

Notice is hereby given that an ordinary Meeting of the Finance Committee will be held on:

Date: Tuesday 11 April 2017
Time: 9.30am
Meeting Room: Council Chamber
Venue: Municipal Building, Garden Place, Hamilton

Finance Committee

OPEN ATTACHMENTS

ATTACHMENTS UNDER SEPARATE COVER

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Note: The attachments contained within this document are for consideration and should not be construed as Council policy unless and until adopted. Should Councillors require further information relating to any reports, please contact the relevant manager, Chairperson or Deputy Chairperson.

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Item 6

Attachment 1



STATEMENT OF INTENT FOR 2017/18

30 June 2017

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Waikato Local Authority Shared Services Limited

Introduction

This Statement of Intent is a public declaration of the activities and intentions of the Council Controlled Organisation, Waikato Local Authority Shared Services Limited (WLASS). The statement outlines the proposed work plan for 2017/18 and the Directors' accountabilities to the shareholders for corporate performance, as is intended by Schedule 8 of the Local Government Act 2002.

Objectives of WLASS

Local Authority Shared Services Limited was incorporated under the Companies Act 1993 on the 13th day of December 2005, and changed its name to WAIKATO LOCAL AUTHORITY SHARED SERVICES LIMITED on the 4th day of April 2016. WLASS is owned by the 12 Waikato local authorities, with each shareholder owning an equal number of shares and having an equal say in its development. WLASS provides a legal entity, representative of all the shareholding councils, which can enter into contracts and agreements with external suppliers and provide value to the shareholders by reducing costs. WLASS contracts are available to be joined by any shareholder that so chooses.

Much of the work of WLASS is undertaken by Working Parties or Advisory Groups made up of staff representatives from the shareholding councils, with expertise and interest in particular services. The WLASS CEO provides facilitation and co-ordination of the Working Parties, and is an ex officio member of the Advisory Groups.

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 and its working streams.

The objectives of WLASS 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
- To promote business transformation to improve customers' experiences.

Nature and Scope of Current Activities

There are currently nine major initiatives operating under the WLASS umbrella, plus a support role for the collaborative work streams of the Waikato Mayoral Forum.

- 1 Shared Valuation Data Service (SVDS).** This system provides timely and accurate valuation data to the 10 member Councils (Waikato Regional, Hamilton City, Hauraki, Matamata Piako, Rotorua, South Waikato, Thames Coromandel, Waikato, Waipa and Waitomo District Councils). The SVDS has become the accepted valuation database for the region. Data sales significantly reduce costs to the participating councils.
- 2 Road 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 Mayoral Forum. The activity transferred to WLASS on 1 July 2016. The aim of RATA is to achieve best practice in road asset management by improving capability, capacity and outcomes through effective collaboration. 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 currently acts as the host council for RATA, providing accommodation and overheads (which are fully recovered from the participating councils), and managing the employment agreements/relationships with the three staff members. This activity is fully funded by the nine participating councils (Hamilton City, Hauraki, Matamata Piako, Otorohanga, South Waikato, Thames Coromandel, Waikato, Waipa and Waitomo District Councils, supported by the NZ Transport Agency) and operates as a separate cost centre.

- 3 Waikato Regional Transportation Model (WRTM).** This model 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 NZ Transport Agency. WRTM is making a significant contribution to strategic planning of 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 assessment in relation to the development of Ruakura. This activity is fully funded by the seven participating councils (Waikato Regional, Hamilton City, Matamata Piako, Taupo, Thames Coromandel, Waikato, and Waipa District Councils, supported by the NZ Transport Agency), and operates as a separate cost centre. It has been managed by RATA since 1 July 2016.
- 4 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 Group now comprises eight councils (Hamilton City, Hauraki, Matamata Piako, Otorohanga, Thames Coromandel, Waikato, Waipa and Waitomo Districts). The Group has developed a common quality assurance system with associated supporting documentation and media 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).

Waikato District Council currently acts as the host council for the WBCG, providing accommodation and overheads (which are fully recovered from the WBCG), and managing the employment agreements/relationships with the two staff members. The activity is fully funded by the participating councils, and operates as a separate cost centre. The activity transferred to WLASS on 1 July 2016.

- 5 **Future Proof.** This is a collaborative partnership between Hamilton City, Waikato and Waipa Districts, Waikato Regional Council and Tāngata whenua, with assistance from the New Zealand Transport Agency. 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 (Future Proof sub-region), which was adopted by the partners on 30 June 2009.

The accommodation, overhead and employment arrangements of the Future Proof Planner are managed by Hamilton City Council. This activity is fully funded by the participating councils, and transferred to WLASS on 1 July 2016.

- 6 **Energy Management.** WLASS entered into a Collaboration Agreement with the Energy Efficiency Conservation Authority (EECA) in February 2016. This arrangement will bring \$210,000 in revenue from EECA over three years, subject to meeting specific energy saving targets. The activity is fully funded by the ten participating councils (Matamata Piako is not eligible, as it has previously received EECA funding, and Thames Coromandel is not participating), and operates as a separate cost centre.
- 7 **Joint Procurement Initiatives.** WLASS is a party to numerous joint procurement contracts between the company, shareholding Councils and suppliers. Some contracts (e.g. insurance brokerage services; various collective insurance policies; courier and postal services; historic aerial photography) involve all of the shareholding councils. Other joint procurement contracts have been negotiated, but only some of the shareholding councils have chosen to participate (e.g. the Professional Services Panel; computer-generated print, mail house and e-services; IT Professional Services Panel; Internal Audit Services). A review of procurement opportunities will assist in determining the future direction of WLASS procurement activities.
- 8 **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 of the shareholding councils are participating in this 4-year project, which includes a subsidy of \$56,000 from LINZ. The project is running ahead of schedule and is now expected to be completed in 2018.
- 9 **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 four WRAPS contracts – 2002, 2007, 2012, and the 2016 contract that is currently in progress. Consideration is currently being given to changing the frequency to 4-yearly. WRAPS became a WLASS project in December 2014 and is fully funded by the participating councils.

Proposed New Activities

New Business Transformation Initiatives

In response to the challenge set in the 2016/17 SOI (to “investigate business transformation opportunities which will improve customer experiences and provide added value, particularly within the digital field of operation”), a number of projects are underway in the 2016/17 financial year which are likely to result in new work streams for WLASS. New funding is also likely to be required, and will be included in the final version of this SOI.

The projects currently being investigated are:

Procurement

A contract has been let to undertake a “health check/maturity assessment” of procurement activities and processes in the WLASS councils, and to identify opportunities and/or alternative approaches that could be taken to provide greater value to shareholders.

Aligned Planning

One of the outputs from the Waikato Plan was a report completed by GMD Consulting Ltd, which identified a range of methods by which councils can achieve greater efficiencies and effectiveness in the processing of resource consents. A business case is in preparation, to identify the benefits of progressing some or all of the recommendations in the report, and the investment that will be required to make progress. Recommendations will be made to the Board in the last quarter of the 2016/17 financial year.

GIS

Geographic Information Systems (GIS) in the Waikato region are characterised by a wide range of systems and software and are at varying levels of maturity. As a sector, Territorial Authorities are challenged with rapidly developing technology, an ever increasing requirement for skills, competition for skilled and knowledgeable staff, and a greater need to keep ahead of citizen requirements. Other regions face the same challenges and have responded in various ways. An investigation is underway into the progress being achieved by other GIS regional initiatives, to identify the benefits of different delivery models and their applicability to the Waikato. New collaborative initiatives will be identified, prioritised and business cases developed for those with significant benefits.

Work is also in progress to identify how spatial information systems can support the Waikato region within the framework of the Waikato Digital Strategy (see below) and contribute to the WLASS digital strategic direction setting from a spatial and analytical perspective.

Building

The Waikato Building Consent Group (WBCG) has reached a level of maturity within their current framework, but it is evident that there are opportunities to go a lot further. A strategic visioning workshop is being planned by the WBCG, to develop a long-term vision (10 years), and consider alternative service delivery options to achieve that vision. Proposals will then be considered by the Board.

Digital Strategy

Work is in progress to define the scope for the development of a WLASS Digital Strategy, what the challenges are, what success would look like, and to make recommendations to the Board on the next steps.

Additional Costs

Due to the increased workload arising from the growth of WLASS (turnover in 2014/15 was \$2.1M, compared with an estimated \$3.5M in 2017/18), additional funding of \$20,500 is

required to fund accounting services. This equates to 2% of total revenue, the same percentage as in 2014/15.

In addition, it is proposed to replace the current accounting package (MoneyWorks) with a new system, such as Xero, which will be more efficient in dealing with the increased complexity of the WLASS accounts. The likely additional cost for a licence is approximately \$850 p.a.

The Mayoral Forum (Policy and Bylaws work stream) project to publish a Regional Infrastructure Technical Specifications (RITS) document (a regional guide on how to construct public infrastructure) is expected to be completed in May 2017. New funding of \$18,000 p.a. has been included in the Procurement cost centre to fund a contractor to manage and review requests for changes/improvements/updates to the document, and to manage the process for including new approved products into the RITS, to keep it up-to-date. These costs will be funded solely by those councils using RITS (currently all of the shareholding councils, excluding Taupo, Thames Coromandel and Waikato Regional).

Waikato Mayoral Forum

Establishment of the **Waikato Mayoral Forum** in 2012 resulted in the creation of five work streams to investigate collaborative opportunities in the areas of governance, spatial planning, two waters, roading, and economic development. An additional work stream for bylaws and policies was created in 2013, focussing on reducing the number and standardising the format of Council policies and bylaws, and developing RITS.

The governance work stream is currently in abeyance. The spatial plan work stream is now known as the Waikato Plan, and is governed by a Joint Committee, which was established in July 2015. The two-waters project is now being run by a consortium comprising Hamilton City, Waikato and Waipa District Councils, who are investigating a future delivery model for water services across the three councils. As noted above, the roading work stream (RATA) transferred into WLASS on 1 July 2016. The Economic Development work stream has developed a strategy, and implementation of the "Waikato Means Business" plan was devolved to an independent Steering Group in July 2015. The work of the Policy and Bylaws work stream is ongoing.

The Mayoral Forum will be considering potential new work streams for the new triennium, and there may be a further role for WLASS, which provides administrative and financial support both to the Mayoral Forum and its work streams. This draft SOI does not include any new funding for Mayoral Forum work streams, but there is an opportunity for new funding to be included when the SOI is finalised in June, following feedback from shareholders.

Benefits of WLASS

Over the period that the company has been operating, benefits have been delivered in the form of:

- Improved level and quality of service
- Co-ordinated approach to the provision of services
- Reductions in the cost of services
- Development of new initiatives
- Opportunities for all Councils (irrespective of their location or size) to benefit from joint initiatives
- Economies of scale resulting from a single entity representing all Councils and leveraging procurement opportunities.

Based on feedback from the shareholding Councils and the Mayoral Forum, the WLASS Directors continue to discuss opportunities to develop shared services at Board meetings. The Directors see the continuing investigation of possible future shared services as a key focus of their role.

Governance

WLASS has twelve Directors, with each Director representing a shareholder Council.

Unless otherwise agreed by the appointing Councils, each Director shall be the Chief Executive of a local authority. In addition, the Board may appoint up to three professional directors to supplement the Directors' expertise. At this time, no independent directors have been appointed to the Board.

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.

Directors

The current Directors of WLASS are:

Director	Position	Director Appointed By
Gavin Ion (Chair)	Chief Executive, Waikato District Council	Waikato District Council
Richard Briggs	Chief Executive, Hamilton City Council	Hamilton City Council
Langley Cavers	Chief Executive, Hauraki District Council	Hauraki District Council
Don McLeod	Chief Executive, Matamata-Piako District Council	Matamata-Piako District Council
Dave Clibbery	Chief Executive, Otorohanga District Council	Otorohanga District Council
Geoffrey Williams	Chief Executive, Rotorua District Council	Rotorua District Council
Craig Hobbs	Chief Executive, South Waikato District Council	South Waikato District Council
Gareth Green	Chief Executive, Taupo District Council	Taupo District Council

Rob Williams	Chief Executive, Thames-Coromandel District Council	Thames-Coromandel District Council
Vaughan Payne	Chief Executive, Waikato Regional Council	Waikato Regional Council
Garry Dyet	Chief Executive, Waipa District Council	Waipa District Council
Chris Ryan	Chief Executive, Waitomo District Council	Waitomo District Council

Activities for which the Board seeks Compensation

Additional shared services may be developed during the year that this Statement of Intent is current. Any such services will only be delivered by WLASS after the Directors have agreed that the proposed new service meets the objectives of WLASS.

Shareholders will continue to contribute to the operational costs of the WLASS on an annual basis. Specific projects will be funded solely by those councils which choose to participate, subject to funding approval from each participating council.

Performance Targets

To ensure that the Company continues to operate effectively and efficiently, the performance targets for 2017/18 are as follows:

TARGET	METHOD	MEASURE
Procurement Joint procurement initiatives for goods and services for WLASS councils will be investigated and implemented.	Procurement is from sources offering best value, service, continuity of supply, and/or opportunities for integration.	Implement the recommendations of the Procurement review, as approved by the Board. New suppliers are awarded contracts through a competitive tender process.
Collaborative Projects Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented.	The focus is on shared services which will benefit all councils.	A minimum of three priority projects for collaboration are identified per annum. If considered of value, business cases are developed for approval by the Board, and the projects are implemented.
Existing WLASS Contracts Existing contracts are managed and renegotiated as required.	Appointed vendors deliver on the terms of their contracts and deliver value to the shareholders.	The WLASS Contracts Register is maintained and managed. Contracts which are due for renewal are tested for competitiveness and either renegotiated or re-tendered through a competitive process.
Cashflow The company shall maintain a positive cashflow position.	The Financial Accountant reviews cashflow monthly.	The WLASS Board reviews the financial statements quarterly.

<p>Cost Control Administration expenditure shall be managed and monitored.</p>	<p>The Financial Accountant and Chief Executive review expenditure monthly. The WLASS Board reviews the financial statements quarterly.</p>	<p>Administration expenditure shall not exceed budget by more than 5%, unless prior approval is obtained from the Board.</p>
<p>Reporting Six monthly reports provided to Shareholders.</p>	<p>The Chief Executive prepares a written report for the WLASS Board every meeting. One 6-monthly and one Annual Report are prepared for shareholders.</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, which includes a report that all of the statutory requirements of the WLASS are being adhered to.</p>
<p>Waikato Mayoral Forum The company shall provide administrative support to the Mayoral Forum work streams and to the Mayoral Forum.</p>	<p>Mayoral Forum projects shall be managed financially through the WLASS.</p>	<p>Approved invoices for Mayoral Forum projects are paid by the 20th of the month following their receipt.</p>
<p>Shared Valuation Data Services (SVDS) The SVDS is reliable, well maintained and available to all users.</p>	<p>A Contract Manager is appointed for SVDS. The Contract Manager monitors performance of the contractors and reports quarterly to the SVDS Advisory Group.</p>	<p>The SVDS is available to users at least 99% of normal working hours. All capital enhancement work is supported by a business case and approved by the SVDS Advisory Group. The SVDS Advisory Group meets at least 6-monthly.</p>
<p>Insurance Achieve the relevant KPIs in Appendix 4 of the Insurance Brokerage contract with Aon.</p>	<p>The Insurance Broker delivers on the terms of their contract and provides value to the participating councils.</p>	<p>Strategic advice provided by Aon on the insurance programme structure is assessed as satisfactory in the annual WLASS Shareholders' survey by the participating councils. The day-to-day service provided by Aon is assessed as satisfactory in the annual WLASS Shareholders' survey by the participating councils.</p>
<p>RATA' All stakeholders are kept informed about RATA's projects and achievements.</p>	<p>Six monthly and annual reports are provided to all stakeholders. Annual Forward Works</p>	<p>Reports presented to WLASS Board as at 30 December and 30 June, and circulated to stakeholders. Reports include a summary of savings and achievements. All RATA councils participate in</p>

<p>Sub-regional data collection contracts deliver good quality data on roading assets.</p>	<p>Programme tours are completed, to provide opportunities for councils' roading staff to share their knowledge and experience</p> <p>Data collection contracts (minimum of two across the region) are managed in accordance with best practice.</p> <p>Data supplied by contractors is of good quality and meets all councils' requirements.</p>	<p>the tour.</p> <p>Report on tour outcomes prepared by 31 December each year, and circulated to stakeholders.</p> <p>Contracts which are due for renewal are tested for competitiveness and either renegotiated or tendered through a competitive process.</p> <p>Any data issues are identified and resolved, with any incidents reported to stakeholders.</p>
<p>Waikato Regional Transport Model (WRTM) The WRTM is reliable, well maintained and available to all users.</p>	<p>RATA manages the WRTM on behalf of the participating councils, and monitors the performance of the model supplier (currently Traffic Design Group).</p> <p>RATA reports quarterly to the WRTM Project Advisory Group.</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>Waikato Building Consent Group Provide strategic direction and actively pursue improvements in Building Control across the Waikato region.</p>	<p>Develop and maintain a quality assurance system for building consents, that meets statutory compliance and supports excellence and consistency in customer service and business practice.</p>	<p>Internal audits are completed annually for each Group member.</p> <p>Provide Group members with a joint quality assurance system that meets statutory compliance.</p> <p>Report at least six monthly to the WLASS Board on the Group's activities.</p>
<p>Future Proof All stakeholders are kept informed about Future Proof's projects and achievements.</p>	<p>Six monthly and annual reports are provided to all stakeholders.</p>	<p>Reports presented to WLASS Board as at 30 December and 30 June, and circulated to stakeholders.</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</p>	<p>A survey of shareholders is undertaken each year, and the results are reported to all</p>

	WLASS.	shareholders.
<p>Review of Benefits Shareholders are informed of the benefits being provided to shareholding councils by WLASS.</p>	<p>The benefits of WLASS (including financial and non-financial achievements) are regularly analysed and reported to shareholders.</p>	<p>Information on the financial and non-financial benefits being achieved by WLASS are included in the 6-monthly and Annual Report to shareholders.</p> <p>The "Collaboration in Action" document, which summarises the achievements of WLASS, be updated and circulated to shareholders by 31 December 2017.</p>

¹ The performance measures for RATA are currently under review and will be updated in the final version of the SOI.

Policy Statements

Statement of Accounting Principles

Financial statements are for a company wholly owned by the 12 local authorities within the Waikato Region, in the proportion of one share per local authority. Financial statements are prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with the New Zealand Generally Accepted Accounting Practice (NZ GAAP), the Financial Reporting Act 1993 and the NZ Financial Reporting Standard No. 42.

Specific Accounting Principles

The following particular principles, which have a significant effect on measurement of the financial position, will apply:

- Receivables are recorded at their face value, less any provisions for impairment.
- Investments are valued at the prevailing market value.
- Fixed assets are recorded at cost, less accumulated depreciation.

Intangible Assets

Where intangible assets are purchased, such as intellectual property and computer software, these are capitalised and written off on a straight line basis over their expected life, but over no greater than seven years.

Depreciation / Amortisation is provided on a straight-line basis on all assets other than land, and shall align with normal accepted depreciation for the types of services being developed.

Impairment Testing

Assets with a finite life are reviewed annually 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Balance Sheet Ratios

The Local Government Act 2002 requires the Statement of Intent to include the projected ratio of shareholders' funds to total assets within the Forecast Statement of Financial Position.

WLASS is budgeted to have an accumulated shareholders fund of \$435,903 at 30 June 2018, which relates to 55.6% of total assets. The only liabilities of WLASS are trade creditors.

The Forecast Financial Statements for 2017/18 are included as part of this Statement of Intent.

Procedures for the Purchase and Acquisition of Shares

The Board will give approval before WLASS subscribes for, purchases, or otherwise acquires shares in any company or other organisation, which is external to the Group.

Inventories

It is not envisaged that the company will hold inventories, other than those that might relate to providing computer-based services to a number of parties. They will be valued at net realisable value.

Taxation

Taxation will be provided as required against the company, in line with the required legislation.

In accordance with the Public Audit Act 2001 and the Local Government Act 2002, the Auditor General will be responsible for the audit of the company's financial statements.

As the current shared services are on a cost recovery basis, it is not envisaged that any dividends will be paid.

Value of Shareholders' Investment

The Directors' estimate of the commercial value of the shareholders' investment in WLASS is equal to the shareholders equity in the company. Reassessment of the value of this shareholding shall be undertaken on or about 1 April each year.

Distributions to Shareholders

The Company is not expected to make profits that would ordinarily be distributed by way of dividends. Any surplus funds remaining from an activity or from the annual operations of the Company shall be carried forward to the ensuing year and may be used to reduce service costs, invest in further developing other services, and/or as the Directors may decide.

Compensation

The Directors of WLASS will not receive any fees or expenses for work undertaken on behalf of the company.

As the basis of funding for WLASS, payment will be sought from all local authorities that receive services from WLASS.

Information to be Provided to Shareholders

The company will deliver the following information to shareholders:

- Within two months of the end of the first half of the financial year, a 6-monthly report, including a Statement of Financial Performance, a Statement of Changes in Equity, a Statement of Financial Position, and a Statement of Cashflows and Service Performance.
- 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, a Statement of Cashflows and Service Performance, plus a summary of how the company has fared against its objectives.

Review of Statement of Intent

The Directors shall approve by 1 March of each year a Draft Statement of Intent for distribution to, and consideration by, the shareholders.

The shareholders must provide any comments or feedback on the Draft Statement of Intent within two months of 1 March. The Directors must consider all comments that are received, and shall deliver the completed Statement of Intent to the shareholders by 30 June.

Item 6

Financials

Attachment 1

Waikato Local Authority Shared Services Company Summary For the Year Ended 30 June 2018					
	Budget 2016/17	Budget 2017/18	Variance	Budget 2018/19	Budget 2019/20
Income					
Company Administration	271,117	296,828	25,711	303,358	310,336
Procurement	442,593	544,775	102,182	314,286	314,286
Information Technology	53,600	43,600	(10,000)	43,600	43,600
Energy Management	213,000	124,200	(88,800)	136,500	0
Shared Valuation Data Service (SVDS)	584,557	648,160	63,603	608,533	622,587
Road Asset Technical Accord (RATA)	914,000	930,621	16,621	951,757	973,542
Waikato Regional Transport Model (WRTM)	113,834	101,951	(11,883)	103,176	104,243
Waikato Building Consent Group	270,600	230,600	(40,000)	230,600	230,600
Future Proof	575,990	555,000	(20,990)	470,000	395,000
Waikato Mayoral Forum	71,000	7,000	(64,000)	7,000	7,000
Total Income	3,510,291	3,482,735	(27,556)	3,168,810	3,001,194
Operating Expenditure					
Company Administration	271,117	296,828	25,711	303,358	310,336
Procurement	442,593	544,775	102,182	314,286	314,286
Information Technology	53,600	43,600	(10,000)	43,600	43,600
Energy Management	213,000	124,200	(88,800)	136,500	0
Shared Valuation Data Service (SVDS)	574,367	637,776	63,409	598,145	611,960
Road Asset Technical Accord (RATA)	914,000	949,510	35,510	972,500	994,819
Waikato Regional Transport Model (WRTM)	113,834	101,951	(11,883)	103,176	104,243
Waikato Building Consent Group	270,600	237,915	(32,685)	238,224	238,313
Future Proof	455,000	573,889	118,889	490,743	416,277
Waikato Mayoral Forum	71,000	7,000	(64,000)	7,000	7,000
Total Operating Expenditure	3,379,111	3,517,444	138,332	3,207,531	3,040,834
Earnings before interest, tax and depreciation/ amortisation (EBITA)	131,180	(34,709)	(165,889)	(38,721)	(39,640)
Non-Cash Operating Expenditure					
Company Admin Non-Cash Expenditure	171	171	0	171	171
SVDS Non-Cash Expenditure	97,055	91,223	(5,832)	91,223	0
WRTM Non-Cash Expenditure	72,916	72,916	0	72,916	0
Total Non-Cash Operating Expenditure	170,142	164,310	(5,832)	164,310	171
Earnings before interest and tax (EBIT)	(38,962)	(199,019)	(160,056)	(203,031)	(39,811)
Net Surplus (Deficit) before tax	(38,962)	(199,019)	(160,056)	(203,031)	(39,811)
Company Admin Net Surplus (Deficit) before tax	(171)	(171)	0	(171)	(171)
Procurement Net Surplus (Deficit) before tax	0	0	0	0	0
IT Net Surplus (Deficit) before tax	0	0	0	0	0
Energy Mgmt Net Surplus (Deficit) before tax	0	0	0	0	0
SVDS Net Surplus (Deficit) before tax	(86,865)	(80,839)	6,027	(80,835)	10,627
RATA Net Surplus (Deficit) before tax	0	(18,889)	(18,889)	(20,743)	(21,277)
WRTM Net Surplus (Deficit) before tax	(72,916)	(72,916)	0	(72,916)	0
Building Net Surplus (Deficit) before tax	0	(7,315)	(7,315)	(7,624)	(7,713)
Future Proof (Deficit) before tax	120,990	(18,889)	(139,879)	(20,743)	(21,277)
Mayoral Forum Net Surplus (Deficit) before tax	0	0	0	0	0
Net Surplus (Deficit) before tax	(38,962)	(199,019)	(160,056)	(203,031)	(39,810)
Capital Expenditure					
SVDS Enhancements	10,190	10,384	194	10,388	10,627
Total Capital Expenditure	10,190	10,384	194	10,388	10,627

Waikato Local Authority Shared Services Company Admin For the Year Ended 30 June 2018						
	Notes	Budget 2016/17	Budget 2017/18	Variance	Budget 2018/19	Budget 2019/20
Income						
Company Administration Member Charges		209,550	213,531	3,981	213,619	218,532
Recovery of Admin Costs		55,067	71,297	16,230	77,475	79,257
Interest Received		6,500	12,000	5,500	12,264	12,546
Total Income		271,117	296,828	25,711	303,358	310,336
Expenses						
Accounting/ Financial Services	1	27,500	48,000	20,500	49,056	50,184
External Accounting/ Financial Services		5,000	5,095	95	5,207	5,327
Audit Fees		15,349	15,641	292	15,985	16,352
IT Services		92	94	2	96	98
Bank Charges		500	510	10	521	533
Legal Fees		2,500	2,548	48	2,604	2,663
Value Financials Licence Fee		2,341	2,784	443	2,845	2,910
Sundry Expenses		1,300	1,325	25	1,354	1,385
Professional Fees		2,500	2,548	48	2,604	2,663
Insurance	2	2,535	2,768	233	2,828	2,893
Shared Services Contractors		196,000	199,724	3,724	204,118	208,813
Company Secretary Services		5,500	5,605	105	5,728	5,860
Mileage Costs		10,000	10,190	190	10,414	10,654
Total Expenses		271,117	296,828	25,711	303,358	310,336
Earnings before interest, tax and depreciation/ amortisation (EBITA)		0	0	0	0	0
Non-Cash Expenses						
Depreciation		171	171	0	171	171
Earnings before interest and tax		(171)	(171)	0	(171)	(171)
Net Surplus (Deficit) before tax		(171)	(171)	0	(171)	(171)
Notes						
1) Increased hours required due to the increased complexity of WLASS, and new licence costs of \$850 p.a. for new accounting software.						
2) Based on 2016/17 actual costs.						

Waikato Local Authority Shared Services						
Procurement of Shared Services						
For the Year Ended 30 June 2018						
	Notes	Budget 2016/17	Budget 2017/18	Variance	Budget 2018/19	Budget 2019/20
Income						
Procurement Member Charges		20,000	20,000	0	20,000	20,000
N3 Membership Fee Recovery		18,000	18,000	0	18,000	18,000
Value Financials Fee Recovery	1	28,693	35,866	7,173	35,866	35,866
Insurance Brokerage Fee Recovery		147,500	147,500	0	147,500	147,500
Infometrics Fee Recovery	2	62,400	69,920	7,520	69,920	69,920
Health and Safety Working Party		5,000	5,000	0	5,000	5,000
WRAPS Recovery	3	84,000	153,489	69,489	0	0
Regional Infrastructure Tech Spec maintenance	4	0	18,000	18,000	18,000	18,000
Historical Aerial Photos Recovery		77,000	77,000	0	0	0
Total Income		442,593	544,775	102,182	314,286	314,286
Expenses						
Professional Services		20,000	20,000	0	20,000	20,000
N3 Membership Fee Recovery		18,000	18,000	0	18,000	18,000
Value Financial Fees	1	28,693	35,866	7,173	35,866	35,866
Insurance Brokerage Fee Payable		147,500	147,500	0	147,500	147,500
Infometrics	2	62,400	69,920	7,520	69,920	69,920
Health and Safety Working Party		5,000	5,000	0	5,000	5,000
WRAPS Services	3	84,000	153,489	69,489	0	0
Regional Infrastructure Tech Spec maintenance	4	0	18,000	18,000	18,000	18,000
Historical Aerial Photos Services		77,000	77,000	0	0	0
Total Expenses		442,593	544,775	102,182	314,286	314,286
Earnings before interest, tax and depreciation/ amortisation (EBITA)		0	0	0	0	0
Earnings before interest and tax		0	0	0	0	0
Net Surplus (Deficit) before tax		0	0	0	0	0
Notes						
1) The councils involved are Otorohanga, Taupo and Waitomo District, and Waikato Regional Councils, and WLAAS						
2) The councils involved are Hamilton City, Hauraki, Matamata Piako, South Waikato and Waikato Districts, and Waikato Regional councils.						
3) Balance of WRAPS contract, which commenced in 2015/16.						
4) To fund a contractor to manage and review requests for changes/improvements/updates to the document. Funded only by those councils using RITS (currently all of the shareholding councils, excluding Taupo, Thames Coromandel and Waikato Regional)						

Notes		Budget 2016/17	Budget 2017/18	Variance	Budget 2018/19	Budget 2019/20
Income						
		53,600	43,600	(10,000)	43,600	43,600
		53,600	43,600	(10,000)	43,600	43,600
Expenses						
		1,000	1,000	0	1,000	1,000
	1	17,600	7,600	(10,000)	7,600	7,600
	1	35,000	35,000	0	35,000	35,000
		53,600	43,600	(10,000)	43,600	43,600
Earnings before interest, tax and depreciation/ amortisation (EBITA)		0	0	0	0	0
Earnings before interest and tax		0	0	0	0	0
Net Surplus (Deficit) before tax		0	0	0	0	0
Notes						
1) All councils are involved except Rotorua and Taupo, who are participating via BOPLASS.						

Waikato Local Authority Shared Services Energy Management For the Year Ended 30 June 2018						
	Notes	Budget 2016/17	Budget 2017/18	Variance	Budget 2018/19	Budget 2019/20
Income						
EECA Collaboration - Council Contributions	1	80,000	89,200	9,200	101,500	0
EECA Revenue		133,000	35,000	(98,000)	35,000	0
Total Income		213,000	124,200	(88,800)	136,500	0
Expenses						
EECA Collaboration		80,000	89,200	9,200	101,500	0
Professional Services Costs		133,000	35,000	(98,000)	35,000	0
Total Expenses		213,000	124,200	(88,800)	136,500	0
Earnings before interest, tax and depreciation/ amortisation (EBITA)		0	0	0	0	0
Earnings before interest and tax		0	0	0	0	0
Net Surplus (Deficit) before tax		0	0	0	0	0
Notes						
1) All councils are involved, except Thames-Coromandel and Matamata-Piako.						

Notes		Budget 2016/17	Budget 2017/18	Variance	Budget 2018/19	Budget 2019/20
Waikato Local Authority Shared Services Shared Valuation Data Service (SVDS) For the Year Ended 30 June 2018						
						
Income						
		267,985	205,492	(62,493)	156,382	169,764
		78,463	80,189	1,726	81,953	82,034
	1	10,190	10,414	224	10,388	10,627
		227,919	352,065	124,146	359,810	360,162
Total Income		584,557	648,160	63,603	608,533	622,587
Expenses						
		48,667	49,592	925	50,683	51,849
		105,467	107,470	2,004	109,835	112,361
		283,187	288,568	5,381	294,916	301,699
		78,463	79,954	1,491	81,713	83,592
		16,000	24,192	8,192	24,724	25,293
		6,250	6,369	119	6,509	6,659
		0	50,000	50,000	0	0
		300	300	0	307	314
		1,500	1,385	(115)	1,416	1,448
	2	4,000	8,000	4,000	4,176	4,272
		3,000	3,057	57	3,124	3,196
		27,534	18,889	(8,644)	20,743	21,277
Total Expenses		574,367	637,776	63,409	598,145	611,960
Earnings before interest, tax and depreciation/ amortisation (EBITA)		10,190	10,384	194	10,388	10,627
Non-Cash Expenses						
	3	97,055	91,223	(5,832)	91,223	0
Earnings before interest and tax		(86,865)	(80,839)	6,027	(80,835)	10,627
Net Surplus (Deficit) before tax		(86,865)	(80,839)	6,027	(80,835)	10,627
Capital Expenditure						
	1	10,190	10,384	194	10,388	10,627
Total Capital Expenditure		10,190	10,384	194	10,388	10,627
Total Cash Expenditure (Opex, Interest & Capital)		584,557	648,160	63,602	608,533	622,587
Notes						
1) Enhancement work to be recovered from individual councils.						
2) Provision in 2017/18 to tie in with contract review terms.						
3) SVDS Asset to be fully depreciated by 30 June 2019.						

Notes		Budget 2016/17	Budget 2017/18	Variance	Budget 2018/19	Budget 2019/20
Waikato Local Authority Shared Services Road Asset Technical Accord (RATA) For the Year Ended 30 June 2018						
						
Income						
		315,000	320,985	5,985	328,047	335,592
		571,000	591,636	20,636	605,710	619,950
		28,000	0	(28,000)	0	0
		0	18,000	18,000	18,000	18,000
		914,000	930,621	16,621	951,757	973,542
Expenses						
		315,000	320,985	5,985	328,047	335,592
		5,000	5,095	95	5,207	5,327
		3,000	3,057	57	3,124	3,196
		20,000	20,380	380	20,828	21,307
		47,000	47,893	893	48,947	50,072
		365,000	361,000	(4,000)	369,000	378,000
		7,000	7,133	133	7,290	7,458
		0	18,889	18,889	20,743	21,277
	1	152,000	165,078	13,078	169,314	172,589
	2	914,000	949,510	35,510	972,500	994,819
Earnings before interest, tax and depreciation/ amortisation (EBITA)		0	(18,889)	(18,889)	(20,743)	(21,277)
Earnings before interest and tax		0	(18,889)	(18,889)	(20,743)	(21,277)
Net Surplus (Deficit) before tax		0	(18,889)	(18,889)	(20,743)	(21,277)
Notes						
1) Waipa District Council provides RATA with full support services, including vehicles, staff training/development, IT/phones, stationery, accommodation, communications and Group Manager support.						
2) CPI Increase has been applied for 2017/18, 2018/19 and 2019/20 as per BERL LG cost Index for OPEX.						

Notes		Budget 2016/17	Budget 2017/18	Variance	Budget 2018/19	Budget 2019/20
Waikato Local Authority Shared Services Waikato Regional Transport Model (WRTM) For the Year Ended 30 June 2018						
						
Income						
		101,834	89,951	(11,883)	91,176	92,243
		12,000	12,000	0	12,000	12,000
		113,834	101,951	(11,883)	103,176	104,243
Expenses						
		18,000	18,000	0	18,000	18,000
		30,000	30,570	570	31,243	31,961
		5,000	5,095	95	5,207	5,327
		4,500	4,586	86	4,686	4,794
		1,300	1,385	85	1,416	1,448
		10,000	10,000	0	10,000	10,000
	1	15,000	0	(15,000)	0	0
	2	2,500	0	(2,500)	0	0
	3	0	25,000	25,000	25,000	25,000
		27,534	7,315	(20,219)	7,624	7,713
		113,834	101,951	(11,883)	103,176	104,243
Earnings before interest, tax and depreciation/ amortisation (EBITA)		0	0	0	0	0
Non-Cash Expenses						
	4	72,916	72,916	0	72,916	0
		(72,916)	(72,916)	0	(72,916)	0
Net Surplus (Deficit) before tax		(72,916)	(72,916)	0	(72,916)	0
Notes						
1) Update of Future Land Use reference scenario post Auckland Unitary Plan decisions and Future Proof / Smart Growth updates. 2) Prov Sum item - HIS research topic with NZTA at present. This budget will allow the WRTM partners to scope inputs needed. 3) Prov Sum item - assumes input into national survey. Actual costs to be scoped with MOT. 4) The WRTM asset will be fully depreciated by 30 June 2019. The model will be substantially reviewed during 2018/19 with new census data and a software platform review.						

Waikato Local Authority Shared Services Waikato Building Consent Group For the Year Ended 30 June 2018						
	Notes	Budget 2016/17	Budget 2017/18	Variance	Budget 2018/19	Budget 2019/20
Income						
Member Charges	1	225,456	230,600	5,144	230,600	230,600
Accumulated Fund	2	45,144	0	(45,144)	0	0
Total Income		270,600	230,600	(40,000)	230,600	230,600
Expenses						
Salaries		206,200	166,200	(40,000)	166,200	166,200
Vehicle Expenses		17,700	17,700	0	17,700	17,700
Training / Professional Fees		3,300	3,300	0	3,300	3,300
Operating Costs		3,000	3,000	0	3,000	3,000
Communications / IT Costs		2,000	2,000	0	2,000	2,000
Annual Subscriptions		400	400	0	400	400
Insurance		0	0	0	0	0
On charge of LASS Admin Costs		0	7,315	7,315	7,624	7,713
Overheads	3	38,000	38,000	0	38,000	38,000
Total Expenses		270,600	237,915	(32,685)	238,224	238,313
Earnings before interest, tax and depreciation/ amortisation (EBITA)		0	(7,315)	(7,315)	(7,624)	(7,713)
Earnings before interest and tax		0	(7,315)	(7,315)	(7,624)	(7,713)
Net Surplus (Deficit) before tax		0	(7,315)	(7,315)	(7,624)	(7,713)
Notes						
1) Participating councils are Hamilton City, Hauraki, Matamata Piako, Otorohanga, Thames Coromandel, Waikato, Waipa and Waikato District councils.						
2) The accumulated fund relates to the original five councils (Hamilton, Matamata Piako, Otorohanga, Waikato and Waipa), and is being used to offset those member charges.						
3) Waikato DC provides the Building Consent Group with support services, including accommodation, IT, HR and Group Manager support.						

Notes		Budget 2016/17	Budget 2017/18	Variance	Budget 2018/19	Budget 2019/20
Income						
	1	455,000	555,000	100,000	470,000	395,000
		120,990	0	(120,990)	0	0
		575,990	555,000	(20,990)	470,000	395,000
Expenses						
		125,000	110,000	(15,000)	110,000	110,000
		0	15,000	15,000	15,000	15,000
		25,000	45,000	20,000	25,000	25,000
		15,000	15,000	0	15,000	15,000
		65,000	65,000	0	70,000	70,000
		0	18,889	18,889	20,743	21,277
	2	20,000	15,000	(5,000)	15,000	15,000
<u>Future Proof Implementation Projects</u>						
		15,000	30,000	15,000	0	0
		15,000	0	(15,000)	0	0
		15,000	20,000	5,000	20,000	20,000
		15,000	5,000	(10,000)	5,000	5,000
		5,000	5,000	0	5,000	5,000
	3	15,000	0	(15,000)	30,000	30,000
		0	20,000	20,000	50,000	50,000
	4	0	10,000	10,000	10,000	10,000
		5,000	0	(5,000)	0	0
		20,000	0	(20,000)	0	0
<u>Future Proof Strategy Update - Phase 1</u>						
		60,000	25,000	(35,000)	0	0
		0	15,000	15,000	0	0
		0	45,000	45,000	0	0
		20,000	0	(20,000)	0	0
		20,000	0	(20,000)	0	0
<u>Future Proof Strategy Update - Phase 2</u>						
	5	0	50,000	50,000	50,000	25,000
		0	50,000	50,000	0	0
		0	0	0	10,000	0
		0	0	0	15,000	0
		0	15,000	15,000	25,000	0
		455,000	573,889	118,889	490,743	416,277
Earnings before interest, tax and depreciation/ amortisation (EBITA)		120,990	(18,889)	(139,879)	(20,743)	(21,277)
Earnings before interest and tax		120,990	(18,889)	(139,879)	(20,743)	(21,277)
Net Surplus (Deficit) before tax		120,990	(18,889)	(139,879)	(20,743)	(21,277)
Notes						
1) Participating councils are Hamilton City, Waikato and Waipa Districts and Waikato Regional Council.						
2) Hamilton City Council provides the support services for Future Proof, including accommodation and operational costs.						
3) Update of HUGS, Waipa 2050, Waikato District Development Strategy.						
4) Implementing Three Waters Action Plan and other Water Policy Group projects.						
5) Update to meet the requirements of the NPS.						

Notes		Budget 2016/17	Budget 2017/18	Variance	Budget 2018/19	Budget 2019/20
Income						
Waikato Plan		0	0	0	0	0
Regional Infrastructure Tech. Specs.		50,000	0	0	0	0
Policy & Bylaws		7,000	0	0	0	0
Section 17a Review		7,000	0	0	0	0
Meeting Expenses Recovery		7,000	5,000	(2,000)	5,000	5,000
Total Income		71,000	5,000	(2,000)	5,000	5,000
Expenses						
Waikato Plan		0	0	0	0	0
Regional Infrastructure Tech. Specs.		50,000	0	0	0	0
Policy & Bylaws		7,000	0	0	0	0
Section 17a Review		7,000	0	0	0	0
Meeting Expenses		7,000	5,000	(2,000)	5,000	5,000
Total Expenses		71,000	5,000	(2,000)	5,000	5,000
Earnings before interest, tax and depreciation/ amortisation (EBITA)						
		0	0	0	0	0
Earnings before interest and tax						
		0	0	0	0	0
Net Surplus (Deficit) before tax						
		0	0	0	0	0

Waikato Local Authority Shared Services Balance Sheet For the Year Ended 30 June 2018					
	Budget 2016/17	Budget 2017/18	Variance	Budget 2018/19	Budget 2019/20
CAPITAL					
Shares - SVDS	1,607,001	1,607,001	0	1,607,001	1,607,001
Shares - WRTM	1,350,000	1,350,000	0	1,350,000	1,350,000
Profit and Loss	(2,328,930)	(2,367,172)	(38,242)	(2,566,191)	(2,769,222)
Plus Current Year Operating Surplus/(Deficit)	(38,242)	(199,019)	(160,777)	(203,031)	(39,811)
TOTAL CAPITAL FUNDS	589,829	390,810	(199,018)	187,779	147,968
ASSETS					
CURRENT ASSETS					
Prepayments	2,692	1,523	(1,169)	3,272	3,347
Accounts Receivable	3,394	35,980	32,586	36,470	36,897
RWT On Interest	1,820	3,360	1,540	3,434	3,513
Local Authority Shared Services 00	0	0	0	0	0
Local Authority Shared Services On-Call	623,031	565,747	(57,284)	480,355	411,346
GST Paid	(48,066)	(45,166)	2,901	(40,638)	(38,177)
TOTAL CURRENT ASSETS	582,871	561,444	(21,426)	482,893	416,926
NON-CURRENT ASSETS					
SVDS - Intangible Asset	3,085,506	3,085,700	194	3,096,087	3,106,714
WRTM - Intangible Asset	2,296,855	2,296,855	0	2,296,855	2,296,855
MoneyWorks Software	1,195	1,195	0	1,195	1,195
Accumulated Depreciation	(5,041,294)	(5,205,604)	(164,310)	(5,369,914)	(5,370,085)
TOTAL NON-CURRENT ASSETS	342,262	178,146	(164,116)	24,223	34,679
NET ASSETS	925,134	739,590	(185,542)	507,116	451,605
LESS CURRENT LIABILITIES					
Accounts Payable	323,831	337,088	13,257	307,388	291,413
Accounts Payable Accrual	11,473	11,691	218	11,949	12,223
TOTAL CURRENT LIABILITIES	335,305	348,780	13,475	319,337	303,637
NET WORKING CAPITAL	589,829	390,810	(199,017)	187,779	147,968

Waikato Local Authority Shared Services					
Statement of Cashflows					
For the Year Ended 30 June 2018					
	Budget 2016/17	Budget 2017/18	Variance	Budget 2018/19	Budget 2019/20
Cashflows from Operating Activities					
Interest Received	6,500	12,000	5,500	12,264	12,546
Receipts from Other Revenue	3,503,791	3,438,149	(65,642)	3,156,056	2,988,221
Payments to Suppliers	(3,379,111)	(3,502,800)	(123,689)	(3,238,722)	(3,056,609)
Taxes Paid	(1,820)	(1,820)	0	(3,360)	(3,434)
Goods & Services tax (net)	(25,221)	(2,619)	22,602	(1,243)	895
Net cash from operating activities	104,139	(57,091)	(161,229)	(75,005)	(58,382)
Purchase of Intangible Assets	(10,190)	(10,384)	(194)	(10,388)	(10,627)
Net cash from investing activities	(10,190)	(10,384)	(194)	(10,388)	(10,627)
Net increase in cash, cash equivalents and bank accounts	93,949	(67,474)	(161,423)	(85,392)	(69,009)
Opening cash and cash equivalents and bank overdrafts	529,082	633,221	104,139	565,747	480,355
Closing cash, cash equivalents and bank accounts	623,031	565,747	(57,284)	480,355	411,346
Summary of Bank Accounts					
BNZ - Call a/c	623,031	565,747	(57,284)	480,355	411,346
Closing Balance of Bank	623,031	565,747	(57,284)	480,355	411,346

Item 6

Attachment 2



SIX MONTHLY REPORT TO SHAREHOLDERS

1 July 2016 to 31 December 2016

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Waikato Local Authority Shared Services Limited – 6 Monthly Report

Local Authority Shared Services Limited was incorporated under the Companies Act 1993 on the 13th day of December 2005, and changed its name to WAIKATO LOCAL AUTHORITY SHARED SERVICES LIMITED (WLASS) on the 4th day of April 2016. Each of the 12 Waikato councils owns an equal number of shares in WLASS and as such has an equal say in its development. This report covers the 6-month period from 1 July to 31 December 2016, as required by Section 66 of the Local Government Act 2002.

Objectives of WLASS

WLASS was established principally to provide the Councils in the Waikato Region with a vehicle to procure shared services. Its key purpose is to drive collaboration between councils, to improve customer service and performance across the Waikato region, and to reduce costs. It provides a mechanism for the development of new services, which are available to be joined by any shareholder that chooses to do so.

The objectives of WLASS 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
- To promote business transformation to improve customers' experiences.

WLASS also provides administrative and financial support services to the Waikato Mayoral Forum, to enable the successful implementation of Mayoral Forum initiated projects.

The shareholders continue to identify improvements that could be made, such as: implementing shared services related to back-office activities; shared procurement to provide cost savings and consistency; streamlining of work processes; and service improvements. Initiatives which could benefit from being managed by WLASS are considered by working groups comprising staff from the shareholding councils, and recommendations are made to the WLASS Board.

Over the period that the company has been operating, benefits have been delivered in the form of:

- 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
- economies of scale resulting from a single entity representing all Councils and leveraging procurement opportunities.

The WLASS Directors continue to seek new opportunities, either from internal investigations or from council or CEO initiatives that are presented to the Board.

Nature and Scope of Current Activities

Services and 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.

1. **Shared Valuation Data Service (SVDS).** This system continues to operate effectively, providing timely and accurate property valuation data to the 10 member Councils and shareholders at a reducing cost. Current members are: Waikato Regional, Hamilton City, Hauraki, Matamata Piako, Rotorua, South Waikato, Thames Coromandel, Waikato, Waipa and Waitomo District Councils.

Two new data sales contracts have been signed in the past six months, which have further reduced costs to the participating councils. External sales revenue now exceeds \$350,000 per annum.

Significant benefits continue to accrue to Councils using the SVDS service, including:

- competition in the Waikato valuation market, with a resultant improved level of service
- significantly improved data quality, and a minimum of errors
- standardised information and the removal of processing inefficiencies
- quicker and more efficient access to data
- improved collaboration between the user Local Authorities.

2. **Road 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 Mayoral Forum. The activity transferred to WLASS on 1 July 2016. The aim of RATA is to achieve best practice in road asset management by improving capability, capacity and outcomes through effective collaboration. 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 currently acts as the host council for RATA, providing accommodation and overheads (which are fully recovered from the participating councils), and managing the employment agreements/relationships with the four staff members. This activity is fully funded by the nine participating councils and operates as a separate cost centre. Current members are: Hamilton City, Hauraki, Matamata Piako, Otorohanga, South Waikato, Thames Coromandel, Waikato, Waipa and Waitomo District Councils, supported by the NZ Transport Agency.

3. **Waikato Regional Transportation Model (WRTM).** This model 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 NZ Transport Agency. WRTM is making a significant contribution to strategic planning of 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.

This activity is fully funded by the seven participating councils, and operates as a separate cost centre. Current members are: Waikato Regional, Hamilton City, Matamata Piako, Taupo, Thames Coromandel, Waikato, and Waipa District Councils, and the NZ Transport Agency. The model has been managed by RATA since 1 July 2016.

4. **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 Group now comprises eight councils (Hamilton City, Hauraki, Matamata Piako, Otorohanga, Thames Coromandel, Waikato, Waipa and Waitomo Districts). The Group has developed a common quality assurance system with associated supporting documentation and media 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).

Waikato District Council currently acts as the host council for the WBCG, providing accommodation and overheads (which are fully recovered from the WBCG members), and managing the employment agreements/relationships with the two staff members. The activity is fully funded by the participating councils, and operates as a separate cost centre. The activity transferred to WLASS on 1 July 2016.

5. **Future Proof.** This is a collaborative partnership between Hamilton City, Waikato and Waipa Districts, Waikato Regional Council and Tāngata whenua, with assistance from the New Zealand Transport Agency. 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 (Future Proof sub-region), which was adopted by the partners on 30 June 2009.

The accommodation, overheads and employment arrangements of the Future Proof Co-Ordinator are managed by Hamilton City Council. This activity is fully funded by the participating councils, and transferred to WLASS on 1 July 2016.

6. **Energy Management.** WLASS entered into a Collaboration Agreement with the Energy Efficiency Conservation Authority (EECA) in February 2016. This arrangement will bring \$210,000 in revenue from EECA over three years, subject to meeting specific energy saving targets. The activity is fully funded by the 10 participating councils (Matamata Piako is not eligible, as it has previously received EECA funding, and Thames Coromandel is not participating), and the activity operates as a separate cost centre.

A WLASS Energy Management Plan and Policy have been prepared and both were approved by the Board in August 2016. It is anticipated that the Energy Policy will now be adopted by each council. Energy monitoring software has been installed at each participating council and staff training has been completed. The data now available has identified a number of areas where cost savings can be made (e.g. ensuring that electricity connections are being billed with correct tariffs). Audits have been completed and/or are in progress at a number of council sites to evaluate the cost/benefit of a variety of projects, including street and building lighting, aquatic and events centre operations, and water and wastewater operations. These audits each attract a subsidy of up to \$2K from EECA.

7. **Joint Procurement Initiatives.** WLASS is a party to numerous joint procurement contracts between the company, shareholding Councils and suppliers. Some contracts (e.g. insurance brokerage services; various collective insurance policies; courier and postal services; historic aerial photography) involve all of the shareholding councils. Other joint procurement contracts have been negotiated, but only some of the shareholding councils have chosen to participate (e.g. the Professional Services Panel; computer-generated print, mail house and e-services; IT Professional Services Panel; Internal Audit Services; Laboratory Services).

Over the past 6 months, new contracts have been put in place for an IT Professional Services Panel and Internal Audit Services. A syndicated contract has also been made available to all shareholders for library book buying. A report on each shareholding

councils' use of the All of Government (AoG) suite of contracts for 2015/16 was sent to each council, and opportunities for further cost savings identified. The availability and benefits of AoG contracts for transactional banking services was actively promoted. It is now up to each council to take advantage of these AoG contracts, with support available from members of the Procurement Working Party. Further procurement opportunities continue to be identified.

8. **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 of the shareholding councils are participating in this 4-year project, which includes a subsidy of \$56,000 from LINZ. The project is running ahead of schedule and is now expected to be completed in 2018.
9. **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 four WRAPS contracts – 2002, 2007, 2012, and the 2016 contract that is currently in progress. Consideration is currently being given to changing the frequency of flying to 4-yearly. WRAPS became a WLASS project in December 2014 and is fully funded by the 12 participating councils, including \$84,000 from external partners.

Other Initiatives

Contractor Health & Safety Pre-qualification Scheme

In a great example of inter-council and inter-regional co-operation, staff from WLASS and BOPLASS have worked together over the past year to develop and implement an online contractor health and quality pre-qualification scheme that uses simple software to capture contractors' health and safety management systems and insurance details.

This is a new shared service that is now being offered nationally as part of a drive to better manage councils' contractors in the new health and safety environment. It will also save councils considerable time and money, as the scheme is fully managed by the software provider.

The prequalification scheme has been developed over the past 12 months specifically for use by local government, and is now in use by most of the councils across the Waikato and Bay of Plenty. Other councils from throughout New Zealand have indicated that they are also keen to participate and will join as soon as the scheme is made available nationally, in March 2017.

For contractors, the new scheme will make them compliant to work for all councils participating in the scheme, and remove the need for them to supply separate details to each council or for each contract sought. In essence, it allows contractors to "do it once and do it right". Contractors simply need to complete an on-line questionnaire and provide their health and safety documentation to show that they understand and comply with the Health and Safety at Work Act 2015 and any associated Regulations. The portal can be accessed at: <https://payments.sheassure.net/> and a link is available on every participating council's website.

The project team involved in developing the scheme intend to apply for a Safeguard Award in early 2017, and for a SOLGM Business Excellence award in 2018, once the scheme is more fully implemented and measures of its success are available.

Collaboration Portal

Over the past six months, implementation of the Local Government Collaboration Portal at each of the shareholding councils has been completed (www.collaborate.org.nz). The Portal is an initiative instigated by BOPLASS, with the intention of accelerating the growth of shared service strategies and projects throughout local government. The Portal consists of:

- A public site, open to everyone, where success stories can be communicated
- A secure area for sharing information and opportunities among councils
- A project area, for collaborative projects.

Councils from the Waikato, Bay of Plenty, Hawkes Bay and Northland are already using the Portal, and the intention is to extend the Portal nationally.

Several of the WLASS Working Parties have already set up "Project Rooms" on the portal. WLASS has recently published a story about its contractor health and safety pre-qualification scheme on the public area, and the WLASS document "Collaboration in Action" can also be found on the site (www.collaborate.org.nz then click on Collaborative Groups/Shared Services Publications). Work is currently in progress to publish a range of the successful Waikato Mayoral Forum initiatives on the site (e.g. Waikato Means Business, The Waikato Plan, the reduction in the number of policies in the Waikato, The Waikato Story etc.).

Working Parties

The WLASS Chief Executive co-ordinates and facilitates a number of Working Parties of council staff. The standing Working Parties are:

- **Shared Services Working Party**, which comprises the GM Corporate (or equivalent) from all of the shareholding councils, and which considers and evaluates new shared services opportunities and makes recommendations to the WLASS Board.
- **Waikato IT Managers' Working Party**, which comprises the IT Managers from all of the shareholding councils, and which investigates collaboration opportunities in the technology space.
- **Procurement Managers' Working Party**, which comprises the Procurement Managers from Hamilton City, Waikato Regional and Waikato District councils, and which manages procurement initiatives on behalf of WLASS.
- **Health & Safety Working Party**, which comprises the H&S managers (or equivalent) from all of the shareholding council, and which identifies issues arising from the new Health and Safety legislation which need to be addressed by the participating councils; identifies areas where Health and Safety policy, procedures and guidelines need to be developed (which are applicable to all of the councils); develops standard reporting measures for health and safety; develops regional Health and Safety policies, procedures and guidelines; and makes recommendations to the WLASS Board.
- **Asset Valuation Working Party**, which comprises representatives from a number of shareholding councils, and which is developing a regional asset valuation template and recommendations for transitioning to standard or consistent asset lives, where appropriate.
- **S17a Review Team**, of which oversight by WLASS commenced this financial year. The group consists of representatives from all of the shareholding councils and meets quarterly to update each other on progress with the s17a reviews being undertaken at each council and to identify potential collaborative opportunities.

- **Insurance Advisory Group**, which manages the procurement of insurance for all shareholding Councils on a collective basis to achieve best value for money, and also manages the insurance broker's contract performance.

Over the past 6 months, the **Shared Services Working Party** has been focused on identifying and evaluating new shared services opportunities. Five potential opportunities have emerged from this work: Procurement, Aligned Planning, GIS, the development of a Digital Strategy, and extension of the existing Building Control activity. Business cases to assess whether or not to progress any or all of these initiatives are currently being worked on.

The primary focus of the **Waikato IT Managers' Working Party** over the past six months has been the development of a GIS Data Portal, which will provide easy, secure access to spatial tools, information and data, and provide a map viewer for the whole of the Waikato region. The potential to include a link to Civil Defence and Emergency Management information is also being assessed. A new WLASS website is under development as part of the implementation of the portal.

Representatives from the **IT Managers' Working Party** are also involved with the Waikato Regional Aerial Photography Syndicate (WRAPS). The 2016 WRAPS contract was tendered in May 2016, and the successful contractor was Aerial Surveys Ltd. Flying of urban and rural imagery is now in progress.

Current projects being led by representatives of the **Procurement Managers' Working Party** include a Fleet Management review, a review of regional procurement processes, secondary procurement of multi-function devices (photocopiers) (jointly with BOPLASS), extension of the Infometrics contract for one year, and reviews of the existing Professional Services Panel and Dataprint contracts, to determine whether or not to exercise their contract extension provisions.

The **Health and Safety Working Party** has completed the development of an on-line contractor health and safety pre-qualification scheme (as noted above), and is currently implementing it across councils in the Waikato and Bay of Plenty. Articles on the scheme have been published in the Local Government and NZ Contractor magazines. Collective training in health and safety leadership for managers was organised, with 29 attendees from across the region. Further shared training initiatives are being investigated. Regional Terms of Reference for Health and Safety Committees, Terms of Reference for cross-council auditing, and a regional template addressing health and safety considerations when procuring machinery have been developed. A joint approach with BOPLASS to the provider of a widely used electronic health and safety recording system has resulted in an improved level of service and a better understanding by the vendor of local government's needs. BOPLASS also joined WLASS to obtain a legal opinion on the health and safety risks associated with community events, which has been shared with all councils.

The **Asset Valuation Working Party** held a very successful workshop with infrastructure asset managers and finance staff from across the region in August. Based on the feedback gathered at the workshop, the Working Party are now preparing a draft Asset Revaluation Template, which it is hoped will be adopted regionally.

Over the past 6-months, the **S17a Review Team** has developed a draft set of principles for regional collaborative reviews, and a spreadsheet which will assist in the identification of future shared services reviews (as contracts come up for renewal at each council). This tool is currently being implemented and will aid in the development of a regional 6-year rolling programme of reviews.

Most of the work of the **Insurance Advisory Group** has focused on the 31 October insurance programme renewal. Sending a WLASS representative to present directly to the UK underwriters, together with AON, has proved very beneficial. Based on the recommendation of AON, WLASS has signed up to a two year agreement with the programme underwriters. The renewal outcomes for the major insurance policy classes under the WLASS Insurance Programme are summarised below:

Infrastructure

The combined declared values have increased from \$3.2 billion to \$3.7 billion, a 15% increase. Following the recommendations from the loss modelling work completed for Hamilton City, Waikato Regional, Waipa and Waikato District Councils, the programme loss limits have increased from \$120M to \$300M, yet overall, there was a \$6,914 premium reduction. Given the asset value and loss limit increases, this represents an effective 30% saving on premium rates.

Material Damage and Business Interruption

While the combined total declared values have increased from \$2,006,586,944 to \$2,096,409,570 (an increase of \$89,822,626), a rate reduction of 6.45% has been achieved.

Future Fire Service Levies

Changes are being implemented to the way that Fire Service levies are calculated. This does not impact on the current renewal, but it will have an impact on the value of Fire Service Levies applicable at the 2017 renewal. The full impact is not currently known as the proposed changes are still going through a consultation process.

Motor Vehicles

Vehicle insurance premiums are driven by claims experience. The loss ratio for the group since 2014 is 90.86, and the insurers have increased the underlying rate by 2.5%. The programme was re-marketed and alternative quotations sought. The current premium is \$313,208 for the group, with the alternative quotations ranging from \$369,500 to \$374,511. Therefore the current insurers were retained, as they are still the most competitive.

Statutory and Employers Liability

With increased exposures under the new Health and Safety legislation, the limits of Indemnity under these policies have been increased from \$1,000,000 to \$2,000,000.

Ancillary Lines

The other insurances bought by individual shareholding councils (such as Personal Accident, Travel Standing Timber and Fine Arts Cover) have largely remained static from a premium perspective.

Other

Work is continuing on the stage 2 loss modelling work for Thames Coromandel District and Waikato Regional Council's infrastructure assets. A working party has been set up to develop guidelines to assist in determining appropriate levels of contractor professional indemnity and public liability insurance.

Waikato Mayoral Forum

The Mayoral Forum initially established six working parties to investigate collaborative opportunities in the areas of governance, planning, waters, roading, economic development, and policy and bylaws.

The governance work stream is in abeyance. The Waikato Plan work stream is now governed by a Joint Committee, which was established in July 2015, and is expected to complete its work in 2017. The two waters project is now being run by a consortium comprising Hamilton City, Waikato and Waipa District Councils, who are investigating a future delivery model for water services across the three councils.

As noted above, the roading work stream (now called RATA) transferred into WLASS on 1 July 2016.

The Policy and Bylaws work stream has evolved into four parts: Policy reviews and consolidation (completed); Bylaw consolidation (yet to commence); s17a reviews (ongoing); and the development of a Regional Infrastructure Technical Specification (in progress, and due for completion in the first half of 2017).

Finally, the Economic Development work stream has developed a strategy, and implementation of the "Waikato Means Business" plan was devolved to an independent Steering Group in July 2015.

WLASS provides administrative support to the Mayoral Forum, and also administers the collective funding for each of these work streams, invoicing each of the participating councils and paying all of the approved invoices for each work stream. The WLASS CEO is no longer responsible for co-ordinating reporting on projects to the Mayoral Forum, as this is the responsibility of the project sponsors.

Proposed New Services

An assessment is currently being undertaken to determine whether or not there is benefit in establishing a new Learning and Development Working Party. A business case will be considered by the Board in the third quarter of this financial year.

As noted above under the work of the Shared Services Working Party, investigations are currently underway into new opportunities associated with Regional Procurement, Aligned Planning, GIS, the development of a Digital Strategy, and extension of the existing Building Control activity. Business cases to assess whether or not to progress any or all of these initiatives are currently being worked on, and will be presented to the WLASS Board over the coming six months.

Performance Measures

The following performance measures were included in the Statement of Intent for the 2016/17 financial year. An update on their status as at 31 December 2016 is shown in the table below.

TARGET	METHOD	MEASURE	ACTUAL OUTCOME	
Procurement Joint procurement initiatives for goods and services for WLASS councils will be investigated and implemented.	Procurement is from sources offering best value, service, continuity of supply, and/or opportunities for integration.	A minimum of three new procurement initiatives investigated per annum and business cases developed if considered appropriate.	Achieved. An RFP for the supply of Multi-function Devices is currently at the tender evaluation stage. Shared procurement of Thomson Reuters services, EMA membership, and participation in the BOPLASS EFTPOS contract have been investigated, but no financial benefits were identified.	●
		Initiatives which are implemented shall provide financial savings and/or improved service levels to the participating councils.	Achieved. A syndicated clause in a tendered Hamilton City Council contract enables all shareholders to access a library book buying contract at 37% discount on the RRP. Details about how to participate have been provided to all shareholders.	●
		New suppliers are awarded contracts through a competitive tender process.	N/A No new suppliers have been engaged.	●

<p>Collaborative Projects Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented.</p>	<p>The focus is on shared services which will benefit all councils.</p>	<p>A minimum of three priority projects for collaboration are identified per annum.</p> <p>If considered of value, business cases are developed for approval by the Board, and the projects are implemented.</p>	<p>In progress. Six projects (GIS, Procurement, Aligned Planning, Digital Strategy, Learning and Development, and Building Services) are currently under investigation.</p> <p>In progress. Business cases are currently being prepared for Aligned Planning and a new Learning and Development Working Party.</p>	<p>●</p> <p>●</p>
<p>Existing WLASS Contracts Existing contracts are managed and renegotiated as required.</p>	<p>Appointed vendors deliver on the terms of their contracts and deliver value to the shareholders.</p>	<p>The WLASS Contracts Register is maintained and managed.</p> <p>Contracts which are due for renewal are tested for competitiveness and either renegotiated or tendered through a competitive process.</p>	<p>Achieved. Contracts Register is up-to-date.</p> <p>In progress. Infometrics contract is currently under review. Reviews of Dataprint and the Professional Services Panel contracts are scheduled over the next 6 months.</p>	<p>●</p> <p>●</p>
<p>Cashflow The company shall maintain a positive cashflow position.</p>	<p>The Financial Accountant reviews cashflow monthly.</p> <p>The WLASS Board reviews the financial statements quarterly.</p>	<p>Monthly financial statements show a positive cashflow position.</p>	<p>Achieved. Reports on the financial position were considered at WLASS Board meetings on 5 August, 14 October and 2 December 2016.</p>	<p>●</p>

Shared Valuation Data Services (SVDS) The SVDS is reliable, well maintained and available to all users.	A Contract Manager is appointed for SVDS.	The SVDS is available to users at least 99% of normal working hours.	Achieved. SVDS was available to users for 99.1% of normal working hours.	
	The Contract Manager monitors performance of the contractor and reports quarterly to the SVDS Advisory Group.	All capital enhancement work is supported by a business case and approved by the SVDS Advisory Group.	N/A. There has been no capital enhancement work over the last 6 months.	
		The SVDS Advisory Group meets at least 6-monthly.	Achieved. The Group met on 1 September and 17 November 2016.	
Insurance Achieve the relevant KPIs in Appendix 4 of the Insurance Brokerage contract with Aon.	The Insurance Broker delivers on the terms of their contract and provides value to the participating councils.	Strategic advice provided by Aon on the insurance programme structure is assessed as satisfactory in the annual WCLASS Shareholders' survey by the participating councils.	N/A. Shareholders' survey is scheduled for May 2017.	
		The day-to-day service provided by Aon is assessed as satisfactory in the annual WCLASS Shareholders' survey by the participating councils.	N/A. Shareholders' survey is scheduled for May 2017.	
RATA All stakeholders are kept informed about RATA's projects and achievements.	Six monthly and annual reports are provided to all stakeholders.	Reports presented to WCLASS Board as at 30 December and 30 June, and circulated to stakeholders.	Achieved. 6-monthly report presented to Board meeting on 2 December 2016 and circulated to stakeholders on 19 December.	
		Reports include a	Achieved.	

		summary of savings achieved.	Summaries of savings are presented to the RATA Advisory Group, which met on 25 August and 22 November 2016.	
	Annual Forward Works Programme tours are completed, to provide opportunities for councils' roading staff to share their knowledge and experience	All RATA councils participate in the tour.	Achieved. All councils participated in the tour in October 2016.	
		Report on tour outcomes prepared by 31 December each year, and circulated to stakeholders.	Not Achieved. Report delayed until February 2017 (individual councils will receive their reports in January).	
Sub-regional data collection contracts deliver good quality data on roading assets.	Data collection contracts (minimum of two across the region) are managed in accordance with best practice.	Contracts which are due for renewal are tested for competitiveness and either renegotiated or tendered through a competitive process.	N/A. No contracts due for renewal. Data collection contracts were extended for one year on 14 October 2016.	
	Data supplied by contractors is of good quality and meets all councils' requirements.	Any data issues are identified and resolved, with any incidents reported to stakeholders.	Achieved. Asset Information Engineer identifies and resolves all issues.	
Waikato Regional Transport Model (WRTM) The WRTM is reliable, well maintained and available to all users.	RATA manages the WRTM on behalf of LASS, and monitors the performance of the model supplier (currently Traffic Design Group).	All modelling reports requested from the model supplier are actioned within the agreed timeframe, scope and budget.	Achieved. Model Supplier reported quarterly on service performance (reports received 15 August and 18 November 2016).	
	RATA reports quarterly to the WRTM Project Advisory Group.	A report from RATA on any new developments and on the status of the model is provided to the WCLASS Board at least every	Achieved. Report presented to Board in December 2016.	

		<p>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. Peer review has been completed on base year model, but is yet to commence for future years, due to a delay in receiving population projection data.</p>	
<p>Waikato Building Consent Group Provide strategic direction and actively pursue improvements in Building Control across the Waikato region.</p>	<p>Develop and maintain a quality assurance system for building consents, that meets statutory compliance and supports excellence and consistency in customer service and business practice.</p>	<p>Internal audits completed annually for each Group member.</p>	<p>In Progress. Three of the eight audits scheduled for the year have only been partially completed due to a lack of staff resources to assist.</p>	
		<p>Provide Group members with a joint quality assurance system that meets statutory compliance.</p>	<p>Not Achieved. The Regulations require an annual audit (for compliance) and a review (for continuous improvement), as well as the immediate integration of any legislative changes. Significant changes will be required to the QA and auditing systems to meet the new BCA performance requirements (due to be released in mid-February 2017).</p>	
		<p>Report at least six monthly to the WLASS Board on the Group's activities.</p>	<p>On track. 6-monthly report will be presented to the 3 February Board meeting. Interim reports</p>	

			were provided in July and October 2016.	
Future Proof All stakeholders are kept informed about Future Proof's projects and achievements.	Six monthly and annual reports are provided to all stakeholders.	Reports presented to WLASS Board as at 30 December and 30 June, and circulated to stakeholders.	Achieved. 6-monthly report presented to the Board on 2 December 2016.	●
Shareholder Survey Shareholders are satisfied with the performance of WLASS.	An annual survey of shareholders is undertaken to assess satisfaction levels with WLASS.	A survey of shareholders is undertaken each year, and the results are reported to all shareholders.	N/A Shareholders' survey is scheduled for May 2017.	●
Review of Benefits Shareholders are informed of the benefits being provided to shareholding councils by WLASS.	The benefits of WLASS (including financial and non-financial achievements) are regularly analysed and reported to shareholders.	Information on the financial and non-financial benefits being achieved by WLASS are included in the 6-monthly and Annual Report to shareholders.	Achieved. Information is included in this report.	●

WLASS Financial Position

Expenditure for the WLASS Company has been assessed on the basis of the direct cost of management and services. The Directors require that the management costs be kept to a minimum.

The WLASS Company expenditure for this period was \$1,897,962, against a budget of \$1,767,486. The variance is due to three main factors:

- 1) Procurement – The Waikato Regional Aerial Photography (WRAPS) project had a budget of \$84,000 in the SOI, with a note indicating that the tender had yet to be let, and that the total costs were yet to be finalised. The tender has now been let, and the forecast budget is now \$577,155, which will be funded from additional revenue. Total costs year to date are \$169,061.
- 2) Mayoral Forum – The Waikato Plan has a total expenditure year to date of \$187,711, which has been funded from previous years' contributions. Additional revenue of 150,000 was invoiced to all participating Councils in December.
- 3) Future Proof - The need to revise the Waikato population projections (NIDEA and WISE refinements) has resulted in the budget being exceeded by \$66,108, which is being funded from previous years' contributions.

Revenue has also exceeded budget at \$3,298,819, compared to a budget of \$2,213,533. The main contributors were:

- 1) RATA - revenue to date has increased by \$182,596, as the SOI budget was based on the previous year's figures. Actual commitments are now in place and the participating Councils have agreed on a total increase of \$208,000 for Data Collection.
- 2) Procurement - revenue has increased by \$510,204, mostly due to the WRAPS project (as noted above).
- 3) Future Proof – the accumulated funds actually transferred from Hamilton City Council to WLASS for Future Proof on 1 July 2016 were \$265,225, which exceeded the budget of \$120,990.
- 4) Waikato Building Consent Group - the accumulated funds actually transferred from Waikato District Council to WLASS for Building on 1 July 2016 were \$98,105, which exceeded the budget of \$45,144.

Overall, revenue exceeded expenditure by \$1,400,858, compared with a budget of revenue exceeding expenditure by \$418,074.

The combined services costs are shown in the financial statements attached in Appendix 1. The financial statements meet the WLASS policies outlined in Appendix 2, as well as complying with the generally accepted international accounting principles.

Outcome of 2016 Audit

Audit New Zealand issued an unmodified audit opinion on 19 September 2016. Three minor issues were raised by the auditor, which have all been addressed.

Directors

The Directors appointed for the period that this six monthly report covers were:

Director	Position	Director Appointed By
Gavin Ion (Chair)	Chief Executive, Waikato District Council	Waikato District Council
Richard Briggs	Chief Executive, Hamilton City Council	Hamilton City Council
Langley Cavers	Chief Executive, Hauraki District Council	Hauraki District Council
Don McLeod	Chief Executive, Matamata-Piako District Council	Matamata-Piako District Council
Dave Clibbery	Chief Executive, Otorohanga District Council	Otorohanga District Council
Geoffrey Williams	Chief Executive, Rotorua District Council	Rotorua District Council
Craig Hobbs	Chief Executive, South Waikato District Council	South Waikato District Council
Gareth Green ¹	Chief Executive, Taupo District Council	Taupo District Council
Rob Williams ²	Chief Executive, Thames-Coromandel District Council	Thames-Coromandel District Council
Vaughan Payne	Chief Executive, Waikato Regional Council	Waikato Regional Council
Garry Dyet	Chief Executive, Waipa District Council	Waipa District Council
Chris Ryan	Chief Executive, Waitomo District Council	Waitomo District Council

¹Gareth Green was appointed as Taupo District Council's Chief Executive on 20 July 2016 and was confirmed as a WLASS Director on 5 August 2016.

²Rob Williams was appointed as Thames Coromandel District Council's Chief Executive on 16 May and was confirmed as a WLASS Director on 5 August 2016.

Appendix 1

Management Accounts for period ended 31 December 2016

								
Waikato Local Authority Shared Services Management Accounts for the Period Ended 31 December 2016 Company Summary								
	<table border="1"> <thead> <tr> <th>Note</th> <th>Actual YTD</th> <th>Budget</th> <th>Year to Date Variance</th> <th>Budget</th> <th>Full Year Forecast</th> <th>Last Year</th> </tr> </thead> </table>	Note	Actual YTD	Budget	Year to Date Variance	Budget	Full Year Forecast	Last Year
Note	Actual YTD	Budget	Year to Date Variance	Budget	Full Year Forecast	Last Year		
Income								
Company Administration	238,438	240,334	(1,896)	271,117	271,117	243,765		
Procurement	908,251	398,047	510,204	442,593	952,797	352,446		
Information Technology	53,600	53,600	0	53,600	53,600	22,334		
Energy Management	82,270	106,500	(24,230)	213,000	213,000	39,685		
Shared Valuation Data Service (SVDS)	379,623	326,415	53,208	584,557	684,557	604,450		
Road Asset Technical Accord (RATA)	653,596	471,000	182,596	914,000	1,153,733	618,420		
Waikato Regional Transport Model (WRTM)	63,399	56,917	6,482	113,834	113,834	168,000		
Waikato Building Consent Group	230,833	157,872	72,961	270,600	368,705	0		
Future Proof	430,225	348,490	81,735	575,990	595,225	0		
Waikato Mayoral Forum	258,584	57,000	201,584	71,000	288,711	1,154,804		
Total Income	3,298,819	2,216,175	1,082,645	3,510,291	4,695,279	3,203,904		
Operating Expenditure								
Company Administration	110,566	139,727	29,161	271,117	284,823	189,116		
Procurement	333,569	246,500	(87,069)	442,593	973,307	325,446		
Information Technology	37,027	44,300	7,273	53,600	80,079	12,610		
Energy Management	44,154	106,500	62,346	213,000	213,000	39,685		
Shared Valuation Data Service (SVDS)	287,759	287,934	175	574,367	623,357	566,478		
Road Asset Technical Accord (RATA)	375,116	457,000	81,884	914,000	1,146,430	618,420		
Waikato Regional Transport Model (WRTM)	51,846	57,567	5,721	113,834	113,834	214,632		
Waikato Building Consent Group	124,015	136,100	12,085	270,600	278,780	0		
Future Proof	275,326	237,500	(37,826)	455,000	521,108	0		
Waikato Mayoral Forum	258,584	57,000	(201,584)	71,000	288,711	1,154,804		
Total Operating Expenditure	1,897,962	1,770,128	(127,834)	3,379,111	4,523,429	3,121,191		
Earnings before interest, tax and depreciation/ amortisation (EBITA)	1,400,858	446,047	954,811	131,180	171,850	82,713		
Non-Cash Operating Expenditure								
Company Admin Non-Cash Expenditure	86	86	0	171	171	171		
SVDS Non-Cash Expenditure	45,611	48,528	2,917	97,055	91,222	91,214		
WRTM Non-Cash Expenditure	36,458	36,458	1	72,916	72,916	328,122		
Total Non-Cash Operating Expenditure	82,155	85,071	2,918	170,142	164,309	419,507		
Earnings before interest and tax	1,318,703	360,976	957,728	(38,962)	7,541	(336,794)		
Net Surplus (Deficit) before tax	1,318,703	360,976	957,728	(38,962)	7,541	(336,794)		
CA Net Surplus (Deficit) before tax	127,787	100,521	27,266	(171)	(13,877)	54,478		
Procurement Net Surplus (Deficit) before tax	574,682	151,547	423,136	0	(20,510)	27,000		
IT Net Surplus (Deficit) before tax	16,573	9,300	7,273	0	(26,479)	9,724		
Energy Mgmt. Net Surplus (Deficit) before tax	38,116	0	38,116	0	0	0		
SVDS Net Surplus (Deficit) before tax	46,253	(10,046)	56,299	(86,865)	(30,022)	(53,242)		
RATA Net Surplus (Deficit) before tax	278,480	14,000	264,480	0	7,303	0		
WRTM Net Surplus (Deficit) before tax	(24,905)	(37,108)	12,203	(72,916)	(72,916)	(374,754)		
WBCG Net Surplus (Deficit) before tax	106,818	21,772	85,046	0	89,925	0		
Future Proof Net Surplus (Deficit) before tax	154,899	110,990	43,909	120,990	74,117	0		
MF Net Surplus (Deficit) before tax	0	0	0	0	0	0		
Net Surplus (Deficit) before tax	1,318,703	360,976	957,728	(38,962)	7,541	(336,794)		
Capital Expenditure								
SVDS Enhancements	0	0	0	10,190	10,190	0		
Total Cash Expenditure (Opex, Interest & Capital)	0	0	0	10,190	10,190	0		

		Year to Date			Full Year		
	Notes	Actual YTD	Budget	Variance	Budget	Forecast	Last Year
Waikato Local Authority Shared Services							
Management Accounts for the Period Ended 31 December 2016							
Company Admin							
Income							
		209,550	209,550	0	209,550	209,550	169,550
		27,534	27,534	0	55,067	55,067	62,686
		1,354	3,250	(1,896)	6,500	6,500	11,529
		238,438	240,334	(1,896)	271,117	271,117	243,765
Expenses							
	1	16,459	13,750	(2,709)	27,500	36,521	29,292
		2,550	2,500	(50)	5,000	5,000	4,836
		10,566	10,426	(140)	15,349	15,349	15,349
		0	46	46	92	92	36
		0	0	0	0	0	0
		0	1,250	1,250	2,500	2,500	0
		198	250	52	500	500	357
		0	1,250	1,250	2,500	2,500	126
		1,320	1,320	0	2,341	2,341	2,177
		765	650	(115)	1,300	1,300	1,001
		2,720	2,535	(185)	2,535	2,720	2,535
		66,091	98,000	31,909	196,000	181,000	122,128
	2	0	0	0	0	15,000	0
	2	0	0	0	0	3,000	0
		3,582	2,750	(832)	5,500	7,000	1,617
		6,315	5,000	(1,315)	10,000	10,000	9,713
		0	0	0	0	0	(51)
		110,566	139,727	29,161	271,117	284,823	189,116
		127,872	100,607	27,265	0	(13,706)	54,649
Non-Cash Expenses							
		86	86	0	171	171	171
		127,787	100,521	27,266	(171)	(13,877)	54,478
		127,787	100,521	27,266	(171)	(13,877)	54,478
Cash Surplus							
		78,482	0	78,482	0	78,482	31,600
	3	(1,943)	0	(1,943)	0	(1,943)	(7,767)
		127,872	100,607	27,266	0	(13,706)	54,649
		204,411	100,607	103,805	0	62,834	78,482
Notes							
1) Financial Services currently above budget due to extra hours worked in August for the Annual Report and complexity of accounts increasing. The forecast has been adjusted accordingly.							
2) Approved by the Board at their meeting in August 2016.							
3) \$1,943 transferred toward the Asset Valuation workshop held on 17 August 2016.							

		Year to Date			Full Year		
	Notes	Actual YTD	Budget	Variance	Budget	Forecast	Last Year
Waikato Local Authority Shared Services							
Management Accounts for the Period Ended 31 December 2016							
Procurement of Shared Services							
Income							
		20,000	20,000	0	20,000	20,000	18,000
		0	0	0	18,000	18,000	35,866
		2,147	2,147	0	28,693	28,693	147,500
	1	152,586	147,500	5,086	147,500	152,586	62,400
		69,920	62,400	7,520	62,400	69,920	0
	2	1,943	0	1,943	0	1,943	0
		7,500	5,000	2,500	5,000	7,500	11,680
	3	577,155	84,000	493,155	84,000	577,155	0
		77,000	77,000	0	77,000	77,000	77,000
		908,251	398,047	510,204	442,593	952,797	352,446
Expenses							
		0	10,000	10,000	20,000	20,000	0
		0	0	0	18,000	18,000	18,000
		0	0	0	28,693	28,693	35,866
	1	152,586	147,500	(5,086)	147,500	152,586	147,500
		0	0	0	62,400	69,920	62,400
	2	1,943	0	(1,943)	0	1,943	0
		8,010	5,000	(3,010)	5,000	8,010	0
	3	171,030	84,000	(87,030)	84,000	577,155	0
		0	0	0	77,000	77,000	50,000
	4	0	0	0	0	20,000	0
		333,569	246,500	(87,069)	442,593	973,307	313,766
		574,682	151,547	423,135	0	(20,510)	38,680
		574,682	151,547	423,135	0	(20,510)	19,827
		574,682	151,547	423,135	0	(20,510)	19,827
Cash Surplus							
		24,827	0	24,827	0	24,827	0
	2	1,943	0	1,943	0	0	5,000
		574,682	151,547	423,135	0	(20,510)	19,827
	4	601,452	151,547	449,905	0	4,317	24,827
Notes							
1) Additional cost of \$5,086 for UK underwriter visit by WLASS rep. Approved by the Board.							
2) \$1,943 transferred from Company Admin 2015/16 cash surplus to fund Asset Valuation workshop.							
3) The budget for this project was not known when the SOI was adopted, as tendering was in progress. The full budget is \$592,186, which will be funded by the participating councils and from external parties. \$577,155 will be expensed by June 2017.							
4) Approved by Board at their meeting in August 2016. To be funded by cash surplus.							

		Year to Date			Full Year		
	Notes	Actual YTD	Budget	Variance	Budget	Forecast	Last Year
Waikato Local Authority Shared Services							
Management Accounts for the Period Ended 31 December 2016							
Information Technology (IT)							
Income							
		52,600	52,600	0	52,600	52,600	22,334
		1,000	1,000	0	1,000	1,000	0
		53,600	53,600	0	53,600	53,600	22,334
Expenses							
		548	500	(48)	1,000	1,000	830
		0	8,800	8,800	17,600	17,600	11,780
	1	36,479	35,000	(1,479)	35,000	36,479	0
	2	0	0	0	0	25,000	0
		37,027	44,300	7,273	53,600	80,079	12,610
Earnings before interest, tax and depreciation/ amortisation (EBITA)							
		16,573	9,300	7,273	0	(26,479)	9,724
Earnings before interest and tax							
		16,573	9,300	7,273	0	(26,479)	9,724
Net Surplus (Deficit) before tax							
		16,573	9,300	7,273	0	(26,479)	9,724
Cash Surplus							
	1	21,243	0	21,243	0	21,243	11,519
		0	0	0	0	0	0
		16,573	9,300	7,273	0	(26,479)	9,724
	2	37,816	9,300	28,516	0	(5,236)	21,243
Notes							
1) Cost of \$1,479 for roll-out of the Collaboration Portal funded by 2015/16 cash surplus.							
2) Approved by Board at their meeting in August 2016. To be funded by cash surplus.							

		Year to Date			Full Year		
	Notes	Actual YTD	Budget	Variance	Budget	Forecast	Last Year
Waikato Local Authority Shared Services							
Management Accounts for the Period Ended 31 December 2016							
Energy Management							
							
Income							
		56,316	40,000	16,316	80,000	80,000	0
	1	25,954	66,500	(40,546)	133,000	133,000	0
		0	0	0	0	0	39,685
Total Income		82,270	106,500	(24,230)	213,000	213,000	39,685
Expenses							
		44,154	40,000	(4,154)	80,000	80,000	0
		0	66,500	66,500	133,000	133,000	0
		0	0	0	0	0	39,685
Total Expenses		44,154	106,500	62,346	213,000	213,000	39,685
Earnings before interest, tax and depreciation/ amortisation (EBITA)		38,116	0	38,116	0	0	0
Earnings before interest and tax		38,116	0	38,116	0	0	0
Net Surplus (Deficit) before tax		38,116	0	38,116	0	0	0
Cash Surplus							
Opening Balance		0	0	0	0	0	0
plus /(less) transfers		0	0	0	0	0	0
Movement for year		38,116	0	38,116	0	0	0
Cash Surplus / (Deficit)		38,116	0	38,116	0	0	0
Notes							
1) Revenue is lower than budgeted due to delays in implementing the programme in several councils, due to lack of availability of staff.							

		Year to Date			Full Year		
	Notes	Actual YTD	Budget	Variance	Budget	Forecast	Last Year
Waikato Local Authority Shared Services							
Management Accounts for the Period Ended 31 December 2016							
Shared Valuation Data Service (SVDS)							
Income							
		133,993	133,993	0	267,985	267,985	290,293
		78,463	78,463	0	78,463	78,463	78,500
	1	0	0	0	10,190	10,190	0
	2	167,167	113,960	53,208	227,919	327,919	235,657
Total Income		379,623	326,415	53,208	584,557	684,557	604,450
Expenses							
		24,045	24,334	289	48,667	48,667	47,760
		51,750	52,734	984	105,467	105,467	103,500
		139,531	141,594	2,063	283,187	283,187	276,207
		38,499	39,232	733	78,463	78,463	76,999
		13,820	8,000	(5,820)	16,000	32,165	21,864
		0	3,125	3,125	6,250	36,250	0
		0	150	150	300	300	0
	3	4,325	1,500	(2,825)	1,500	4,325	1,357
		329	2,000	1,671	4,000	4,000	4,220
		1,693	1,500	(193)	3,000	3,000	3,228
		13,767	13,767	(0)	27,533	27,533	31,343
Total Expenses		287,759	287,934	175	574,367	623,357	566,478
Earnings before interest, tax and depreciation/ amortisation (EBITA)		91,864	38,482	53,382	10,190	61,200	37,972
Non-Cash Expenses							
	4	45,611	48,528	2,917	97,055	91,222	91,214
Earnings before interest and tax		46,253	(10,046)	56,299	(86,865)	(30,022)	(53,242)
Net Surplus (Deficit) before tax		46,253	(10,046)	56,299	(86,865)	(30,022)	(53,242)
Capital Expenditure							
	1	0	0	0	10,190	10,190	0
Total Cash Expenditure (Opex, Interest & Capital)		287,759	287,934	175	584,557	633,547	566,478
Cash Surplus							
		34,830	0	34,830	0	34,830	(3,142)
		0	0	0	0	0	0
		91,864	38,482	53,382	0	61,200	37,972
Cash Surplus / (Deficit)	5	126,694	38,482	88,212	0	96,030	34,830
Notes							
1) Enhancement work to be recovered from individual councils.							
2) New data sales contracts are bringing additional revenue.							
3) Insurance includes the professional indemnity and technology liability insurance for RVSL.							
4) SVDS database to be fully depreciated by 30 June 2018.							
5) Surplus expected to be used for rewriting the front end of the Sales Portal; subject to business case approval.							

		Year to Date			Full Year		
	Notes	Actual YTD	Budget	Variance	Budget	Forecast	Last Year
Waikato Local Authority Shared Services Management Accounts for the Period Ended 31 December 2016 Road Asset Technical Accord (RATA)							
							
Income							
Councils - Data Collection	1	303,363	157,500	145,863	315,000	523,000	0
Councils - RATA Funding		299,500	285,500	14,000	571,000	571,000	618,420
Councils - Project Funding	1	41,733	28,000	13,733	28,000	41,733	0
Project Management (WRTM)	2	9,000	0	9,000	0	18,000	0
Total Income		653,596	471,000	182,596	914,000	1,153,733	618,420
Expenses							
Data Collection	1	200,811	157,500	(43,311)	315,000	523,000	0
Forward Works Programme Tours		0	2,500	2,500	5,000	5,000	0
Asset Managers Forum		0	1,500	1,500	3,000	3,000	0
Benchmarking of Reg. Road Outcomes		0	10,000	10,000	20,000	20,000	0
Deterioration Modelling		0	23,500	23,500	47,000	47,000	0
Staff and Contractor Services		88,750	182,500	93,750	365,000	365,000	0
External Contractor (Data Collection)		1,750	3,500	1,750	7,000	7,000	0
Overheads	3	59,375	76,000	16,625	152,000	152,000	0
Roading (RATA)	4	24,430	0	(24,430)	0	24,430	618,420
Total Expenses		375,116	457,000	81,884	914,000	1,146,430	618,420
Earnings before interest, tax and depreciation/ amortisation (EBITDA)		278,480	14,000	264,480	0	7,303	0
Earnings before interest and tax		278,480	14,000	264,480	0	7,303	0
Net Surplus (Deficit) before tax		278,480	14,000	264,480	0	7,303	0
Cash Surplus							
Opening Balance	5	151,061	0	151,061	0	151,061	151,061
plus/(less) transfers		0	0	0	0	0	0
Movement for year		278,480	14,000	264,480	0	7,303	0
Cash Surplus / (Deficit)	4	429,541	14,000	415,541	0	158,364	151,061
Notes							
1) Budget based on previous year. Forecast based on commitments made by each of the participating councils.							
2) Project management of WRTM.							
3) Waipa District Council provides RATA with full support services, including accommodation, finance, IT, HR, GIS, legal advice, communications and Group Manager support.							
4) Projects funded from 2015/16 cash surplus. \$24,430 for IDS RATA dTIMS Analysis - Stage 1 & 2.							
5) Opening balance includes \$97,942 transferred from revenue in advance and \$53,119 from 2015/16 invoicing.							

		Year to Date			Full Year		
	Notes	Actual YTD	Budget	Variance	Budget	Forecast	Last Year
Waikato Local Authority Shared Services							
Management Accounts for the Period Ended 31 December 2016							
Waikato Regional Transport Model (WRTM)							
Income							
		54,010	50,917	3,093	101,834	101,834	156,276
		9,389	6,000	3,389	12,000	12,000	11,724
		63,399	56,917	6,482	113,834	113,834	168,000
Expenses							
		9,000	9,000	0	18,000	18,000	18,000
		10,303	15,000	4,697	30,000	30,000	42,535
		1,201	2,500	1,299	5,000	5,000	276
		0	2,250	2,250	4,500	4,500	0
		0	0	0	0	0	16,506
		0	5,000	5,000	10,000	10,000	9,681
		0	0	0	0	0	30,931
		0	0	0	0	0	19,570
		0	0	0	0	0	44,433
		16,200	7,500	(8,700)	15,000	16,200	0
		0	1,250	1,250	2,500	2,500	0
		0	0	0	0	0	0
		1,375	1,300	(75)	1,300	1,375	1,357
		13,767	13,767	0	27,534	27,534	31,343
		51,846	57,567	(5,721)	113,834	115,109	214,632
Earnings before interest, tax and depreciation/ amortisation (EBITA)		11,553	(650)	12,203	0	(1,275)	(46,632)
Non-Cash Expenses							
		36,458	36,458	0	72,916	72,916	328,122
		(24,905)	(37,108)	12,203	(72,916)	(74,191)	(374,754)
Net Surplus (Deficit) before tax		(24,905)	(37,108)	12,203	(72,916)	(74,191)	(374,754)
Cash Surplus							
		11,815	0	11,815	0	11,815	58,447
		0	0	0	0	0	0
		11,553	94,025	(82,472)	0	(1,275)	(46,632)
		23,368	94,025	(70,657)	0	10,540	11,815

		Year to Date			Full Year		
	Notes	Actual YTD	Budget	Variance	Budget	Forecast	Last Year
Waikato Local Authority Shared Services							
Management Accounts for the Period Ended 31 December 2016							
Waikato Building Consent Group (WBCG)							
Income							
Member Charges	1 & 2	132,728	112,728	20,000	225,456	270,600	0
Accumulated Fund	3	98,105	45,144	52,961	45,144	98,105	0
Total Income		230,833	157,872	72,961	270,600	368,705	0
Expenses							
Salaries		77,540	103,100	25,560	206,200	206,200	0
Vehicle Expenses		6,422	8,850	2,428	17,700	17,700	0
Training / Professional Fees		1,596	1,650	54	3,300	3,300	0
Operating Costs		0	1,500	1,500	3,000	3,000	0
Communications / IT Costs		3,908	2,000	(1,908)	2,000	3,908	0
Annual Subscriptions		0	0	0	400	400	0
Overheads	4	28,639	19,000	(9,639)	38,000	38,000	0
Special Projects	5	5,910	0	(5,910)	0	6,272	0
Total Expenses		124,015	136,100	12,085	270,600	278,780	0
Earnings before interest, tax and depreciation/ amortisation (EBITA)		106,818	21,772	85,046	0	89,925	0
Earnings before interest and tax		106,818	21,772	85,046	0	89,925	0
Net Surplus (Deficit) before tax		106,818	21,772	85,046	0	89,925	0
Cash Surplus							
Opening Balance		0	0	0	0	0	0
plus / (less) transfers		0	0	0	0	0	0
Movement for year		106,818	21,772	85,046	0	89,925	0
Cash Surplus / (Deficit)		106,818	21,772	85,046	0	89,925	0
Notes							
1) MEMBER COUNCILS: Hamilton CC, Hauraki DC, Matamata-Piako DC, Otorohanga DC, Thames-Coromandel DC, Waikato DC, Waipa DC and Waitomo DC.							
2) MEMBER CHARGES							
- Refer to WBCG proposed budget for 2016 - 2019.							
- Advisory Group Resolution 4 July 2016 - "Budget will include TCDC from today onwards, please note it will be different during TCDC's transitioning, after which the usual budget process will be followed". Consequently 2016/2017 income includes TCDC contribution of \$40,000 for the first year only, after which the usual contribution formula applies.							
- Income is inflation adjusted							
3) ACCUMULATED FUND: Board Resolution 7 Dec 2015 - "The original 5 authority accumulated fund (fund 1) should be ring fenced and use over next 3 years to offset an increased cost for the LTP".							
4) OVERHEADS: Waikato DC provides the Building Consent Group with support services, including accommodation, IT, HR and Group Manager support.							
5) SPECIAL PROJECT: New website, soon to come on line. Funded from the accumulated fund.							

		Year to Date			Full Year		
	Notes	Actual YTD	Budget	Variance	Budget	Forecast	Last Year
Waikato Local Authority Shared Services							
Management Accounts for the Period Ended 31 December 2016							
Future Proof							
Income							
Member Charges		165,000	227,500	(62,500)	455,000	330,000	0
Accumulated Fund	1	265,225	120,990	144,235	120,990	265,225	0
Total Income		430,225	348,490	81,735	575,990	595,225	0
Expenses							
Implementation Advice		81,740	55,000	(26,740)	110,000	110,000	0
Tangata whenua Implementation Advice		2,682	7,500	4,818	15,000	15,000	0
Independent Chair		9,844	12,500	2,656	25,000	25,000	0
Tangata Whenua forum		10,219	7,500	(2,719)	15,000	15,000	0
Future Proof Co-Ordinator		30,000	32,500	2,500	65,000	65,000	0
Waikato DP Review		0	7,500	7,500	15,000	15,000	0
Hamilton DP Appeals & Changes		6,600	7,500	900	15,000	15,000	0
General Submissions		6,541	7,500	959	15,000	15,000	0
Southern Growth Corridor (MOUs)		0	2,500	2,500	5,000	5,000	0
Cross-Boundary issues with Auckland Council		0	7,500	7,500	15,000	15,000	0
Future Proof Strategy Update		33,803	30,000	(3,803)	60,000	60,000	0
Economic Analysis for Strategy Update		0	10,000	10,000	20,000	20,000	0
Data Monitoring		0	2,500	2,500	5,000	5,000	0
Communications Advice for Strategy Update		0	10,000	10,000	20,000	20,000	0
NIDEA and WISE refinements	2	86,108	20,000	(66,108)	20,000	86,108	0
Independent Assessment of Growth Projections		0	7,500	7,500	15,000	15,000	0
Overheads	3	7,789	10,000	2,211	20,000	20,000	0
Total Expenses		275,326	237,500	(37,826)	455,000	521,108	0
Earnings before interest, tax and depreciation/ amortisation (EBITA)		154,899	110,990	43,909	120,990	74,117	0
Earnings before interest and tax		154,899	110,990	43,909	120,990	74,117	0
Net Surplus (Deficit) before tax		154,899	110,990	43,909	120,990	74,117	0
Cash Surplus							
Opening Balance		0	0	0	0	0	0
plus / (less) transfers		0	0	0	0	0	0
Movement for year		154,899	110,990	43,909	120,990	74,117	0
Cash Surplus / (Deficit)		154,899	110,990	43,909	120,990	74,117	0
Notes							
1) Actual funds transferred from Hamilton City Council when Future Proof transferred into WLASS.							
2) Revision of Waikato Population Projections - the University of Waikato.							
3) Hamilton City Council provides support services.							

		Year to Date			Full Year		Last Year	Project to date
Notes	Actual YTD	Budget	Variance	Budget	Forecast			
Waikato Local Authority Shared Services								
Management Accounts for the Period Ended 31 December 2016								
Waikato Mayoral Forum								
								
Income								
Waikato Plan	1	150,000	0	150,000	0	150,000	0	1,346,240
Policy & Bylaws		0	0	0	0	0	0	86,000
Regional Infrastructure Tech. Specs.	2	68,400	50,000	18,400	50,000	80,000	42,600	111,000
Policy & Bylaws		0	0	0	7,000	7,000	10,000	10,000
Section 17a Review		7,000	7,000	0	7,000	7,000	14,000	24,656
Administration Costs		7,000	7,000	0	7,000	7,000	7,000	19,385
Revenue		232,400	64,000	168,400	71,000	251,000	73,600	1,597,281
Plus / (Less) Revenue in Advance	3	26,184	(7,000)	33,184	0	37,711	462,784	(258,521)
Total Income		258,584	57,000	201,584	71,000	288,711	536,384	1,338,759
Expenses								
Waikato Plan		187,711	0	(187,711)	0	187,711	474,559	1,178,461
Policy & Bylaws		0	0	0	0	0	0	0
Regional Infrastructure Tech. Specs.	2	66,115	50,000	(16,115)	50,000	80,000	25,069	91,184
Policy & Bylaws		0	0	0	7,000	7,000	13,911	37,068
Section 17a Review		3,126	3,500	(374)	7,000	7,000	17,656	20,782
Administration Costs		1,632	3,500	1,868	7,000	7,000	5,189	11,264
Total Expenses		258,584	57,000	(202,332)	71,000	288,711	536,384	1,338,759
Earnings before interest, tax and depreciation/ amortisation (EBITA)		0	0	(748)	0	0	0	0
Earnings before interest and tax		0	0	(748)	0	0	0	0
Net Surplus (Deficit) before tax		0	0	(748)	0	0	0	0
Notes								
1) Participating Councils to be invoiced in December 2016.								
2) Forecast shows additional \$20,000 approved by the Board to complete RITS. These amounts have not yet been invoiced.								
3) Revenue received in advance broken down as follows:								
					Revenue	Expenditure	Transfers	Available Funds
					19,385	11,264	-	8,121
					1,346,240	1,178,461	-	167,779
					96,000	37,068	(19,000)	39,932
					111,000	91,184	19,000	38,816
					24,656	20,782	-	3,874
					Total for Mayoral Forum Activities			258,522
					RATA (Showing in Cash Surplus Opening Balance)			97,942
					Historical Aerial Photos (PROCURE)	3,515	3,515	3,515
					Revenue in Advance total			359,979

Notes		Actual YTD	Year to Date Budget FY	Variance	Full Year Budget	Last Year
Waikato Local Authority Shared Services						
Balance Sheet						
As at 31 December 2016						
						
CAPITAL						
		1,607,001	1,607,001	0	1,607,001	1,607,001
		1,350,000	1,350,000	0	1,350,000	1,350,000
		(2,273,720)	(2,328,930)	55,211	(2,328,930)	(1,924,992)
		1,318,704	(38,242)	1,356,947	(38,242)	(348,727)
		2,001,985	589,829	1,412,157	589,829	683,281
ASSETS						
CURRENT ASSETS						
		0	2,692	(2,692)	2,692	148,820
	1	1,136,411	3,394	1,133,017	3,394	390,047
		(79,390)	0	(79,390)	0	21,252
		0	0	0	0	281
		3,916	1,820	2,096	1,820	3,385
		300,635	0	300,635	0	152,684
		765,323	623,031	142,292	623,031	484,588
		45,770	0	45,770	0	45,402
		(43,651)	(48,066)	4,415	(48,066)	33,833
		2,129,014	582,871	1,546,143	582,871	1,280,291
NON-CURRENT ASSETS						
		3,065,316	3,085,506	(20,189)	3,085,506	3,065,316
		2,296,855	2,296,855	(0)	2,296,855	2,296,855
		1,195	1,195	0	1,195	1,195
	2	(4,954,027)	(5,041,294)	87,267	(5,041,294)	(4,871,872)
		409,340	342,262	67,078	342,262	491,494
		2,538,353	925,133	1,613,221	925,133	1,771,785
LESS CURRENT LIABILITIES						
		103,220	323,831	(220,611)	323,831	530,668
		73,052	11,473	61,580	11,473	27,327
		0	0	0	0	0
		118	0	118	0	743
	3	359,977	0	359,977	0	529,766
		536,368	335,304	201,065	335,304	1,088,504
		2,001,985	589,829	1,412,157	589,829	683,281
Notes						
1) Outstanding Receivables higher at this time due to annual invoices being sent. No issues to note.						
2) Accumulated depreciation is lower than budget due to the WRTM asset review extending the life of the asset to June 2019.						
3) Revenue in advance is not budgeted for as it results from revenue received not yet spent on expenses.						

Waikato Local Authority Shared Services Statement of Cash Flows As at 31 December 2016				
	Actual YTD	Full Year Budget	Last YTD	
Cashflows from Operating Activities				
Interest Received	1,635	6,500	16,538	
Receipts from Other Revenue	2,454,421	3,503,791	2,280,922	
Payments to Suppliers	(2,016,027)	(3,379,111)	(2,101,635)	
Taxes Paid	(1,156)	(1,820)	5,330	
Goods & Services tax (net)	(9,818)	(25,221)	59,305	
Net cash from operating activities	429,055	104,139	260,460	
Net cash from investing activities				
Purchase of Intangible Assets	0	(10,190)	(9,441)	
Net cash from investing activities	0	(10,190)	(9,441)	
Net increase in cash, cash equivalents and bank accounts				
Opening cash and cash equivalents and bank overdrafts	682,673	529,082	442,598	
Closing cash, cash equivalents and bank accounts	1,111,728	623,031	693,617	
Summary of Bank Accounts				
BNZ - Cheque a/c	300,635	0	29,042	
BNZ - Call a/c	765,323	623,031	620,179	
Term Deposit	45,770	0	44,396	
Closing Balance of Bank	1,111,728	623,031	693,617	

Appendix 2

The following policies have been adhered to in the completion of this financial report:

Changes to NZ Accounting Standards

LASS transitioned to the new Public Sector Public Benefit Entities (PBE) accounting standards for the year ended 30 June 2015. LASS is eligible to report in accordance with the Tier 2 PBE accounting standards.

Accounting Principles

Financial statements are prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with the New Zealand Generally Accepted Accounting Practice (GAAP), the Financial Reporting Act 1993 and NZ IFRS Standards.

Specific Accounting Principles

The following particular principles which have a significant effect on the measurement of financial position apply:

- Receivables are recorded at their face value, less any provisions for impairment.
- Investments are valued at the prevailing market value.
- Fixed assets are recorded at cost, less accumulated depreciation.

Intangible Assets

Where intangible assets are purchased, such as intellectual property, these are capitalised and written off on a straight line basis over their expected life, but over no greater than seven years.

Depreciation is provided on a straight line basis on all assets other than land, and align with normal accepted depreciation for the types of services being developed.

Impairment Testing

Assets with a finite life are reviewed annually 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use.

Inventories

It is not envisaged that the company will hold inventories, other than those that might relate to providing electronic services to a number of parties. They are valued at net realisable value.

Taxation

Taxation is provided as required against the company in line with the required legislation.

Audit

In accordance with the Public Audit Act 2001 and the Local Government Act 2002, the Office of the Auditor General is responsible for auditing the company's financial statements.

Dividend Payments

It is not envisaged that the Board will make any recommendation about dividend, as the shared services are on a cost recovery basis and any savings will be used to reduce service costs or to reinvest in new services or upgrades.

Consolidated Shareholders' Funds

In accordance with the Local Government Act 2002, the ratio of Consolidated Shareholders' Funds to Total Assets has been included within the Statement of Financial Position (Balance Sheet).

Consolidated Shareholders' Funds are defined as the sum of retained earnings, reserves and paid-up share capital.

Assets

Total Assets include Current and Non-Current Assets, as disclosed in the Statement of Financial Position (Balance Sheet). This includes, but is not limited to, Bank, Debtors and Operational Assets.

VIBRANT HAMILTON TRUST

MEMO

To: Trustees of Vibrant Hamilton Trust

From: Finance Unit of Hamilton City Council

Subject: Vibrant Hamilton Trust - Half Year Report 31 December 2016

Meeting Date: 10 February 2016 **File:**

1. Purpose of the Report

- To present the Half Year Report for the six months ended 31 December 2016.

3. Executive Summary

- The attached Half Year Report for the six months ended 31 December 2016 has not been audited.
- The Trust made a deficit of \$66,173 for the six months ended 31 December 2016 which was mainly attributable to lower than budgeted dividend and interest revenue.
- The Portfolio's fixed interest component is now represented in GMI Fixed Interest PIE which sits under Realised and Unrealised Gains (Losses). The total figure representative of the Portfolio's interest earned is \$14,955.41.
- Since 1 July 2016 the Trustees approved and distributed a \$300,000 grant against an annual budget of \$300,000. The grant was given to fund the Hamilton Gardens Development Project.
- The Statement of cash flows for the six months ended 31 December 2016 shows that net cash flows from operating activities was \$117,358, resulting in \$83,748 used to acquire investments.
- The total value of the GMI investment portfolio as at 31 December 2016 was \$5,924,533, which is an increase of \$3,526,232 since 31 January 2012. This is a simple return of 68.0%. The total return on each dollar invested at inception is 52.2% (after tax and fees) or 9.1% p.a. on an annualised basis.
- The return for the month of December was 1.7% against a benchmark of 1.5%.
- Market review
 - Global shares rose 2.2% in US dollar terms during December 2016.
 - In New Zealand, interest rates rose more than most places due to a revving local economy and expectations that the Reserve Bank will start to hike the OCR later in the 2017 year.

12. Recommendations

- That the report be received.
- That the Report for the six months ended 31 December 2016 is approved for issue to the Finance Committee on 28 February 2016.

15. Attachments

- Financial statements for the six months ended 31 December 2016.
- Portfolio snapshot report.

Vibrant Hamilton Trust			
Statement of financial performance			
for the six months ended 31 December 2016			
	Actual 2017 (6 months)	Budget 2017 (12 months)	Actual 2016 (6 months)
Revenue			
Dividend revenue	26,458	144,898	40,576
Interest revenue	3,616	56,000	10,452
Other income	-	-	2,326
Realised gains on investments	103,155	328,134	251,462
Unrealised gains on investments (movement)	124,233	-	(356,815)
Total revenue	257,461	529,032	(51,998)
Expenses			
Audit fees	3,800	7,541	3,700
Management fees - Gareth Morgan Investments	15,834	39,510	17,352
Other expenses	4,000	8,100	5,840
Unrealised losses on investments	-	-	0
Grants distributed	300,000	300,000	375,000
Total expenses	323,634	355,151	401,892
Surplus/(deficit) for the period	(66,173)	173,881	(453,890)
Vibrant Hamilton Trust			
Statement of financial position			
as at 31 December 2016			
	Actual 2017	Budget 2017	Actual 2016
Assets			
Current assets			
Bank account and cash	167,804	300,000	362,761
Other financial assets	5,756,729	6,385,825	5,801,270
Total current assets	5,924,533	6,685,825	6,164,031
Total assets	5,924,533	6,685,825	6,164,031
Liabilities			
Current liabilities			
Creditors and accrued expenses	10,501	15,641	27,538
Grants payable	300,000	-	0
Total current liabilities	310,501	15,641	27,538
Total liabilities	310,501	15,641	27,538
Total assets less total liabilities	5,614,033	6,670,184	6,136,492
Trust equity			
Contributed capital	4,169,850	4,169,850	4,169,850
Accumulated surpluses/(deficits)	1,444,183	2,500,334	1,966,642
Total Trust equity	5,614,033	6,670,184	6,136,492

Vibrant Hamilton Trust			
Statement of cashflows			
for the six months ended 31 December 2016			
	Actual 2017 (6 months)	Budget 2017 (12 months)	Actual 2016 (6 months)
Cash flows from operating activities			
Interest and dividends	30,073	200,898	51,029
Realised gains on investments	103,155	328,134	251,462
Other income	0	-	2,326
Payments to suppliers	(15,870)	(53,003)	(17,352)
Grants paid	0	(300,000)	(375,000)
Net cash flows from operating activities	117,358	176,029	(87,535)
Cash flows from investing and financing activities			
Payments to acquire investments	(83,748)	(176,029)	84,573
Net cash flow from investing and financing activities	(83,748)	(176,029)	84,573
Net increase/(decrease) in cash for the year	33,610	-	(2,962)
Add opening bank accounts and cash	134,194	300,000	365,723
Closing bank accounts and cash	167,804	300,000	362,761



December 2016

Vibrant Hamilton Trust

Investment Mandate

This is a balanced portfolio split 45/55 fixed interest/growth shares investments. That mix reflects the purpose of the portfolio, which is to enable regular drawings of 4% pa as required, as well protect the capital over the longer term.

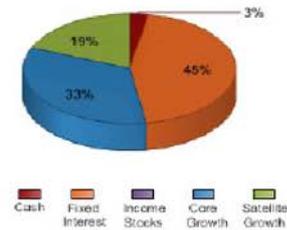
This mandate was last reviewed on 11 November 2016.

Asset Class	Ultimate Allocation	Target NZD Exposure
Cash	0.0%	0.0%
Fixed Interest	45.0%	100.0%
Income Stocks	0.0%	100.0%
Core Growth	27.5%	50.0%
Satellite Growth	27.5%	50.0%
Total	100.0%	

Portfolio Position

As at 31 December 2016, the total value of your investment portfolio is \$5,924,533. Your net contributions since inception in February 2012 have totalled \$3,528,232 (\$4,669,214 deposits less \$1,142,982 withdrawals).

Asset Class	Actual Value	Actual Allocation
Cash	\$167,804	2.8%
Fixed Interest	\$2,652,698	44.8%
Income Stocks	\$0	0.0%
Core Growth	\$1,984,596	33.5%
Satellite Growth	\$1,119,435	18.9%
Total	\$5,924,533	100.0%



Portfolio Performance

The GMI Growth PIE rose 3.1% after fees and taxes in December, in line with the benchmark for the month. Our holdings in the financials, industrials and energy sectors generally performed well, while some of our consumer-related holdings lagged the market.

The GMI Fixed Interest PIE declined 0.2% after fees and taxes in December, compared to the New Zealand Government Bond Index, which declined 0.6%. The outperformance was again due to our conservative underweighting of longer maturity bonds compared to the index amidst sharply rising longer interest rates as investors expect higher inflation.



Your return for the month of December was 1.7% against a benchmark of 1.5%. Your net contributions since 29 February 2012 have totalled \$3,528,232 (\$4,669,214 deposits less \$1,142,982 withdrawals). As of 31 December 2016 the total value of your portfolio is \$5,924,533. This is a simple return of 68.0%. The total return on each dollar invested at inception is 52.2% (after withholding tax, brokerage, and fees), or 0.1% p.a. on an annualised basis.

	Last Month	Last 3 Months	Loss/Gain		
			Last 12 Months	Since Inception	Annualised
Consolidated Portfolio					
Inception date (29/02/2012)	1.7%	2.3%	2.0%	52.2%	9.1%
46% NZ Bond, 56% MSCI	1.5%	1.4%	4.3%	35.3%	6.4%
Cash					
Inception date (29/02/2012)	0.1%	0.6%	2.0%	15.3%	3.0%
46% NZ Bond, 56% MSCI	1.5%	1.4%	4.3%	35.3%	6.4%
Fixed Interest					
Inception date (29/02/2012)	-0.2%	-1.0%	4.3%	32.2%	5.0%
100% NZ Bond	-0.5%	-2.3%	1.9%	12.4%	2.4%
Core Stocks					
Inception date (29/02/2012)	2.0%	4.8%	0.9%	61.0%	10.5%
MSCI	3.1%	4.4%	6.0%	56.1%	9.8%
Satellite Stocks					
Inception date (29/02/2012)	4.8%	8.8%	3.0%	111.7%	18.8%
MSCI	3.1%	4.4%	6.0%	56.1%	9.8%

Investment Strategy

Market Review

2016 ended on a solid note from an economic perspective, with the global upswing having good support. The US Federal Reserve hiked its main cash rate by 25 basis points as expected, while the European Central Bank (ECB) went in the opposite direction by extending its bond buying (money printing). Despite the ECB's latest decision, it is becoming clearer that the end of its extraordinary monetary support is approaching. Global shares were broadly up in December, with the MSCI All Countries index rising 2.2% in US dollar terms for the month. European markets were the best performers, while emerging markets again lagged. Interest rates were mixed in December, with rates in the US and Japan rising slightly and those in Germany edging down due to extra ECB stimulus. In New Zealand, interest rates rose more than most places due to a revving local economy and expectations that the Reserve Bank will start to hike the OCR later this year.

Portfolio Changes

In Growth portfolios we remain well diversified in quality shares, with slight tilts toward those shares that are likely to benefit the most from higher inflation, higher interest rates, and a strengthening US dollar. In Fixed Interest portfolios we continue to remain conservatively positioned ahead of likely interest rate rises over 2017.



STATEMENT OF INTENT (DRAFT)

VIBRANT HAMILTON TRUST

for the year ended 30 June 2018

This Statement of Intent (SOI) is presented by Vibrant Hamilton Trust (VHT) as required by Section 64(1) of the Local Government Act 2002.

The SOI forms the basis for the accountability of the Trustees of Vibrant Hamilton Trust to Hamilton City Council, and sets out the objectives, scope of activities undertaken, and performance targets by which Vibrant Hamilton Trust will be measured.

The purpose of this SOI is to provide accountability and transparency by outlining the activities and intentions of this Council Controlled Organisation (CCO) and the objectives of our activities for the year.

This SOI covers the year ended 30 June 2018 and includes the forecast financial statements for the following two years 2019 and 2020.

Thomas Gibbons
Chair
10 February 2017



INTRODUCTION

Vibrant Hamilton Trust was established as a CCO in accordance with section 64(1) of the Local Government Act 2002.

It is a legal entity incorporated under the Charitable Trusts Act 1957.

The Waikato Foundation Trust resolved in 2010 to make distributions to Vibrant Hamilton Trust (65%) and The Waikato District Wellbeing Trust Board (35%).

Vibrant Hamilton Trust received a \$4.671 million distribution from Waikato Foundation Trust on 31 January 2012. The Waikato Foundation Trust was subsequently wound up.

Vibrant Hamilton Trust approved grants totalling \$300,000 in 2016/17 for the following projects:

- *Hamilton Gardens Development Project (\$300,000)*

Applications must be projects that support Hamilton's City vision and strategic aspirations, in particular, sustainable, well planned projects for the well-being of people and the environment now and in the future.

Grants are distributed based on charitable purposes (and in line with the Trust Deed).



PURPOSE

PURPOSE OF THE TRUST

In addition to the statutory objective as stated in section 59 of the Local Government Act 2002, the objectives of the Trust as outlined in clause 3 (3.1) of the Trust Deed are:

1. Promote the social, economic, environmental and cultural wellbeing of the City of Hamilton and its communities, and/or
2. Relieve poverty through sustainable policies and practices, and/or
3. Advance education in the City of Hamilton, particularly to promote and advance economic standards for the benefit of the public generally, and/or
4. Deliver on the strategic aspirations of Hamilton City as identified by the community from time to time and endorsed by the Hamilton City Council.

These purposes, objectives and activities will be monitored to ensure that they are charitable and in accordance with the law.

ACTIVITIES

- *Governance*
- *Investment*
- *Grant Disbursement*

SCOPE OF ACTIVITIES

GOVERNANCE

The Trust will be governed in accordance with the terms of the Trust Deed.

Objective

- To comply with the terms of the Trust Deed and in particular with the duties of the Trust Board as set out in clause 11 of the Deed.

Performance measure

- Trust membership obligations are fulfilled in accordance with clause 5 of the Trust Deed.

INVESTMENT

The Trust will, in accordance with the Trust Deed, invest or reinvest part or parts of the Trust Fund not immediately required for the purposes of the Trust (whether income or capital) in investments or securities, as the Trust Board considers beneficial to the Trust Fund.

Objective

- To adhere to the Trust's Management of Share Portfolio and Distribution Policy.
- To review on an annual basis the investment mandate with the portfolio manager and the performance of the portfolio manager.

Performance measure

- The performance of investments is monitored by receiving and considering portfolio reports and financial information, on at least a quarterly basis.
- The investment mandate is monitored to ensure the investment portfolio reflects the risk tolerance, investment time zone and drawings requirement of the Trust.
- The performance of the portfolio manager is found satisfactory.

GRANT DISBURSEMENT

The Trust will, as appropriate, fund projects that meet the Trust's criteria and the Objects of the Trust Deed.

Objective

- To determine appropriate grants and/or distribution of Trust funds in accordance with the Trust Deed.

Performance measure

- A process is undertaken that distributes the annual fund to eligible recipients who meet the fund criteria. Any distributions are determined by the Trustees in their sole discretion in accordance with the Trust Deed and the law.
- As a minimum, six-monthly reports are received from all successful applicants within the required timeframe.



FINANCIAL STATEMENTS

The budgeted/forecast financial statements for the years 2017 to 2020 are shown below. For comparative purposes, we have disclosed the original budget for 2017 (i.e. the approved SOI for 2017) and the revised forecast for 2017 (which incorporates the audited results for 2016 and more recent information on the portfolio performance).

**Vibrant Hamilton Trust
Statement of financial performance
Forecast for the year ended 30 June**

	Note	Budget 2017 \$	Revised Budget 2017 \$	Forecast 2018 \$	Forecast 2019 \$	Forecast 2020 \$
Revenue						
Interest and dividend revenue	2	200,898	142,459	144,349	146,431	148,650
Increase in value of investment	2	328,134	284,918	288,698	292,861	297,300
Total revenue		529,032	427,377	433,047	439,292	445,950
Expenses						
Management fee	3	39,510	33,620	34,066	34,558	35,081
Audit fee	3	7,541	7,621	7,850	8,086	8,329
Other expenses	3	8,100	8,100	8,100	8,100	8,100
Grants distributed	4	300,000	300,000	300,000	300,000	300,000
Total expenses		355,151	349,341	350,016	350,744	351,510
Surplus/(deficit) for the year		173,881	78,036	83,031	88,548	94,440

Vibrant Hamilton Trust
Statement of financial position
Forecast as at 30 June

	Note	Budget 2017 \$	Revised Budget 2017 \$	Forecast 2018 \$	Forecast 2019 \$	Forecast 2020 \$
Assets						
Current assets						
Bank account and cash	5	300,000	300,000	300,000	300,000	300,000
Other financial assets	6	6,385,825	5,473,963	5,557,223	5,646,007	5,740,690
Total current assets		6,685,825	5,773,963	5,857,223	5,946,007	6,040,690
Total assets		6,685,825	5,773,963	5,857,223	5,946,007	6,040,690
Liabilities						
Current liabilities						
Creditors and accrued expenses		15,641	15,721	15,950	16,186	16,429
Grants payable		0	0	0	0	0
Total current liabilities		15,641	15,721	15,950	16,186	16,429
Total liabilities		15,641	15,721	15,950	16,186	16,429
Total assets less total liabilities		6,670,184	5,758,242	5,841,273	5,929,821	6,024,261
Trust equity						
Contributed capital		4,169,850	4,169,850	4,169,850	4,169,850	4,169,850
Accumulated surpluses/(deficits)		2,500,334	1,588,392	1,671,423	1,759,971	1,854,411
Total Trust equity		6,670,184	5,758,242	5,841,273	5,929,821	6,024,261

**Vibrant Hamilton Trust
Statement of cashflows
forecast for the year ended 30 June**

	Budget	Revised			
	2017	Forecast	Forecast	Forecast	Forecast
		2017	2018	2019	2020
Cash flows from operating activities					
Interest and dividends	200,898	142,459	144,349	146,431	148,650
Realised gains on investments	328,134	284,918	288,698	292,861	297,300
Payments to suppliers	(53,003)	(49,341)	(50,016)	(50,744)	(51,510)
Grants paid	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
Net cash flow from operating activities	176,029	78,036	83,031	88,548	94,440
Cash flows from investing and financing activities					
Payments to acquire investments	(176,029)	(78,036)	(83,031)	(88,548)	(99,440)
Net cash flow from investing and financing activities	(176,029)	(78,036)	(83,031)	(88,548)	(99,440)
Net increase/(decrease) in cash for the year	0	0	0	0	0
Add opening bank accounts and cash	300,000	300,000	300,000	300,000	300,000
Closing bank accounts and cash	300,000	300,000	300,000	300,000	300,000

Vibrant Hamilton Trust
Notes to the financial statements
Forecast for the year ended 30 June 2018-2020

1. Statement of accounting policies

Reporting entity

Vibrant Hamilton Trust (the "Trust") is controlled by Hamilton City Council and is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002, by virtue of Hamilton City Council's right to appoint the Board of Trustees.

The Trust was incorporated on 24 August 2010 under the Charitable Trusts Act 1957 and is domiciled in New Zealand. The Trust was registered in accordance with the Charities Act 2005 on 1 November 2010 to give it charitable status.

The principal activities of the Trust are to promote the social, economic, environmental and cultural well-being of the City of Hamilton and its communities. Accordingly the Trust is designated as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The Trust commenced trading when the initial capital was received from on 31 January 2012, resulting from the transfer of 65% of funds previously held by Waikato Foundation Trust.

The budget/forecast financial statements of the Trust are for the year ended 30 June 2017-2019 and were authorised for issue by the Trustees on 12 February 2016.

Basis of preparation

The Board has elected to apply PBE-SFR-A (PS) Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future.

Goods and services tax

The Trust is not registered for GST. All amounts in the financial statements are recorded inclusive of GST.

Significant Accounting Policies

• Interest revenue

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Trust reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

• Dividend revenue

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Grant expenditure

Non-discretionary grants are those grants awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Trust has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Board and the approval has been communicated to the applicant.

Realised gains/(losses) on investments

Realised gains/(losses) on investment portfolio managed by GMI

Unrealised gains/(losses) on investments

Unrealised gains/(losses) on investment portfolio managed by GMI

Foreign currency transactions

Foreign currency transactions are translated into New Zealand Dollars (the functional currency) using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Bank accounts and cash

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities in current liabilities on the balance sheet.

Debtors and other receivables

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

Financial assets

Financial assets are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Creditors and accrued expenses

Creditors and accrued expenses are measured at the amount owed.

Income Tax

The Trust has charitable status and is exempt from income tax.

Budget figures

The budget figures are derived from the Statement of intent as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with Tier 3 standards, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

Equity

Equity is measured as the difference between total assets and total liabilities.
Accumulated funds are defined as the aggregated surplus/deficit for each financial year.

Changes in accounting policies and transition to the new PBE SFR-A (PS) standard

This is the first Statement of intent using the new PBE SFR-A (PS) standard.

The forecast assumptions for 2018 to 2020 are summarised below.

Forecast assumptions 2018-2020:

2. GMI have estimated an average return on the portfolio of 7.5% per annum, before deducting management fees, over the next three years.

Interest and dividend revenue has been based on an average rate of return of 2.5% of the previous year's closing portfolio balance per annum.

3. Expenses:

- Audit fees: base of \$7,621 for 2017 plus an increment of 3% per annum thereafter
- Accounting and administration fee is fixed at \$8,000 per annum
- GMI management fee is based on an average rate of 0.59% of the previous year's closing portfolio balance per annum.

4. Value of grants distributed \$300,000 per annum.

5. Maintain cash balance of \$300,000 to provide liquidity to the Trust.

6. Investments comprise fixed interest securities and shares.
Net operating surpluses are reinvested to investments.

7. Ratios:

The Local Government Act 2002 requires the Statement of Intent to include the projected ratio of equity to total assets.

Year	Ratio %
2018	99.73%
2019	99.73%
2020	99.73%

8. Reports to be provided to Hamilton City Council

- The audited financial statements for the year ended 30 June 2018, including a summary of how the Trust has performed against its objectives and performance targets, within three months of year-end i.e. 30 September 2018.
- Report for the six months ended 31 December 2017 by 28 February 2018.
- Draft Statement of Intent for 2018/2019 by 28 February 2018.
- Final Statement of Intent for 2018/19 by 30 June 2018.

**Vibrant Hamilton Trust
Performance measures for 2017/2018**

Performance measure	How measured/by whom	Timeframe
1. Trust funds are prudently invested.	<ul style="list-style-type: none"> Funds are invested according to the Trust's Investment Policy. Trustees to review annually the investment mandate for VHT with GMI's Portfolio Manager for the next financial year. 	<ul style="list-style-type: none"> Annual review with Portfolio Manager to be completed in August/September.
2. Ensure all Trustees are appointed in accordance with section 5 of the Trust Deed.		<ul style="list-style-type: none"> Within five months of completing Trust Deed review.
3. Investment portfolio to be monitored to ensure it meets the risk tolerance, investment time zone and drawings requirements of the Trust.	<ul style="list-style-type: none"> Trustees to receive and consider investment portfolio reports and financial information 	<ul style="list-style-type: none"> Most recent monthly GMI report received prior to VHT meeting.
4. Provide funding for projects that support Hamilton City Council's vision and strategic aspirations, in particular, sustainable, well planned projects for the well-being of people and the environment now and in the future.	<ul style="list-style-type: none"> Funding applications must demonstrate that they meet the Trust's core objective of 'promoting the social, environmental and cultural wellbeing of the Waikato District and its communities'. Six monthly review of previous funding. 	<ul style="list-style-type: none"> Each funding round. February and September.
5. Ensure audit issues raised in the Management Letter are actioned.	<ul style="list-style-type: none"> Council staff to address any audit issues. 	<ul style="list-style-type: none"> Any response/action to be approved by Trustees at first meeting after Management Letter is received.

Financial Performance Targets:

	Budget 2018 \$	Forecast 2019 \$	Forecast 2020 \$
Surplus/(deficit) for the year before grants distributed	383,031	388,548	394,440
Grants distributed	300,000	300,000	300,000
Projected Portfolio Balance	5,857,223	5,946,007	6,040,690

Waikato Innovation Park

"Growing Technology Business"



**Innovation Waikato Ltd (IWL)
and Group of Companies**

Including:

Waikato Innovation Park Ltd (WIPL)
New Zealand Food Innovation (Waikato) Ltd
(NZFIW)

DRAFT Statement of Intent

20th March 2017

2017 / 2018

1.0 Introduction

Innovation Waikato Ltd (IWL) and Waikato Innovation Park Ltd (WIPL) became a CCO on 9 October 2013 upon the vesting of assets from Katolyst Trust to Hamilton City Council (HCC).

This statement is presented by the Directors in accordance with s.64 (1) Local Government Act 2002 and sets out the Board's intentions for the Company for the year ended 30 June 2018 plus estimates for the years ending 30th June 2019 and 2020.

Subsidiaries

HCC owns Innovation Waikato Ltd which is the shell non-operating company that owns the assets of Waikato Innovation Park Ltd (WIPL) which has one subsidiary company, namely New Zealand Food Innovation (Waikato) Ltd (NZFIW).

2.0 Corporate Intent

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

Core Purpose

To promote research, development, commercialisation and marketing by new and existing entities or individuals of new products, processes, technologies and or quality improvements. To actively promote economic development by supporting the growth of business that contributes to New Zealand's export economy.

The focus of the Park is on innovation and technology-led businesses that enhance New Zealand's competitive advantage and alignment with the region's economic export development strategy, particularly in areas such as:

- Agriculture
- Agribusiness
- Food Processing
- Value Add to Food Products from primary production
- Horticulture
- Environmental sustainability
- Enabling Information and Communication Technology

3.0 Achievements to date

Waikato Innovation Park has three streams of Business, as follows:

3.1 Regional Economic Development through the Business Growth team by:

- a) Facilitating research and development business funding by representing Callaghan Innovation. In the last three years \$44.9 million of funding has been secured within the region.
- b) Facilitating capacity building for export businesses by representing NZTE training voucher system. In the last three years \$1.1 million of funding has been secured.
- c) Managing Business Mentors in the Waikato region.

The Business growth team group is a vital part of the Waikato economic ecosystem establishing multiple business to business networks and holding key economic knowledge events.

3.2 Property development with a technology innovation theme

A very successful property business has been established focusing on agriculture, Agri-Tech Food and IT based tenants with 50 tenant companies and approximately 562 employees currently occupying the Park.

The total of tenanted space is 11,840 square metres. Tenant's sales are now a combined \$427 million with 39% of the tenants working with other tenants in collaborative ventures. Sixty eight percent of the Park's tenants exported their products and services.

3.3 Food Innovation

The spray dryer was successfully commissioned in July 2012 and initially met Dairy Goat Cooperative's customer requirements to allow it to expand its sales and supply. As a result Dairy Goat Cooperative made an investment of \$68million in a plant on its own site.

A further \$3million investment by Callaghan Innovation allowed a full infant formula blending plant of \$5.7million and ingredient warehouse to be established. It allows specialty ingredients such as vitamins, minerals and oils to be 'wet blended' with milk or fruit juice prior to being spray dried to powder in the facility. Since the upgrade, there has been increase in goat and sheep fresh milk production.

NZFIW are fully booked until June 2018 for drying of fresh goat and sheep milk production plus infant formula nutritionals from those bases. There remains a small amount of space for one-day trials. As a result NZFIW is now contributing, through manufacturing, approximately \$50million of exports per year.

4.0 Key assumptions

The Statement of Intent assumes:

1. That the WIPL Board has adopted the masterplan for the building growth at the Waikato Innovation Park.
2. That Hamilton City Council, after providing seed capital, intends to sell its shares in the property division of Waikato Innovation Park Limited. The sale requires Ministerial approval therefore it is assumed that no sale of the property division is made within the period covered by this statement of intent.
3. The Financials included in the Statement of Intent reflects only the status quo situation with growth in property buildings, including only those that can be financed through bank lending.
4. As consequence of the deferred sale there is no budget for the injection of capital into NZFIW and therefore no Investment is the budget for the second Dryer.
5. The assumptions and financials in the Statement of Intent will be reviewed upon a signed agreement with an investor for the sale by HCC of the property division.

5.0 Nature and Scope of Activities to be Undertaken

Key Objectives

The key objectives that can be achieved during the years ending June 2018 to 2020:

Regional Business Partner Division

WIPL will contribute to a successful economic growth strategy, in collaboration with other regional agencies, NZTE and Callaghan Innovation. WIPL will specialise in funding grants from Callaghan innovation and NZTE, incubation, clustering, mentoring and business to business collaboration. A key focus for the 2017/2018 year is participation in Maori economic development.

New Zealand Food Innovation Waikato Limited 2017-2018

1. 290 days of product development production via the spray dryer contributing \$50million to the regional economy.
2. Commitment by private capital to establish increased spray drying capacity alongside the existing dryer will be deferred until the sale of the property assets is approved.
3. If a sale is approved a 10% minority interest in new spray dryer is planned to increased open access space for the sheep industry customers. No allowance has been made for this investment until Key Assumption 6 is undertaken
4. Approval of both shareholders is obtained before private investment is agreed or NZFIW commits to the new spray dryer.
5. Resource consents obtained for a new spray dryer facility.

6. Assist with the development of new valued added sheep milk industry products and the international launch of one substantial new product.

2018-2019

1. 290 days of product development production via the spray dryer contributing \$50million to the regional economy
2. New privately owned spray dryer facility completed.
3. Assist with new drying technology to further develop the horticulture industry.

2019-2020

1. 300 days of product development production via the spray dryer contributing \$50million to the regional economy.
2. Launch of one new value added products within the sheep milk industry.
3. Dividend received from minority investment in new spray dryer.

Waikato Innovation Park limited 2018-2020- Property

1. Existing buildings 98% occupied.
2. Ownership of the Waikato Innovation Park remains as it currently is.
3. One additional building budgeted, commencing in January 2018, and completion in December 2018. This will be funded by bank lending and WIPL property cash flows.
4. Surplus cash applied to repayment of BNZ debt to address the thin Equity/ Total Assets ratios.
5. All interest rates and debt covenants with BNZ are met.

6.0 Key Performance Targets (\$,000)

	2018	2019	2020
Group EBITDA	3,338	4,006	4,897
Group Cash from operating activities	1,469	2,027	2,333
Net Profit After Tax	576	630	1,209
Shareholders' funds (including deferred Income)/ Tangible assets	43%	38%	40%

7.0 Capital Expenditure Detail (\$,000)

	2018	2019	2020
Property	7,727	7,611	309
Food Waikato	400	400	400
Total	8,127	8,011	709

8.0 Financial Disclosure

Ratio of consolidated shareholder funds to total assets

Shareholder funds are defined as Equity plus Government Grant deferred Income

Statement of accounting policies

Innovation Waikato Ltd is a profit-oriented company registered in New Zealand under the Companies Act 1993.

The financial statements presented are those of Innovation Waikato Limited (the "Company") and its subsidiaries (the "Group"). The Company financial statements are prepared in accordance with the requirements of the Financial Reporting Act 1993.

The Group is involved in the business of the development and operation of an Innovation Park in Hamilton, New Zealand and a development spray dryer.

Statement of Compliance and Basis of Preparation

The financial statements for the Company are for Innovation Waikato Limited as a separate legal entity.

The consolidated financial statements for the Group are for the economic entity comprising Innovation Waikato Limited and its subsidiaries.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

The Company qualifies for Differential Reporting exemptions as it is not publicly accountable and is not large as defined in the Framework for Differential Reporting. The Company has taken advantage of all available differential reporting exemptions.

Basis of Measurement

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis are followed by the Company.

Presentation Currency

The financial statements are presented in New Zealand Dollars.

Basis of Consolidation

Subsidiaries – entities controlled directly or indirectly by the Group. Subsidiaries are consolidated from the date control is acquired. They are de-consolidated from the date control ceases. All significant intercompany accounts and transactions are eliminated on consolidation.

Associates – entities in which the Group has significant influence, but not control, over the operating and financial policies. Associates are recognised using the equity method which recognises the Group's share of net profit in profit or loss and its share of post-acquisition movements in reserves in other income. The Group Associate is New Zealand Food Innovation Network Limited. This company is 25% owned by New Zealand Food Innovation (Waikato) Limited.

Transactions and balances eliminated on consolidation – intercompany transactions, balances, revenue and expenses between Group companies are eliminated on consolidation.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and financial position have been applied:

i. *Revenue*

Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business.

Grants received are recognised in the Statement of Comprehensive Income when the requirements under the grant agreement have been met. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Rental income is accounted for as earned. Interest income is accounted for on an accrual basis.

ii. *Expenses*

Expenses have been classified on their business function.

iii. *Work in Progress*

Work in progress comprising materials, labour and overheads is valued at cost.

iv. *Trade Receivables*

Trade Receivables are recognised at estimated realisable value.

v. *Property, Plant & Equipment*

Property, Plant & Equipment are recognised at cost price less depreciation and impairment losses. Gains and losses on disposal of Property, Plant & Equipment are taken into account in determining the operating result for the year.

Depreciation is calculated on a diminishing value basis to allocate the cost or revalued amounts over the estimated useful lives of the assets, as follows:

Plant & Equipment	13.8% DV
Computer Equipment	39.8% DV
Office Equipment	17.8% DV

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

vi. *Property*

Property is recognised at fair value less depreciation and impairment losses. In previous years property was valued at cost.

Land is not depreciated. Depreciation on buildings is calculated on a diminishing value basis to allocate the cost or revalued amounts over the estimated useful lives, as follows:

Buildings	1.7% DV
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vii. *Income Tax*

The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income.

viii. *Trade and Other Payables*

Trade and other payables are stated at cost.

ix. *Impairment*

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase. An impairment of goodwill is not subsequently reversed.

x. *Foreign Currencies*

Transactions denominated in foreign currencies are converted at the exchange rate current at the transaction date. Foreign currency receivables and payables are converted at exchange rates current at balance date. Foreign exchange gains and losses are included as income or expenses respectively in the Statement of Financial Performance.

xi. *Goods and Services Taxation (GST)*

Revenues and expenses have been recognised in the financial statements exclusive of GST. All items in the Statement of Financial Position are stated exclusive of GST except for receivables and payables which are stated inclusive of GST.

xii. *Borrowing Costs*

Borrowing costs are recognised as an expense using the effective interest method.

I. Future Investment Proposals

If the Company 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.

II. Compensation from Local Authorities

Tony Steele receives remuneration as a Director of the WIPL board and also as a member of the HCC Audit and Risk Committee.

III. Commercial Value of the Shareholders investment

A registered valuation of the real property assets was undertaken in 2016. The total value of the real property assets at 30th June 2016 is \$25,650,000. Property plant and Equipment was valued on 1st June 2016 at \$20,585,000. Total term liabilities at 30th June 2016 were \$24,518,000

IV. Dividend Policy

It is proposed to review the dividend policy during the 2017/2018 financial year.

9.0 Information to be provided to Shareholders

The company will deliver the following Reports or Statements to the Shareholder:

- Unaudited Half Year Report within two months of the end of the first half of the financial year (28 February); commenting on the operations and results for the six months.
- Statement of Intent
 - By 1 March of each year a Draft Statement of Intent for the consideration of the shareholders
 - Final Statement of Intent to the shareholders by 30 June.
- Financial Statements
 - Draft financial statements by 31 July.
 - Audited Annual Accounts by 30 September.

10.0 Governance Statements

Board of Directors

There are two separate Boards of Directors for WIPL and NZFIW. The board is a skill based board that must govern in the best interests of the company.

The WIPL Board currently includes the following Directors:

- **Earl Rattray** (Chairman) is past Director of Fonterra, a Director of other companies active in the Agricultural and construction sectors. Earl is NZ dairy farmer, and has interests in several international farming enterprises. Accredited Fellow member of the NZ Institute of Directors.
- **Helen Cross** is an experienced director and advisor to boards with over 18 years' experience providing strategic guidance, problem solving and governance. Helen has worked extensively with technology, engineering and service providers in NZ.
- **Tony Steele** is a Chartered Accountant and has had a career in professional practice. His speciality area is in Business Advisory Services, which includes a wide range of commercial and corporate services. Tony is a Fellow member of the NZ Institute of Directors.
- **Martin Udale** has more than 30 years' experience in commercial and residential property development and investment in UK, Australia and New Zealand. Member of NZ Institute of Directors.
- **Dr Andrew West** was previously Chief Executive of AgResearch, New Zealand's principal research organisation supporting the country's dairy, meat and wool industries and pro Vice Chancellor of Lincoln University Accredited member of NZ Institute of Directors.

There are three governance sub committees established in 2015, being:

- Audit and Risk Committee
- Remuneration Committee
- Special Projects Committee

Health and Safety

WIPL is committed to Health and Safety which will be at the forefront of its operational management to ensure the wellbeing of its staff, tenants, contractors and visitors.

Environment

WIPL is committed to minimise and/or mitigate the adverse impact of the company's operations on the environment.

9.0 Financials:

**Waikato Innovation Park
Consolidated Group Income Statements**

Group Income \$ 000	FY 18	FY 19	FY 20
NZFIW	6,104	6,259	6,396
WIPL	3,883	4,638	5,550
Group Income	9,987	10,897	11,946
Total Operating Costs	6,649	6,891	7,049
EBITDA	3,338	4,006	4,897
Other Overheads			
Depreciation	1,341	1,373	1,395
Interest	1,197	1,758	1,824
Total Other Overheads	2,537	3,131	3,218
Net Profit before tax	801	875	1,679
Tax	(224)	(245)	(470)
Net Profit after tax	576	630	1,209

**Waikato innovation Park
Consolidated Group Financial Positions**

\$000	Jun-18	Jun-19	Jun-20
Total Current Assets	1,075	1,236	1,218
Non-Current Assets			
Plant & Equipment	16,024	15,197	14,346
Buildings	30,054	44,625	44,791
Other Non-Current Assets	7,767	736	736
Total Non-Current Assets	53,845	60,559	59,873
Total Assets	54,919	61,795	61,091
Total Current Liabilities	2,308	1,390	1,342
Non-Current Liabilities			
Bank Loans	28,253	35,595	33,909
Deferred Grant Income	2,722	2,544	2,365
Other non-Current Liabilities	2,631	2,631	2,631
Total Non-Current Liabilities	33,606	40,770	38,905
Total Liabilities	35,914	42,160	40,247
Total Equity	19,005	19,635	20,844
Capital Ratios	42.6%	38.6%	40.8%

Half Yearly Report

Innovation Waikato Ltd & Group
For the six months ended 31 December 2016

Financial Results

(Unaudited YTD Dec 2016 For the Year Ended 30 June 2017)

Cash Operating Surplus	YTD	YTD	YE	YE
	Actual	Budget	Forecast	Budget
	\$000	\$000	\$000	\$000
Property	109	1	266	254
NZFIW	634	188	1,359	788
Group cash operating surplus	743	189	1,625	1,042

Net Profit

Property	522	262	718	581
NZFIW	408	202	333	253
Group net profit	930	464	1,051	834

KPI's

	Actual	Budget	YE	BNZ
			Forecast	Covenant
Interest Cover	3.95	3.40	>=2.0	2.64
Shareholder Funds/Tangible Assets (including government grants)	46.7%	41.8%	NA	42.2%

Debt/Assets

	\$000	YE Budget		
		\$000		
Secured debt	23,560	25,498		
Total Assets	48,716	48,214		



Management Commentary

NZ Food Innovation (Waikato) Ltd Spray Dryer Plant

Currently our greatest challenge is juggling the schedule to accommodate as many clients as possible. Since the upgrade, there has been a marked increase in goat and sheep fresh milk production. With regard to fresh milk production, we are fully booked until June 2018 apart from a small amount of space for one-day trials.

We have our five regular fresh milk suppliers, supplying goat (caprine) and sheep (ovine) each week for drying. We plan the rest of our other developmental projects around those customers.

The sheep milk industry production will increase by 50% next year as new farms and genetics become available. New Image has met their obligation to build their own plant in Paerata and will cease production at NZFIW at the end of the season. This demonstrates the model working, with many new jobs created and an increase in exports. This space will allow for sheep milk growth. Planning is recommencing on Dryer # 2 to cater for the major increase in volumes in Omega powders and sheep milk in the 2019 year.

Waikato Innovation Park Ltd

Based on our 4th Annual survey turnover from companies in the Park is now \$427m, with 562 staff based at the Park. There are 39% of Park companies collaborating on projects and 68% are actively exporting. We have consistently run at 98% + occupancy for the year with high numbers of enquires.

Gallagher Core Facilities Building We have had notice that the University is moving out from the Park on the 31st March as a cost saving measure. We have fully tenanted the space. The excellent news is the local NZTE team will move into the park. NZTE will be complementary to the WIPL's Business Growth team.

The new shared office space with 12 desks and 6 small offices has been an overwhelming success with the space fully occupied within 3 months of establishment.

CRV Ambreed Building This building is now full with long term tenants. Skills NZ and Ospri have recently joined (Ospri run the national animal identification scheme and the TB eradication scheme).



Waikato Innovation Park

"Growing Technology Business"

Management Commentary continued...

Business Growth Team

This team with MBIE support has increased to 8 people as government has increased its support to Waikato for research and development and economic development. We now also manage the Business Mentors programme.



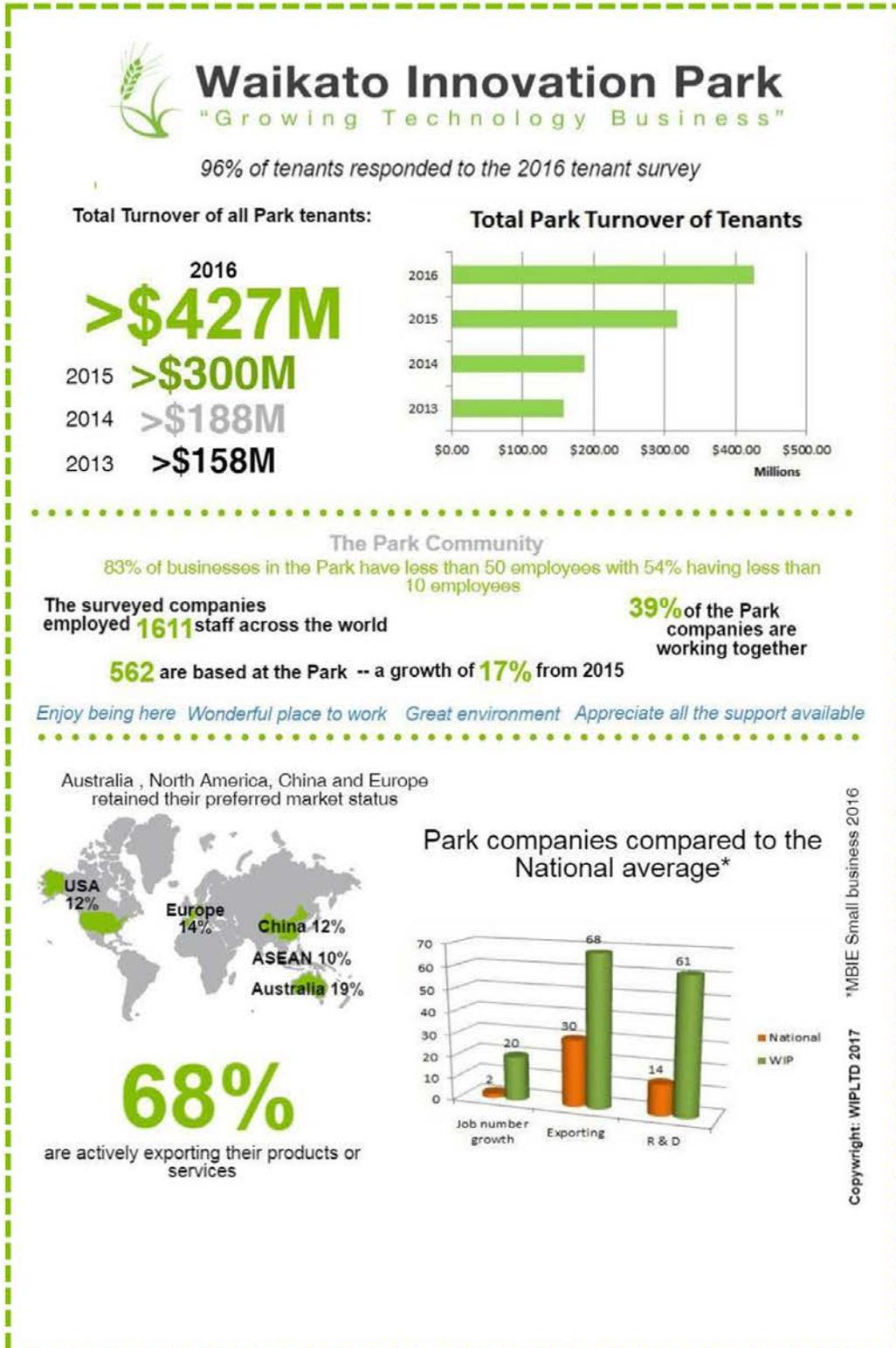
Operations Figures

(For the Year Ended 30 June 2017)

	Forecast	Budget
NZFIW Production Days (YTD)	250days	253days
NZFIW Product Days year end forecast	494days	490days
Property Occupancy Rate	100%	98%
Cash Return on Property Equity (forecast)	6.4%	5.5%

Financial Results

- Group net profit year to date December is 100% ahead of budget with both property and NZFIW ahead.
- Property profits are forecasted to exceed budget by 24% at year end with higher occupancy rate and increase in overall rental price mix.
- Forecasted to exceed budgeted profits by 31% due to higher margin products being produced.





13 FEB 2017

Mr Richard Briggs
Chief Executive
Hamilton City Council
Private Bag 3010
HAMILTON 3240

→ David Bryant

7 February 2017

Dear Richard,

Civic Assurance Announcements and Draft 2017 Statement of Intent

In 2016 Civic celebrated 75 years of service to local government, the finalizing of its Canterbury earthquake claims, and its third consecutive profitable year since those earthquakes. I am pleased to report that Civic is also projecting its next three years to be profitable, as you will see from your enclosed copy of Civic's draft Statement of Intent for 2017. Please let me have any comments you wish to make on this draft by 9 March 2017.

Your Board decided at the end of last year to withdraw Civic's application for a full insurance licence and not offer property insurance. This decision was not taken lightly, but in the current market Civic cannot write insurance profitably. However, Civic will be able to provide property covers through CPP (Civic Property Pool) in the future if this is what the sector wants and market conditions favour doing so.

Civic will continue to administer the local government KiwiSaver and SuperEasy schemes and the four local government mutual pools: LAPP, Riskpool, CLP and CPP.

A company without an insurance licence is not allowed to have the word insurance in its name. Recognising this and its changed focus, Civic will be changing its formal name from *New Zealand Local Government Insurance Corporation Ltd* to *Civic Financial Services Ltd*. As Civic will not be offering insurance directly and any future cover offered by CPP will be 100% reinsured, Civic is able to return some of its capital to shareholders. To this end the attached Statement of Intent includes a proposal to sell Civic Assurance House.

Civic will be changing its CEO with effect from 20 March 2017 and I will be taking on a part-time consultancy role with Civic to ensure that LAPP, Riskpool, CLP and CPP continue to be provided with all the technical support they need. The new CEO will be Ian Brown, and I am sure you will join me in congratulating him.

Yours sincerely

Tim Sole
Chief Executive

New Zealand Local Government Insurance Corporation Ltd

Civic Assurance,
116 Lambton Quay,
PO Box 5521, Wellington 6140,
<http://www.civicasurance.co.nz>
Tel: (04) 978 1250 Fax: (04) 978 1260

**NEW ZEALAND LOCAL GOVERNMENT
INSURANCE CORPORATION LIMITED**
trading as Civic Assurance

DRAFT STATEMENT OF INTENT

FOR THE YEAR ENDED 31 DECEMBER 2017

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1.0 Mission Statement

Mission Statement of Civic Assurance
To provide superannuation and risk-financing solutions to the local government sector

2.0 Corporate Goals

The specific goals of the Company are:

- 2.1 To operate as a sound and successful business.
- 2.2 To be the primary supplier of risk-financing and superannuation services to the local government sector.
- 2.3 To investigate and facilitate, as appropriate, new products and markets in risk-financing and superannuation and such other markets that it believes could prove beneficial to its shareholders and the local government sector.

3.0 Nature and Scope of Activities

- 3.1 The Company provides superannuation services for local government and local government staff via SuperEasy and the SuperEasy KiwiSaver Superannuation Scheme.
- 3.2 The Company provides administration, reinsurance, accounting, and a range of other services to LAPP, Riskpool, CLP (Civic Liability Pool) and CPP (Civic Property Pool).
- 3.3 The Company investigates and facilitates as appropriate such new risk-financing and superannuation services and/or markets that it believes will prove beneficial to its shareholders and the local government sector.
- 3.4 In a modest and selective way the Company provides sponsorship for a range of local government activities at regional and national level.

Civic Assurance

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4.0 Profits, Dividend Policy & Projections

Civic is projecting a total profit over the next three years of approximately \$1,000,000. This follows three profitable years in 2014, 2015 and 2016.

The Company historically has had three main sources of revenue: fees from providing administration services, insurance premiums, and investment income. The profit outlook from these three sources is as follows:

Profits from providing administration services: The bulk of Civic's income in 2017 will come from providing administration services. See the three-year projections below.

Profits from providing insurance: There will be no profits from providing insurance in 2017. In December 2016, your Board decided to withdraw Civic's application for a full insurance licence. This was not a decision taken lightly. The Board's main reason for this action was that in the current market Civic could not have written insurance profitably. There is nothing to prevent the Company in the future applying for a full insurance licence and/or re-opening a 100% reinsured Civic Property Pool if this is what the sector wants and market conditions make this viable.

Profits from investment income: Civic's investment income is mainly from its rental income from Civic Assurance House, a ten-storey Wellington CBD office building. Shareholders will be asked at the AGM in June whether they wish Civic to retain ownership of this building. A report listing the pros and cons of retaining ownership will be provided to shareholders before they are asked to vote on this matter. If shareholders support a sale and a satisfactory price can be obtained, then the building will be sold and the sale price of the building net of selling costs will be distributed to shareholders. The sale would allow a special dividend of around 70 cents per share.

Financial projections for 2017 to 2019 are:

	2017	2018	2019
Fee Income	\$2,760,000	\$2,764,000	\$2,900,000
Investment Income	\$328,000	\$91,000	\$95,000
Revenue	\$3,088,000	\$2,855,000	\$2,995,000
Expenses	\$2,750,000	\$2,546,000	\$2,586,000
Surplus before tax	\$338,000	\$309,000	\$409,000

Please note that these are projections, not firm predictions.

Civic Assurance

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5.0 Performance Targets and Measures

- 5.1 To provide superannuation services to at least 90% of local authorities.
- 5.2 To continue to be an efficient and effective administration manager for LAPP, Riskpool, CLP and CPP.

6.0 Reporting to Shareholders

- 6.1 An audited annual report for 2016 by 30 April 2017.
- 6.2 A report on the first half of 2017 by 30 September 2017 containing a review of the Company's operations during the half year and unaudited half-yearly accounts.

7.0 Acquisitions/Disposals

Any acquisition or disposal that is equivalent to 50% or more of the Company's assets will constitute a "major transaction" under the Company's constitution and approval of the shareholders will be sought in accordance with the constitution. Any acquisition that is equivalent to 25% or more but less than half of the Company's assets will constitute a "minor transaction" under the Company's constitution and consultation with shareholders will take place. The disposal of Civic Assurance House would be deemed to be a major transaction and as such would require 75% of those voting to vote in favour if the sale is to proceed.

8.0 Transactions with Related Parties

The Company has 72 local authority shareholder members plus TrustPower (holding 1.21% at 7 February 2017). Local Government Superannuation Trustee Limited and Local Government Mutual Funds Trustee Limited are wholly owned subsidiaries of the Company. Because it is sharing management resources, the Local Authority Protection Programme (LAPP), Riskpool, CLP and CPP are also considered to be related parties. Transactions with shareholder members include risk-financing services and superannuation related financial services.

Charges to and from shareholder members will be made for services provided as part of the normal trading activities of the Company and its subsidiaries. Transactions with shareholder members are on a wholly commercial basis.

***** END *****

Civic Assurance

-4-



24 February 2017

Dear Shareholder

Draft Statement of Intent 2017/18

Please find attached a copy of the Draft Statement of Intent ("SOI") for the 2017/18 year. We have also attached a tracked change version to highlight what we propose changing from the previous 2016/17 SOI.

LGFA continues to focus on delivering strong results for both our council borrowers and shareholders.

For our borrowing councils we seek to optimise funding terms and conditions by:

- Achieving savings in borrowing costs
- Provide longer dated funding and
- Provide certainty of access to markets

For our shareholders we are focused on:

- Delivering a strong financial performance
- Monitoring asset quality and
- Enhancing our approach to treasury and risk management and

The following points regarding the Draft 2017/18 SOI are worth noting:

- While profitability is forecast to remain strong it is expected to reduce in the 2019/20 financial year as we forecast a reduction in net interest income while total expenses are also forecast to track lower but at a lessor rate.
- Net interest income is expected to be lower in the outer years due to the forecast repayment by councils of the higher margin loans made during the 2012-14 period. Many of these loans mature between 2017 and 2019 and are being refinanced with loans at a reduced on lending margin. While this is positive for council borrowers, it does reduce our forecast profitability.
- We have increased our forecast for Local Government loans outstanding as at June 2018 to \$7.864 billion and to \$7.913 billion as at June 2019 (from \$7.762 billion and \$7.850 billion in the previous SOI). This reflects today's higher starting point for council loans offset by some uncertainty regarding the impact on LGFA lending if councils substitute LGFA borrowing for funding from the Housing Infrastructure Fund facility.
- We have made no changes to the on-lending margins given the base lending margin now averages 10 bps (0.10%). Any further reductions in the base margin is unlikely as we need to

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ensure we have sufficient capital to match the growth in the balance sheet. LGFA on-lending margins are the narrowest when compared with our international peers.

- Compared to the previous SOI, issuance and on-lending costs excluding Approved Issuer Levy (“AIL”) are forecast to be higher due to the additional NZX listing fees and a small increase in personnel costs. However, a forecast reduction in AIL payments offsets these increases and total expenses are lower than forecast in the previous SOI.
- The SOI performance targets are similar to the targets in the previous SOI except that we have removed the target for LGFA bonds to be issued at 0.50% above New Zealand Government Bonds. This target did not accurately reflect funding costs for our council borrowers who are focused on borrowing on a spread to swap i.e. a floating rate basis. We have also improved how we measure cost savings to council borrowers by comparing our funding costs to the funding costs of registered banks.
- There is some timing uncertainty within the SOI forecast relating to Local Government loans and LGFA bonds outstanding as we now have to project both the repayment amount and repayment timing of the Local Government loans that are due to mature in December 2017 and March 2019. Decisions made by our council members regarding early refinancing will have a phasing impact across all three years in the SOI forecast.

If you have any questions or wish to provide comments by 30 April 2017 then please feel free to contact myself or any member of the Shareholders Council.

Yours sincerely



Mark Butcher
Chief Executive



Draft Statement of Intent 2017/18

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 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 local authorities that enter into all the relevant arrangements with it (Participating Local Authorities) and comply with the LGFA's lending policies.

In lending to Participating Local Authorities, 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 Local Authorities;
- 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 objectives and performance targets of the shareholders in LGFA (both commercial and non-commercial) as specified in this SOI;
- Be a good employer;
- Exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and
- Conduct its affairs in accordance with sound business practice.

Primary objectives

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;
- Making longer-term borrowings available to Participating Local Authorities;
- Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice; and
- Offering more flexible lending terms to Participating Local Authorities.

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 visit each Participating Local Authority on an annual basis;
- LGFA will analyse finances at the Council group level where appropriate
- LGFA will work closely with the Department of Internal Affairs (DIA), Office of the Auditor General (OAG) and Local Government New Zealand (LGNZ) on sector and individual council issues.

Additional objectives

LGFA has a number of additional objectives which complement the primary objective. These objectives will be measurable and achievable and the performance of the company in achieving its objectives will be reported annually. These additional objectives are to:

- Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy set out in section 6;
- Provide at least 50% of aggregate long-term debt funding to the Local Government sector;
- 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;
- Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015;
- Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency;
- Achieve the Financial Forecasts (excluding the impact of AIL) set out in section 4;
- Meet or exceed the Performance Targets outlined in section 5; and
- Comply with its Treasury Policy, as approved by the Board.

4. Financial forecasts

LGFA's financial forecasts for the three years to 30 June 2020 are:

FINANCIAL YEAR (\$M)

Comprehensive income	Jun-18	Jun-19	Jun-20
Interest income	240.60	251.22	258.46
Interest expense	223.18	233.93	243.16
Net Interest income	17.43	17.29	15.30
Issuance and on-lending costs	2.29	2.32	2.35
Approved Issuer Levy	1.84	1.57	1.17
Operating expenses	2.97	3.06	3.15
Issuance and operating expenses	7.10	6.96	6.67
P&L	10.33	10.34	8.63

Financial position (\$m)	Jun-18	Jun-19	Jun-20
Capital	25.00	25.00	25.00
Retained earnings	36.57	45.41	52.53
Total equity	61.57	70.41	77.53
Dividend provision	1.50	1.50	1.50
Total assets (nominal)	8,131.17	8,189.67	8,308.17
Total LG loans - short term (nominal)	260.00	260.00	260.00
Total LG loans (nominal)	7,604.00	7,653.00	7,805.00
Total bills (nominal)	350.00	350.00	350.00
Total bonds (nominal)	7,585.00	7,635.00	7,745.00
Total borrower notes (nominal)	121.66	122.45	124.88

Note that there is some forecast uncertainty around the timing of Net Interest Revenue, Net Profit, Total Assets, LG Loans, Bonds and Borrower Notes depending upon council decisions regarding the amount and timing of refinancing of their March 2019 and April 2020 loans. LGFA will work with council borrowers to reduce this uncertainty.

5. Performance targets

LGFA has the following performance targets:

- The average margin above LGFA's cost of funds charged to the highest rated Participating Local Authorities for the period to:
 - 30 June 2018 will be no more than 0.10%.
 - 30 June 2019 will be no more than 0.10%.
 - 30 June 2020 will be no more than 0.10%.

The above indicators include both LGFA Bills and Bonds and short dated and long dated lending to councils.

- LGFA's annual issuance and operating expenses (excluding AIL) for the period to:
 - 30 June 2018 will be less than \$5.26 million.
 - 30 June 2019 will be less than \$5.39 million.
 - 30 June 2020 will be less than \$5.50 million.
- Total lending to Participating Local Authorities¹ at:
 - 30 June 2018 will be at least \$7,864 million.
 - 30 June 2019 will be at least \$7,913 million.
 - 30 June 2020 will be at least \$8,065 million.
- Savings on borrowing costs for council borrowers:
 - LGFA will demonstrate the savings to council borrowers on a relative basis to other sources of financing. This will be measured by maintaining or improving the prevailing secondary market spread between LGFA bonds and those bonds of a similar maturity issued by (i) registered banks and (ii) Auckland Council and Dunedin Council as a proxy for single name issuance of council financing.

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 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 will comprise between four and seven directors with a majority of independent directors.

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, to be reviewed from time to time in consultation with Shareholders.

The Board will meet on a regular basis and no less 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

² Best practice as per NZX and Institute of Directors guidelines

their approval.

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

8. Information to be provided to Shareholders

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

Annual Report

The LGFA's balance date is 30 June.

By 30 September each year, the Company will produce an Annual Report complying with Sections 67, 68 and 69 of the Local Government Act 2002, the Companies Act and Financial Reporting Act. 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 with regard to 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 with regard to 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 Local Authorities (in credit rating bands).
- Comparison of LGFA's performance with regard to 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 Local Authority that occurred during the relevant quarter (including steps taken, or proposed to be taken, by LGFA in relation thereto).

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 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 - \$25 million.

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 2015-2016 (updated where necessary).

ATTACHMENT: Statement of accounting policies

a. Reporting Entity

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

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

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

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

The financial statements are as at and for the year ended 30 June 2016.

These financial statements were authorised for issue by the Directors on 20 September 2016.

b. Statement of Compliance

LGFA is an issuer in terms of the Financial Reporting Act 1993. The financial statements comply with the Financial Reporting Act 1993, in accordance with the transitional provisions under Section 55 of the

Financial Reporting Act 2013 and Schedule 4 of the Financial Markets Conduct Act 2013.

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"). 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

There have been no changes in accounting policies.

Early adoption standards and interpretations

NZ IFRS 9: Financial Instruments. The first two phased of this new standard were approved by the Accounting Standards Review Board in November 2009 and November 2010. These phases address the issues of classification and measurement of financial assets and financial liabilities.

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. Those which may be relevant to LGFA are as follows: NZ IFRS 9: Financial Instruments (2014) – Effective for periods beginning on or after 1 January 2018. This standard aligns hedge accounting more closely with the risk management activities of the entity and adds requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit.

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 assessment is made whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

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 (3 to 7 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, 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 2b 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.

Item 10

Attachment 3

LGFA 
NEW ZEALAND
LOCAL GOVERNMENT
FUNDING AGENCY



HALF YEAR REPORT

31
DECEMBER
2016



Contents

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Cover: Opening Day, Ashley Bridge (Cones Rd, Rangiora). The old bridge which has since been deconstructed is in the foreground. The bridge connects the Township of Rangiora directly with Ashley and Loburn. Waimakariri District Council. Photo: Aaron Campbell.

Left: A family ride along the new Matai Street cycleway, part of the Uni-Cycle Major Cycle Route which links the university to the city. Christchurch City Council.

CHAIRMAN'S REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

"LGFA continues to provide attractive borrowing terms to council members while providing a highly rated, liquid NZD fixed income instrument for investors."

Craig Stobo, Chairman LGFA Board



Directors would like to highlight the following developments at LGFA for the six-month period to December 2016:

Strong Financial and Operational Performance in line with the Statement of Intent (SOI) forecasts

LGFA total interest income for the six-month period of \$155.711 million was a 16.0% increase over the 2015-16 comparable period of \$134.217 million while Net Operating Profit of \$5.312 million was a 11.4% increase on the 2015-16 comparable period of \$4.769 million.

The financial strength of LGFA was reaffirmed by credit rating agencies Standard & Poor's and Fitch Ratings who maintained our credit rating at AA+. Our credit rating is the same as the NZ Government.

In October 2016, LGFA announced a bond lending programme where it would lend bonds to bank pricemakers assisting with deepening secondary market liquidity by facilitating tighter bid/offer spreads in LGFA bonds. In the first two months of this facility, LGFA has lent bonds on twelve transactions.

Borrowing activity

Over the past six months, LGFA has issued \$595 million of long-dated bonds. While this is in line with SOI forecast, it is one of the lowest issuance amounts over a six-month period, reflecting reduced borrowing demand from our council members.

LGFA has now issued \$6.815 billion of bonds on behalf of its council members across seven maturities from 2017 to 2027. LGFA is one of the largest issuers of NZD securities after the NZ Government and our bonds are amongst the largest and most liquid NZD debt instruments available for investors.

Lending to the sector

LGFA was established in late 2011 to provide long-dated borrowing, certainty of access to markets and to reduce the borrowing costs for the local government sector. It is pleasing to note the following achievements over the past six months:

- We admitted Central Hawkes Bay District Council as a new member, bringing total membership to fifty-one councils.

Chairman's Report

- Bespoke lending continues to be popular for councils in that it provides flexibility as to maturity dates of borrowing and the date of drawdown. LGFA lent \$190 million on a bespoke basis for the six-month period. This was approximately 36% of our total lending over that period. Bespoke loans outstanding are now \$676 million or 10% of our total loan book.
- Short-dated lending (less than 365 day terms) to councils, introduced in November 2015, has been very successful with outstandings now at \$240 million lent to seventeen councils. This compares to \$44 million lent to three councils as at December 2015.
- Credit quality of the sector continues to improve with all councils remaining compliant with the LGFA lending covenants and three councils in 2016 either receiving an upgrade to their credit ratings or a positive outlook change to their rating.

Finally, at this time I would like to acknowledge the support of Local Government New Zealand (LGNZ) and its chief executive Malcolm Alexander who has helped LGFA continue to provide highly valued services to the sector despite our Wellington offices being closed as a result of the Kaikoura earthquakes in November 2016. The LGFA Wellington based team are currently working from the LGNZ offices until we can safely return to our previous location.

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

Craig Stobo
Chairman, LGFA Board

Rauparaha Street Pump Station upgrade. Kapiti Coast District Council.





Item 10

Attachment 3



A stormwater mixing chamber is lowered into place as part of a comprehensive upgrade on the Little Go Stream. Nelson City Council.

Statement of service performance

Performance Against Objectives and Performance Targets

1 PRIMARY OBJECTIVES

LGFA operates with two primary objectives

1. Optimising the debt funding terms and conditions for participating local authorities.
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:

1.1 Optimising the debt funding terms and conditions for participating local authorities

(i) Providing savings in annual interest costs for all participating local authority's on a relative basis to other sources of financing

LGFA measures the pricing performance of bond tenders against two key benchmarks:

- LGFA aims to reduce its margin over New Zealand Government bonds (NZGBs)
- LGFA aims to minimise its margin over swap rates to provide cost effective funding to councils.

The LGFA margin to swap and NZGB will depend upon a number of factors including the relative demand and supply of high grade bonds, general credit market conditions, performance of NZGBs and swap rates, investor perceptions of LGFA and the issuance volume and tenor of LGFA bonds.

Given that LGFA tends to match fund its on-lending to councils, ie. tends to issue bonds in the same tenor and volume as its on-lending, then LGFA only has influence over investor perception amongst the above factors that determine LGFA spreads to NZGB and 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 (spreads widening).

LGFA spreads to its benchmarks have consistently narrowed since it first began issuing bonds in February 2012, but these spreads have widened from the historical lows over the past twelve months.

Over the course of the six-month period to 31 December 2016:

- LGFA margins to NZGB widened between 1 basis points (bps) (2021s) and 4 bps (2017s) but also narrowed between 10 bps (2023s) and 17 bps (2027s).
- LGFA margins to swap widened 2 bps on all LGFA maturities except for 2019s (unchanged) and 2017s (3 bps tighter).

These secondary market pricing movements are summarised in the following tables:

MARGINS – 15 DECEMBER 2017	As at 30 June 2016 (bps)	As at 31 Dec 2016 (bps)	Pricing movement
LGFA margin to NZ Government Bonds	40	44	4
NZGB margin to swap	(19)	(26)	(7)
LGFA margin to swap	21	18	(3)

Statement of service performance

MARGINS – 15 MARCH 2019	As at 30 June 2016 (bps)	As at 31 Dec 2016 (bps)	Pricing movement
LGFA margin to NZ Government Bonds	54	58	4
NZGB margin to swap	(21)	(25)	(4)
LGFA margin to swap	33	33	-
MARGINS – 15 APRIL 2020	As at 30 June 2016 (bps)	As at 31 Dec 2016 (bps)	Pricing movement
LGFA margin to NZ Government Bonds	61	69	8
NZGB margin to swap	(23)	(29)	(6)
LGFA margin to swap	38	40	2
MARGINS – 15 MAY 2021	As at 30 June 2016 (bps)	As at 31 Dec 2016 (bps)	Pricing movement
LGFA margin to NZ Government Bonds	72	73	1
NZGB margin to swap	(29)	(28)	1
LGFA margin to swap	43	45	2
MARGINS – 15 APRIL 2023	As at 30 June 2016 (bps)	As at 31 Dec 2016 (bps)	Pricing movement
LGFA margin to NZ Government Bonds	89	79	(10)
NZGB margin to swap	(39)	(27)	12
LGFA margin to swap	50	52	2
MARGINS – 15 APRIL 2025	As at 30 June 2016 (bps)	As at 31 Dec 2016 (bps)	Pricing movement
LGFA margin to NZ Government Bonds	94	81	(13)
NZGB margin to swap	(37)	(15)	22
LGFA margin to swap	57	66	9
MARGINS – 15 APRIL 2027	As at 30 June 2016 (bps)	As at 31 Dec 2016 (bps)	Pricing movement
LGFA margin to NZ Government Bonds	106	89	(17)
NZGB margin to swap	(36)	(17)	19
LGFA margin to swap	70	72	2

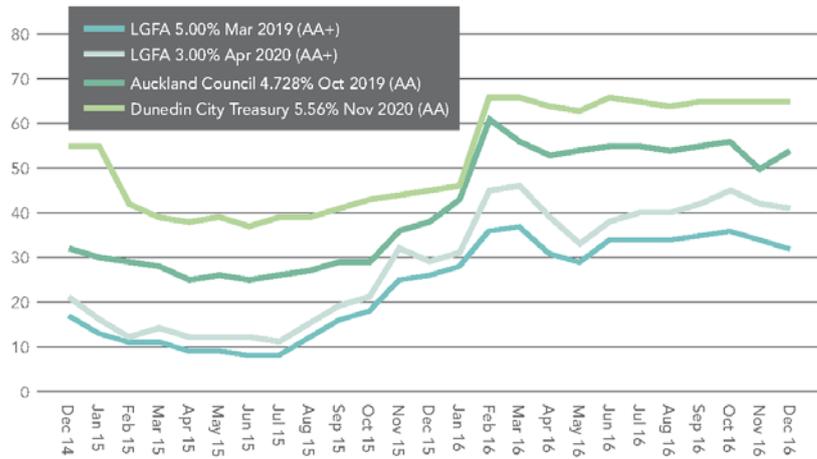
Statement of service performance

The movement in LGFA bond spreads to NZGB has been largely driven by the movements in swap spreads to NZGB. Swap spreads to NZGB have been volatile and influenced by the amount of corporate fixed rate hedging and bank hedging of mortgage books over the past six months. Short-dated swap spreads have widened as banks hedge their mortgage books while the absence of corporate borrowing in the long end combined with ongoing long-dated NZ Government bond issuance has led to a contraction in long-dated swap spreads. LGFA bonds have outperformed NZGBs in the longer end of the curve and underperformed in the shorter end.

LGFA bonds have slightly widened to swap as credit spreads in general have moved slightly wider over the past six months.

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. The implied pricing advantage of LGFA based upon this measure has reduced by between 1 bps (2017s) and 11 bps (2025s) over the past six months. This measure can be volatile given that it is based upon secondary market pricing estimates and LGFA is a regular issuer of bonds in the primary market whereas both Auckland and Dunedin Councils are infrequent borrowers.

LGFA March 2019 and April 2020 secondary market credit margin over swap (bps)



Source PwC and LGFA

Statement of service performance

From the table below we estimate that as at 31 December 2016, LGFA was saving AA-rated councils between 15 bps for a 2019 (two and half year) maturity and 25 bps for a 2021 (five year) maturity.

30 June 2016	Auckland 2019	Dunedin 2020	Dunedin 2021	Auckland 2022	Auckland 2025
AA rated councils margin to swap	47	60	70	74	87
Less LGFA margin to swap	(33)	(40)	(45)	(49)	(66)
LGFA Gross Funding Advantage	14	20	25	25	21
Less LGFA Base Margin	(9)	(10)	(10)	(10.5)	(11)
LGFA Net Funding Advantage	5	10	15	14.5	10
Add 'LGFA Effect' *	10	10	10	10	10
Total Saving	15 bps	20 bps	25 bps	24.5 bps	20 bps

* The 'LGFA effect' represents the estimated conservative reduction in AA-rated councils' margin to swap as a result of LGFA operations. From May to June 2012, the margin to swap for AA-rated councils' fell by 10 bps, with no corresponding move in swap spreads for other borrowers. This suggests that potential access to cost-effective LGFA funding has enabled these councils to reduce their borrowing margin by around 10 bps.

LGFA remains the cheapest source of borrowing for the sector as illustrated in the chart below which shows the widening borrowing cost for banks

LGFA and bank secondary market margins over swap



Source PwC and LGFA

Statement of service performance

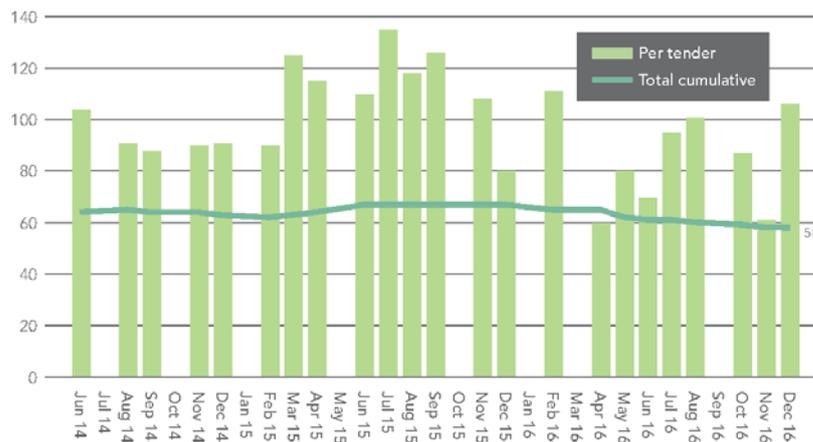
(ii) Making longer-term borrowings available to participating local authorities

Over the past six months, LGFA offered three existing maturity dates for borrowing in excess of six years to participating councils:

- 15 April 2023 bond (six and half years) and this maturity has comprised 7.6% of total issuance in the six-month period to 31 December 2016
- 15 April 2025 bond (seven and half years) and this maturity has comprised 54.6% of total issuance in the six-month period to 31 December 2016, and
- 15 April 2027 (nine and half years) and this maturity comprised 17.6% of our issuance in the six-month period to 31 December 2016.

The following chart shows the average term of lending to councils by LGFA at each tender, and the average term for all LGFA long-dated lending at each tender date. Over the past six months the average term of council lending has shortened by three months to 58 months but this must be considered in the context of a natural six month shortening in time over that period.

Average total months to maturity – On-lending to councils

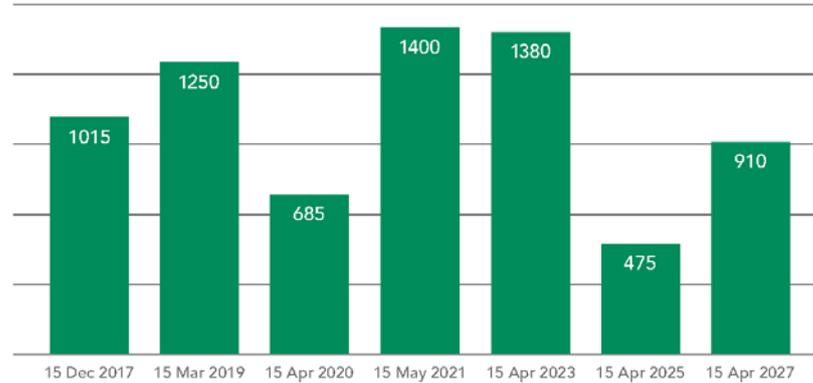


The average term of borrowing by Councils from LGFA was 7.56 years for the six-month period to 31 December 2016. This is shorter than the 8.08 years' average term for the 2015-16 year but reflects the current wider borrowing margins, higher yields and most councils had lengthened the duration of their borrowing in the prior year.

Statement of service performance

The following chart shows the total LGFA bond outstandings by maturity as at 31 December 2016

LGFA bonds outstandings as at 31 December 2016 (\$ million)
Includes \$300m treasury stock



Over the six-month period to 31 December 2016, LGFA issued \$595 million of bonds with an average term of 7.61 years. The amount of issuance is in line with the full year SOI forecast of \$1.2 billion but less than the \$710 million of issuance in the first six months of 2015-16.

2016-17 financial year issuance

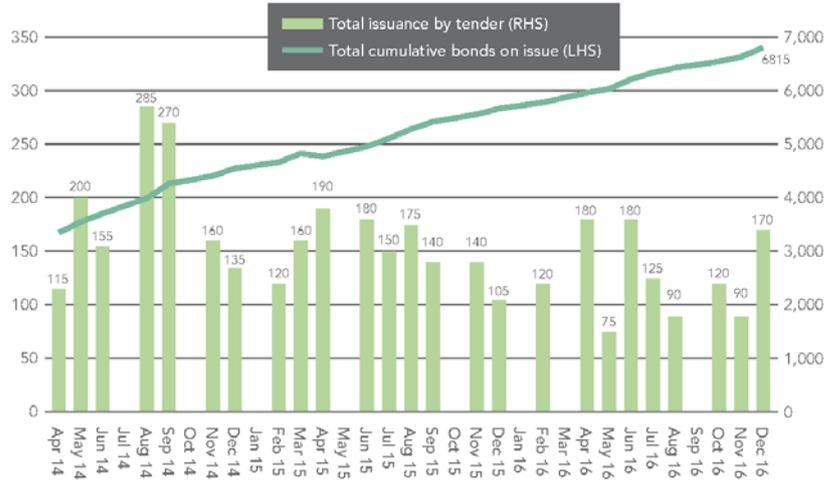
Dec-17	Mar-19	Apr-20	May-21	Apr-23	Apr-25	Apr-27	Total
-	\$20 million	\$70 million	\$30 million	\$45 million	\$325 million	\$105 million	\$595 million
-	3.4%	11.8%	5.0%	7.6%	54.6%	17.6%	100%

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

LGFA held five tenders during the six-month period to 31 December 2016, with an average tender volume of \$119 million (compared to the average tender size for 2015-16 of \$141 million). The volume offered at each tender ranged from \$90 million to \$170 million and all tenders were successful and fully subscribed. Total issuance during the six-month period of \$595 million resulted in outstandings of LGFA bonds of \$6.815 billion as at 31 December 2016. This excludes the \$300 million of treasury stock held by LGFA to facilitate stock lending to banks.

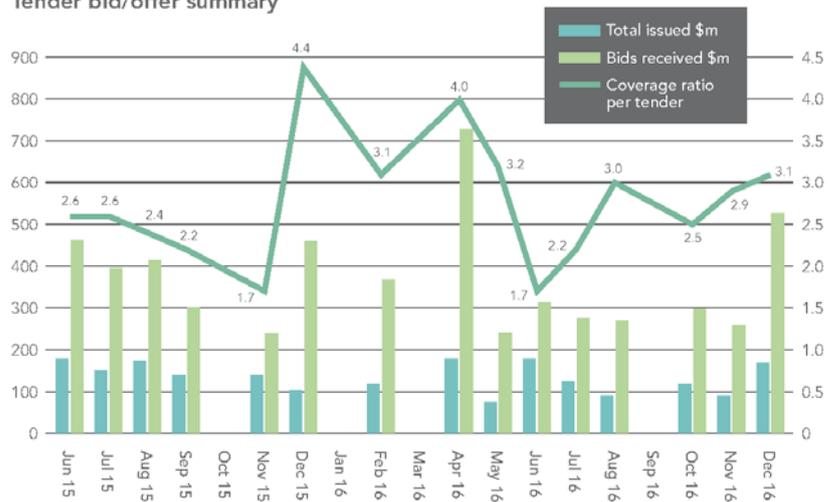
Statement of service performance

LGFA bond issuance by tender (\$ million)
Excludes issuance of treasury stock



Over the six-month period, total bids received across the five tenders was \$1.43 billion for the \$595 million of LGFA bonds offered resulting in a coverage ratio of 2.4 times. This coverage ratio is less than the 2.74 times coverage ratio for the 2015-16 year. The LGFA cover ratio for each tender and the cumulative ratio for tenders over the past two years is shown in the following chart.

Tender bid/offer summary



Statement of service performance

While the coverage ratio for the past six months is lower than the average coverage ratio of 3.1 times since LGFA first commenced issuing in February 2012, this is not surprising given the longer duration of LGFA bonds being currently tendered, the smaller tranche sizes being offered, relatively tight spreads to both NZGB and swap and low outright yields. Furthermore, offshore investor demand for LGFA securities has been noted in the secondary market rather than at LGFA tenders.

While LGFA issues fixed coupon debt to investors, Councils were provided the choice of either fixed or floating rate borrowing for their borrowing from LGFA. Councils tend to borrow on a floating rate basis from LGFA.

Improved certainty of access for councils was achieved through both bespoke lending and short-dated lending (less than one year terms).

(iv) **Offering more flexible lending terms to participating local authorities**

The successful introduction of bespoke lending and short-dated lending has provided councils with flexible lending conditions.

LGFA first offered bespoke lending in February 2015 where council borrowers could select their preferred borrowing maturity date and their preferred date of borrowing drawdown. In the six-month period to 31 December 2016 LGFA lent \$190 million on a bespoke basis for 14 transactions. Total bespoke lending outstanding as at 31 December 2016 was \$676 million to twenty-three councils or 10% of our loans outstanding.

LGFA first offered short-dated lending to councils in November 2015 and as at 31 December 2016 there were loans of \$240 million to seventeen councils. Councils can now borrow on attractive terms out to 364 days where previously the shortest borrowing maturity was to December 2017.

1.2 **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 visit each participating local authority on an annual basis**

LGFA undertakes a detailed financial assessment on each of its borrowers and meets with all member councils on an annual basis while monitoring council performance throughout the year. LGFA reviews the Annual and Long Term Plans for each council and the annual financial statements. LGFA assigns an internal credit rating to each of its council members as part of the review exercise. All council members were compliant with LGFA covenants at June 2016.

(ii) **LGFA will commence work on analysing finances at the council group level in addition to parent level. Previously the analysis was undertaken at the council parent level**

LGFA reviews the financial position of each council on a Group basis where appropriate, eg. where council services are delivered through subsidiaries or holds substantial investments in subsidiaries.

(iii) **LGFA will work closely with the Department of Internal Affairs (DIA), Office of the Auditor General (OAG) and Local Government New Zealand (LGNZ) on sector and individual council issues**

LGFA staff and directors have met with the OAG during the past twelve months and staff have met with DIA. LGFA has presented at all LGNZ quarterly media briefings during the six-month period.

Statement of service performance

2 ADDITIONAL OBJECTIVES

LGFA has a number of additional objectives which complement the primary objective. These additional objectives are to:

2.1 Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy set out in section 6 of the Statement of Intent

The LGFA's policy is to pay a dividend that provides an annual rate of return to shareholders equal to LGFA cost of funds plus 2% over the medium term.

With lending volumes and financial outcomes for the six-month period close to SOI forecast, we expect profitability to be sufficient to make a dividend payment for the full year. This remains at the Board's discretion.

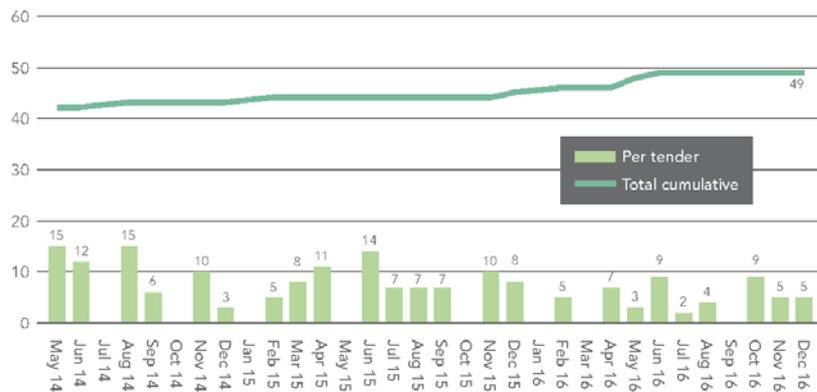
The impact from a lower interest rate environment is that LGFA has a lower cost of funds than previous years. Our cost of funds for the six-month period to 31 December 2016 is 3.31% compared to 3.57% for the 2015-16 year. While council borrowers benefit from lower borrowing costs, the dividend payment if calculated on the above cost of funds would be lower than previous years.

2.2 Provide at least 50% of aggregate long-term debt funding for Participating Local Authorities

Central Hawkes Bay District Council joined as a non-guarantor in the past six months bringing the total number of council members to 51. Councils have strongly supported LGFA and by 31 December 2016, 49 participating councils have borrowed from LGFA.

The strong council support for LGFA is demonstrated in the following chart which shows the progression of council participation

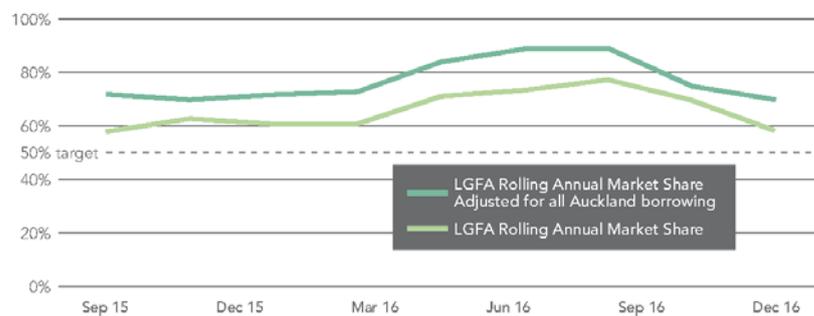
Participating councils



Statement of service performance

The following chart shows LGFA's share of new local government debt issuance and is derived from data provided by PwC. Our share of long-term borrowing by the sector including non-members of LGFA was 58% for the twelve-month period to 30 September 2016. The market share is influenced by the amount of debt issued by the sector's largest borrower, Auckland Council in its own name in the domestic market. If we exclude Auckland Council external borrowing from the data, then our estimated market share for the twelve-month period to 30 June 2016 was 69.6%.

LGFA Market Share – rolling one-year average (excluding short-term lending)



2.3 Issue a new long-dated LGFA bond (should one not be issued in the 2015/16 year)

The 2016-17 SOI was finalised before the issuance of a new April 2025 bond maturity in June 2016. Given our forecast borrowing programme we will consider issuing a further new long-dated bond maturity in the 2017 calendar year. The timing of issuance and the bond maturity will depend upon both council borrowing intentions and investor demand.

2.4 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 of the Statement of Intent

Issuance and Operating Expenses for the six-month period to 31 December 2016 were \$3.199 million compared to a full year SOI budget of \$6.580 million. Management forecast for the six-month period was \$3.125 million.

Issuance and on-lending costs were slightly higher than budget (by \$51k) due to higher NZX listing costs relating to additional bond issuance associated with the introduction of the bond lending facility. Approved Issuer Levy (AIL) costs were slightly below budget (by \$26k). Operating costs were \$50k above budget, reflecting slightly higher treasury system and personnel costs.

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

In the past six months, LGFA established a Health and Safety Staff Committee and reporting on health and safety issues is made to the LGFA Board on a regular basis by the Risk and Compliance Manager. There were no health and safety incidents during the six-month period.

The Kaikoura earthquake in November impacted buildings in the Wellington CBD. While the building that LGFA occupied was not structurally affected by the earthquakes, an asbestos contamination problem was discovered. As a result, staff are currently working from the Local Government New Zealand offices until it is safe to return to the LGFA offices.

Statement of service performance

2.6 Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same rating agency

LGFA met with both Standard & Poor's (S&P) and Fitch rating agencies in September 2016 as part of their annual review processes. S&P subsequently affirmed the long-term rating of LGFA at AA+ (stable outlook) on 20 October 2016 and Fitch affirmed the AA+ (stable outlook) on 15 November 2016.

Both the S&P and Fitch ratings reports are available on our website (lgfa.co.nz).

Both the S&P and Fitch ratings are the same as, and are capped by, New Zealand's sovereign credit ratings. Fitch has defined LGFA as a dependant Public Sector Entity and our credit rating is explicitly linked to the New Zealand Sovereign credit rating.

2.7 Achieve the Financial Forecasts (excluding the impact of AIL) set out in section 4 of the Statement of Intent

LGFA's financial results for key items set out in section 4 of the SOI for the six-month period to 31 December 2016 are:

In \$ million	31 Dec 2016 Six months actual	30 June 2017 SOI forecast
Net interest revenue	8.51	16.58
Issuance and operating expenses	(3.20)	(6.58)
Net Profit	5.31	10.00

Net interest revenue for the six month period is \$314k above management forecast due to timing issues and the early repayment of a December 2017 loan by a council borrower.

Issuance and operating expenses for the period are \$74k above management forecast.

2.8 Meet or exceed the Performance Targets outlined in section 5

Current performance targets	Target	Result as at half year	Outcome
1 Average cost of funds on debt issued relative to New Zealand Government Securities for the 12-month period	≤ 0.50%	0.74%	No (i)
2 Average base on-lending margin above LGFA's cost of funds	≤ 0.10%	0.098%	Yes
3 Annualised issuance and operating expenses	≤ \$4.80 million	\$2.260 million	Yes
4 Lending to participating councils	≥ \$7,341 million	\$7,016 million	On track
5 Savings to council borrowers relative to other sources of financing and compared to previous years	Improvement	No additional savings in borrowing costs from June 2016 levels	No

Statement of service performance

(i) The average cost of funds of all issuance for the twelve-month period ending 31 December 2016 relative to NZGS was 0.74%. This compares to a spread of 0.74% for the twelve-month period to 30 June 2016.

2.9 Comply with its Treasury Policy, as approved by the Board

LGFA was compliant at all times with the Treasury Policy for the six-month period ending 31 December 2016.

Christchurch Town Hall restoration project, scheduled for completion mid-2018. Christchurch City Council.



Item 10

Attachment 3



The new library and community hub opened in Greerton last year. It is twice the size of the old library and is a modern, engaging and vibrant facility for the Greerton community. Tauranga City Council.

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Directors' Declaration

In the opinion of the directors of the New Zealand Local Government Funding Agency Limited, the financial statements and notes on pages 24 to 38:

- Comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company as at 31 December 2016, and
- Have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.
- The directors believe that proper accounting records have been kept which enables, with reasonable accuracy, the determination of the financial position of the Company and facilitates the compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

For and on behalf of the Board of Directors



C. Stobo, Director
24 February 2017



A. Foote, Director
24 February 2017

Statement of Comprehensive Income

For the six months ended 31 December 2016 (unaudited) in \$000s

	Note	2016 Unaudited	2015 Unaudited
Interest income from			
Cash and cash equivalents		272	635
Loans to local government		109,752	108,035
Marketable securities		1,304	598
Deposits		1,548	2,037
Derivatives		42,835	22,912
Fair value hedge ineffectiveness	2	-	-
Total interest income		155,711	134,217
Interest expense on			
Bills		2,582	542
Bonds		142,988	124,476
Borrower notes		1,584	1,606
Bond repurchases		46	-
Total interest expense		147,200	126,624
Net interest income		8,511	7,593
Operating Expenses			
Issuance and on-lending expenses	3	1,764	1,556
Operating expenses	4	1,435	1,268
Total expenses		3,199	2,824
Net operating profit		5,312	4,769
Total comprehensive income for the year		5,312	4,769

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

Statement of Changes In Equity

For the six months ended 31 December 2016 (unaudited) in \$000s

	Note	Share capital	Retained Earnings	Total equity
Equity as at 30 June 2016	11	25,000	19,224	44,224
Net operating profit			5,312	5,312
Total comprehensive income for the year			5,312	5,312
Transactions with owners			-	-
Dividend paid on 15 October 2016			(1,392)	(1,392)
Equity as at 31 December 2016	11	25,000	23,144	48,144

For the six months ended 31 December 2015 (unaudited) in \$000s

	Share capital	Retained Earnings	Total equity
Equity as at 30 June 2015	25,000	11,287	36,287
Net operating profit		4,769	4,769
Total comprehensive income for the year		4,769	4,769
Transactions with owners			-
Dividend paid on 15 October 2015		(1,603)	(1,603)
Equity as at 31 December 2015	25,000	14,453	39,453

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

Statement of Financial Position

As at 31 December 2016 (unaudited) in \$000s

	Note	31 December 2016 Unaudited	30 June 2016
Assets			
Financial assets			
Cash and bank balances		22,186	37,084
Borrower notes receivable		-	800
Loans to local government	5	7,064,966	6,451,332
Marketable securities		86,714	139,339
Deposits		103,745	89,828
Derivatives in gain		354,074	537,379
Non-financial assets			
Prepayments		827	535
Other assets	6	886	955
Total assets		7,633,398	7,257,252
Equity			
Share capital		25,000	25,000
Retained earnings		17,832	19,224
Total comprehensive income/ (deficit) for the period		5,312	-
Total equity		48,144	44,224
Liabilities			
Financial Liabilities			
Trade and other payables		241	182
Loans to local government not yet advanced		-	50,000
Accrued expenses		535	593
Bills		224,041	223,916
Bonds	7, 9	7,196,452	6,819,658
Borrower notes	8	118,487	108,415
Bond repurchases	9	3,714	-
Derivatives in loss		41,784	10,264
Total liabilities		7,585,254	7,213,028
Total equity and liabilities		7,633,398	7,257,252

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 2016 (unaudited) in \$000s

	Note	2016 Unaudited	2015 Unaudited
Cash flow from operating activities			
Cash applied to loans to local government		(662,866)	(746,138)
Interest paid on bonds issued		(166,281)	(134,839)
Interest paid on bills issued		2,582	542
Interest paid on borrower notes		-	(57)
Interest paid on loans		-	(26)
Interest paid on bond repurchases		(44)	-
Interest received from cash & cash equivalents		271	635
Interest received from loans to local government		108,984	108,270
Interest received from marketable securities		1,142	756
Interest received from deposits		1,630	1,966
Net interest on derivatives		63,224	32,147
Payments to suppliers and employees		(3,488)	(3,051)
Net cash flow from operating activities	10	(654,846)	(739,795)
Cash flow from investing activities			
Purchase of marketable securities		52,787	(89,745)
Purchase of deposits		(14,000)	(35,000)
Purchase of plant and equipment		69	(4)
Net cash flow from investing activities		38,856	(124,749)
Cash flow from financing activities			
Dividends paid		(1,392)	(1,608)
Cash proceeds from borrower notes		9,288	11,200
Cash proceeds from bonds issued		603,386	744,807
Cash proceeds from bills issued		(5,040)	147,868
Cash applied to bond repurchases		3,712	-
Cash applied to derivatives		(8,862)	(27,022)
Net cash flow from financing activities		601,092	875,245
Net (decrease) / increase in cash		(14,898)	10,701
Cash, cash equivalents and bank overdraft at beginning of year		37,084	31,708
Cash, cash equivalents and bank overdraft at end of year		22,186	42,409

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

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.

The financial statements are for the six-month period ended 31 December 2016.

These financial statements were authorised for issue by the Directors on 24 February 2017.

B 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

There have been no changes in accounting policies.

Early adoption standards and interpretations

NZ IFRS 9: Financial Instruments. The first two phases of this new standard were approved by the Accounting Standards Review Board in November 2009 and November 2010. These phases address the issues of classification and measurement of financial assets and financial liabilities.

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. Those which may be relevant to LGFA are as follows:

- NZ IFRS 9: Financial Instruments (2014) – Effective for periods beginning on or after 1 January 2018. This standard aligns hedge accounting more closely with the risk management activities of the entity and adds requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit.

Notes to the Financial Statements

C 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 assessment is made whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

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.

D 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.

E 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.

F 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.

Notes to the Financial Statements

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.

G 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.

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, 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 they are described below and in the following notes.

**Notes to the
Financial Statements**

2 Hedge accounting

LGFA is exposed to interest rate risk from fixed rate borrowing and variable rate lending to councils. LGFA manages this interest rate risk through the use of interest rate swaps. For hedge accounting purposes, LGFA has designated these swaps in fair value relationships to its fixed rate borrowing.

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.

Six months ended in \$000s	31 December 2016 Unaudited	31 December 2015 Unaudited
Hedging instruments – interest rate swaps	134,733	127,024
Hedged items attributable to the hedged risk – fixed rate bonds	(134,733)	(127,024)
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) 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.

Six months ended in \$000s	31 December 2016 Unaudited	31 December 2015 Unaudited
NZDMO facility fee	200	200
NZX	237	56
Rating agency fees	267	255
Legal fees for issuance	62	171
Regulatory, registry, other fees	18	14
Trustee fees	50	50
Approved issuer levy	865	751
Information services	65	59
	1,764	1,556

Notes to the Financial Statements

4 Operating expenses

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

Six months ended in \$000s	31 December 2016 Unaudited	31 December 2015 Unaudited
Consultants	78	75
Directors' fees	174	144
Insurance	30	31
Legal fees	23	19
Other expenses	362	360
Auditor's remuneration		
Statutory audit	46	21
Advisory	4	-
Personnel	718	617
	1,435	1,268

**Notes to the
Financial Statements**

5 Loans to local government

Includes loans and short-term loans to local government.

In \$000s	31 December 2016 Unaudited		30 June 2016	
	Short-term loans	Loans	Short-term loans	Loans
Ashburton District Council	10,008	15,756	10,006	15,820
Auckland Council	-	2,382,378	-	2,158,614
Buller District Council	-	20,003	-	20,002
Canterbury Regional Council	-	25,090	-	25,036
Christchurch City Council	71,187	1,254,483	65,177	1,209,669
Far North District Council	-	20,112	-	10,040
Gisborne District Council	4,974	17,056	4,970	17,060
Gore District Council	6,025	6,037	6,026	6,042
Greater Wellington Regional Council	-	255,741	-	255,660
Grey District Council	-	20,606	-	20,655
Hamilton City Council	-	260,765	-	230,663
Hastings District Council	4,976	50,164	-	50,175
Hauraki District Council	-	34,124	-	34,133
Horizons Regional Council	-	10,014	-	10,015
Horowhenua District Council	10,011	52,894	7,007	47,870
Hurunui District Council	-	19,068	-	17,069
Hutt City Council	-	79,653	-	79,711
Kaipara District Council	4,974	43,182	-	35,156
Kapiti Coast District Council	-	190,582	-	150,471
Manawatu District Council	-	51,059	-	51,035
Marlborough District Council	20,836	63,206	-	28,067
Masterton District Council	2,005	44,158	3,002	44,169
Matamata-Piako District Council	-	24,568	-	24,573
Nelson City Council	-	45,193	10,007	35,171
New Plymouth District Council	-	61,180	-	61,193
Opotiki District Council	-	5,196	-	5,210
Otorohanga District Council	-	9,214	-	9,246
Palmerston North City Council	-	77,276	-	77,295
Porirua City Council	9,982	23,611	9,982	23,621
Queenstown Lakes District Council	7,074	76,277	-	76,371
Rotorua District Council	-	104,991	-	100,025
Selwyn District Council	-	35,054	-	35,056
South Taranaki District Council	-	62,218	9,989	62,234
South Wairarapa District Council	-	7,537	-	7,536
Taranua District Council	1,004	10,035	-	9,033
Tasman District Council	-	90,293	-	90,314
Taupo District Council	-	125,399	-	125,431
Tauranga City Council	39,807	307,035	-	277,009
Thames-Coromandel District Council	-	35,065	-	35,069
Timaru District Council	5,106	51,312	9,737	51,325
Upper Hutt City Council	-	29,629	-	24,591
Waikato District Council	-	70,250	-	60,212
Waimakariri District Council	10,010	75,816	10,005	75,861
Waipa District Council	21,673	13,017	-	13,018
Wellington City Council	-	278,930	-	233,884
Western Bay of Plenty District Council	-	70,219	-	70,233
Whakatane District Council	-	31,093	3,015	28,076
Whanganui District Council	-	66,283	-	41,162
Whangarei District Council	9,972	122,519	9,968	122,558
	239,624	6,825,342	158,891	6,292,441

Notes to the Financial Statements

6 Other assets

in \$000s	31 December 2016 Unaudited	30 June 2016
Property, plant and equipment	50	50
Intangible assets	836	961
Total other assets	886	1,011

7 Bonds issued

As at 31 December 2016 Unaudited in \$000s	Face Value	Unamortised Premium	Accrued Interest	Fair Value Hedge Adjustment	Total
15 December 2017 6% coupon	1,015,000	16,062	2,844	-	1,033,906
15 March 2019 5% coupon	1,200,000	24,917	17,900	-	1,242,817
15 April 2020 3% coupon	635,000	(15,668)	4,082	-	623,414
15 May 2021 6% coupon	1,350,000	76,246	10,517	-	1,436,763
15 April 2023 5.5% coupon	1,330,000	72,688	15,675	-	1,418,363
15 April 2025 2.75% coupon	425,000	(19,380)	2,504	-	408,124
15 April 2027 4.5% coupon	860,000	30,039	8,293	-	898,332
Fair value hedge adjustment				134,733	134,733
Total	6,815,000	184,904	61,815	134,733	7,196,452

As at 30 June 2016 in \$000s	Face Value	Unamortised Premium	Accrued Interest	Fair Value Hedge Adjustment	Total
15 December 2017 6% coupon	1,015,000	24,292	2,662		1,041,954
15 March 2019 5% coupon	1,180,000	29,129	17,315		1,226,444
15 April 2020 3% coupon	565,000	(18,322)	3,566		550,244
15 May 2021 6% coupon	1,320,000	79,629	10,115		1,409,744
15 April 2023 5.5% coupon	1,285,000	70,428	14,869		1,370,297
15 April 2025 2.75% coupon	100,000	(3,157)	579		97,422
15 April 2027 4.5% coupon	755,000	23,373	7,148		785,521
Fair value hedge adjustment				338,032	338,032
Total	6,220,000	205,372	56,254	338,032	6,819,658

**Notes to the
Financial Statements**

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 borrowings, excluding short-term 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.

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.

LGFA notifies the market on a monthly basis the amount of outstanding repurchase transactions and LGFA bonds held as treasury stock.

in \$000s		31 December 2016 Unaudited		30 June 2016	
		Treasury stock	Bond repurchase trades	Treasury stock	Bond repurchase trades
15 March 2019	5% coupon	46,500	3,714	-	-
15 April 2020	3% coupon	50,000	-	-	-
15 May 2021	6% coupon	50,000	-	-	-
15 April 2023	5.5% coupon	50,000	-	-	-
15 April 2025	2.75% coupon	50,000	-	-	-
15 April 2027	4.5% coupon	50,000	-	-	-
		296,500	3,714	-	-

Notes to the Financial Statements

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

Six months ended in \$000s	31 December 2016 Unaudited	31 December 2015 Unaudited
Net profit/(loss) for the period	5,312	4,769
Cash applied to loans to local government	(662,866)	(746,139)
Non-cash adjustments		
Amortisation and depreciation	2,999	1,261
Working capital movements		
Net change in trade debtors and receivables	59	51
Net change in prepayments	(292)	(481)
Net change in accruals	(58)	202
Net Cash From Operating Activities	(654,846)	(740,337)

11 Share capital

As at 31 December 2016 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. As at 31 December 2016, the shareholding of the New Zealand Government had been fully paid up. For all other shareholders, 50% of the shareholding had been called.

**Notes to the
Financial Statements**

in \$000s	31 December 2016		30 June 2016	
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	3,731,960	8.3%	3,731,960	8.3%
Greater Wellington Regional Council	3,731,960	8.3%	3,731,960	8.3%
Tasman District Council	3,731,960	8.3%	3,731,960	8.3%
Tauranga City Council	3,731,960	8.3%	3,731,960	8.3%
Wellington City Council	3,731,960	8.3%	3,731,960	8.3%
Western Bay of Plenty District Council	3,731,960	8.3%	3,731,960	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%
Wanganui District Council	200,000	0.4%	200,000	0.4%
Whakatane District Council	200,000	0.4%	200,000	0.4%
	45,000,000	100%	45,000,000	100%

Notes to the Financial Statements

12 Related parties

Identity of related parties

The Company is related to the local authorities set out in the Shareholder Information by shareholding.

The Company operates under a Statement of Intent with the respective local authorities that requires the Company to optimise the debt funding terms and conditions for 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 requirement for participating councils to subscribe to LGFA borrower notes is disclosed in note 8, and the interest expense on these is shown in the Statement of comprehensive income.

13 Subsequent events

There have been no significant events after balance date that have affected the accuracy of these financial statements.

Subsequent to balance date, LGFA has issued \$160 million in bonds through a tender on 15 February 2017



Directory

Postal address

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Lambton Quay
Wellington 6145

Street address

WELLINGTON
Level 8
City Chambers
142 Featherston Street
Wellington 6011

AUCKLAND

Level 12
West Plaza Tower
Corner Albert and Custom Street
Auckland 1010

Office hours

Monday through Friday, 09.00-17.30 hrs
Except Public Holidays

Phone

+64 4 974 6530

Personnel e-mail addresses

firstname.lastname@lgfa.co.nz

Website

lgfa.co.nz

 **Follow us** twitter.com/nzlgfa

Below: The Dive Crescent project, to replace a dilapidated seawall, also gave Council the opportunity to include a three-metre wide shared pedestrian/cycle path as part of the overall design. Tauranga City Council.
Back cover: Major capital projects for Christchurch in 2016 included the completion of many new community centres, such as the Governors Bay Community Centre. Christchurch City Council.





LGFA 
NEW ZEALAND
LOCAL GOVERNMENT
FUNDING AGENCY

Item 14

Attachment 1

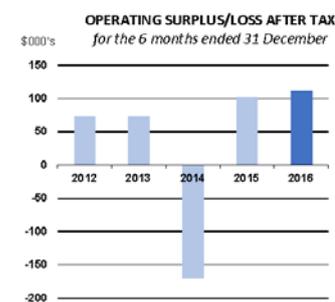
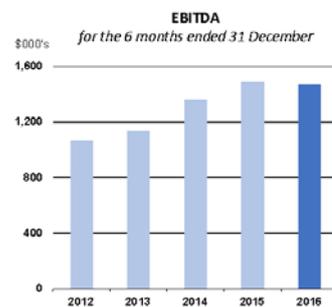
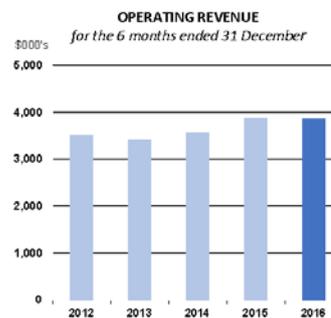
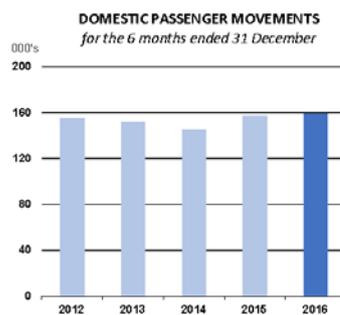


Interim Report
For the six months ended
31 December 2016

CHAIR'S REPORT

Domestic Passenger Numbers	159,000
<i>up on prior period by 1,600 or 1%</i>	
Air Movements	65,000
<i>up on prior period by 3,000 or 5%</i>	
Operating Revenue	\$3,877,000
<i>down on prior period by \$9k or (0.23%)</i>	
Operating Expenses	\$1,215,000
<i>down on prior period by \$8k or (0.57%)</i>	
Earnings before Interest, Tax, Depreciation and Amortisation	\$1,475,000
<i>down on prior period by \$17k or (1%)</i>	
Operating Surplus After Tax	\$112,000
<i>up on prior period by \$10k or (10%)</i>	

Note: Results are rounded to the closest thousand and compared to the six months ended 31 December 2015 unless otherwise stated.
The financial results shown above are "normalised" and exclude the prior year's revenue from the NZTA compulsory acquisition of land.



CHAIR'S REPORT

OVERVIEW OF THE HALF YEAR

The first six months trading delivered a solid financial performance, assisted by revenue growth from increased passenger numbers, including carpark growth and lower operating costs when compared to budget. The primary focus of the management team has been on the efficiencies of the airport operation coupled with improving the customer's experience.

In addition, there has been significant work on Titanium Park Limited. This has been to ensure that the key actions due to the joint venture dissolution are completed and there has also been a strong emphasis on managing land sales enquiries and optimising lease and concession income.

Customer experience has been enhanced by the completion and opening of the new Air New Zealand Regional Lounge in May 2016. The lounge has provided Air New Zealand valued customers with the latest regional lounge design, interior fit out and technology enhancements. In addition, we were delighted to welcome Mavis & Co to the Airport opening the latest of their Waikato Cafes, Mavis Lounge. The Café has provided a much-improved quality of food and beverage and has enhanced the ambiance of the mezzanine floor of the terminal.

In December 2016, the Airport also launched new conferencing facilities (in what was the old international terminal space) and marketing these will be a strong focus in 2017. Initial feedback has been very positive and will be further supported by the Mavis Café.

At the half year, 159,000 passengers have used the airport which is a 1% increase on the same period last year. However, it is important to note that the prior year numbers still have a significant number of passengers from the discontinued Auckland service. If we compare the current services of Palmerston North, Wellington and Christchurch on a comparative basis, we have seen growth of 7%.

From October 2016, there has been a significant change to the Air New Zealand schedule and an increase in seat capacity due to the larger aircraft type. This is particularly evident on the Palmerston North route where we are seeing year on year passenger growth of between 80% and 125%.

Capital works this financial year have been focused on maintaining operational improvements and general maintenance to the aerodrome. In February 2017, there will be significant overlay works on the Terminal apron and taxiway to the runway.

There continues to be a major focus on Health & Safety. Independent expertise has been engaged to oversee Health and Safety compliance for the company ensuring obligations are met in relation to the new legislation that came into effect on the 4th April 2016. In addition, an independent audit was conducted in October 2016 which has reinforced that the company's existing framework meets the current act requirements.

FINANCIAL RESULTS

The operating surplus after tax for the Group (inclusive of Titanium Park Limited and Hamilton & Waikato Tourism Limited) for the six months ended 31st December 2016 is \$112,000.

Revenue for the Group of \$3.8m is consistent with the prior year showing a slight decrease of \$9k. Following the trend, operating expenses of \$1.3m are down on prior year by \$8k.

Term loans reduced by \$2.684m in the last 12 months.

CHAIR'S REPORT

OPERATIONS

Operations continue to be conducted in accordance with Civil Aviation Authority's (CAA) regulatory compliance. Total air movements are slightly ahead of the same period in 2015. Airfield capital works forecast to be undertaken in February 2017 and include budgeted asphalt overlay works of the terminal apron and taxiway areas (\$600k). Budgeted pavement maintenance works (\$100k) are also planned to be undertaken concurrently with the overlay works.

Consistent with similar airport reviews and outcomes, the CAA have designated to reduce the aerodrome control zone from its previous dimensions established in the mid-1960s. Led by CAA, the change was effected following safety assessment and lengthy consultation process involving the operators and users of Hamilton Airport. The reduction in controlled airspace aligns with the need to ensure the control zone is as small as practicable whilst protecting the flight paths of commercial aircraft flying in all weather conditions arriving and departing the airport. The changes became effective November 2016.

TITANIUM PARK LIMITED (TPL)

Since the dissolution of the joint venture at 31st March 2016, the Board's key priorities have been to ensure that all contractual matters relating to the dissolution are progressed and completing a review of the group property portfolio to optimise value and lease income.

There has been increased interest in land around the airport since the middle of 2016. TPL has achieved two land sales of approximately 3,500m² per sale. In addition, the Montgomerie Farm (Northern Precinct) property was purchased from Titanium Park Development Limited (TPDL) and contemporaneously TPL sold its land on the Western Precinct to TPDL. The purchase and sale went unconditional on the 22nd December 2016.

Graham Dwyer joined the TPL Board in May 2016 bringing an extensive background in property sales and development. The Board and Management are developing a business case for the future land use owned by TPL and WRAL.

HAMILTON & WAIKATO TOURISM LIMITED (HWT)

New Zealand's tourism industry is experiencing exponential growth with international visitor arrivals and expenditure at its highest level ever. The Hamilton and Waikato region has shared in this significant growth. Recent data released by the Ministry for Business, Innovation and Employment (MBIE) show the region's visitor expenditure for the year ended November 2016 has climbed to an estimated \$1.373 billion, an 8.6% increase on the previous year. Hamilton and Waikato is the fifth largest region by expenditure behind Auckland, Christchurch, Queenstown and Wellington.

International visitors contributed \$325 million to the region, while domestic spend delivered \$1.047 billion of economic benefit (year ended November 2016).

Jason Dawson was appointed Chief Executive of HWT in August 2016.

Graeme Osborne retired from the HWT Board and Annabel Cotton was appointed Chair in November 2016.

☒ CHAIR'S REPORT

OUTLOOK

The ongoing focus for the Board and Management during the second half of the financial year will be to prudently control operating expenses, begin implementation of the key initiatives from the Titanium Park business plan and to remain responsive to land sale and development opportunities.



John Spencer

Chair

 **CONSOLIDATED INCOME STATEMENT**
For the Six Months Ended 31 December 2016

	GROUP \$000	
	2016	2015
Revenue		
Operating revenue	3,877	3,886
Other revenue	-	-
TOTAL REVENUE	3,877	3,886
Expenses		
Operating expenses	1,215	1,350
Employee benefit expenses	1,050	924
Depreciation and amortisation	1,180	1,051
Directors' fees	96	81
Interest	143	258
Remuneration of auditor	41	40
Other losses	(4)	23
TOTAL EXPENSES	3,721	3,727
Operating surplus before taxation	156	159
Taxation	44	57
OPERATING SURPLUS AFTER TAXATION	112	102
NZTA compulsory acquisition of land (net of tax)	-	562
SURPLUS AFTER TAXATION	112	664

The above results have not been audited.

 **CONSOLIDATED BALANCE SHEET**

As at 31 December 2016

	GROUP	
	\$000	
	2016	2015
Equity		
Share capital	14,860	14,860
Asset revaluation reserve	33,078	28,677
Retained earnings	15,856	16,987
Total Equity	63,794	60,524
Current Assets		
Cash and cash equivalents	118	1,501
Trade and other receivables	515	677
Prepayments	114	84
Inventories	88	91
Development property	10,620	11,298
	11,456	13,651
Current Liabilities		
Payables and accruals	1,100	963
Employee entitlements	274	207
Income in advance	205	208
	1,579	1,378
Working Capital	9,877	12,273
Non-Current Assets		
Property, plant and equipment	63,982	60,890
Investment property	3,750	3,730
Other financial assets	-	25
Intangible assets	1,145	9
Other assets	78	88
	68,955	64,742
Non-Current Liabilities		
Term loans	7,049	9,733
Deferred taxation	7,989	6,758
	15,038	16,491
Net Assets	63,794	60,524

The above results have not been audited.

 **FINANCIAL PERFORMANCE TARGETS**

For the Six Months Ended 31 December 2016

	Group		
	Actual 31/12/2016	Forecast 30/06/2017	SOI 30/06/2017
MEASURES (GROUP)			
Earnings before interest, taxation & depreciation (EBITDA)	\$1.475m	\$2.626m	\$2.279m
Net surplus/(deficit) after tax	\$112k	\$638k	-\$366k
Net profit after tax to average shareholders' funds	0%	1%	-1%
Net profit after tax to total assets	0%	1%	0%
Net cash flow (operating & investing)	\$13k	-\$5.426m	-\$451k
Total liabilities to shareholder funds	21:79	35:65	26:74
MEASURES (Parent)			
Percentage of non-landing charges revenue to total revenue	81%	80%	76%
Interest cover (Banking covenant requirement 1.50)	8.23	7.97	6.56

The above results have not been audited.

 **CORPORATE DIRECTORY**

For the Six Months Ended 31 December 2016

Board of Directors	John Spencer CNZM (Chair) Annabel Cotton Margaret Devlin Carlos da Silva
Chief Executive	Mark Morgan
General Manager - Operations	Simon Hollinger
Finance Manager	Nikki Orange
Registered Office	Hamilton Airport Terminal Building Hamilton Airport Airport Road, R D 2 Hamilton 3282
Telephone	07 848 9027
E-mail	wral@hamiltonairport.co.nz
Web Site	www.hamiltonairport.co.nz
Bankers	Bank of New Zealand
Solicitors	Tompkins Wake, Hamilton Ellice Tanner Hart, Hamilton
Auditors	Audit New Zealand, Hamilton on behalf of the Controller and Auditor-General



2017/2018

Waikato Regional Airport Limited
Statement of Intent

June 2017



Statement of Intent – 2017/2018
Waikato Regional Airport Limited (Parent Company)



1.0 Introduction

This statement is presented by the Directors in accordance with s.64 (1) Local Government Act 2002 and sets out the Board's intentions for the Company for the year ending 30 June 2018 and succeeding two financial years.

2.0 Strategic Intent

The Airport 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

Key Objectives

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

3.0 In Pursuing its Goals the Company will:

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

4.0 Nature and Scope of Activities to be Undertaken

(4.1) Operate an efficient and compliant airport

Operate a safe, secure and compliant airport by providing for essential projects together with any compliance expenditure warranted

(4.2) Enhance the traveller experience

Maximise traveller satisfaction and airport experience

Page 2

(4.3) Maintain a viable aeronautical business

Identify opportunities to develop new, and expand existing, domestic passenger services

Promote development and growth of the general aviation sector

To allow the main runway to be extended when supported by an appropriate business case

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

(4.4) 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 will identify and market for sale or development all available surplus airport-owned land in a planned and co-ordinated approach.

(4.5) 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

(4.6) Capital Expenditure

Planned major capital expenditure included in the three year forecast is:

2018 \$1,254k

2019 \$970k

2020 \$1,500k

(4.7) Strategic Activities

Key activities for the 2017/18 year are:

- Optimise domestic passenger services and the customer experience
- Maximise property lease income
- Implement the comprehensive property business plan that will address development and investment opportunities to grow long term property income for the Group.

5.0 Shareholders' Funds to Total Assets

Years ending 30 June	2018	2019	2020
Shareholders' funds to total assets	76%	76%	76%

Definitions:

Shareholders' funds Total assets less the total liabilities.

Total assets The value of all assets reported in the Company's statement of financial position at the end of each reporting period.

Statement of Intent – 2017/2018
Waikato Regional Airport Limited (Parent Company)



6.0 Statement of Accounting Policies

The accounting policies adopted by the Group for the year ending 30 June 2018 and succeeding 2 years are those as adopted in the 2016 Annual Report prepared under Tier 2 of the Public Sector Public Benefit Framework (NZ IFRS RDR).

7.0 Performance Targets

The following annual performance targets exclude any Titanium Park land sales.

		Year Ended 30 June		
<i>Based on consolidated company forecasts</i>		2018	2019	2020
7.1	Earnings before interest, taxation & depreciation (EBITDA)	\$2,374,000	\$2,495,000	\$2,550,000
7.2	Net deficit after tax	(\$366,000)	(\$342,000)	(\$350,000)
7.3	Net profit after tax to average shareholders' funds	-1%	-1%	-1%
7.4	Net profit after tax to total assets	0%	0%	0%
7.5	Net cash flow (operating & investing)			
	Net operating cash flow	\$1,700,000	\$1,800,000	\$1,750,000
	Net investing cash flow	(\$1,500,000)	(\$970,000)	(\$1,500,000)
	Funding Titanium Park Limited	(\$0)	(\$0)	(\$0)
	Total net cash flow (operating & investing)	\$200,000	\$830,000	\$250,000
	Net debt	\$12,000,000	\$11,170,000	\$10,920,000
7.6	Total liabilities/shareholders' funds (debt/equity ratio) <i>a maximum of</i>	35:65	35:65	35:65
<i>Applicable to parent company operations only</i>		2018	2019	2020
7.7	Percentage of non-landing charges Revenue	76%	74%	74%
7.8	Interest cover	6.0x	6.0x	6.0x
<i>The interest cover measures the number of times the net profit before interest, tax and depreciation (EBITDA) covers interest paid on debt</i>				
Non-financial performance targets				
7.9	Health & Safety			
7.9.1	Facilitate Health & Safety meetings every 2 months with representatives from each company department			
7.9.2	Zero Work Safe notifiable accidents/injuries			

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7.9.3	Implement the company's Health & Safety framework to align with the requirements of the Health and Safety at Work Act 2015 and independently review and audit the system each year.
7.10	Operational Compliance
7.10.1	To achieve the Airport Certification Standards as required by the Civil Aviation Authority and as evidenced by Civil Aviation Authority audit reports
7.10.2	Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events)
7.10.3	Facilitate noise management meetings each 4 months in accordance with the Noise Management Plan
7.11	Customer Satisfaction
7.11.1	Collect, document and act (where viable) on customer feedback forms to continuously monitor and improve the customer experience. Maintain a database to ensure recurring negative feedback is promptly acted upon
8.0	Dividend Policy
	WRAL will endeavor to review paying an ordinary annual dividend based on the forecast Cash Flow for the year 2017–18 and propose to make a decision in the last quarter of the financial year ended 2017-18.
9.0	Information to be provided to Shareholders
9.1	The Annual Report of the Company
9.2	An Interim Report circulated to Shareholders each half-year
9.3	Shareholder Briefings
10.0	Future Investment Proposals
	If the Company 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.
11.0	Commercial Value of the Shareholders Investment
	No valuation of shares has been completed. The consolidated balance sheet of WRAL as at 30 June 2016 shows shareholder equity of \$64.4m. Company Property, Plant & Equipment is based upon a 2016 valuation except for land which was revalued as at 30 June 2013. Company assets such as runways, aprons, taxiways and the terminal building are based upon depreciated replacement cost.
12.0	Compensation from Local Authorities
	There are no activities of the Company for which the Directorate would seek compensation from any local authority.

Statement of Intent – 2017/2018
Waikato Regional Airport Limited (Parent Company)



Hamilton Airport

13.0 Major Transactions

Shareholders approve major transactions via a special resolution. A major transaction 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 disposition 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 disposition; 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;

but does not include:

- (d) any transaction entered into by a receiver appointed pursuant to a security over all or substantially all of the property of the company.

Nothing in paragraph (c) of this definition applies by reason only of the company giving, or entering into an agreement to give, a floating charge secured over assets of the company the value of which is more than 10% of the value of the company's assets for the purpose of securing the repayment of money or the performance of an obligation.

There are no major transactions planned during the period.

14.0 Health and Safety

The Board and Management will ensure that all requirements to the Health and 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 practise processes. At all times the company will continue to monitor and review Health and Safety requirements via monthly reporting.