

Notice of Meeting:

I hereby give notice that an ordinary Meeting of the Finance Committee will be held on:

Date: Tuesday 3 April 2018
Time: 9.30am
Meeting Room: Council Chamber
Venue: Municipal Building, Garden Place, Hamilton

Richard Briggs
Chief Executive

Finance Committee OPEN AGENDA

Membership

Chairperson	Cr G Mallett
Deputy Chairperson	Cr R Pascoe
Members	Mayor A King Deputy Mayor M Gallagher Cr M Bunting Cr J R Casson Cr S Henry Cr D Macpherson Cr A O'Leary Cr P Southgate Cr G Taylor Cr L Tooman Cr R Hamilton

Quorum: A majority of members (including vacancies)

Meeting Frequency: Six weekly

Becca Brooke
Governance Team Leader

26 March 2018

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Purpose:

The Finance Committee is responsible for:

1. Monitoring Council's financial strategy, and financial performance against the Long Term Plan and Annual Plan.
2. Determining financial matters within its delegations and Terms of Reference and making recommendations to Council on financial matters outside its authority.
3. Guiding and monitoring Council's interests in its Council Controlled Organisations (CCOs), Council Organisations (COs) and subsidiaries.

In addition to the common delegations on page 9, the Finance Committee is delegated the following Terms of Reference and powers:

Terms of Reference:

1. To monitor Council's financial strategy, and performance against that strategy.
2. To monitor Council's financial and non-financial performance against the Council's 10 Year Plan.
3. To approve deferred capital expenditure.
4. To develop and monitor policy related to the following matters:
 - a) financial management;
 - b) revenue generation;
 - c) procurement and tendering; and
 - d) the appointment and remuneration of directors of CCOs and COs.
5. To monitor the probity of processes relating to policies developed by the Finance Committee.
6. To provide clear direction to Council's CCOs and COs on Council's expectations, including feedback on draft statements of intent.
7. To receive six-monthly reports of Council's CCOs and COs, including on board performance.
8. To undertake any reviews of CCOs and agree CCO-proposed changes to their governance arrangements, except where reserved for Council's approval by Council.
9. To monitor Council's investments in the Municipal Endowment Fund and the Domain Endowment Fund.

The Committee is delegated the following powers to act:

- Approval of:
 - Appointments to, and removals from, CCO and CO boards; and
 - A mandate on Council's position in respect of remuneration proposals for CCO and CO board members to be presented at Annual General Meetings.
- Approval of letters of expectation for each CCO and CO.
- Approval of statements of intent for each CCO and CO.

- Approval of proposed major transactions of CCOs and COs.
- Approval or otherwise of any proposal to establish, wind-up or dispose of any holding in, a CCO or CO.
- Approval of operating and/or capital expenditure within the Long Term Plan or Annual Plan that exceeds the Chief Executive's delegation, excluding expenditure which:
 - contravenes the Council's Financial Strategy and/or annual budgeted surplus; or
 - significantly alters any level of service outlined in the applicable Long Term Plan or Annual Plan; or
 - impacts Council policy or practice, in which case the delegation is recommendatory only and the Committee may make a recommendation to the Council for approval.
- Approval of contractual and other arrangements for supply and services, and revenue generating contracts, which:
 - exceed the Chief Executive's delegations, but
 - exclude contracts or arrangements that are reserved for the Council or another Committee's approval.
- Approval of acquisition or sale or lease of properties owned by the Council, or owned by the Municipal Endowment Fund or the Domain Endowment Fund consistent with the Municipal Endowment Fund Investment Policy, for any endowment properties.
- Approval to write-off outstanding accounts greater than \$10,000 (in accordance with the Debtor Management Policy).

The Committee is delegated the following recommendatory powers:

- The Committee may make recommendations to Council.
- The Committee may make recommendations to other Committees.

Oversight of Policies:

- *Appointment and Remuneration of Board Members of COs, CCOs and CCTOs Policy*
- *Freeholding of Council Endowment Land Policy*
- *Funding Needs Analysis Policy*
- *Investment and Liability Management Policy*
- *Municipal Endowment Fund Investment Policy*
- *Rates Remissions and Postponements Policy*
- *Rating Policy*
- *Revenue and Financing Policy*

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1 Apologies

2 Confirmation of Agenda

The Committee to confirm the agenda.

3 Declaration of Interest

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as an elected representative and any private or other external interest they might have.

4 Public Forum

As per Hamilton City Council's Standing Orders, a period of up to 30 minutes has been set aside for a public forum. Each speaker during the public forum section of this meeting may speak for three minutes or longer at the discretion of the Chair.

Please note that the public forum is to be confined to those items falling within the terms of the reference of this meeting.

Speakers will be put on a Public Forum speaking list on a first come first served basis in the Council Chamber prior to the start of the Meeting. A member of the Council Democracy Team will be available to co-ordinate this. As many speakers as possible will be heard within the allocated time.

If you have any questions regarding Public Forum please contact Democracy by telephoning 07 838 6439.

Finance Committee

OPEN MINUTES

Minutes of a meeting of the Finance Committee held in Council Chamber, Municipal Building, Garden Place, Hamilton on Thursday 22 February 2018 at 10.00am.

PRESENT

Chairperson	Cr G Mallett
Deputy Chairperson	Cr R Pascoe
Members	Mayor A King
	Deputy Mayor M Gallagher
	Cr M Bunting
	Cr J R Casson
	Cr S Henry
	Cr D Macpherson
	Cr A O'Leary
	Cr P Southgate
	Cr G Taylor
	Cr L Tooman
	Cr R Hamilton

In attendance:	Richard Briggs – Chief Executive
	David Bryant – General Manager Corporate
	Sean Murray – General Manager Venues, Tourism and Major Events
	Sean Hickey – General Manager Strategy and Communications
	Chris Allen – General Manager Infrastructure
	Blair Bowcott – Executive Director Special Projects
	Russel Hynds – Finance Manager
	Natalie Young – Project Manager
	Helen Paki – Business and Planning Manager
	Maire Porter – City Waters Manager
	Andrew Parsons – City Development Manager
	Julie Clausen – Programme Manager Strategy
	Jolie Humphreys – Strategic Policy Analyst
	Matthew Bell – Revenue Manager
	Nicola Walsh – Communications Advisor
	Becca Brooke – Governance Team Leader
	Rebecca Watson and Amy Viggers – Committee Advisors

Finance Committee 22 FEBRUARY 2018 - OPEN

1. Apologies

There were no apologies.

2. Confirmation of Agenda

Resolved: (Crs Mallett/Bunting)

That the agenda is confirmed.

3. Declarations of Interest

No members of the Committee declared a Conflict of Interest.

4. Public Forum

There were no public forum speakers.

5. Finance Committee Minutes - Open - 7 November 2017

Resolved: (Crs Mallett/Bunting)

That the Committee confirms the Open Minutes of the Finance Committee Meeting held on 7 November 2017 as a true and correct record.

6. 2018 Finance Committee Report Schedule

Committee Members noted that the date for a separate report to come back to the Finance Committee concerning an update on social housing in Waikato would be included in the Finance Committee report schedule. This report had been requested at the 7 November 2017 Finance Committee meeting.

Resolved: (Crs Mallett/Casson)

That the Finance Committee approves the 2018 Finance Committee Report Schedule.

7. Recommendation from the Growth and Infrastructure Committee - Advance funding for design of Thomas/Gordonton intersection improvements

Resolved: (Crs Mallett/Macpherson)

That the Finance Committee:

- a) receives the report; and
- b) approves funding for the investigation, design and land procurement for an upgrade of the intersection of Thomas and Gordonton roads from Risk and Opportunities this financial year.

8. 10-Year Plan Monitoring Report - For the six months 31 December 2017

The Finance Manager introduced the report, and highlighted that the financial results had been favourable compared to budgeted figures. Staff responded to questions from Committee Members concerning the reporting of large projects, project deferrals and clarification on the reporting of capital expenditure. Committee Members also raised questions regarding the Victoria On The River/River Plan project, as well as cashflow management processes.

Staff undertook to circulate further information concerning administrative cost deficits to Committee Members.

Staff also undertook to provide information concerning delays to the work to extend the boardwalk as part of the River Plan Project, and explained there would be a report on this matter coming to Council in March 2018.

Resolved: (Crs Mallett/Casson)

That the Finance Committee receives the report.

9. Key Projects Monitoring Report - December 2017

The General Manager Corporate took the report as read. Staff responded to questions from Committee Members regarding the status of various project outlined in the report.

Committee Members requested that the River Plan Project and Waterworld Renewals Programme be added to the Key Projects Monitoring Report.

Committee Members also requested clarity and increased visibility around the planning process for the Rototuna Town Centre, including community facilities and private developer agreements, via an upcoming Elected Member Briefing.

It was noted that an update on Victoria On The River stage 2 works would be reported back to Council in March 2018.

Resolved: (Crs Mallett/Bunting)

That the Finance Committee receives the report.

10. 2015-25 10 Year Plan Service Performance Report - Year 3, Quarter 2

The Programme Manager Strategy introduced the report, noting the addition of a bar graph to the report to summarise performance. Staff responded to questions from Committee Members concerning monitoring water leaks and usage, as well as providing clarification around mitigation actions for stormwater network issues.

Committee Members also asked questions regarding rubbish and recycling collections, as well as arts and culture data.

Resolved: (Crs Mallett/Casson)

That the Finance Committee receives the report.

Cr O'Leary left the meeting (11.30am) during the discussion of the above Item. She was not present when the matter was voted on.

11. H3 Group Quarter 2 Report - 1 October to 31 December 2017

The General Manager Venues, Tourism and Major Events took the report as read and responded to questions from Committee Members concerning clarification on the reporting of finances and variances for this. There was discussion around attracting large events to Hamilton and regional collaboration opportunities.

Staff undertook to provide information to a March 2018 Elected Member Briefing concerning the Waikato Regional Theatre, and also to circulate an update on discussions and options on potential new hotel developments in Hamilton's CBD.

Resolved: (Crs Mallett/Casson)
That the Finance Committee receives the report.

Cr O'Leary re-joined the meeting (11.43am) during the discussion of the above Item.

Cr O'Leary left the meeting (12.32pm) during the discussion of the above item. She was not present when the matter was voted on.

The meeting adjourned (12.35 – 1.15pm).

12. Housing Infrastructure Fund - Enabling Works Report

The Executive Director Special Projects introduced the report, noting that the purpose of the report was to seek approval for the commencement of enabling projects for the Peacocke Growth Cell. He responded to questions from Committee Members concerning the types of projects proposed and the impact on starting the projects if the Housing Infrastructure Fund did not eventuate.

Resolved: (Crs Mallett/Casson)
That the Finance Committee approves the commencement of enabling projects for the Peacocke Growth Cell in 2017/18, funded from the existing Transport - Progress Southern Links Project budget.

The Motion was put.

Those for the Motion: Mayor King, Cr Mallett, Gallagher, Tooman, Macpherson, Casson, Taylor and Hamilton.

Those against the Motion: Councillors Pascoe, O'Leary, Bunting, Henry and Southgate

The Motion was declared carried.

The Chair left the meeting and vacated as Chair (1.40pm) during the discussion of the above Item. The Deputy Chair took up the Chair for the remainder of the Item. The Chair re-joined the meeting (1.42pm) and resumed as chair for the following Item. He was present when the matter was voted on.

Cr Southgate left the meeting (1.50pm) at the conclusion of the above item. She was present when the matter was voted on.

13. Hamilton Ring Road - Multiparty Funding Agreement

The City Development Manager introduced the report and responded to questions from Committee Members concerning funding allocation and costs being covered by Hamilton City Council.

Resolved: (Crs Macpherson/Mallett)

That the Finance Committee:

- a) approves the 43.4% overall cost share allocation to the New Zealand Transport Agency for the completion of the Hamilton Ring Road recognising the direct benefit to the state highway, noting that the remaining 56.6% would be a Hamilton City Council cost but eligible for the normal 51% subsidy from the NZ Transport Agency; and
- b) delegates authority to the Chief Executive to execute all necessary documentation to confirm the cost allocation in (a) above to the New Zealand Transport Agency.

14. Resolution to Exclude the Public

Resolved: (Crs Mallett/Casson)

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Finance Committee Minutes - Public Excluded - 7 November 2017) Good reason to withhold information exists under) Section 7 Local Government	Section 48(1)(a)
C2. Report on overdue debtors as at 31 January 2018 & Debt write-offs 2017/18) Official Information and) Meetings Act 1987	

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item C1.	to protect the privacy of natural persons to maintain the effective conduct of public affairs through protecting persons from improper pressure or harassment	Section 7 (2) (a) Section 7 (2) (f) (ii)
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Finance Committee 22 FEBRUARY 2018 - OPEN

Item C2.	to protect the privacy of natural persons	Section 7 (2) (a)
	to maintain the effective conduct of public affairs through protecting persons from improper pressure or harassment	Section 7 (2) (f) (ii)

The meeting moved into a Public Excluded session 2.00pm.

The meeting was declared closed at 2.18pm.

Council Report

Item 6

Committee: Finance Committee

Date: 03 April 2018

Author: Rebecca Watson

Authoriser: Becca Brooke

Position: Committee Advisor

Position: Governance Team Leader

Report Name: Chair's Report - 3 April 2018

Report Status	<i>Open</i>
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Staff Recommendation

That the Finance Committee receives the report.

Attachments

Attachment 1 - Chair's Report - 3 April 2018 .



Chair's Report

1. Confusion over Council's Balancing the Books Measure

Despite numerous Council workshops, Council briefings and Council debates there is still concern amongst elected members about the "truthfulness and/or usefulness" of the measures recommended in the Financial Strategy in our draft 2018-28 10-Year plan - specifically our "Balancing the Books" measure (BB).

Reading Facebook it's apparent that at least one Councillor is confused and/or disagrees with Council's recommended BB measure. I hope to remove some confusion and/or address that disagreement in this report. I'll try to (1) explain the "why" and (2) the "what" of the BB measure.

A Short Explanation of the BB measure recommended in the draft 2018-28 10-Year Plan

The why: The goal of the recommended BB measure (as with previous BB measures) is to disclose Council's financial performance more **realistically** than is possible using conventional accounting standards. Our Statement of Comprehensive Revenue and Expense (SCRE) meets conventional accounting standards (at least it should).

The what: Council's recommended BB measure removes revenue that is not available to pay Council's day-to-day operating expenses (e.g. staff wages, energy, repairs & maintenance etc).

A Longer Explanation of the BB measure recommended in the draft 2018-28 10-Year Plan

NB The data below is from the "10-Year Plan Monitoring Report – for the Six Months ended 31 December 2017" (pg17 Item 8 - Finance Committee Meeting of Thu 22 February 2018).

The goal of the recommended BB measure is to more accurately match day-to-day revenue against day-to-day expenses. This provides more accurate disclosure of Council's day-to-day operating performance. The SCRE (pg 26) is not an accurate disclosure of Council's day-to-day operating performance.

The SCRE shows a Year to Date (YTD) Surplus of \$22,641,000. There are three very large items in the revenue portion of the SCRE, most of which, are not day-to-day revenues, they are:

1. **65% of Development & Financial Contributions (DC)** of \$12,593,000. NB about 35% of DCs repays interest costs on the City's debt. Interest is a day-to-day operating expense
2. **100% of Vested Assets (VA)** of \$13,567,000 and
3. **100% of Capital Revenue (CR)** which is largely New Zealand Transport Authority (NZTA) subsidies of \$4,604,000

All of the revenue detailed above is "tagged" or "pre-allocated". That means it is not available to meet Council's day-to-day operating expenses. Here is the equation:

SCRE Result	\$22,641,000 - Surplus
Less 65% of DC's	\$ 8,185,000
Less VA	\$13,567,000
Less CR	<u>\$ 4,604,000</u>
BB Result	\$ 3,715,000 - Deficit

Absent these three items the YTD Surplus of \$22,641,000 dissolves to a \$3,715,000 Deficit. That's a \$26,356,000 movement! That's \$26,356,000 less revenue available to meet Council's day-to-day operating expenses! That's a very material result to that disclosed in the SCRE.

Development Contributions (DC's): A levy under the Local Government Act which Council can charge an entity seeking consent to develop. The levy covers the cost of both local and citywide infrastructure (roads, water pipes, sewage pipes, storm water pipes etc) that services new development and/or renovated property. DC's can be charged in advance of, or after, infrastructure is built. When DC's are charged after the infrastructure has been built, the DC's repay the debt that funded the already built infrastructure.

Vested Assets (VA's): Property developers may own or build infrastructure assets which they vest to Council. Pg 25 has a breakdown of the \$13,567,000 assets, by category, vested to Council over the 6 months to 31 Dec 2017.

Wastewater	\$1,257,000
Stormwater	\$1,433,000
Water Supply	\$ 552,000
Roading	\$3,856,000
Land - Under Roads	\$6,181,000
Land – Local Reserves	\$ 290,000
Total	\$13,567,000

Capital Revenue (CR): CR is revenue which contributes towards the building of infrastructure assets. A large part of these contributions is made up of NZTA subsidies. Another example of capital revenue is the lottery grants contributed to the development of Hamilton Gardens.

The VA's and the infrastructure assets that are paid for by DC's and CR do not generate much, if any, revenue. In fact most of these assets impose significant ongoing operational (including depreciation) expense on Council. To be blunt, Council can't pay wages, or power bills or any other day-to-day operational expenses with storm water pipes or pieces of a road, or shovel loads of dirt from a local reserve. And, as mentioned above, DC revenue is either used to reduce debt accumulated in building existing infrastructure or is tagged to the building of future infrastructure. This is not revenue available to meet Council's day-to-day running expenses.

In the case of DC's, VA's and CR – Star Trek's Mr. Spock might well say "its revenue Jim, but not as we know it."

Accounting standards require that these revenue items (DC's, VA's & CR) be disclosed in our SCRE. However Council has recommended that they be excluded from our BB measure because they are revenues that cannot be used to meet Council's day-to-day operational expenses. The revenues which we can use to meet Council's day-to-day pay operational expenses are primarily (A) Rates (B) Revenue from Activities (Fees) & (C) Interest Income.

It is because Council is limited in its options to generate revenue (Rates, Fees & Interest) to pay for day-to-day operational expenses that I've consistently argued that we must address the spending side of the ledger – sadly to little avail. I suggest **"Council doesn't have a Revenue Problem it has a Spending Problem!"**

Previous Council's, this Council, LGNZ & HCC advisors PWC have recommended various BB measures because, as shown above, SCRE reporting fails to accurately disclose Council's performance with regard to 'Everyday Revenue meeting Everyday Expenses'. It is to overcome this fault that Council developed and recommended its BB measure in its draft 2018-28 10-year plan. Council considers this revised BB measure greatly improves disclosure and the accuracy of the financial report of its operating performance.

NB 1. There are other adjustments between (1) the "SCRE" and (2) Council's recommended BB measure (e.g. Gains/losses on investment properties, Gain/Losses on derivatives etc.) but it is the treatment of Development Contributions, Vested Assets and Capital Revenue which currently have a very material impact.

NB 2. I have just (20 March 2018) seen the draft SCORE for the 8 months to 28 February 2018. The gap between the SCORE result and the LGNZ BB measures has increased significantly. E.g.

SCORE	\$41,036,000	– Surplus
BB (LGNZ Measure)	\$1,254,000	– Deficit
Difference	\$42,290,000	

Garry Mallett
Finance Committee - Chairman
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Council Report

Committee:	Finance Committee	Date:	03 April 2018
Author:	Russell Hynd	Authoriser:	David Bryant
Position:	Finance Manager	Position:	General Manager Corporate
Report Name:	Waikato Innovation Growth Ltd and NZ Food Innovations combined Statement of Intent and Half Yearly Report		

Report Status	<i>Open</i>
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Purpose

1. To inform the Finance Committee of the Waikato Innovation Growth Ltd and Group of Companies Half Yearly Report to 31 December 2017.
2. To seek approval of the Waikato Innovation Growth Ltd and Group of companies Draft Statement of Intent 2018/19.
3. Stuart Gordon (Chief Executive, Innovation Waikato Limited) and Earl Rattray (Director, Innovation Waikato Limited) will present a verbal report.

Staff Recommendation

That the Finance Committee:

- a) receives the report; and
- b) approves the Waikato Innovation Growth Ltd and Group of Companies Draft Statement of Intent 2018/2019

Attachments

Attachment 1 - Waikato Innovation Growth Ltd & NZ Food Innovation (Waikato) Ltd half yearly report to 31 December 2017

Attachment 2 - Draft Statement of Intent Waikato Innovation Growth Ltd and NZ Food Innovation (Waikato) Ltd .

Half Yearly Report

Waikato Innovation Growth Limited
New Zealand Food Innovation (Waikato) Limited

Financial Results (Unaudited YTD Dec 2017 For the Year Ended 30 June 2018)

Cash Operating Surplus	YTD	YTD	YE	YE
	Actual \$000	Budget \$000	Forecast \$000	Budget \$000
WIGL	na	na	65	na
NZFIW	815	391	1,188	919
Group cash operating surplus	815	391	1,253	919

Net Profit				
	YTD	YTD	YE	YE
	Actual	Budget	Forecast	Budget
WIGL	9	na	9	na
NZFIW	338	181	356	233
Group net profit	347	181	365	233

KPI's	Actual	Budget	YE	BNZ
			Forecast	Covenant
Interest Cover— NZFIW	5.3	4.0	6.6	2.0
Shareholder Funds/Tangible Assets — NZFIW	51.6%	32.5%	53.8%	20.0%

Debt/Assets	As at 31	YE		
	Dec 2017	Jun 2018		
	\$000	\$000		
Secured debt	3,774	2,876		
Total Assets	21,516	20,468		



Management Commentary

NZ Food Innovation (Waikato) Ltd Spray Dryer Plant

NZFIW continues to operate at near full plant capacity bookings since last season. This will remain so for the remainder of 2018 financial year. The trend of increased goat and sheep fresh milk production will also continue this season; the plant has only a limited capacity reserved for one-day trials and is fully booked until June 2019.

In addition to the four major fresh milk suppliers (who in total have taken up 56% of our Dryer capacity), Blue River Dairy, the largest sheep milk exporter based in Invercargill, has become our largest customer in nutritional products this year, it has so far YTD December taken up about 33% of the plant's total Dryer days.

Work continues on the second Spray Dryer, finalising design, working with investors and neighbours.

Waikato Innovation Growth Ltd—Business Growth

The business growth team has achieved record levels of business engagements for 4 of the 6 months which has left us well ahead of contracted Regional Business Partner goals. Approximately 10 times the level of Callaghan grant activity has happened through this period. Around \$780k of project co-funding has been approved with another \$3m in the pipeline.

The reach of the Park continues out into the regions with over 60% of our business meetings outside the Hamilton boundary.

Involvement with Maori businesses has also increased from 6% to 16% in the past 12 months.

FOODWAIKATO
Growing value-added nutritional powder exports



Management Commentary continued...

The next six months is likely to see this increased activity continue, the establishment of the Waikato regional economic development agency built on top of the business growth team, and the delivery of a major TechWeek18 showcase event delivered across the region.



Operations Figures (For the half Year Ended 31 Dec 2017)

	Act/For	Budget
NZFIW Production Days (YTD)	312days	256days
NZFIW Production Days Full Year forecast	577days	490days
WIGL Customers Target (YTD)	268	235
WIGL Customers Target Full Year forecast	460	400

Financial Results

- NZFIW net profit year to date December is 1.9 times of Budgets
- Business growth has only one month of operations since the formation of Waikato Innovation Growth Limited.
- Forecasted NZFIW profits to exceed budgeted profits by 48% due to introduction of the infant formula base manufacturing income stream
- Bank loan would further reduce to \$2,876k by 30 June 2018 due to repayments to the bank enabled by improvements in cashflows.



**Waikato Innovation Growth Limited
New Zealand Food Innovation (Waikato) limited
Draft Statement of Intent
1st March 2018**

2018/2019



10 Melody Lane, Hamilton East, P O Box 9466, Waikato Mail Centre, Hamilton 3240. Phone +64 07 857 0500
Email: enquiries@nzfiw.co.nz www.nzfiw.co.nz

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1. Introduction

- a. Waikato Innovation Growth Limited (WIG) became a CCO on 1st December 2017 upon completion of the sale of Waikato Innovation Park Limited (WIPL). New Zealand Food Innovation Limited (NZFIW) also became a directly 70% owned subsidiary on the same date.
- b. This statement is presented by the Directors of WIG and NZFIW in accordance with s.64 (1) Local Government Act 2002 and sets out the Board's intentions for the Companies for the year ended 30 June 2019 plus estimates for the years ending 30th June 2020 and 2021.

2. Corporate Intent

- a. Business Growth: The Business Growth division of Waikato Innovation Growth Limited was awarded a Regional Partnership Program (RPP) contract on 1st Jan 2016 to provide business and innovation advisory services for customers such as small and medium-sized enterprises (SMEs) and High Value Manufacturing and Services (HVMS) businesses in the Waikato Region. The focus would be to build on local knowledge and experience to support and enable SMEs and HVMS businesses to achieve their growth potential through improved business performance and innovation.
- b. New Zealand Food Innovation (Waikato) Limited (NZFIW). The core purpose of NZFIW is to promote innovation in the food industry both in the Waikato region and nationally, including:
 - i. providing facilities on an open access basis in which food processing companies and those entering new markets can develop new or improved food ingredient products;
 - ii. providing on an open access basis a small-scale production plant capable of producing samples for market development which is to be self-sustaining in the medium to long term;
 - iii. participating in and promoting a national network of similarly focussed food innovation organisations as a shareholder in a food innovation network
 - iv. providing an independent and secure facility to ensure that the intellectual property and know-how of the Company and its customers are protected;
 - v. providing a centre of learning for food technology, catering primarily to the pastoral product value chain, in cooperation with tertiary education institutions; and

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Email: enquiries@nzfiw.co.nz www.nzfiw.co.nz

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- vi. providing one of several tangible centres and organisations throughout New Zealand around which networks of food processors and exporters, food equipment manufacturers and other partners can develop.

3. Achievements to date

a. Business Growth

- WIG was provided an additional FTE in 2017 to deliver service in recognition of the successful activity happening in the region
- approximately 400 business engagements were completed in 2016/17 and this year is on track for 450
- Maori business engagement has risen from 5% to 16% in the past 12 months
- 60% of meetings are outside of the Hamilton boundary recognising the regional focus of the contract
- The team is proposed to be the basis of a new region wide Economic Development Agency under the Waikato Means Business recommendations
Over \$700k of Callaghan Innovation project funding has been secured for the region in the past 6 months with a further \$2.6m in the pipeline. This is in addition to the Growth Grant activity managed directly with Callaghan Innovation for the regions larger business

b. 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 is fully booked until June 2019 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 \$53 million of exports per year.

- In November 2017, Hamilton city Council approved NZFIW to promote a privately funded second Spray Dryer which NZFIW would have a Minority 10% holding through a \$1.4m investment.
- On 1 December 2017, HCC and Callaghan injected further capital of \$4m (cash) into NZFIW through the sale of WIPL property; shareholding of NZFIW between HCC and Callaghan remains at a ratio of 70:30.

4. Key assumptions

The Business Growth RPP contract has a further 19 months (from 1 December 2017 to 30 June 2019) to run under the current contract terms. It may then be extended for another two years. Therefore, RPP activities up to 30 June 2021 will be included in this SOI reporting period. Although, it should be noted that if the Business Growth RPP activities are transferred to the proposed new Waikato Regional Economic Development Agency from 1 July 2018, WIG will become solely a holding company for the 70% shareholding in NZFIW. Any related shareholder loan from HCC will be repaid on completion of the transfer.

Food Waikato will continue its toll processing activities plus investing about \$1.4m as a minority shareholder in a second dryer.

5. Nature and Scope of Activities to be Undertaken

Key Objectives

The key objectives that can be achieved during the years ending June 2019 to 2021:

Regional Business Partner Division

WIG will contribute to a successful economic growth strategy, in collaboration with other regional agencies, NZTE and Callaghan Innovation. WIG will specialise in funding grants from Callaghan innovation and NZTE, incubation, clustering, mentoring and business to business collaboration. A key focus for the 2018/2019 year is participation in Maori economic development. These activities will continue under WREDA on transfer.

New Zealand Food Innovation Waikato Limited 2018-2019

1. 267 days of product development production via the spray dryer contributing exceeding \$55 million to the regional economy.
2. Commitment by private capital to establish increased spray drying capacity alongside the existing dryer in 2018/2018
3. A 10% minority interest in new spray dryer is planned to increase open access space for the sheep industry customers. \$1.4 million will available within the company's own cash flow.
4. Assist with the development of new valued added sheep milk industry products and the international launch of one substantial new product.

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2019-2020

1. 267 days of product development production via the spray dryer contributing \$60 million to the regional economy
2. New privately-owned spray dryer facility completed
3. The management of Dryer 2 by NZFIW management.

2020-2021

1. 267 days of product development production via the spray dryer contributing \$80 million to the regional economy.
2. Launch of one new value-added products within the sheep milk industry.

6. Key Performance Targets (\$,000)

Key Performance Indicators	2019	2020	2021
Group EBITDA	1,979	2,099	2,362
Group Cash from operating activities	1,505	993	1,712
Net Profit After Tax	385	414	604
Shareholders' funds / Tangible assets	53%	56%	60%

7. Capital Expenditure (\$,000)

Capital expenditure	2019	2020	2021
Food Waikato	700	550	550
Investment in D2	1,400		

It is envisaged that the Spray Dryer2 investment will be made in FY 19.

8. Financial Disclosure

1. REPORTING ENTITY

a. **Waikato Innovation Growth Limited (WIG)** is a company domiciled and incorporated in New Zealand under the Companies Act 1993, and a Council-Controlled Organisation under the Local Government Act 2002. Effective 1 Dec 2017, WIG was incorporated as a 100% owned subsidiary of the Hamilton City Council.

b. **New Zealand Food Innovation (Waikato) Limited (NZFIW)** is a company domiciled and incorporated in New Zealand under the Companies Act 1993, and a Council-Controlled Organisation under the Local Government Act 2002 with effect from the 9th October 2013. The Company's parent entity is Waikato Innovation Growth Limited and the ultimate parent entity is Hamilton City Council.

c. The forecast financial statements of WIG and NZFIW are for the year ending 30 June 2019. The audited financial statements will be authorised for issue by the Board of Directors on the 22nd August 2019. The owners and/or others do not have the power to amend the financial statements after issue.

2. BASIS OF PREPARATION

a. Statement of Compliance

The financial statements for the Company have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Local Government Act 2002.

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards - Reduced Disclosure Regime ("NZ IFRS RDR"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The Company qualifies for NZ IFRS (RDR) as it does not have public accountability and it is not a large for-profit public-sector entity. The Company has elected to apply NZ IFRS (RDR) and has applied disclosure concessions. The Company early adopted the Reduced Disclosure regime framework for the financial year ended 30 June 2015.

b. Basis of Measurement

The financial statements have been prepared on an historical basis except for property, plant and equipment which is measured to fair value.

c. Functional and Presentational currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

d. Use of Estimates and Judgements

The preparation of the financial statements in conformity with NZ IFRS RDR requires management to make judgements, estimates and assumptions that affect

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the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

e. Change in Accounting Policies
Intangible Assets

A new accounting policy for Intangible Assets has been created due to the registration of the FoodWaikato Trademark.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to all periods presented in these financial statements.

a. Accounting for Associates

An associate is an investee, not being a subsidiary or joint venture arrangement, over which the group has the capacity to exercise significant influence through participation in the financial and operating policy decisions of the investee.

Associates are recognised using the equity method which recognises the Group's share of the associate's net surplus or deficit in the profit or loss and its share of other comprehensive income.

Under IFRS 11 the investment in D2 (by NZFIW) will be recognised as a joint venture. IFRS 11 states that "A joint venture shall recognise its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with NZ IAS 28 Investments in Associates and Joint Ventures

b. Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates or similar allowances. Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business.

Interest income is accounted for on an accrual basis.

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 Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

c. Foreign Currency Translation

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the date of the transactions.

d. Finance Costs

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other finance costs are recognised in profit or loss in the period in which they are incurred.

e. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

f. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

g. Trade and Other Receivables

Trade and other receivables are stated initially at fair value then at estimated realisable value after providing against debts where collection is doubtful. Bad debts are written off during the period in which they are identified. Trade and Other Receivables are classed as 'Trade and other receivables' financial instruments.

h. Property, Plant & Equipment

Property, plant & equipment is measured at fair value less subsequent depreciation. Computer and office equipment is recognised at cost price less depreciation and impairment losses.

Depreciation is calculated on a straight-line basis to allocate the cost or revalued amounts over the estimated useful lives, as follows:

Buildings	25 years
Plant & Equipment	20 years
Computer & Office Equipment	20 years

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

Revaluation

Property, plant & equipment is revalued with sufficient regularity and at least every three years to ensure that it's carrying amount does not differ materially from fair value.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from fair value. If there is evidence supporting a material difference, then the off-cycle asset classes are revalued.

Property, plant and equipment revaluation movements are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the profit or loss. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the profit or loss will be recognised first in the profit or loss up to the amount previously expensed, and then recognised in other comprehensive income.

- i. Work in progress
Work in progress is valued at cost.
- j. Intangible Assets
Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.
Trademarks 10 years
- k. Trade and Other Payables
Trade and other payables are stated at cost.
- l. Goods and Services Tax (GST)
All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated 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 receivable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the balance sheet.
- m. Income Tax
Income tax expense includes components relating to both current tax and deferred tax.
Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.
Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.
Deferred tax is measured at tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the

tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

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

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

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

n. Short-term Employee Benefits

Short-term (settled within 12 months) employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

o. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

p. 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 Company 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.

9. 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. Governance Statements

Board of Directors

There are two boards. WIG and NZFIW.

WIG Board. The WIG Board shall consist of all NZFIW board members except Richard Perry. No directors' fees are payable to WIG directors as they are incorporated into their NZFIW directors' fees.

NZFIW Board. The board is a skill based board that must govern in the best interests of the company.

The NZFIW Board currently includes the following Directors

- **Barry Harris - Chair.** Former Chief Executive officer of the Hamilton City Council, has had many years of Chief Executive roles in regional local bodies including Environment Waikato and the Greater Wellington Regional Council. He was also the Group Director of Fonterra Milk Supply. Barry over the years has served and is serving in numerous varied Governance roles, with a mix of commercial industry good and research organisations including WinTec and DairyNZ.
- **Earl Rattray** is a former Director of Fonterra and past chair of Dairy Companies Association of New Zealand; a Director of other companies active in the Agricultural and construction sectors. Earl is a NZ dairy farmer and has interests in several international farming enterprises. Earl is a Chartered Fellow member of the NZ Institute of Directors.
- **Richard Perry.** Richard has over 20 years' experience in senior financial management and leadership roles in commercial organisations and the public sector. In his current role as Chief Financial Officer at Callaghan Innovation, Richard leads the Corporate Services and Grants functions. Richard graduated from Otago University with a Bachelor of Commerce with First Class Honours in Accounting and Finance and is a Certified Treasury Professional of the Institute of Financial Professionals of New Zealand.
- **Peter Hobman.** Peter has had a life-long career in Food & Health related R & D, sales and marketing of specialised dairy products and senior management; including wide-ranging company governance experience in NZ, Australia and Japan particularly in the dairy industries. Peter holds a Bachelor of Technology (Biotech) (Hons) degree from Massey University. He is a Fellow of the New Zealand Institute of Food Science and Technology, an author and inventor of numerous patents.
- **Dave Stanley.** Dave is a member of the Institute of Directors and has been Chair and/or Director of a number of companies. As CEO of Dairy Goat Co-operative for 21 years, and subsequently MD of DGC's European subsidiary for 2 years, he has extensive experience in the manufacture and marketing of infant formula.

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11. Health and Safety

NZFIW 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.

12. Environment

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

13. Financials:

Waikato Innovation Growth -Group			
Income Statement for financial years ending			
Description	FY 19	FY 20	FY21
Income			
Business Growth Income	689	707	717
NZFIW Income	7,461	8,114	9,002
Total Income	8,150	8,820	9,718
Less Operating Expenses			
Production Variable Expenses	3,283	3,771	4,320
Operating Expenses	2,215	2,266	2,337
Operating Expenses (BG)	672	685	699
Total Operating Expenses	6,171	6,722	7,356
EBITDA	1,979	2,099	2,362
Non- Operating Expenses			
Depreciation	1,278	1,313	1,314
Interest	166	211	209
Total Non-Operating Expenses	1,444	1,524	1,523
Net Profit Before Tax	535	575	839
Tax	(150)	(161)	(235)
Net Profit After Tax	385	414	604

Consolidated Waikato Innovation Growth Limited

Financial Positions

\$ '000	Jun-19	Jun-20	Jun-21
Current Assets			
Accounts Receivable	1,236	1,427	1,461
Bank Accounts	347	66	575
Inventories	404	577	588
Other Current Assets	66	66	66
Total Current Assets	2,052	2,135	2,690
Non Current Assets			
Plant & Equipment	14,954	14,372	13,750
Buildings	3,259	3,117	2,975
Other Non-Current Assets (See Note)	1,522	1,522	1,522
Total Non-current Assets	19,735	19,011	18,248
Total Assets	21,787	21,147	20,937
Current Liabilities			
Accounts Payable	837	587	603
Bank Overdraft			
Other Current Liabilities	478	536	538
Total Current Liabilities	1,315	1,123	1,141
Non Current Liabilities			
Bank Loans	3,420	3,837	3,184
Deferred Grant Income	2,543	2,364	2,186
Other non-Current Liabilities	3,092	1,992	1,992
Total Non-Current Liabilities	9,055	8,193	7,361
Total Liabilities	10,370	9,316	8,502
Equity			
Paid up Capital	7,333	7,333	7,333
Revaluation Reserve	3,788	3,788	3,788
Retained Earnings	(90)	295	709
Current Year's Profit	385	414	604
Total Equity	11,417	11,831	12,435
Shareholder fund/Total Assets	52.4%	55.9%	59.4%

Note: Includes \$1.4m investment in D2.

Council Report

Committee:	Finance Committee	Date:	03 April 2018
Author:	Sean Murray	Authoriser:	Sean Murray
Position:	General Manager Venues, Tourism and Major Events	Position:	General Manager Venues, Tourism and Major Events
Report Name:	Waikato Regional Airport Limited - Half Year Report to 31 December 2017 and Draft Statement of Intent 2018/19		

Report Status	<i>Open</i>
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Purpose

1. To inform the Finance Committee on of the Waikato Regional Airport Limited (WRAL) Half Year Report to 31 December 2017.
2. To seek approval of the WRAL Draft Statement of Intent 2018/19.
3. Mark Morgan (Chief Executive) and Annabel Cotton (Board Member), will present a verbal report.

Staff Recommendation

That the Finance Committee:

- a) receives the Half Year report; and
- b) approves the Waikato Regional Airport Limited Draft Statement of Intent 2018/19.

Background

4. WRAL is required to deliver a half year report and supply a draft statement of intent (SOI) for the following year to all shareholding Councils. HCC is one of five, holding 50% of the shares in the company.
5. The WRAL Board Chair and Chief Executive presented their half year report to shareholding Council Mayors and Chief Executives on 1 March 2018.

Highlights

6. Highlights from the half year report for the period ended 31 December 2017 include:
- Domestic passenger numbers 178,000 up 12%
 - Air movements 74,000 up 9%
 - Operating revenue \$4.24m up 9%.
 - Surplus after tax \$86,000 down 12% (driven by higher depreciation)
 - New conference facilities (within the existing terminal) opened to cater for up to 200 people.
 - Land sales valued at \$2.2 m (\$or which \$1.1m remains conditional).
 - Company equity (assets less liabilities) sits at \$82m which is up 28% on the previous period.
 - Purchase of the buildings and ground lease for the Hamilton Airport Hotel (not deemed to be a major transaction).

Draft Statement of Intent 2018/19

7. The draft SOI 2018/19 is in line with the previous year's SOI. However, it reflects a tightened focus by WRAL on its property portfolio strategy and adjustments to reflect the lift in aeronautical activity volume. As such an earnings lift of \$500k is anticipated and a corresponding trading result previously forecast at a deficit of \$340k has been revised upwards to a surplus of \$75k for the 2019 reporting year.
8. However, significant strategic investment is anticipated to support further property development across the total property portfolio.

Attachments

Attachment 1 - WRAL Half Year Report to 31 December 2017

Attachment 2 - WRAL Draft Statement of Intent 2018/19

Waikato Regional Airport Group



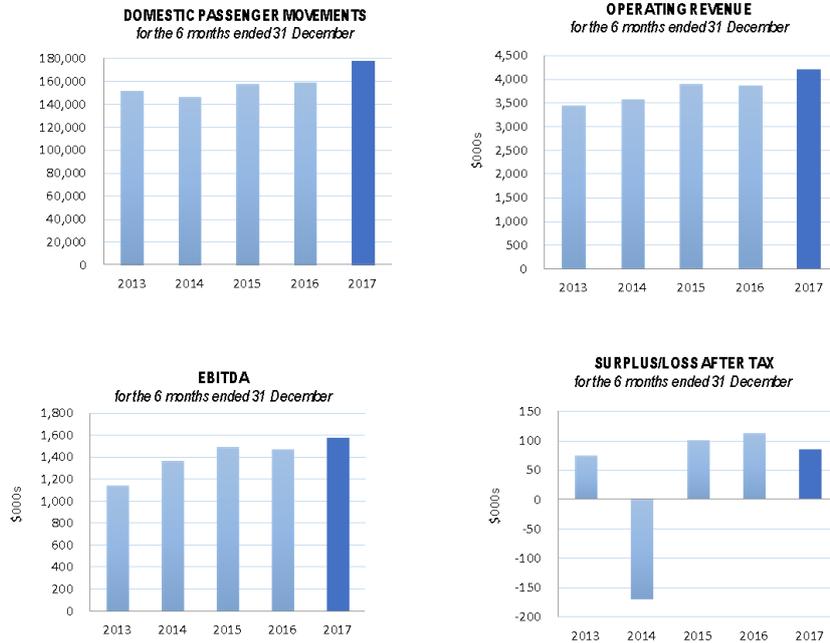
Interim Report

For the six months ended 31 December 2017

CHAIR'S REPORT

Domestic Passenger Numbers	178,000
<i>up on prior period by 19k or 12%</i>	
Air Movements	74,000
<i>up on prior period by 6k or 9%</i>	
Operating Revenue	\$4,204,000
<i>up on prior period by \$332k or 9%</i>	
Operating Expenses	\$1,302,000
<i>up on prior period by \$96k or 8%</i>	
Earnings before Interest, Tax, Depreciation and Amortisation	\$1,584,000
<i>up on prior period by \$106k or 7%</i>	
Surplus After Tax	\$86,000
<i>down on prior period by \$12k or 12%</i>	

Note: Results are rounded to the nearest thousand and compared to the six months ended 31 December 2016 unless otherwise stated.



CHAIR'S REPORT

OVERVIEW OF THE HALF YEAR

WRAL Board and Management are pleased to report a solid financial performance for the six months ended December 2017. This was primarily driven by strong growth in passenger numbers delivering an increase in aeronautical (landing and terminal charges) and carpark revenue. An increase in depreciation of \$30,000 resulted in a surplus after tax of \$86,000, being \$12,000 down on the prior period.

The primary focus of the management team from an aeronautical perspective over the first half of the financial year was to ensure efficient and compliant operation of the Airport and the establishment of conference facilities within the terminal building. The new conference facilities enable the airport to host up to 200 delegates across five room configurations.

Air New Zealand's newly refurbished check in facilities have contributed to an improved customer experience within the terminal. In addition, we have been delighted with the success of the new Mavis Lounge Café which not only serves the travelling public but has also become a destination café.

Titanium Park Limited has received considerable land sale enquiries during the reporting period resulting in \$1.1m of unconditional land sales and \$1.1m of conditional land sales. During December, construction started on an extension to Ossie James Drive which will open further land for development. Consultation is underway with NZTA and surrounding land owners to review the access to the Airport and Titanium Park from SH21.

As of 31 December 2017, 178,000 passengers have used the airport which is a 12% increase on the same period last year. All three routes have experienced passenger growth with Christchurch in particular, seeing significant growth of 24%.

Capital works to date have focused on the establishment of conference facilities, a new water filtration plant on the WRAL Farm and the ongoing operational improvements and general maintenance to the aerodrome. In the second half of the year, we are preparing for upgrade works to the carpark and to the air conditioning system within the main terminal.

WRAL has an unconditional sale of land on the Aviation Precinct of 6,600m² with settlement due in January 2018.

On 19 January 2018, WRAL settled on the purchase of the Hamilton Airport Hotel and Conference Centre. The purchase includes the acquisition of all buildings and the ground lease as well as the existing hotel and conference business. Current operators, Hamilton Airport Hotel Limited, will lease back and continue to operate the hotel and conference centre for at least 12 months from the date of purchase. The acquisition is in line with WRAL's strategic objective to grow non-aeronautical revenue and the hotel provides an opportunity for the company to further develop and enhance the range of services offered within the airport precinct.

A major focus remains on Health & Safety. Independent expertise has been engaged to oversee compliance and employee welfare for the Group ensuring obligations are met. There have been no notifiable Health & Safety events and an independent audit is scheduled to be undertaken in the first quarter of 2018.

CHAIR'S REPORT

FINANCIAL RESULTS

The surplus after tax for the Group (inclusive of Titanium Park Limited and Hamilton & Waikato Tourism Limited) for the six months ended 31 December 2017 is \$86,000, down on the prior period by \$12,000 (12%).

Total revenue for the Group of \$4.2m is up on prior period showing a growth of \$332,000 (9%) due predominately to increased passenger numbers.

The Group's total expenditure for the period of \$4.1m is up 9% on the prior year, due to increased depreciation and operating expenditure.

Term loans have increased by \$4.2m (net) which is a reflection of the 98-hectare farm purchase.

OPERATIONS

Due to poor weather conditions in the first three months of the financial year, flight training activity was lower than the same period last year. Recent fine weather during the last two months of 2017 has resulted in a countervailing increase. The net impact has resulted in total air movements for the six months to December 2017 of 68,000 compared to the prior year of 65,000.

In November CAA undertook a Civil Aviation Part 139 holder aerodrome audit. These audits are designed to assess the relevant level of compliance with civil aviation legislation and the degree of adherence to the conditions attached to the airport's operational exposition documents. The audit identified no findings.

TITANIUM PARK LIMITED (TPL)

A solid start to the first six months of the financial year, across all parts of the TPL portfolio, with the company on track to meet all SOI targets by 30 June 2018.

Interest remains positive with the sale of a further three lots in the Central Precinct. Work continues to enable further sub division of Central Precinct land with the extension of Ossie James Drive.

Significant planning and consultation continues on the access strategy for SH21 which includes reviewing the primary entrance for the Airport and the entrance to both the Central and Southern Precincts.

There has been limited demand for design build. This will be a key focus for management in the second half of the year.

In addition to the business as usual activities of continuing to build the sales pipeline, the focus for Board and Management will be on the completion of the roading and services on the Central Precinct along with the finalisation of the SH21 access strategy. TPL will continue to work on delivering the outcomes from the Hotel and Farm acquisitions.

CHAIR'S REPORT

HAMILTON & WAIKATO TOURISM LIMITED (HWT)

For the first time, the Hamilton & Waikato region has surpassed \$1.45 billion in visitor expenditure (for the year ended October 2017). This is a 6% growth on the same period last year.

The strong results have also continued in the business events sector with our region claiming third behind Auckland and Wellington for conferences with 11% market share.

Two key game-changer projects are progressing well.

The Major Events Strategy will look to develop existing events which are unique to our region, while growing an events programme for the shoulder seasons. The draft strategy is expected to be completed during Quarter 1 2018.

The Regional Brand Strategy is intended to help address the Waikato's domestic perceptions, plus create reasons to visit our region and drive economic, social and cultural benefits for the region.

GROUP OUTLOOK

The ongoing focus for the Board and Management during the second half of the financial year will be to prudently control operating expenses, complete the capital works programme and maintain the momentum on land sales and finalise the longer term operating structure of the Airport Hotel.



John Spencer
Chair

 **CONSOLIDATED INCOME STATEMENT**
For the Six Months Ended 31 December 2017

	GROUP \$'000	
	2017	2016
REVENUE		
Operating revenue	4,204	3,872
Land Sales	32	-
Finance Revenue	-	-
Other gains/(losses)	-	-
Total Revenue	4,236	3,872
EXPENSES		
Cost of land sales	41	(8)
Employee benefit expenses	1,134	1,055
Depreciation and amortisation expense	1,210	1,180
Operating expenses	1,302	1,206
Directors' fees	130	96
Bad debts written off	-	-
Audit fees	45	45
Finance costs	235	142
Total Expenses	4,097	3,716
Surplus Before Tax	139	156
Income tax expense	53	58
Surplus After Tax	86	98
Other Comprehensive Revenue		
Gain on property revaluation	-	-
Total Other Comprehensive Revenue and Expense	-	-
Total Comprehensive Revenue and Expense	86	98

The above results have not been audited.

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	GROUP	
	\$000	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	77	118
Receivables	449	515
Inventories	95	88
Prepayments	77	114
Development property	8,620	10,620
Total Current Assets	9,319	11,456
Non-Current Assets		
Property, plant and equipment	76,571	63,982
Intangible assets	979	1,145
Investment property	15,307	3,750
Other non-current assets	69	78
Total Non-Current Assets	92,926	68,955
Total Assets	102,245	80,412
LIABILITIES		
Current Liabilities		
Payables and accruals	812	1,100
Employee benefit liabilities	238	274
Revenue in advance	195	205
Total Current Liabilities	1,245	1,579
Non-Current Liabilities		
Term loans	11,248	7,049
Deferred tax liabilities	7,783	7,989
Total Current Liabilities	19,031	15,038
Total Liabilities	20,276	16,618
Net Assets	81,969	63,794
Equity		
Share capital	14,860	14,860
Retained earnings	20,375	15,856
Dividend to shareholders	(200)	-
Other reserves	46,934	33,078
Total Equity	81,969	63,794

The above results have not been audited.

FINANCIAL PERFORMANCE TARGETS

For the Six Months Ended 31 December 2017

MEASURES (Parent)	Actual	Forecast	SOI
	31 Dec 2017	30 Jun 2018	30 Jun 2018
Earnings before interest, taxation & depreciation (EBITDA)	\$1,583k	\$3,075k	\$2,374k
Net surplus/(deficit) after tax	\$189k	\$70k	\$(366k)
Net operating cash flow	\$821k	\$1,594k	\$1,700k
Net investing cash flow*	\$(548k)	\$(4,043k)	\$(1,500k)
Funding Titanium Park Limited	\$(413k)	\$742k	\$0k
Total net cash flow (operating & investing)	\$(140k)	\$(1,707k)	\$200k
Total debt	\$11,248k	\$12,826k	\$13,000k
Total liabilities/shareholders' funds (debt/equity ratio)	16:84	15:85	35:65
Shareholders' funds to total assets	84%	85%	76%
Percentage of non-landing charges revenue to total revenue	77%	77%	76%
Interest cover	6.75x	5.73x	5.0x

* The significant change in net investing cash flow between December 2017 and June 2018 is due to the hotel purchase for \$2.85m in January 2018.

The above results have not been audited.

 **CORPORATE DIRECTORY**
For the Six Months Ended 31 December 2017

Board of Directors	John Spencer CNZM (Chair) Annabel Cotton Carlos da Silva Margaret Devlin
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
Auditors	Audit New Zealand, Tauranga on behalf of the Controller and Auditor-General
Solicitors	Ellice Tanner Hart, Hamilton
Bankers	Bank of New Zealand
Website address	www.hamiltonairport.co.nz



Waikato Regional Airport Limited
Statement of Intent
2018/2019
June 2018

1.0 Introduction

This statement is presented by the Directors in accordance with s.64 (1) of the Local Government Act 2002 and sets out the Board's intentions for the Company for the year ending 30 June 2019 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 of Waikato Regional Airport Limited

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.

Key Objectives of the Group (*incorporating Titanium Park Limited & Hamilton Waikato Tourism Limited*)

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.
5. Develop and optimise the land holdings of the Group to generate a long-term property income from a diversified property portfolio.
6. To promote the Hamilton & Waikato region as an appealing destination to international and domestic visitors.

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.

(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).

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

Look to develop, design and build opportunities and additional non-aeronautical revenue streams.

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

(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:

2019	\$1.1m
2020	\$1.4m
2021	\$1.5m

Strategic Activities

Key activities for the 2018/19 year are:

- Optimise domestic passenger services and the customer experience;
- Maximise property lease income.
- Continue to implement the comprehensive property business plan that will address development and investment opportunities to grow long term property income for the Group.
- Finalise the most appropriate future operating model for the hotel.
- Review zoning and master planning for the WRAL farm.

5.0 Performance Targets

The following annual performance targets are for Waikato Regional Airport Limited (Parent).

Years ending 30 June	2019	2020	2021
5.1 Shareholders' funds to total assets <i>a minimum of</i>	65%	65%	65%

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.

		Year Ending 30 June		
<i>Based on the company forecasts</i>		2019	2020	2021
5.2	Earnings before interest, taxation & depreciation (EBITDA) <i>of at least</i>	\$3,000,000	\$3,200,000	\$3,400,000
5.3	Net profit after tax <i>of no less than</i>	\$75,000	\$150,000	\$200,000
5.4	Net cash flow (operating & investing)			
	Net operating cash flow	\$1,600,000	\$1,800,000	\$2,000,000
	Net investing cash flow (excl TPL)	(\$3,050,000)	(\$1,800,000)	(\$1,950,000)
	Funding Titanium Park Limited	<u>(\$200,000)</u>	<u>\$100,000</u>	<u>\$100,000</u>
	Total net cash flow (operating & investing) <i>at least</i>	(\$1,650,000)	\$100,000	\$150,000
	Net debt <i>a maximum of</i>	\$18,000,000	\$18,000,000	\$18,000,000
5.5	Total liabilities/shareholders' funds (debt/equity ratio) <i>a maximum of</i>	35:65	35:65	35:65

5.6	Percentage of non-landing charges revenue of at least	74%	74%	74%
5.7	Interest cover of at least <i>(The interest cover measures the number of times the net profit before interest, tax and depreciation (EBITDA) covers interest paid on debt.)</i>	4.0x	4.0x	4.0x
5.8	Net profit before tax, interest, revaluations to total assets	0.5%	0.5%	0.5%
5.9	Net profit before tax, interest, revaluations to shareholder funds	0.5%	0.5%	0.5%
5.10	Net profit after tax, interest, revaluations to total assets	0.08%	0.1%	0.1%
5.11	Net profit after tax, interest, revaluations to shareholder funds	0.1%	0.1%	0.1%
Non-financial performance targets				
5.12	Health & Safety			
5.12.1	Facilitate Health & Safety meetings every 2 months with representatives from each company department			
5.12.2	Zero Work Safe notifiable accidents/injuries			
5.12.3	Independently review and audit the Health and Safety system each year.			
5.13	Operational Compliance			
5.13.1	To achieve the Airport Certification Standards as required by the Civil Aviation Authority and as evidenced by Civil Aviation Authority audit reports			
5.13.2	Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events)			
5.13.3	Facilitate noise management meetings every 4 months in accordance with the Noise Management Plan			
5.14	Customer Satisfaction			
5.14.1	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			

6.0 Statement of Accounting Policies

The accounting policies adopted by the Group for the year ending 30 June 2019 and succeeding 2 years are those as adopted in the 2017 Annual Report prepared under Tier 2 of the Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR).

7.0 Dividend Policy

WRAL will review payment of an ordinary annual dividend based on the forecast Cash Flow for the year 2018–19 and propose to make a decision in the last quarter of the financial year ending 2019-20.

8.0 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 including a Chair's Report, Consolidated Income Statement, Consolidated Balance Sheet and progress against Financial Performance Targets.
- 9.3 Shareholder Briefings.

9.0 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.

10.0 Commercial Value of the Shareholders Investment

No valuation of shares has been completed.

The consolidated balance sheet of WRAL as at 30 June 2017 shows shareholder equity of \$82m. Company Property, Plant & Equipment is based upon a 2016 valuation and land which was revalued as at 30 June 2017. Company assets such as runways, aprons, taxiways and the terminal building are based upon depreciated replacement cost.

11.0 Compensation from Local Authorities

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

12.0 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.

13.0 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.

8. **Financial Position**

9. The overall debt as at 28 February 2018 is \$368.8m against an annual budget of \$433.6m. The debt to revenue ratio is 170% against an annual budget of 205%.

10. **Capital Expenditure**

11. Capital expenditure totalled \$52.1m for the eight months ended 28 February 2018 compared with a year to date budget of \$59.7m (\$7.6m underspent). Refer attachment 3 for capital expenditure details.

12. After adjusting for approved deferrals from prior years and approved Risks and Opportunities the revised annual budget is to spend \$136.9m. See para. 35.

13. 14 capital projects have been identified as potentially not being completed this year. These have a value of \$19.9m. If nothing further changes the forecast capital spend for the year would be \$117.0m.

14. Work in progress is \$161.6m with capitalisations year to date of \$17.8m. There are two large projects. Ongoing focus to capitalise much as possible by 30 June 2018. Included will be two large projects, Rototuna Reservoir and Victoria on the River.

Discussion

15. **Statement of Comprehensive Revenue and Expense**

16. This section provides a summary for the accounting result and Council's balancing the books result. It also includes a summary of the Local Government balancing the books measure.

17. The Statement of Comprehensive Revenue and Expense discloses the accounting result (financial performance) in accordance with current Accounting Standards.

18. Balancing the books is a subset of the accounting result. It is an internal measure that eliminates items (see para 21.) that distort the true operational surplus/deficit of the Council.

The Accounting Result

19. The accounting result for the eight months ended 28 February 2018 is a surplus of \$41.0m. This is \$34.8m favourable against the year to the date budget of \$6.2m. The annual budget is a surplus of \$8.6m. Refer to para. 27 for analysis of major variances from budget.

Year to date Actual	Year to date Budget	Variance	Annual Budget
\$41.0m	\$6.2m	\$34.8m	\$8.6m

20. **Council's Balancing the Books**

21. Balancing the books is an internal measure that was first adopted by Council as part of the 2012-22 10-Year Plan. This measure eliminates any gains or losses from interest rate Swaps, revenue associated with vested assets and the capital subsidy for the Ring Road.
22. Council's balancing the books result for the eight months ended 28 February 2018 is a surplus of \$14.7m. This is \$14.2m favourable against the year to the date budget of \$0.5m. The annual budget is to break even.

Year to date Actual	Year to date Budget	Variance	Annual Budget
\$14.7m	\$0.5m	\$14.2m	\$0.0m

23. The Financial Statements in attachment 1 show the accounting result, Council's balancing the books result, the Government's balancing the books result and Statement of Financial Position (balance sheet). Variance explanations are also included.

24. **Understanding the Variances**

25. Individual operating statements for each of the 13 activities Council externally reports are contained in attachment 2.
26. These include comments that explain variances between year to date actual results and year to date budgets where they exceed \$100k.
27. Major variances from budget for the accounting result are:

Major Variances as at 28 February 2018
Revenue variances:

Higher revenue from user charges	\$2.4m
Lower rates remissions issued	\$0.3m
Higher interest received	\$1.1m
Higher revenue from vested assets	\$21.0m
Higher capital revenue	\$2.5m
Higher revenue from development contributions	\$8.6m

Expenditure variances:

Lower interest paid	\$1.4m
Accumulated annual Leave	\$0.5m
Higher external contract staff	(\$0.3m)
Lower internal revenue from capital projects	(\$1.4m)
Other	(\$0.3m)

Losses and Gains variances:

Net loss from interest rate Swaps	(\$0.5m)
Loss from Disposal of Assets	(\$0.6m)
Gain from Investment in WIPL	\$0.2m

Total variance	\$34.8m
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28. Further explanations can be found in the notes in attachment 1 and attachment 2.

The Local Government Balancing the Books measure

29. This is an alternate measure to Council's measure. It is prescribed under the Local Government (Financial Reporting) Regulations. The key difference being the elimination of all development contribution revenue.
30. Using this measure the result for the eight months ended 28 February 2018 is a deficit of \$1.3m. This is \$5.7m favourable against the year to the date budget deficit of \$7.0m. The annual budget is a deficit of \$11.1m.

Year to date Actual	Year to date Budget	Variance	Annual Budget
\$(1.3)m	\$(7.0)m	\$5.7m	\$(11.1)m

31. Summary of Capital Expenditure

32. The Capital Expenditure Result

33. The Capital Expenditure Report in attachment 3 provides a full list of all projects and year to date variances to budget.
34. Total spend on capital expenditure for the eight months ended 28 February 2018 is \$52.1m. This is \$7.6m underspent against a year to date budget of \$59.7m. The annual revised budget is \$136.9m (see para. 35 for breakdown).

Year to date Actual	Year to date Budget	Variance	Revised Budget
\$52.1m	\$59.7m	\$7.6m	\$136.9m

35. The budget used in this section is referred to as the "Revised Budget". It comprises the; 2017-18 Annual Plan, approved deferrals from previous years, approved risk and opportunities items and approved budgets brought forward. The revised budget is used throughout this report. The capital expenditure report in attachment 3 has the detail at a project level.

Capital Expenditure Programme for 2017-18	Budget
Approved 2017-18 Annual Plan programme	\$89.9m
plus approved deferrals from 2015-16	\$13.5m
plus approved deferrals from 2016-17	\$23.9m
plus approved Risks and Opportunities	\$3.6m
plus approved brought forward future 10-Year Plan programme	\$6.0m
Total Capital Expenditure Programme	\$136.9m

36. The revised budget above does not make any adjustment for the deferrals that are being signalled for the current year (refer para 43). These have a value of \$19.9m. The effect on the revised budget would be to reduce the \$136.9m down to \$117.0m.
37. The \$52.1m year to date expenditure represents 38% of the total programme. The following table shows the monthly actual and budget for the capital programme.

2017-18 Capital Expenditure Programme - month by month													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Budget	\$3.4 m	\$5.9 m	\$7.3 m	\$7.9 m	\$7.2 m	\$8.5 m	\$8.7 m	\$10.8 m	\$15.7 m	\$16.5 m	\$17.5 m	\$27.5 m	\$136.9 m
Actual	\$2.6 m	\$6.7 m	\$5.5 m	\$5.9 m	\$6.4 m	\$10.4 m	\$4.7 m	\$9.9 m					\$52.1 m

38. For comparative purposes, the following table has the monthly capital expenditure for the previous financial year.

2016-17 Capital Expenditure Programme - month by month													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Budget	\$3.8 m	\$5.8 m	\$5.1 m	\$7.1 m	\$5.8 m	\$7.9 m	\$6.6 m	\$8.0 m	\$9.6 m	\$10.5 m	\$12.3 m	\$18.2 m	\$100.7 m
Actual	\$5.3 m	\$3.2 m	\$4.2 m	\$8.1 m	\$7.1 m	\$6.8 m	\$4.8 m	\$5.3 m	\$7.6 m	\$4.7 m	\$13.5 m	\$14.0 m	\$84.5 m

39. Deferred Capital Expenditure

40. Deferred capital expenditure refers to the process whereby the budget for an approved capital project is carried forward into a future financial year.

41. 2017-18 Indicative Capital Deferrals

42. For the eight months ended 28 February 2018 14 projects have been identified where a deferral is highly probable. These have a value of \$19.9m.
43. The deferrals have been categorised under three reasons; 1. due to a third party, 2. is under contract but will remain in progress at the end of the financial year and 3. agreed by Council. These are reflected in the following summary table. A full schedule including explanations are contained in attachment 5.

Indicative Capital Deferrals for 2017-18	Total
Third Party	\$3.8m
Under Contract	\$12.6m
Agreed by Council	\$3.5m
Total Indicative Capital Deferrals	\$19.9m

44. To ensure Council does not over budget for interest expense costs an allowance of \$1.5m was made in the 2017-18 budget. This equates to deferrals of approximately \$25m in value.
45. In addition to the allowance for interest, a similar allowance is made when calculating the depreciation budget to mitigate over budgeted depreciation should Council not deliver the entire budgeted capital programme.

46. Projects Brought Forward

47. Projects brought forward are approved projects from the 2015-25 10-Year Plan that have been brought forward from a future financial year.
48. The following table lists the projects brought forward as at 28 February 2018. The capital expenditure report in attachment 3 has been amended to reflect the budgets for the brought forward projects.

49. The \$300k for the lift renewal was approved under CE delegation.

Projects brought forward	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Project								
CE10003 - Waterworld operational asset renewals	5,672							
CE15156 - 25 Meter Pool						(5,672)		
CE10098 - Renewal of Lifts in Underground Carpark	300	(300)						
Total	5,972	(300)	0	0	0	(5,672)	0	0

Item 9

50. Risks and Opportunities for 2017-18

51. Risks and Opportunities

52. The Risks and Opportunities reports significant changes from the approved budget. The schedule ensures these items have the appropriate visibility.

53. These changes are classified into 4 categories and summarised in the following table

- Approved by Council or Committee Resolution
- Approved under CE delegated authority
- Other
- Pending resolutions

Risk and Opportunities as at 28 February 2018

Item 9

Project	Date	Operating		Capital	
		Cost	Revenue	Cost	Revenue
		\$000	\$000	\$000	\$000
Approved by Council or Committee Resolution					
Aquatics - business case and contracting out investigations ¹	9-Mar-17	100			
Water Supply - Eastern Bulkmain repairs	23-May-17			1,840	
Stormwater - Valley Tce remedial works	12-Sep-17			591	
Clarence St Theatre - Earthquake strengthening	19-Sep-17	150			
Central Library - Earthquake strengthening	21-Sep-17	17		705	
Waikato Regional Theatre	21-Sep-17	250			
Transportation - LED Lighting	21-Sep-17			194	
Shared Service - Waters Study	21-Sep-17	200			
Founders Theatre - Consultation ²	21-Sep-17	4			
Thomas/Gordonton Intersection upgrade	24-Oct-17			400	
Municipal Building Balustrade	16-Nov-17			25	
Seismic Strengthening Upgrade to Treatment plant building ³	5-Dec-17	120		1,500	
Deposit for Park and Ride Land Purchase	6-Dec-17			635	
HIF Detailed business case and growth scenarios ⁴	6-Dec-17	435			
Total		1,276	0	5,890	0
Approved under CE Delegated Authority					
Hamilton Gardens Changing Places Facility. Addition to playground toilet facilities.				135	
Hamilton Gardens Development - This sum was incorrectly carried over from the previous year. The project is on track to meet the overall four year programme budget and the deferral is not required.				(518)	
Hamilton East By-Election		90			
Insurance Premiums		112			
Rates Remissions on Council Properties			250		
Enabling works for 2018-19 Community capital programme				230	
Total		202	250	(153)	0
Other					
Dividend from Waikato Regional Airport Limited			100		
Hamilton Gardens Development - is funded by a combination of third party contributions and targeted rates. A higher amount of contributions were received 2015/16 and 2016/17 which resulted in a lower draw down of the targeted rate reserve. There will be a \$400k shortfall in 3rd party contributions 2017/18 that will be offset by funds held in the Playground Development Programme - planned external funding has been secured.				250	(250)
Artspost earthquake strengthening has now been included in year 10 of the draft 10-Year Plan.				(1,301)	
FMG Stadium - New air conditioning chiller installation				710	
Stadia light towers design fees - FMG Stadium		50			
Stadia light towers design fees - Seddon Park		75			
Contract savings on Far Western Interceptor				(1,000)	
Contract savings on new watermains in Rotokauri				(750)	
		125	100	(2,091)	150
Total Approved		1,603	350	3,646	150
Pending Resolutions					
None pending					
Total		0	0	0	0
Total Risks and Opportunities		1,603	350	3,646	150

1. Council approved this funding last financial year, the timeframe to report back was no later than March 2018. A report was presented to full Council on 12 December 2017.

2. This item was approved at \$27k but actuals are now known allowing the amount to reduce to \$4k.

3. G & I recommended to Council that the work be undertaken now. The report did set out a risk that work may carry through into the next financial year.

4. This items was previously listed under the CE Delegation section as 3 separate amounts.

54. Emerging Issues

- 55. In addition to Risks and Opportunities there are also the following emerging issues that are being disclosed to raise awareness.
- 56. At this stage, the timing and value of these issues cannot be confirmed. Once there is more certainty they will be reported in full to either Council or the appropriate committee. Otherwise they will be reported in future Risks and Opportunities.
- 57. The current emerging issues are:
 - a. Parks and Open Spaces - River Slips – Remedial options continue to be investigated for slips that occurred during late 2016 and winter months of 2017. This includes engineer’s reports, legal review and consultation with affected parties including residents and iwi. This will take some months to complete before recommendations can be reported and actioned.
 - b. LED Street Lights – A report was presented to the G & I committee on 12 September 2017. This project will see the upgrade of street light lamps to LED. The existing lamps will have their useful lives reduced resulting in an increase in the depreciation expense in 2017/18 and 2018/19.
 - c. Waikato Innovation Park Limited (WIPL) – Council has sold its investment in WIPL, effective 30 November 2017. The sale was completed on 21 December 2017 (based on the balance sheet at 30 June 2017). As part of the sale agreements a final washup of the sale price occurs once the WIPL financial statements and balance sheet to 30 November 2017 have been completed. This process includes an assurance review of the 30 November 2017 financial statements, to be undertaken for Council by Deloitte. Under the sale agreements, the final financial statements must be delivered to Council early April 2018, and then the assurance can be undertaken. Once this assurance is complete, the final washup of the sale transaction can be determined, settled and be accounted for. As at 28 February 2018 the operating result reflects the majority of the sale transaction, but the full impact will not be known till late April 2018. The final financial implications of the sale will be reported to the Finance Committee once this information is available.

58. Debt and Treasury Management

59. Treasury Management

- 60. For the eight months ended 28 February 2018 Council was fully compliant with all treasury policy measures.
- 61. The Treasury Report in attachment 4 contains further detail around the treasury compliance measures.

62. Total Overall Debt

- 63. Total Overall Debt for the eight months ended 28 February 2018 is \$368.8m, which is \$64.8m less than the year end budget of \$433.6m.

Year to date Actual	Annual Budget	Amount Remaining	Debt to Revenue
\$368.8m	\$433.6m	\$64.8m	170%

64. HCC Debt to Revenue Ratio

65. This is a debt affordability measure. It compares total operating revenue, excluding capital contributions, vested asset revenue and development contributions against total overall debt.

66. The result for the eight months ended 28 February 2018 is 170% against the annual budget of 205%. This favourable position reflects the low overall debt position and higher revenue position.

67. LGFA Debt to Revenue Ratio

68. The Local Government Funding Agency (LGFA) uses a different measure to calculate the debt to revenue ratio.

69. The result using the LGFA calculation is 147%. The lower percentage is due to the LGFA:

- not including the cash backed reserves, and
- including capital subsidies.

70. Interest Rate Swaps

71. The movement on interest rate Swaps relate to valuations completed at a “point in time”. These are based on Council’s total external debt and the difference between current market interest rates and the fixed rates that Council has locked in. They are unrealised because if the debt is allowed to reach its maturity any gain (or loss) from interest rate movement will not be realised.

72. From 1 July 2017, the liability has increased from \$30.1m to \$30.6m, an increase of \$0.5m for the eight months ended 28 February 2018. The unfavourable movement is due to a downward movement in market interest rates. A graphical representation of this is shown in attachment 4.

73. Vested Assets

74. The value of vested assets for the eight months ended 28 February 2018 is \$26.7m. This is \$21.0m favourable against the year to date budget of \$5.7m. The annual budget is \$8.6m.

75. There has been a significant increase in vested assets since the 31 December 2017 report. A large residential subdivision vested in January 2018. The total value was \$11.8m, being \$8.3m in land and \$3.5m in construction.

76. The following table details the \$26.7m received for the eight months ended 28 February 2018 by asset category, average life of the assets and the estimated annual depreciation expense.

Vested Assets as at 28 February 2018

Asset Type	Value (Revenue) \$000	Life Range (Years)	Estimated Annual Depreciation \$000
Wastewater	2,051	15-100	26
Stormwater	2,097	30-100	26
Water Supply	855	50-80	11
Roading	6,544	12-140	131
Other	0	0	0
Land			
Land - Under Roads	9,026	0	0
Land - Local Purpose Reserves*	290	0	0
Land - Recreation Reserves	1,263	0	0
Land - Restricted ⁺	4,688	0	0
Total	26,812		193

* Local Purpose Reserves is a legal description defined by the Reserves Act 1977. This type of land is invariably land that is used for drainage purposes.

+ Restricted land is land that provides a benefit or service to the community and cannot be disposed of due to legal or other restrictions.

77. The addition of vested assets increases the operating and maintenance costs for Council. For the current 2015-25 10-Year Plan a budget allowance of \$250k per year is provided. This allocation is spread across the infrastructure areas.

Attachments

- Attachment 1 - Financial Statements
- Attachment 2 - Group of Activities Summary Report
- Attachment 3 - Capital Expenditure
- Attachment 4 - Treasury Report
- Attachment 5 - Indicative Deferrals

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE EIGHT MONTHS ENDED 28 FEBRUARY 2018

	Note	Actual YTD	Budget YTD	Variance YTD favourable/ (unfavourable)	Annual budget	Actual Feb 2017
		\$000	\$000	\$000	\$000	\$000
Revenue						
Operating Revenue						
Rates	1	106,478	106,117	361	160,765	101,742
Revenue from activities	2	28,899	26,495	2,404	39,867	27,584
Subsidies and grants	3	3,297	3,736	(439)	5,692	3,449
Interest revenue	4	2,418	1,333	1,085	2,000	1,192
Other revenue	5	1,191	826	365	1,190	10,287
Total Operating Revenue		142,283	138,507	3,776	209,514	144,254
Capital Contributions						
Development and financial contributions	6	16,018	7,427	8,591	11,141	6,973
Capital revenue	7	7,447	4,916	2,531	6,702	9,474
Vested assets	8	26,740	5,721	21,019	8,581	
Total Capital Contributions		50,205	18,064	32,141	26,424	16,447
Total revenue		192,488	156,571	35,917	235,938	160,701
Expenses						
Personnel costs	9	49,143	48,999	(144)	73,884	45,494
Depreciation and amortisation expense	10	42,491	42,580	89	63,870	40,979
Finance costs	11	13,159	14,546	1,387	21,820	12,682
Other Expenses						
Operating and maintenance costs	12	24,718	24,790	72	38,518	23,292
Professional costs	13	4,842	4,901	59	7,907	4,442
Property costs	14	7,645	7,822	177	11,808	7,526
Administration costs	15	8,547	6,726	(1,821)	9,550	6,976
Total expenses		150,545	150,364	(181)	227,357	141,391
Operating surplus/(deficit)		41,943	6,207	35,736	8,581	19,310
Net Movement on interest rate Swaps	16	(467)	-	(467)	-	18,801
Other Gains and Losses	16	(439)	-	(439)	-	(765)
Surplus/(deficit)		41,036	6,207	34,829	8,581	37,346

COUNCIL'S BALANCING THE BOOKS MEASURE FOR THE EIGHT MONTHS ENDED 28 FEBRUARY 2018

Note	Actual YTD	Budget YTD	Variance YTD favourable/ (unfavourable)	Annual Budget	Actual Feb 2017
	\$000	\$000	\$000	\$000	\$000
Surplus/(deficit)	41,036	6,207	34,829	8,581	37,346
Adjustments for balancing the books measure					
Gains	(467)	-	(467)	-	18,907
Losses	(439)	-	(439)	-	(871)
Vested assets	26,740	5,721	21,019	8,581	9,459
Ring Road subsidy (included in Capital revenue)	473	-	473	-	238
Total adjustments	26,306	5,721	20,585	8,581	27,733
Council's balancing the books surplus/(deficit)	14,730	486	14,244	-	9,613

LOCAL GOVERNMENT REGULATIONS MEASURE FOR BALANCING THE BOOKS FOR THE EIGHT MONTHS ENDED 28 FEBRUARY 2018

Note	Actual YTD	Budget YTD	Variance YTD favourable/ (unfavourable)	Annual Budget	Actual Feb 2017
	\$000	\$000	\$000	\$000	\$000
Surplus/(deficit)	41,036	6,207	34,829	8,581	37,346
Adjustments for the Local Government Regulations measure					
Gains excluding gains on investment properties	(665)	-	(665)	-	18,801
Losses	198	-	198	-	(765)
Development and financial contributions	16,018	7,427	8,591	11,141	6,973
Vested assets	26,740	5,721	21,019	8,581	9,459
Total adjustments	42,290	13,148	29,142	19,722	34,468
LG Regulations balancing the books surplus/(deficit)	(1,254)	(6,941)	5,687	(11,141)	2,878

Notes to the Statement of Comprehensive Revenue and Expense

For the eight months ended 28 February 2018

		Feb-18	Jan-18	Movement from January 2018	
Revenue variances:					
1	Rates and Water by Meter	Favourable variance in rates remissions.	\$0.4m	\$0.4m	\$0.0m
2	Revenue from Activities	User charges from planning, cemeteries, parking and tradewaste are favourable. Recoveries for the trade waste shared service is also favourable.	\$2.4m	\$1.7m	\$0.7m
3	Subsides and Grants	Not a material variance.	(\$0.4m)	(\$0.3m)	(\$0.1m)
4	Interest Revenue	Due to a large cash balance held up until December 2017 that was used to repay scheduled debt that matured in December. The benefit here will offset interest expense.	\$1.1m	\$1.0m	\$0.1m
5	Other revenue	Due to dividends being received from Waikato Regional Airport and Waikato Innovation Park Limited.	\$0.4m	\$0.4m	(\$0.0m)
4	Development contributions	Strong growth continues	\$8.6m	\$7.4m	\$1.2m
5	Capital Revenue	Higher capital contribution within Stormwater, Wastewater and Water Supply. This additional revenue is used to off-set unbudgeted capital expenditure	\$2.5m	\$0.7m	\$1.8m
7	Vested assets	Strong growth continues. Breakdown by asset category included within section 75 of main report.	\$21.0m	\$20.7m	\$0.3m
Total Revenue variance			\$35.9m	\$31.9m	\$4.0m
Expenditure variances:					
9	Personnel Costs	Not a material variance.	(\$0.1m)	(\$0.1m)	(\$0.0m)
10	Depreciation	Not a material variance.	\$0.1m	\$0.0m	\$0.1m
11	Finance Costs	Favourable due to debt being lower than was planned.	\$1.4m	\$1.0m	\$0.4m
12	Operating and maintenance costs	Not a material variance.	\$0.1m	\$0.3m	(\$0.2m)
13	Professional costs	Not a material variance.	\$0.1m	(\$0.0m)	\$0.1m
14	Property costs	Favourable variances across security, electricity and gas.	\$0.2m	\$0.2m	(\$0.0m)
15	Adminstration costs	Due to reduced internal revenue associated with the capital expenditure work programme. As the capital expenditure programme increases this variance will be eliminated.	(\$1.8m)	(\$1.4m)	(\$0.5m)
Total Expenditure variance			(\$0.2m)	(\$0.0m)	(\$0.1m)
Gains and Losses Variances					
16	Net Movement on interest rate Swaps	The unfavourable movement is due to changes in market interest rates	(\$0.5m)	(\$0.2m)	(\$0.3m)
16	Other Gains and Losses	This is the loss from the disposal of assets (\$637k) less the realised gain from the investment in WIPL (\$198k).	(\$0.4m)	(\$0.3m)	(\$0.1m)
Total Gains & Losses variance			(\$0.9m)	(\$0.5m)	(\$0.3m)
Total variance			\$34.8m	\$31.4m	\$3.5m

STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2018

	Note	Actual	Annual Budget	Actual Feb 2017
		\$000	\$000	\$000
Assets				
Current assets				
Cash and cash equivalents	1	17,969	35,000	22,802
Receivables	2	29,904	19,142	26,864
Prepayments		2,111	1,563	1,974
Inventory		159	151	142
Other financial assets	1	-	-	16,040
Derivative financial instruments	6	-	-	89
Total current assets		50,143	55,856	67,911
Non-current assets				
Property, plant and equipment	3	3,870,772	3,608,249	3,790,742
Intangible assets		20,930	19,067	18,359
Investment property		22,059	19,420	19,420
Investment in associates		7,430	7,430	7,430
Other financial assets	1	35,248	27,426	24,553
Investment in subsidiaries		8,422	8,422	8,422
Derivative financial instruments	6	679	-	616
Total non-current assets		3,965,540	3,690,014	3,869,542
Total assets		4,015,683	3,745,870	3,937,453
Liabilities				
Current liabilities				
Employee entitlements		6,822	5,994	6,230
Payables and deferred revenue	4	41,020	25,470	29,498
Provisions		1,194	1,781	1,781
Borrowings	5	33,372	65,300	98,426
Derivative financial instruments	6	322	-	1,019
Total current liabilities		82,730	98,545	136,954
Non-current liabilities				
Employee entitlements		1,122	886	1,068
Provisions		14,296	12,180	12,559
Borrowings	5	315,440	363,700	261,572
Derivative financial instruments	6	30,972	30,000	28,415
Total non-current liabilities		361,830	406,766	303,614
Total liabilities		444,560	505,311	440,568
Net assets		3,571,123	3,240,559	3,496,885
Equity				
Accumulated funds		1,730,077	1,639,564	1,674,327
Other reserves	7	1,841,046	1,600,995	1,822,558
Total equity attributable to Hamilton City Council		3,571,123	3,240,559	3,496,885
Total equity		3,571,123	3,240,559	3,496,885

Notes to the Statement of Financial Position

As at 28 February 2018

Note 1: Cash and financial assets

		Actual	Annual Budget	Actual Feb 2017
		\$000	\$000	\$000
Cash and short-term deposits		17,969	35,000	22,802
Other financial assets - current	Term deposits	-	-	16,040
	Loan investments	-	-	-
		<u>17,969</u>	<u>35,000</u>	<u>38,842</u>
Other financial assets - non-current	Term deposits	-	5,040	3,440
	Loan investments	26,270	17,975	16,596
	Shares	8,978	4,411	4,517
		<u>35,248</u>	<u>27,426</u>	<u>24,553</u>
Total cash and financial assets		53,217	62,426	63,395

Note 2: Rates and debtors receivables

	Actual			Actual Feb 2017		
	\$000 Rates	\$000 Arrears	\$000 Total	\$000 Rates	\$000 Arrears	\$000 Total
Balance as at 1 July	(2,037)	3,302	1,265	(2,107)	3,072	965
Instalments to date	134,757		134,757	127,859		127,859
Penalties, adjustments & postponed	686		686	693		693
Government rebate	(1,122)		(1,122)			
Council hardship	(225)		(225)	(3,853)		(3,853)
Other remissions	(3,373)		(3,373)			
Rates receipts	(110,602)	(2,969)	(113,571)	(105,791)	(2,784)	(108,575)
Balance as at 31 December	18,085	333	18,417	16,800	288	17,088
Water by meter			1,165			993
Sundry debtors						
Debtors			3,197			2,963
Rentals			399			386
Rates rebates Internal Affairs			114			108
NZTA			0			0
H3 debtors			1,078			497
GST refund			-			-
			<u>4,788</u>			<u>3,953</u>
Debtor accruals			4,645			3,858
Parking			3,432			(3,114)
Provision for doubtful debts			(2,544)			4,086
Total Rates and debtors receivables			29,904			26,864

Attachment 1

	Actual		Actual Feb 2017
	\$000		\$000
Debtors ageing Rates			
	as at 30 Jun 2017		as at 30 Jun 2016
2011/12	8		
2012/13	3		
2013/14	7	Pre 2013/14	34
2014/15	15	2014/15	60
2015/16	70	2015/16	2,977
2016/17	3,197		
	<u>3,302</u>		<u>3,072</u>
Sundry debtors			
	as at 28 Feb 2018		as at 28 Feb 2017
Current	3,092	Current	2,632
0-30 days	864	0-30 days	654
30-60 days	96	30-60 days	130
60-90 days	241	60-90 days	64
>90 days	495	>90 days	473
	<u>4,788</u>		<u>3,953</u>

Item 9

Attachment 1

Attachment 1

Note 3: Fixed assets work in progress

	Net Opening Balance	New WIP to Date	Capitalisations to Date	Closing Balance
	\$000	\$000	\$000	\$000
Operational assets				
Land	-	-	-	-
Buildings	3,278	3,302	(1,232)	5,347
Land - Parks and Gardens	4	179	(170)	13
Improvements - Parks & Gardens	6,251	4,996	(116)	11,131 ¹
Plant & equipment	2,194	2,897	(1,059)	4,033
Finance leases	-	-	-	-
Vehicles	515	1,533	(1,348)	700
Library books	33	593	(482)	144
Leasehold improvements	-	-	-	-
Restricted assets				
Land	-	-	-	-
Heritage assets				
Museum and library	11	26	(14)	23
Infrastructure assets				
Land	60	2	-	62
Refuse	228	83	(41)	270
Roads and traffic network	14,677	12,848	(4,578)	22,947
Land under roads	182	1,021	-	1,203
Stormwater system	2,618	1,053	(147)	3,525
Wastewater system	8,527	6,794	(350)	14,972
Wastewater Treatment Plant	2,540	760	-	3,299
Water system	35,402	11,706	(1,731)	45,377 ²
Water Treatment Station	2,671	1,311	(566)	3,416
Zoological				
Zoo animals	-	43	(13)	30
Intangible assets				
Intangible assets	4,287	2,974	(1,391)	5,870
	83,478	52,121	(13,238)	122,362
Fixed assets vested	17,016	26,740	(4,523)	39,233
Total Fixed assets work in progress	100,494	78,861	(17,761)	161,595

1. Includes Victoria on the River

2. Includes the Rotoruna Reservoir

New WIP represents the value from the capital expenditure statements (see attachment 3) plus the value of the vested assets.

Emphasis on capitalisation has increased over the past two months as work on the 10 year plan winds down.

Note 4: Payables and deferred income

	Actual	Annual Budget	Actual Feb 2017
	\$000	\$000	\$000
Payables and deferred income	41,020	25,470	29,498
Total Payables and deferred income	41,020	25,470	29,498

Note 5: Borrowings

	Actual	Annual Budget	Actual Feb 2017
	\$000	\$000	\$000
Borrowings - current	33,372	65,300	98,426
Borrowings - non-current	315,440	363,700	261,572
Total external debt	348,812	429,000	359,998

The calculation for Net External Debt and Total Overall Debt is shown in the Treasury Report (attachment 5). Total Overall Debt is the Financial Strategy benchmark.

Note 6: Derivative financial instruments

	Actual	Annual Budget	Actual Feb 2017
	\$000	\$000	\$000
Interest rate Swaps - held for trading (current asset)	-	-	(89)
Interest rate Swaps - held for trading (non-current asset)	(679)	-	(616)
Interest rate Swaps - held for trading (current liability)	322	-	1,019
Interest rate Swaps - held for trading (non-current liability)	30,972	30,000	28,415
Total net derivative financial instrument liabilities	30,615	30,000	28,729

The Council's unrealised loss position on interest rate swaps is \$0.5m since 30 June 2017. This is due to a decrease in current market interest rates, compared to the interest rates achieved when Council transacted its interest rate swaps.

Note 7: Other reserves

	Balance 1 July 2017	Transfers into fund	Transfers out of fund	28 Feb 2018
	\$000	\$000	\$000	\$000
Total Restricted reserves	37,967	250	-	38,217
Total Council created reserves	5,378	138	-	5,516
Total Revaluation and fair value through equity reserves	1,796,950	363	-	1,797,313
Total restricted and Council created reserves	1,840,295	751	-	1,841,046

ARTS AND CULTURE
Theatres | Libraries | Museum | Arts
for the eight months ended 28 February 2018

Year to Date Previous Year Actual	Year to Date			Annual
	Actual	Budget	Variance - favourable / (unfavourable)	Approved Budget
\$000	\$000	\$000	\$000	\$000
Revenue				
Operating Revenue				
(5) Rates	(4)	(2)	(1)	(3)
(9) Water by Meter	(14)	(10)	(4)	(20)
656 Revenue from Activities	731	687	44	1,018
6 Subsidies and Grants	0	1	(0)	3
12 Interest Revenue	24	13	11	20
0 Other Revenue	0	0	0	0
659 Total Operating Revenue	738	688	50	1,018
Capital Contributions				
0 Development Contributions	0	0	0	0
0 Capital Revenue	197	0	197	0
0 Vested Assets	0	0	0	0
0 Total Capital Contributions	197	0	197	0
659 Total Revenue	935	688	247	1,018
Expenses				
4,083 Personnel Costs	4,044	4,236	192	6,374
2,352 Depreciation and Amortisation	2,652	2,455	(197)	3,683
108 Finance Costs	112	121	8	181
Other Expenses				
518 Operating and Maintenance Costs	416	443	27	944
51 Professional Costs	63	45	(17)	80
513 Property Costs	527	604	77	972
3,523 Administrative Costs	4,094	3,721	(373)	5,609
11,148 Total Expenses	11,908	11,625	(283)	17,845
(10,489) Operating surplus/(deficit)	(10,973)	(10,936)	(37)	(16,827)
(116) Gains	(5)	0	(5)	0
Losses	0	0	0	0
(116) Total Gains / Losses	(5)	0	(5)	0
(10,605) Surplus/(deficit)	(10,978)	(10,936)	(42)	(16,827)

ARTS AND CULTURE
Theatres | Libraries | Museum | Arts
for the eight months ended 28 February 2018

The comments below explain the variance between year to date actual results and year to date budgets where they exceed \$100k.

Capital Revenue - \$197k favourable. The favourable balance is due to revenue from Trust Waikato Art Acquisitions to the Museum.

Personnel Costs - \$192k favourable. Libraries \$146k favourable personnel variance due to vacancies. These are not expected to be filled in this financial year and will offset unfavourable expenditure in the administration area. Museum \$46k favourable personnel variances due to vacancies - these positions are now filled.

Depreciation and Amortisation - \$197k unfavourable. Depreciation is unfavourable as the June 2017 buildings revaluation was completed after budgets were set.

Administrative Costs - \$373k unfavourable. Libraries \$83k unfavourable, Museum \$39k unfavourable both due to higher than budgeted support unit allocation and overhead allocation. Also includes the Waikato Regional Theatre \$250k unbudgeted grant for work being undertaken by Momentum Group, see Risks and Opportunities.

RECREATION

Pools | Indoor Recreation | Zoo

for the eight months ended 28 February 2018

Year to date Previous Year Actual	Year to date			Annual
	Actual	Budget	Variance - favourable / (unfavourable)	Approved budget
\$000	\$000	\$000	\$000	\$000
Revenue				
Operating Revenue				
(3) Rates	0	0	0	0
(63) Water by Meter	(56)	(59)	3	(93)
3,043 Revenue from Activities	3,039	3,028	12	4,279
187 Subsidies and Grants	154	159	(5)	197
16 Interest Revenue	33	18	15	27
0 Other Revenue	0	0	0	0
3,180 Total Operating Revenue	3,169	3,146	24	4,410
Capital Contributions				
0 Development Contributions	0	0	0	0
0 Capital Revenue	0	0	0	0
Vested Assets	0	0	0	0
0 Total Capital Contributions	0	0	0	0
3,180 Total Revenue	3,169	3,146	24	4,410
Expenses				
3,581 Personnel Costs	3,906	3,770	(136)	5,665
956 Depreciation and Amortisation	1,006	1,106	100	1,660
156 Finance Costs	163	175	12	262
Other Expenses				
828 Operating and Maintenance Costs	882	880	(1)	1,288
136 Professional Costs	246	107	(139)	161
527 Property Costs	523	577	54	856
1,659 Administrative Costs	1,935	1,914	(20)	2,957
7,843 Total Expenses	8,660	8,530	(129)	12,850
(4,663) Operating surplus/(deficit)	(5,491)	(5,385)	(106)	(8,440)
(119) Gains	(2)	0	(2)	0
Losses	0	0	0	0
(119) Total Gains / Losses	(2)	0	(2)	0
(4,782) Surplus/(deficit)	(5,493)	(5,385)	(108)	(8,440)

RECREATION
Pools | Indoor Recreation | Zoo
for the eight months ended 28 February 2018

Item 9

The comments below explain the variance between year to date actual results and year to date budgets where they exceed \$100k.
<p>Personnel Costs - \$136k unfavourable due to health and safety training, approved increased staffing levels at the Zoo and unfavourable vacancy factor. Unfavourable personnel costs will increase for the remaining financial year. (Training requirements and additional staff as an outcome from PWC review).</p> <p>Professional Costs - \$139k unfavourable. Consultants costs unfavourable (\$114k) for aquatics review and architect fees (design work for Lido Cover).</p>

Attachment 2

PLANNING AND DEVELOPMENT
 City Planning | Planning Guidance & Compliance | Building Control
 for the eight months ended 28 February 2018

Year to Date	Year to Date			Annual
Previous Year Actual	Actual	Budget	Variance - favourable / (unfavourable)	Approved Budget
\$000	\$000	\$000	\$000	\$000
Revenue				
Operating Revenue				
0	0	0	0	0
0	0	0	0	0
6,125	5,620	5,619	1	8,629
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
6,125	5,620	5,619	1	8,629
Capital Contributions				
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
6,125	5,620	5,619	1	8,629
Expenses				
3,996	4,363	4,533	171	6,837
0	0	0	0	0
0	0	0	0	0
Other Expenses				
387	194	235	42	353
877	638	779	141	1,115
9	1	5	4	7
2,469	2,858	2,629	(229)	3,983
7,737	8,054	8,182	128	12,296
(1,612)	(2,434)	(2,563)	129	(3,666)
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
(1,612)	(2,434)	(2,563)	129	(3,666)

PLANNING AND DEVELOPMENT
City Planning | Planning Guidance & Compliance | Building Control
for the eight months ended 28 February 2018

The comments below explain the variance between year to date actual results and year to date budgets where they exceed \$100k.

Personnel Costs - \$171k favourable due to vacancies in City Planning, Planning Guidance and Building Control, partially offset by external consultants.

Professional Costs - \$141k favourable. The majority of this favourable variance relates to both a timing variance and budget misalignment in the Future Proof and City Planning budgets (offset by unfavourable administrative costs).

Administrative Costs - \$229k unfavourable. The majority of this variance relates to both a timing variance and budget misalignment in the Future Proof budget (partially offset by favourable professional costs). It is expected this budget will be unfavourable by \$40k at year end. Part of this variance is for administrative costs associated with City Planning projects, variations and plan changes which is partially offset by a favourable variance in professional costs.

ECONOMIC DEVELOPMENT

Economic Initiatives | Strategic Property Investment | Claudelands | Stadiums
for the eight months ended 28 February 2018

Year to Date Previous Year Actual	Year to Date			Annual
	Actual	Budget	Variance - favourable / (unfavourable)	Approved Budget
\$000	\$000	\$000	\$000	\$000
Revenue				
Operating Revenue				
(177)	(195)	(200)	5	(267)
(35)	(86)	(72)	(14)	(107)
5,707	6,239	5,169	1,071	8,306
0	0	0	0	0
312	633	349	284	524
0	0	0	0	0
5,808	6,592	5,246	1,346	8,457
Capital Contributions				
0	0	0	0	0
0	300	0	300	0
0	0	0	0	0
0	300	0	300	0
5,808	6,892	5,246	1,646	8,457
Expenses				
3,985	4,263	4,437	175	6,688
3,434	3,105	3,652	547	5,478
2,737	2,843	3,058	214	4,587
Other Expenses				
2,142	2,895	2,112	(783)	3,287
3,974	737	228	(509)	338
202	1,036	1,028	(8)	1,551
16,473	4,219	4,070	(149)	5,819
32,946	19,098	18,585	(513)	27,746
(27,138)	(12,206)	(13,340)	1,133	(19,290)
Gains				
0	(0)	0	(0)	0
Losses				
0	0	0	0	0
0	(0)	0	(0)	0
(27,138)	(12,206)	(13,340)	1,133	(19,290)

ECONOMIC DEVELOPMENT

Economic Initiatives | Strategic Property Investment | Claudelands | Stadiums
for the eight months ended 28 February 2018

The comments below explain the variance between year to date actual results and year to date budgets where they exceed \$100k.

Revenue from Activities - \$1,071k favourable. Venues Tourism & Major Events \$960k fav. Mix and volume of events favourable compared to budget phasing set. HSBC Sevens and Rugby League World Cup games not included in budget due to timing of when the draw was confirmed. Claudelands revenue is holding with higher yield conferences held year to date. Revenue forecasts indicate the year end position will be ahead of budget.

Note, the uplift in revenue achieved to date, has a corresponding impact on costs.

Strategic Property is also favourable to budget due to rent increases.

Interest Revenue - \$284k favourable due to a large cash balance held up until December 2017 that was used to repay scheduled debt that matured in December. The benefit here will offset interest expense.

Capital Revenue - \$300k favourable. Contribution by naming rights partners to capital improvements project at FMG Stadium.

Personnel Costs - \$175k favourable. This relates to the timing of resource requirements, along with close management of personnel costs.

Depreciation and Amortisation - \$547k favourable. This is a timing variance due to the capitalisation of the work in progress.

Finance Costs - \$214k favourable. Overall finance costs (interest expense) for Council are favourable \$1.4m and this is due to the overall debt being lower than budget.

Operating and Maintenance costs - \$783k unfavourable. Venues \$856k relates to the costs incurred to achieve the uplift in revenue, along with extraordinary costs for Mary Poppins season. Also \$90k unfavourable due to writeback of work in progress for Founders Stage House original project work. \$88k relates to additional maintenance costs on stadium lights.

Professional Costs - \$509k unfavourable. The majority of this relates to the Peacocke Growth Scenario work for the 10-Year Plan and the HIF Detailed Business Case. This was unbudgeted and is on Risks and Opportunities.

Administrative Costs - \$149k unfavourable. The majority of this variance relates to the internal transfer of Hamilton Gardens cafe rental commission. The other side is in the Parks And Green spaces activity and contributes to improvements.

SAFETY
Animal Control | Environmental Health and Public Safety
for the eight months ended 28 February 2018

The comments below explain the variance between year to date actual results and year to date budgets where they exceed \$100k.
<p>Operating and Maintenance Costs - \$169k favourable. The majority of this favourable variance relates to the timing of the relocation of City Safe Operations to the Genesis Building. This variance is expected to reduce over the remainder of the financial year.</p> <p>Administrative Costs - \$165k unfavourable. The majority of this variance relates to support unit allocation from City Growth Group.</p>

COMMUNITY SUPPORT
Community Development | Emergency Management | Housing
for the eight months ended 28 February 2018

Year to Date Previous Year Actual \$000	Year to Date			Annual
	Actual \$000	Budget \$000	Variance - favourable / (unfavourable) \$000	Approved Budget \$000
Revenue				
Operating Revenue				
(1) Rates	(1)	(1)	0	(2)
(1) Water by Meter	0	(3)	3	(6)
57 Revenue from Activities	85	62	23	96
0 Subsidies and Grants	0	0	0	0
1 Interest Revenue	1	1	1	1
0 Other Revenue	0	0	0	0
55 Total Operating Revenue	86	58	28	89
Capital Contributions				
0 Development Contributions	0	0	0	0
0 Capital Revenue	0	0	0	0
0 Vested Assets	0	0	0	0
0 Total Capital Contributions	0	0	0	0
55 Total Revenue	86	58	28	89
Expenses				
804 Personnel Costs	826	774	(52)	1,173
115 Depreciation and Amortisation	103	124	21	186
7 Finance Costs	7	8	1	12
Other Expenses				
233 Operating and Maintenance Costs	338	399	61	715
107 Professional Costs	19	25	6	38
131 Property Costs	126	153	28	230
1,770 Administrative Costs	1,777	1,670	(107)	2,409
3,168 Total Expenses	3,196	3,154	(43)	4,763
(3,112) Operating surplus/(deficit)	(3,111)	(3,096)	(15)	(4,674)
(3) Gains				
(3) Gains	(2)	0	(2)	0
Losses				
Losses	0	0	0	0
(3) Total Gains / Losses	(2)	0	(2)	0
(3,115) Surplus/(deficit)	(3,113)	(3,096)	(17)	(4,674)

COMMUNITY SUPPORT
Community Development | Emergency Management | Housing
for the eight months ended 28 February 2018

The comments below explain the variance between year to date actual results and year to date budgets where they exceed \$100k.
Administrative Costs - \$107k unfavourable due to higher than budgeted support unit allocation and overhead allocation.

GOVERNANCE

Governance and Public Affairs

for the eight months ended 28 February 2018

Year to Date Previous Year Actual \$000	Year to Date			Annual
	Actual \$000	Budget \$000	Variance \$000	Approved Budget \$000
Revenue				
Operating Revenue				
0	0	0	0	0
0	0	0	0	0
260	17	12	6	18
0	0	0	0	0
0	0	0	0	0
10	2	0	2	0
269	20	12	8	18
Capital Contributions				
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
269	20	12	8	18
Expenses				
223	127	198	70	297
0	0	0	0	0
0	0	0	0	0
Other Expenses				
23	8	19	10	28
567	249	135	(114)	265
0	0	0	0	0
2,931	3,031	3,386	355	5,088
3,743	3,415	3,737	321	5,679
(3,474)	(3,396)	(3,725)	330	(5,661)
Gains				
0	0	0	0	0
Losses				
0	0	0	0	0
0	0	0	0	0
(3,474)	(3,396)	(3,725)	330	(5,661)

GOVERNANCE
Governance and Public Affairs
for the eight months ended 28 February 2018

The comments below explain the variance between year to date actual results and year to date budgets where
<p>Professional Costs - \$114k unfavourable. There is \$80k for costs associated with the by-election. The total cost is expected to \$90k and this has been included on Risks and Opportunities.</p> <p>Administrative Costs - \$355k favourable. The main contributors are underspend in general administration \$78k, underspend in remuneration and conferences \$96k and reduced cost from Council overheads \$163.7k.</p>

PARKS AND GREEN SPACES

Hamilton Gardens | Community Parks | Sports Parks | Cemeteries and Crematorium
for the eight months ended 28 February 2018

Year to Date Previous Year Actual	Year to Date			Annual
	Actual	Budget	Variance	Approved Budget
\$000	\$000	\$000	\$000	\$000
Revenue				
Operating Revenue				
0	(2)	0	(2)	0
(68)	(83)	(48)	(35)	(96)
1,673	2,028	1,668	360	2,536
5	5	7	(1)	7
87	176	97	79	146
0	0	0	0	0
1,697	2,125	1,724	401	2,593
Total Operating Revenue				
Capital Contributions				
2	4	0	4	0
1,852	1,049	1,033	17	1,639
0	0	0	0	0
1,854	1,053	1,033	21	1,639
Total Capital Contributions				
3,551	3,178	2,757	422	4,232
Total Revenue				
Expenses				
1,526	1,589	1,576	(13)	2,369
2,454	3,013	2,787	(227)	4,180
879	913	982	69	1,473
Other Expenses				
1,854	1,723	1,785	63	3,299
131	115	153	38	215
482	465	501	36	751
7,355	7,629	7,502	(127)	11,458
14,682	15,447	15,285	(162)	23,745
Total Expenses				
(11,131)	(12,269)	(12,529)	260	(19,514)
Operating surplus/(deficit)				
(319)	(265)	0	(265)	0
	0	0	0	0
(319)	(265)	0	(265)	0
Total Gains / Losses				
(11,450)	(12,534)	(12,529)	(5)	(19,514)
Surplus/(deficit)				

PARKS AND GREEN SPACES

Hamilton Gardens | Community Parks | Sports Parks | Cemeteries and Crematorium
for the eight months ended 28 February 2018

The comments below explain the variance between year to date actual results and year to date budgets where they exceed \$100k.

Revenue from Activities - \$360k favourable. Cemetery revenue is \$266k favourable due to a high number of cremations and cemetery plot sales. This variance is consistent with previous year trends and a budget increase is proposed for the 2018-28 10-Year Plan. \$43k favourable Commercial Rents on Parks. \$51k favourable Hamilton Gardens due to increased shop sales.

Depreciation and Amortisation - \$227k unfavourable. Depreciation is unfavourable as the June 2017 Parks buildings revaluation was completed after budgets were set.

Administrative Costs - \$127k unfavourable. Support unit charges high due to City Parks vacancy factor of \$73K and external fleet lease costs. Part of this variance also includes some unbudgeted costs resulting from the Community Group Review.

Gains / Losses - \$265k unfavourable. Parks building fixtures and fittings have been replaced resulting in a write off.

RUBBISH AND RECYCLING

Refuse Collection | Waste Minimisation | Landfill Site Management
for the eight months ended 28 February 2018

Year to Date	Year to Date			Annual
	Actual	Budget	Variance - favourable / (unfavourable)	Approved Budget
Previous Year Actual	\$000	\$000	\$000	\$000
Revenue				
Operating Revenue				
0 Rates	0	0	0	0
0 Water by Meter	0	0	0	0
247 Revenue from Activities	252	265	(13)	353
423 Subsidies and Grants	432	413	20	550
7 Interest Revenue	15	8	7	12
0 Other Revenue	0	0	0	0
678 Total Operating Revenue	699	686	13	915
Capital Contributions				
0 Development Contributions	0	0	0	0
0 Capital Revenue	0	0	0	0
0 Vested Assets	0	0	0	0
0 Total Capital Contributions	0	0	0	0
678 Total Revenue	699	686	13	915
Expenses				
5 Personnel Costs	9	0	(9)	0
256 Depreciation and Amortisation	284	273	(11)	409
75 Finance Costs	78	84	6	126
Other Expenses				
3,139 Operating and Maintenance Costs	3,287	3,488	201	5,251
139 Professional Costs	303	170	(133)	258
29 Property Costs	27	35	8	53
1,156 Administrative Costs	1,415	1,165	(250)	1,785
4,799 Total Expenses	5,403	5,216	(187)	7,883
(4,121) Operating surplus/(deficit)	(4,705)	(4,530)	(174)	(6,968)
(16) Gains	0	0	0	0
Losses	0	0	0	0
(16) Total Gains / Losses	0	0	0	0
(4,138) Surplus/(deficit)	(4,705)	(4,530)	(174)	(6,968)

RUBBISH AND RECYCLING

Refuse Collection | Waste Minimisation | Landfill Site Management

for the eight months ended 28 February 2018

The comments below explain the variance between year to date actual results and year to date budgets where they exceed \$100k.

Operating and Maintenance costs - \$201k favourable. This is due to \$100k of waste minimisation costs budgeted as operating costs but incurred as administrative costs and the rephasing of maintenance works for the closed landfills \$78k.

Professional Costs - \$133k unfavourable due to consultancy costs associated with the Waste service review and Waste Management and Minimisation Plan being higher than anticipated.

Administrative Costs - \$250k unfavourable due to increased trade waste charges at Rototuna and Horotiu Closed Landfills and the under accrual of 2016/17 tradewaste charges \$140k, and \$100k of waste minimisation costs budgeted as operating costs but incurred as administrative costs.

STORMWATER
Stormwater Network | Catchment Management
for the eight months ended 28 February 2018

Year to Date Previous Year Actual	Year to Date			Annual
	Actual	Budget	Variance - favourable / (unfavourable)	Approved Budget
\$000	\$000	\$000	\$000	\$000
Revenue				
Operating Revenue				
0	0	0	0	0
0	0	0	0	0
41	109	91	18	173
0	0	0	0	0
18	36	20	16	30
0	0	0	0	0
59	146	111	35	203
Capital Contributions				
0	0	0	0	0
134	107	34	72	53
0	0	0	0	0
134	107	34	72	53
192	253	145	107	256
Expenses				
0	0	0	0	0
5,556	5,407	5,504	98	8,256
290	301	324	23	486
Other Expenses				
150	193	141	(52)	220
128	112	194	81	294
190	263	252	(11)	354
1,271	1,739	1,250	(489)	1,895
7,587	8,015	7,665	(351)	11,505
(7,395)	(7,763)	(7,520)	(243)	(11,250)
(48)	(1)	0	(1)	0
	0	0	0	0
(48)	(1)	0	(1)	0
(7,442)	(7,764)	(7,520)	(245)	(11,250)

STORMWATER
Stormwater Network | Catchment Management
for the eight months ended 28 February 2018

The comments below explain the variance between year to date actual results and year to date budgets where they exceed \$100k.

Administrative Costs - \$489k unfavourable due to increased stream maintenance costs of \$132k, a proportion of which will be offset by additional project watershed revenue, \$75k of costs budgeted as professional costs but incurred as administrative costs and \$214k additional cost recovery from support units.

TRANSPORTATION

Transport Network | Transport Centre | Parking Management
for the eight months ended 28 February 2018

Year to Date	Year to Date			Annual
	Actual	Budget	Variance - favourable / (unfavourable)	Approved Budget
Previous Year Actual				
\$000	\$000	\$000	\$000	\$000
Revenue				
Operating Revenue				
(104)	(104)	(107)	2	(142)
(5)	(7)	(6)	(2)	(11)
3,740	2,955	2,572	383	3,741
2,827	2,706	3,157	(452)	4,935
396	803	443	360	664
714	719	726	(8)	1,090
7,568	7,071	6,787	284	10,277
Capital Contributions				
0	0	0	0	0
6,898	4,905	3,778	1,127	4,905
0	0	0	0	0
6,898	4,905	3,778	1,127	4,905
14,466	11,976	10,565	1,411	15,182
Expenses				
487	470	511	40	770
11,989	12,291	12,206	(85)	18,309
4,579	4,757	5,115	359	7,673
Other Expenses				
6,636	6,899	6,449	(449)	9,795
372	242	521	279	815
1,369	1,608	1,468	(139)	2,301
4,299	4,712	4,882	170	7,357
29,731	30,978	31,152	174	47,020
(15,265)	(19,002)	(20,587)	1,585	(31,839)
14	77	0	77	0
0	0	0	0	0
14	77	0	77	0
(15,251)	(18,925)	(20,587)	1,662	(31,839)

TRANSPORTATION
Transport Network | Transport Centre | Parking Management
for the eight months ended 28 February 2018

The comments below explain the variance between year to date actual results and year to date budgets where they exceed \$100k.

Revenue from Activities - \$383k favourable. Revenue from on-street parking (\$170k) and off-street parking (\$219k) are ahead of budget forecasts, but the on street income is expected to reduce as the two hour free offer is better understood by the public. There is an increased usage of Council offstreet carparks as private facilities become more expensive.

Subsidies and Grants - \$452k unfavourable. The level of subsidy received is directly related to the level of expenditure, currently maintenance expenditure is favourable.

Interest Revenue - \$360k favourable due to a large cash balance held up until December 2017 that was used to repay scheduled debt that matured in December. The benefit here will offset interest expense.

Capital Revenue - \$1,127 favourable. \$1.092m relates to NZTA capital subsidy for the installation of LED streetlights this financial year.

Finance Costs - \$359k favourable. Overall finance costs (interest expense) for Council are favourable \$1.4m and this is due to the overall debt being lower than budget.

Operating & Maintenance costs - \$449k unfavourable. \$378k is WIP reclassification for the Claudelands Bridge embankment which should be an asset; this is in the process of being capitalised. Some maintenance activities are progressing ahead of forecast timing, including preseat repairs (\$225k) and verge landscaping (\$212k). Partially offset by some programmes behind schedule, the most significant being pavement maintenance (\$255k).

Professional Costs - \$279k favourable. The main contributor to this variance is costs associated with consultancy engagements which have not yet been realised. It is expected this variance will be addressed over the coming months.

Administrative Costs - \$170k favourable. Staff time cost recoveries is \$216k favourable, partly due to delays in recruitment.

Property Costs - \$139k unfavourable. \$82k relates to increased electricity consumption and increased prices. \$52k is timing of a the Garden Place car park body coporate fee which was phased smoothly across the year but an annual fee was paid in February.

SEWERAGE
Sewerage Collection | Sewerage Treatment and Disposal
for the eight months ended 28 February 2018

Year to Date	Year to Date			Annual
	Actual	Budget	Variance - favourable / (unfavourable)	Approved Budget
Previous Year Actual	5000	5000	5000	5000
Revenue				
Operating Revenue				
0	0	0	0	0
(22)	(34)	(27)	(8)	(40)
1,860	2,337	1,954	383	3,370
0	0	0	0	0
191	388	214	174	321
0	0	0	0	0
2,030	2,690	2,141	549	3,651
Total Operating Revenue				
Capital Contributions				
0	0	0	0	0
316	565	35	530	53
0	0	0	0	0
316	565	35	530	53
Total Capital Contributions				
2,346	3,255	2,177	1,079	3,704
Total Revenue				
Expenses				
2	24	0	(24)	0
6,107	6,066	6,209	143	9,313
2,043	2,123	2,283	160	3,424
Other Expenses				
2,392	2,880	3,028	148	4,524
76	25	149	124	289
1,325	1,307	1,417	110	2,141
3,297	3,543	3,412	(130)	5,599
15,241	15,968	16,498	530	25,290
Total Expenses				
(12,896)	(12,713)	(14,321)	1,609	(21,586)
Operating surplus/(deficit)				
(73)	(334)	0	(334)	0
0	0	0	0	0
(73)	(334)	0	(334)	0
Total Gains / Losses				
(12,969)	(13,046)	(14,321)	1,275	(21,586)
Surplus/(deficit)				

SEWERAGE
Sewerage Collection | Sewerage Treatment and Disposal
for the eight months ended 28 February 2018

The comments below explain the variance between year to date actual results and year to date budgets where they exceed \$100k.
<p>Revenue from Activities - \$383k favourable due to \$446k of budgeted revenue being received sooner than anticipated.</p> <p>Interest Revenue - \$174k favourable due to a large cash balance held up until December 2017 that was used to repay scheduled debt that matured in December. The benefit here will offset interest expense.</p> <p>Capital Revenue - \$530k favourable due to unbudgeted 3rd party contributions of \$132k for physical works being received and higher than anticipated number of paid connections of \$397k. Increased revenue received is offset by a corresponding increased capital expenditure.</p> <p>Depreciation and Amortisation - \$143k favourable due to the balance currently held in work in progress. Once capitalisations are completed this variance will be eliminated.</p> <p>Finance Costs - \$160k favourable. Overall finance costs (interest expense) for Council are favourable \$1.4m and this is due to the overall debt being lower than budget.</p> <p>Operating and Maintenance Costs - \$148k favourable due to environmental conditions less chemicals have been required at the wastewater treatment plant to meet consent requirements. At this time a favourable year end result of \$120k is expected, which will offset additional operational costs of seismic repair work at the wastewater treatment plant detailed on Risks and Opportunities.</p> <p>Professional Costs - \$124k favourable. This is due to \$41k of costs budgeted as professional costs but incurred as operating costs and the timing of delivery of some planned project works \$53k.</p> <p>Administrative Costs - \$130k unfavourable. Predominantly due to increased reactive network and pump station maintenance costs of \$78k and \$30k additional cost recovery from support units.</p> <p>Property Costs - \$110k favourable. This is due to optimal process and cogen performance resulting in favourable electricity costs of \$97k. A favourable year end result is expected but can not be quantified at this stage.</p> <p>Gains / Losses - \$334k unfavourable due to the replacement of assets which were not fully depreciated resulting in a write-off.</p>

WATER SUPPLY

Water Treatment and Storage | Water Distribution

for the eight months ended 28 February 2018

Year to Date	Year to Date			Annual
	Actual	Budget	Variance - favourable / (unfavourable)	Approved Budget
Previous Year Actual				
\$000	\$000	\$000	\$000	\$000
Revenue				
Operating Revenue				
0	0	0	0	0
5,284	5,547	5,407	140	8,111
122	129	88	41	164
0	0	0	0	0
150	305	168	137	252
0	0	0	0	0
5,556	5,981	5,664	317	8,527
Total Operating Revenue				
Capital Contributions				
0	0	0	0	0
275	324	35	289	53
0	0	0	0	0
275	324	35	289	53
Total Capital Contributions				
5,831	6,305	5,699	606	8,579
Total Revenue				
Expenses				
2	3	0	(3)	0
4,680	4,677	4,764	87	7,146
2,088	2,169	2,332	163	3,498
Other Expenses				
1,072	1,390	1,424	34	2,228
105	56	165	109	309
1,267	1,101	1,141	41	1,641
3,299	3,741	3,190	(551)	4,872
12,513	13,136	13,016	(120)	19,693
Total Expenses				
(6,683)	(6,832)	(7,318)	486	(11,114)
Operating surplus/(deficit)				
(45)	(101)	0	(101)	0
	0	0	0	0
(45)	(101)	0	(101)	0
Total Gains / Losses				
(6,727)	(6,933)	(7,318)	385	(11,114)
Surplus/(deficit)				

WATER SUPPLY
Water Treatment and Storage | Water Distribution
for the eight months ended 28 February 2018

The comments below explain the variance between year to date actual results and year to date budgets where

Water by Meter - \$140k favourable due to a realignment of some customer billing cycles which has resulted in a proportion of revenue being received earlier than budgeted.

Interest Revenue - \$137k favourable due to a large cash balance held up until December 2017 that was used to repay scheduled debt that matured in December. The benefit here will offset interest expense.

Capital Revenue - \$289k favourable due to unbudgeted 3rd party contributions of \$14k for physical works being received and \$274k due to the higher than anticipated number of paid connections. Increased revenue received is offset by a corresponding increased capital expenditure.

Finance Costs - \$163k favourable. Overall finance costs (interest expense) for Council are favourable \$1.4m and this is due to the overall debt being lower than budget.

Professional Costs - \$109k favourable due to delayed timing of \$106k planned project works to manage staff workload.

Administrative Costs - \$551k unfavourable due to a \$303k additional cost recovery from support units and timecost allocation to this activity. It is also due to an unfavourable variance in tradewaste charges of \$101k due to increased solids removal at the water treatment plant.

Gains / Losses - \$101k unfavourable due to the replacement of assets which were not fully depreciated resulting in a write-off.

CAPITAL EXPENDITURE
for the eight months ended 28 February 2018

Type	Note	Deferral	Year to Date Expenditure			Annual Budget			Capital Revenue		
			Actual	Total YTD Budget	Variance	2017-18 Approved Budget	Total Deferrals, Brought forward & RO	Total Capital Budget	Actual	YTD Budget	Annual Capital Revenue Budget
			\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ARTS AND CULTURE											
Libraries											
CE10005 - Library collection purchases	R		710	721	10	1,091	0	1,091			0
CE10006 - Library asset renewal	R		50	71	22	177	0	177			0
CE10007 - Library building asset renewal programme	R		87	34	(53)	37	705	742			0
Total libraries			847	826	(21)	1,305	705	2,010	0	0	0
Museum											
CE10008 - Museum asset renewal	R		44	107	63	93	45	138			0
CE10009 - ArtsPost earthquake strengthening	R	1		0	0	1,301	(1,301)	0			0
CE10010 - Public art support fund	R		203	71	(132)	81	19	100	(197)		0
CE10011 - Museum activity building renewals	R		70	169	100	254	0	254			0
Total Museum			317	347	30	1,729	(1,237)	492	(197)	0	0
Hamilton City Theatres											
CE10013 - Technical services equipment renewals	R		143	275	132	450	0	450			0
Total Hamilton City Theatres			143	275	132	450	0	450	0	0	0
TOTAL ARTS AND CULTURE			1,308	1,448	140	3,484	(532)	2,952	(197)	0	0
ECONOMIC DEVELOPMENT											
Claudlands and Stadia											
CE10040 - Business administration plant and equipment	R		11	35	23	52	0	52			0
CE10041 - Claudlands plant and equipment	R	2		270	270	648	0	648			0
CE10042 - Seddon Park plant and equipment	R			35	35	52	0	52			0
CE10043 - Waikato Stadium plant and equipment	R	3		76	(239)	114	710	824			0
CE10044 - Turf services plant and equipment	R		38	49	11	73	0	73			0
CE10045 - Claudlands property renewals	R		51	0	(51)		0	0			0
CE10046 - Seddon Park property renewals	R		44	138	94	330	0	330			0
CE10047 - Waikato Stadium property renewals	R	4		487	(202)	267	309	576	(300)		0
CE10048 - Stadia building renewals	R		259	386	127	686	100	786			0
CE10049 - Claudlands building renewals	R			6	6	9	0	9			0
Total Claudlands and Stadia			1,406	1,480	74	2,231	1,119	3,350	(300)	0	0
Strategic Property											
CE10052 - Strategic property renewals	R			5	5	8	0	8			0
CE10053 - Tenancy inducement renewals	R			50	50	75	0	75			0
Total Strategic Property			0	55	55	83	0	83	0	0	0
TOTAL ECONOMIC DEVELOPMENT			1,406	1,535	129	2,314	1,119	3,433	(300)	0	0
PARKS AND GREEN SPACES											
Cemeteries and Crematorium											
CE10021 - Building renewals cemeteries	R		20	6	(14)	603	0	603			0
CE10022 - Renewal of crematorium assets	R		12	31	19	31	0	31			0
CE10023 - Hamilton Park east and west cemeteries renewals	R		12	8	(4)	8	0	8			0
CE15024 - Hamilton Park cemetery, burial and ash lawn extension	G		59	36	(23)	36	0	36			0
CE19001 - Hamilton Park cemetery accessible toilet block	LOS						70	70			0
Total Cemeteries and Crematorium			103	81	(22)	678	70	748	0	0	0
Hamilton Gardens											
CE10026 - Hamilton Gardens renewals	R		31	93	62	158	0	158			0
CE10028 - Hamilton Gardens building renewals	R		34	48	14	48	0	48			0
CE15027 - Proposed development programme	G	5		1,722	356	2,744	135	2,879	(1,033)	(1,033)	(1,639)
Total Hamilton Gardens			1,432	1,863	431	2,950	135	3,085	(1,033)	(1,033)	(1,639)
Parks											
CE10029 - Toilet and changing room renewals	R		40	60	20	109	0	109			0
CE10030 - Building renewals parks and open spaces	R		1	10	9	47	0	47			0
CE10032 - Parks and open spaces assets and playgrounds renewals	R		796	893	97	1,231	0	1,231	(16)		0
CE15033 - Land purchase future reserves	G	A		378	199	229	497	726			0
CE15036 - Playground development programme	G		257	366	109	906	250	1,156			0
CE15168 - Rotoruna Town Centre	G		4	0	(4)		0	0			0
CE16001 - Victoria on the River (VOTR) Development	LOS		3,484	3,383	(101)	743	2,967	3,710			0
CE17004 - River Plan	LOS	B		60	1	1,250	0	1,250			0
CE19012 - Day's Park erosion remediation	LOS						20	20			0
CE19014 - Waiwhakareke Natural Heritage Park development	LOS						50	50			0
Total Parks			4,819	5,150	331	4,515	3,784	8,299	(16)	0	0
Sports Parks											
CE10031 - Sports area renewals	R		90	91	1	91	15	106			0
CE15035 - Rotoruna Park development	G						20	20			0
CE19003 - Parks Toilets development/upgrade	LOS						55	55			0
CE15164 - Rotoruna Park option 1	G		33	172	138	745	0	745			0
Total Sports Parks			124	263	139	836	90	926	0	0	0
TOTAL PARKS AND GREEN SPACES			6,477	7,356	879	8,979	4,079	13,058	(1,049)	(1,033)	(1,639)

R = Renewal | LOS = Level of Service | G = Growth

CAPITAL EXPENDITURE for the eight months ended 28 February 2018

Type	Note	Deferral	Year to Date Expenditure			Annual Budget			Capital Revenue		
			Actual	Total YTD Budget	Variance	2017-18 Approved Budget	Total Deferrals, Brought forward & RO	Total Capital Budget	Actual	YTD Budget	Annual Capital Revenue Budget
			\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
RECREATION											
Aquatic Facilities											
CE10001 - Aquatic facilities building renewals	R		1,304	1,301	(3)	211	10,325	10,536			0
CE10003 - Waterworld operational asset renewals	R	C	147	140	(7)	249	0	249			0
CE10004 - Gallagher Aquatic Centre operational asset renewal	R		81	167	86	154	64	218			0
Total Aquatic Facilities			1,532	1,608	75	614	10,389	11,003	0	0	0
Hamilton Zoo											
CE10015 - Zoo animal enclosure renewals	R		101	39	(61)	144	0	144			0
CE10016 - Zoo building renewals	R		16	84	68	84	0	84			0
CE10017 - Property renewals	R		2	0	(2)	0	0	0			0
CE10020 - Zoo animal replacement	R		43	63	20	41	22	63			0
CE19019 - Zoo Safety Improvements	R		81	85	4	250	0	250			0
Total Hamilton Zoo			243	271	29	519	22	541	0	0	0
TOTAL RECREATION			1,775	1,879	104	1,133	10,411	11,544	0	0	0
SAFETY											
CE10037 - CCTV renewals	R			0	0	40	0	40			0
CE10038 - Animal education and control building - security fencing			4	0	(4)	0	0	0			0
TOTAL SAFETY			4	0	(4)	40	0	40	0	0	0
RUBBISH AND RECYCLING											
CE10054 - Replacement of closed landfill assets	R		23	167	143	233	0	233			0
CE10056 - Replacement of RTS & HOC assets	R		0	0	(0)	7	0	7			0
CE15055 - Closed landfill management	LOS		59	130	71	180	0	180			0
TOTAL RUBBISH AND RECYCLING			83	297	214	420	0	420	0	0	0
STORMWATER											
CE10058 - Replacement of stormwater assets	R		707	830	123	637	591	1,228			0
CE15059 - Rototuna stormwater infrastructure	G		89	220	131	600	0	600	(23)	0	0
CE15060 - Rotokauri stormwater infrastructure stage 1	G	D	401	380	(21)	520	1,500	2,020		0	0
CE15062 - Peacocke stormwater infrastructure stage 1	G	E		0	0	0	400	400		0	0
CE15064 - Stormwater pipe upgrade - growth	G		8	40	32	131	0	131		0	0
CE15066 - Existing network improvements in new areas	G		27	20	(7)	104	0	104	(12)	0	0
CE15067 - Comprehensive stormwater consent implementation	LOS		13	142	129	182	0	182		0	0
CE15068 - Stormwater customer connections to the network	G		68	34	(33)	52	0	52	(72)	(34)	(53)
CE15162 - Integrated catchment management plan	LOS	6	412	695	283	812	640	1,452		0	0
TOTAL STORMWATER			1,724	2,361	637	3,038	3,131	6,169	(107)	(34)	(53)
TRANSPORT											
Parking Management											
CE10070 - Replacement of parking enforcement equipment	R	7	339	692	354	5	689	694			0
CE10071 - Parking building renewal	R		50	133	83	200	300	500			0
Total Parking Management			389	826	436	205	989	1,194	0	0	0
Transportation Network											
CE10072 - Replacement of footpath	R	8	908	1,193	286	1,790	0	1,790			0
CE10073 - Replacement of street furniture	R			30	30	60	0	60	(1)	0	0
CE10074 - Replacement of drainage (kerb and channel)	R		770	664	(106)	1,001	0	1,001	(393)	(339)	(510)
CE10075 - Replacement of road base	R	9	650	1,620	970	1,950	0	1,950	(332)	(826)	(994)
CE10076 - Road resurfacing	R	10	3,657	4,256	599	4,946	0	4,946	(1,865)	(2,171)	(2,528)
CE10077 - Replacement of bridges and culverts	R		79	30	(49)	155	0	155	(40)	(15)	(77)
CE10078 - Replacement of retaining walls and structures	R		0	0	0	45	0	45	0	0	(23)
CE10079 - Replacement of environmental controls	R			0	0	5	0	5		0	(3)
CE10080 - Replacement of lighting	R	11	48	398	350	428	0	428	(24)	(203)	(204)
CE10081 - Replacement of traffic equipment	R		328	306	(22)	358	0	358	(167)	(156)	(184)
CE10082 - Replacement of street signs	R			20	20	30	0	30		(10)	(15)
CE10098 - Building and property renewals	R		78	185	107	200	0	200		0	0
CE10166 - LED Streetlight Renewals	R	12	1,286	194	(1,092)		194	194	(1,093)	0	0
CE15085 - Minor improvements to transport network	LOS	13	422	114	(308)	664	0	664	(215)	(58)	(342)
CE15086 - Bus stop infrastructure	LOS		15	41	26	117	0	117	2	0	0
CE15087 - Network upgrades to allow new development	G		26	50	24	182	0	182		0	0
CE15088 - Roading upgrades and development in Peacocke stage 1	G		260	156	(104)	52	547	599	(68)	0	(27)
CE15089 - Roading upgrades and development in Peacocke stage 2	G		1,086	1,155	69	783	1,398	2,181		0	0
CE15090 - Roading upgrades and development in Rotokauri stage 1	G	14	189	1,645	1,456	3,281	1,453	4,734		0	0
CE15092 - Roading upgrades and development in Rototuna	G		1,807	1,925	118	3,504	2,349	5,853	(56)	0	0
CE15093 - Roading upgrades and development in Ruakura	G		2	0	(2)	0	0	0		0	0
CE15094 - Traffic signal improvements	G		2	0	(2)	0	0	0	(1)	0	0
CE15095 - Integrated transport initiatives	G		336	235	(101)	937	0	937	(180)	0	0
CE18003 - Commuter Rail	G		635	635	0		635	635		0	0
PIF12005 - Hamilton Ring Road Completion	G	H	1,587	1,650	63		7,822	7,822	(473)	0	0
Total Transportation Network			14,171	16,500	2,329	20,488	14,398	34,886	(4,905)	(3,778)	(4,905)
TOTAL TRANSPORT			14,560	17,326	2,766	20,693	15,387	36,080	(4,905)	(3,778)	(4,905)

R = Renewal | LOS = Level of Service | G = Growth

CAPITAL EXPENDITURE
for the eight months ended 28 February 2018

Type	Note	Deferral	Year to Date Expenditure			Annual Budget			Capital Revenue		
			Actual	Total YTD Budget	Variance	2017-18 Approved Budget	Total Deferrals, Brought forward & RO	Total Capital Budget	Actual	YTD Budget	Annual Capital Revenue Budget
			\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
SEWERAGE											
CE10100 - Replacement of wastewater pump stations	R	15	708	425	(283)	814	0	814			
CE10101 - Replacement of wastewater assets	R		3,039	2,900	(139)	4,354	0	4,354			
CE15103 - Increase capacity of wastewater pump stations	LOS		52	150	98	440	250	690			
CE15104 - Wastewater pipe upgrade - growth	G			100	100	312	0	312			
CE15105 - Increase capacity of wastewater network - Rototuna	G	16	733	200	(533)	0	1,253	1,253	(31)		
CE15106 - Wastewater network upgrades to allow development	G		60	30	(30)	83	0	83	(100)		
CE15107 - Increase capacity of network in Rotokauri stage 1	G		22	140	118	1,154	397	1,551			
CE15111 - Increase capacity of network throughout the city	G	17	1,816	2,930	1,114	3,178	3,996	7,174			
CE15112 - Increase capacity of network (far east inceptor)	G		910	1,000	90	3,124	2	3,126			
CE15114 - Increase capacity of network (bulk storage)	G	18	87	500	413	837	0	837			
CE15161 - Wastewater master plan	R		58	110	52	178	0	178			
CE10115 - Replacement of wastewater treatment plant assets	G	19	320	611	291	1,879	0	1,879			
CE15116 - Upgrade wastewater treatment plant systems	LOS		167	204	37	364	0	364			
CE15117 - Upgrade wastewater treatment plant (Pukete 3)	G	K	671	700	29	6,500	0	6,500			
CE15120 - Wastewater treatment plant compliance	LOS		57	248	191	521	0	521			
CE18004 - Seismic Strengthening of Buildings	LOS		89	250	161	0	1,500	1,500			
CE15121 - Wastewater customer connections to the network	G		213	35	(178)	52	0	52	(433)	(35)	(53)
TOTAL SEWERAGE			9,003	10,533	1,530	23,790	7,398	31,188	(565)	(35)	(53)
WATER SUPPLY											
CE10123 - Replacement of watermains	R	20	1,803	2,100	297	3,400	0	3,400			
CE10124 - Replacement of water meters, valves and hydrants	R		150	195	45	334	0	334			
CE15126 - Upgrade or build new watermains in Rototuna	G	21	704	375	(329)	395	413	808	(14)		
CE15127 - Water pipe upgrade - growth	G			75	75	312	0	312			
CE15128 - Upgrade/build new watermains in Rotokauri stage 1	G	22	2,496	2,050	(446)	7,474	(636)	6,838			
CE15130 - Upgrade/build new watermains in Peacocke stage 1	G			0	0	238	0	238			
CE15132 - Water network upgrades to allow new development	G			40	40	83	0	83			
CE15133 - Water demand management - network water loss	LOS	23	65	277	213	416	0	416			
CE15134 - Water demand management - Pukete reservoir zone	LOS			0	0	104	0	104			
CE15136 - Water demand management - Dinsdale reservoir zone	LOS		78	11	(67)	11	0	11			
CE10138 - Replacement of treatment plant and reservoir assets	R		316	476	160	981	0	981			
CE15139 - Water treatment plant compliance - minor upgrades	LOS		276	318	42	676	0	676			
CE15140 - Rototuna reservoir and associated bulk mains	G		1,142	1,302	160	52	1,300	1,352			
CE15141 - Water demand management - Hillcrest reservoir zone	LOS	24	329	675	346	1,520	0	1,520			
CE15144 - Upgrade water treatment plant	G	M	2,872	2,825	(47)	2,750	828	3,578			
CE10145 - Tools of trade renewals	R		19	35	16	52	0	52			
CE15146 - Water customer connections	G	25	253	35	(219)	52	0	52	(310)	(35)	(53)
CE15148 - Upgrade or build new watermains in Ruakura	G	N	9	10	1		505	505			
CE15158 - Water model	LOS		97	0	(97)		684	684			
CE15159 - Water master plan	G		(2)	0	2		0	0			
CE15166 - Fluoride free water source	LOS		3	0	(3)		0	0			
PIF12031 - New structure to extract water from the Waikato River	LOS		1	0	(1)		0	0			
CE16004 - Eastern Bulk Main Slip	G		1,586	1,500	(86)		1,840	1,840			
TOTAL WATER SUPPLY			12,196	12,299	102	18,850	4,934	23,784	(324)	(35)	(53)
CORPORATE SERVICES											
Corporate Buildings											
CE10151 - Renewals program	R		225	191	(34)	1,044	25	1,069			
Total Corporate Buildings			225	191	(34)	1,044	25	1,069	0	0	0
Information Services											
CE10152 - IS Network and infrastructure	R		614	596	(18)	636	209	845			
CE10153 - Core business applications	R	26	288	749	461	896	532	1,428			
CE10154 - Minor applications	R		24	25	1	11	20	31			
CE15155 - Mobility and eservices	LOS	27	26	365	339	589	138	727			
CE10156 - Lease funding of equipment	R		520	513	(7)	791	0	791			
CE15157 - Authority replacement	LOS	28		701	701	996	105	1,101			
Total Information Services			1,471	2,948	1,477	3,919	1,004	4,923	0	0	0
Performance											
CE10158 - Replacement of fleet vehicles	R		1,533	1,387	(147)	2,080	0	2,080			
Total Performance			1,533	1,387	(147)	2,080	0	2,080	0	0	0
DC Funding Model and DC Assessment Tool and Growth Model											
CE16002 - DC Funding Model, Assessment Tool & Growth Model	G	29	353	0	(353)	0	0	0			
Total DC Funding Model, DC Assessment Tool & Growth Model			353	0	(353)	0	0	0	0	0	0
Customer Services											
CE17001 - Customer Services Projects	LOS			83	83	100	0	100			
Total Performance			0	83	83	100	0	100	0	0	0
Level 1 Office Reshuffle (Commenced June 2017)											
CE17006 - Level 1 Office Reshuffle (Commenced June 2017)	R		1	0	(1)	0	0	0			
Total Performance			1	0	(1)	0	0	0	0	0	0
TOTAL CORPORATE SERVICES			3,584	4,609	1,025	7,143	1,029	8,172	0	0	0

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CAPITAL EXPENDITURE
for the eight months ended 28 February 2018

Type	Note	Deferral	Year to Date Expenditure			Annual Budget			Capital Revenue		
			Actual	Total YTD Budget	Variance	2017-18 Approved Budget	Total Deferrals, Brought forward & RO	Total Capital Budget	Actual	YTD Budget	Annual Capital Revenue Budget
			\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
TOTAL COUNCIL			52,120	59,642	7,522	89,884	46,956	136,840	(7,447)	(4,916)	(6,702)

R = Renewal | LOS = Level of Service | G = Growth

**Capital Expenditure Variance Explanations: Variances greater than \$200k.
for the eight months ended 28 February 2018**

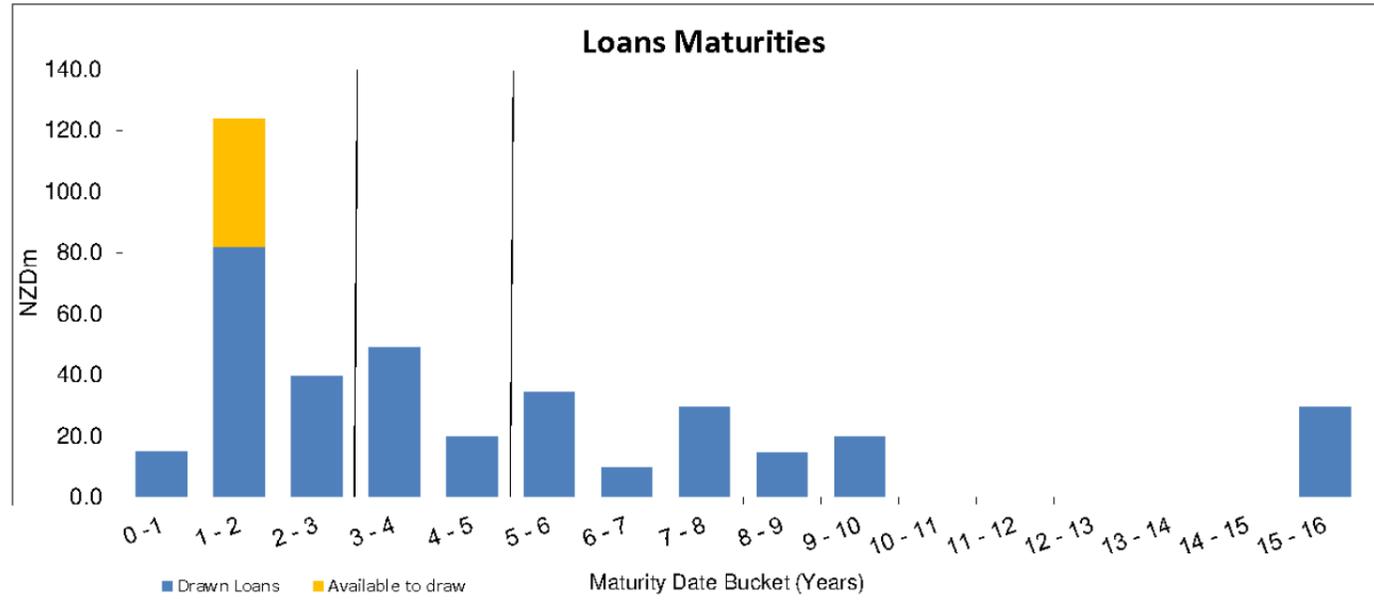
	YTD Variance \$000
1 CE10009 - ArtsPost earthquake strengthening Detailed seismic plan finalised and HCP received. Presented brief to council on 3 October. Project is now included in year 10 in the Draft 10 Year Plan. The \$1.3m budget no longer required and has moved onto Risks and Opportunities.	0
2 CE10041 - Claudelands plant and equipment Project scoping has commenced, however timing in budget phasing is different to planning.	270
3 CE10043 - Waikato Stadium plant and equipment Offset by CE10048. See item 3 below.	(239)
4 CE10047 - Waikato Stadium property renewals Contribution by naming rights partners to capital improvements project at FMG Stadium.	(202)
5 CE15027 - Proposed development programme Hamilton Gardens Development - deferral incorrectly carried over from the previous year. The project is on track to meet the overall four year programme budget and the deferral is not required.	356
6 CE15162 - Integrated catchment management plan \$450k of contractually committed works will not be complete this financial year. A deferral is required to allow work to complete in the 2018-19 financial year.	283
7 CE10070 - Replacement of parking enforcement equipment The purchase of the replacement parking equipment is complete and within budget and will be reflected in the March 2018 results.	354
8 CE10072 - Replacement of footpath Planned expenditure for Footpath renewals is reduced by about \$500k to help fund LED lighting upgrade.	286
9 CE10075 - Replacement of road base Delivery of main activity will progress later than original programme, but is on target for this year.	970
10 CE10076 - Road resurfacing Part of AC surfacing programme to be deferred to 2018/19 due to NZTA subsidy funding cap.	599
11 CE10080 - Replacement of lighting Current underspend due to the introduction of the LED streetlighting project (commenced 4 Dec); will also be minimal underspend for the rest of the year	350
12 CE10166 - LED Streetlight Renewals Budget is set at additional Council contribution and does not reflect planned expenditure of \$7,682k (project receives 85% NZTA subsidy and is part funded from other renewal activities)	(1,092)
13 CE15085 - Minor improvements to transport network Delivery is progressing slightly ahead of the originally anticipated programme.	(308)
14 CE15090 - Roading upgrades and development in Rotokauri stage 1 Cashflow slightly behind baseline, however development agreements for arterial roading now in-place (third party dependent). Overall program on-track. Offset expenditure for Commuter Rail land purchase (CE18003) through Risks and Opportunities.	1,456
15 CE10100 - Replacement of wastewater pump stations Delivery of this works programme is progressing slightly in advance of the baseline.	(283)
16 CE15105 - Increase capacity of wastewater network - Rototuna North City Road wastewater works progressed in advance of original forecast timeframe. Overall program on-track, and potential savings from total budget forecast.	(533)
17 CE15111 - Increase capacity of network throughout the city Overall program on-track. Cashflow for Far Western Interceptor installation slightly delayed from original baseline, and potential savings of up to \$1m from total budget forecast.	1,114
18 CE15114 - Increase capacity of network (bulk storage) As a result of procurement option review for this project/program, a design and construct type model has been identified as preferred to deliver best value. This will require a deferral of the detailed design costs of up to \$600k to complete design following procurement this financial year.	413

TREASURY REPORT
for the eight months ended 28 February 2018

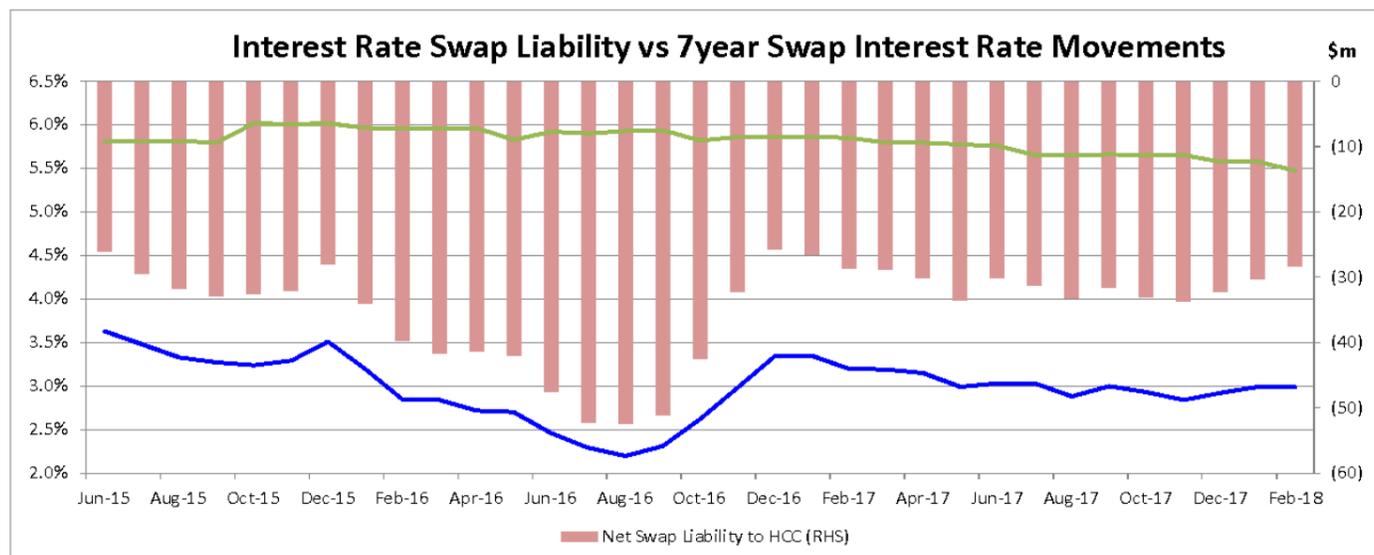
Policy Compliance

	Policy	Result @ 28-Feb-18	Policy Compliance
Fixed rate maturity	all years	within annual parameters	achieved for all years ✓
Funding maturity	0 - 3 years	15% - 60%	46% ✓
	3 - 5 years	15% - 60%	18% ✓
	5 years plus	10% - 60%	36% ✓
Liquidity ratio	minimum	110%	122% ✓
Counterparty credit risk	maximum	\$75m per bank	achieved ✓

Comments on policy breaches
There are no breaches of policy.



Debt and Cash Investments (\$'000's)	Result @	Budget @	Variance
	28-Feb-18	30-Jun-18	Fav. / (Unfav.)
External debt	348,811	429,000	80,189
less Cash investments	(20,783)	(35,000)	(14,217)
Net external debt	328,028	394,000	65,972
add Cash-backed reserves	40,792	39,583	(1,209)
Total overall debt	368,820	433,583	64,763
Gross cost of funds (12 month rolling average)	5.03%	5.09%	0.05%



The above graph shows how the movements in 7 year swap interest rates impact HCC's swap position in the balance sheet. If swap interest rates decrease, the swap liability increases. Recent months have seen swap interest rates slightly increasing, causing a decrease in HCC's liability.

Indicative Capital Deferrals for the eight months ended 28 February 2018

Deferral	3rd Party	Contractual	HCC/Other	Total Indicative Deferrals	Actual	2017-18 Approved Budget	Approved Deferrals & Brought forward	Total Capital Budget
	000's		000's	000's	000's	000's	000's	000's
PARKS AND GREEN SPACES								
Parks								
CE15033 - Land purchase future reserves	A	550		550	179	229	497	726
CE17004 - River Plan	B	700		700	0	0	50	50
RECREATION								
Aquatic Facilities								
CE10003 - Waterworld operational asset renewals	C	2,500		2,500	147	249	0	249
STORMWATER								
CE15060 - Rotokauri stormwater infrastructure stage 1	D	1,350		1,350	401	520	1,500	2,020
CE15062 - Peacocke stormwater infrastructure stage 1	E	400		400	0		400	400
CE15162 - Integrated catchment management plan	F		450	450	412	812	640	1,452
TRANSPORT								
CE15092 - Roading upgrades and development in Rototuna	G	2,000		2,000	1,807	3,504	2,349	5,853
PIF12005 - Hamilton Ring Road Completion	H		3,500	3,500	1,587		7,822	7,822
SEWERAGE								
CE15112 - Increase capacity of network (far east inteceptor)	I	2,000		2,000	910	3,124	1,002	4,126
CE15114 - Increase capacity of network (bulk storage)	J	4,000		4,000	671	6,500		6,500
CE15117 - Upgrade wastewater treatment plant (Pukete 3)	K	600		600	87	837		837
WATER SUPPLY								
CE15128 - Upgrade/build new watermains in Rotokauri stage 1	L	1,000		1,000	2,496	7,474	-1	6,838
CE15144 - Upgrade water treatment plant	M	500		500	2,872	2,750	828	3,578
CE15148 - Upgrade or build new watermains in Ruakura	N	305		305	3	0	505	505
Total Indicative Capital Deferrals		3,750	3,500	19,855	11,572	25,999	14,957	40,956

**Indicative Deferrals Explanations
for the eight months ended 28 February 2018**

	Indicative Deferral
A CE15033 - Land purchase future reserves This is dependant on third party negotiations. At this time it is not expected to be resolved this financial year.	\$0.6m
B CE17004 - River Plan Work is now expected to be completed in the first half of the 2018-19 financial year.	\$0.7m
C CE10003 - Waterworld operational asset renewals Based on updated tender programme timetable, physical works will take 29 weeks. Work commenced in February with completion expected in September 2018. Likely deferral estimated to be \$2.5m.	\$2.5m
D CE15060 - Rotokauri stormwater infrastructure stage 1 Deferral of \$1.35m required for Rotokauri floodway land purchase. Will likely not be complete subject to third party land negotiation.	\$1.4m
E CE15062 - Peacocke stormwater infrastructure stage 1 Deferral of up to \$400k for stormwater upsizing in Peacockes. Subject to development timing and upsizing negotiation (third party dependent).	\$0.4m
F CE15162 - Integrated catchment management plan \$450k of contractually committed works will not be complete this financial year. A deferral is required to allow work to complete in the 2018-19 financial year.	\$0.5m
G CE15092 - Roading upgrades and development in Rototuna A deferral of up to \$2m will be required to complete contractually committed construction of the Borman Road Extension to Kay Road and the North City Road Upgrade in alignment with development timing (third party dependent).	\$2.0m
H PIF12005 - Hamilton Ring Road Completion A deferral of up to \$3.5m will be required in accordance with the proposed delivery program - as outlined in the report to G&I Committee 24 Oct 2017.	\$3.5m
I CE15112 - Increase capacity of network (far east inteceptor) Contractually committed via Ruakura PDA for wastewater installation. Construction and associated payment is subject to development timing (third party dependent), anticipate a required deferral of \$2m.	\$2.0m
J CE15114 - Increase capacity of network (bulk storage) As a result of procurement option review for this project/program, a design and construct type model has been identified as preferred to deliver best value. This will require a deferral of the detailed design costs of up to \$600k to complete design following procurement this financial year.	\$0.6m
K CE15117 - Upgrade wastewater treatment plant (Pukete 3) Currently being competitively tendered. A deferral of up to \$4m will likely be required due to review of treatment process options and subject to contractors programme once awarded. Overall project on-track.	\$4.0m
L CE15128 - Upgrade/build new watermains in Rotokauri stage 1 Current installation of the Rotokauri bulk water installation slightly in advance of planned programme. A deferral of up to \$1m will be required in order to complete the contractually committed works in accordance with the current contractor delivery program. Additionally contract savings of \$750k have been included on the Risk and Opportunities schedule.	\$1.0m
M CE15144 - Upgrade water treatment plant A deferral will be required to deliver the contractually committed chemical storage facility upgrade in accordance with contractors programme.	\$0.5m
N CE15148 - Upgrade or build new watermains in Ruakura Contractually committed via Ruakura PDA for water installation. Construction and associated payment is subject to development timing (third party dependent)	\$0.3m
	<u>\$19.9m</u>

Council Report

Committee:	Finance Committee	Date:	03 April 2018
Author:	Russell Hynd	Authoriser:	David Bryant
Position:	Finance Manager	Position:	General Manager Corporate
Report Name:	Local Government Funding Authority Statement of Intent and Half Yearly Report to 31 December 2018		

Report Status	<i>Open</i>
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Purpose

1. To inform the Finance Committee of Local Government Funding Agency's (LGFA) Half Year Report to 31 December 2017.
2. To seek approval of the LGFA Draft Statement of Intent 2018/2019.
3. Mark Butcher (Chief Executive) will present a verbal report.

Staff Recommendation

That the Finance Committee:

- a) receives the report; and
- b) approves the Local Government Funding Authority Draft Statement of Intent 2018/19.

Attachments

Attachment 1 - LGFA Half Year Report to 31 December 2017

Attachment 2 - LGFA Letter to Shareholders

Attachment 3 - LGFA Draft Statement of Intent 2018-19 .



HALF YEAR REPORT

31
DECEMBER
2017



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Item 10

Attachment 1

Cover: Winding road leading to Mount Cook Village, Canterbury, South Island, New Zealand. Getty Images.

Left: Opening of the Memorial Avenue Gateway Bridge, November 2017. Christchurch City Council.

CHAIR'S REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

"LGFA has consolidated its position both as the leading provider of cost-effective funding to New Zealand councils and one of the largest issuers of New Zealand dollar fixed income securities that offer investors a highly rated, higher yielding alternative to New Zealand Government Bonds and Kauri issues."

Craig Stobo, Chair LGFA Board



Directors would like to highlight the following developments at LGFA for the six-month period to December 2017:

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

LGFA total interest income for the six-month period of \$178.145 million was a 14.4% increase over the 2016-17 comparable period of \$155.711 million while Net Operating Profit of \$6.036 million was a 13.6% increase on the 2016-17 comparable period of \$5.312 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.

2. Borrowing activity

Over the past six months, LGFA has issued \$619 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. Average term of issuance of 5.7 years was the shortest average borrowing term since LGFA commenced borrowing in early 2012.

LGFA has \$7.5 billion of bonds (including Treasury stock used for bond lending purposes) on issue across seven maturities from 2019 to 2033. LGFA is one of the largest issuer of New Zealand dollar (NZD) securities after the NZ Government and our bonds are amongst the largest and most liquid NZD debt instruments available for investors. The amount of LGFA bonds outstanding has declined from \$7.9 billion as at 30 June 2017 due to the maturity of the December 2017 LGFA bonds. The council loans matching these bonds were successfully refinanced by council borrowers ahead of the maturity that resulted in an orderly repayment to investors.

3. 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 Rangitikei District Council as a new member in December 2017, bringing total membership to 54 councils. Horizons Regional Council also moved from being a non-guarantor to a guarantor in July 2017.

- Long-dated lending of \$518 million for the six-month period was slightly below our SOI forecast and reflected a preference for offshore borrowing by our largest borrower, Auckland Council and reduced borrowing demand from the rest of the sector. We also experienced a shortening in average tenor of council borrowing of 7.2 years compared to 8.1 years in the 2016-17 financial year.
- Bespoke lending continues to be popular for councils in that it provides flexibility for maturity dates of borrowing and the date of drawdown. LGFA lent \$452 million on a bespoke basis to councils during the six-month period. This was approximately 87% of our total lending over that period. Bespoke loans outstanding are now \$1.6 billion or approximately 22% of our total loan book.
- Short-dated lending (less than 365-day terms) to councils has been very successful with loans to 25 councils of \$332 million as at December 2017. This compares to \$240 million lent to 17 councils as at December 2016.
- The underlying credit quality of the sector continues to improve with all member councils remaining compliant with the LGFA lending covenants and three councils in the 2017 calendar year either receiving an upgrade to their credit ratings or a positive outlook change to their rating.

At the November 2017 AGM, Abby Foote retired from the LGFA Board. Abby was a founding director and I would like to acknowledge the valued contribution made by Abby to the success of this organisation since 2011 as both a director and Chair of the Audit and Risk committee. Anthony Quirk was elected a director at the AGM to fill the vacancy.

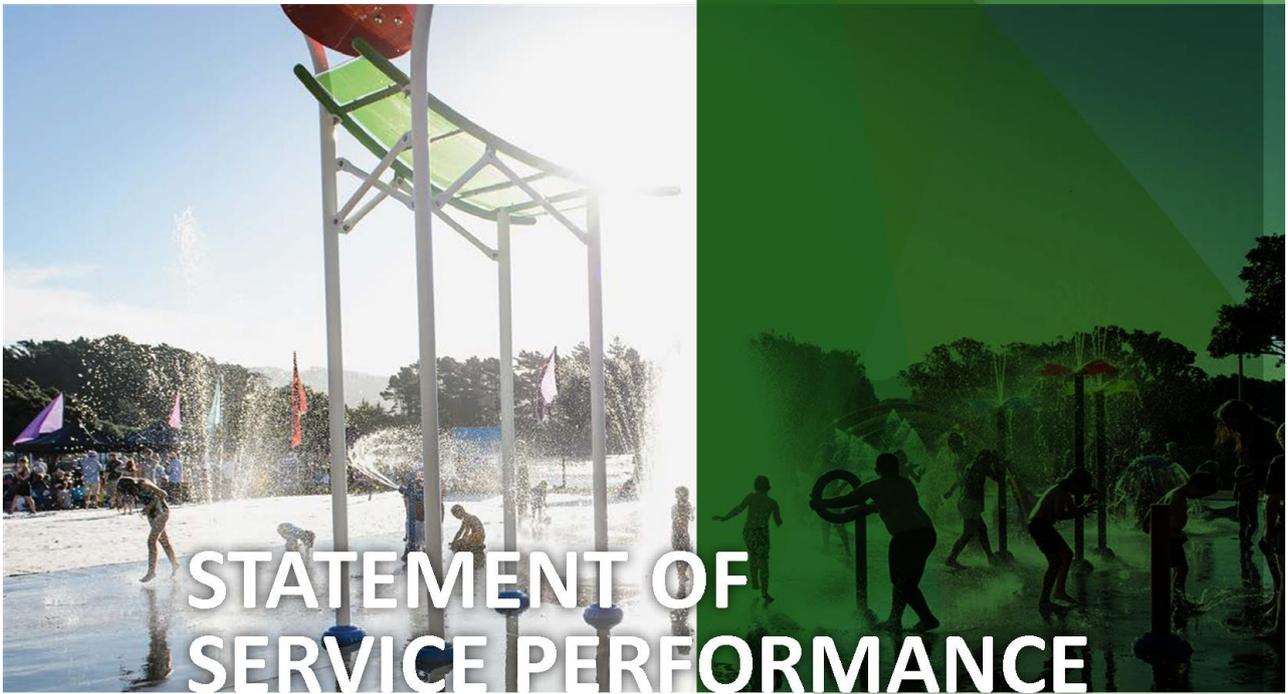
On behalf of my fellow directors I am pleased to be part of the continued success of this organisation and wish to thank our council shareholders, guarantors and borrowers as well as our financial intermediaries and investors for their continued support.



Craig Stobo
Chair, LGFA Board

Attachment 1

Item 10



Opening of the splash pad at Aotea Lagoon,
December 2017. Porirua City Council.

Statement of service performance

The statement of service performance details LGFA's performance against the objectives and targets set out in the LGFA Statement of Intent 2017-18.

1 2017-18 PERFORMANCE OBJECTIVES

The Statement of Intent 2017-18 (SOI) set out two primary performance objectives and eight complementary performance objectives for LGFA for the year ended 30 June 2018:

Primary objectives	Additional objectives
<p>1. LGFA will operate with the primary objective of optimising the debt funding terms and conditions for Participating Local Authorities. Among other things this includes:</p> <ul style="list-style-type: none"> i. Providing savings in annual interest costs for all Participating Local Authorities on a relative basis to other sources of financing; ii. Making longer-term borrowings available to Participating Local Authorities; iii. Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice; and iv. Offering more flexible lending terms to Participating Local Authorities. <p>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:</p> <ul style="list-style-type: none"> 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; ii. LGFA will analyse finances at the Council group level where appropriate; 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; and iv. LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market 	<ul style="list-style-type: none"> 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; 2. Provide at least 50% of aggregate long-term debt funding to the Local Government sector; 3. 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; 4. Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015; 5. Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency; 6. Achieve the Financial Forecasts (excluding the impact of AIL) set out in section 4; 7. Meet or exceed the Performance Targets outlined in section 5; and 8. Comply with its Treasury Policy, as approved by the Board.

Statement of service performance

1 PERFORMANCE AGAINST PRIMARY OBJECTIVES

This section sets out LGFA's performance for the six-months ended 31 December 2017 against the two primary objectives set out in the 2017-18 Statement of Intent.

1.1 LGFA will operate with the primary objective of optimising the debt funding terms and conditions for Participating Local Authorities. Among other things this includes:

i. Providing savings in annual interest costs for all Participating Local Authorities on a relative basis to other sources of financing

LGFA aims to minimise its issuance margin over swap rates to provide cost-effective funding to councils. The LGFA margin to swap will depend upon many factors including the relative demand and supply of high grade bonds, general credit market conditions, performance of New Zealand Government bonds and swap rates, investor perceptions of LGFA and the issuance volume and tenor of LGFA bonds. Given that LGFA tends to match fund its on-lending to councils, i.e. tends to issue bonds in similar tenors and volumes as its on-lending, then LGFA only has influence over investor perception amongst the above factors that determine LGFA spreads to swap. There will be periods within the interest rate and credit market cycles when LGFA bonds will outperform its benchmarks (spread narrowing) and there will be periods of time when LGFA bonds underperform (spread widening).

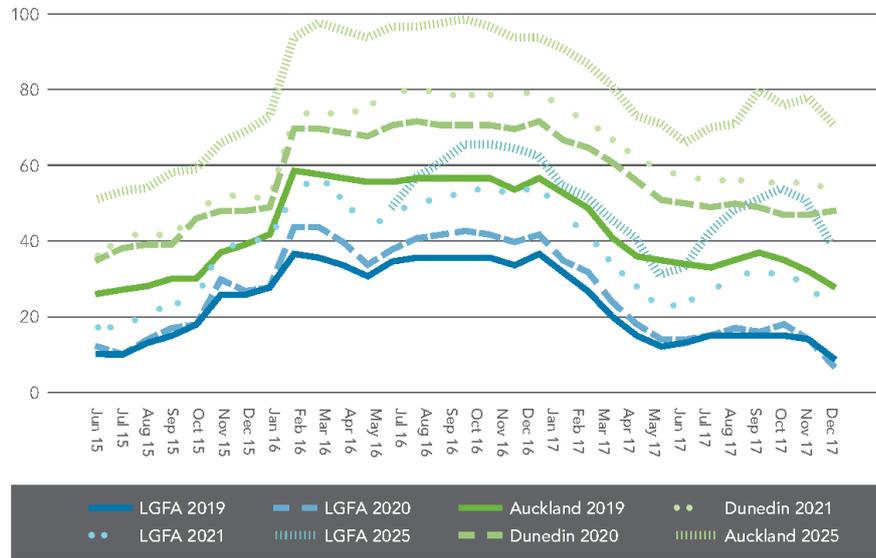
Our estimated annual savings to councils based upon the secondary market levels at 31 December 2017 of LGFA bonds compared to NZD domestic bonds issued by Auckland and Dunedin councils is between 10 basis points (bps) and 22 bps depending upon the term of borrowing. While borrowing spreads for all borrowers have narrowed over the past six months, LGFA spreads have not narrowed as much as those of Auckland and Dunedin councils. This underperformance by LGFA has been due to the relative supply of borrowing by each entity – over the past six months LGFA has borrowed \$619 million in the domestic market while Dunedin has borrowed \$80 million and Auckland Council has not borrowed in the domestic market.

Savings comparison	Savings to AA-rated councils (bps)				
	Auckland 2019	Dunedin 2020	Dunedin 2021	Auckland 2022	Auckland 2025
AA rated councils margin to swap	27	41	47	47	68
Less LGFA margin to swap	(8)	(9)	(19)	(22)	(43)
LGFA Gross Funding Advantage	19	32	28	25	25
Less LGFA Base Margin	(9)	(10)	(10)	(10.5)	(11)
Total Saving	10	22	18	14.5	14

Note that from 30 June 2017 we have removed the implied 'LGFA effect' of 10 bps of savings in borrowing costs from the analysis. The LGFA effect was the assessment of immediate savings to councils when LGFA first commenced lending to councils in February 2012 and this has become increasingly irrelevant given the passage of time.

Statement of service performance

The following chart shows the spread to swap (in basis points) in the secondary market of LGFA, Auckland Council and Dunedin City Treasury bonds.

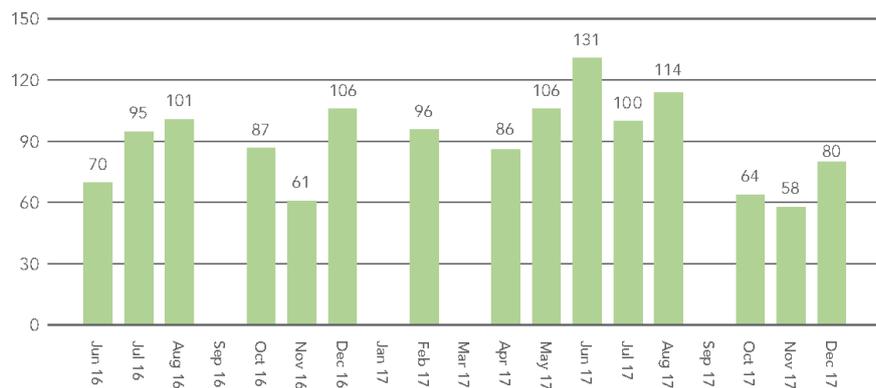


ii. **Making longer-term borrowings available to Participating Local Authorities**

The average borrowing term (excluding short-dated borrowing) for the six-month period to December 2017 by council members was 7.2 years and this was significantly shorter than the average borrowing term of 8.1 years for the 2016-17 year. The shortening in term was due to councils reacting to the recent widening of borrowing margins in the longer-dated maturities. Also, many councils had taken advantage of the tighter margins in early 2017, using the opportunity to extend longer when the 2033 maturities were first made available in April 2017.

Average total months to maturity – On-lending to councils at each tender

Last 15 tenders to 31 December 2017



While LGFA can provide councils with the ability to borrow from LGFA for terms from one month to 15 years, it is up to the councils to determine their preferred term of borrowing.

Statement of service performance

iii. Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practices

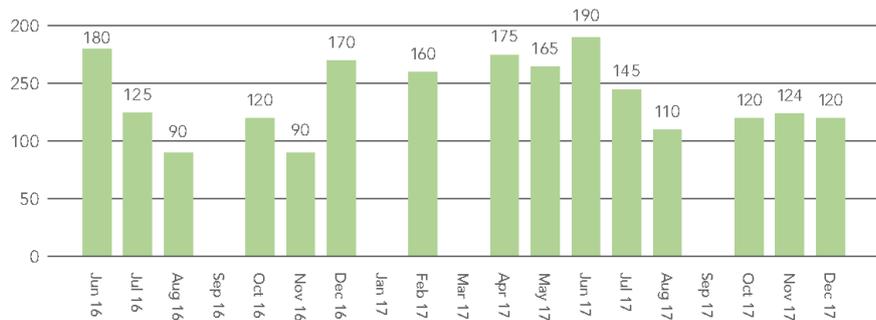
LGFA began issuing 3-month and 6-month LGFA Bills and commenced short-dated (less than one year) lending to councils in late 2015. LGFA has short-term loans to 25 councils of \$332 million outstanding as at 31 December 2017.

LGFA documented an Australian Medium-Term Notes Programme in November 2017 to provide the ability to issue in currencies other than NZD. It is not our intention to use this programme but to have it established to provide some flexibility in case of the unlikely scenario of a significant market disrupting event in the future.

The five LGFA bond tenders during the six-month period were supported by the market with the coverage ratios across the five tenders ranging between 1.61 times and 3.94 times with a weighted average of 2.54 times. We continue to offer three or four LGFA maturities at each tender and try to maintain the volume offered within the \$120 million to \$170 million range to ensure ongoing price tension.

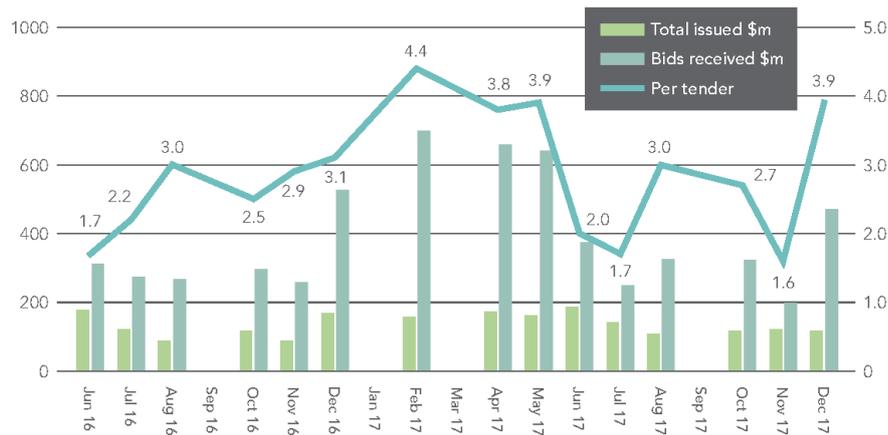
LGFA bond issuance by tender (\$ million)

Last 15 tenders to 31 December 2017. Excludes issuance of treasury stock



Tender bid/offer summary

Last 15 tenders to 31 December 2017



Statement of service performance

Councils can borrow on a bespoke basis from LGFA and are therefore not restricted to borrowing at the time of each LGFA bond tender. This has become increasingly popular for councils who can now borrow when the timing suits them.

iv. Offering more flexible lending terms to Participating Local Authorities

Bespoke lending continues to be a popular borrowing option for council members. Since we introduced the ability for councils to choose their preferred maturity and date of drawdown in February 2015, we have lent \$1.645 billion in bespoke transactions. During the six-month period to 31 December 2017, we lent \$452 million on a bespoke basis across 47 transactions to 21 councils. This comprised 87% of total term lending by LGFA to its members during the six-month period.

Short-term borrowing by councils continues to be well supported by councils with loan terms to date of between three months and 12 months on \$332 million of loans outstanding as at 31 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

The review of each council's financial position is undertaken for all councils on an annual basis and all councils were compliant with the LGFA financial covenants as at 30 June 2017. A copy of each council's borrowing position and compliance with LGFA covenants was provided to LGFA shareholders and non-shareholder guarantors with the December 2017 quarterly report. LGFA management met with 27 councils over the six-month period.

ii. LGFA will analyse finances at the Council group level where appropriate

While all councils must be compliant with LGFA covenants at the parent level, we also analyse each participating member council's financial position at the Group level. This is undertaken as part of the annual review process.

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 management met representatives from Crown Irrigation Investments Limited, Ministry of Business, Innovation and Employment, DIA, Treasury and OAG to discuss the local government sector in general and issues relating to specific councils. We provided input into the proposed Housing Infrastructure Fund and Crown Infrastructure Partners initiatives. The LGFA Board met with the Local Government Commission. We presented at both LGNZ quarterly media presentations on the financial position of the sector and LGFA.

iv. LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market

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

We have been involved in discussions between Central Government agencies and the Housing Infrastructure Fund (HIF) councils regarding the structuring of the HIF loans to ensure the interests of councils, ratepayers and LGFA are protected.

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

Statement of service performance

2 PERFORMANCE AGAINST ADDITIONAL OBJECTIVES

In addition to the two primary performance objectives, LGFA has eight performance objectives which complement the primary objectives. This section sets out LGFA's performance for the six-months ended 31 December 2017 against the additional objectives set out in the 2017-18 Statement of Intent.

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 SOI

LGFA's Net Operating Gain of \$6.036 million for the six months to 31 December 2017 was slightly above the management forecast of \$5.892 million. The average cost of funds for the six months was 3.10% which is lower than the 3.56% for the 2016-17 financial year due to lower interest rates and much shorter term of LGFA bond issuance than the previous financial year. The LGFA Board has the sole discretion to set the annual dividend which is considered following the full year financial outcome.

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

LGFA estimates market share from the PwC Local Government Quarterly Debt Report and the most recent report is for the December 2017 quarter. LGFA market share of total sector borrowing for the six-month period to December 2017 was 76% and for the year to December 2017 was 84%. Our market share remains high compared to our global peers but will be influenced by the amount of borrowing undertaken by Auckland Council and Dunedin City Council in their own name.

LGFA Market Share – rolling one-year average



Source PwC

Rangitikei District Council joined LGFA as a non-guarantor in December 2017, bringing the total number of participating local authorities to 54. We expect a small number of councils to join LGFA in the coming year.

Statement of service performance

2.3 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 SOI

Expenses for the six-month period to 31 December 2017 were \$3.58 million which is \$130k below budget. This variance is the consequence of:

- Issuance and on-lending costs (excluding Approved Issuer Levy) at \$1.088 million were \$82k below budget. There were lower fees than budgeted relating to the NZDMO facility offset by higher registry costs and legal costs than forecast. The larger amount of short-term lending and establishment of an Australian MTM programme also increased legal costs.
- Operating costs at \$1.475 million were \$40k below budget and reflected lower overheads and personnel costs than forecast.
- Approved Issuer Levy payments of \$1.02 million were in line with our forecast of \$1.03 million.

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

LGFA has a Health and Safety staff committee and reporting on Health and Safety issues are 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.

Following the November 2016 Kaikoura earthquake, LGFA staff were unable to access the LGFA Wellington CBD office. Following repairs and refurbishment we relocated back into the building in December 2017.

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

LGFA has credit ratings from Standard and Poor's (S&P) and Fitch Ratings (Fitch) and meets with both agencies in September and October each year.

Meetings have been held in 2017 with both rating agencies and S&P affirmed the long-term rating of LGFA at AA+ (stable outlook) on 25 September 2017 and Fitch affirmed the rating at AA+ (stable outlook) on 10 November 2017.

2.6 Achieve the Financial Forecasts (excluding the impact of AIL) set out in section 4 of the SOI

LGFA's financial results for key items set out in Section 4 of the SOI for the 12-month period to 30 June 2018 are

In \$ million	31 December 2017 actual	31 December 2017 half year forecast	30 June 2018 full year SOI forecast
Net interest revenue	\$9.62	\$9.60	\$18.22
Issuance and operating expenses excluding Approved Issuer Levy (AIL)	\$2.56	\$2.69	\$5.45
Approved Issuer Levy (AIL)	\$1.02	\$1.02	\$1.89
Net Profit	\$6.04	\$5.89	\$10.88

Statement of service performance

2.7 Meet or exceed the Performance Targets outlined in section 5 of the SOI

LGFA achieved two out of its four performance targets in the six-month period to 31 December 2017

Current performance targets	Target	Result for six-month period to 31 December 2017	Outcome
Average margin above LGFA's cost of funds charged to the highest rated Participating Local Authorities for the period	<= 0.10%	0.097%	Met
Annualised annual issuance and operating expenses (excluding AIL)	<= \$5.45 million	\$2.563 million	Met on annualised basis and on track to meet for full year
Lending to Participating Local Authorities	<= \$8.128 billion	\$7.418 billion	Not met but remains close to being met on a full year basis (depending upon the level and timing of pre-funding of the March 2019 council loans)
Savings on borrowing costs for council borrowers relative to other sources of financing and compared to previous years	Improvement since prior year end relative to borrowing by councils directly	As at 30 June 2017 2019s 12 bps, 2021s 20 bps and 2025s 17 bps As at 31 December 2017 2019s 10bps, 2021s 18 bps and 2025s 14 bps	Not met. The lack of single name issuance by councils has reduced supply and hence tightened spreads

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

LGFA was compliant at all times with the Treasury Policy during the six-month period ended 31 December 2017.

Attachment 1

Item 10



FINANCIAL STATEMENTS

Shared path and safety improvements to Raumati Road on the Kapiti Coast aim to improve pedestrian and cycling connections to and from the Mackays to Peka Peka expressway, cycleway, walkway and bridleway. Kapiti Coast District Council

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Directors' declaration

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In the opinion of the directors of the New Zealand Local Government Funding Agency Limited, the financial statements and notes on pages 20 to 35:

- 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 2017, 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
28 February 2018



L. Robertson, Director
28 February 2018

Attachment 1

Statement of comprehensive income

For the six months ended 31 December 2017 in \$000s

	Note	Unaudited six months ended 31 December 2017	Unaudited six months ended 31 December 2016
Interest income from			
Cash and cash equivalents		291	272
Loans to local government		118,416	109,752
Marketable securities		1,434	1,304
Deposits		2,424	1,548
Derivatives		55,580	42,835
Fair value hedge ineffectiveness	2	-	-
Total interest income		178,145	155,711
Interest expense on			
Bills		3,671	2,582
Bonds		163,057	142,988
Borrower notes		1,699	1,584
Bond repurchases		100	46
Total interest expense		168,527	147,200
Net interest income		9,618	8,511
Operating Expenses			
Issuance and on-lending expenses	3	2,107	1,764
Operating expenses	4	1,475	1,435
Total expenses		3,582	3,199
Net operating profit		6,036	5,312
Total comprehensive income		6,036	5,312

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 2017 (unaudited) in \$000s

	Note	Share capital	Retained Earnings	Total equity
Equity as at 30 June 2017		25,000	28,878	53,878
Net operating profit			6,036	6,036
Total comprehensive income for the year			6,036	6,036
Transactions with owners			-	-
Dividend paid on 20 September 2017			(1,390)	(1,390)
Equity as at 31 December 2017	13	25,000	33,524	58,524

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

	Note	Share capital	Retained Earnings	Total equity
Equity as at 30 June 2016		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		25,000	23,144	48,144

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

Statement of financial position

As at 31 December 2017 in \$000s

	Note	Unaudited as at 31 December 2017	Audited as at 30 June 2017
Assets			
Financial assets			
Cash and bank balances		29,478	49,919
Receivable unsettled bond repurchases		-	13,723
Loans to local government	5	7,535,611	7,783,932
Marketable securities		36,313	127,641
Deposits		118,960	149,949
Derivatives in gain		386,030	364,953
Non-financial assets			
Prepayments		887	544
Other assets	10	685	760
Total assets		8,107,964	8,491,421
Equity			
Share capital		25,000	25,000
Retained earnings		27,488	28,878
Total comprehensive income / (deficit) for the period		6,036	
Total equity		58,524	53,878
Liabilities			
Financial Liabilities			
Trade and other payables		246	453
Accrued expenses		412	554
Bills	6	368,601	348,179
Bonds	7	7,495,647	7,865,401
Borrower notes	8	124,922	131,614
Bond repurchases	9	-	25,682
Derivatives in loss		59,612	65,660
Total liabilities		8,049,440	8,437,543
Total equity and liabilities		8,049,440	8,491,421

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

Statement of cash flows

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For the six months ended 31 December 2017 in \$000s

	Note	Unaudited six months ended 31 December 2017	Unaudited six months ended 31 December 2016
Cash flow from operating activities			
Cash applied to loans to local government	12	247,203	(662,866)
Interest paid on bonds issued		(188,895)	(166,281)
Interest paid on bills issued		(3,671)	2,582
Interest paid on borrower notes		(2,621)	-
Interest paid on bond repurchases		(102)	(44)
Interest received from cash & cash equivalents		291	271
Interest received from loans to local government		119,534	108,984
Interest received from marketable securities		1,567	1,142
Interest received from deposits		3,413	1,630
Net interest on derivatives		80,406	63,224
Payments to suppliers and employees		(4,274)	(3,488)
Net cash flow from operating activities	11	252,851	(654,846)
Cash flow from investing activities			
Purchase of marketable securities		91,195	52,787
Purchase of deposits		30,000	(14,000)
Purchase of plant and equipment		76	69
Net cash flow from investing activities		121,271	38,856
Cash flow from financing activities			
Dividends paid		(1,390)	(1,392)
Cash proceeds from borrower notes	12	(5,770)	9,288
Cash proceeds from bonds issued	12	(382,465)	603,386
Cash proceeds from bills issued		20,422	(5,040)
Cash applied to bond repurchases		(11,957)	3,712
Cash applied to derivatives		(13,403)	(8,862)
Net cash flow from financing activities		(394,563)	601,092
Net (decrease) / increase in cash		(20,441)	(14,898)
Cash, cash equivalents and bank overdraft at 1 July		49,919	37,084
Cash, cash equivalents and bank overdraft at 31 December		29,478	22,186

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

Attachment 1

Notes to the financial statements (unaudited)

1 Statement of accounting policies

A. REPORTING ENTITY

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

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

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

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

These interim financial statements were authorised for issue by the Directors on 28 February 2018.

B. STATEMENT OF COMPLIANCE

These interim financial statements are for the six-months ended 31 December 2017 and are to be read in conjunction with the annual report for the year ended 30 June 2017. They have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IAS 34 Interim Financial Reporting. The financial results for the six-month period ended 31 December 2017 are unaudited.

C. BASIS OF PREPARATION

Accounting judgments, estimates and assumptions

The judgements, estimates and assumptions used to prepare these interim financial statements are consistent with those used at 30 June 2017.

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.

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 (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

F. OTHER LIABILITIES

Employee entitlements

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

Notes to the financial statements (unaudited)

G. REVENUE AND EXPENSES

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

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

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

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

Income tax

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

Goods and services tax

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

H. LEASE PAYMENTS

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

I. SEGMENT REPORTING

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

J. JUDGEMENTS AND ESTIMATIONS

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

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.

Notes to the financial statements (unaudited)

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.

2 Hedge accounting

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

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

in \$000s	Gain/(loss) Unaudited six months ended 31 December 2017	Gain/(loss) Unaudited six months ended 31 December 2016
Hedging instruments – interest rate swaps	202,007	134,733
Hedged items attributable to the hedged risk – fixed rate bonds	(202,007)	(134,733)
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 and loans) are mapped to the same fair value account. For this reason, the statement of comprehensive income will only report any ineffectiveness arising from the fair value hedge.

3 Issuance and on-lending expenses

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

in \$000s	Unaudited six months ended 31 December 2017	Unaudited six months ended 31 December 2016
NZDMO facility fee	375	200
NZX	164	237
Rating agency fees	282	267
Legal fees for issuance	93	62
Regulatory, registry, other fees	45	18
Trustee fees	50	50
Approved issuer levy	1,019	865
Information services	79	65
	2,107	1,764

Notes to the financial statements (unaudited)

4 Operating expenses

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

in \$000s	Unaudited six months ended 31 December 2017	Unaudited six months ended 31 December 2016
Consultants	68	78
Directors' fees	189	174
Insurance	30	30
Legal fees	53	23
Other expenses	364	362
Auditor's remuneration		
Statutory audit	44	46
Advisory	-	4
Personnel	727	718
	1,475	1,435

Notes to the financial statements (unaudited)

5 Loans to local government

	Unaudited as at 31 December 2017		Audited as at 30 June 2017		
	in \$000s	Short-term loans	Loans	Short-term loans	Loans
Ashburton District Council	10,028	25,673	10,018	25,707	
Auckland Council	-	2,102,637	-	2,429,887	
Buller District Council	-	20,004	-	20,001	
Canterbury Regional Council	-	30,103	-	25,083	
Central Hawkes Bay District Council	-	2,026	-	-	
Christchurch City Council	85,272	1,522,509	96,280	1,485,304	
Far North District Council	-	30,122	-	30,121	
Gisborne District Council	4,983	32,233	-	27,085	
Gore District Council	6,024	11,063	6,023	11,034	
Greater Wellington Regional Council	-	280,853	-	280,702	
Grey District Council	-	20,502	-	20,551	
Hamilton City Council	-	286,188	-	351,028	
Hastings District Council	4,972	60,213	-	60,211	
Hauraki District Council	-	38,152	-	41,139	
Horizons Regional Council	-	15,028	-	10,013	
Horowhenua District Council	12,016	66,889	12,013	63,923	
Hurunui District Council	-	23,096	-	23,085	
Hutt City Council	4,995	127,800	-	97,727	
Kaipara District Council	-	40,169	8,925	43,172	
Kapiti Coast District Council	-	195,641	-	210,623	
Manawatu District Council	-	61,112	-	58,094	
Marlborough District Council	18,850	63,223	19,851	63,207	
Masterton District Council	-	52,228	2,006	52,209	
Matamata-Piako District Council	-	24,586	-	29,581	
Nelson City Council	-	55,203	-	55,201	
New Plymouth District Council	-	70,301	-	61,167	
Northland Regional Council	-	2,852	-	-	
Opotiki District Council	-	5,166	-	5,180	
Otorohanga District Council	-	6,138	-	9,178	
Palmerston North City Council	10,026	77,282	10,025	77,255	
Porirua City Council	-	43,692	-	28,608	
Queenstown Lakes District Council	10,099	76,067	7,070	86,177	
Rotorua District Council	20,046	104,881	1,001	114,976	
Selwyn District Council	-	15,022	-	35,050	
South Taranaki District Council	-	62,272	-	62,267	
South Wairarapa District Council	1,533	16,118	4,034	13,586	
Taranaki District Council	3,006	11,050	1,004	10,033	
Tasman District Council	5,004	90,398	-	90,273	
Taupo District Council	-	125,419	-	125,417	
Tauranga City Council	29,911	317,076	-	347,207	
Thames-Coromandel District Council	12,012	23,047	-	35,061	
Timaru District Council	7,519	62,338	10,047	67,347	
Upper Hutt City Council	4,989	31,635	2,997	31,628	
Waikato District Council	4,993	70,319	-	80,265	
Waimakariri District Council	10,011	105,839	10,010	85,797	
Waipa District Council	35,286	13,016	-	13,015	
Waitomo District Council	10,066	25,084	5,022	25,027	
Wellington City Council	-	349,320	-	294,047	
Western Bay Of Plenty District Council	-	85,366	-	105,386	
Whakatane District Council	9,043	39,170	6,021	34,129	
Whanganui District Council	5,005	61,326	-	66,327	
Whangarei District Council	9,973	122,499	9,972	142,522	
		335,663	7,199,948	222,318	7,561,614

Notes to the financial statements (unaudited)

6 Bills on issue

Unaudited as at 31 December 2017 in \$000's	Face Value	Unamortised premium	Accrued interest	Total
17 January 2018	50,000	(43)	-	49,957
26 January 2018	25,000	(38)	-	24,962
5 February 2018	25,000	(47)	-	24,953
14 February 2018	50,000	(118)	-	49,882
22 February 2018	25,000	(69)	-	24,931
14 March 2018	50,000	(192)	-	49,808
22 March 2018	25,000	(111)	-	24,889
29 March 2018	25,000	(113)	-	24,887
11 April 2018	25,000	(138)	-	24,862
1 May 2018	20,000	(133)	-	19,867
16 May 2018	25,000	(182)	-	24,818
13 June 2018	25,000	(215)	-	24,785
	370,000	(1,399)	-	368,601

Audited as at 30 June 2017 in \$000's	Face Value	Unamortised premium	Accrued interest	Total
12 July 2017	50,000	(30)	-	49,970
4 August 2017	25,000	(46)	-	24,954
16 August 2017	50,000	(129)	-	49,871
13 September 2017	50,000	(204)	-	49,796
26 September 2017	25,000	(126)	-	24,874
11 October 2017	25,000	(143)	-	24,857
26 October 2017	25,000	(172)	-	24,828
15 November 2017	25,000	(194)	-	24,806
27 November 2017	25,000	(223)	-	24,777
13 December 2017	25,000	(232)	-	24,768
26 January 2018	25,000	(322)	-	24,678
	350,000	(1,821)	-	348,179

Notes to the financial statements (unaudited)

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7 Bonds on issue

Bonds on issue do not include LGFA bonds subscribed by LGFA and held as treasury stock. However, LGFA bonds listed on the NZX include LGFA bonds subscribed by LGFA and held as treasury stock. Refer note 9: Treasury stock and bond repurchase transactions.

Unaudited as at 31 December 2017 in \$000's		Face Value	Unamortised Premium	Accrued Interest	Fair Value Hedge Adjustment	Total
15 March 2019	5% coupon	1,240,000	15,164	18,499		1,273,663
15 April 2020	3% coupon	935,000	(8,181)	6,011		932,830
15 May 2021	6% coupon	1,420,000	67,354	11,062		1,498,416
15 April 2023	5.5% coupon	1,429,000	73,485	16,842		1,519,327
15 April 2025	2.75% coupon	804,000	(39,593)	4,738		769,145
15 April 2027	4.5% coupon	996,000	34,052	9,604		1,039,656
14 April 2033	3.5% coupon	285,000	(26,562)	2,165		260,603
Fair value hedge adjustment					202,007	202,007
Total		7,109,000	115,719	68,921	202,007	7,495,647

Audited as at 30 June 2017 in \$000's		Face Value	Unamortised Premium	Accrued Interest	Fair Value Hedge Adjustment	Total
15 December 2017	6% coupon	1,015,000	7,762	2,662		1,025,424
15 March 2019	5% coupon	1,200,000	19,488	17,609		1,237,097
15 April 2020	3% coupon	755,000	(12,471)	4,765		747,294
15 May 2021	6% coupon	1,350,000	68,236	10,345		1,428,581
15 April 2023	5.5% coupon	1,350,000	69,813	15,621		1,435,434
15 April 2025	2.75% coupon	660,000	(34,201)	3,818		629,617
15 April 2027	4.5% coupon	960,000	33,450	9,089		1,002,538
14 April 2033	3.5% coupon	215,000	(20,650)	1,604		195,954
Fair value hedge adjustment					163,460	163,460
Total		7,505,000	131,428	65,513	163,460	7,865,401

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.

Attachment 1

Notes to the financial statements (unaudited)

9 Treasury stock and bond repurchase transactions

Periodically, LGFA subscribes for LGFA bonds as part of its tender process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position. As at 31 December 2017, treasury stock had been issued in the following maturities (in \$000s):

in \$000s		Unaudited as at 31 December 2017	Audited as at 30 June 2017
15 March 2019	5% coupon	50,000	50,000
15 April 2020	3% coupon	50,000	50,000
15 May 2021	6% coupon	50,000	50,000
15 April 2023	5.5% coupon	50,000	50,000
15 April 2025	2.75% coupon	50,000	50,000
15 April 2027	4.5% coupon	50,000	50,000
14 April 2033	3.5% coupon	50,000	50,000
Total		350,000	350,000

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.

Each month, LGFA notifies the market the amount of outstanding repurchase transactions and LGFA bonds held as treasury stock.

As at 31 December 2017, there were no bond repurchase transactions outstanding.

Bond repurchase transactions outstanding in \$000s		Unaudited as at 31 December 2017	Audited as at 30 June 2017
15 March 2019	5% coupon	-	-
15 April 2020	3% coupon	-	-
15 May 2021	6% coupon	-	-
15 April 2023	5.5% coupon	-	-
15 April 2025	2.75% coupon	-	9,981
15 April 2027	4.5% coupon	-	15,701
14 April 2033	3.5% coupon	-	-
		-	25,682

10 Other assets

Property, plant and equipment \$000s	Unaudited as at 31 December 2017	Audited as at 30 June 2017
Intangible assets	685	760
Total other assets	685	760

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

in \$000s	Note	Unaudited six months ended 31 December 2017	Unaudited six months ended 31 December 2016
Net profit/(loss) for the period		6,036	5,312
Cash applied to loans to local government	12	247,203	(662,866)
Non-cash adjustments			
Amortisation and depreciation		304	2,999
Working capital movements			
Net change in trade debtors and receivables		(207)	59
Net change in prepayments		(343)	(292)
Net change in accruals		(142)	(58)
Net Cash From Operating Activities		252,851	(654,846)

12 LGFA December 2017 bond maturity

The nominal value of the 15 December 2017 6% coupon bond maturity was \$1,015 million. Loans to councils with nominal values totalling \$879 million, and associated nominal borrower notes totalling \$14 million, also matured on 15 December 2017.

13 Share capital

As at 31 December 2017 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 2017, 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 (unaudited)

in \$000s	31 December 2017		30 June 2017	
New Zealand Government	5,000,000	11.1%	5,000,000	11.1%
Auckland Council	3,731,960	8.3%	3,731,960	8.3%
Christchurch City Council	3,731,960	8.3%	3,731,960	8.3%
Hamilton City Council	3,731,960	8.3%	3,731,960	8.3%
Bay of Plenty Regional Council	3,731,958	8.3%	3,731,958	8.3%
Greater Wellington Regional Council	3,731,958	8.3%	3,731,958	8.3%
Tasman District Council	3,731,958	8.3%	3,731,958	8.3%
Tauranga City Council	3,731,958	8.3%	3,731,958	8.3%
Wellington City Council	3,731,958	8.3%	3,731,958	8.3%
Western Bay of Plenty District Council	3,731,958	8.3%	3,731,958	8.3%
Whangarei District Council	1,492,784	3.3%	1,492,784	3.3%
Hastings District Council	746,392	1.7%	746,392	1.7%
Marlborough District Council	400,000	0.9%	400,000	0.9%
Selwyn District Council	373,196	0.8%	373,196	0.8%
Gisborne District Council	200,000	0.4%	200,000	0.4%
Hauraki District Council	200,000	0.4%	200,000	0.4%
Horowhenua District Council	200,000	0.4%	200,000	0.4%
Hutt City Council	200,000	0.4%	200,000	0.4%
Kapiti Coast District Council	200,000	0.4%	200,000	0.4%
Manawatu District Council	200,000	0.4%	200,000	0.4%
Masterton District Council	200,000	0.4%	200,000	0.4%
New Plymouth District Council	200,000	0.4%	200,000	0.4%
Otorohanga District Council	200,000	0.4%	200,000	0.4%
Palmerston North District Council	200,000	0.4%	200,000	0.4%
South Taranaki District Council	200,000	0.4%	200,000	0.4%
Taupo District Council	200,000	0.4%	200,000	0.4%
Thames-Coromandel District Council	200,000	0.4%	200,000	0.4%
Waimakariri District Council	200,000	0.4%	200,000	0.4%
Waipa District Council	200,000	0.4%	200,000	0.4%
Whakatane District Council	200,000	0.4%	200,000	0.4%
Whanganui District Council	200,000	0.4%	200,000	0.4%
	45,000,000	100%	45,000,000	100%

14 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 provide debt to them at the lowest possible interest rates and to enhance their certainty of access to debt markets.

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 recognized 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.

15 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 \$120 million in bonds through a tender on 14 February 2018.

Other disclosures

Credit Rating

As at 31 December 2017, LGFA has the following credit ratings:

Rating Agency	Local currency		Foreign currency	
	Long-term	Short-term	Long-term	Short-term
Standard & Poors	AA+	A-1+	AA	A-1+
Fitch	AA+	F1+	AA	F1+

Waivers from NZX Limited (NZX)

LGFA's fixed rate bonds are quoted on the NZX Debt Market (LGFA Bonds). NZX has granted LGFA a number of waivers from the NZX Listing Rules.

Waiver from Rule 5.2.3

NZX has granted LGFA a waiver from NZX Listing Rule 5.2.3 to the extent that this requires the LGFA Bonds to be held by at least 100 members of the public holding at least 25% of the number of securities of that class issued.

The waiver from NZX Listing Rule 5.2.3 was provided on the conditions that:

- LGFA clearly and prominently disclose the waiver, its conditions and its implications in its annual reports and in each profile or Offering Document for the LGFA Bonds;
- LGFA will disclose market liquidity as a risk in each offering document (excluding any offering document referred to in paragraph (f) of the definition of "Offering Document" under NZX Listing Rule 1.6.1) for the LGFA Bonds; and
- the nature of LGFA's business and operations do not materially change from its business and operations as at the date of the waiver decision.

The effect of the waiver is that the LGFA Bonds may not be widely held and there may be reduced market liquidity in the LGFA Bonds.

Waiver from Rule 6.3.2

NZX has granted LGFA a waiver from NZX Listing Rule 6.3.2 so that the deemed date of receipt of notices for a holder of LGFA Bonds who has supplied LGFA with an address outside of New Zealand, will be five working days after that notice is posted to that physical address.

Net Tangible Assets

Net tangible asset per \$1,000 of listed bonds as at 31 December 2017 is \$7.85 (30 June 2017: \$6.86).

Right: The Pocket Park joins the popular Hatea Loop with Port Road in Whangarei. The park provides a place with shade, seating and a playground for residents and visitors to stop and enjoy the view of the Hatea River. Whangarei District Council.

Back cover: Oneroa Beachfront Cycle and Walkway. Gisborne District Council.

Directory

Postal address

PO Box 5704
Lambton Quay
Wellington 6145

Street address

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Level 8
City Chambers
142 Featherston Street
Wellington 6011

AUCKLAND

Level 12
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Auckland 1010

Office hours

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Phone

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Personnel e-mail addresses

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Website

lgfa.co.nz

 Follow us twitter.com/nzlgfa



Attachment 1

Item 10



LGFA 
NEW ZEALAND
LOCAL GOVERNMENT
FUNDING AGENCY

22 February 2018

Dear Shareholder

Draft Statement of Intent 2018/19

Please find attached a copy of the Draft Statement of Intent (“SOI”) for the 2018/19 year¹.

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 2018/19 SOI are worth noting:

- Profitability is forecast to remain strong with projections for Net Operating Gain of \$10.81 million, \$10.44 million and \$14.08 million for the next three years as controllable expenses remain close to previous year budgets but net interest income grows. However, we remain cautious in placing too much emphasis on the Year Three (2020/21) forecast given that over the next three years, \$3.79 billion of our LGFA bonds and \$3.336 billion of council loans mature. Assumptions regarding timing of refinancing and interest rates have a meaningful impact on financial projections.
- Net interest income is expected to increase over the next three years as we hold additional liquid assets to manage the LGFA bond maturities. We would also expect councils to refinance their loans prior to maturity and depending upon the timing, this is slightly positive for LGFA.
- We have reduced our forecast for Local Government loans outstanding as at June 2019 to \$8.020 billion and to \$8.261 billion as at June 2020 (from \$8.188 billion and \$8.391 billion in the previous SOI). This reflects uncertainty regarding the impact on LGFA lending if councils

¹ If you wish to also receive a version with tracked changes that highlight changes from the previous 2017/18 SOI then please let me know.

substitute LGFA borrowing for funding from the Housing Infrastructure Fund facility and other Central Government initiatives. Councils have also yet to release their Draft Long Term Plans and provide indications of future borrowing intentions.

- 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 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 similar to the forecast in each of the 2018/19 and 2019/20 financial years.
- The SOI performance targets are the same as the targets in the previous SOI as we believe these reflect the optimal means to assess our performance against our key objectives.
- As noted above, there is some timing uncertainty within the SOI forecast relating to Local Government loans and LGFA bonds outstanding as we need to project both the repayment amount and repayment timing of the Local Government loans that are due to mature in March 2019, April 2020 and May 2021. 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 2018 then please feel free to contact myself or any member of the Shareholders Council. The LGFA Board will consider any feedback received and provide a final version of the SOI to shareholders by 30 June 2018.

Yours sincerely



Mark Butcher
Chief Executive

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED
AUCKLAND Level 12, West Plaza Tower, Corner Albert and Customs Street
WELLINGTON Level 8, City Chambers, 142 Featherston Street
PO Box 5704, Lambton Quay, Wellington 6145 | PH +64 4 974 6530 | www.lgfa.co.nz

Draft Statement of Intent 2018/19

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 endeavour to visit each Participating Local Authority on an annual basis;
- LGFA will analyse finances at the Council group level where appropriate;
- LGFA will review its debt covenant methodology and assessment of council financial position at group vs parent. LGFA will present its findings to councils at the LGFA Shareholder-Borrower Day, including a comparison of LGFA methodology to that of the credit rating agencies;
- 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; and
- LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market.

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 2021 are:

FINANCIAL YEAR (\$M)

Comprehensive income	Jun-19	Jun-20	Jun-21
Interest income	239.11	241.42	254.38
Interest expense	220.64	223.71	232.86
Net Interest income	18.46	17.71	21.53
Issuance and on-lending costs	2.44	2.47	2.50
Approved Issuer Levy	2.07	1.56	1.61
Operating expenses	3.14	3.24	3.33
Issuance and operating expenses	7.65	7.27	7.44
P&L	10.81	10.44	14.08
Financial position (\$m)	Jun-19	Jun-20	Jun-21
Capital	25.00	25.00	25.00
Retained earnings	48.30	57.42	70.10
Total equity	73.30	82.42	95.10
Shareholder funds + borrower notes / Total assets	2.40%	2.49%	2.64%
Dividend provision	1.33	1.40	1.45
Total assets (nominal)	8,170.25	8,414.20	8,447.97
Total LG loans - short term (nominal)	325.00	325.00	325.00
Total LG loans (nominal)	7,695.00	7,936.50	7,972.50
Total bills (nominal)	370.00	370.00	370.00
Total bonds (nominal) ex tsy stock	7,699.00	7,839.00	7,829.00
Total borrower notes (nominal)	123.12	126.98	127.56

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, April 2020 and May 2021 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 2019 will be no more than 0.10%.
- 30 June 2020 will be no more than 0.10%.
- 30 June 2021 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 2019 will be less than \$5.58 million.
- 30 June 2020 will be less than \$ 5.71 million.
- 30 June 2021 will be less than \$5.83 million.

- Total lending to Participating Local Authorities¹ at:

- 30 June 2019 will be at least \$8,020 million.
- 30 June 2020 will be at least \$8,261 million.
- 30 June 2021 will be at least \$8,297 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.

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.

¹ Subject to the forecasting uncertainty noted previously

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

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

7. Governance

Board

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

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

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

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

All directors are required to comply with a formal Charter, to be reviewed from time to time in consultation with Shareholders.

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

Shareholders' Council

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

- Review the performance of LGFA and the Board, and report to Shareholders on that performance on a periodic basis.
- Make recommendations to Shareholders as to the appointment, removal, replacement and remuneration of directors.
- Make recommendations to Shareholders as to any changes to policies, or the SOI, requiring their approval.
- Ensure all Shareholders are fully informed on LGFA matters and to coordinate Shareholders on governance decisions.

² Best practice as per NZX and Institute of Directors guidelines

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 fixed rate bond cost of funds plus 2.00% over the medium term.

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

In the absence of any subsequent share transfers to the observed share transfers on 30 November 2012, the Board considers the current commercial value of LGFA is at least equal to the face value of the Shareholders' paid up Principal Shares - \$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 2017 (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.

b. Statement of Compliance

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

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

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

c. Basis of Preparation**Measurement base**

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

The financial statements are prepared on an accrual basis.

Functional and presentation currency

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

Foreign currency conversions

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

Changes in accounting policies

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.

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 (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

f) Other liabilities

Employee entitlements

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

g) Revenue and expenses

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

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

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

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

Income tax

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

Goods and services tax

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

h. Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

i. Segment reporting

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

j. Judgements and estimations

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

6. The following three projects have an amber status indicating that there is a risk of exceeding scope, budget or schedule:
7. Hamilton Ring Road Upgrade and Extension
8. The project is currently in amber due to land procurement and Rights of First Refusal (RFR) issues still to be resolved.
9. There are also geotechnical risks around the interface with the Waikato River Bridge being worked through.
10. Pukete 3 Wastewater Treatment Plant Upgrade
11. The overall cost risk is pending market pricing. If realised this will be addressed in the Contract Award report and 10 Year Plan requirements.
12. Delays with contract commencement due to the need to better understand the seismic requirements at the plant prior to physical works have meant a financial deferral is required and has been signalled.
13. River Plan
14. A report will be brought to the 19/04/18 Council Meeting seeking deferral of works for the VOTR to Embassy Boardwalk project.

Risks

15. The project risks are identified on a project specific basis and are actively managed and monitored by the assigned project manager in conjunction with the relevant project governance/GM sponsor.
16. Any change to the risk profile or risk rating is included in the key projects status summary report for each project.
17. There has been a risk increase for the following project:
18. River Plan
19. Risk exists around the potential to uncover archaeological matter in the Museum to Grantham Connection.
20. Risk exists around ability to find an affordable solution for the Jetty.

Attachments

Attachment 1 - PMO - Key Projects Status Summary Report - February 2018 .

Key Projects Status Summary Report – February 2018

Total Number of Projects	Count	Project Status	Risk Ratings
Project Status – On Track	7	Green	Increased = ↑
Project Status – Needs to be Monitored	3	Amber	Unchanged = →
Project Status – Needs urgent management attention	0	Red	Decreased = ↓

Project/ Programme Name	Project Sponsor	Project Manager	Start date	Expected completion date	Total project budget	Total project cost TD	2017/18 budget	YTD spend 2017/18	Project Status	Project Exception Report	Risks
Hamilton Gardens Development	Lance Vervoort	Helen Paki	02-Jun-14	31-Dec-18	\$ 7,239,306	\$ 5,859,569	\$ 2,655,810	\$ 1,276,073	Green	The official opening for the Changing Places toilet was held on 12 March 2018. Tenders for each specialist part of the jetty project are in the final stages of confirmation with the intended completion date still at the end of May. Other projects in progress are the Maze Court, Surrealist Gardens (with Tronites), Picturesque Garden and Mansfield Garden (musical instruments have been delivered for Mansfield Garden but will require repainting.) No change to risks or risk ratings	→
Hamilton Ring Road Upgrade and Extension (Wairere Drive Extension)	Andrew Parsons	Tahl Lawrence	01-Jul-03	30-Jun-20	\$ 84,310,999	\$ 78,131,940	\$ 7,822,000	\$ 1,587,472	Amber	Enabling works contract now awarded and underway. On track to award main construction contract by 2018/19 summer construction season subject to 10YP funding confirmation. NZTA subsidy is now confirmed. Status is amber due to land procurement and Rights of First Refusal (RFR) issues to still be resolved. Geotechnical risks around interface with Waikato River Bridge are still being worked through. A public information session is planned for 9 April 2018. No change to risks or risk ratings.	→
North City Road Urban Upgrade	Andrew Parsons	Chris Barton	01-Jul-15	23-Dec-21	\$ 8,126,000	\$ 2,022,909	\$ 2,098,000	\$ 1,370,789	Green	On-track. First stage of North City Road and associated town centre development underway by developers. HCC contribution is being made via cost-share agreement which is now in place. Second stage planned for construction in 2018/19 summer season, in accordance with development timing. A public information session is planned for 12 April 2018 covering the North City project and associated town centre etc. No change to risks or risk ratings.	→
Pukete 3 Wastewater Treatment Plant Upgrade	Andrew Parsons	Barry Hu	01-Jul-15	30-Jun-20	\$ 18,354,000	\$ 2,443,010	\$ 6,500,000	\$ 670,545	Amber	Amber – Physical works contract currently being tendered, revised program to award contract in May 2018. Delays with contract commencement due to the need to better understand the seismic requirements at the plant have meant a financial deferral is required and has been signalled. No change to risks or risk ratings.	→

Project/ Programme Name	Project Sponsor	Project Manager	Start date	Expected completion date	Total project budget	Total project cost TD	2017/18 budget	YTD spend 2017/18	Project Status	Project Exception Report	Risks
Rototuna Reservoir and Bulk Watermains Development	Andrew Parsons	Lance Haycock	01-Mar-15	31-Aug-17	\$ 21,989,000	\$ 21,523,204	\$ 1,352,000	\$ 1,141,690		Final operational commissioning and network integration currently progressing. No change to risks or risk ratings	→
Rototuna Town Centre – New Agreement Phase	Lance Vervoort	Helen Paki	02-Apr-13	30-Mar-18	\$ 3,839,300	\$ 3,286,376	\$ 50,000	\$ 0		The Comprehensive Development Plan (CDP) has been finalised. The resource consent for stage 1 (supermarket and retail) was lodged in partnership with Kirkdale Investments and is due to be signed off in March. No change to risks or risk ratings	→
Victoria on the River (VOTR) Stage 2 works	Lance Vervoort	Maria Barrie	01-May-16	30-Jun-18	\$ 6,746,496	\$ 6,516,338	\$ 3,710,000	\$ 3,479,842		Site is open to the public. Outstanding works include a mural, shade, and wayfinding signage. VOTR to Embassy Boardwalk is now being reported through the River Plan. The changes to the budget reflect the movement of the boardwalk to the River Plan and the unspent operating budget for vegetation being deferred to other high priority areas within the city. No change to risks or risk ratings	→
Waioira 2 Water Treatment Plant Upgrade	Andrew Parsons	Barry Hu	01-Jul-15	30-Jun-21	\$ 28,746,000	\$ 5,936,976	\$ 3,578,000	\$ 2,871,723		Project currently on track. Hamilton South pipeline installation now complete. No change to risks or risk ratings	→
Waterworld Project	Lance Vervoort	Shane Drury	01-Jul-16	31-Dec-18	\$ 10,780,000	\$ 1,606,148	\$ 10,325,000	\$ 1,151,148		Construction commenced 12 February 2018. Progress is tracking well against the programme. Opening to public planned for 22 September 2018. Deferral figures for spreading the works across financial years are being confirmed with contractor.	→
River Plan	Lance Vervoort	Natasha Ryan	01-Jul-17	30-Jun-18	\$ 1,497,700	\$ 117,470	\$ 1,497,700	\$ 117,470		Amber - Programme will be seeking the approval to defer the works for the VOTR to Embassy Boardwalk through a report to Council on 19/04/18. Elected Members Briefing held on 9/03/18 provided updates on the progress on the key projects in this programme. Risk exists around the potential to uncover archaeological matter in the Museum to Grantham Connection. Risk also exists around ability to find an affordable solution for the Jetty.	↑

Council Report

Item 12

Committee: Finance Committee **Date:** 03 April 2018
Author: Nicolas Wells **Authoriser:** David Bryant
Position: Strategic Property Unit Manager **Position:** General Manager Corporate
Report Name: Accessible Properties New Zealand Limited - Financial Statements and Activity Report - Six Months to 31 December 2017

Report Status	<i>Open</i>
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Purpose

1. To inform the Finance Committee of Accessible Properties New Zealand Limited's:
 - Quarter 1 and 2 Management Accounts for the half-year ended 31 December 2017
 - Activity report for the half year ended 31 December 2017.

Staff Recommendation

That the Finance Committee receives the report.

Executive Summary

2. Accessible Properties New Zealand Limited ("Accessible") purchased Hamilton City Council's Pensioner Housing Portfolio on 7 March 2016 for \$23m.
3. The purchase price was split with \$4.2m paid on settlement and the \$18.8m balance payable on 7 March 2019.
4. The conditions of sale require Accessible to report regularly to the Council on various aspects of their performance.
5. Accessible is fully compliant with the conditions of the Agreement for Sale and Purchase.
6. Staff consider the matters in this report have low significance and that the recommendations comply with the Council's legal requirements.

Reporting Schedule

7. The information tabulated below is evaluated by staff to ensure compliance. The information is reported to the Finance Committee every six months in March and September. Staff will report by exception at any time if deemed necessary.

Report	Frequency	Period	Due Date
Q1 Management Accounts	3 months	July - September	31 October
Q2 Management Accounts	3 months	October - December	28 February
Q3 Management Accounts	3 months	January - March	30 April
Q4 Management Accounts	3 months	April - June	31 August
Audited Annual Accounts	12 months	July - June	31 October
Q1 & Q2 Activity Report	6 months	July - December	28 February
Q3 & Q4 Activity Report	6 months	January - June	31 August

Discussion

8. Half-year Financial Statements

9. Accessible is required to provide quarterly and annual management accounts:

- Clause 13.2(c) Quarterly and Annual reporting on Accessible's financial position during the period of vendor financing (three years ending 7 March 2019)

10. The financial statements must contain profit and loss, a balance sheet, and sufficient information to allow the Council to ensure that Accessible is complying with the financial covenants in the Agreement for Sale and Purchase.

11. Council's Finance Unit has reviewed Accessible's management accounts for the six months ending 31 December 2017 and confirms that they show compliance with the agreed financial covenants and other clauses in the agreements between the Council and Accessible.

Financial Covenants (banking covenants in favour of Westpac)		
Measure	Result	Compliance
<u>Quasi Equity Ratio</u> Shareholders' funds not less than 50% of adjusted tangible assets	66.5%	Compliant
<u>Cash Flow Available for Debt Service (CFADS) Ratio</u> CFADS ratio at least 1.00 times the Debt Servicing Costs	3.85 times	Compliant

12. Half-year Activity Reports

13. Accessible is required to provide regular activity reports (Attachment 1):

- Schedule 1 Part 1 (Encumbrance for Donny Avenue) and Schedule 1 Part 2 (Encumbrance for All Other Properties) Appendix 2 Clause 6 six monthly reporting on tenancy related matters during the lifespan of "current tenants".

14. The activity reports must describe:

- The number of units occupied during the period;

- How many units were occupied by current tenants (in occupation at sale date 7 March 2016) and how many utilised for social housing purposes;
- The rental paid for each unit during the period;
- Any rent increases made during the period, and the basis on which such rent increases were calculated;
- The maintenance spent on the properties during the period.

15. Council staff have reviewed Accessible's activity report for the period ending 31 December 2017 and confirm that the report shows compliance with the agreed encumbrances and other clauses in the agreements between the Council and Accessible.

Encumbrance (Utilisation and Activity)		
Measure	Result	Compliance
<u>Social Housing</u> Continue to utilise the portfolio for social housing		Compliant
<u>Minimum Number</u> No fewer than 344 social housing units available for continuous occupation	344	Compliant
<u>Current Tenants</u> Current Tenants (as at date of sale) to remain in occupancy	248	Compliant
<u>Bi-Annual Reports</u> Bi-annual reports detailing information in 16 above		Compliant

Legal and Policy Considerations

16. Staff confirm that this matter complies with the Council's legal and policy requirements.

Risks

17. There are no risks associated with providing this information to Council.

Significance

18. Having considered the Significance and Engagement Policy, staff have assessed that the matters in this report have a low significance.

Attachments

Attachment 1 - Accessible Properties Limited - Activity Report 31 December 2017 .

REPORT

On
**MANAGEMENT OF ACQUIRED
HAMILTON CITY COUNCIL HOUSING**
From
1st July 2017-31st December 2017

ACCESSIBLE PROPERTIES NEW ZEALAND LTD

31st December 2017





Item 12

Attachment 1

1. Background:

Accessible Properties acquired the Housing for Older Persons portfolio from Hamilton City Council on 7 March 2016. This comprises 344 units of predominantly one-bedroom configuration that are located in 17 complexes distributed throughout the city. These units are made available for affordable rental by people on very low incomes and with few assets, with a focus on meeting the needs of the elderly and providing social support.

The terms of sale and purchase require Accessible Properties to report on the use of the properties every six months for the first ten years of ownership. This enables the Council to verify that terms of encumbrance are met.

The purchase arrangements include an interest free loan from the Council for a three year period and an associated mortgage in favour of the Council. During this three year period, Accessible Properties is required to provide quarterly management accounts and annual audited financial statements that demonstrate financial viability.

This report addresses these requirements, and also provides the Council with an update of what has happened during the first four months of ownership and management of the portfolio by Accessible Properties.

2. Progress in the period July 2017- December 2017:

3 complexes have had their parking issues rectified, Livingston Avenue, PeachGrove Road and Korimako Street all have additional designated parking areas which have now been completed with plantings. 19 Graham Street has been repainted and 13 Graham Street had freshened in places. Repairs to roofs in Matai Street have been completed. Tenants have responded positively to repairs and maintenance being completed in a timely manner, the one collective complaint has been the trees, lawn and garden maintenance. The Asset and Tenancy Managers have regular meetings with the contractor to rectify the service we are receiving.

A summary of outcomes follows:

- An annual survey is undertaken to assess our services to tenants, affordability of rents, any outstanding maintenance issues, and our performance to respond
- Tenant Newsletters, tenants are invited to talk about their experience of being housed with Accessible Properties. Copies are on our web site.
- We have sixteen tenants from the MSD social housing register currently and the placements off the social housing register come with government Income-Related Rent Subsidies (IRRS) which has enabled tenants to be financially better off. (October 2017 the total was fourteen placements.)
- We have provided input into the development of a Hamilton Social Housing Strategy.
- We have spent more than the intended maintenance allocation for the year ending 31st December 2017 due to higher than anticipated maintenance and deferred maintenance issues.
- We have undertaken in total 18 full unit refurbishments – which have occurred when units have become vacant, with one exception.

- Replacement of chubs to shower boxes in 5 units
- One full bathroom conversion to wet area
- Upgrading and replacement of heaters in units upon vacancy.
- We are working closely with local social support agencies on placement arrangements and support for tenants. This includes Rauawaawa Kaumatua Trust, Maori Housing Foundation, Age Concern, Centre 401 (mental health), DHB social workers, Enliven, IDEA Services, MSD, Peoples Project, Habitat for Humanity and Community Living.

3. Actions Proposed in the Next Six Months:

- Maintenance inspections have been undertaken for all units, and a maintenance schedule and a capital expenditure plan is being prepared for the year beginning 1 July 2018.
- A Hamilton Social Housing Advisory Group is yet to be established to help ensure our housing meets the wider needs of the Hamilton community. Work has already started on the structure and membership of this.
- A tenant satisfaction survey is planned for April 2018 this has been delayed to include feedback from the rental increase.

4. Use of Properties:

Responses below are numbered the same as in the encumbrance instruments on titles:

a) *Number of Units Occupied During the Period:*

As at 31st December 2017: 330 of 344 units were occupied (8 vacancies, 97% occupancy)

b) *Number of Units Occupied by Original Tenants:*

As at 31st December 2017: 248 original tenants remain (307 tenants at time of hand-over 7th March 2016)

c) *Rent Increases During the Period:*

- New Rents have been set effective December 11th 2017
- Newly-placed tenants pay substantially less than lower quartile market rental for units, and current weekly rentals are calculated on affordability for people on beneficiary-level incomes, and are as follows:

	HCC	APL	NEW
1 Bedroom single occupancy (small unit)	\$130	\$135	\$160
1 Bedroom double single occupancy	\$145	\$145	\$170
1 Bedroom double occupancy	\$170	\$170	\$170
2 Bedroom	\$220		\$240

Donny Ave CPI increase as per covenant

- MSD rent setting is based on Lower Quartile Bond data for suburb.

d) Maintenance Expenditure:

The total maintenance expenditure on the portfolio for the six months to 31st June 2017 was \$292,000

5. About Accessible Properties:

Accessible Properties is a Registered Community Housing Provider supplying affordable rental homes for people with social support needs, and with particular expertise in the housing needs of people with disabilities or mobility difficulties or who are elderly. It also provides housing management services for community organisations. It is a charitable organisation that has tax exempt status and is the only organisation with a three year term of accreditation against the Best Practice Guide for Community Housing in New Zealand - undertaken by Global Mark.

Accessible Properties operates nationwide and manages New Zealand's largest non-government social housing portfolio of over 2,500 household units. It also manages 195 commercial properties used by community organisations. It has been involved with social housing in Hamilton since 1954 (with the opening of Christopher House), and 105 homes are in the Waikato region. It has close links with social support agencies in Hamilton.

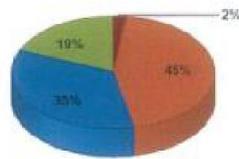
Position Overview

View Position for: 31 Dec 17

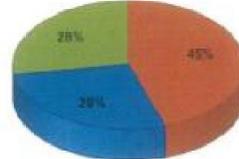
Composition by Asset Class

Asset Class	Value	Actual	Ultimate	Working	Actual less Ultimate	Actual less Working
Cash	134,075	2%	0%	1%	2%	1%
Fixed Interest	2,849,188	45%	45%	45%	0%	0%
Income Stocks	0	0%	0%	0%	0%	0%
Core Growth	2,205,347	35%	28%	35%	7%	-1%
Satellite Growth	1,189,731	19%	28%	19%	9%	0%
Total	6,378,341	100%	100%	100%	0%	0%

Actual Allocation



Ultimate Allocation

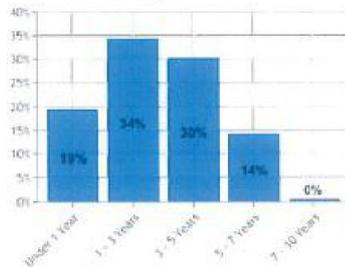


Legend: Cash (Red), Fixed Interest (Orange), Income Stocks (Blue), Core Growth (Green), Satellite Growth (Light Green)

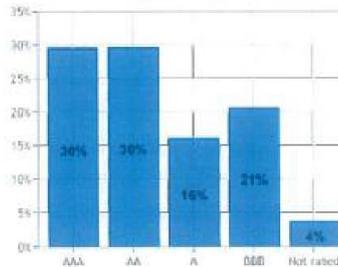
Ultimate Allocation: is that agreed to with the client as being the most consistent with their objectives.
 Working Allocation: is our immediate target, given our perception of market conditions and prospects.
 Actual Allocation: is the actual portfolio position at month-end.

Fixed Interest Summary

Maturity Distribution



Quality Distribution



Growth Stocks Summary

Core by Thematic Exposure

Theme	Value	%
Other	870,487	39%
External Manager	234,924	11%
Technology	226,702	10%
Financials	168,278	8%
Consumer Discretionary	139,769	6%
Industrials	137,572	6%
Health Care	85,690	4%
Materials	78,257	4%
Other	263,668	12%
Total	2,205,347	100%

Satellite by Thematic Exposure

Theme	Value	%
Technology	292,567	25%
Financials	274,122	23%
Industrials	161,157	14%
Consumer Discretionary	149,937	13%
Health Care	106,154	9%
Consumer Staples	77,903	7%
Real Estate	37,035	3%
Energy	35,079	3%
Other	55,809	5%
Total	1,189,731	100%

Vibrant Hamilton Trust			
Statement of financial performance			
for the six months ended 31 December 2017			
	Actual 2018 (6 months)	Budget 2018 (12 months)	Actual 2017 (6 months)
Revenue			
Interest and dividend revenue	221	144,349	30,073
Realised gains on investments	21,355	288,698	103,155
Unrealised gains on investments (movement)	463,065	-	124,233
Total revenue	484,641	433,047	257,461
Expenses			
Audit fees	3,925	7,850	3,800
Management fee - Kiwi Wealth	16,608	34,066	15,834
Other expenses	4,000	8,100	4,000
Grants distributed	200,000	300,000	300,000
Total expenses	224,533	350,016	323,634
Surplus/(deficit) for the period	260,108	83,031	(66,173)
Vibrant Hamilton Trust			
Statement of financial position			
as at 31 December 2017			
	Actual 2018	Budget 2018	Actual 2017
Assets			
Current assets			
Bank account and cash	134,075	300,000	167,804
Other financial assets	6,244,266	5,557,223	5,756,729
Total current assets	6,378,341	5,857,223	5,924,533
Total assets	6,378,341	5,857,223	5,924,533
Liabilities			
Current liabilities			
Creditors and accrued expenses	26,600	15,950	10,501
Grants payable	200,000	-	300,000
Total current liabilities	226,600	15,950	310,501
Total liabilities	226,600	15,950	310,501
Total net assets	6,151,741	5,841,273	5,614,033
Trust equity			
Contributed capital	4,169,850	4,169,850	4,169,850
Accumulated surpluses/(deficits)	1,981,891	1,671,423	1,444,183
Total Trust equity	6,151,741	5,841,273	5,614,033

Vibrant Hamilton Trust			
Statement of cashflows			
for the six months ended 31 December 2017			
	Actual	Budget	Actual
	2018	2018	2017
	(6 months)	(12 months)	(6 months)
Cash flows from operating activities			
Interest and dividends	221	144,349	30,073
Realised gains on investments	21,355	288,698	103,155
Other income	-	-	-
Payments to suppliers	(16,643)	(50,016)	(15,870)
Grants paid	-	(300,000)	-
Net cash flows from operating activities	4,932	83,031	117,358
Cash flows from investing and financing activities			
Payments to acquire investments	(5,051)	(83,031)	(83,748)
Net cash flow from investing and financing activities	(5,051)	(83,031)	(83,748)
Net increase/(decrease) in cash for the year	(119)	-	33,610
Add opening bank account and cash	134,194	300,000	134,194
Closing bank account and cash	134,075	300,000	167,804



STATEMENT OF INTENT (DRAFT)

VIBRANT HAMILTON TRUST

for the year ended 30 June 2019

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 2019 and includes the forecast financial statements for the following two years 2020 and 2021.

Thomas Gibbons
Chair
20 March 2018



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 \$200,000 in 2017/18 for the following projects:

- *Flagstaff North Playgrounds Project (\$200,000)*

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



Attachment 2

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.

Item 13

GRANT DISBURSEMENT

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

Objective

- To distribute grants totalling a minimum of \$300,000 for 2018/2019 in accordance with the Management of Share Portfolio and Distribution Policy.

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 2019 to 2021 are shown below. For comparative purposes, we have disclosed the original budget for 2018 (i.e. the approved SOI for 2018) and the revised forecast for 2018 (which incorporates the audited results for 2017 and more recent information on portfolio performance).

Vibrant Hamilton Trust
Statement of Financial Performance
Forecast for the year ended 30 June

	Note	Budget 2018 \$	Revised Budget 2018 \$	Forecast 2019 \$	Forecast 2020 \$	Forecast 2021 \$
Revenue						
Interest and dividend revenue	2	144,349	35,460	36,196	36,987	37,835
Increase in value of investment	2	288,698	433,790	442,801	452,473	462,846
Total revenue		433,047	469,250	478,997	489,460	500,681
Expenses						
Management fee	3	34,066	30,732	31,370	32,055	32,790
Audit fee	3	7,850	7,857	8,093	8,336	8,586
Other expenses	3	8,100	8,051	8,051	8,051	8,051
Grants distributed	4	300,000	300,000	300,000	300,000	300,000
Total expenses		350,016	346,640	347,514	348,442	349,427
Surplus/(deficit) for the year		83,031	122,610	131,483	141,018	151,254

Item 13

Attachment 2

Vibrant Hamilton Trust
Statement of Financial Position
Forecast as at 30 June

Attachment 2

Item 13

	Note	Budget 2018 \$	Revised Budget 2018 \$	Forecast 2019 \$	Forecast 2020 \$	Forecast 2021 \$
Assets						
Current assets						
Bank account and cash	5	300,000	300,000	300,000	300,000	300,000
Other financial assets	6	5,557,223	5,732,712	5,864,484	6,005,802	6,157,368
Total current assets		5,857,223	6,032,712	6,164,484	6,305,802	6,457,368
Total assets		5,857,223	6,032,712	6,164,484	6,305,802	6,457,368
Liabilities						
Current liabilities						
Creditors and accrued expenses		15,950	18,469	18,758	19,058	19,370
Total current liabilities		15,950	18,469	18,758	19,058	19,370
Total liabilities		15,950	18,469	18,758	19,058	19,370
Total assets less total liabilities		5,841,273	6,014,243	6,145,276	6,286,744	6,437,998
Trust equity						
Contributed capital		4,169,850	4,169,850	4,169,850	4,169,850	4,169,850
Accumulated surpluses/(deficits)		1,671,423	1,844,393	1,975,876	2,116,894	
Total Trust equity		5,841,273	6,014,243	6,145,276	6,286,744	6,437,998

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

	Budget	Revised	Forecast	Forecast	Forecast
	2018	2018	2019	2020	2021
Cash flows from operating activities					
Interest and dividends	144,349	35,460	36,196	36,987	37,835
Payments to suppliers	(50,016)	(46,640)	(47,514)	(48,442)	(49,427)
Grants paid	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
Net cash flow from operating activities	(205,667)	(311,180)	(311,318)	(311,455)	(311,592)
Cash flows from investing and financing activities					
Realised gains on investments	288,698	433,790	442,801	452,473	462,846
Receipts from sale of investments	(83,031)	(122,610)	(131,483)	(141,018)	(151,254)
Net cash flow from investing and financing activities	205,667	311,180	311,318	311,455	311,592
Net increase/(decrease) in cash for the year	-	-	-	-	-
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

Item 13

Attachment 2

Vibrant Hamilton Trust
Notes to the financial statements
Forecast for the year ended 30 June 2019-2021

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 2019-2021 and were authorised for issue by the Trustees on 20 March 2018.

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 Kiwi Wealth.

Unrealised gains/(losses) on investments

Unrealised gains/(losses) on investment portfolio managed by Kiwi Wealth.

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.

The forecast assumptions for 2019 to 2021 are summarised below.

Forecast assumptions 2019-2021:

2. Kiwi Wealth has estimated an average return on the portfolio of 7.94% 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 0.60% of the previous year's closing portfolio balance per annum.

3. Expenses:
 - Audit fees: base of \$7,857 for 2018 plus an increment of 3% per annum thereafter
 - Accounting and administration fee is fixed at \$8,000 per annum
 - Kiwi Wealth management fee is based on an average rate of 0.52% 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 %
2019	99.70%
2020	99.70%
2021	99.70%

8. **Reports to be provided to Hamilton City Council**

- The audited financial statements for the year ended 30 June 2019, 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 2019.
- Report for the six months ended 31 December 2018 by 28 February 2019.
- Draft Statement of Intent for 2019/2020 by 28 February 2019.
- Final Statement of Intent for 2019/20 by 30 June 2019.

Vibrant Hamilton Trust

Performance measures for 2018/2019

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 Kiwi Wealth'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 2018.
2. 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 Kiwi Wealth report received prior to VHT meeting.
3. 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 2018.
4. 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.

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Attachment 2

Financial Performance Targets:

Attachment 2

	Budget 2019 \$	Forecast 2020 \$	Forecast 2021 \$
Surplus/(deficit) for the year before grants distributed	431,483	441,018	451,254
Grants distributed	300,000	300,000	300,000
Projected Portfolio Balance	6,164,484	6,305,802	6,457,368

Item 13



SIX MONTHLY REPORT TO SHAREHOLDERS

1 July 2017 to 31 December 2017

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Introduction

Local Authority Shared Services Limited was incorporated in December 2005. At the time, it was the first shared services CCO to be established in New Zealand. Since then, a number of other shared services have been established, each branded with the name of their region (e.g. BOPLASS, MWLASS). On 4 April 2016, the name registered with the Companies Office was changed to Waikato Local Authority Shared Services Ltd. (WLASS) to distinguish it from the other local authority shared services companies around New Zealand.

The Company continues to operate cost effectively with the services of a part-time contracted CEO, a part-time contracted Company Secretary, and a part-time contracted Financial Accountant.

Each of the 12 Waikato local authorities 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 2017, as required by Section 66 of the Local Government Act 2002.

Objectives of WLASS

WLASS was established principally to provide the local authorities 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, 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.

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 ability of WLASS to contribute to a greater extent in terms of shared services and also at a strategic collaboration level has also been the subject of discussion at the Waikato Mayoral Forum. WLASS provides financial support services to the Waikato Mayoral Forum, acting as the legal entity to manage all of the contracts arising from the work of the Mayoral Forum and making all contract payments, to enable the successful implementation of Mayoral Forum initiated projects.

The WLASS Directors continue to seek new opportunities, either from internal investigations or from Council or CEO initiatives that are presented to the Board with a sound business case. This may involve resourcing and funding a range of initiatives that will potentially extend the services currently offered by WLASS.

New services that are intended to be initiated under the WLASS umbrella will only be adopted where a business case shows that they provide some form of benefit to the shareholders. The benefits that may be gained include the development of intellectual property through new business services, protection of Council data, improved levels of service and/or reduced costs. All proposals will be presented to the Shareholders for approval prior to their implementation.

Nature and Scope of Current Activities

Working Parties

The WLASS Chief Executive chairs and facilitates a number of Working Parties of council staff. The standing Working Parties of WLASS are the:

- **Shared Services Working Party**, which comprises the GM Corporate (or equivalent) from all of the shareholding councils, and considers and evaluates new shared services opportunities
- **Waikato IT Managers' Working Party**, which comprises the IT Managers from all of the shareholding councils, and investigates collaboration opportunities in the technology space
- **Health & Safety Working Party**, which comprises the H&S managers (or equivalent) from all of the shareholding councils, and identifies areas where regional Health and Safety policy, procedures or guidelines need to be developed
- **Procurement Managers' Working Party**, which comprises the Procurement Managers from Hamilton City, Waikato Regional and Waikato District councils, and manages all of the WLASS procurement initiatives
- **Asset Valuation Working Party**, which comprises representatives from four of the shareholding councils, and is developing a regional asset valuation template and recommendations for transitioning to standard or consistent asset lives.

In addition, there are three further working parties, each with their own chairs, which manage the following activities:

- Shared Valuation Data Services (SVDS) Advisory Group
- Insurance Advisory Group
- Waikato Building Consent Advisory Group.

Services

Shared Valuation Data Service (SVDS)

The **SVDS Advisory Group** is currently undertaking a review to investigate options for the future provision of the SVDS service. A business case and recommendation are scheduled for presentation to the WLASS Board early in 2018, to ensure that there is no disruption to services when the current InterGen contract expires at the end of February 2018. External revenue from data sales now exceeds \$350,000 per annum and is fully funding the investigation and analysis of future options, as well as continuing to offset the cost of operating the SVDS.

Waikato Regional Transport Model (WRTM)

WRTM (now managed by RATA) has continued to be challenging this year, due to ongoing delays in reaching agreement on land use and population data from the shareholding councils. As a result, no modelling work was undertaken during the first six months of this financial year, and the model has not yet been submitted to the peer reviewer. It is anticipated that these issues will be resolved early in 2018, and the model will become operational again.

Insurance

AON continues to provide strategic and operational support and advice to the **Insurance Advisory Group** and the 2017 insurance renewal programme was completed satisfactorily with no major issues raised by any Council. The brokerage services contract with Aon has been extended to 30 June 2019.

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. There have been three WRAPS contracts – in 2002, 2007 and 2012, with the 2017 contract being let in August 2016. However, due to unsuitable weather conditions for aerial photography over the (wet and cloudy) 2015/16 summer, the contract was not completed. Approximately 65% of rural imagery and 94% of the urban imagery had been completed as at 4 May 2017. A contract variation has now been issued, which provides for the contract to be completed by 30 June 2018. With costs reducing, it is now being proposed that WRAPS will be undertaken again in 2020/21 and 4-yearly thereafter (not 5 yearly), to improve the quality of the data.

Waikato 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, and is invaluable for showing the changes that have occurred across New Zealand. The scanning project is scheduled for completion by the end of 2018. As the images become available, they are being loaded onto a public website (<http://www.retrolens.nz/map/>), which acknowledges the participation of WLASS.

Local Government Health and Safety Contractor Pre-qualification Scheme

The contract with SHE Software to manage the **Local Government Health & Safety Contractor Pre-qualification Scheme**, which was developed by WLASS, is progressing well. Twenty councils and one CCO from around New Zealand are now using the scheme and over 1,500 contractors have registered, which enables them to be pre-qualified to work for any of the participating councils.

WLASS was a finalist in the NZ Workplace Health & Safety Award for the “ACC Best Leadership of an Industry Sector or Region” category for this project. An application to the SOLGM Local Government Excellence Awards is currently in preparation, and will be submitted in February 2018.

WLASS Website

A new **website** has now been developed for WLASS (<http://www.waikatolass.co.nz/>) which enables all shareholding councils and the general public to gain an overview of the work of WLASS. The site was successfully used for public consultation on the draft Regional Infrastructure Technical Specifications (see below), and will be further developed over time.

Energy Management

This is the second year of the 3-year **Collaboration Agreement with EECA**, which finishes on 30 April 2019. Subsidies of \$83,234 (excl. GST) had been received from EECA as at 31 December 2017. Four energy audits have been undertaken and savings of \$129,000 and 1.2 GWh of energy have been achieved so far. Four more audits have been proposed, but the respective councils have decided not to proceed.

Aligned Resource Consent Planning

The purpose of this project is to make the processing of resource consents more efficient, effective and user friendly from the perspective of all parties involved. The project aims to make business in the Waikato easier by:

- delivering better services to customers
- creating more efficient and effective 'best practice' processes for the administration of resource consenting
- delivering 'best practice' administration of resource consenting
- ensuring regional consistency wherever possible in the administration of resource consenting.

The consultant and team appointed to manage this project have completed preparing the draft toolkit, and it is currently being legally reviewed for compliance with the legislation. The toolkit includes:

- Resource consent application forms
- Minor activity forms
- Written approval forms
- Resource consent application guidance
- Best practice material, e.g. condition writing, pre-application meetings
- Application checklists
- Alignment principles
- Resource consent forum terms of reference
- Resource consent correspondence letters.

It is anticipated that the toolkit will be implemented across the region during the first half of 2018. Ongoing maintenance of the toolkit will be the responsibility of WLASS.

Asset Valuation

The **Asset Valuation Working Party** has developed a regional asset valuation template and is currently preparing a schedule of regional asset classes, components, lives and unit rates. A methodology for calculating regional Unit Rates and Base Lives from the collated data is in preparation. This information will be vital to ensure regional consistency in asset revaluations.

Once the template has been finalised, it is proposed to send it to Audit NZ for review and sign off as an approved document for Asset Valuations. This will enable all participating councils to use the same template with confidence that it meets audit requirements, as well as improving regional consistency in the approach to asset valuation, which should have flow-on insurance benefits. Ongoing maintenance of the regional asset valuation template and updating of the unit rates and base life data will become the responsibility of WLASS.

Regional Infrastructure Technical Specifications (RITS)

This project was initiated by the Waikato Mayoral Forum, and is close to reaching completion, at which time it will be managed by WLASS. The RITS document sets out how to design and construct transportation, water supply, wastewater, stormwater and landscaping infrastructure in the participating councils' areas. Prior to developing RITS, each council had its own Infrastructure Technical Specifications, which resulted in different standards having to be met across the Waikato region. The purpose of RITS is to provide a single regional guide and specifications for building public infrastructure.

The RITS has been out for public consultation, and the feedback received is currently being analysed and the document finalised. RITS is expected to be published by March 2018, and will be available on the WLASS website. Ongoing maintenance of the document will become the responsibility of WLASS.

Three new services became part of WLASS on 1 July 2015 and are now fully integrated into the business.

[RATA](#)

RATA is continuing to support better roading asset management across the Waikato and is steadily working towards achieving its vision:

"By 2020, RATA will evolve from its current focus on data and evidence for asset management, to a local government trusted partner to deliver roading asset management services to the Waikato Region."

The savings achieved by RATA for the period 1 July 2014 to 31 March 2017 were \$1,263,503.

The RATA data collection strategy has been reviewed and a new delivery model is proposed. RATA has extended the three current contracts from 1 November 2017 to 30 June 2018, while a new specialised data collection contract and new visual road rating, visual footpath rating and traffic counting contracts will be publicly tendered and let separately in 2018.

Regional Pavement Deterioration Modelling (dTIMS) for Otorohanga, Waitomo, Matamata Piako and South Waikato District Councils has been completed. Further modelling for Hauraki, Thames Coromandel and Waipa commenced in December 2017.

RATA now administers two new contracts for Bridge and Structures Inspections, servicing six of the RATA councils, and this work is proceeding well.

The forward works programme tour was completed in October 2017, focusing on assessing the right treatments, at the right time. Unfortunately RATA's Economic Evaluation Guideline was again found not to have been extensively used for site evaluations for the 2017/18 programmes. Intensive follow up work is needed to ensure that this work is completed, as it is a compliance requirement of the NZTA.

[Waikato Building Consent Group](#)

This group comprises representatives from eight of the shareholding councils, and fosters co-operation and consistency in building control functions, processes, and documentation, to provide excellent and consistent customer service across the Waikato region.

A strategic planning workshop to develop a 10 year vision for the **Waikato Building Consent Group** was held in May 2017. A key outcome was the decision to move all of the participating Building Consent Authorities (BCAs) to an online, digital, end-to-end building consent process. This project is about to get underway. If the majority of BCAs move to the same online system there will be consistency in the areas of customer experience, staff training and business reporting, and it will also aid compliance auditing.

The BCAs continue to struggle to recruit and retain technical officers within a highly competitive market place and high numbers of building consent applications (see table below). Most BCAs have been, or are using contractors to cover the shortfall, which is expensive and has its own challenges. A part time audit assistant is in the process of being recruited by the WBCG, which will reduce each BCA's requirement to assist with audits.

TABLE. Number of Building Consent Applications by Council, 2014 – 2017.

Council	2014/15	2015/16	2016/17
Hamilton	1,542	1,823	1,885
Hauraki	370	354	436
Matamata-Piako	730	708	822
Otorohanga	208	218	220
Thames-Coromandel	983	984	1,186
Waikato	1,643	1,861	1,970
Waipa	1,065	1,263	1,266
Waitomo	146	165	138

The transition to the new mandatory BCA accreditation criteria has been implemented. MBIE staff attended assessments to check that the mandatory criteria were appropriate. This resulted in further changes to the documentation, which was amended in mid-October.

[Future Proof](#)

Future Proof has been working on a number of on-going projects, including an update of the Future Proof Strategy, collaboration on the National Policy Statement on Urban Development Capacity (NPS-UDC), submissions to various agencies advocating Future Proof's position, raising cross-boundary issues with Auckland, and supporting key waters and transport projects.

The draft Future Proof Strategy 2017 was publicly notified on 12 June 2017 for a six week period and 45 submissions were received. The Future Proof Strategy 2017 is expected to have been adopted by all of the partner councils by early 2018. The Strategy will be refreshed again during 2018 to address the requirements of the NPS-UDC, but no significant changes are anticipated.

Future Proof and the Mayoral Forum's Waikato Plan team are working towards building a closer working relationship. A first step in this process has been to combine the Chief Executives group. The Waikato Plan and Future Proof Chief Executive's Advisory Group had its first meeting on 20 November 2017, and Future Proof has also joined the Waikato Plan Strategic Partners' Forum.

[Procurement](#)

WLASS is a party to numerous **Procurement Contracts** which provide value to the participating councils. Current contracts include: a variety of **Insurance** coverage (Brokerage Services, Material Damage / Business Interruption Insurance, Infrastructure Insurance, Motor Vehicle Fleet Insurance); **Computer-generated Print, Mail-house and e-Services**; a **Professional Services Procurement (PSP) Panel**; an **IT Professional Services Panel**; **Internal Audit Services**; **Postal and Courier Services**; an **Accommodation** provider; **Laboratory Services** for water testing; **water and wastewater treatment plant chemicals**; a **Financial Reporting** tool; a **Fleet Management** system; a **GPS tracking** system; an **Economic profiler**; a **Health and Safety Training** provider; as well as access to **N3** (previously the Government Stores Board), **All of Government** contracts, and **Syndicated** contracts.

In addition, Hamilton City Council has entered into three contracts which include provision for any WLASS shareholding council to enter into a Joining Agreement at no cost, which enables

shareholders to secure the HCC contract rates for: Library book purchasing, water and wastewater pipe supply, and an HR Panel.

Three new shared services contracts have been implemented over the past 6 months: **On-line Driver Assessment and Training Services, Vehicle Fleet Management and Maintenance, and Occupational Health Services.**

N3

For the 12 months ending 31 December 2017, 10 of the WLASS councils (excluding Taupo and Rotorua) spent \$2,215,667 on N3 services, with estimated savings of \$631,531 (22%). However, these savings are measured against the recommended retail price of services by N3, and so are likely to be over-estimated.

All of Government Contracts (AoG)

For the financial year 2016/17, the 12 shareholding councils spent 18,441,067 on various AoG contracts (ranging from between 4 – 18 suppliers across the councils), and achieved savings of 1,641,294 (an average of 8.9%). The results to 31 December 2017 are not yet available.

BP Fuel Savings

For the 12 months ending 31 December 2017, eight of the WLASS councils (excluding Hauraki, Matamata-Piako, Otorohanga and Thames-Coromandel, who have not joined this contract) spent \$1,388,284 on fuel, and achieved savings of \$374,137 (21%) – an average of 27 cents per litre.

Work in Progress

Five new projects have been initiated since the 2017/18 Statement of Intent was adopted.

Procurement Review

The procurement review undertaken by ArcBlue last financial year has been completed and was reported to the Shared Services Working Party in July 2017. A business case to employ a dedicated resource to progress the recommendations in the report was presented to the Board and approved in September 2017. A part-time procurement specialist has recently been engaged (beginning in February 2018) for a period of up to one year to:

- Assist all councils to utilise the existing WLASS contracts, AoG contracts and syndicated contracts that are appropriate for each council, to ensure that opportunities for savings are being maximised
- Develop standard regional procurement policies, templates and procedures and provide training in each council
- Manage the existing WLASS contracts to improve relationship management and ensure that their value is being maximised.

The contractor will work directly with staff in each council to ensure that contract savings are being maximised and that good procurement systems and processes are in place.

Waikato Data Portal

In September 2017, the Shared Services Working Party considered a report and draft business case from the WLASS Data Portal Steering Group for a proposed Waikato Data Portal. The proposed Data Portal would underpin a regional approach to the provision of spatial information and open data, and enhance the customer experience by providing a single site where consumers could access spatial information and other types of data from councils across the Waikato region.

In Canterbury, a similar product called "Canterbury Maps" (<https://canterburymaps.govt.nz>) provides an operative case study of what a Waikato Data Portal could achieve. A review of Canterbury Maps has been completed, which identified that "*Canterbury Maps provides the public unprecedented free access to detailed maps and background data drawn from across the*

Canterbury region including detailed land and property information, data on the region's water and air quality, council services and local attractions." The project is co-ordinated by staff at Environment Canterbury, who work with staff from 10 other councils (including Christchurch City). Canterbury Maps users gain efficiencies through having access to data from all parties in one place instead of having to ask multiple partners to supply data. Previously, customers would have to make requests from multiple councils to gain a regional view.

Funding of up to \$120,000 was approved by the Board for the Steering Group to prepare a final business case (to be presented initially to the Shared Services Working Party and then to the Board later in the first half of 2018, with a specific recommendation about whether or not to proceed). The business case will include details of the financial implications associated with implementing the project for each council, if the recommendation is to "Go".

WLASS Digital Strategy

A WLASS Digital Strategy working group has been established (including staff from Waikato Regional Council, Hamilton City Council, South Waikato District Council, Waipa District Council and Waikato District Council). The following decisions have been made to date:

- The digital strategy will focus on transforming service delivery through collaboration on tactical projects which will be used as proof of concept for driving more aspirational step- change.
- These tactical projects will be customer-centric, improve transactional processes and add value for money.
- The purpose of the digital strategy is not to mandate solutions; it will outline how the participants will work effectively together to achieve common goals.
- The strategy requires agreement and buy-in from both the Shared Services Working Party and the WLASS Board to be successful.
- Projects will be implemented through a coalition of the willing that will lead by example, and be guided by agreed principles.

The Digital Strategy will evolve as the working party continues to learn more about each other's priorities, understands where value can be added by working collaboratively, and builds strong foundations. Regular updates are being provided to the Shared Services Working Party and the Board.

Joint Solid Waste Project with BOPLASS

Since 2016, BOPLASS has been investigating opportunities to work collaboratively on solid waste initiatives. The opportunities identified ranged from small financial and resource gains through immediate collaboration, to potentially much larger gains which would require a greater investment in time and resources from BOPLASS and the councils.

BOPLASS has developed business cases for:

- a regional or cross-regional approach to licensing and data collection for waste operators
- diverting putrescible wastes from landfill
- a regional facilities strategy.

In December, the Board approved supporting Stage 1 (Scoping) of the Licensing and Data Collection project, and committed funding of \$7,350 for the WLASS share. A workshop with the Waikato and BOP Waste Liaison Group is scheduled for February 2018 to initiate this project and to consider whether or not WLASS will support either of the other two projects.

Strategic Review of WLASS

In July 2017, the Board initiated a review of WLASS to explore:

- the current role, structure and achievements of WLASS
- the current and future issues and opportunities that WLASS and the shareholding councils face
- the development of thumbnail outlines of alternative business strategies designed to address the issues faced by shareholding councils, where each strategic direction

represents a different approach to the future scale, role and nature of WLASS (including continuing the status quo).

Following the receipt of the Stage 1 report in September 2017, the Board requested the consultant to develop a business case to address:

- the most likely initial candidates for the provision of services to councils, and a discussion of the markets for those services beyond the Waikato, and the potential for other services to be offered
- the potential scale, capacity and capability that would be required of the company in order for it to provide those services – including what would be required of a chief executive
- a staged approach to establishing the capability to take on this new role – including the design of a contracting model, the design of specific services, managing risk, separating the roles of director and the purchaser of services, indicative costs and establishment timelines
- options for changes to the Board of WLASS to reflect the new role for the company.

The report was considered at the December Board meeting, when it was agreed that further work should be undertaken to explore the possibility of collaborating with BOPLASS to provide shared services. A joint meeting with the BOPLASS Board is planned in 2018, to explore options for collaborating to provide a shared service delivery agent. A decision on the governance structure of WLASS has been deferred until after the BOPLASS meeting has been held.

WLASS Chief Executive

Sally Davis completed three years in the role of CEO in July 2017. The Board has been pleased with the contribution that Sally has made and the progress forward under her direction. Sally's contract has been extended for a further ten months, until 30 April 2018, at which time she is retiring. It is proposed that an interim CEO be appointed for a period of one year, while the Board completes the strategic review noted above.

Other Benefits Secured for WLASS Stakeholders

Two workshops have been provided free of charge as part of current WLASS contracts.

Aon organised a workshop on environmental liability risk, the exposure to local authorities and the application/costs of risk transfer on 9 August 2017. The workshop was led by an Australasian expert from Sydney.

On 6 September 2017, KPMG held its Annual Insights Panel Workshop. The theme for this year's session was leveraging emerging technology opportunities in local government.

Performance Measures

The following performance measures were included in the Statement of Intent for the 2017/18 financial year. An update on their status as at 31 December 2017 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	Implement the recommendations of the Procurement review, as approved by the Board.	On Track A procurement specialist has been engaged to assist all 12 councils to participate in the	

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	integration.		<p>existing WLASS contracts, relevant All of Government contracts and other syndicated contracts that are appropriate for each council, to ensure that opportunities for savings are being maximised; and to develop standard regional procurement policies, templates and procedures and provide training in each council.</p> <p>On Track New suppliers are awarded contracts through a competitive tender process. New contracts have been procured with Waikato Occupational Health (staff health-related services); Fleetcoach (on-line driver training); FleetSmart (vehicle fleet management and maintenance).</p>	●
<p>Collaborative Projects Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented.</p>	<p>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>Achieved New projects being investigated are a regional Data Portal, a WLASS Digital Strategy, and shared waste projects with BOPLASS.</p> <p>On Track Preparation of a business case for a regional Data Portal is in progress. A business case for the expansion of WLASS's shared services has been completed.</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>On Track The Contracts Register has been updated and document numbers added to all contracts.</p>	●

		Contracts which are due for renewal are tested for competitiveness and either renegotiated or re-tendered through a competitive process.	On Track Contract extensions have been put in place with all of the Professional Services Panel members; Infometrics (provision of economic data); and Aon (insurance brokerage services).	●
Cashflow The company shall maintain a positive cashflow position.	The Financial Accountant reviews cashflow monthly.	The WLASS Board reviews the financial statements quarterly.	On Track Financial management accounts were presented to the July, August, September and December Board meetings.	●
Cost Control Administration expenditure shall be managed and monitored.	The Financial Accountant and Chief Executive review expenditure monthly.	Administration expenditure shall not exceed budget by more than 5%, unless prior approval is obtained from the Board.	Achieved Administration expenditure has not exceeded budget.	●
Reporting Six monthly reports provided to Shareholders.	The Chief Executive prepares a written report for the WLASS Board every meeting. One 6-monthly and one Annual Report are prepared for shareholders.	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.	Achieved This is the 6-monthly report. Achieved The signed copy of the Annual Report was sent to all shareholders on 11 October 2017.	● ●

Sub-regional data collection contracts deliver good quality data on roading assets.	Annual Forward Works Programme tours are completed, to provide opportunities for councils' roading staff to share their knowledge and experience	Reports include a summary of savings and achievements. All RATA councils participate in the tour. Report on tour outcomes prepared by 31 December each year, and circulated to stakeholders.	Achieved A summary of savings and achievements was included in the 6-monthly report. Partially Achieved The tours were undertaken in August/September 2017 and 8 of the 9 councils participated. Not Achieved Report was in preparation in December and was sent out by the end of January 2018.	  
	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.	On track Contracts are due to be tendered in 2018.	
	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 All performance criteria in the contracts have been met.	
	Waikato Regional Transport Model (WRTM) The WRTM is reliable, well maintained and available to all users.	RATA manages the WRTM on behalf of the participating councils, and monitors the performance of the model supplier (currently Traffic Design Group). RATA reports quarterly to the WRTM Project Advisory Group.	All modelling reports requested from the model supplier are actioned within the agreed timeframe, scope and budget. 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. The quality of the base model complies with NZTA guidelines (as set out in the NZTA's Economic Evaluation Manual),	N/A No modelling reports have been requested. On Track 6-monthly report presented to the December Board meeting. N/A Peer review has yet to be commissioned.

		and is independently peer reviewed each time the model is updated.		
Waikato Building Consent Group Provide strategic direction and actively pursue improvements in Building Control across the Waikato region.	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.	Internal audits are completed annually for each Group member. Group members are provided with a joint quality assurance system that meets statutory compliance. Report at least six monthly to the WLASS Board on the Group's activities.	On Track Annual audits are in progress. On Track Regulation 17 Audit and Review is in progress. On Track 6-monthly report presented to the December Board meeting.	  
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.	On Track 6-monthly report presented to the December Board meeting.	
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 March 2018.	
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. The "Collaboration in Action" document, which summarises the achievements of WLASS, is updated and circulated to shareholders by 31 December 2017.	Achieved Information has been included in the 6-monthly and Annual reports. Not Achieved An update of the document summarising the achievements of WLASS is still in progress. However, a WLASS website has been developed and implemented: www.waikatolass.co.nz	 

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 \$2,071,563, against a budget of \$2,141,927. The small positive variance is due to under-expenditure in most of the cost centres, except for minor over-expenditure in Procurement (\$26,870) and Information Technology (\$27,892), but significant over-expenditure in RATA (\$229,856). The RATA expenditure is related to an increase in the cost of the Data Collection contracts (see below), and is more than covered by additional revenue.

Revenue has also exceeded budget at \$3,769,283, compared to a budget of \$2,831,744. The main contributors were:

- 1) Procurement – revenue has increased by \$354,399, primarily due to the delay in completing the WRAPS project and funding of \$100,000 for a new Procurement Advisor, which was approved by the Board after the SOI was adopted.
2. Information Technology - revenue has increased by \$120,814 due to the new Data Portal project, which was approved by the Board after the SOI was adopted.
3. RATA - revenue has increased by \$308,615, primarily due to increased costs associated with the Data Collection contracts, which were approved by the participating councils and by the Board, after the SOI was adopted.
- 4) Waikato Building Consent Group - revenue to date has increased by \$299,600, primarily due to the strategic review and new work plan which was developed after the SOI was adopted. The additional budget was approved at the July Board meeting.

Overall, revenue exceeded expenditure by \$1,615,912, compared with a budget of revenue exceeding expenditure by \$607,692.

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 2017 Audit

Audit New Zealand issued an unmodified audit opinion on 5 October 2017. No issues were raised by the auditor, which was a very pleasing result.

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
Blair Bowcott	Executive Director, 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

Appendix 1

Management Accounts for Period ended 31 December 2017

Company Summary

Notes		Actual YTD	Budget	Year to Date Variance	Budget	Full Year Forecast	Last Year
Waikato Local Authority Shared Services Management Accounts for the Period Ended 31 December 2017 Company Summary							
							
Income							
Company Administration		258,334	257,660	673	301,788	307,688	270,833
Procurement		905,108	550,709	354,399	599,655	962,052	814,504
Information Technology		164,414	43,600	120,814	43,600	164,414	53,600
Energy Management		111,916	106,700	5,216	124,200	124,200	59,868
Shared Valuation Data Service (SVDS)		363,380	359,712	3,669	649,648	639,234	721,220
Road Asset Technical Accord (RATA)		1,069,743	761,129	308,615	930,621	1,295,108	1,107,321
Waikato Regional Transport Model (WRTM)		31,032	28,575	2,457	102,299	102,299	113,538
Waikato Building Consent Group		437,652	138,053	299,600	316,105	572,105	336,862
Future Proof		321,354	290,489	30,866	580,977	535,751	630,830
Waikato Mayoral Forum		106,351	295,149	(188,798)	471,672	474,886	462,407
Total Income		3,769,283	2,831,774	937,509	4,120,565	5,177,737	4,570,982
Operating Expenditure							
Company Administration		136,170	157,930	21,760	317,788	288,093	219,653
Procurement		371,834	344,965	(26,870)	572,655	695,606	782,512
Information Technology		49,692	21,800	(27,892)	43,600	195,177	63,075
Energy Management		58,884	62,100	3,216	124,200	124,200	96,822
Shared Valuation Data Service (SVDS)		268,105	343,125	75,020	684,864	655,570	570,696
Road Asset Technical Accord (RATA)		705,655	475,799	(229,856)	951,598	1,241,565	1,168,385
Waikato Regional Transport Model (WRTM)		27,299	51,832	24,534	102,299	102,289	109,721
Waikato Building Consent Group		117,891	158,053	40,162	316,105	572,105	265,325
Future Proof		229,683	290,489	60,806	580,977	592,810	572,419
Waikato Mayoral Forum		106,351	235,836	129,485	471,672	413,339	462,407
Total Operating Expenditure		2,071,563	2,141,927	70,364	4,165,758	4,880,754	4,311,016
Earnings before interest, tax and depreciation/ amortisation (EBITA)		1,697,720	689,847	1,007,873	(45,193)	296,983	259,966
Non-Cash Operating Expenditure							
Company Admin Non-Cash Expenditure		128	86	(43)	171	256	171
SVDS Non-Cash Expenditure		45,222	45,612	390	91,223	90,444	91,199
WRTM Non-Cash Expenditure		36,458	36,458	0	72,916	72,916	72,916
Total Non-Cash Operating Expenditure		81,808	82,155	347	164,310	163,616	164,286
Earnings before interest and tax		1,615,912	607,692	1,008,220	(209,503)	133,368	95,680
Net Surplus (Deficit) before tax		1,615,912	607,692	1,008,220	(209,503)	133,368	95,680
CA Net Surplus (Deficit) before tax		122,036	99,645	22,391	(16,171)	19,339	51,009
Procurement Net Surplus (Deficit) before tax		533,274	205,745	327,529	27,000	266,446	31,993
IT Net Surplus (Deficit) before tax		114,722	21,800	92,922	0	(30,763)	(9,475)
Energy Mgmt. Net Surplus (Deficit) before tax		53,032	44,600	8,432	0	0	(36,954)
SVDS Net Surplus (Deficit) before tax		50,053	(29,025)	79,078	(126,439)	(106,780)	59,325
RATA Net Surplus (Deficit) before tax		364,088	285,330	78,759	(20,977)	53,543	(61,065)
WRTM Net Surplus (Deficit) before tax		(32,725)	(59,715)	26,991	(72,916)	(72,906)	(69,100)
WBCG Net Surplus (Deficit) before tax		319,762	(20,000)	339,762	0	0	71,537
Future Proof Net Surplus (Deficit) before tax		91,671	0	91,671	0	(57,059)	58,411
MF Net Surplus (Deficit) before tax		0	59,313	(59,313)	0	61,547	(0)
Net Surplus (Deficit) before tax		1,615,912	607,692	1,008,220	(209,503)	133,368	95,680
Capital Expenditure							
SVDS Enhancements		0	0	0	10,384	0	0
Total Cash Expenditure (Opex, Interest & Capital)		0	0	0	10,384	0	0

Company Administration

Notes		Year to Date			Full Year		Last Year
		Actual YTD	Budget	Variance	Budget	Forecast	
Income							
		213,532	213,532	(0)	213,531	213,532	209,550
		39,128	39,128	(0)	78,256	78,256	55,068
	1	5,674	5,000	674	10,000	15,900	6,215
		258,334	257,660	673	301,788	307,688	270,833
Expenses							
		21,180	24,000	2,820	48,000	48,000	30,909
	2	3,350	2,547	(803)	5,095	5,600	4,500
		0	0	0	20,600	20,910	20,600
		0	47	47	94	94	36
		0	1,274	1,274	2,548	2,548	0
		160	255	95	510	320	320
		0	1,274	1,274	2,548	2,548	0
		0	1,392	1,392	2,784	2,784	7,616
		73	662	589	1,325	1,325	1,302
		2,720	2,720	0	2,768	2,720	2,720
		67,600	99,862	32,262	199,724	150,000	123,441
		0	0	0	0	0	5,139
		0	0	0	0	0	3,000
		0	2,803	2,803	5,605	5,605	8,832
		5,636	5,095	(541)	10,190	10,190	11,238
	3	34,991	16,000	(18,991)	16,000	34,991	0
	4	460	0	(460)	0	460	0
		136,170	157,930	21,760	317,788	288,093	219,653
		122,164	99,730	22,433	(16,000)	19,595	51,180
Non-Cash Expenses							
	5	128	86	43	171	256	171
		122,036	99,645	22,391	(16,171)	19,339	51,009
		122,036	99,645	22,391	(16,171)	19,339	51,009
Cash Surplus							
		126,653	-	-	-	126,653	78,482
	6,7	(33,232)	-	-	-	(33,232)	(3,009)
		122,164	-	-	-	19,595	51,180
		215,585	-	-	-	113,016	126,653
Notes							
1) New Term Deposits to bring in additional interest.							
2) Forecast adjusted to show fees as quoted by PWC; Tax disclosure to be up to \$2,850 and Income tax return up to \$2,750.							
3) Funded from 2016/17 cash surplus, as approved by the Board at the May and September 2017 meetings.							
4) Approved by the Board at the July 2017 meeting.							
5) MoneyWorks to be fully amortised by 30 June 2019. Financial system under review.							
6) \$15,000 transferred to Procurement for Asset Valuation Working Party. Approved by the Board at the June 2017 meeting.							
7) \$18,232 transferred to IT for Geospatial Data Project. Approved by the Board at the August 2017 meeting.							

Procurement

Notes		Actual YTD	Year to Date Budget	Variance	Full Year		Last Year
					Budget	Forecast	
Waikato Local Authority Shared Services							
Management Accounts for the Period Ended 31 December 2017							
Procurement of Shared Services							
Income							
		20,000	20,000	0	20,000	20,000	20,000
		0	0	0	18,000	18,000	18,000
	1	0	0	0	30,946	30,946	31,006
		150,303	150,300	3	150,300	150,303	152,586
	2	82,584	69,920	12,664	69,920	82,584	69,920
		5,000	5,000	0	5,000	5,000	7,500
		0	0	0	0	0	4,382
	3	340,708	153,489	187,219	153,489	348,708	434,110
	4	46,934	0	46,934	0	46,934	0
		75,000	75,000	0	75,000	75,000	0
		77,227	77,000	227	77,000	77,227	77,000
	5	100,000	0	100,000	0	100,000	0
	6	7,351	0	7,351	0	7,350	0
		905,108	550,709	354,399	599,655	962,052	814,504
Expenses							
		8,000	8,000	0	20,000	8,000	12,000
		0	0	0	18,000	18,000	18,000
	1	0	0	0	30,946	30,946	31,006
		150,303	150,300	(3)	150,300	150,303	152,586
	2	82,584	69,920	(12,664)	69,920	82,584	69,920
	7	10,133	0	(10,133)	0	15,000	1,943
		0	2,500	2,500	5,000	5,000	8,566
		0	0	0	0	0	4,382
		52,614	76,745	24,131	153,489	161,489	434,110
	4	32,375	0	(32,375)	0	46,934	0
		35,825	37,500	1,675	75,000	75,000	0
		0	0	0	50,000	50,000	50,000
	5	0	0	0	0	45,000	0
	6	0	0	0	0	7,350	0
		371,834	344,965	(26,870)	572,655	695,606	782,512
		533,274	205,745	327,529	27,000	266,446	31,992
		533,274	205,745	327,529	27,000	266,446	31,992
		533,274	205,745	327,529	27,000	266,446	31,992
	3	(143,045)	-	-	-	(143,045)	143,045
		70,516	-	-	-	70,516	35,515
	7	15,000	-	-	-	15,000	3,009
		518,274	-	-	-	266,446	31,992
		603,790	-	-	-	351,962	213,561
Notes							
1) The councils involved are Taupo including two CCO's, Waitomo District, Waikato Regional Council and WLASS.							
2) The councils involved are Hamilton City, Hauraki, Matamata Piako, South Waikato and Waikato Districts, and Waikato Regional councils.							
3) Funds released from RIA. Forecasted extra \$8,000 from LINZ							
4) Transferred from the Mayoral Forum cost centre.							
5) Approved by the Board at the September meeting.							
6) Approved by the Board at the December meeting.							
7) \$15,000 transferred from Company Admin 2016/17 cash surplus, as approved by the Board at their 7th June 2017 meeting.							

Information Technology

Notes		Actual YTD	Year to Date Budget	Variance	Full Year Budget	Forecast	Last Year
Waikato Local Authority Shared Services Management Accounts for the Period Ended 31 December 2017 Information Technology (IT)							
							
Income							
		1,000	1,000	0	1,000	1,000	1,000
		42,600	42,600	0	42,600	42,600	52,600
	1	814	0	814	0	814	0
	2	120,000	0	120,000	0	120,000	0
		164,414	43,600	120,814	43,600	164,414	53,600
Expenses							
		362	500	138	1,000	1,000	917
	3	700	3,800	3,100	7,600	7,600	11,799
	3	36,577	17,500	(19,077)	35,000	36,577	37,883
		0	0	0	0	0	12,476
	2	12,053	0	(12,053)	0	150,000	0
		49,692	21,800	(27,892)	43,600	195,177	63,075
Earnings before interest, tax and depreciation/ amortisation (EBITA)		114,722	21,800	92,922	0	(30,763)	(9,475)
Earnings before interest and tax		114,722	21,800	92,922	0	(30,763)	(9,475)
Net Surplus (Deficit) before tax		114,722	21,800	92,922	0	(30,763)	(9,475)
Cash Surplus							
Opening balance		11,768	-	-	-	11,768	21,243
plus /(less) transfers		18,232	-	-	-	18,232	0
Movement for year		114,722	-	-	-	(30,763)	(9,475)
Cash Surplus / (Deficit)		144,722	-	-	-	(763)	11,768
Notes							
1) Revenue from purchase of additional Collaboration Portal Licences.							
2) Funding transferred from IT and Company Admin 2016/17 cash surpluses (\$30,000) and additional project funding from all shareholders (\$120,000). Approved by the Board at the August and September 2017 meetings.							
3) All councils are involved except Rotorua and Taupo, who are participating via BOPPLASS.							

Energy Management

Notes		Actual YTD	Year to Date Budget	Variance	Full Year Budget	Forecast	Last Year
Waikato Local Authority Shared Services Management Accounts for the Period Ended 31 December 2017 Energy Management							
							
Income							
	1	89,200	89,200	0	89,200	89,200	0
		22,716	17,500	5,216	35,000	35,000	59,868
		111,916	106,700	5,216	124,200	124,200	59,868
Expenses							
		54,578	44,600	(9,978)	89,200	89,200	81,137
		4,306	17,500	13,194	35,000	35,000	15,685
		58,884	62,100	3,216	124,200	124,200	96,822
Earnings before interest, tax and depreciation/ amortisation (EBITA)		53,032	44,600	2,000	0	0	(36,954)
Earnings before interest and tax		53,032	44,600	8,432	0	0	(36,954)
Net Surplus (Deficit) before tax		53,032	44,600	8,432	0	0	(36,954)
Cash Surplus							
Opening balance		19,362	-	-	-	19,362	56,316
plus /(less) transfers		0	-	-	-	0	0
Movement for year		53,032	-	-	-	0	(36,954)
Cash Surplus / (Deficit)		72,394	-	-	-	19,362	19,362
Notes							
1) All councils are involved, except Matamata Piako who were not eligible.							

Shared Valuation Data Service (SVDS)

Notes		Actual YTD	Year to Date Budget	Variance	Full Year		
					Budget	Forecast	Last Year
Waikato Local Authority Shared Services							
Management Accounts for the Period Ended 31 December 2017							
Shared Valuation Data Service (SVDS)							
Income							
		103,490	103,490	0	206,980	206,980	267,985
		80,189	80,189	0	80,189	80,189	78,463
	1	0	0	0	10,414	0	0
		179,701	176,033	3,669	352,065	352,065	374,772
		363,380	359,712	3,669	649,648	639,234	721,220
Expenses							
		23,966	24,796	830	49,592	49,592	48,668
	2	24,150	53,735	29,585	107,470	75,270	98,900
		136,501	144,284	7,783	288,568	288,568	273,002
		38,499	39,977	1,478	79,954	79,954	76,998
		6,510	12,096	5,586	24,192	24,192	24,821
	3	20,916	22,500	1,584	45,000	45,000	12,432
		0	3,185	3,185	6,369	6,369	0
		2,016	25,000	22,984	50,000	50,000	0
		0	150	150	300	300	230
	4	4,291	1,385	(2,906)	1,385	4,291	4,325
		0	4,000	4,000	8,000	8,000	329
		768	1,529	761	3,057	3,057	3,458
		10,488	10,489	1	20,977	20,977	27,533
		268,105	343,125	75,020	684,864	655,570	570,696
		95,275	16,587	78,688	(35,216)	(16,336)	150,524
Non-Cash Expenses							
	5	45,222	45,612	390	91,223	90,444	91,199
		50,053	(29,025)	79,078	(126,439)	(106,780)	59,325
Net Surplus (Deficit) before tax							
		50,053	(29,025)	79,078	(126,439)	(106,780)	59,325
Capital Expenditure							
	1	0	0	0	10,384	0	0
		268,105	343,125	75,020	695,248	655,570	570,696
Cash Surplus							
		185,354	-	-	-	185,354	34,830
		0	-	-	-	0	0
		95,275	-	-	-	(16,336)	150,524
	6	280,629	-	-	-	169,018	185,354
Notes							
1) No further enhancements to the current product are planned.							
2) Contracted hours with Interger have reduced from 75 to 35 hours per month, saving \$32,200 for the year.							
3) Project approved by the Board in March 2017, funded from 2016/17 cash surplus.							
4) Insurance forecast includes the professional indemnity and technology liability insurance for RVSL.							
5) SVDS Asset to be fully depreciated by 30 June 2019.							
6) Cash surplus being held to provide for future SVDS services. Business case will be presented to the Board once analysis completed.							

Road Asset Technical Accord (RATA)

Notes		Year to Date			Full Year		
		Actual YTD	Budget	Variance	Budget	Forecast	Last Year
Income							
	1	337,215	160,493	176,723	320,985	553,580	467,638
		591,636	591,636	0	591,636	591,636	599,000
		37,400	0	37,400	0	37,400	0
		0	0	0	0	0	40,683
		9,000	9,000	0	18,000	18,000	0
	2	94,492	0	94,492	0	94,492	0
		1,069,743	761,129	308,615	930,621	1,295,108	1,107,321
Expenses							
	1	352,521	160,493	(192,029)	320,985	553,580	459,014
		2,548	2,548	(1)	5,095	5,095	0
		600	1,529	929	3,057	1,400	0
		9,427	10,190	763	20,380	20,380	22,201
		37,400	23,947	(13,454)	47,893	47,893	39,430
		233,670	180,500	(53,170)	361,000	467,140	355,000
		0	3,567	3,567	7,133	7,100	24,790
	3	59,000	82,539	23,539	165,078	118,000	237,500
		10,489	10,489	(1)	20,977	20,977	0
		0	0	0	0	0	30,450
		705,655	475,799	(229,856)	951,598	1,241,565	1,168,385
		364,088	285,330	78,759	(20,977)	53,543	(61,065)
		364,088	285,330	78,759	(20,977)	53,543	(61,065)
		364,088	285,330	78,759	(20,977)	53,543	(61,065)
	2	(94,492)	-	-	-	(94,492)	139,988
		57,615	-	-	-	(57,615)	3,450
		0	-	-	-	0	0
		364,088	-	-	-	53,543	(61,065)
		306,474	-	-	-	(98,564)	(57,615)
Notes							
1) A number of Councils have increased data collection requirements in the transition to the implementation of the RATA Data Collection Strategy.							
2) Revenue in advance funds released, \$94,492 into current year income and \$45,496 was refunded to Otorohanga, Waipa and Waikato District Councils.							
3) Waipa District Council provides RATA with full support services, including vehicles, staff training/development, IT/phones, stationery, accommodation, communications and Group Manager support.							

Waikato Regional Transport Model (WRTM)

Notes		Year to Date			Full Year		Last Year
		Actual YTD	Budget	Variance	Budget	Forecast	
Waikato Local Authority Shared Services Management Accounts for the Period Ended 31 December 2017 Waikato Regional Transport Model (WRTM)							
							
Income							
		28,257	22,575	5,682	90,299	90,299	110,190
		2,775	6,000	(3,225)	12,000	12,000	3,348
		31,032	28,575	2,457	102,299	102,299	113,538
Expenses							
		9,000	9,000	0	18,000	18,000	18,000
		8,039	15,285	7,246	30,570	30,570	18,051
		1,363	2,548	1,185	5,095	5,095	4,494
		589	2,293	1,704	4,586	4,586	1,529
		0	5,000	5,000	10,000	10,000	98
		0	0	0	0	0	38,640
		3,101	12,500	9,399	25,000	25,000	0
		1,375	1,375	0	1,385	1,375	1,375
		3,832	3,832	0	7,663	7,663	27,534
		27,299	51,832	(24,534)	102,299	102,289	109,721
		3,734	(23,257)	26,991	0	10	3,816
Non-Cash Expenses							
	1	36,458	36,458	0	72,916	72,916	72,916
		(32,725)	(59,715)	26,991	(72,916)	(72,906)	(69,100)
		(32,725)	(59,715)	26,991	(72,916)	(72,906)	(69,100)
Cash Surplus							
		15,631	-	-	-	15,631	11,815
		0	-	-	-	0	0
		3,734	-	-	-	10	3,816
		19,365	-	-	-	15,641	15,631
Notes							
1) 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 Building Consent Group

Notes		Actual YTD	Year to Date Budget	Variance	Full Year		Last Year
Notes		Actual YTD	Year to Date Budget	Variance	Budget	Forecast	Last Year
Waikato Local Authority Shared Services							
Management Accounts for the Period Ended 31 December 2017							
Waikato Building Consent Group (WBCG)							
							
Income							
Member Charges	1	134,453	138,053	(3,600)	276,105	268,906	265,456
Strategic Review / Work Plan	2	256,000	0	256,000	0	256,000	20,500
Accumulated Fund Released	3	47,199	0	47,199	40,000	47,199	50,906
Total Income		437,652	138,053	299,600	316,105	572,105	336,862
Expenses							
Salaries		57,765	110,300	52,535	220,600	180,600	179,926
Contractor for Audits		14,712	0	(14,712)	0	40,000	15,664
Vehicle Expenses		6,713	10,195	3,482	20,389	20,389	15,664
Training / Professional Fees		1,632	3,200	1,568	6,400	6,400	2,801
Operating Costs		473	327	(147)	653	653	0
Communications / IT Costs		1,068	1,500	432	3,000	3,000	2,402
Annual Subscriptions		29	200	171	400	400	175
Overheads	4	31,667	28,500	(3,167)	57,000	57,000	38,096
On charge of WLASS Admin Costs		3,832	3,832	0	7,663	7,663	0
Special Projects		0	0	0	0	0	5,762
Strategic Review / Work Plan	2	0	0	0	0	256,000	20,500
Total Expenses		117,891	158,053	40,162	316,105	572,105	280,989
Earnings before interest, tax and depreciation/ amortisation (EBITA)		319,762	(20,000)	339,762	0	0	55,873
Earnings before interest and tax		319,762	(20,000)	339,762	0	0	55,873
Net Surplus (Deficit) before tax		319,762	(20,000)	339,762	0	0	55,873
Movement from revenue in advance	3	(47,199)	-	-	-	(47,199)	47,199
Cash Surplus							
Cash opening balance		55,873	-	-	-	55,873	0
plus/(less) transfers		0	-	-	-	0	0
Cash movement for year		319,762	-	-	-	0	55,873
Total Surplus / (Deficit)		375,634	-	-	-	55,873	103,072
Notes							
1) Participating councils are Hamilton City, Hauraki, Matamata Piako, Otorohanga, Thames Coromandel, Waikato, Waipa and Waitomo District councils.							
2) New budget, approved by the Board at the July meeting.							
3) Release of accumulated funds from revenue in advance. The accumulated fund relates to the original five councils (Hamilton, Matamata Piako, Otorohanga, Waikato and Waipa) and is used to offset their member charge.							
4) Waikato DC provides the Building Consent Group with support services, including accommodation, IT, HR and Group Manager support.							

Future Proof

Waikato Local Authority Shared Services Management Accounts for the Period Ended 31 December 2017 Future Proof							
	Notes	Actual YTD	Year to Date Budget	Variance	Full Year		Last Year
					Budget	Forecast	
Income							
Member Charges	1	290,489	290,489	0	580,977	504,886	330,000
Capacity & Demand Assessment Project	2	30,865	0	30,865	0	30,865	50,640
Accumulated Fund		0	0	0	0	0	265,225
Total Income		321,354	290,489	30,865	580,977	535,751	645,865
Expenses							
Implementation Advice		44,235	55,000	10,765	110,000	110,000	160,372
Tangata Whenua Implementation Advice		0	7,500	7,500	15,000	15,000	7,505
Independent Chair		28,392	22,500	(5,892)	45,000	45,000	30,083
Tangata Whenua forum (NKAOTW)		11,531	7,500	(4,031)	15,000	20,000	23,589
Future Proof Co-Ordinator		30,000	32,500	2,500	65,000	60,000	60,000
Overheads	3	12,408	7,500	(4,908)	15,000	15,000	15,816
On charge of WLASS Admin Costs		10,488	10,489	1	20,977	20,977	0
<u>Future Proof Implementation Projects</u>							
Waikato DP Review		0	7,500	7,500	15,000	15,000	0
Hamilton DP Appeals & Changes		0	0	0	0	0	6,600
General Submissions		16,650	10,000	(6,650)	20,000	16,650	13,386
Cross-Boundary issues with Auckland Council		0	2,500	2,500	5,000	5,000	0
Data Monitoring		0	2,500	2,500	5,000	5,000	0
Strategy Actions - Implementation		0	10,000	10,000	20,000	20,000	0
Water Policy Group Projects		0	5,000	5,000	10,000	10,000	0
NIDEA and WISE refinements		0	0	0	0	0	86,108
Independent Assessment of Growth Projections		0	0	0	0	0	17,250
<u>Future Proof Strategy Update - Phase 1</u>							
Future Proof Strategy Update 1	4	34,318	12,500	(21,818)	25,000	34,318	85,474
Publishing		1,510	7,500	5,990	15,000	10,000	0
Consultation		29,776	22,500	(7,276)	45,000	45,000	0
Communications Advice for Strategy Update		0	0	0	0	0	15,596
Capacity & Demand Assessment Project	2	0	0	0	0	30,865	50,640
<u>Future Proof Strategy Update - Phase 2</u>							
Future Proof Strategy Update 2		10,375	25,000	14,625	50,000	50,000	0
NPS Assessments incl. Data Requirements		0	25,000	25,000	50,000	50,000	0
RPS and DP Changes to Implement NPS		0	7,500	7,500	15,000	15,000	0
Update Future Proof Website		0	10,000	10,000	20,000	0	0
Total Expenses		229,683	290,489	60,806	580,977	592,810	572,419
Earnings before interest, tax and depreciation/ amortisation (EBITA)		91,671	0	91,671	0	(57,059)	73,446
Earnings before interest and tax		91,671	0	91,671	0	(57,059)	73,446
Net Surplus (Deficit) before tax		91,671	0	91,671	0	(57,059)	73,446
Movement from revenue in advance	2	(30,865)	-	-	-	(30,865)	30,865
Cash Surplus							
Cash opening balance		58,411	-	-	-	58,411	0
plus/(less) transfers		0	-	-	-	0	0
Cash movement for year		91,671	-	-	-	(57,059)	58,411
Total Surplus / (Deficit)		150,082	-	-	-	1,352	89,276
Notes							
1) Participating councils are Hamilton City, Waikato and Waipa Districts and Waikato Regional Council.							
2) Revenue in advance for the Capacity & Demand Assessment Project. Funds received in 2016/17.							
3) Hamilton City Council provides the support services for Future Proof, including accommodation and operational costs.							
4) Project near completion; est. November 2017.							

Waikato Mayoral Forum

Notes		Actual YTD	Year to Date Budget	Variance	Full Year Budget	Forecast	Last Year	Project to date
Income								
Waikato Plan	1,2	290,149	290,149	0	466,672	408,339	150,000	1,636,389
Policy & Bylaws		0	0	0	0	0	0	77,000
Regional Infrastructure Tech. Specs.		0	0	0	0	0	68,400	130,000
Section 17a Review		0	0	0	0	0	7,000	24,656
Administration Costs		5,000	5,000	0	5,000	5,000	7,000	24,385
Future Regional Strategic Collaboration		0	0	0	0	0	28,000	28,000
Strategic Collaboration	3	0	0	0	0	46,439	0	0
Revenue		295,149	295,149	0	471,672	459,778	260,400	1,920,430
Plus / (Less) Revenue in Advance		(188,798)	0	(188,798)	0	15,108	202,007	(271,496)
Total Income		106,351	295,149	(188,798)	471,672	474,886	462,407	1,648,933
Expenses								
Waikato Plan	1	105,406	233,336	127,930	466,672	408,339	346,489	1,442,645
Policy & Bylaws		0	0	0	0	0	0	37,068
Regional Infrastructure Tech. Specs.	4	0	0	0	0	0	83,997	109,066
Section 17a Review		0	0	0	0	0	3,126	20,782
Administration Costs		945	2,500	1,555	5,000	5,000	3,428	14,005
Future Regional Strategic Collaboration		0	0	0	0	0	25,367	25,367
Strategic Collaboration	3	0	0	0	0	0	0	0
Total Expenses		106,351	235,836	129,485	471,672	413,339	462,407	1,648,933
Earnings before interest, tax and depreciation/ amortisation (EBITA)		0	59,313	(59,313)	0	61,547	0	0
Earnings before interest and tax		0	59,313	(59,313)	0	61,547	0	0
Net Surplus (Deficit) before tax		0	59,313	(59,313)	0	61,547	0	0
Notes								
1) Hamilton City Council pays directly for Senior Technical Support (Value = \$58,334).					Revenue	Expenditure	Transfers	Available Funds
2) Waikato Regional Council portion is being invoiced by instalments; \$50,000 initially, then as required.					24,385	14,005	0	10,380
3) 2016/17 surplus transferred to new Strategic Collaboration project. Approved by the Board at the August 2017 meeting.					1,636,389	1,442,645	0	193,744
4) RITS transferred to Procurement.					77,000	37,068	(39,932)	-
					130,000	109,066	(20,934)	-
					24,656	20,782	(3,874)	-
					28,000	25,367	(2,633)	-
					0	0	46,439	46,439
					Revenue in Advance total			250,563

Balance Sheet

Waikato Local Authority Shared Services						
Balance Sheet						
As at 31 December 2017						
	Notes	Actual YTD	Year to Date Budget FY	Variance	Full Year Budget	Last Year
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		(2,121,722)	(2,367,172)	245,451	(2,367,172)	(2,273,720)
Plus Current Year Operating Surplus/(Deficit)		1,615,913	(209,502)	1,825,415	(209,502)	151,998
TOTAL CAPITAL FUNDS		2,451,193	380,327	2,070,867	380,327	835,280
ASSETS						
CURRENT ASSETS						
Prepayments		0	1,523	(1,523)	1,523	147,500
Accounts Receivable		614,625	36,119	578,506	36,119	469,262
Accounts Receivable Accruals		54,942	0	54,942	0	0
Accrued Interest		4,610	0	4,610	0	97
RWT On Interest		2,031	2,800	(769)	2,800	1,923
Local Authority Shared Services 00		240,916	0	240,916	0	266,651
Local Authority Shared Services On-Call		377,824	630,820	(252,996)	630,820	637,297
BNZ - Term Deposit 020	1	1,631,000	0	1,631,000	0	131,000
GST Holding		3,618	(54,465)	58,083	(54,465)	14,706
TOTAL CURRENT ASSETS		2,929,566	616,798	2,312,768	616,798	1,668,436
NON-CURRENT ASSETS						
SVDS - Intangible Asset		3,065,316	3,085,700	(20,384)	3,085,700	3,065,316
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		(5,117,943)	(5,205,604)	87,662	(5,205,604)	(5,036,158)
TOTAL NON-CURRENT ASSETS		245,424	178,146	67,278	178,146	327,208
NET ASSETS		3,174,990	794,944	2,380,046	794,944	1,995,644
LESS CURRENT LIABILITIES						
Accounts Payable		162,739	399,218	(236,480)	399,218	447,492
Accounts Payable Accrual		309,757	15,399	294,358	15,399	263,958
ACC Prepayments		0	0	0	0	0
RWT On Payments		739	0	739	0	1,606
Revenue in Advance	2	250,562	0	250,562	0	447,309
TOTAL CURRENT LIABILITIES		723,797	414,617	309,179	414,617	1,160,365
NET WORTH		2,451,193	380,327	2,070,867	380,327	835,280
Notes						
1) Available cash flow arranged as a term deposits, maturing when required for 20th payment schedules.						
2) Revenue in advance is not budgeted for as it results from revenue received not yet spent on expenses.						

Statement of Cashflows

Waikato Local Authority Shared Services Statement of Cash Flows As at 31 December 2017				
	Actual YTD	Full Year Budget	Last YTD	
Cashflows from Operating Activities				
Interest Received	5,674	10,000	6,215	
Receipts from Other Revenue	3,366,557	4,077,839	4,425,595	
Payments to Suppliers	(2,163,040)	(4,085,276)	(4,101,175)	
Taxes Paid	(5,487)	(1,260)	2,509	
Goods & Services tax (net)	11,089	6,679	19,131	
Net cash from operating activities	1,214,793	7,982	352,274	
Purchase of Intangible Assets	0	(10,384)	0	
Net cash from investing activities	0	(10,384)	0	
Net increase in cash, cash equivalents and bank accounts	1,214,793	(2,402)	352,274	
Opening cash and cash equivalents and bank overdrafts	1,034,948	633,221	682,673	
Closing cash, cash equivalents and bank accounts	2,249,741	630,820	1,034,948	
Summary of Bank Accounts				
BNZ - Cheque a/c	240,916	0	266,651	
BNZ - Call a/c	377,824	630,820	637,297	
Term Deposit	1,631,000	0	131,000	
Closing Balance of Bank	2,249,741	630,820	1,034,948	

Appendix 2

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

Changes to NZ Accounting Standards

WLASS transitioned to the new Public Sector Public Benefit Entities (PBE) accounting standards for the year ended 30 June 2015. WLASS 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.



STATEMENT OF INTENT FOR 2018/19

30 June 2018

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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 2018/19 and the Directors' accountabilities to the shareholders for corporate performance, as is intended by Schedule 8 of the Local Government Act 2002.

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. 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.

WLASS also provides support to the Waikato Mayoral Forum and its work streams, including acting as the legal entity to manage all of the contracts arising from the work of the Mayoral Forum and making all contract payments.

Objectives of WLASS

The objectives of WLASS are to:

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

Nature and Scope of Current Activities

There are currently 12 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 service 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 assessments in relation to the development of Ruakura. The 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. The WRTM 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 WBCG 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 and any contractors. 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. The activity is fully funded by the participating councils, and operates as a separate cost centre. Future Proof transferred to WLASS on 1 July 2016.

- 6 Energy Management.** WLASS entered into a Collaboration Agreement with the Energy Efficiency Conservation Authority (EECA) in February 2016. This arrangement is estimated to bring in up to \$210,000 in revenue from EECA over three years, subject to meeting specific energy saving targets. The activity is fully funded by the 11 participating councils (Matamata Piako was not eligible, as it has previously received EECA funding), 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 part-time procurement specialist was engaged in February 2018 for a period of one year, to:
- Assist all councils to utilise the existing WLASS contracts, AoG contracts and syndicated contracts that are appropriate for each council, to ensure that opportunities for savings are being maximised
 - Develop standard regional procurement policies, templates and procedures and provide training in each council
 - Manage the existing WLASS contracts to improve relationship management and ensure that their value is being maximised.

The contractor is working directly with staff in each council to ensure that contract savings are being maximised and that good procurement systems and processes are in place.

- 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 by the end of 2018. The information is now freely available to the public on a website (<http://www.retrolens.nz/map/>), which acknowledges the participation of WLASS.
- 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 five WRAPS contracts – 2002, 2007, 2012, and 2016. The current WRAPS contract is scheduled for completion by June 2018. Consideration is

currently being given to changing the frequency of coverage to 4-yearly. WRAPS became a WLASS project in December 2014 and is fully funded by the 12 participating councils.

10 Aligned Resource Consent Planning. The toolkit developed last financial year to provide regional consistency and best practice processes in the administration of resource consenting has now been implemented, and is being used by 10 councils (Taupo and Otorohanga are not participating). WLASS controls the documentation on the WLASS website, and a Steering Group manages the process for making updates and amendments to the templates and documents in the toolkit.

11 Regional Infrastructure Technical Specifications (RITS). The RITS document sets out how to design and construct transportation, water supply, wastewater, stormwater and landscaping infrastructure in the eight participating councils' areas (Hamilton City, Hauraki, Waikato, Waipa, Matamata-Piako, Otorohanga, Waitomo, and South Waikato District Councils). Prior to developing RITS, each council had its own Infrastructure Technical Specifications, which resulted in different standards having to be met across the Waikato region. The purpose of RITS is to provide a single regional guide and specifications for building public infrastructure.

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

12 Local Government Contractor Health & Safety Pre-qualification Scheme. The contract with SHE Assure to manage the Local Government Health & Safety Contractor Pre-qualification Scheme, which was developed by WLASS, continues to operate well. Twenty councils and one CCO are now using the scheme and over 1,500 contractors have registered, which enables them to be pre-qualified to work for any of the participating councils.

Work in Progress

Asset Valuation

The Asset Valuation Working Party has developed a regional asset valuation template and is currently preparing a schedule of regional asset classes, components, lives and unit rates. A methodology for calculating regional Unit Rates and Base Lives from the collated data is also in preparation. This information will be vital to ensure regional consistency in asset revaluations.

Once the template has been finalised, it is proposed to send it to Audit NZ for review and sign off as an approved document for Asset Valuations. This will enable all participating councils to use the same template with confidence that it meets audit requirements, as well as improving regional consistency in the approach to asset valuation, which should have flow-on insurance benefits. Ongoing maintenance of the regional asset valuation template will become the responsibility of WLASS.

Shared Valuation Data Service (SVDS)

The contract with Intergeren for SVDS support and hosting services expires on 1 February 2018. Over the past few months, a project team comprising members of the SVDS Advisory Group has been looking at the ongoing provisioning of SVDS, and assessing options. In late September, the project team recommended a change from SVDS to a "Software as a Service" (SaaS) option. If implemented, there would be a significantly improved application, reduced risks, reduced operational costs, and a potentially large capital expenditure would be avoided.

A decision to change from SVDS to SaaS is contingent on the proposed new product being successfully used for Auckland's revaluation. However, it has recently emerged that there have been some issues with that, and it will take some time for Auckland to sort these issues out and to identify the cause of their problems - which may or may not lie with the product that the SVDS Advisory Group currently prefer.

Therefore a recommendation on the preferred solution to replace SVDS has been delayed to allow the team to gain a clearer picture of Auckland's experiences. Once that information is available, the team will assess the next steps. That determination will probably be made in the first quarter of 2018. If the decision is to continue with replacing SVDS with the chosen product, development of the detailed business case will then be undertaken, and presented to the Board. It is anticipated that this decision will be made prior to finalisation of the 2018/19 SOI, and that the financial implications will be fully costed and included in the final budget.

RATA

It is being proposed that Taupo District Council will join RATA from 1 July 2018. However, as Taupo won't be participating in the Data Collection contracts for a couple of years, the impacts are not significant in terms of additional expenses, but their participation will reduce the contribution required from each council to fund RATA's overheads.

Proposed New Activities

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 commenced in the 2017/18 financial year which are likely to result in new work streams for WLASS.

The projects currently being investigated are:

Strategic Review of WLASS

The Board is currently investigating the advantages and disadvantages of expanding the role of WLASS to provide additional services to shareholders (and potentially to markets outside the Waikato). Discussions are underway with BOPLASS to identify potential synergies that might arise from amalgamating the two LASS's, and to understand the capability that would be required to take on this new role – including the governance structure, the design of a contracting model, the design of specific services, managing risk, separating the roles of director and the purchaser of services, indicative costs and establishment timelines.

As the current CEO is retiring in April 2018, an interim CEO is being appointed for a period of a year, while this review is being carried out.

Waikato Data Portal

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. A business case is in preparation for a proposed Waikato Data Portal, which would underpin a regional approach to the provision of spatial information and open data, and enhance the customer experience by providing a single site where customers could access spatial information and other types of data from councils across the Waikato region. The business case will include details of the financial implications for each council associated with implementing the project (if the proposal is to "Go"). It is anticipated

that a decision will be made prior to finalisation of the 2018/19 SOI, and that, if the decision is to proceed, the financial implications will be fully costed and included in the final budget.

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

Apart from the projects discussed above (under Proposed New Activities), no new costs have been included in this draft Statement of Intent.

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. New funding to implement the Waikato Plan over the coming three years has been included, noting that funding from external parties is expected to contribute to the cost of this project in Years 2 and 3.

The two-waters project is no longer an active Mayoral Forum project. Hamilton City, Waipa District and Waikato District councils have all been considering options for the future delivery of water services as a result of the Mayoral Forum project. 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 in abeyance.

The Mayoral Forum are considering potential new work streams for the new triennium, and there may be a further role for WLASS, which already provides administrative and financial support both to the Mayoral Forum and its work streams. A review of Future Regional Strategic Collaboration Opportunities is currently underway, which may identify new initiatives.

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
Blair Bowcott	Executive Director, Special Projects, 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 2018/19 are as follows:

TARGET	METHOD	MEASURE
<p>Procurement Joint procurement initiatives for goods and services for WLASS councils will be investigated and implemented.</p>	<p>Procurement is from sources offering best value, service, continuity of supply, and/or opportunities for integration.</p>	<p>The Procurement Specialist has developed standard regional procurement policies, templates and procedures and provided training in each council by the end of the financial year.</p> <p>New suppliers are awarded contracts through a competitive tender process.</p>

<p>Collaborative Projects Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented.</p>	<p>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>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 re-tendered through a competitive process.</p>
<p>Cashflow The company shall maintain a positive cashflow position.</p>	<p>The Financial Accountant reviews cashflow monthly, and the WLASS Board reviews the financial statements quarterly.</p>	<p>The WLASS Board reviews the financial statements at least quarterly.</p>
<p>Cost Control Administration expenditure shall be managed and monitored.</p>	<p>The Financial Accountant and Chief Executive review expenditure monthly.</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.</p> <p>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.</p> <p>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.</p> <p>The Contract Manager monitors performance of the contractors and reports quarterly to the SVDS Advisory Group.</p> <p>Risks associated with the SVDS are well managed.</p>	<p>The SVDS is available to users at least 99% of normal working hours.</p> <p>The SVDS Advisory Group meets at least 6-monthly.</p> <p>The Annual Business Plan is accepted by the Advisory Group by 31 March 2019, and includes consideration of</p>

	The long-term provision of SVDS services is achieved.	strategic and operational risks, a disaster recovery plan, and a business continuity plan. The timetable and milestones for implementing the long-term provision of SVDS Services (as agreed by the Board), are being achieved.
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 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.
RATA Deliver better data for decision making across the Waikato Region, enabling more consistent best practice Lead engagement and increase capability within the sector	Quarterly update reports are provided to all stakeholders participating in the Data Collection contracts. Data supplied by contractors is of good quality and meets all of the participating councils' requirements. Innovation: Identify opportunities to modify standard approaches and/or develop new approaches that will lead to optimal asset management. Leadership: Lead engagement and increase capability within the sector.	Reports are presented to stakeholders in October/January/April and July each year. Reports on progress presented to WLASS Board as at 30 December and 30 June. All data are reviewed for compliance and all good practice requirements are met. Procurement of services complies with WLASS and NZTA's procurement requirements. Present to a national conference on RATA innovations at least once per year. At least two RATA guidance documents detailing good practice are produced each year. RATA Forums are held 2-monthly to share learnings and experience.

<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>Implement the strategic priorities detailed in the "Build Waikato" May 2017 strategic review document.</p>	<p>Milestones for the five strategic review work streams are achieved for:</p> <ul style="list-style-type: none"> • Digital experience and technology: a common online customer experience. Success is defined as user friendly, convenient, quick, end-to end management and communication, measured by customer surveys and systems comparisons. • People capability. Success is defined as a successful recruitment and training programme, measured by compliance with BCA Reg. 8 - 11. • Quality assurance. Success is defined as continued accreditation and increased service consistency, measured by accreditation outcomes, BCA annual audits, and customer surveys. • Lift industry competency and compliance. Success is measured by increased industry compliance, with reduced RFIs, and reducing percentages of application or building consent rejection. • Central government: engagement and legislative influence. Success is measured by legislative submissions and outcomes.

	Fulfil the roles and responsibilities set out in clause 9 of the WBCG's Memorandum of Understanding, 2016.	<p>There is a common understanding and buy-in by all BCAs for the WBCG vision and actions that are taken to achieve this vision, measured by:</p> <ol style="list-style-type: none"> i. Full participation in WBCG projects and programmes ii. Audits demonstrating implementation and compliance with the agreed QA systems iii. Consistency in service delivery, measured by customer surveys. <p>Risk management is visible through regular reviews of the Risk Register.</p> <p>All funding requirements are met by each of the participating councils.</p> <p>Minimum of two reports presented to the WLASS Board on the Group's activities.</p>
<p>Future Proof Planning for growth in the sub-region is co-ordinated and collaborative.</p> <p>The Future Proof budget is well managed and monitored.</p> <p>Future Proof influences and inputs into District Plan, Regional Plan, growth strategy and any other planning processes which manage growth within the sub-region and neighbouring regions.</p>	<p>Joint preparation and input into Phase 2 of the Strategy update.</p> <p>Bi-monthly reports presented to Waikato Plan and Future Proof Chief Executive Group, and six monthly and annual reports to WLASS Board.</p> <p>Future Proof works collaboratively and provides input into the planning work undertaken by all FP partners and any other relevant planning authorities.</p>	<p>Phase 2 of the Future Proof Strategy is adopted by the Future Proof Implementation Committee no later than December 2018.</p> <p>The overall Future Proof work programme is delivered within the approved budget.</p> <p>Future Proof makes submissions (using RMA and Local Government processes), on District Plans, LTPs, growth management planning documents, and any central government initiatives which have the potential to impact growth management planning in the sub-region.</p>
<p>Shareholder Survey Shareholders are satisfied with the performance of WLASS.</p>	<p>An annual survey of shareholders is undertaken to assess satisfaction levels with WLASS.</p>	<p>A survey of shareholders is undertaken each year, and the results are reported to all shareholders.</p>
<p>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. The WLASS website is</p>

		regularly maintained and updated.
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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 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 receipt of the document. The Directors must consider all comments that are received, and shall deliver the completed Statement of Intent to the shareholders by 30 June.

Financials

Company Summary

Waikato Local Authority Shared Services Company Summary For the Year Ended 30 June 2019					
	Budget 2017/18	Budget 2018/19	Variance	Budget 2019/20	Budget 2020/21
Income					
Company Administration	301,788	298,284	(3,503)	300,294	306,742
Procurement	599,655	419,166	(180,489)	309,166	319,166
Information Technology	43,600	37,577	(6,023)	37,577	37,577
Energy Management	124,200	136,500	12,300	0	0
Shared Valuation Data Service (SVDS)	649,648	683,685	34,037	698,726	609,122
Road Asset Technical Accord (RATA)	930,621	978,560	47,939	1,765,754	965,453
Waikato Regional Transport Model (WRTM)	102,299	103,542	1,243	103,752	104,778
Waikato Building Consent Group	316,105	318,385	2,280	325,390	332,548
Future Proof	580,977	544,091	(36,886)	409,091	384,091
Waikato Mayoral Forum	471,672	525,000	53,328	500,000	500,000
Total Income	4,120,565	4,044,790	(75,775)	4,449,749	3,559,477
Operating Expenditure					
Company Administration	301,788	298,284	(3,503)	300,294	306,742
Procurement	572,655	505,166	(67,489)	309,166	319,166
Information Technology	43,600	37,577	(6,023)	37,577	37,577
Energy Management	124,200	136,500	12,300	0	0
Shared Valuation Data Service (SVDS)	684,864	635,635	(49,229)	494,970	435,021
Road Asset Technical Accord (RATA)	951,598	1,015,800	64,202	1,800,380	959,968
Waikato Regional Transport Model (WRTM)	102,299	103,542	1,243	103,752	104,778
Waikato Building Consent Group	316,105	562,010	245,905	325,390	332,548
Future Proof	580,977	544,091	(36,886)	409,091	384,091
Waikato Mayoral Forum	471,672	571,439	99,767	500,000	500,000
Total Operating Expenditure	4,149,757	4,410,044	260,286	4,280,619	3,379,891
Earnings before interest, tax and depreciation/ amortisation (EBITA)	(29,193)	(365,254)	(336,061)	169,130	179,587
Non-Cash Operating Expenditure					
Company Admin Non-Cash Expenditure	171	256	85	0	0
SVDS Non-Cash Expenditure	91,223	90,444	(779)	45,000	112,222
WRTM Non-Cash Expenditure	72,916	72,916	0	0	0
Total Non-Cash Operating Expenditure	164,310	163,616	(694)	45,000	112,222
Earnings before interest and tax (EBIT)	(193,503)	(528,870)	(335,367)	124,130	67,365
Net Surplus (Deficit) before tax	(193,503)	(528,870)	(335,367)	124,130	67,365
Company Admin Net Surplus (Deficit) before tax	(171)	(256)	(85)	0	0
Procurement Net Surplus (Deficit) before tax	27,000	(86,000)	(113,000)	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	(126,439)	(42,394)	84,045	158,756	61,880
RATA Net Surplus (Deficit) before tax	(20,977)	(37,240)	(16,263)	(34,626)	5,485
WRTM Net Surplus (Deficit) before tax	(72,916)	(72,916)	0	0	0
Building Net Surplus (Deficit) before tax	0	(243,625)	(243,625)	0	0
Future Proof (Deficit) before tax	0	0	0	0	0
Mayoral Forum Net Surplus (Deficit) before tax	0	(46,439)	(46,439)	0	0
Net Surplus (Deficit) before tax	(193,503)	(528,870)	(335,367)	124,130	67,365
Capital Expenditure					
SVDS Enhancements	10,384	0	(10,384)	0	0
SaaS provision Implementation & Mods	0	250,000	250,000	200,000	100,000
Total Capital Expenditure	10,384	250,000	239,616	200,000	100,000

Company Administration

Waikato Local Authority Shared Services Company Admin For the Year Ended 30 June 2019						
	Notes	Budget 2017/18	Budget 2018/19	Variance	Budget 2019/20	Budget 2020/21
Income						
Company Administration Member Charges		213,531	213,802	271	213,808	218,512
Recovery of Admin Costs		78,256	70,482	(7,774)	72,178	73,608
Interest Received	1	10,000	14,000	4,000	14,308	14,623
Total Income		301,788	298,284	(3,503)	300,294	306,742
Expenses						
Accounting/ Financial Services	1	48,000	43,500	(4,500)	44,457	45,435
External Accounting/ Financial Services	1	5,095	5,600	505	5,723	5,849
Audit Fees		20,600	20,600	0	20,910	21,220
IT Services		94	96	2	98	100
Bank Charges	1	510	400	(110)	409	418
Legal Fees		2,548	2,500	(48)	2,555	2,611
Value Financials Licence Fee		2,784	2,784	0	2,845	2,907
Sundry Expenses		1,325	1,351	26	1,381	1,411
Professional Fees		2,548	2,598	51	2,656	2,714
Insurance		2,768	2,739	(29)	2,799	2,861
Shared Services Contractors	2	199,724	150,000	(49,724)	200,000	204,400
Company Secretary Services		5,605	5,717	112	5,842	5,971
Mileage Costs	2	10,190	10,000	(190)	10,220	10,445
Review of WLASS	3	0	50,000	50,000	0	0
WLASS Website		0	400	400	400	400
Total Expenses		301,788	298,284	(3,503)	300,294	306,742
Earnings before interest, tax and depreciation/ amortisation (EBITA)		0	0	(0)	0	0
Non-Cash Expenses						
Depreciation	4	171	256	85	0	0
Earnings before interest and tax		(171)	(256)	(85)	0	0
Net Surplus (Deficit) before tax		(171)	(256)	(85)	0	0
Notes						
1) Based on 2017/18 actual costs. 2) The budget has been reduced by \$50K in 2018/19 to reflect actual costs in 2017/18. An allowance of \$50K has been added in years 2 and 3 for additional resources to be engaged to progress new work streams, following completion of the strategic review of WLASS. 3) Proposed new budget for continuation of strategic review. 4) MoneyWorks to be full amortised by 30 June 2019. Financial system under review.						

Procurement

Waikato Local Authority Shared Services Procurement of Shared Services For the Year Ended 30 June 2019						
	Notes	Budget 2017/18	Budget 2018/19	Variance	Budget 2019/20	Budget 2020/21
Income						
Procurement Member Charges	1	20,000	80,000	60,000	20,000	20,000
N3 Membership Fee Recovery		18,000	18,000	0	18,000	18,000
Value Financials Fee Recovery	2	30,946	30,946	0	30,946	30,946
Insurance Brokerage Fee Recovery	3	150,300	200,300	50,000	150,300	160,300
Infometrics Fee Recovery	4	69,920	69,920	0	69,920	69,920
Health and Safety Working Party		5,000	5,000	0	5,000	5,000
WRAPS Recovery	5	153,489	0	(153,489)	0	0
Regional Infrastructure Tech Spec Co-ordinator	6	0	15,000	15,000	15,000	15,000
Historical Aerial Photos Recovery		77,000	0	(77,000)	0	0
Aligned Resource Consent Planning		75,000	0	(75,000)	0	0
Total Income		599,655	419,166	(180,489)	309,166	319,166
Expenses						
Professional Services	1	20,000	80,000	60,000	20,000	20,000
N3 Membership Fee Recovery		18,000	18,000	0	18,000	18,000
Value Financial Fees	2	30,946	30,946	0	30,946	30,946
Insurance Brokerage Fee Payable	3	150,300	200,300	50,000	150,300	160,300
Infometrics	4	69,920	69,920	0	69,920	69,920
Health and Safety Working Party		5,000	5,000	0	5,000	5,000
WRAPS Services	5	153,489	0	(153,489)	0	0
Regional Infrastructure Tech Spec Co-ordinator	6	0	15,000	15,000	15,000	15,000
Historical Aerial Photos Services		50,000	31,000	(19,000)	0	0
Aligned Resource Consent Planning		75,000	0	(75,000)	0	0
Procurement Advisor	7	0	55,000	55,000	0	0
Total Expenses		572,655	505,166	(67,489)	309,166	319,166
Earnings before interest, tax and depreciation/ amortisation (EBITA)	7	27,000	(86,000)	(113,000)	0	0
Earnings before interest and tax		27,000	(86,000)	(113,000)	0	0
Net Surplus (Deficit) before tax		27,000	(86,000)	(113,000)	0	0
Notes						
<ol style="list-style-type: none"> 1) Increase in 2018/19 to provide for new Professional Services Panel (PSP) tender and legal review process. 2) The councils involved are Taupo including two CCO's, Waitomo District, Waikato Regional Council and WLASS. 3) Provision of \$10k every second year to meet with London Underwriters. Note: The brokerage contract will be re-tendered in 2018/19, and new rates will apply from 2019/20. An additional \$40K has also been budgeted in 2018/19, to engage Lion Partnership to undertake a review as part of the brokerage contract tender 4) The councils involved are Hamilton City, Hauraki, Matamata-Piako, South Waikato, Thames Coromandel, Waikato District and Waikato Regional Councils. 5) Next WRAPS contract will be in 2020/21, but budget is not yet known. 6) To fund a contractor to manage and review requests for changes/improvements/updates to the document. Funded only by those Councils using RITS (all of the shareholding Councils, excluding Rotorua, Taupo, Thames Coromandel and Waikato Regional). 7) Funds transferred from revenue in advance. 						

Information Technology

Waikato Local Authority Shared Services Information Technology (IT) For the Year Ended 30 June 2019						
	Notes	Budget 2017/18	Budget 2018/19	Variance	Budget 2019/20	Budget 2020/21
Income						
IT Initiative Contributions		43,600	35,000	(8,600)	35,000	35,000
Waikato Data Portal Project	1	0	0	0	0	0
Collaboration Portal Additional Licences		0	1,577	1,577	1,577	1,577
Meeting Expenses		0	1,000	1,000	1,000	1,000
Total Income		43,600	37,577	(6,023)	37,577	37,577
Expenses						
Waikato Data Portal Project	1	0	0	0	0	0
GIS Shared Data Portal	2	7,600	0	(7,600)	0	0
Collaboration Portal	3	35,000	36,577	1,577	36,577	36,577
Meeting Expenses		1,000	1,000	0	1,000	1,000
Total Expenses		43,600	37,577	(6,023)	37,577	37,577
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) Business case will determine cost of project. 2) This project is now included as part of the Waikato Data Portal project. 3) All councils are involved except Rotorua and Taupo, who are participating via BOPLASS.						

Energy Management

Waikato Local Authority Shared Services Energy Management For the Year Ended 30 June 2019						
	Notes	Budget 2017/18	Budget 2018/19	Variance	Budget 2019/20	Budget 2020/21
Income						
EECA Collaboration - Council Contributions	1	89,200	101,500	12,300	0	0
EECA Revenue		35,000	35,000	0	0	0
Total Income		124,200	136,500	12,300	0	0
Expenses						
EECA Collaboration		89,200	101,500	12,300	0	0
Professional Services Costs		35,000	35,000	0	0	0
Total Expenses		124,200	136,500	12,300	0	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 Matamata-Piako, who were not eligible. The Agreement expires on 30 April 2019.						

Shared Valuation Data Service (SVDS)

Waikato Local Authority Shared Services Shared Valuation Data Service (SVDS) For the Year Ended 30 June 2019						
	Notes	Budget 2017/18	Budget 2018/19	Variance	Budget 2019/20	Budget 2020/21
Income						
SVDS Member Charges		206,980	211,120	4,140	215,764	115,764
TA Valuation Services Recovery		80,189	80,189	0	81,953	83,718
SVDS Enhancements Recovery	1	10,414	0	(10,414)	0	0
SVDS Data & Software Sales		352,065	392,376	40,311	401,008	409,641
Total Income		649,648	683,685	34,037	698,726	609,122
Expenses						
Hosting Contract		49,592	0	(49,592)	0	0
Software Contract		107,470	0	(107,470)	0	0
RVSL Holding & Application Support Management Services	2	0	86,700	86,700	22,152	0
TA Valuation Services		288,568	294,339	5,771	73,585	0
SaaS Hosting	3	79,954	81,553	1,599	83,347	85,181
SaaS Contingency	3	0	31,000	31,000	200,000	256,000
Consultancy Fees		0	25,000	25,000	25,000	25,000
DVR Data Services Project Manager		24,192	24,192	0	24,724	25,268
Software Support Contingency		45,000	45,000	0	20,000	0
Support & Hosting Contract Renewal Consulting		6,369	15,000	8,631	15,000	15,000
Security Certificates		50,000	0	(50,000)	0	0
Insurance		300	300	0	307	0
Legal Fees	4	1,385	4,309	2,923	4,339	1,465
Secretarial Services	5	8,000	8,000	0	4,176	4,268
On charge of WLASS Admin Costs		3,057	3,118	61	3,187	3,257
Total Expenses		684,864	635,635	(49,229)	494,970	435,021
Earnings before interest, tax and depreciation/ amortisation (EBITA)		(35,216)	48,050	83,266	203,756	174,102
Non-Cash Expenses						
Depreciation	6,7	91,223	90,444	(779)	45,000	112,222
Earnings before interest and tax		(126,439)	(42,394)	84,045	158,756	61,880
Net Surplus (Deficit) before tax		(126,439)	(42,394)	84,045	158,756	61,880
Capital Expenditure						
Enhancements	1	10,384	0	(10,384)	0	0
SaaS provision Implementation & Mods	8	0	250,000	250,000	200,000	100,000
Total Capital Expenditure		10,384	250,000	239,616	200,000	100,000
Total Cash Expenditure	8	(45,599)	(201,950)	(156,350)	3,756	74,102
Notes						
<ol style="list-style-type: none"> 1) No further enhancement work to be done on the SVDS asset. 2) Hosting and Software contracts to be combined into Hosting & Application support contract. Finishing in 2019/20. 3) Estimated costs for new service provider. Cost to increase as Councils switch from SVDS. 4) Professional indemnity and technology liability insurance finishing 2019/20. 5) Provision in 2017/18 to tie in with contract review. 6) SVDS Asset to be fully depreciated by 30 June 2019. 7) Depreciation to begin on the new asset after implementation project finishes in December 2019. 8) Cash surplus is allocated to the cost for implementation of new asset; total \$550,000 spread over three years. 						

Road Asset Technical Accord (RATA)

Waikato Local Authority Shared Services Road Asset Technical Accord (RATA) For the Year Ended 30 June 2019						
	Notes	Budget 2017/18	Budget 2018/19	Variance	Budget 2019/20	Budget 2020/21
Income						
Data Collection	1	320,985	321,300	315	1,062,880	202,356
Member Charges	2	591,636	600,500	8,864	645,261	704,217
Project Management (WRTM)		18,000	18,000	0	18,000	18,000
IDS licence fees	3	0	38,760	38,760	39,613	40,880
Total Income		930,621	978,560	47,939	1,765,754	965,453
Expenses						
Data Collection	1	320,985	321,300	315	1,062,880	202,356
IDS licence fees	3	0	38,760	38,760	39,613	40,880
Forward Works Programme Tours		5,095	3,000	(2,095)	3,066	3,133
Waikato RATA Forum	4	3,057	1,500	(1,557)	1,533	1,567
Benchmarking of Reg Road Outcomes		20,380	20,000	(380)	20,440	22,484
Deterioration Modelling		47,893	30,000	(17,893)	30,660	31,335
Staff and Contractor Services	5	361,000	434,000	73,000	456,834	470,631
External Contractor (Data Collection)		7,133	0	(7,133)	0	0
On charge of WLASS Admin Costs		20,977	21,240	263	19,154	19,582
Overheads	6	165,078	146,000	(19,078)	166,200	168,000
Total Expenses		951,598	1,015,800	64,202	1,800,380	959,968
Earnings before interest, tax and depreciation/ amortisation (EBITA)	7	(20,977)	(37,240)	(16,263)	(34,626)	5,485
Earnings before interest and tax		(20,977)	(37,240)	(16,263)	(34,626)	5,485
Net Surplus (Deficit) before tax		(20,977)	(37,240)	(16,263)	(34,626)	5,485
Notes						
1) Data collection is charged monthly in arrears based on actual work done. Discussions for commitment by Councils to begin in 2018. 2) Member charges are calculated on the basis of each council's participation, as detailed in the RATA Business Plan, with the expected addition of Taupo District Council from 1 July 2018. 3) IDS licences are charged to participating Councils based on actual fees. 4) Formerly Asset Managers' Forum. 5) Recruited new staff member in Asset Information Engineer position. 6) Waipa District Council provides RATA with full support services, including vehicles, staff training/development, IT/phones, stationery, accommodation, communications and Group Manager support. 7) Revenue in advance to offset deficit.						

Waikato Regional Transport Model (WRTM)

Waikato Local Authority Shared Services Waikato Regional Transport Model (WRTM) For the Year Ended 30 June 2019						
	Notes	Budget 2017/18	Budget 2018/19	Variance	Budget 2019/20	Budget 2020/21
Income						
WRTM Member Charges		90,299	91,542	1,243	91,752	92,778
External User Recovery		12,000	12,000	0	12,000	12,000
Total Income		102,299	103,542	1,243	103,752	104,778
Expenses						
WRTM Project Manager		18,000	18,000	0	18,000	18,000
Minor Model Upgrades		30,570	31,181	611	31,867	32,568
Peer Review		5,095	5,197	102	5,311	5,428
Annual Scheduling of Works Review		4,586	4,678	92	4,781	4,886
Insurance		1,385	1,403	18	1,433	1,465
External User Costs		10,000	10,000	0	10,000	10,000
HIS Input into National Survey	1	25,000	25,000	0	25,000	25,000
On charge of WCLASS Admin Costs		7,663	8,083	420	7,359	7,430
Total Expenses		102,299	103,542	1,243	103,752	104,778
Earnings before interest, tax and depreciation/ amortisation (EBITA)		0	0	(0)	0	0
Non-Cash Expenses						
Depreciation	2	72,916	72,916	0	0	0
Earnings before interest and tax		(72,916)	(72,916)	(0)	0	0
Net Surplus (Deficit) before tax		(72,916)	(72,916)	(0)	0	0
Notes						
1) Provisional Sum - HIS research topic with NZTA at present. Assumes input into national survey. Actual costs to be scoped with MOT. 2) 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 Building Consent Group

Waikato Local Authority Shared Services Waikato Building Consent Group For the Year Ended 30 June 2019						
	Notes	Budget 2017/18	Budget 2018/19	Variance	Budget 2019/20	Budget 2020/21
Income						
Member Charges	1	276,105	318,385	42,280	325,390	332,548
Accumulated Fund	2	40,000	0	(40,000)	0	0
Total Income		316,105	318,385	2,280	325,390	332,548
Expenses						
Salaries		220,600	180,600	(40,000)	184,573	188,634
Contracted Services		0	40,000	40,000	40,880	41,779
Strategic Review / Work Plan	3	0	243,625	243,625	0	0
Vehicle Expenses		20,389	20,389	0	20,838	21,296
Training / Professional Fees		6,400	6,400	0	6,541	6,685
Operating Costs		653	653	0	667	682
Communications / IT Costs		3,000	3,000	0	3,066	3,133
Annual Subscriptions		400	400	0	409	418
On charge of WLASS Admin Costs		7,663	9,943	2,280	10,162	10,386
Overheads	4	57,000	57,000	0	58,254	59,536
Total Expenses		316,105	562,010	245,905	325,390	332,548
Earnings before interest, tax and depreciation/ amortisation (EBITA)	3	0	(243,625)	(243,625)	0	0
Earnings before interest and tax		0	(243,625)	(243,625)	0	0
Net Surplus (Deficit) before tax		0	(243,625)	(243,625)	0	0
Notes						
1) Participating councils are Hamilton City, Hauraki, Matamata Piako, Otorohanga, Thames Coromandel, Waikato, Waipa and Waitomo District councils. 2) The Accumulated Fund relates to the original five councils (Hamilton, Matamata-Piako, Otorohanga, Waikato and Waipa) and has now been fully expended. 3) Revenue received in advance to offset deficit. 4) Waikato DC provides the Building Consent Group with support services, including accommodation, IT, HR and Group Manager support.						

Future Proof

Waikato Local Authority Shared Services Future Proof For the Year Ended 30 June 2019						
	Notes	Budget 2017/18	Budget 2018/19	Variance	Budget 2019/20	Budget 2020/21
Income						
Member Charges	1	580,977	544,091	(36,886)	409,091	384,091
Total Income		580,977	544,091	(36,886)	409,091	384,091
Expenses						
Implementation Advice		110,000	110,000	0	110,000	110,000
Tāngata Whenua Implementation Advice		15,000	10,000	(5,000)	10,000	10,000
Independent Chair		45,000	45,000	0	25,000	25,000
Tāngata Whenua Forum (NKAOTW)		15,000	20,000	5,000	15,000	15,000
Future Proof Planner		65,000	70,000	5,000	70,000	70,000
Future Proof & Waikato Plan Administrator		0	15,000	15,000	15,000	15,000
On charge of WLASS Admin Costs		20,977	14,091	(6,886)	14,091	14,091
Office Support / Services / Mileage	2	15,000	15,000	0	15,000	15,000
<u>Future Proof Implementation Projects</u>						
Waikato DP Review		15,000	10,000	(5,000)	0	0
General Submissions		20,000	25,000	5,000	25,000	15,000
Cross-Boundary issues with Auckland Council		5,000	5,000	0	5,000	5,000
Data for Monitoring		5,000	5,000	0	10,000	10,000
Strategy Actions - Implementation		20,000	30,000	10,000	70,000	70,000
Water Policy Group Projects	3	10,000	10,000	0	10,000	10,000
<u>Future Proof Strategy Update - Phase 1</u>						
Future Proof Strategy Update 1		25,000	0	(25,000)	0	0
Publishing		15,000	0	(15,000)	0	0
Consultation		45,000	0	(45,000)	0	0
<u>Future Proof Strategy Update - Phase 2</u>						
Future Proof Strategy Update 2	4	50,000	50,000	0	0	0
NPS Assessments incl. Data Requirements		50,000	25,000	(25,000)	0	0
Consultation		0	30,000	30,000	0	0
Publishing		0	15,000	15,000	0	0
RPS and DP Changes to Implement NPS		15,000	20,000	5,000	15,000	0
Update Future Proof website		20,000	20,000	0	0	0
Total Expenses		580,977	544,091	(36,886)	409,091	384,091
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) 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) Implementing Three Waters Action Plan and other Water Policy Group projects. 4) Update to meet the requirements of the NPS.						

Waikato Mayoral Forum

Waikato Local Authority Shared Services Waikato Mayoral Forum For the Year Ended 30 June 2019						
	Notes	Budget 2017/18	Budget 2018/19	Variance	Budget 2019/20	Budget 2020/21
Income						
Waikato Plan Implementation	1	466,672	0	(466,672)	0	0
External Funding		0	130,000	130,000	247,500	247,500
Contributing Councils		0	390,000	390,000	247,500	247,500
Meeting Expenses Recovery		5,000	5,000	0	5,000	5,000
Total Income		471,672	525,000	53,328	500,000	500,000
Expenses						
Waikato Plan Implementation		466,672	520,000	53,328	495,000	495,000
Strategic Collaboration	2	0	46,439	46,439	0	0
Meeting Expenses		5,000	5,000	0	5,000	5,000
Total Expenses		471,672	571,439	99,767	500,000	500,000
Earnings before interest, tax and depreciation/ amortisation (EBITA)		0	(46,439)	(46,439)	0	0
Earnings before interest and tax		0	(46,439)	(46,439)	0	0
Net Surplus (Deficit) before tax		0	(46,439)	(46,439)	0	0
Notes						
1) External funding of \$130,000 is expected to contribute to income in 2018/19, and \$247,500 (50%) is expected from external sources thereafter. The budget assumes that the Waikato Plan project continues over the next 3 years. However, if one or more of the participating councils decides not to continue funding their share of the project, the project may not continue.						
2) Funds transferred from 2017/18 revenue in advance.						

Balance Sheet

Waikato Local Authority Shared Services Balance Sheet For the Year Ended 30 June 2019					
	Budget 2017/18	Budget 2018/19	Variance	Budget 2019/20	Budget 2020/21
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)	(2,896,042)	(2,771,911)
Plus Current Year Operating Surplus/(Deficit)	(38,242)	(528,870)	(490,628)	124,130	67,365
TOTAL CAPITAL FUNDS	589,829	60,959	(528,870)	185,090	252,455
ASSETS					
CURRENT ASSETS					
Prepayments	2,692	1,554	(1,138)	3,272	3,344
Accounts Receivable	3,394	36,617	33,223	36,701	37,111
RWT On Interest	1,820	3,920	2,100	4,006	4,094
Local Authority Shared Services 00	0	0	0	0	0
Local Authority Shared Services On-Call	623,031	282,239	(340,792)	479,952	636,505
GST Paid	(48,066)	(3,295)	44,770	(45,937)	(109,561)
TOTAL CURRENT ASSETS	582,871	321,035	(261,837)	477,994	571,493
NON-CURRENT ASSETS					
SVDS - Intangible Asset	3,085,506	3,085,506	0	3,085,506	3,085,506
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)	(5,250,604)	(5,362,826)
TOTAL NON-CURRENT ASSETS	342,262	177,952	(164,310)	132,952	20,730
NET ASSETS	925,134	498,987	(426,147)	610,946	592,223
LESS CURRENT LIABILITIES					
Accounts Payable	323,831	422,629	98,798	410,226	323,906
Accounts Payable Accrual	11,473	15,399	3,925	15,630	15,862
TOTAL CURRENT LIABILITIES	335,305	438,028	102,723	425,856	339,768
NET WORKING CAPITAL	589,829	60,959	(528,870)	185,090	252,455

Statement of Cashflows

Waikato Local Authority Shared Services Statement of Cashflows For the Year Ended 30 June 2019					
	Budget 2017/18	Budget 2018/19	Variance	Budget 2019/20	Budget 2020/21
Cashflows from Operating Activities					
Interest Received	10,000	14,000	4,000	14,308	14,623
Receipts from Other Revenue	4,077,839	4,044,790	(33,049)	4,449,749	3,559,477
Payments to Suppliers	(4,085,276)	(4,406,124)	(320,848)	(4,276,613)	(3,375,796)
Taxes Paid	(1,260)	3,920	5,180	4,006	4,094
Goods & Services tax (net)	6,679	(5,166)	(11,845)	6,261	(45,845)
Net cash from operating activities	7,982	(348,580)	(356,562)	197,712	156,553
Capital Enhancements					
Capital Enhancements	(10,384)	0	10,384	0	0
Net cash from investing activities	(10,384)	0	10,384	0	0
Net increase in cash, cash equivalents and bank accounts	(2,401)	(348,580)	(346,179)	197,712	156,553
Opening cash and cash equivalents and bank overdrafts	633,221	630,820	(2,401)	282,239	479,952
Closing cash, cash equivalents and bank accounts	630,820	282,240	(348,580)	479,952	636,505
Summary of Bank Accounts					
BNZ - Call a/c	630,820	282,239	(348,581)	479,952	636,505
Closing Balance of Bank	630,820	282,239	(348,581)	479,952	636,505

Resolution to Exclude the Public
Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Finance Committee Minutes - Public Excluded - 22 February 2018) Good reason to withhold information exists under Section 7 Local Government	Section 48(1)(a)
C2. Report on overdue debtors as at 28 February 2018 & Debt write-offs 2017/18) Official Information and Meetings Act 1987	

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to protect the privacy of natural persons to maintain the effective conduct of public affairs through protecting persons from improper pressure or harassment	Section 7 (2) (a) Section 7 (2) (f) (ii)