport.
- 2) Enhance the traveller experience.
- 3) Maintain a viable aeronautical business.
- 4) Maximise revenue diversification through non-aeronautical business opportunities.



KEY OBJECTIVES OF THE GROUP:

The Group incorporates Titanium Park Limited, Hamilton & Waikato Tourism Limited and Waikato Regional Airport Hotel Limited.

- 1) Operate an efficient, compliant and resilient airport.
- 2) Enhance the traveller experience.
- 3) Maintain a viable aeronautical business.
- 4) Maximise revenue diversification through non-aeronautical business opportunities.
- 5) Develop and optimise the land holdings of the Group to generate a long-term property income from a diversified property portfolio.
- 6) Operate the airport hotel to meet or exceed its financial growth targets and customer satisfaction targets.
- 7) Marketing the Hamilton & Waikato region as a visitor destination to international and domestic visitors.
- 8) Grow the visitor economy through tourism development and destination management.

Nature and scope of activities to be undertaken:

- 1) **Operate an efficient and compliant airport.**
Operate a safe, secure and compliant airport by providing for essential projects, together with any compliance expenditure warranted.
- 2) **Enhance the traveller experience.**
Maximise traveller satisfaction and airport experience.
- 3) **Maintain a viable aeronautical business.**
Identify opportunities to develop new, and expand existing passenger services.

Promote development and growth of the general aviation sector.

Develop or implement a five year plan to give effect to, or seek renewal of the runway extension designation.

Position and protect the airport as an efficient, cost-effective international port of arrival for private, corporate and medical aircraft.

Remain collaborative with local authorities and government agencies for joint infrastructure and transport initiatives.
- 4) **Maximise revenue diversification through non-aeronautical business opportunities**
Support the development of land within the bounds of a sound strategic approach to long-term planning for the airport precinct by its subsidiary Titanium Park Limited (TPL).

TPL will continue marketing for sale, development and optimised investment, all available surplus airport-owned land in a planned and co-ordinated approach.

Land sales and property development are always subject to volatility dependent on regional and national economic conditions. Therefore, this presents a degree of risk for the Group that will be carefully managed through the staged precinct developments of Titanium Park.

In conjunction with the hotel manager, maximise the utilisation and earnings of the recently acquired and upgraded airport hotel business.
- 5) **Ensure appropriate internal and external resource to enable a commercially driven and high performing organisation**
Knowledgeable and capable, high performing and appropriately resourced management team to ensure sound reporting and accountability, and delivery of the strategic plan.

6) Key capital and investment projects and initiatives for the year ending 30 June 2021.

Complete an upgrade of the airport terminal to ensure the terminal meets all regulatory requirements, remains fit for purpose and responsive to growing domestic passenger traffic.

Development and improvement of roading and under ground services infrastructure on the eastern side of the airport precinct to ensure the Group can continue to develop Titanium Park and the terminal is serviced by modern infrastructure that is optimal to forecasted needs.

Upgrade and refurbishment of the Airport Hotel and Conference Centre property to a Qualmark 4 Star standard.

Having now finalised a masterplan for Titanium Park's proposed Northern Precinct development (current site of the WRAL Farm), prepare a private plan change submission to Waipa District Council to future proof development options.

In pursuing its goals, the group will:

- At all times behave in a professional and ethical manner in all its business dealings with its customers and stakeholders.
- Be an employer of choice.
- Ensure a safe and healthy workplace environment that complies with legislation.
- Identify and recognise Shareholders' expectations, within the bounds of corporate prudence.








PERFORMANCE TARGETS

The following annual performance targets are proposed for the Waikato Regional Airport Limited in relation to its core purpose and key objectives.

Based on the Group forecasts	YEAR ENDING 30 JUNE		
	2021	2022	2023
Earnings before interest, taxation and depreciation (EBITDA) but excluding land sales of at least	\$5.5m	\$5.8m	\$6.1m
EBITDA including land sales of at least	\$8.0m	6.5m	\$6.9m
Net profit after tax of no less than	\$3.0m	\$2.0m	\$2.2m
Net operating cash flow (excluding land sales)	\$3.0m	\$3.0m	\$3.0m
Total debt, excluding funding for design-build properties, not exceeding	\$25.0m	\$25.0m	\$25.0m
Total liabilities/shareholders' funds (debt/equity ratio) a maximum of	35:65	35:65	35:65
Net profit after tax to total shareholders' funds	2.5%	1.8%	1.8%
Net profit after tax to total assets	1.3%	1.3%	1.7%
Percentage of non-landing charges revenue of at least	60%	60%	60%
Land sales of at least	\$6.0m	\$1.5m	\$1.5m
Interest cover of at least	4.0x	4.0x	4.0x

(The interest cover measures the number of times the net profit before interest, tax and depreciation (EBITDA) covers interest paid on debt)

NON-FINANCIAL PERFORMANCE TARGETS

	Health, safety and well-being
	Facilitate Health & Safety meetings every two months with representatives from each entity in the Group
	Zero Work Safe notifiable accidents/injuries
	Independently review and audit the Health & Safety system each year
	Operational compliance
	To achieve the Airport Certification Standards as required by the Civil Aviation Authority and as evidenced by Civil Aviation Authority audit reports.
	Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events)
	Monitor aeronautical noise and facilitate noise management meetings every four months in accordance with the Noise Management Plan.
	Property (Titanium Park Limited)
	Complete construction of the 4 th Stage of Titanium Park's Central Precinct and 2 nd Stage of Southern Precinct.
	Prepare a private plan change submission to Waipa District Council in relation to the future Northern Precinct Development.
	Complete construction of Titanium Park's first design-build property on Southern Precinct.
	Tourism (Hamilton & Waikato Tourism Limited)
	Achieve 5% growth in visitor nights and visitor expenditure (as measured by key MBIE Tourism statistics).
	Hotel operation
	Achieve growth in key metrics such as occupancy, room rates and customer satisfaction in line with the expectations underlying the achievement of a Qualmark 4 Star rating.



Statement of accounting policies

The accounting policies adopted by the Group for the year ending 30 June 2021 and succeeding two years are those as adopted in the 2019 Annual Report prepared under Tier 2 of the Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR). The impact of accounting standards changes is not expected to have a material impact on the Group's financial statements or their comparability with previous results.

Dividend policy

WRAL Directors will review any proposal for payment of a dividend based on the forecast Cash Flow and the results of the previous year on an annual basis.

Information to be provided to Shareholders

The Annual Report of the Company and Group.

An Interim Report circulated to Shareholders each half-year including a Chair's Report, Consolidated Income Statement, Consolidated Balance Sheet and progress against Financial Performance Targets.

Shareholder Briefings held at least twice annually.

Future investment proposals

If the Group wishes to subscribe for, purchase, or otherwise acquire shares in any other company or any other organisation, it can do so only after first obtaining approval from the majority of shareholders at either a General Meeting or at a Special Meeting convened for that purpose.

Commercial value of the Shareholders' investment

No valuation of shares has been completed.

The consolidated balance sheet of WRAL as at 30 June 2019 shows shareholder equity of \$97m based on recent independent valuations of the Group's property, plant and equipment and investment properties. The Group forecasts its 30 June 2020 shareholder equity on the same basis to be \$100m.

Compensation from Local Authorities

There are no known activities of the Company or Group for which the Directors would seek compensation from any local authority.

Major transactions

Shareholders approve major transactions via a special resolution. A major transaction for WRAL is defined as:

- (a) the acquisition of, or an agreement to acquire (whether contingent or not), assets the value of which is more than 10% of the value of the Company's assets before the acquisition; or

- (b) the disposal of, or an agreement to dispose of (whether contingent or not), assets the value of which is more than 10% of the value of the Company's assets before the acquisition; or

- (c) a transaction which has or is likely to have the effect of the Company acquiring rights or interests or incurring obligations or liabilities, the value of which is more than 10% of the value of the company's assets before the transaction;

Health & Safety and Wellbeing

The Board and Management will ensure that all requirements to the Health & Safety at Work Act 2015 are maintained. This will be achieved by the engagement of an independent consultant and audit processes to ensure the organisation and its subsidiary companies are maintaining compliant and best practice processes. At all times the Group will continue to monitor and review health and safety requirements via monthly reporting.



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APPENDIX 2

Six Month Report to Shareholders for the period to 31 December 2019 (document number 10378141) and Draft Statement of Intent 2020/21 of Waikato Local Authority Shared Services Limited (document number 10378144)



Half-yearly report to Shareholders

1 July 2019 to 31 December 2019

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1 Introduction

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

2 Overview of WLASS

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

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

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

- 1) It is a laboratory for developing opportunities that create value to councils, either by improving the experience of their customers or by making the councils themselves, collectively, more efficient and effective; and
- 2) It is a provider of services to councils where a business case to do so has been established (recognising that it may make sense for some services to be provided by someone other than WLASS).

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

The vision for WLASS is to be:

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

Its objectives are:

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

In conjunction with council consultation on the 2019 SOI, WLASS sought a shareholder resolution to change the constitution of the company relating to the board's composition. As a result, effective 1 July 2019, the board changed to five council representative directors and an independent chair.

During the period the Directors of WLASS were:

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

3 Statement of Service Performance

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

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

3.1 Highlights during the period

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

WLASS transformation project

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

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

Waters Shared Services integration

Currently, Hamilton City, Waikato District and Waipa District Councils are party to an agreement under which Hamilton City host a business unit delivering trade waste management, water sampling and analysis and “Smart Waters” services to these councils. With Waikato District’s departure from this arrangement (given its new relationship with Watercare Ltd), it is timely to consider the future of this shared service.

This project is to explore the extent to which there is interest from other councils in the region to utilise this service offering and whether it makes sense to have that service “delivered” through WLASS.

Coordinated L&D programme

Waikato councils have the same functional responsibility and therefore the same capability needs (noting the WRC have some different requirements). This project will consider how the learning and development programmes and supporting material can be aligned and shared to lessen the burden on council staff having to each do their own thing. It will also consider to what extent material and services of other agencies (e.g. SOLGM¹) can be leveraged.

¹ Society of Local Government Managers

Regulatory support services

Councils operate in an ever-changing regulatory environment. This project will consider how WLASS could track changes in legislation and regulation and push that information out to councils. This service would eliminate the need for each council to expend time and effort keeping up to date with changes on their own.

Building consent shared services

The issue and monitoring of building consents is a critical function of councils. It is important that this function is delivered with the customer in mind and in the most efficient way. Councils are also facing a shortage in capability in this area. This project is to consider how the delivery of this function across Waikato could be improved.

Human Resources shared services

This project will explore which human resource functions in councils are common (likely procedural in nature) and could therefore be delivered by WLASS to each of the councils. Taking these processes out of the councils themselves would free up council resource to focus on people and capability services that provide greater value to the council. A 'central' human resource function could also support smaller councils who have limited resource and are therefore susceptible to disruption where staff leave or are unable to work for a period.

Concluding comment

We expect each of these projects will add value to councils and they have been prioritized accordingly. However, if, as an opportunity is explored and developed, it becomes apparent that it will not achieve this aim, it will not be pursued. The initial 'discovery' of the opportunity will be undertaken by WLASS. Councils will be consulted prior to funds being invested (if required), to develop opportunities if the board agrees they should be pursued. Once business cases have established that an opportunity makes sense, councils will similarly be able to choose whether to receive the service on offer.

These ideas will challenge the way things are currently done and therefore be disruptive – this is necessary if we are to meet the expectations of our shareholders and have the impact we are looking for. Similarly, while a council will always have the ability to 'opt out' of an offering, it is critical that this be by exception and that councils are willing to commit to change where the business case says it is the right thing to do.

Coordinated Infrastructure Procurement

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

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

The objectives of the project are to:

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

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

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

RATA

Waters collaboration

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

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

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

Staff changes

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

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

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

Value add

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

LiDAR

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

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

Waikato OneView

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

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

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

Health & Safety pre-qualification

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

Procurement - Professional services panel

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

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

SVDS

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

Future proof

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

Energy management

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

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

Waikato Building Consent Group

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

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

3.2 Assessment of performance against targets





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

Key:

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






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








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





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


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

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

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

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

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

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

4 WLASS Financial Position

4.1 Summary

By the numbers:

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

	2020 actual YTD \$000	2020 forecast YTD \$000	Variance \$000 (actual v budget)	2020 budget Full Year \$000
Total income	2,692	2,957	(265)	5,673
Total operating expenditure	2,445	2,570	125	5,998
Net surplus before tax	246	387	(141)	(325)
Cash on hand	2,141	n/a	n/a	

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

The cash position is:

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

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

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

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

4.2 Statement of Financial Performance

Waikato Local Authority Shared Services				
Statement of Financial Performance				
For the six months ending 31 December 2019				
	Financial year 2020 YTD Actuals	Financial year 2020 YTD Forecast	Financial year 2020 YTD Budget	Financial year 2019 YTD Actuals
Revenue				
SVDS Data & Software Sales	246,630	233,177	233,466	508,912
Grants Received	0	0		31,418
Interest	15	844	2,502	13,134
Other Revenue				
Exchange Revenue	806,660	988,848	1,282,100	1,849,357
User Charges	1,638,302	1,734,520	1,562,048	2,110,470
Total Other Revenue	2,444,962	2,723,368	2,844,148	3,959,827
Total Revenue	2,691,607	2,957,389	3,080,116	4,513,291
Expenditure				
Depreciation and amortisation expense	34,065	23,170	1,854	67,314
Personnel costs	183,498	174,138	192,672	149,459
Other expenses	2,227,745	2,373,180	2,585,162	4,043,366
Total Expenditure	2,445,308	2,570,488	2,779,688	4,260,139
Net Profit	246,299	386,901	300,428	253,152

4.3 Statement of Cashflows

Waikato Local Authority Shared Services		
As at 31 December 2019		
For the six months ending 31 December 2019		
	Financial year 2020 YTD Actuals	2018/2019
Cashflows from Operating Activities		
Interest Received	15	16,114
Receipts from Other Revenue	3,147,605	4,031,703
Payments to Suppliers and Employees	(2,491,304)	(4,241,295)
Taxes Paid	(0)	5,746
Goods & Services tax (net)	24,547	2,123
Net cash from operating activities	680,863	(185,609)
Cashflows from Investing Activities		
Capital enhancements	0	0
Purchase of PPE	0	-5,592
Purchase of investments	0	81,000
Net cash from investing activities	0	75,408
Net increase in cash, cash equivalents and bank accounts	680,864	(110,200)
Opening cash and cash equivalents and bank overdrafts	1,459,803	1,570,003
Closing cash, cash equivalents and bank accounts	2,140,667	1,459,803
Summary of Bank Accounts		
BNZ - Call a/c	2,140,667	1,459,802
Closing Balance of Bank	2,140,667	1,459,802

4.4 Statement of Financial Position

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

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



Waikato Local Authority
SHARED SERVICES

Statement of intent

For the year ended 30 June 2021

DRAFT

June 2020

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This SOI is a public declaration of the activities and intentions of the Council Controlled Organisation, Waikato Authority Shared Services Ltd (WLASS). It outlines the nature and scope of the work it will undertake, the Directors' accountabilities to the shareholders for corporate performance and financial forecasts, as required by Schedule 8 of the Local Government Act 2002. This information is provided in relation to the financial years ended 30 June 2021 to 30 June 2023.

Executive summary

The past 12 months has seen the completion of the structural changes necessary to transform the company into a service delivery agent and strategic partner to the councils. The company has a small core team of employees and a smaller, more agile, board with an independent chair to help challenge status quo.

These changes have helped facilitate several new initiatives which collectively will deliver value to councils and their communities through:

- Improving water asset management practices;
- More efficient spend and improved procurement practices around infrastructure;
- Reducing energy costs and improving energy and carbon management;
- Improving community and council staff experiences in relation to geospatial data-sets by saving time and increasing accessibility;
- Better decision-making around resource consenting, climate change planning and natural hazards through a region-wide LiDAR data set;
- Savings (time and cost) to councils through the establishment of an expanded professional services panel with standardised terms and rates.

This SOI sets out a new performance framework for the company. To date the measures of performance used have been extensive and heavily process orientated. While that may have been appropriate historically, it no longer is. The new framework directly links the company's roles and the performance measures to assess our success in fulfilling those roles, to the ultimate outcomes we are seeking.

In the second half of 2019 WLASS Management and the Board collated the suite of current opportunities (from what we are seeing and hearing with councils), and from that, gave priority to five opportunities for further development. A workplan is in place to develop those opportunities commencing in current financial year and the next and this SOI seeks a pool funding to do so.

While WLASS now has a small core team it remains reliant on council resource to advance opportunities. This is the company's single biggest challenge. The extent to which councils are willing to commit resource (time and money), will determine the pace of change we can achieve. The ability to opt out of a project's implementation and service offering can be made. However, councils need to commit to and engage in resourcing the development of opportunities. Councils must also take on the challenge of changing the way things are done when there is a sound case for doing so, if WLASS is to maximise the value it can bring to its shareholders.

Funding into WLASS for the 2021 financial year (to 30 June 2021), is greater than what was forecast in last year's SOI. The funding needed is \$5.1m, \$1.0m greater than forecast. \$890k of this is due to initiatives approved by shareholding councils since the last SOI or, in the case of LiDAR, a change in when the forecast expenditure is being incurred. Equally, some of this expenditure may reflect a transfer of amounts budgeted elsewhere in council to WLASS (as a collaborative initiative) rather than an increase in council costs per se.

The following table summarises the changes.

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

¹ Commentary on the variances is included in the body of the document.

Following an assessment of the cash surplus / (deficit) in each workstream we have made the decision to reduce the member charges for the coming year in some areas and instead utilise brought forward surpluses. As a result, member charges will be reduced by ~\$185k (from that forecast in last year's SOI) across Procurement, the Waikato Data Portal project, the Energy and Carbon Management Programme and SVDS. The amounts shown in the above table are net of this \$185k.

A flow on effect of this action is that we are budgeting a net deficit for the 2021 financial year of ~\$149k.

Introduction

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

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

It was established in 2005 as a vehicle through which these councils could collaborate and identify opportunities for undertaking activity on a shared basis. Prior to 2019, it operated solely using a part-time contracted resource.

The WLASS transformation – 12 months in

In the 2019 SOI WLASS asked shareholding councils to commit to transforming the company into a service delivery agent to allow it to better serve those councils. That transformation had three key elements:

- Establishing in-house resources: WLASS has since employed a small core team (a Chief Executive, Business Analyst and Executive Assistant);
- Changing the WLASS governance structure: The board has reduced to six members - an independent Chair and five Council Representative Directors; and
- Thought leadership: By providing these structural changes it will better enable the company to explore ways in which councils can operate better for the benefit of their communities.

The structural transition is complete

With these changes, the structural transition is complete (but will continue to evolve as the company's areas of activity expand).

We have already started seeing the results of these changes. The last 12 months has seen the company provide thought leadership in several areas culminating in the following significant developments:

- Expanding the RATA service offering (historically focused on roading), into 'waters' assets;
- Developing and delivering the opportunity to coordinate infrastructure procurement between councils (to be reflected in councils' 2021 long-term plans);
- Introducing a new Energy and Carbon Management programme;
- Developing the 'Waikato OneView' opportunity, with the implementation project commencing mid-2020;
- Commencing the project to capture region-wide LiDAR; and
- Establishing a new, significantly expanded, panel of professional services providers.

New initiatives are being delivered

In addition, at the end of last year, following consultation with councils, the Board agreed those opportunities that the company will focus on over the coming months (discussed further below). Other ideas have been included on a 'long list' of potential opportunities that will be considered in the future.

Priority opportunities are identified

The various functional cross-council working parties have (and will continue to), help identify and develop opportunities. Within each of these groups WLASS last year facilitated ideation sessions to foster new ideas. It will continue to use these groups to feed the ideas pipeline and to foster collaboration between the councils.

The outcomes we are looking for – performance reporting

We want to ensure that Waikato councils are working together the best way possible, for the collective benefit of them and their communities. We want to do this because we believe it is the right thing to do for Waikato. If we achieve this, it will mean a relatively lesser burden on ratepayers, happier communities and council staff and more impactful councils.

Transforming the company into a service delivery agent and a true strategic partner to councils, means the company has two fundamental roles:

- 1) It is a laboratory for developing opportunities that create value to councils, either by improving the experience of their communities or by making the councils themselves, collectively, more efficient and effective; and
- 2) It is a provider of services to councils where a business case to do so has been established (recognising that it may make sense for some services to be provided by someone other than WLASS).


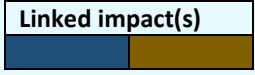
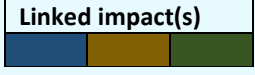
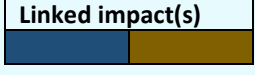
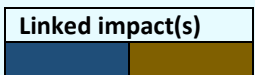
Given the evolution of the company, WLASS has revisited the way that it measures its success to reflect these roles. A performance framework has been established (see diagram 1).

Our vision	Waikato councils are working together in the best way possible, for the collective benefit of them and their communities - which means less burden on ratepayers, happier communities and council staff and more effective councils.					
Outcomes we are seeking	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	
Our specific objectives	<ul style="list-style-type: none"> ➤ Achieve effectiveness and efficiency gains ➤ Reduce duplication of effort and eliminate waste through repetition 		<ul style="list-style-type: none"> ➤ Promote and contribute to the development of best practice ➤ Make it easier for communities to engage with councils in the Waikato region on a consistent basis ➤ Promote business transformation to improve communities' experiences 		<ul style="list-style-type: none"> ➤ Enable the Waikato councils to collectively be more effective as a region on the national stage ➤ Contribute to building central government's confidence in the Waikato region, and to encourage central government investment 	
Priorities: How we will achieve our outcomes	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	
What we must manage well	Our relationships	Our services	Our projects	Our people	Our resources	Our reputation

Diagram 1

Priorities and performance measures

We will track how well we are delivering on our strategic priorities using the following performance measures:

Priority	Performance measure	Target
<p>Prioritise and develop opportunities that add value to councils by achieving one or more of our objectives</p> <p>Linked impact(s)</p> 	<ul style="list-style-type: none"> ➤ Business cases will include measurable benefits linked to one or more of the outcomes sought ➤ Opportunity assessments are supported by councils (evidenced by Board minutes) 	<p>Projected savings to councils of \$300k+</p> <p>75% of councils</p>
<p>Develop opportunities and deliver projects within agreed budgets and timelines¹</p> <p>Linked impact(s)</p> 	<ul style="list-style-type: none"> ➤ Opportunities / projects are developed / delivered within agreed timelines ➤ Opportunities / projects are developed / delivered, within approved budget 	<p>80%</p> <p>90%</p>
<p>Ensure projects realise their expected benefits</p> <p>Linked impact(s)</p> 	<ul style="list-style-type: none"> ➤ Measurable benefits are actively monitored and reported against ➤ Audit & Risk Committee undertake an assessment of projects following implementation (which will include an assessment of whether projected benefits have been realised) 	<p>Six-monthly</p> <p>\$200k+ Projects</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>Linked impact(s)</p> 	<ul style="list-style-type: none"> ➤ 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"> ○ RATA – roading & waters ○ Waikato Building Cluster ○ Regional Infrastructure Technical Specifications ○ Energy & Carbon Management ○ Professional Services Panel ○ Health & Safety pre-qualification 	<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>Linked impact(s)</p> 	<ul style="list-style-type: none"> ➤ Across these groups, ideas for future consideration and/or initiatives are identified each year 	<p>Six 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.

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

Transparency and reporting to councils

The company will deliver the following information to shareholders:

- Within two months of the end of the first half of the financial year, a half-yearly report, including Statements of Financial Performance, Financial Position, and Cashflows and commentary on service performance including an assessment of progress against performance measures; and
- Within three months of the end of the financial year, an audited Statement of Financial Performance, Statement of Changes in Equity, Statement of Financial Position, Statement of Cashflows and commentary on service performance.

WLASS recognises that it must be able to clearly show the value that it is providing to shareholding councils. We want to be completely transparent about that and ensure that we continue to focus on the right services. Therefore, we will be communicating with councils more on the value they are receiving from their investment in the company.

The WLASS Transformation – the next 12 months

The initial priority projects

In December the Board approved five priority projects to investigate opportunities that will deliver value to councils.

Waters Shared Services integration

Currently, Hamilton City, Waikato District and Waipa District Councils are party to an agreement under which Hamilton City host a business unit delivering trade waste management, water sampling and analysis and “Smart Waters” services to these councils. With Waikato District’s departure from this arrangement (given its new relationship with Watercare Ltd), it is timely to consider the future of this shared service.

This project is to explore the extent to which there is interest from other councils in the region to utilise this service offering and whether it makes sense to have that service “delivered” through WLASS.

Collaborative L&D programme

Waikato councils have the same functional responsibility and therefore the same capability needs (noting that Waikato Regional Council have some different requirements). This project will consider how the learning and development programmes and supporting material can be aligned and shared to lessen the burden on council staff having to each do their own thing. It will also consider to what extent material and services of other agencies (e.g. SOLGM¹) can be leveraged.

Regulatory support services

Councils operate in an ever-changing regulatory environment. This project will consider how WLASS could track changes in legislation and regulation and push that information out to councils. This service would eliminate the need for each council to expend time and effort keeping up to date with changes on their own. It will also consider to what extent other agencies (e.g. SOLGM) provide such a service already.

¹ Society of Local Government Managers

Building consent shared services

The issue and monitoring of building consents is a critical function of councils. It is important that this function is delivered with the community in mind and in the most efficient way. Councils are also facing a shortage in capability in this area. This project is to consider how the delivery of this function across Waikato could be improved.

Human Resources shared services

This project will explore which human resource functions in councils are common (likely procedural in nature) and could therefore be delivered by WLASS to each of the councils. Taking these processes out of the councils themselves would free up council resource to focus on people and capability services that provide greater value to the council. A 'central' human resource function could also support smaller councils who have limited resource and are therefore susceptible to disruption where staff leave or are unable to work for a period.

Concluding comment

We expect each of these projects will add value to councils and they have been prioritized accordingly. However, if, as an opportunity is explored and developed, it becomes apparent that it will not achieve this aim, it will not be pursued. The initial 'discovery' of the opportunity will be undertaken by WLASS. Councils will be consulted prior to funds being invested (if required), to develop opportunities if the board agrees they should be pursued. However, once the decision is made to proceed with developing an opportunity, councils need to commit to supporting the decision to do so. Once business cases have established that an opportunity makes sense, councils will be able to choose whether to receive the service on offer.

These ideas will challenge the way things are currently done and therefore be disruptive – this is necessary if we are to meet the expectations of our shareholders and have the impact we are looking for. Similarly, while a council will always have the ability to 'opt out' of an offering, if we are going to make a difference, it is critical that this be by exception and that councils are willing to commit to change where the business case says it is the right thing to do.

Councils need to be bold and willing to commit to change

Resourcing

While WLASS now has a small core team that allows it to develop opportunities, change at pace, which is what our shareholders are seeking, requires council resource. **This is the company's single biggest challenge.**

The company has considered how projects could be resourced.

The company could progress opportunities using its existing capability. That will still necessitate support from councils to provide information and act as a sounding board for WLASS to ensure opportunities are meeting a need. This approach is largely status quo.

Greater support from councils can be provided through making staff available (either as part of a project team or on a seconded basis to lead projects), or funding, to allow the company to procure external services. The extent of that support will determine the speed at which opportunities can be developed and the number of opportunities under consideration at any point.

In February the Board considered the resourcing options for each of the initial priority projects. From that meeting the decision has been made to develop opportunities as fast as possible. We will therefore be seeking council resource (as noted above), to allow us to consider opportunities quickly and either discount or implement them. A pipeline of ideas is already established to allow us to progress further opportunities as soon as we are able.

Our commitment to each other

WLASS can make a real difference to councils and their communities. We are committed to delivering against our performance measures and in doing so, having a positive impact on council operations. We will regularly update councils on their investment into the company (either as member charges or fees for services), and the value they are receiving from that investment.

Shareholders have committed to the transformation of WLASS and an increased investment to bring about change at pace. However, for WLASS to succeed councils must also commit to:

Change at pace can only happen with council support

- Making staff available for projects and ensuring that information is provided, and decisions made, in a timely manner; and
- Accepting the challenge of changing the way things are done where there is a sound case for doing so.

If councils do this, WLASS will be successful in maximising the value it can bring to shareholding councils.

Activities for which the Board seeks compensation

The **overall** funding via member charges that is being sought, and the comparable amount set out in the prior SOI is:

Member charges for 2021 financial year (FY21)	Note	FY21 projection (per prior year's SOI) \$000	FY21 Budget (per current SOI) \$000	Variance ¹ : increase / (decrease) \$000
Core operating costs	1	510	550	40
Working parties Projects	2	696	874	178
LiDAR	3	475	767	292
RATA business unit	4	697	855	158
Waikato Regional Transport Model	5	309	377	68
RATA – water collaboration	6	0	440	440
Other	7	1,409	1,278	(131)
Total		4,096	5,141	1,045

Notes:

- 1) **Core operating costs:** The increase in the overall shareholder contribution principally relates to an increase in governance costs and increasing the Executive Assistant/Company Administrator role from part- to full-time.
- 2) **Working parties | Projects:** This reflects the following:
 - the appointment of a part-time Contract Administrator which is needed to effectively manage the Professional Services Panel (and other) contracts WLASS has entered on behalf of councils. Previously, PSP contracts had been managed by one of the councils on behalf of all participating councils. However, this proved ineffectual and councils are asking that the function be performed by WLASS under the new panel arrangement [\$48k];
 - working party funding [\$50k]: WLASS has reviewed how it allocates costs related to the administration of its various workstreams to ensure that those costs fall where they should. As a result, it is now charging a small (\$5k) fee for the facilitation and administration of each of the working parties (note this doesn't increase the overall cost to councils – it correspondingly

- reduces the member charges for core operating costs noted above). In addition, to improve the efficiency of these working parties a \$5k collaboration fund has been included for each group to allow it to undertake a small amount of spend, if and when necessary, to advance initiatives throughout the year, without the need to revert to shareholding councils;
- opportunity development pool [\$100k]: As noted above, the Board has approved the development of five priority opportunities. WLASS is asking for funding to support the development of these opportunities. While it is not possible to accurately assess at this time how much it will cost to develop these opportunities, the pool will assist in allowing the company to provide value by being agile and making change at the pace councils are seeking. As assessment of cost for an opportunity will be made at the end of the discovery phase (which is undertaken by WLASS staff). Councils will be consulted prior to the Board approving (or otherwise) progressing the opportunity beyond this stage and the pool will not be accessed unless the Board approves the opportunity;
- 3) **LiDAR:** The overall cost of the project is less than the budget approved by councils in 2019. However, having now gone to market, project delivery is occurring over a shorter period of time that anticipated. This means that costs anticipated for the 2022 financial year are now expected to be incurred in 2020-2021;
 - 4) **RATA business unit:** This reflects an additional role to manage the overall business unit with the expansion into waters. This was approved as part of the waters collaboration business case;
 - 5) **Waikato Regional Transport Model:** This reflects the latest estimate of the cost to update the model and associated peer review;
 - 6) **RATA – water collaboration:** In the second half of 2019 councils approved the expansion of the RATA business unit into waters. This is the first SOI to reflect that service offering;
 - 7) **Reductions in member contributions:** The company has made the decision to utilise funds on hand in some areas and therefore has reduced member charges for the coming year. Those areas, and the reduction in member charges are:

Workstream	Reduction in member charges \$000
Procurement	20
Waikato Data Portal	54
Energy & Carbon Management Programme	55
SVDS	55
Total	184

Governance arrangements

WLASS conducts itself in accordance with its constitution, its annual Statement of Intent as agreed with shareholders, the provisions of the Local Government Act 2002 and WLASS policies.

In conjunction with council consultation on the 2019 SOI, WLASS sought a shareholder resolution to change the constitution of the company relating to the board's composition. As a result, effective 1 July 2019, the board changed to five council representative directors and an independent chair.

From 1 September 2019, Peter Stubbs was appointed as independent Chair of the Board.

The current Directors of WLASS are:


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

Under the amended constitution Gareth Green must resign his position on 30 June 2020, but may be reappointed by the councils he represents for a further 3-year term.

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

Financials


Statement of Financial Performance

Waikato Local Authority Shared Services Company Summary for the forecast financial years ended 30 June 2021-2023				
	2019 SOI	2020 SOI		
	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23
Income				
Company Administration	576,730	1,074,310	1,090,680	1,118,050
Working parties projects	379,500	873,850	354,385	384,257
RITS	n/a	31,616	32,321	33,041
Information Technology	553,483	767,000	82,691	84,510
Energy Management	119,175	70,000	70,000	129,222
Shared Valuation Data Service (SVDS)	736,566	379,761	388,115	452,357
Road Asset Technical Accord (RATA)	1,815,766	1,300,557	1,330,613	1,360,016
Waikato Regional Transport Model (WRTM)	218,760	389,456	349,823	357,519
Waikato Building Consent Group	275,942	312,566	319,475	326,538
Future Proof	609,991	602,500	602,688	513,770
Waikato Plan	382,000	260,000	265,720	271,566
Waikato Mayoral Forum	5,000	5,000	5,000	5,000
Water Collaboration	0	440,000	540,000	540,000
Total Income	5,672,913	6,506,616	5,431,512	5,575,846
Operating Expenditure				
Company Administration	573,858	1,068,887	1,089,152	1,116,380
Working parties projects	379,500	893,850	374,885	384,257
RITS	n/a	31,616	32,321	33,041
Information Technology	553,483	817,695	82,696	84,543
Energy Management	119,175	124,900	124,900	129,222
Shared Valuation Data Service (SVDS)	1,060,456	384,993	393,550	402,357
Road Asset Technical Accord (RATA)	1,815,766	1,300,557	1,330,613	1,360,016
Waikato Regional Transport Model (WRTM)	218,762	389,456	349,823	357,519
Waikato Building Consent Group	275,942	312,566	319,475	326,538
Future Proof	609,991	602,500	602,688	513,770
Waikato Plan	382,000	267,500	273,408	279,446
Waikato Mayoral Forum	5,000	5,000	5,000	5,000
Water Collaboration	0	440,000	540,000	540,000
Total operating expenditure	5,993,933	6,639,520	5,518,511	5,532,089
Earnings before interest, tax and depreciation/ amortisation (EBITDA)	(321,020)	(132,904)	(86,999)	43,757
Depreciation / amortisation				
Company admin	3,712	1,864	1,071	-
WRTM	0	14,583	14,583	14,583
Total Depreciation / amortisation	3,712	16,447	15,655	14,583
Net Surplus (Deficit) before tax	(324,732)	(149,352)	(102,653)	29,173


Key risk

The single biggest risk to achieving the forecasted financial results is WLASS's continuing ability to sell valuation data (forecast to generate ~\$380k of revenue in the coming year). The central government's drive toward open data may see the development of a nation-wide sales portal. It will be critical that any change in this area does not see WLASS/the councils lose ownership of the sales data and with it, the ability to sell that data. WLASS are engaging with Land Information New Zealand on this issue.

Statement of Financial Position

Waikato Local Authority Shared Services Financial Position for the forecast financial years ended 30 June 2021-2023					
	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23	
CAPITAL					
Shares - SVDS	1,607,001	1,607,001	1,607,001	1,607,001	
Shares - WRTM	1,350,000	1,350,000	1,350,000	1,350,000	
Retained Earnings	(2,542,062)	(2,021,997)	(2,171,348)	(2,274,001)	
Plus Current Year Operating Surplus/(Deficit)	(324,730)	(149,352)	(102,653)	29,173	
TOTAL CAPITAL FUNDS	90,209	785,653	683,000	712,173	
ASSETS					
CURRENT ASSETS					
Prepayments	153,145	263,342	269,739	276,291	
Accounts Receivable	397,104	260,265	217,260	223,034	
RWT On Interest	0	0	0	0	
Local Authority Shared Services 00	0	0	0	0	
Bank	96,216	729,388	624,879	658,450	
GST Receivable / (Payable)	4,013	45,941	42,715	42,467	
TOTAL CURRENT ASSETS	650,477	1,298,936	1,154,592	1,200,241	
NON-CURRENT ASSETS					
SVDS - Intangible Asset	3,085,700	3,065,316	3,065,316	3,065,316	
WRTM - Intangible Asset	2,296,855	2,296,855	2,296,855	2,296,855	
MoneyWorks Software	1,195	1,195	1,195	1,195	
<i>Accumulated Depreciation</i>	(5,383,750)	(5,334,200)	(5,348,783)	(5,363,366)	
IT Equipment	6,307	5,592	5,592	5,592	
<i>Accumulated Depreciation - IT equipment</i>	(5,568)	(4,521)	(5,592)	(5,592)	
TOTAL NON-CURRENT ASSETS	739	30,237	14,583	(0)	
TOTAL ASSETS	651,216	1,329,173	1,169,175	1,200,241	
LESS CURRENT LIABILITIES					
Accounts Payable	535,097	462,148	402,769	402,576	
Accounts Payable Accrual	25,910	27,500	28,188	28,892	
Employee Benefits	0	53,872	55,219	56,599	
TOTAL CURRENT LIABILITIES	561,007	543,520	486,176	488,067	
NET ASSETS	90,209	785,653	683,000	712,173	

Statement of Cashflows

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

Appendix I: What we do - current activities

The principal initiatives operating under the WLASS umbrella are:

- Shared Valuation Data Service
- Regional Asset Technical Accord
- Waikato Regional Transportation Model
- Waikato Building Consent Group
- Future Proof
- Historic aerial photos
- Waikato Regional Aerial Photography Service
- Regional Infrastructure Technical Specifications
- Energy management
- Contractor health & safety pre-qualification
- Aligned resource consent planning
- Joint procurement initiatives

Shared Valuation Data Service (SVDS)

This service provides timely and accurate valuation data to the participating councils. The SVDS has become the accepted valuation database for the region. Data sales significantly reduce the net cost to the participating councils. Councils are currently transitioning to a new software-as-a-service arrangement with a new provider which will further reduce cost.

Regional Asset Technical Accord (RATA)

RATA was initially established as a centre of excellence for road asset planning in 2014 as a work stream under the Waikato Mayoral Forum. The activity transferred to WLASS on 1 July 2016.

The original aim of RATA was to achieve best practice in road asset management by improving capability, capacity and outcomes through effective collaboration. This aim remains but in 2019 the business unit received approval to expand its activity into waters assets. By leading asset management best practice, RATA delivers better decision-making through the effective collection and use of good quality data, and the implementation of good practice processes and systems for data collection, analysis and management.

Waipa District Council employs RATA staff who are then contracted to provide services to WLASS.

Waikato Regional Transportation Model (WRTM)

The WRTM became fully operational in February 2010. It provides accurate information to councils and to external users (for a charge) for their transport modelling requirements. The WRTM is the only recognised strategic transport modelling resource in the Waikato Region and is jointly funded by the NZTA.

WRTM is making a significant contribution to strategic planning surrounding land use and infrastructure within the region and has been involved in regionally and nationally significant investigations including the Waikato Expressway Network Plan, the Waikato Regional Land Transport Strategy and Regional Policy Statement and transport impact assessments in relation to the development of Ruakura.

Waikato Building Consent Group (WBCG)

The WBCG was initially set up by five Waikato local authorities in 2004 to foster co-operation, collaboration and consistency in building functions, legislative interpretation and process documentation across the partnering councils. The activity transferred to WLASS on 1 July 2016 and now comprises eight councils.

The WBCG has developed a common quality assurance system with associated supporting documentation that meet the legislative requirements of the Building Act 2004 and the Building (Accreditation of Building Consent Authorities) Regulations 2006. These regulations cover all aspects of the operational management and compliance of a Building Consent Authority (BCA).

Future proof

Future Proof is a collaborative partnership between Hamilton City, Waikato and Waipa Districts, Waikato Regional Council and Tāngata whenua, with assistance from the NZTA. The partners have jointly developed the Future Proof Growth Strategy and Implementation Plan – a 50-year vision and implementation plan specific to the Hamilton, Waipa and Waikato sub-region, which was adopted by the partners in June 2009.

The accommodation, overhead and employment arrangements of the Future Proof Administrator are managed by Hamilton City Council. The activity is fully funded by the participating councils and operates as a separate cost centre. Future Proof transferred to WLASS on 1 July 2016.

Regional Infrastructure Technical Specifications (RITS)

The RITS document sets out how to design and construct transportation, water supply, wastewater, stormwater and landscaping infrastructure. Prior to developing RITS, each Council had its own technical specifications for infrastructure resulting in different standards having to be met across the Waikato region. RITS provides a single regional guide, making business easier.

The RITS is published on the WLASS website (<http://www.waikatolass.co.nz/>), and ongoing maintenance of the document is the responsibility of a Project Co-ordinator, managed by WLASS.

Energy management

WLASS entered into a three-year Collaboration Agreement with the Energy Efficiency Conservation Authority (EECA) in February 2016. Across the programme EECA provided funding of \$210,000. Implemented projects have delivered 3.62m kWh in energy reduction annually (as against a target of 2.5m kWh), saved \$446,000 per annum.

From 1 July 2019 a new energy and carbon management programme was entered into between WLASS and participating councils.

Contractor health & safety pre-qualification scheme

WLASS contracts with SHE Software to manage the Local Government Health & Safety Contractor Pre-qualification Scheme on behalf of councils. Twenty councils and one CCO are now using the scheme with approximately 1,600 contractors registered, which enables them to be pre-qualified to work for any of the participating councils.

Further detail on these activities and the councils involved in each can be found on the WLASS website at <http://www.waikatolass.co.nz/>.

Historic aerial photos

In May 2015, WLASS entered into a Memorandum of Understanding with LINZ to scan the Waikato Historic Aerial Photos archive. The LINZ Crown archive contains over 500,000 historic aerial photo negatives captured by surveys flown over New Zealand between 1936 and 2005. All shareholding councils are participating in this 4-year project, which includes a subsidy of \$56,000 from LINZ. Scanning is now complete.

Waikato Regional Aerial Photography Service (WRAPS)

WRAPS was set up in the 1990s for the supply of colour, digital, ortho-rectified, aerial photography for the Waikato Region. So far, there have been five WRAPS contracts, the most recent in 2016.

Aligned resource consent planning

This toolkit provides regional consistency and best practice processes in the administration of resource consenting. It is used by nine councils (Taupo and Otorohanga are not currently participating, and Waikato Regional Council processes different types of resource consents from the territorial local authorities). WLASS controls the documentation on the WLASS website, and the Waikato Resource Consent forum manages the process for making updates and amendments to the templates and documents in the toolkit.

Joint procurement initiatives

WLASS is a party to numerous joint procurement contracts between the company, shareholding councils and suppliers. Councils choose whether to be a party to a particular contract. Wherever possible we negotiate a syndicated contract with the supplier to allow additional councils to join later.

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

Appendix II: Policy Statements

Statement of accounting policies

Reporting entity

Waikato Local Authority Shared Services Limited (“the Company”) is a Company incorporated in New Zealand under the Companies Act 1993 and is domiciled in New Zealand. The company is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002 (LGA), by virtue of the shareholding councils’ right to appoint the Board of Directors.

The primary objectives of the Company are to:

- Develop opportunities that benefit the Waikato region's local authorities; and
- Act as a vehicle to deliver value-added services to those local authorities.

The Company has designated itself as a public benefit entity (PBE) for financial reporting purposes.

Summary of significant accounting policies

Basis of preparation

Financial statements are prepared on the going concern basis, and the accounting policies are applied consistently throughout the period.

Statement of Compliance

Financial statements are prepared in accordance with the requirements of the LGA, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

Financial statements are prepared in accordance with and comply with Tier 2 PBE Standards reduced disclosure regime (RDR). WLASS is eligible to report under the RDR as it:

- is not publicly accountable; and
- has expenses more than \$2 million, but less than \$30 million.

The accounting policies set out below are consistent with the prior year, other than the inclusion of policy:

- on operating leases, related to the lease of commercial premises;
- employees; and
- property, plant and equipment.

Measurement base

The financial statements are prepared on a historical cost basis.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar unless otherwise stated. The functional currency of the Company is New Zealand dollars.

Goods and services tax

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

The net amount of GST recoverable from, or payable to, the Inland Revenue (IR) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the cash flow statement.

Commitments and contingencies are disclosed exclusive of GST.

Critical accounting estimates and assumptions

In preparing the financial statements the Company makes estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no areas requiring estimate or assumptions made that are considered to carry a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Intangible assets

Useful lives and residual values

At each balance date the Company reviews the useful lives and residual values of its intangible assets. Assessing the appropriateness of useful life and residual value estimates of intangible assets requires the Company to consider a number of factors such as the expected period of use of the asset by the Company and expected disposal proceeds from the future sale of the future sale of the asset.

An incorrect estimate of the useful life of residual value will impact the amortisation expense recognised in the income statement and carrying amount of the asset in the balance sheet. The Company minimises the risk of this estimation uncertainty by reviewing that the asset technology is still relevant and there is no alternative options to recreate the asset at a lower price.

Impairment of intangible assets

Intangible assets measure at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is higher of an assets fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus deficit.

Change of accounting estimate

Revision of useful lives of intangible assets

At year end the estimated total useful lives to Waikato LASS of the SVDS and WRTM intangible assets were revised. The net effect of the changes in the current financial year was decrease in amortisation expense of \$97,071.

Revised estimated useful lives are: SVDS – March 2020, WRTM – June 2023. The effect of amortisation for future years are as follows:

Year ending 30 June	\$
2020	53,321
2021	14,583
2022	14,583
2023	14,583

Revenue

Revenue

Revenue comprises the fair value of the considerations received or receivable for the sale of goods and services, excluding GST, rebates and discounts and after eliminating sales within the Company. No provisions have been recorded as all revenue and trade receivables are expected to be received.

Other Revenue

Member charges for all activities are recognised when invoiced to the user (i.e. councils). The recorded revenue is the net amount of the member charges payable for the transaction.

Contributions received for projects that were not completed in a financial year are recognised when the Company provides, or is able to provide, the service for which the contribution was charged. Until such time, contributions are recognised as liabilities.

Operating expenses

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Personnel costs

Defined contribution schemes

Employer contributions to KiwiSaver, the Government Superannuation Fund, and other defined contribution superannuation schemes are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit when incurred.

Receivables

Short-term receivables are recorded at the amount due, less any provision for amounts not considered collectable.

Receivables are initially measured at nominal or face value. Receivables are subsequently adjusted for penalties and interest as they are charged and impairment losses. Non-current receivables are measured at the present value of the expected future cash inflows.

Debtors are amounts due from customers. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, with original maturities of three months or less, and bank overdrafts.

Income tax

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the

carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

Intangible assets Other financial assets

Investments in bank deposits are measured at fair value plus transaction costs.

At each balance date the Company assesses whether there is any objective evidence that an investment is impaired. Any impairment losses are recognised in the income statement.

Payables and deferred revenue

Short-term creditors and other payables are recorded at their face value

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payable approximates their fair value.

Contributions received for projects that were not completed in a financial year are recognised as deferred revenue until the Company provides, or is able to provide, the service for which the contribution was charged.

Employee benefits liabilities

Short-term employee entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

These includes salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extend 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.

APPENDIX 3

Six Month Report to Shareholders for the period to 31 December 2019 (document number 10378164) and Draft Statement of Intent 2020/21 of the New Zealand Local Government Funding Agency Limited (document number 10378150)

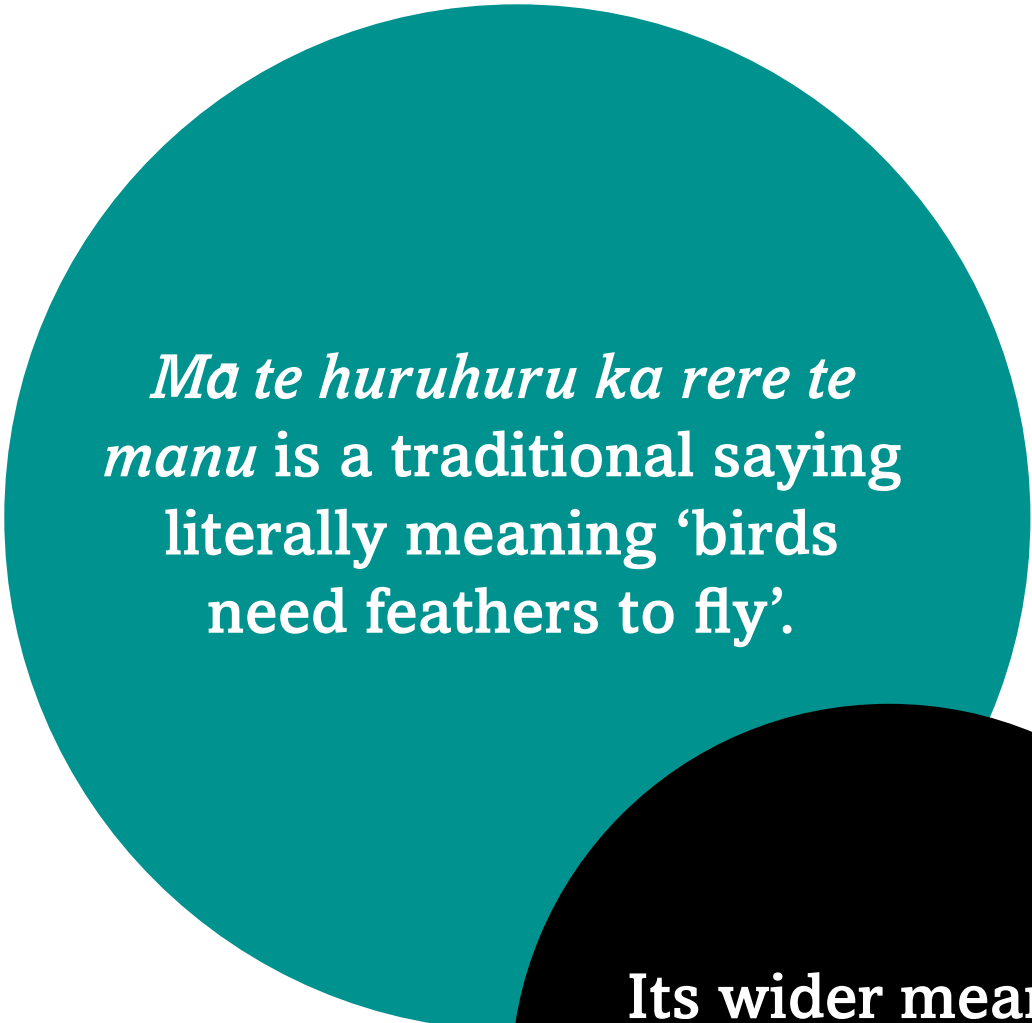
**Financing
the infrastructure
investment undertaken
by New Zealand
councils**

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


Half year report
31 December 2019



NEW ZEALAND LOCAL
GOVERNMENT FUNDING AGENCY
TE PŪTEA KĀWANATANGA Ā-ROHE



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



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

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Message from the Chair

He karere mai i te Toihau

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

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

Craig Stobo, Chair LGFA Board



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

Strong Financial and Operational Performance

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

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

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

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

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

Borrowing activity

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

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

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

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

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

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

Lending to the sector

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

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

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

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

Acknowledgments

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

A handwritten signature in black ink, appearing to read 'Craig Stobo', enclosed within a simple rectangular border.

Craig Stobo
Chair, LGFA Board

Ruakura
Reservoir, Wairere
Extension project.
Hamilton City
Council



Pipe replacement
work on Queens
Drive.
Invercargill City
Council



Performance against objectives

Tutukinga mahi ki ōna whāinga

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

Performance against 2019-20 primary objectives

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

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

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

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

2019-20 performance objectives

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

Primary objectives

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

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

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

Additional objectives

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

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

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

measure performance against.

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

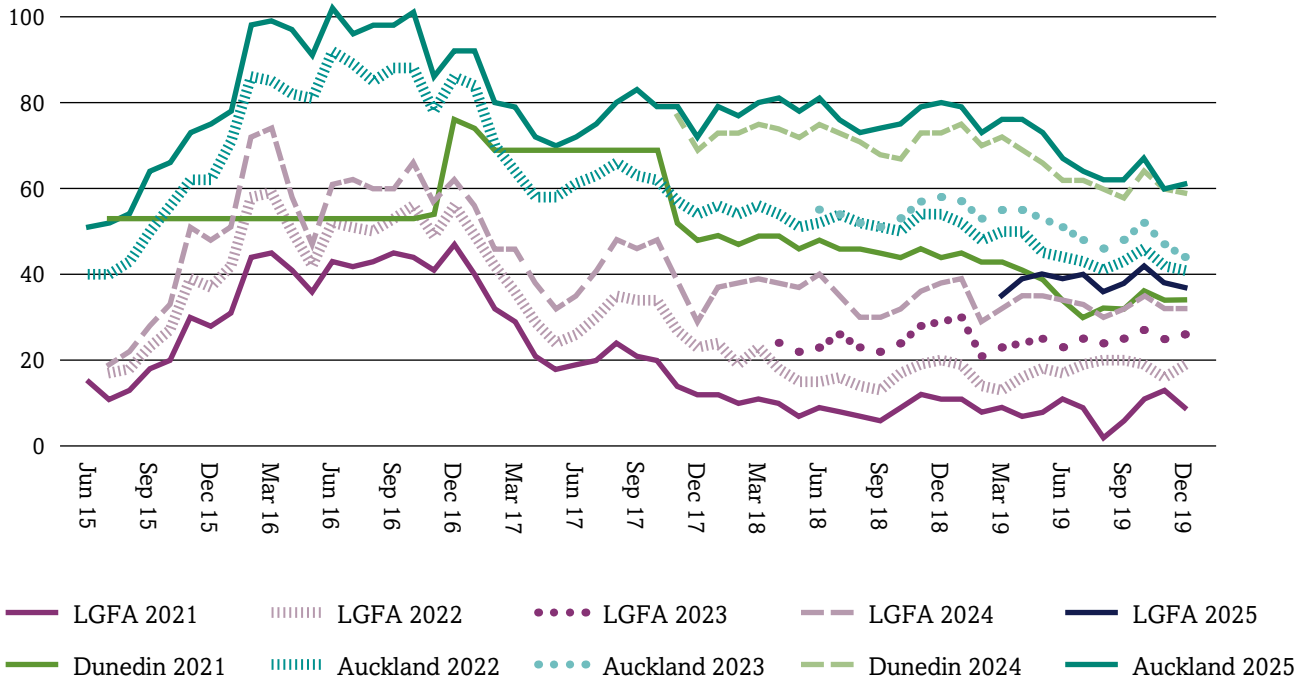
LGFA bond margin to swap	As at 31 December 2019 basis points (bps)	As at 30 June 2019 (bps)	Spread movement (bps)
15-Apr-20	7	11	(4)
15-May-21	15	15	Nil
14-Apr-22	23	22	1
15-Apr-23	27	30	(3)
15-Apr-24	34	37	(3)
15-Apr-25	40	41	(1)
15-Apr-27	46	46	Nil
20-Apr-29	59	-	n/a
14-Apr-33	67	67	Nil

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

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

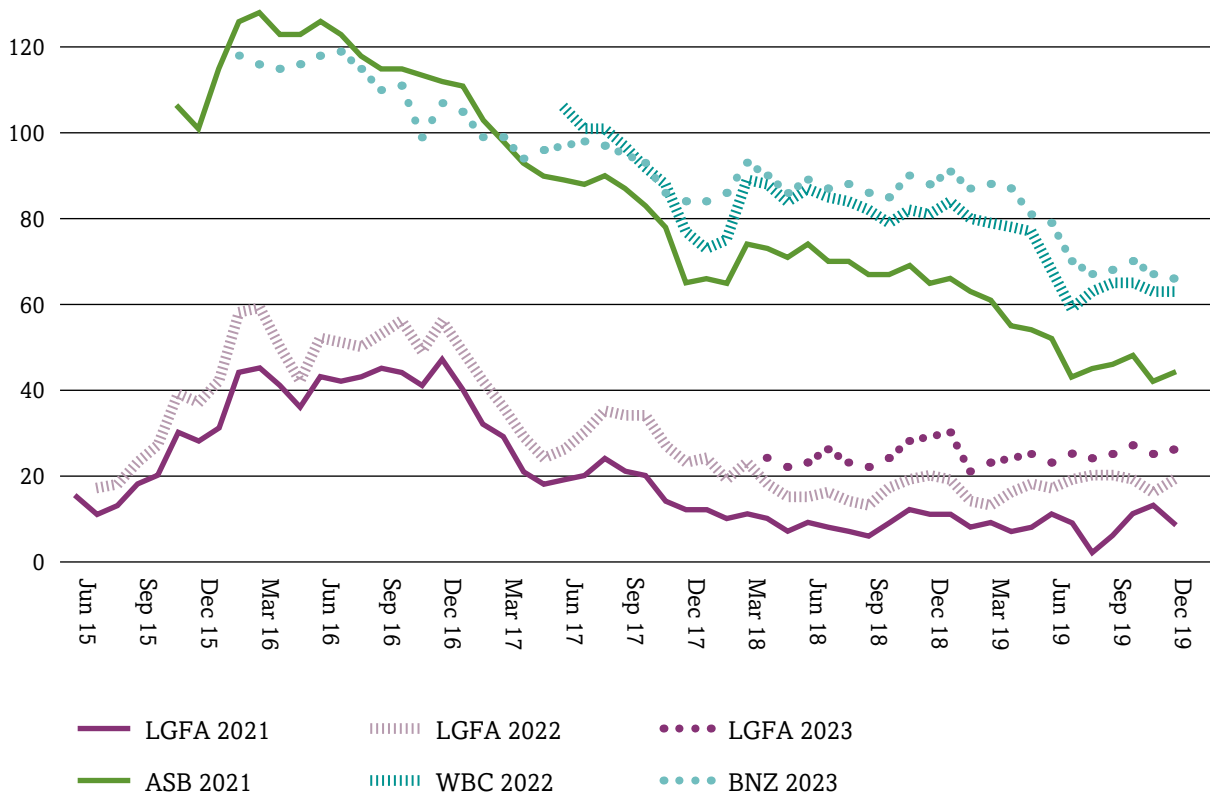
LGFA continues to provide savings in borrowing cost for councils relative to other sources of borrowing. We compare our secondary market spreads on LGFA bonds to those of Auckland Council and Dunedin City Treasury (as a proxy for councils borrowing in their own name) and a mix of banks (as a proxy for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

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



Source: Bloomberg, LGFA

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



Source: Bloomberg, LGFA

Offering short and long-term borrowings with flexible lending terms

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

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

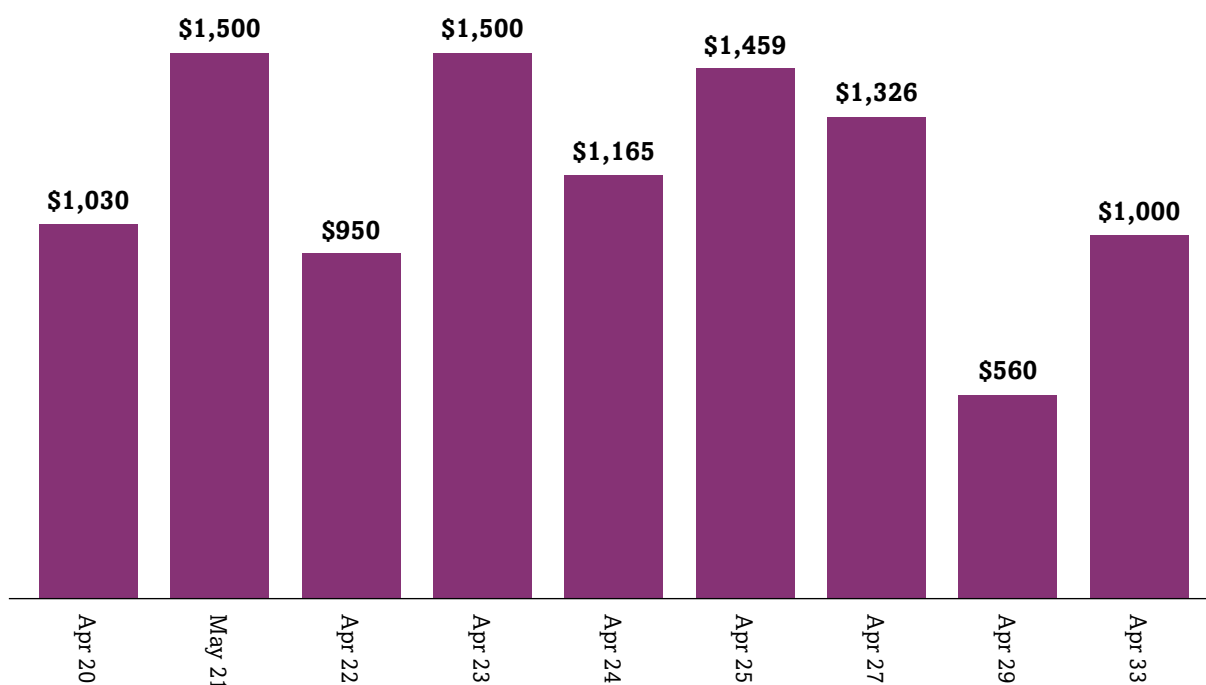
In August 2019, LGFA commenced the issuance of a 10-year bond (April 2029) providing a new benchmark to assist with the pricing of council loans between the April 2027 and April 2033 LGFA bond maturities.

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

LGFA bonds on issue (NZ\$ million)

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

Includes NZ\$450 million treasury stock



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Performance against 2019-20 additional objectives

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

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

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

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

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

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

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

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

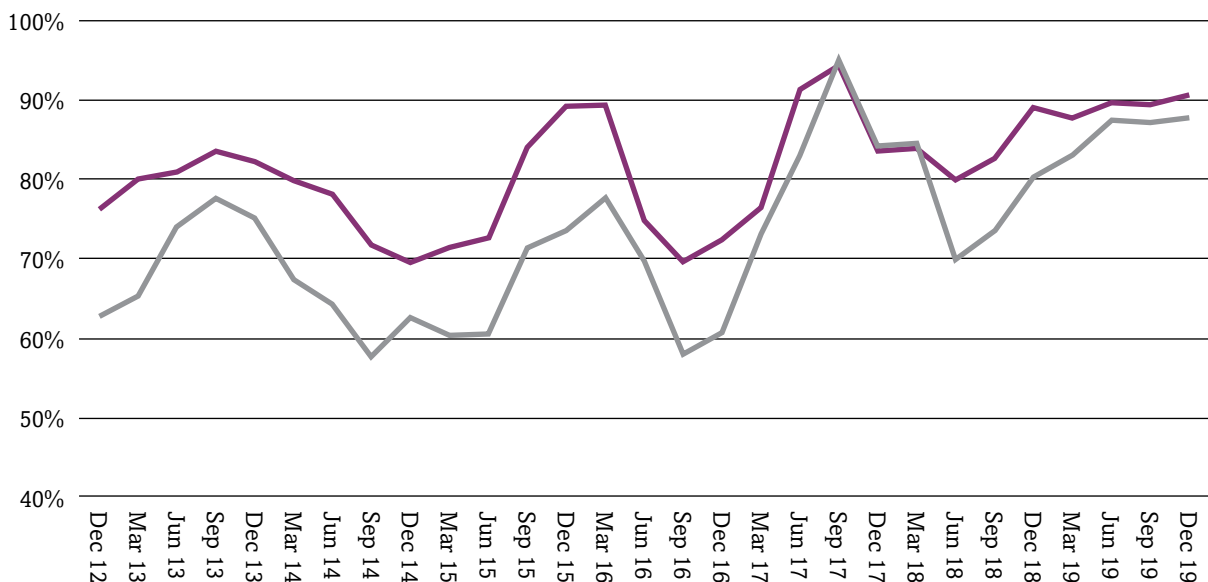
In the six months to 31 December 2019, two councils joined LGFA. Taranaki Regional Council joined as a guarantor borrower while Kaikoura District Council joined as a non-guarantor borrower.

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

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

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

LGFA Market Share – rolling one year average



Source: PwC, LGFA

— LGFA Rolling Annual Market share

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Meet or exceed the Performance Targets outlined in section 5.

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

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

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



Financial statements Taukī pūtea

Statement of comprehensive income

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

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

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

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



Craig Stobo, Director
Board Chair



Linda Robertson, Director
Chair, Audit and Risk Committee

Statement of changes in equity

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

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

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

Statement of financial position

As at 31 December 2019 in \$000s

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

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

Statement of cash flows

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

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

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

1 Statement of accounting policies

a. Reporting entity

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

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

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

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

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

b. Statement of compliance

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

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

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

c. Basis of preparation

Accounting judgements, estimates and assumptions

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

Measurement base

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

The financial statements are prepared on an accrual basis.

Functional and presentation currency

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

Foreign currency conversions

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

Changes in accounting policies

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

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

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

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

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

There have been no other changes to accounting policies.

Early adoption standards and interpretations

LGFA has not early adopted any standards.

Standards not yet adopted

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

d. Financial instruments

Financial assets

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

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

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

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

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

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

Financial liabilities

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

Derivatives

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

Fair value hedge

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

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

e. Other assets

Property, plant and equipment (PPE)

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

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

Intangible Assets

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

f. Other liabilities

Employee entitlements

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

g. Revenue and expenses

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

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

Expenses

Interest expense

Interest expense is accrued using the effective interest rate method.

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

Income tax

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

Goods and services tax

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

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

h. Segment reporting

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

i. Judgements and estimations

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

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

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

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

2 Hedge accounting

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

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

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

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

3 Issuance and on-lending expenses

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

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

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

4 Operating expenses

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

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

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

5 Loans to local government

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

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

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

6 Bills on issue

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

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

7 Bonds on issue

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

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

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

8 Borrower notes

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

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

9 Treasury stock and bond repurchase transactions

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

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

Bond repurchase transactions:

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

10 Other assets

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

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

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

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

12 Share Capital

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

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

Shareholder information

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

13 Related parties

Identity of related parties

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

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

Shareholding local authorities, and non-shareholder local authorities who borrow more than \$20 million, are required to enter into a guarantee when they join or participate in LGFA. The guarantee is in respect of the payment obligations of other guaranteeing local authorities to the LGFA (cross guarantee) and of the LGFA itself.

Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to participating councils. The lending to individual councils is disclosed in note 5, and interest income recognised on this lending is shown in the statement of comprehensive income.

The purchase of LGFA borrower notes by participating councils. Refer note 8.

The Treasury (New Zealand Debt Management) provides LGFA with a committed credit facility and is LGFA's derivatives counterparty.

Other disclosures

Net Tangible Assets

Net tangible assets per \$1,000 of listed bonds as at 31 December 2019 is \$7.54 (30 June 2019: \$7.95).

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LGFA 

NEW ZEALAND LOCAL
GOVERNMENT FUNDING AGENCY
TE PŪTEA KĀWANATANGA Ā-ROHE

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Draft Statement of Intent 2020/21

1. Introduction

This Statement of Intent (SOI) sets out the intentions and expectations of New Zealand Local Government Funding Agency Limited (LGFA).

The LGFA is enabled under the Local Government Borrowing Act 2011 and is a council-controlled organisation (CCO) for the purposes of the Local Government Act 2002.

The SOI is prepared in accordance with section 64(1) of the Local Government Act 2002.

2. Nature and scope of activities

LGFA will raise debt funding either domestically and/or offshore in either NZ dollars or foreign currency and provide debt funding to New Zealand local authorities and CCOs and may undertake any other activities considered by the Board of LGFA to be reasonably related or incidentally to, or in connection with, that business.

The LGFA will only lend to Councils and CCOs that enter into all the relevant arrangements with it (such Councils being “Participating Local Authorities” and such Councils and CCOs being “Participating Borrowers”) and comply with the LGFA’s lending policies.

In lending to Participating Borrowers, LGFA will:

- Operate in a manner to ensure LGFA is successful and sustainable in the long-term;
- Educate and inform Participating Local Authorities on matters within the scope of LGFA’s operations;
- Provide excellent service to Participating Borrowers;
- Ensure excellent communication exists and be professional in its dealings with all its stakeholders; and
- Ensure its products and services are delivered in a cost-effective manner.

3. Objectives

Principal Objectives

In accordance with the Local Government Act 2002, in carrying on its business, the principal objectives of LGFA will be to:

- Achieve the shareholder-agreed objectives and performance targets specified in this Statement of Intent;
- Be a good employer;
- Demonstrate social and environmental responsibility;
- Maintain strong and sound corporate governance;
- Set and model high standards of ethical behaviour; and
- Operate in accordance with sound business practice.

Primary Objectives

LGFA will optimise the debt funding terms and conditions for Participating Borrowers. Among other things, this includes:

- Providing interest cost savings relative to alternative sources of financing;
- Offering flexible short and long-term lending products that meet Participating Borrowers' borrowing requirements;
- Delivering operational best practice and efficiency for its lending services;
- Ensuring certainty of access to debt markets, subject always to operating in accordance with sound business practice.

LGFA will ensure its asset book remains at a high standard by ensuring it understands each Participating Borrower's financial position, as well as general issues confronting the Local Government sector. Amongst other things, LGFA will:

- Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies;
- Analyse finances at the Council group level where appropriate and report to shareholders;
- Endeavour to visit each Participating Borrower annually, including meeting with elected officials as required, or if requested; and
- Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.

Additional objectives

LGFA has the following six measurable and achievable additional objectives which complement the primary objective. Performance against these objectives is reported annually.

LGFA will:

1. Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.
2. Provide at least 75% of aggregate long-term debt funding to the Local Government sector.
3. Achieve the financial forecasts outlined in section 4 for net interest income and operating expenses, including provision for a shareholder dividend payment in accordance with approved dividend policy.
4. Meet or exceed the Performance Targets outlined in section 5.
5. Comply with the Health and Safety at Work Act 2015.
6. Comply with the Shareholder Foundation Policies and the Board-approved Treasury Policy at all times.

4. Financial forecasts

LGFA's financial forecasts for the three years to 30 June 2023 are:

FINANCIAL YEAR (\$M)	SOI 2021 FEB DRAFT		
	Jun-21	Jun-22	Jun-23
Comprehensive income			
Interest income	246.1	247.7	271.2
Interest expense	227.1	227.8	248.8
Net Interest income	19.0	19.9	22.4
Approved Issuer Levy	1.5	1.0	1.0
Issuance & onlending costs	2.7	2.7	2.7
Operating overhead	4.0	4.1	4.2
Issuance and operating expenses	8.1	7.7	7.9
P&L	10.8	12.1	14.4
Financial position (\$m)	Jun-21	Jun-22	Jun-23
Capital	25.0	25.0	25.0
Retained earnings	68.9	80.1	93.5
Total equity	93.9	105.1	118.5
Shareholder funds + borrower notes / Total assets	2.3%	2.3%	2.3%
Dividend provision	0.9	0.9	1.0
Total assets (nominal)	11,655.1	12,451.4	12,915.8
Total LG loans - short term (nominal)	500.0	500.0	500.0
Total LG loans (nominal)	10,527.5	11,213.4	11,497.7
Total bills (nominal)	400.0	400.0	400.0
Total bonds (nominal) ex treasury stock	10,941.0	11,716.0	12,166.0
Total borrower notes (nominal)	168.4	179.4	184.0

Note that there is some forecast uncertainty around the timing of Net Interest Income, Profit and Loss, Total Assets, LG Loans, Bonds and Borrower Notes depending upon council decisions regarding the amount and timing of refinancing of their May 2021, April 2022 and April 2023 loans. LGFA will work with council borrowers to reduce this uncertainty. The above table assumes gross issuance of LGFA bonds per year of \$2.28 billion (2021/22), \$1.85 billion (2022/23) and \$1.9 billion 2023/24), however the issuance volume will be determined by LGFA at the relevant time by reference to factors including refinancing of existing borrowing by councils and (if applicable) council-controlled organisations, new borrowing by councils and (if applicable) council-controlled organisations and LGFA's own borrowing requirements for liquidity purposes. No decision has been made as to final issuance volume at this point and will depend upon market conditions.

5. Performance targets

LGFA has the following performance targets:

- LGFA's net interest income for the period to:
 - 30 June 2021 will be greater than \$19.0 million.
 - 30 June 2022 will be greater than \$19.9 million.
 - 30 June 2023 will be greater than \$22.4 million.
- LGFA's annual issuance and operating expenses (excluding AIL) for the period to:
 - 30 June 2021 will be less than \$6.7 million.
 - 30 June 2022 will be less than \$6.8 million.
 - 30 June 2023 will be less than \$7.0 million.
- Total lending to Participating Borrowers¹ at:
 - 30 June 2021 will be at least \$11,027 million.
 - 30 June 2022 will be at least \$11,713 million.
 - 30 June 2023 will be at least \$11,998 million
- Conduct an annual survey of Participating Borrowers who borrow from LGFA and achieve at least an 80% satisfaction score as to the value added by LGFA to the borrowing activities
- Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.
- Achieve 75% market share of all council borrowing in New Zealand
- Review each Participating Borrower's financial position, its headroom under LGFA policies and arrange to meet each Participating Borrower at least annually.
- No breaches of Treasury Policy, any regulatory or legislative requirements including the Health and Safety at Work Act 2015.
- Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due.
- Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating agency.

¹ Subject to the forecasting uncertainty noted previously

6. Dividend policy

LGFA will seek to maximise benefits to Participating Local Authorities as Borrowers rather than Shareholders. Consequently, it is intended to pay a limited dividend to Shareholders.

The Board's policy is to pay a dividend that provides an annual rate of return to Shareholders equal to LGFA fixed rate bond cost of funds plus 2.00% over the medium term.

At all times payment of any dividend will be discretionary and subject to the Board's legal obligations and views on appropriate capital structure.

7. Governance

Board

The Board is responsible for the strategic direction and control of LGFA's activities. The Board guides and monitors the business and affairs of LGFA, in accordance with the Companies Act 1993, the Local Government Act 2002, the Local Government Borrowing Act 2011, the Company's Constitution, the Shareholders' Agreement for LGFA and this SOI.

The Board comprises six directors with five being independent directors and one being a non-independent director.

The Board's approach to governance is to adopt best practice² with respect to:

- The operation of the Board.
- The performance of the Board.
- Managing the relationship with the Company's Chief Executive.
- Being accountable to all Shareholders.

All directors are required to comply with a formal Charter.

The Board will meet on a regular basis and no fewer than 6 times each year.

Shareholders' Council

The Shareholders' Council is made up of between five and ten appointees of the Shareholders (including an appointee from the Crown). The role of the Shareholders' Council is to:

- Review the performance of LGFA and the Board, and report to Shareholders on that performance on a periodic basis.
- Make recommendations to Shareholders as to the appointment, removal, replacement and remuneration of directors.
- Make recommendations to Shareholders as to any changes to policies, or the SOI, requiring their approval.

² Best practice as per NZX and Institute of Directors guidelines

- Ensure all Shareholders are fully informed on LGFA matters and to coordinate Shareholders on governance decisions.

8. Information to be provided to Shareholders

The Board aims to ensure that Shareholders are informed of all major developments affecting LGFA's state of affairs, while at the same time recognising both LGFA's obligations under NZX Listing Rules and that commercial sensitivity may preclude certain information from being made public.

Annual Report

The LGFA's balance date is 30 June.

By 30 September each year, the Company will produce an Annual Report complying with Sections 67, 68 and 69 of the Local Government Act 2002, the Companies Act 1993 and Financial Reporting Act 2013. The Annual Report will contain the information necessary to enable an informed assessment of the operations of the company, and will include the following information:

- Directors' Report.
- Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position, Statement of Cashflows, Statement of Accounting Policies and Notes to the Accounts.
- Comparison of the LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Auditor's Report on the financial statements and the performance targets.
- Any other information that the directors consider appropriate.

Half Yearly Report

By 28 February each year, the Company will produce a Half Yearly Report complying with Section 66 of the Local Government Act 2002. The Half Yearly Report will include the following information:

- Directors' commentary on operations for the relevant six-month period.
- Comparison of LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Un-audited half-yearly Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position and Statement of Cashflows.

Quarterly Report

By 31 January, 30 April, 31 July, and 31 October each year, the Company will produce a Quarterly Report. The Quarterly Report will include the following information:

- Commentary on operations for the relevant quarter, including a summary of borrowing margins charged to Participating Borrower's (in credit rating bands).

- Comparison of LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Analysis of the weighted average maturity of LGFA bonds outstanding.
- In the December Quarterly Report only, commentary on the Net Debt/Total Revenue percentage for each Participating Local Authority that has borrowed from LGFA (as at the end of the preceding financial year).
- To the extent known by LGFA, details of all events of review in respect of any Participating Borrower that occurred during the relevant quarter (including steps taken, or proposed to be taken, by LGFA in relation thereto).
- Details of any lending to CCOs during the quarter and the amount of CCO loans outstanding.

Statement of Intent

By 1 March in each year the Company will deliver to the Shareholders its draft SOI for the following year in the form required by Clause 9(1) of Schedule 8 and Section 64(1) of the Local Government Act 2002.

Having considered any comments from the Shareholders received by 30 April, the Board will deliver the completed SOI to the Shareholders on or before 30 June each year.

Shareholder Meetings

The Board will hold an Annual General Meeting between 30 September and 30 November each year to present the Annual Report to all Shareholders.

The Company will hold a meeting with the Shareholders' Council approximately every six months – prior to the Annual General Meeting and after the Half Yearly Report has been submitted. Other meetings may be held by agreement between the Board and the Shareholders' Council.

9. Acquisition/divestment policy

LGFA will invest in securities in the ordinary course of business. It is expected that these securities will be debt securities. These investments will be governed by LGFA's lending and/or investment policies as approved by the Board and/or Shareholders.

Any subscription, purchase or acquisition by LGFA of shares in a company or organisation will, if not within those investment policies, require Shareholder approval other than as concerns the formation of wholly-owned subsidiaries and the subscription of shares in such wholly-owned subsidiaries.

10. Activities for which compensation is sought from Shareholders

At the request of Shareholders, LGFA may (at its discretion) undertake activities that are not consistent with its normal commercial objectives. Specific financial arrangements will be entered into to meet the full cost of providing such as activities.

Currently there are no activities for which compensation will be sought from Shareholders.

11. Commercial value of Shareholder's investment

LGFA will seek to maximise benefits to Participating Local Authorities as Borrowers rather than Shareholders.

Subject to the Board's views on the appropriate capital structure for LGFA, the Board's intention will be to pay a dividend that provides an annual rate of return to Principal Shareholders equal to LGFA fixed rate bond cost of funds plus 2.00% over the medium term.

As the Shareholders will have invested in the LGFA on the basis of this limited dividend, the Board considers that at establishment the commercial value of LGFA is equal to the face value of the Shareholders' paid up Principal Shares - \$25 million.

In the absence of any subsequent share transfers to the observed share transfers on 30 November 2012, the Board considers the current commercial value of LGFA is at least equal to the face value of the Shareholders' paid up Principal Shares of \$25 million. This equates to a value per share of \$1.00.

12. Accounting policies

LGFA has adopted accounting policies that are in accordance with the New Zealand International Financial Reporting Standards and generally accepted accounting practice. A Statement of accounting policies is attached to this SOI.

The following statement is taken from the Financial Statements presented as part of LGFA's Annual Report 2019 (updated where necessary), accordingly, the statement does not contemplate LGFA lending to CCOs.

ATTACHMENT: Statement of accounting policies

1 Statement of accounting policies

a. Reporting entity

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

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

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

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

b. Statement of compliance

LGFA is an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). These financial statements have been prepared in accordance with that Act and the Financial Reporting Act 2013. LGFA's bonds are quoted on the NZX Debt Market.

LGFA is a profit orientated entity as defined under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IFRS and other applicable Financial Reporting Standard, as appropriate for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

c. Basis of preparation

Measurement base

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

The financial statements are prepared on an accrual basis.

Functional and presentation currency

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

Foreign currency conversions

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

Changes in accounting policies

NZ IFRS 9. New Zealand Equivalent to International Financial Reporting Standard 9. Financial Instruments.

NZ IFRS 9 (2014) is effective for the fiscal year commencing 1 July 2018.

NZ IFRS 9 replaces NZ IAS 39 Financial Instruments: Recognition and Measurement and sets out the requirements for hedge accounting and impairment for financial assets and liabilities. LGFA early adopted NZ IFRS 9 (2010) for the classification and measurement of financial instruments at commencement of business in 2012.

LGFA has elected to apply NZ IFRS 9 (2014) on a retrospective basis. Comparative information has not been restated as there has not been a material impact. Instead, the impact of adopting the new standard is reflected in opening equity on 1 July 2018.

Hedge accounting

There has been no change to accounting policy for hedge accounting as LGFA's current fair value hedge accounting meets the requirements of NZ IFRS 9.

Impairment

NZ IFRS 9 prescribes an expected credit loss impairment model which replaces the incurred loss impairment model in NZ IAS 39. The expected credit loss model requires LGFA to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

LGFA has not previously incurred any credit losses under the incurred loss impairment model (NZ IAS 39) and the introduction of the expected credit loss model (NZ IFRS 9) has not had a material impact on the measurement of LGFA's financial assets.

The changes to LGFA's accounting policies for expected credit losses on financial assets are set out below.

Methodology to determine expected credit losses

As at 30 June 2019, LGFA deemed that there had been no significant increase in credit risk since initial recognition for any financial asset and calculated the loss allowance for these instruments at an amount equal to 12-month expected credit losses, using the estimated probability of default multiplied by the estimated recovery rate.

The estimated probability of default is based on the Standard & Poor's' (S&P) Annual Global Default Study. Individual securities were assigned a probability of default over the 12-month period year based on their S&P, Fitch or Moody's credit rating. Unrated local authorities were assigned a shadow credit rating of A+, based on all complying with LGFA's financial covenants as at 31 December 2018, and S&P rating methodology where all New Zealand local authorities who have a credit rating from S&P are rated between AA and A+.

The estimated recovery rate is assigned using the S&P recovery rating scale. All local authorities were assigned a category of 1+, based on LGFA holding security over a council's rates which, in the event of a default, would give a statutory manager the legal right to impose a targeted rate to recover the principal and interest owing. All other financial assets were assigned a recovery rate based on the industry category and average S&P recovery rates for the security type.

The Treasury (New Zealand Debt Management) was assigned a category of 1+ for derivatives in gain.

Early adoption standards and interpretations

LGFA has not early adopted any standards.

New standards adopted

NZ IFRS 15. Revenue from Contracts with Customers.

NZ IFRS 15 has been adopted from 1 July 2018. There has been no impact on the financial statements.

Standards not yet adopted

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

NZ IFRS 16 Leases

NZ IFRS 16 becomes effective from 1 July 2019 and will not have a material impact on the financial statements.

Change in presentation. Statement of financial position

LGFA has changed the order of presentation of assets and liabilities in the Statement of financial position to reflect the order of liquidity for financial assets and liabilities. The change in presentation has been applied to both the current reporting period as well as associated comparatives.

d. Financial instruments

Financial assets

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

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

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

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

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

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

Financial liabilities

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

Derivatives

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

Fair value hedge

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

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

e. Other assets

Property, plant and equipment (PPE)

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

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

Intangible Assets

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

f. Other liabilities

Employee entitlements

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

g. Revenue and expenses

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

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

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

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

Income tax

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

Goods and services tax

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

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

h. Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

i. Segment reporting

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

j. Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. For example, the present value of large cash flows that are predicted to occur a long time into the future depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate used to calculate present values. Refer note 2a for fair value determination for financial instruments.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

APPENDIX 4

Draft letter (document number 10378472) being Council's proposed comments on the Draft Statement of Intent 2020/21 of Waikato Regional Airport Limited

21 April 2020

10378472

Barry Harris
Chairman
Waikato Regional Airport Limited
Hamilton International Airport
Airport Road
RD 2
Hamilton 3282

Digitally Delivered

Email: bsharris11@gmail.com
cc: mark@hamiltonairport.co.nz

Dear Barry

DRAFT STATEMENT OF INTENT 2020/21 AND HALF YEARLY REPORT 2019/20

Thank you for forwarding Council your draft Statement of Intent for 2020/21 and 2019/20 Half Yearly Report.

Council's Finance and Corporate Committee considered both of these documents at a recent meeting. In regard to the draft Statement of Intent we welcome the opportunity to provide comment to the Directors as the legislation provides.

Waipa District Council strongly values the Airport and we recognise its economic importance to the region. We are proud to have such an important element of our region's economic infrastructure located in the Waipa District!

Council acknowledges the Board's focus on the goals set out in the Strategic Plan which is already reflected in the airport's performance per the 2019/20 Half Yearly Report and financial forecasts. Council also supports the goals and objectives set out in the 2020/21 draft Statement of Intent and the Board's strategic areas of focus, although in this we recognize that the landscape is likely to have significantly changed in the wake of COVID-19.

We assume that that you will likely have to rework the 2020/21 Statement of Intent in response to the impact of COVID-19. We look forward to seeing further information in this regard, and a finalised SOI in due course.

Yours sincerely



Ken Morris
DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT

APPENDIX 5

Draft letter (document number 10378469) being Council's proposed comments on the Draft Statement of Intent 2020/21 of Waikato Local Authority Shared Services Limited

21 April 2020

10378469

Peter Stubbs
Chairman
Waikato Local Authority Shared Services Ltd
Private Bag 3038
Waikato Mail Centre
Hamilton 3240

Digitally Delivered

Email: peter@peterstubbs.co.nz
cc: kelvin.french@waikatolass.co.nz

Dear Peter

DRAFT STATEMENT OF INTENT 2020/21 AND HALF YEARLY REPORT 2019/20

Thank you for forwarding Council your draft Statement of Intent for 2020/21 and Half Yearly Report 2019/20.

Council's Finance and Corporate Committee considered both of these documents at a recent meeting.

In regard to the draft Statement of Intent we welcome the opportunity to provide comment to the Directors as the legislation provides.

Council acknowledges and is highly supportive of the WLASS transformation and the new performance framework. We are also supportive of the five initial priority projects that are the current focus of the Board. We can see the potential of WLASS to provide significant value-add to Councils across the region. This is of even more importance than normal, as our district and the wider region move into the COVID-19 recovery space.

Council supports the goals and objectives set out in the 2020/21 draft Statement of Intent and looks forward to seeing continued improvement in the efficiencies and savings gained by all member councils.

We look forward to seeing the finalised 2020/21 Statement of Intent in due course.

Yours sincerely



Ken Morris
DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT

APPENDIX 6

Draft letter (document number 10378468) being Council's proposed comments on the Draft Statement of Intent 2020/21 of the New Zealand Local Government Funding Agency Limited

21 April 2020

10378468

Craig Stobo
Chairman
Local Government Funding Agency
PO Box 5704
Lambton Quay
Wellington 6145

Digitally Delivered

Email: stobo@extra.co.nz
cc: mark.butcher@lgfa.co.nz

Dear Craig

DRAFT STATEMENT OF INTENT 2020/21 AND HALF YEARLY REPORT 2019/20

Thank you for forwarding Council your draft Statement of Intent for 2020/21 and Half Yearly Report 2019/20.

Council's Finance and Corporate Committee considered both of these documents at a recent meeting.

In regard to the draft Statement of Intent we welcome the opportunity to provide comment to the Directors as the legislation provides.

Waipa District Council strongly values the Local Government Funding Agency Limited and we recognise its importance in ensuring the availability of low priced debt funding to the sector. We will greatly benefit from this as our debt increases over the next few years and while our district is affected by the financial impacts of COVID-19.

Council supports the draft Statement of Intent for 2020/21 and the goals and strategic initiatives that the Board has set for the company.

We look forward to seeing the finalised 2020/21 Statement of Intent in due course.

Yours sincerely



Ken Morris
DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT

FINANCE AND CORPORATE COMMITTEE REPORT



INFORMATION ONLY

To: The Chairperson and Members of the Finance and Corporate Committee

From: Nada Milne, Financial Accountant

Subject: **Financial Report for the Period Ended 31 March 2020**

Meeting Date: 21 April 2020

File Reference: 68.10

1 EXECUTIVE SUMMARY

The financial position for the period ended 31 March 2020 is detailed in Section 3 and the attached report.

2 RECOMMENDATION

That the information contained in the 'Financial Report for the Period Ended 31 March 2020' (document number 10383108), of Nada Milne, Financial Accountant, be received, with the Committee noting the forecasts reported are February reforecasts, prepared prior to the extent of COVID-19 business disruption becoming evident, with work currently being carried out to better establish the impacts of COVID-19 and new forecasts to be reported on at future meetings.

3 STAFF COMMENTS

It is important to note that the forecasts reported are February reforecasts prepared prior to the extent of COVID-19 business disruption becoming evident. Work is currently being carried out to better establish the impacts of COVID-19 and we are currently reforecasting April – June 2020. This will be reported on at future meetings.

FINANCIAL RESULTS FOR MARCH

Total income is currently at 74 per cent of forecast. Operating expenditure is at 72 per cent of full year forecast.

Vested Assets of \$11.8 million have been recognised to date, which is 94 per cent of the forecast. These assets are mainly from the Transland, Roto O Rangi Road, Titanium Park (Ossie James Ext), Chatsfield Development, Aotearoa Park, Kotare Stage 3 and Bond Road Industrial Park subdivisions.

Discovered Assets of \$402,000 have been recognised to date. These assets are mainly from stormwater and wastewater database reconciliations, CCTV work, and a Jary Road underpass.

Development and reserve contributions of \$4.4 million have been received to date. Finance income is currently at 96 per cent of current budget due to the arbitrage arrangements put in place after the February reforecasting.

Subsidies and Grants are at 47 per cent of forecast due to timing of transportation capital works, particularly the Hanlin Road intersection. This has subsequently delayed the timing of the NZTA subsidy.

STATEMENT OF COST OF SERVICES

The Cost of Service Statement shows the breakdown of revenue for each significant activity and the breakdown of expenditure for each activity.

The table below summarises the operating revenue and expenditure for each significant activity:

Significant Activity	Operating Revenue			Operating Expenditure		
	Actuals	Forecast	Forecast %	Actuals	Forecast	Forecast
Year to Date	'000	'000	%	'000	'000	%
Governance	105	103	102%	6,347	9,512	67%
Planning & Regulatory	4,697	6,135	77%	6,192	8,555	72%
Community Services & Facilities	3,386	4,907	69%	17,414	25,378	69%
Roads & Footpaths	6,641	13,258	50%	16,937	21,326	79%
Stormwater	23	22	105%	2,770	4,121	67%
Wastewater Treatment & Disposal	594	743	80%	9,075	10,979	83%
Water Treatment & Supply	8,813	11,285	78%	9,656	13,644	71%
Support Services	10,485	13,973	75%	10,790	15,562	69%

Overall the gross revenue from Significant Activities is at 69 per cent of the forecast.

Overall the gross expenditure from Significant Activities is 73 per cent. All of the activity expenditure results are generally just below or above the anticipated 75 per cent of forecast with larger variances in Wastewater and Stormwater due to timing of expenditure.

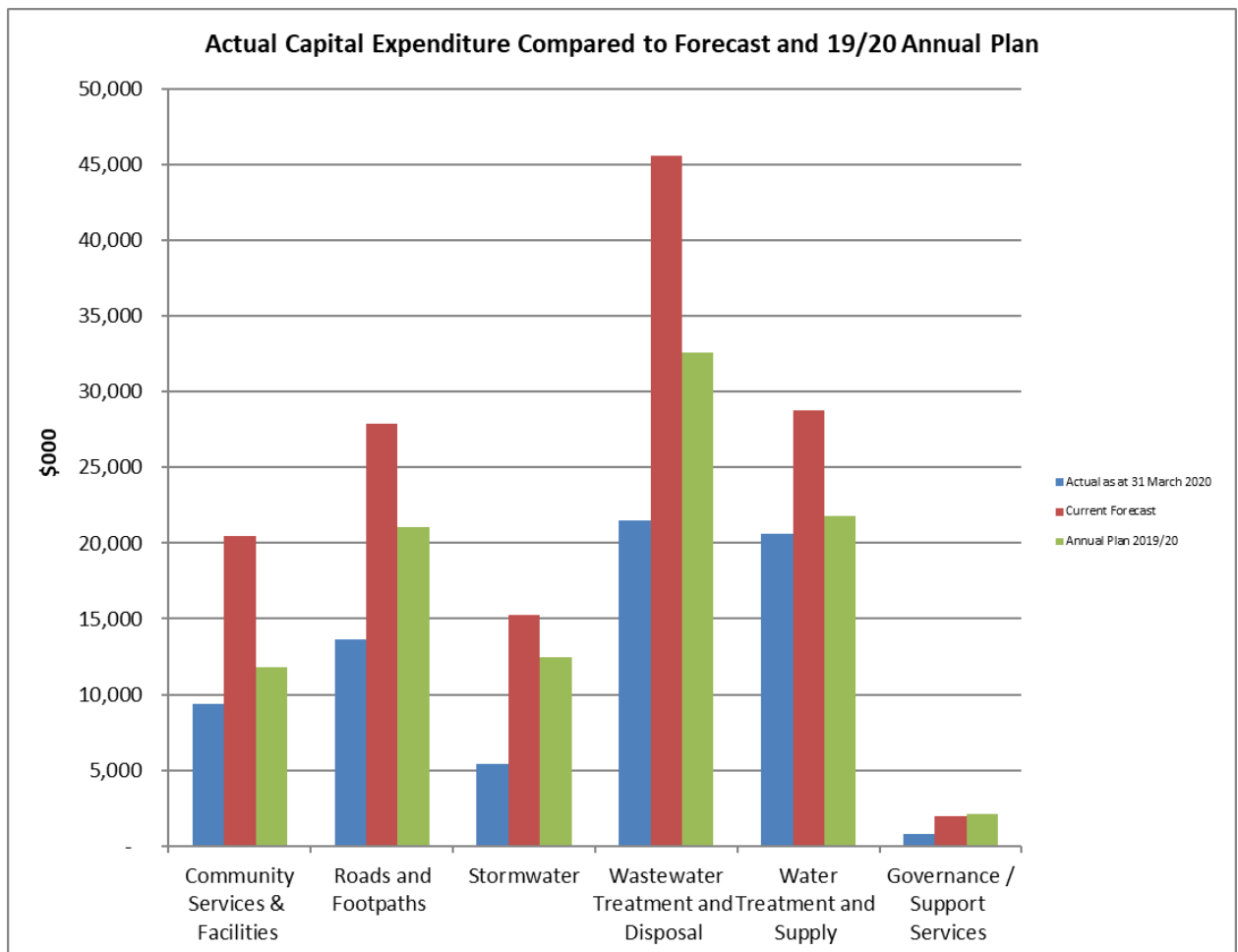
CAPITAL EXPENDITURE

Capital expenditure to date is \$71.3 million which is 51 per cent of forecast.

A total of \$16.9 million was carried forward from the 2018/19 year to the current year to complete the 2019/20 contracts. Other capital adjustments totalling a \$4.8 million reduction in forecast spend were included in prior periods and detailed in the February forecast.

There have been no major capital budget changes this month.

The capital forecast budget totals \$140 million. The graph below summarises the capital expenditure for each significant activity.



BUDGET CHANGES REQUIRING APPROVAL

There are no budget changes requiring approval this month.

ARBITRAGE ARRANGEMENTS

The Committee is formally advised of an arbitrage arrangement transacted on 12 March 2020.

The arrangement utilised \$6 million of short term fixed rate borrowing from the Local Government Funding Agency which was re-invested on a matched terms basis into a term deposit with the ASB bank, maturing in June 2020. This arrangement will yield approximately \$13,000 of net interest for Council.

RATES STATUS

Rates of \$62.1 million (GST inclusive) have been set for the year. The attached report summarises the position in relation to the collection of rates.

The amount outstanding from prior years is \$62,000. There is a balance outstanding of \$464,000 for the current year, prior to the billing of the final instalment which will be due for payment on 21 May.

RATES REBATES 31 MARCH

	Number Received	Number Approved	Amount Credited to Rate Accounts
2020	1,034	940	\$559,111
2019	1,049	974	\$583,388



Nada Milne
FINANCIAL ACCOUNTANT



Reviewed by Sarah Davies
MANAGER FINANCE



Approved by Ken Morris
DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 March 2020**

		2019/20	2019/20		2019/20	Budget	Budget	Budget	2018/19
		Full Year			Full Year	Variance	Variance	Variance	YTD
	Notes	Actual	Forecast	Forecast	Budget	Carryforward	Previously	This Period	Last Year
		\$000	\$000	%	\$000	from 18/19	Reported	\$000	\$000
OPERATING INCOME									
Rates, excluding targeted water supply rates		39,698	52,479	76%	52,479	-	-	-	37,863
Fees, charges, and targeted rates for water supply	1	17,709	22,967	77%	22,372	-	594	-	15,248
Reserve contributions	2	278	422	66%	578	-	(156)	-	324
Development contributions	2	4,083	7,067	58%	11,534	-	(4,466)	-	3,919
Gain on revaluation of investment properties & forestry		-	421	0%	421	-	-	-	-
Vested assets		11,791	12,504	94%	12,504	-	-	-	13,188
Discovered assets		402	-	-	-	-	-	-	16,464
Dividends		51	52	98%	40	-	12	-	44
Finance income	3	811	848	96%	190	-	657	-	851
Subsidies and Grants	4	6,229	13,124	47%	8,461	-	4,663	-	5,458
Other revenue	5	307	428	72%	403	-	25	-	2,368
Total Operating Income		81,359	110,312	74%	108,982	-	1,329	-	95,727
OPERATING EXPENDITURE									
Employee benefit expenses	6	17,984	24,902	72%	24,754	-	148	-	15,693
Depreciation & amortisation		18,744	23,708	79%	23,724	-	(16)	-	17,018
Other expenses	7	29,206	43,485	67%	36,646	3,358	3,481	-	30,815
Finance costs	8	1,053	1,358	78%	1,552	-	(194)	-	875
Total Operating Expenditure		66,987	93,453	72%	86,676	3,358	3,419	-	64,401
OPERATING SURPLUS		14,372	16,859	85%	22,306	(3,358)	(2,090)	-	31,326
Other Comprehensive Income recognised directly in Equity									
Property Plant and Equipment									
Revaluation gains/(losses) taken to equity		(142)	47,234	0%	47,234	-	-	-	(3,381)
Cash flow hedges		-	219	0%	219	-	-	-	-
Total Other Comprehensive Income for the year		(142)	47,453	0%	47,453	-	-	-	(3,381)
Total Comprehensive Income for the year		14,230	64,312	22%	69,759	(3,358)	(2,090)	-	27,945

* Any Operating surpluses generally come from non-cash items. Council budgets for a general funds cash breakeven position.

1. Fees and charges revenue \$594,000 higher than budget. This due to an increase in revenue forecast for Resource Management Consents of \$290,000, increase in RATA cost recovery for new water service \$145,000, increase in cemetery charges and burials \$117,000, Pensioner Housing Rent of \$77,000 due to Blundell Place sale not happening last year and an increase in Paper Road sales of \$83,000 due to the delayed sales, decrease in number of complex water connections completed of \$200,000 and a decrease in commercial rent due to the vacant property on Tirau Road \$22,000.
2. Reserve and Development Contributions are forecast to be \$4.6 million lower than budget based on revised estimates of development timing.
3. Finance income is forecast to be \$657,000 higher than budget. This is due to additional interest from short term arbitrage arrangements of \$826,000 which has been offset by lower than anticipated cash balances and interest rates of \$168,000.

4. Subsidies and Grants are forecast to be \$4.7 million higher than budget mainly due to an increase in forecast of NZTA funding \$4.6 million for Hanlin Road intersection and an increase of \$60,000 in external funding forecast for the Cambridge Pool.
5. Other revenue is forecast to be \$25,000 higher than budget. This is due to the profit on sale from the sale of vehicles.
6. Increase in Employee Benefit expenses of \$148,000. This is to be offset by additional revenue.
7. Increase in other expenses of \$6.8 million due to unspent balances carried forward of \$3.4 million for the de-sludge of Cambridge Sewer Treatment Plant, the Hicks Rd Water Mains Installation, Community Board Grants, Community Arts, Heritage Fund, Parks and Reserves, External Funding Balances, and Structure Plans. A further increase in other expenses of \$3.5 million including; increase in budget of \$1.1 million for Desludge Cambridge Sewer Treatment Plant, increase in budget for profit/loss of property sales for Maungatautaru Rd, Palmer Street and Te Rahu Road Cemetery being deferred to 2020/21 of \$1 million, decrease in budget of \$600,000 which was for Hautapu Industrial wastewater provision due to the deferral to 2020/21, increase in budget of \$345,000 for Hicks Rd mains installation for pump and bores, increase in budget of \$300,000 for Cambridge Wastewater Treatment Plant stage 1, decrease in budget of \$275,000 for the demolition of the Mahoe Street properties due to the deferral of the work to 2020/21, increase in budget of \$233,000 consultancy, agency staff and internal charging due to vacant positions (offset by employee benefit expenses), increase in budget of \$200,000 for Storm Water Modelling stage 3, increase in budget of 188,000 for TechnologyOne Budget Module implementation, increase in budget \$125,000 for improving the lease database, increase in budget for Council occupied buildings for security services contact of \$78,000, increase in budget of \$44,000 for Pirongia Town Hall which has been held in special funds for completion of the town concept plan, increase in budget of \$40,000 for Te Ara Wai marketing plan, increase in budget of \$36,000 for the closed landfill operating budget, increase in budget of \$15,000 for payment gateway cost increases, increase in budget of \$15,000 for redecoration of Cambridge Town Hall, decrease in budget of \$15,000 for savings in RATA roading costs (offset by additional RATA water costs and increases in revenue), and increase in budget of \$10,000 for Lake Arapuni vehicle removal.
8. Finance costs are forecast to be \$194,000 lower than budget due to reduced interest expense of \$646,000 due to lower debt requirements and lower borrowing rates. This has been offset by additional interest of \$452,000 for short term arbitrage arrangements with this cost being offset by increased interest revenue.

**STATEMENT OF COST OF SERVICES
FOR THE PERIOD ENDED 31 March 2020**

	2019/20		2019/20 Full Year	2019/20 Full Year	Budget	Budget	Budget	2018/19
	Actual	Forecast			Variance	Variance	Variance	YTD
	\$000	\$000	Forecast %	Budget \$000	Carryforward from 18/19 \$000	Previously Reported \$000	This Period \$000	Last Year \$000
Revenue								
Governance & Strategic Direction	105	103	102%	108	-	(6)	-	41
Planning and Regulatory	4,697	6,135	77%	5,675	-	460	-	4,453
Community Services and Facilities	2,441	3,748	65%	2,834	-	914	-	4,162
Pensioner Housing & Own Your Own Housing	945	1,159	82%	1,135	-	25	-	961
Roads and Footpaths	6,641	13,258	50%	8,511	-	4,747	-	5,369
Stormwater	23	22	105%	17	-	5	-	31
Wastewater Treatment and Disposal	594	743	80%	711	-	32	-	440
Water Treatment and Supply	8,813	11,285	78%	11,455	-	(170)	-	7,078
Support Services	10,485	13,973	75%	13,955	-	-	-	8,967
GROSS REVENUE	34,744	50,426	69%	44,401	-	6,007	-	31,502
Less Internal Charges	(10,416)	(13,887)	75%	(13,887)	-	-	-	(8,907)
NET INCOME	24,328	36,539	67%	30,514	-	6,007	-	22,595
Expenditure								
Council & Committees	2,000	2,723	73%	2,649	-	74	-	1,966
Cambridge Community Board	146	208	70%	201	-	7	-	137
Te Awamutu Community Board	137	185	74%	185	-	-	-	136
Elections	163	177	92%	231	-	(54)	-	5
Community Grants	1,125	1,443	78%	1,270	173	-	-	616
Strategic Planning	1,465	2,871	51%	2,130	711	29	-	1,743
Community Relationships	1,311	1,905	69%	1,913	-	(7)	-	1,316
Resource Management	1,872	2,920	64%	3,032	-	(113)	-	1,866
Building Control	2,267	2,922	78%	2,757	-	166	-	1,735
Environmental Health	796	1,085	73%	1,106	-	(21)	-	752
Animal Control	566	799	71%	848	-	(49)	-	573
Development Engineering	691	829	83%	719	-	110	-	695
Parks and Reserves	5,000	7,675	65%	7,355	260	60	-	4,277
Karapiro Domain	1,242	1,625	76%	1,595	-	31	-	1,177
District Museums	908	2,134	43%	1,970	84	(2)	-	865
District Libraries	1,530	2,102	73%	2,149	-	(47)	-	1,387
District Pool Te Awamutu / Events Centre	1,452	1,910	76%	1,909	-	1	-	1,508
District Pool Cambridge	193	405	48%	801	-	(395)	-	165
Halls	298	540	55%	482	-	58	-	272
Heritage	263	470	56%	496	57	(1)	-	255
Cemeteries	257	438	59%	370	-	68	-	256
Public Toilets	374	583	64%	643	-	(60)	-	426
Properties	2,353	3,464	68%	2,807	-	657	-	2,165
Pensioner Housing & Own Your Own Housing	944	1,332	71%	1,371	-	(39)	-	986
Forestry	61	134	46%	134	-	-	-	54
Rural Fire/Civil Defence	229	335	68%	339	-	(4)	-	200
Waste Management	2,310	2,231	104%	2,023	25	183	-	1,121
Roads & Footpaths	16,937	21,326	79%	21,211	98	16	-	18,453
Stormwater	2,770	4,121	67%	3,922	-	199	-	4,075
Wastewater Treatment and Disposal	9,075	10,979	83%	8,366	1,210	1,403	-	6,301
Water Treatment and Supply	9,656	13,644	71%	12,656	660	328	-	8,751
Support Services	10,790	15,562	69%	14,460	80	1,022	-	9,316
GROSS EXPENDITURE	79,181	109,077	73%	102,100	3,358	3,620	-	73,550
Less Internal Charges	(10,416)	(13,887)	75%	(13,887)	-	-	-	(8,907)
Less rates charged to Council properties	(820)	(1,103)	74%	(1,103)	-	-	-	(270)
NET EXPENDITURE	67,945	94,087	72%	87,110	3,358	3,620	-	64,373

**STATEMENT OF CAPITAL EXPENDITURE
FOR THE PERIOD ENDING 31 March 2020**

	Full Year		Forecast %	Full Year		Budget	Budget	Budget	YTD
	Actual	Forecast		Budget	Variance Carryforward from 18/19	Variance Previously Reported	Variance This Period	Last Year	
	\$000	\$000		\$000	\$000	\$000	\$000	\$000	\$000
Water treatment and supply	20,601	28,788	72%	25,307	7,846	(4,365)	-	9,315	
Waste water	21,509	45,603	47%	42,799	1,193	1,612	-	11,229	
Roads and Footpaths	13,656	27,915	49%	23,581	1,699	2,635	-	11,889	
Stormwater	5,391	15,256	35%	11,279	3,635	165	-	5,555	
Community Services & Facilities	9,368	20,437	46%	22,177	2,093	(3,832)	-	5,963	
Governance	28	9	311%	-	-	9	-	65	
Support services	726	1,975	37%	2,585	400	(1,009)	-	3,023	
Planning & Regulatory	9	30	30%	-	-	30	-	-	
	71,288	140,013	51%	127,728	16,866	(4,755)	-	47,039	
Vested Assets (included above)					Carryforward from 18/19	Previously Reported	This Period		
Water treatment and supply	1,841	1,593	116%	1,593	-	-	-	3,070	
Waste water	1,666	2,557	65%	2,557	-	-	-	1,779	
Roads and Footpaths	5,728	5,408	106%	5,408	-	-	-	5,879	
Stormwater	2,556	2,946	87%	2,946	-	-	-	2,460	
	11,791	12,504	94%	12,504	-	-	-	13,188	
Totals excluding Vested					Carryforward from 18/19	Previously Reported	This Period		
Water treatment and supply	18,760	27,195	69%	23,714	7,846	(4,365)	-	6,245	
Waste water	19,843	43,046	46%	40,242	1,193	1,612	-	9,450	
Roads and Footpaths	7,928	22,507	35%	18,173	1,699	2,635	-	6,010	
Stormwater	2,835	12,310	23%	8,333	3,635	165	-	3,095	
Community Services & Facilities	9,368	20,437	46%	22,177	2,093	(3,832)	-	5,963	
Governance	28	9	311%	-	-	9	-	65	
Support services	726	1,975	37%	2,585	400	(1,009)	-	3,023	
Planning & Regulatory	9	30	30%	-	-	30	-	-	
	59,497	127,509	47%	115,224	16,866	(4,755)	-	33,851	

RATES STATUS REPORT

Notes	March 2020 \$000	March 2019 \$000
Arrears from prior years		
Opening balance	401	343
Add penalties	10	3
Less receipts	1 (350)	(318)
Total owing from prior years	61	28
Percentage collected	85%	92%
Rates for 2019/20		
Rates instalment	2 46,573	43,746
Add penalties	199	156
Less remissions	(242)	(226)
Less receipts	1 (46,066)	(43,309)
Total owing from current year	464	367
Percentage collected	99%	99%
Summary of rates for the year		
Arrears from prior years	62	28
Rates for 2019/20	464	366
Prepayments for future rating periods	1 (2,086)	(2,195)
Instalments not yet due	2 15,524	14,582
Total	13,964	12,781

Notes:

- 1) Receipts have been split across the different rating years
- 2) 3 instalments charged

WATER RATES STATUS REPORT

	Notes	March 2020 \$000	March 2019 \$000
Water Rates for 2019/20			
Opening Balance		604	0
Total Invoiced	1	9,477	7,847
Add penalties		61	49
Less remissions & adjustments		(138)	(177)
Less receipts		(8,850)	(7,526)
Total owing	2	1,154	193
Percentage collected		89%	98%
Summary of rates owing			
Water Rates for 2019/20		1,154	193
Prepayments	1	(106)	(77)
Total Owing		1,048	116
Notes:			
1) Number of quarters invoiced are as follows:			
Te Awamutu, Kihikihi, & Pirongia - 2 Quarters Invoiced			
Pukerimu/Ohaupo - 3 Quarters Invoiced			
Cambridge - 3 Quarters Invoiced			
2) Current owing includes \$778,813.00 not yet due			

FINANCE AND CORPORATE COMMITTEE REPORT



INFORMATION ONLY

To: The Chairperson and Members of the Finance and Corporate Committee

From: Manager Human Resources and Health and Safety Advisor

Subject: **Health and Safety Four Month Report; Nov 2019 to Feb 2020 Inclusive**

Meeting Date: 21 April 2020

1 EXECUTIVE SUMMARY

It is with pleasure we present the Health & Safety (H&S) report, for the period November 2019 to February 2020 inclusive, to the Finance and Corporate Committee.

These are without doubt very interesting times in which COVID-19 has had and will continue to have an indelible impact on the world, our country, our community and our Council. Despite the situation we currently find ourselves in, it is nevertheless pleasing to reflect on pre-COVID-19 times and on the progress we continue to make in the health and safety space at Waipa District Council.

There are four items that have been elaborated on in this report (below), namely:

- Reviewing and updating the Chief Executive's H&S Policy Statement;
- A Positive Safety Initiative;
- The H&S Committee agreed annual objectives; and
- Sanctuary Mountain – a Wellness programme.

Garry's Health and Safety Commitment

In consultation with the Chief Executive, the Health and Safety Committee and the Executive Team, the Chief Executive's Health and Safety Policy Statement has been refreshed and updated. It is now: "Garry's Health and Safety Commitment". The document utilises the recently adopted Vital brand and focuses on the key principles that drive a positive health and safety culture: people, workplaces, practices and our H&S representatives. Posters will soon be displayed around worksites and buildings and a copy is provided for your information in Appendix 1.

A “shout out” to Claire Vincent for her Positive Safety Initiative

At every Health & Safety Committee meeting, there are nominations made for staff who have done something ‘amazing’ in the health and safety space. In February, there was clear endorsement for Claire Vincent to receive a Value & Appreciation Award. Claire was nominated by Bev Taylor for her quick actions during the recent lockdown in the Cambridge East area. Claire immediately checked the GPS location system for all Council’s vehicles, to ascertain if any vehicles were in the lockdown area. She made contact with the drivers to determine if they were safe and to advise them of the police alert that was currently in place. Claire took the initiative to check on the welfare of our staff by utilising the GPS tracking system, promoting exactly what the system was designed for – staff safety.

H&S Committee Annual Goals, January 2020

The H&S Committee developed and have committed to achieving the goals below. One of the goals is particularly aspirational: 100% representation of teams at H&S Committee meetings. It was unanimously agreed however, that health and safety is not the responsibility of one team member alone and that attendance at these meetings is crucial to disseminating key health and safety information and activities. Accountability will come back to Leaders if attendance records fall below 100%.

- 100% H&S representatives trained to Stage 1
- 25% H&S representatives trained in Incident Investigation training
- 100% H&S representation of teams at H&S committee meetings
- 100% H&S representatives involved in policy development, review, roll out of policies and the co-ordination of the implementation of policies.

Sanctuary Mountain – a Wellness programme

In February, members of the HR and H&S team met with Phil Lyons, Chief Executive of Sanctuary Mountain Maungatautari (SMM). Phil and his team at SMM have been developing a programme called “Forest Therapy”. Forest Therapy is a structured walk through nature, incorporating sensory and physical activities with a qualified guide. It provides a mix of gentle exercises similar to Tai Chi and walking, that aim to balance and revitalise both body and mind.

Sanctuary Mountain staff are currently developing a series of programmes for people with dementia and mobility issues, but wish to extend their programme to support people who work in stressful environments or who have high blood pressure. They have asked Council for our support with providing approximately twelve staff to undertake ‘field trials’ which test blood pressure, pulse rate, perceived mood, and perceived energy levels. Should these trials prove positive, SMM will look to market the programme further.

Council has agreed to support the trial and assist in the development of the Forest Therapy programme. The trial is due to commence in October 2020. With such a beautiful resource as the Maungatautari Ecological Island Trust on our doorstep, we look forward to assisting the SMM team, particularly in light of the potential for a local wellbeing and resilience programme being available to our staff and community.

Delayed work

Unfortunately, COVID-19 has caused a temporary delay to our review of three H&S policies. These will be recirculated to the H&S Committee members for feedback before being submitted to the Executive Team for sign-off:

- Stress Management
- Aggressive Behaviour
- Working Alone

2 RECOMMENDATION

That the information contained in the 'Health and Safety Four Month Report; November 2019 to February 2020 Inclusive' (document 10382925), of Stephanie Shores, Manager Human Resources and Bev Taylor, Health and Safety Advisor, be received.



Bev Taylor
HEALTH AND SAFETY ADVISOR



Stephanie Shores
MANAGER HUMAN RESOURCES

Attached:

- Appendix 1: Garry's Health and Safety Commitment, February 2020
- Appendix 2: Lead and Lag 'report on a page', which provides an overview of: Up and coming H&S initiatives, how we are tracking with the H&S Due Diligence Plan, the status of our top H&S risks, and commentary on incidents over this reporting period.

APPENDIX 1

Garry's Health and Safety Commitment, February 2020

**FEB
2020**

GARRY'S HEALTH AND SAFETY COMMITMENT

Health, safety and wellbeing is vital to our organisation and will be embedded in everything we do.

These principles will provide for a positive safety culture that is shared among our people and continues to grow within our organisation foundations.

Health and Safety it's

VITAL

Tikanga Ora, Tikanga Haumaru

HE MATAHIAPO!



Garry Dyet Chief Executive
Waipā District Council

VITAL PEOPLE ARE

Empowered | Well
Healthy | Informed
Aware | Engaged
Dedicated

VITAL WORKPLACES ARE

Vibrant | Safe
Equipped | Healthy
Maintained
Sustainable

VITAL PRACTICES ARE

Robust | Current
Visible | Sound
Consistent

VITAL REPRESENTATIVES ARE

Leaders | Trained
Included | Instrumental
Empowered | Valued
Engaged

APPENDIX 2

Lead and Lag Report November 2019 to February 2020

HEALTH AND SAFETY LEAD INDICATORS

Health Monitoring Programme: Waikato Occupational Health Consultancy (WOHC) this period:
 Appointments made per team with Occupational Health Nurse between Nov 2019 -Feb 2020

7x Parks & Reserves	5 x Building Compliance	3 x Wellbeing
4 x Project Delivery	3 x Water Services	13 x Customer Support
6 x Network Team	2 x Environmental Services	

- Nurse visits can cover: audiometry, spirometry, vision, musculo-skeletal, skin assessment, wellbeing checks, serology and Hep A&B and tetanus vaccinations and follow-ups.
- 1 x staff person underwent a Drug & Alcohol test following a post-incident – negative results

H&S Committee – February 2020 meeting:

- Reviewed Garry’s Health and Safety Commitment; signed off by Executive Team
- Health and Safety goals agreed and workplan developed
- Discussed Coronavirus and precautionary measures to take back to team members

Staff H&S Training this period:

- 23 First Aid refreshers and full certificates undertaken
- Conflict training scheduled for March 2020 with Lance Burdette for following teams: Customer Support, Development Engineering, Environmental Services, Consents, HR, Building Compliance, District Plan & Growth, Enforcement, Animal Control. Cost: \$8,831 (GST incl.)
- An ‘investigation training course’ will be available for Committee representatives post June 2020; this is a one day course to be run at Waipa.

All Staff Communications this period: 5-Minute Friday mail-out

- ‘Stress free Christmas’ / ‘Level Crossings’

Wellbeing – Staff Accessing Employee Assistance Programme this period

Clients		Referral Method		Gender	
Number of New Clients	7	Self	7	Female	6
Number of Existing Clients	2	Manager Suggested	2	Male	3

Occupational Grouping		Main Identified Personal Issues		Main Identified Work Issues	
Work Force	8	Financial	2	Performance	2
Supervisor/Team Leader	1	Relationships	2	Relationship with Co-Worker	2

H&S DUE DILIGENCE PLAN MONITORING

Objectives	Status
1. Acquire and keep up to date with health and safety matters	WorkSafe briefings e-mailed to the Leadership Team & H&S Committee over this reporting period. <ul style="list-style-type: none"> Stacey Shorthall’s leadership insights Asbestos awareness update Stay safe with gas and electricity Worksafe briefing including, heat at work, vibration control, sun protection, summer risks Workplace preparedness for COVID-19
2. Understand the nature of the business and its hazards and risks	Actions included in H&S Business Plan to mitigate Council’s Top H&S Risks as agreed at the February 2019 Executive Team Meeting. Ongoing update in column 2, under “Priority Health & Safety Risks Organisation-Wide”.
3. Ensure Council has appropriate resources and processes to manage risks to health and safety	<ul style="list-style-type: none"> H&S Contractor appointed to work on contractor management project. Employee Assistance Programme, and Health Monitoring programme being utilised well by staff. Additional conflict management training to be implemented to provide staff with additional coping strategies.
4. Ensure there are appropriate reporting and investigation processes in place	Reporting being completed as required. H&S Advisors meet monthly with GMs to discuss H&S matters in their groups including investigation outcomes and learnings.
5. Ensure processes are in place and are implemented to comply with duties under the HSWA Act 2015	Policy/Guidelines being developed: Working at Height and Confined Space Guidelines. H&S briefing to Executive Team members on a monthly basis to review and update H&S policies and guidelines.
6. Verify resources and processes are in place and are being used	Standardised reporting to Executive Team and Finance & Corporate Committee monitors how well H&S resources and processes are being utilised.

PRIORITY HEALTH & SAFETY RISKS ORGANISATION-WIDE

AGREED H&S RISKS ORGANISATION WIDE TO FOCUS ON (as of Feb 2019)

1. Aggressive Behaviours	Security project – This is progressing well with CCTV camera’s now operating in front line areas. Processes are being developed for duress alarms. Additional conflict management training scheduled for March 2020 specifically for those registering via TRAX, recent aggressive events.
2. Contractor Management	Utilising H&S Contractor to work with H&S Advisor on developing and implementing contractor management policy and guidelines over a six month period. Completion by June 2020. This may be slightly delayed due to COVID-19.
3. Health Monitoring	Health Monitoring progressing well with compliance roles completed or ongoing for new staff, and annual checks to commence. Working with HR in regard to pre employment testing.
4. Working at Height	Guidelines developed and out for consultation with relevant staff, union and leadership team. Completion date scheduled for May 2020.
5. Working in confined spaces	Guidelines developed – and out for consultation with relevant staff, union and leadership team. Completion date scheduled for May 2020.
6. Recording H&S Training	Project team (HR & H&S team members) reviewing TRAX capability to track organisation-wide training events as opposed to H&S only. Additional options being canvassed, including systems that will integrate with Council’s enterprise system. Completion date scheduled for May 2020 but will be pushed out due to COVID-19.
Monitor & Maintain	<ul style="list-style-type: none"> Stress Management (Wellbeing stats in Column 1) Working Alone Driving and Vehicle Usage

COMMENTARY ON H&S LAG METRICS (right)

44 Events logged in TRAX from 1 November to 29 February 2020

Comparison with Nov-Feb 2019 data in which 71 events were registered in TRAX, as opposed to 44 events during Nov-Feb 2020:

- 5 events in 2019 were registered as Major whereas there were only 2 in 2020;
- 18 moderate events were recorded in 2019 as opposed to 14 in 2020.
- Greatest variance reported in the minor and insignificant events categories, totalling 39 in 2019 and 18 in 2020. Monitoring and tracking of these variances will continue to assess the reason for a decline in minor and insignificant events – whether this is due to an actual reduction in events or a reduction in reporting events.

Events by Severity – 2 -major event as follows:

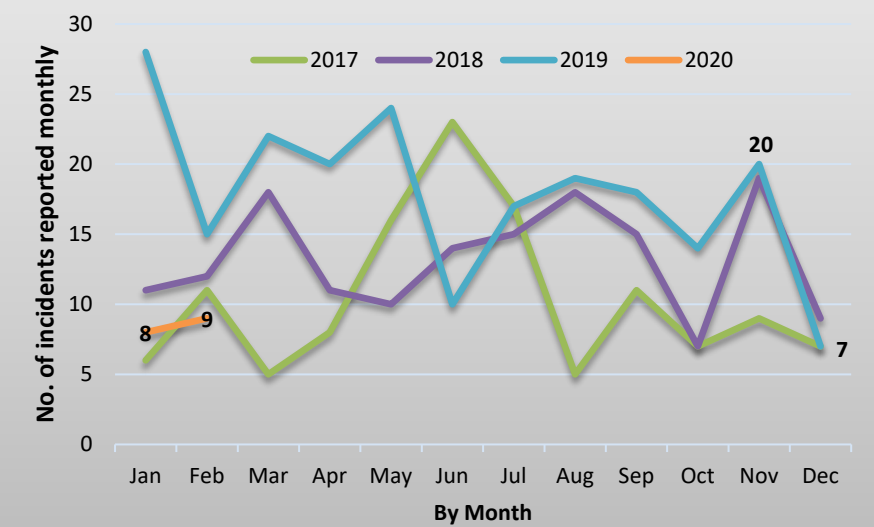
- Violent and aggressive behaviour to staff after dog was impounded. Police involved and person trespassed.
- Person fell on cobbles at library and had facial injuries - medical intervention required.

Moderate events:

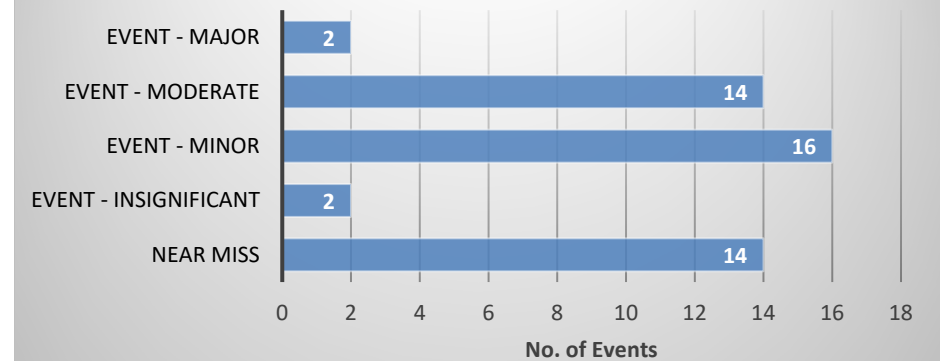
Risk assessed and mitigation measures put in place where appropriate. Overview of moderate events as follows:

- 2 x violent and aggressive behaviour events toward animal control staff, police involved when lone-worker device activated
- 1 x aggressive behaviour by member of public towards customer support officer
- 2 x events where staff were stung by bees, no medical intervention required
- 4 x slips, trips and falls – location:
 - Council entranceways
 - Stairs in council office
 - Contractor at worksite
- 3 x strains (back, shoulder, hand, arm)
- Petrol fumes in workplace from start-up of vehicles
- 2 x strains and sprains from manual handling

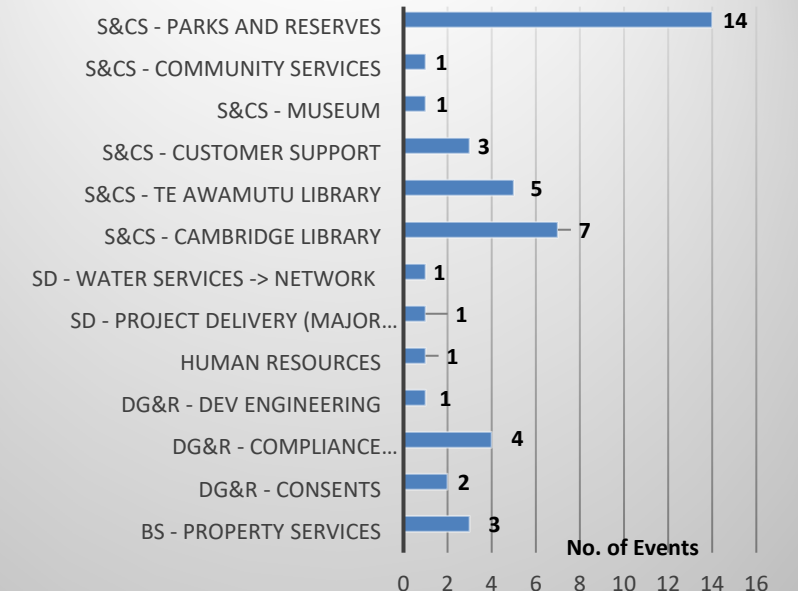
2017, 2018, 2019, 2020 Comparison of all reported events



Events by Severity Recorded in TRAX 1 Nov 2019 to 29 Feb 2020



Events by Group/Department Recorded in TRAX 1 Nov 2019 to 29 Feb 2020



Groups: BS = Business Support Group
 SD = Service Delivery Group
 S&CS = Strategy & Community Services Group
 DG&R = District Growth & Regulatory Group

To: His Worship the Mayor and Councillors
From: Governance
Subject: RESOLUTION TO EXCLUDE THE PUBLIC
Meeting Date: 21 April 2020

1 RECOMMENDATION

THAT the public be excluded from the following parts of the proceedings of this meeting.

The general subject of the matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
<i>1.1 Maungatautari Ecological Island Trust(MEIT) Quarterly Report</i>	<i>Good reason to withhold exists under section 7 Local Government Official Information and Meetings Act 1987</i>	<i>Section 48(1)(a)</i>

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act, which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, are as follows:

Item No.	Section	Interest
<i>1.1</i>	<i>Section 7(2)(b)</i>	<i>To protect information which if public would; i. disclose a trade secret; or ii. unreasonably prejudice the commercial position of the person who supplied or who is the subject of the information</i>