



ATTACHMENTS

UNDER SEPARATE COVER

Ordinary Council Meeting

24 April 2018

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Items to be covered in CCO Statements of Intent

The SOI is required to set out:

- a) the objectives of the group; and
- b) a statement of the board's approach to governance of the group; and
- c) the nature and scope of the activities to be undertaken by the group; and
- d) the ratio of consolidated shareholders' funds to total assets, and the definitions of those terms; and
- e) the accounting policies of the group; and
- f) the performance targets and other measures by which the performance of the group may be judged in relation to its objectives; and
- g) an estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the shareholders; and
- h) the kind of information to be provided to the shareholders by the group during the course of those financial years, including the information to be included in each half-yearly report (and, in particular, what prospective financial information is required and how it is to be presented); and
- i) the procedures to be followed before any member or the group subscribes for, purchases, or otherwise acquires shares in any company or other organisation; and
- j) any activities for which the board seeks compensation from any local authority (whether or not the local authority has agreed to provide the compensation); and
- k) the board's estimate of the commercial value of the shareholders' investment in the group and the manner in which, and the times at which, that value is to be reassessed; and
- l) any other matters that are agreed by the shareholders and the board.



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 Tangata 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.retolens.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 InterGen 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
Procurement Joint procurement initiatives for goods and services for WLASS councils will be investigated and implemented.	Procurement is from sources offering best value, service, continuity of supply, and/or opportunities for integration.	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. New suppliers are awarded

		contracts through a competitive tender process.
Collaborative Projects Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented.	The focus is on shared services which will benefit all councils.	A minimum of three priority projects for collaboration are identified per annum. If considered of value, business cases are developed for approval by the Board, and the projects are implemented.
Existing WLASS Contracts Existing contracts are managed and renegotiated as required.	Appointed vendors deliver on the terms of their contracts and deliver value to the shareholders.	The WLASS Contracts Register is maintained and managed. Contracts which are due for renewal are tested for competitiveness and either renegotiated or re-tendered through a competitive process.
Cashflow The company shall maintain a positive cashflow position.	The Financial Accountant reviews cashflow monthly, and the WLASS Board reviews the financial statements quarterly.	The WLASS Board reviews the financial statements at least quarterly.
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.
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.
Waikato Mayoral Forum The company shall provide administrative support to the Mayoral Forum work streams and to the Mayoral Forum.	Mayoral Forum projects shall be managed financially through the WLASS.	Approved invoices for Mayoral Forum projects are paid by the 20 th of the month following their receipt.
Shared Valuation Data Services (SVDS) The SVDS is reliable, well maintained and available to all users.	A Contract Manager is appointed for SVDS. The Contract Manager monitors performance of the contractors and reports quarterly to the SVDS Advisory Group.	The SVDS is available to users at least 99% of normal working hours. The SVDS Advisory Group meets at least 6-monthly.

	<p>Risks associated with the SVDS are well managed.</p> <p>The long-term provision of SVDS services is achieved.</p>	<p>The Annual Business Plan is accepted by the Advisory Group by 31 March 2019, and includes consideration of strategic and operational risks, a disaster recovery plan, and a business continuity plan.</p> <p>The timetable and milestones for implementing the long-term provision of SVDS Services (as agreed by the Board), are being achieved.</p>
<p>Insurance Achieve the relevant KPIs in Appendix 4 of the Insurance Brokerage contract with Aon.</p>	<p>The Insurance Broker delivers on the terms of their contract and provides value to the participating councils.</p>	<p>Strategic advice provided by Aon on the insurance programme structure is assessed as satisfactory in the annual WLASS Shareholders' survey by the participating councils.</p> <p>The day-to-day service provided by Aon is assessed as satisfactory in the annual WLASS Shareholders' survey by the participating councils.</p>
<p>RATA Deliver better data for decision making across the Waikato Region, enabling more consistent best practice</p> <p>Lead engagement and increase capability within the sector</p>	<p>Quarterly update reports are provided to all stakeholders participating in the Data Collection contracts.</p> <p>Data supplied by contractors is of good quality and meets all of the participating councils' requirements.</p> <p>Innovation: Identify opportunities to modify standard approaches and/or develop new approaches that will lead to optimal asset management.</p> <p>Leadership: Lead engagement and increase capability within the sector.</p>	<p>Reports are presented to stakeholders in October/January/April and July each year.</p> <p>Reports on progress presented to WLASS Board as at 30 December and 30 June.</p> <p>All data are reviewed for compliance and all good practice requirements are met.</p> <p>Procurement of services complies with WLASS and NZTA's procurement requirements.</p> <p>Present to a national conference on RATA innovations at least once per year.</p> <p>At least two RATA guidance documents detailing good practice are produced each year.</p> <p>RATA Forums are held 2-monthly to share learnings and experience.</p>

<p>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 WCLASS 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> <ul 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>	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.
<p>Review of Benefits Shareholders are informed of the benefits being provided to shareholding councils by WLASS.</p>	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 WLASS website is 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

<div> <div> Waikato Local Authority Shared Services Company Summary For the Year Ended 30 June 2019 </div> <div>  Waikato Local Authority SHARED SERVICES </div> </div>					
	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	399,655	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	498,726	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	3,539,477
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	362,010	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 & Mody	0	250,000	250,000	200,000	100,000
Total Capital Expenditure	10,384	250,000	239,616	200,000	100,000


Company Administration

<div> <div> <div>Waikato Local Authority Shared Services</div> <div>Company Admin</div> <div>For the Year Ended 30 June 2019</div> </div> <div>  <div> <div>Waikato Local Authority</div> <div>SHARED SERVICES</div> </div> </div> </div>						
	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						
1) Increase in 2018/19 to provide for new Professional Services Panel (PSF) tender and legal review process. 2) The councils involved are Taupo including two CCO's, Waikato District, Waikato Regional Council and WLAAS. 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				 Waikato Local Authority SHARED SERVICES		
	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 BORPASS.						


Energy Management

Waikato Local Authority Shared Services Energy Management For the Year Ended 30 June 2019				 Waikato Local Authority SHARED SERVICES		
	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)

<div> <div> Waikato Local Authority Shared Services Shared Valuation Data Service (SVDS) For the Year Ended 30 June 2019 </div> <div>  <div> Waikato Local Authority SHARED SERVICES </div> </div> </div>						
	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
RVSJ Holding & Application Support	2	0	86,700	86,700	22,152	0
Management Services		288,568	294,339	5,771	73,585	0
TA Valuation Services		79,954	81,553	1,599	83,347	85,181
SaaS Hosting	3	0	31,000	31,000	200,000	256,000
SaaS Contingency	3	0	25,000	25,000	25,000	25,000
Consultancy Fees		24,192	24,192	0	24,724	25,268
DVR Data Services Project Manager		45,000	45,000	0	20,000	0
Software Support Contingency		6,369	15,000	8,631	15,000	15,000
Support & Hosting Contract Renewal Consulting		50,000	0	(50,000)	0	0
Security Certificates		300	300	0	307	0
Insurance	4	1,385	4,309	2,923	4,339	1,465
Legal Fees	5	8,000	8,000	0	4,176	4,268
Secretarial Services		3,057	3,118	61	3,187	3,257
On charge of WLASS Admin Costs		20,977	17,124	(3,853)	19,154	19,582
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						
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)

<div> <div> Waikato Local Authority Shared Services Road Asset Technical Accord (RATA) For the Year Ended 30 June 2019 </div> <div>  <div> Waikato Local Authority SHARED SERVICES </div> </div> </div>						
	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	591,635	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	21,335
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				 Waikato Local Authority SHARED SERVICES		
	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		4,596	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 WLASS 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

<div> <div> Waikato Local Authority Shared Services Waikato Building Consent Group For the Year Ended 30 June 2019 </div> <div>  Waikato Local Authority SHARED SERVICES </div> </div>						
	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

<div> <div> <div>Waikato Local Authority Shared Services</div> <div>Future Proof</div> <div>For the Year Ended 30 June 2019</div> </div> <div>  <div> <div>Waikato Local Authority</div> <div>SHARED SERVICES</div> </div> </div> </div>						
	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

<div> <div> Waikato Local Authority Shared Services Waikato Mayoral Forum For the Year Ended 30 June 2019 </div> <div>  Waikato Local Authority SHARED SERVICES </div> </div>						
	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	2	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

<div> <div> Waikato Local Authority Shared Services Balance Sheet For the Year Ended 30 June 2019 </div> <div>  <div> Waikato Local Authority SHARED SERVICES </div> </div> </div>					
	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

<div> <div> Waikato Local Authority Shared Services Statement of Cashflows For the Year Ended 30 June 2019 </div> <div>  <div> Waikato Local Authority SHARED SERVICES </div> </div> </div>					
	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	(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

Attachment 1: SUMMARY REVIEW - WAIKATO LOCAL AUTHORITY SHARED SERVICES LIMITED [WLASS]

Key Activities set out in the draft SOI 2018 -21

Objectives of WLASS

- 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 5 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.retolens.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 6 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.

Suggested shareholder feedback on the draft SOI

	Council Feedback
Nature and Scope	Council is satisfied
Performance Measurement	Council is satisfied
Disclosures – Concerns Sch 8 Clause 9 LG Act 2002	Council is satisfied
Timeliness of forwarding draft	Council is satisfied - Received 28 February 2017

Recommendations

Council is satisfied with the content of the SOI and no feedback on its content is required.

"COUNCILS PARTNERING FOR VALUE AND SERVICE"

23 February 2018

Gareth Green
Chief Executive Officer
Taupo District Council
Private Bag 2005
Taupo 3352



BOPLASS Ltd
C/- Tauranga City Council
Willow Street
Tauranga

PO Box 13056
Tauranga Central
Tauranga 3141
Phone 07 577 7342
www.boplass.govt.nz

Dear Gareth,

The primary document setting out the company's strategic direction is the Statement of Intent which is required to be consulted on and approved by Directors each year. Schedule 8 (9) of the Local Government Act 2002 sets out the content of the document which must cover the next three financial years.

A formal draft document has been approved by the Board for circulation to Shareholders by 1 March 2018. Following the two months allowed for submissions the Directors must consider any submissions made by Shareholders and approve a final document by 30 June 2018.

The approved draft is attached and is now circulated for Shareholder comment. The council's Chief Executive is the Shareholder representative and will be responsible for representing the views of the council to the Board in writing prior to 30 April 2018.

We believe that the document realistically deals with the challenges facing the company, identifies ways in which it can contribute value to its constituent councils and reflects an awareness of the challenges facing Local Government.

We look forward to any submissions your council wishes to make.

Yours sincerely,

Stephen Boyle
BOPLASS Ltd

BOPLASS Ltd
Bay of Plenty Local Authority Shared Services



STATEMENT OF INTENT FOR 2018-2021



June 2018

"COUNCILS PARTNERING FOR VALUE AND SERVICE"

1 Introduction

This Statement of Intent (SOI), developed under Schedule 8 of the Local Government Act 2002, is:

- A public declaration of the activities and intentions of BOPLASS Ltd and the objectives to which those activities will contribute.
- Provides an opportunity for the shareholders to influence the direction of BOPLASS Ltd, and
- Provides a basis for the accountability of the Directors to the Shareholders for the performance of BOPLASS Ltd.
- This Statement of Intent covers BOPLASS Ltd and any subsidiary company established in pursuance of the objectives herein.

2 Background

The councils that operate within the Bay of Plenty and Gisborne Regions have formed a CCO to investigate, develop and deliver Shared Services, Joint Procurement and communications where and when that can be done more effectively for any combination of some or all of the councils.

The expected benefits that can be achieved through Shared Services are:

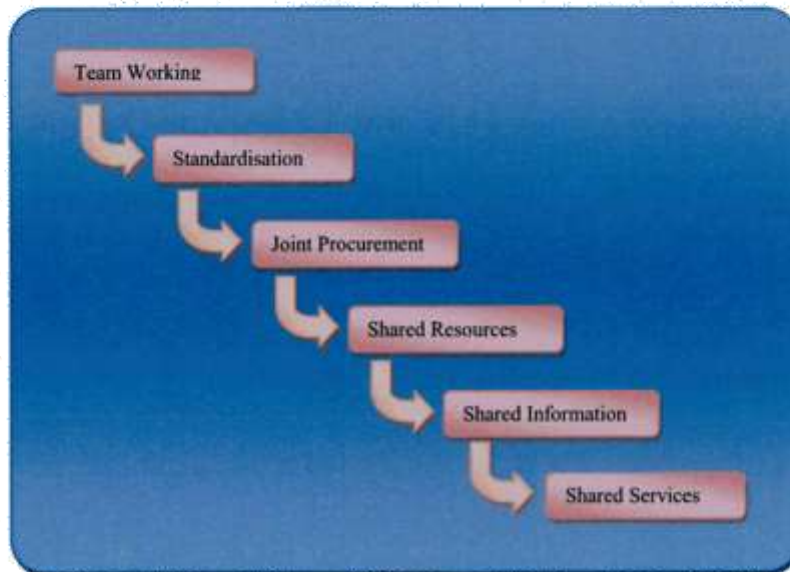
- improved levels and quality of service;
- a co-ordinated and consistent approach to the provision of services;
- reductions in the cost of support and administrative services;
- opportunities to develop new initiatives;
- economies of scale resulting from a single entity representing many councils in procurement;

These benefits and opportunities can apply to all councils irrespective of location or size.

Business processes, information architectures and functional tools differ in each council to varying degrees. It is not therefore possible to create Shared Service solutions instantly for these services. The BOPLASS strategies facilitate a journey of progressive development using the approach identified in the BOPLASS Strategy and Action Plan to:

- Enhance the capability to provide Shared Services,
- Encourage the elimination of barriers to collaborative action and
- Provide Shared Services that deliver viable business cases.

A generic sequence or stages of collaboration between multiple councils is followed to develop Shared Services, as shown in Figure 1.



Many of the BOPLASS Joint Procurement projects have supported the development of standard products, services or solutions across the councils. These standards assist in creating a foundation for the delivery of Shared Services within the councils.

Examples of procurement and projects to support the delivery of Shared Service have been:

- Establishment of 1GB fibre Inter Council Network (ICN)
- Information Services Strategic Plan
- GIS ESRI enterprise agreement
- GIS software standardisation
- Security and technology policies
- Data centre and hosting services
- Electronic purchasing
- Reprographic equipment

- Aerial photography
- Voice and data services
- Video conferencing
- IT applications and software
- Collaboration Portal
- Historic aerial imagery archiving
- After hours call management
- Health and Safety
- Internal audit services
- Solid waste services

3 **Our Vision**

“COUNCILS PARTNERING FOR VALUE AND SERVICE”

4 **Objectives of BOPLASS Ltd**

Working together with the full support and involvement of staff, we will provide benefit to councils and their stakeholders through improved levels of service, reduced costs, improved efficiency and/or increased value through innovation.

These will be achieved primarily through:

Joint Procurement

Being the procurement of services or products by two or more councils from an external provider regardless of whether the service is paid for through BOPLASS or individually by participating councils.

Shared Services

Being the participation of two or more councils in the provision of a common service which may be jointly or severally hosted.

5 **Nature and Scope of Activities**

The principle nature and scope of the activities of BOPLASS Ltd is to:

- Establish the underlying technology, framework, platform and policies to enable and support the delivery of Shared Services.
- Use Joint Procurement to add value to goods and services sourced for its constituent councils.

- Facilitate Shared Services that benefit councils and their stakeholders through improved levels of service, reduced costs, improved efficiency, innovation and/or increased value.
- Pursue best practice in the management of all activities to obtain best value and minimise risk.
- Demonstrate fiduciary responsibility by ensuring that its activities are adequately funded from savings achieved, levies, council contributions, or Government funding where available.
- Allow other councils or organisations to participate in its activities where this will benefit its constituent councils directly or indirectly.
- Actively monitor and engage with Shared Service developments across the public sector to identify opportunities for further development and establishing best practice.
- Represent the collective views of its Shareholders in matters with which it is associated.

6 Governance

BOPLASS Ltd will conduct itself in accordance with its Constitution, its annual Statement of Intent, and the provisions of the Companies Act 1993 and the Local Government Act 2002.

The Company is governed by its Directors. To ensure total synergy between the Company's activities and its council shareholders' activities, nine Directors are also the current Chief Executives of their respective shareholding councils. The dual roles recognise the interdependence of BOPLASS and its councils in the undertaking of its activities.

The Board also includes an independent Chair, appointed with specific skills and knowledge to add incremental value. This appointment brings experience and specialist skills that are complementary to those held by the other Directors.

Shareholder	Appointed Director
Bay of Plenty Regional Council	Mary-Anne Macleod
Gisborne District Council	Nedine Thatcher Swann
Kawerau District Council	Russell George
Opotiki District Council	Aileen Lawrie
Rotorua Lakes Council	Geoff Williams
Taupo District Council	Gareth Green
Tauranga City Council	Garry Poole
Western Bay of Plenty District Council	Miriam Taris
Whakatane District Council	Marty Grenfell
Independent Director and Chair	Craig O'Connell

A sub-committee of council delegates has been established by the Directors as an Operations Committee to manage responsibility for regular monitoring and governance of operational aspects of BOPLASS projects, allowing the Board to primarily focus on supporting the strategic development of the organisation.

Each activity or project is managed by an Advisory Group, nominated by the shareholding councils in that particular service. The Board retains the right to approve nominations to the Advisory Groups and all of their material decisions – there is only one Board of Directors and that remains at the umbrella or holding company level.

The Board has established a principle that participation in each initiative is decided by individual councils on an 'opt in' basis.

Each Shared Service is subject to a formal service level agreement between BOPLASS Ltd and the participating councils, outlining the services and activities provided, where, when and how; and reflecting the capital and operational costs being met by each service shareholder.

Joint Procurement initiatives consistent with their nominated role may be undertaken by any advisory group as approved by the Operations Committee. In considering Joint Procurement initiatives the Company will take into account the opportunities available through All of Government (AoG) purchasing arrangements and, where there is demonstrated benefit to the Company or its constituent councils, support such initiatives. In assessing the benefits of a Joint Procurement initiative, opportunities for integration shall be considered. The Board has recognised that the availability of All of Government Procurement options has the potential to impact on BOPLASS' ability to provide procurement options in some categories.

Subject to the approval of shareholders in accordance with the shareholder agreement the Directors may decide that a particular activity is best managed as a subsidiary company and proceed accordingly. Any subsidiary company whose objectives are in accordance with the objectives set out in this Statement of Intent shall not be required to have a separate Statement of Intent.

7 Future Developments

BOPLASS Ltd will continue to work on business cases for Joint Procurement and Shared Services that may be provided in the region.

BOPLASS Joint Procurement opportunities will be actively pursued to ensure maximum savings and benefits continue to be delivered to the participating councils through existing and new contracts.

Joint Procurement initiatives will be considered by the Board and/or its advisory groups where there is demonstrated support from two or more member councils.

Identification of Shared Service opportunities and the development of existing services will continue as a priority, with councils participating on an opt-in basis. The Board will be looking for commitment from councils to participate in Shared Services and to provide a lead in the identification and management of Shared Services projects.

BOPLASS will also proactively explore opportunities to partner with other local authorities and Shared Services organisations within NZ where they are either developing or considering developing cost effective Shared Services or Joint Procurement initiatives involving products or services that are of value to the BOPLASS councils.

The Collaboration Portal, established by BOPLASS for the sharing of information on Shared Services or Joint Procurement opportunities, has been made available to the wider local government community to provide better visibility of common projects and to encourage further cross-regional collaboration. BOPLASS will continue to market the benefits of inter-region collaboration and assist other councils through providing support and access to the Collaboration Portal.

ICT Shared Services strategy:

BOPLASS has previously been involved in an information services strategy that included an intention to align the member councils' ICT back-office systems as one. This presented an opportunity for standardised in-house IT systems and processes. Although there is no Enterprise Application across all the BOPLASS councils, there has been a certain amount of alignment of systems. For example, eight of the nine BOPLASS councils now use Objective as their electronic document and records management system (EDRMS) system and all councils use ESRI ArcGIS as their GIS platform, along with various GIS add-on packages procured through BOPLASS.

The goal of one-system for all has not been able to be achieved for a number of reasons; primarily being the changes in technology, along with the impact and disruption to council business, plus the cost to change to one-system.

Taking the example of Auckland Council, one of the goals of the amalgamation was to bring all the ICT systems into one-system. However the cost to do this has increased greatly from what was originally estimated, and progress has proved difficult.

There are a number of avenues being explored by BOPLASS and the councils to provide a one-system solution without the need to overhaul all council systems. This can now be achieved through using "middleware" solutions that provide a link from the council application to a shared platform. For example, although councils may have the same GIS software, due to historic council naming schemas for infrastructure it is difficult to combine all council GIS systems. Through using middleware software that provides a "translation" of schemas the information can

be converted without councils needing to change their underlying technologies, which in turn can assist with the delivery of a single platform to the public and for inter-council sharing.

With the advent of cloud services, such as Infrastructure-as-a-Service (IaaS) and Office365, there is scope for councils' services to still be independent but use the same underlying infrastructure, which in turn has the potential to lead to the development of Shared Services.

The BOPLASS Collaboration Portal project is an example of this. The Regional Councils also have a similar project with similar requirements for their member councils. Both projects are delivering their respective solutions as independent services, but they are using the same underlying cloud solution on the Office365 platform and sharing the costs, administration, etc. As these separate instances are using the same platform, this also provides the potential for both of these projects to join in the future as one solution.

BOPLASS will continue to explore opportunities for councils to develop ICT solutions using middleware and cloud technologies that allow for future sharing and the development of Shared Services without the wholesale replacement of IT systems.

Where it is practicable, BOPLASS will work with other LASSes or councils in developing shared service ICT strategies and/or leverage off, or participate in services established by other collective local government groups.

8 Stakeholder Engagement

BOPLASS recognises the ambitious plans our constituent councils have for their communities and endeavours to support these aspirations through:

- Regular engagement at project, management and governance level
- Including councils' short, medium and long-term goals within BOPLASS planning
- Using quality information from councils to guide our decision-making
- Identifying and developing services that directly benefit councils and/or their communities
- Monitoring councils' future plans and remaining agile to change to include these aspirations in our own planning
- Regularly communicating to ensure stakeholders are aware of what we are doing and why we are doing it
- Involving councils in our decision-making and planning

9 Performance Targets

To ensure the Company continues to operate effectively in both governance and management terms over the next three years the targets are to:

Target	How	Measure
Investigate new Joint Procurement initiatives for goods and services for BOPLASS councils.	Procure from sources offering best value, service, continuity of supply and/or continued opportunities for integration. (Current identified projects are listed in Appendix B.)	A minimum of four new procurement initiatives investigated. Initiatives provide financial savings of greater than 5% and/or improved service levels to the participating councils.
Provide support to BOPLASS councils that are managing or investigating Shared Services projects.	BOPLASS to provide 0.25 FTE resource and expertise to assist councils in Shared Services developments and projects.	Quarterly satisfaction reviews with participating councils. Resource assignment measured from project job tracking.
Further develop and extend the Collaboration Portal for access to, and sharing of, project information and opportunities from other councils and the greater Local Government community to increase breadth of BOPLASS collaboration.	Increase usage of the Collaboration Portal by providing support and training material for new and existing users. Proactively market the benefits to councils.	Number of listed projects to increase by 20% per year. Number of Team Sites to increase by 20% per year. Portal is operational outside of the LASS groups with a minimum of ten additional councils or local government related organisations having utilised the portal.
Ensure appointed vendors remain competitive and continued best value is returned to shareholders.	Manage and/or renegotiate existing contracts.	Contracts due for renewal are tested for competitiveness in the marketplace. New suppliers are awarded contracts through a competitive procurement process involving two or more vendors.
Review governance performance and structure to ensure it supports BOPLASS' strategic direction.	Perform review of BOPLASS governance.	Affirmative feedback received from shareholding councils at least annually.
Communicate with each shareholding council at appropriate levels.	Meeting with each Executive Leadership Team.	At least one meeting per year.
Ensure current funding model is appropriate.	Review BOPLASS expenditure and income and review council contributions and other sources of funding.	Performance against budgets reviewed quarterly. Company remains financially viable.

9 Balance Sheet Ratios

The Local Government Act 2002 Schedule 8 (9) requires the SOI to include the projected ratio of shareholders' funds to total assets within the Forecast Statement of Financial Position. As at 30 June 2017 the consolidated Shareholder funds comprised \$50,551 and the total assets were \$995,625. The resulting ratio is 5.1%.

As asset owning Shared Services are approved, the Board will, if appropriate, provide a mechanism for the recognition of each council's contribution.

10 Accounting Policies

10.1 Statement of Accounting Principles

The Company will adopt accounting practices that comply with NZ IFRS, the requirements of the LGA and the Financial Reporting Act 1993.

10.2 IPSAS Accounting Standards

As a Public Sector Public Benefit Entity (PS PBE), the Company has elected to report using International Public Sector Accounting Standards for Public Benefit Entities under Tier 3 PBE standards.

10.3 Measurement Basis

The Company will follow generally accepted international accounting principles for reporting of earnings and financial position.

10.4 Specific Accounting Principles

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

- Accounts Receivable are stated at their expected realisable value after writing off any known bad debts and providing for doubtful debts.
- Investments are valued at the prevailing market value.
- Fixed assets are recorded at cost, less accumulated depreciation.
- Any liability for overseas funding of equipment, systems or services is based on the prevailing exchange rate as at balance date.
- 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 no greater than four years.

- All assets are depreciated over their expected useful lives. Depreciation is provided on a diminishing value basis over the estimated useful life, at the same rate as is allowed by the Income Tax Act 1994.
- It is not envisaged that the Company will hold inventories, other than those that might relate to providing information services to a number of parties. They will be valued at net realisable value.
- Taxation will be provided as required in line with relevant legislation.
- In accordance with the Public Audit Act 2001 and the Local Government Act 2002, the office of the Auditor General will be responsible for the audit of the Company's financial statements.

11 Distributions to Shareholders

The Company is not expected to make profits that would ordinarily be distributed by way of dividends. Any surplus funds (after tax) remaining from an activity or 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.

12 Information to be Provided to Shareholders

The Company will deliver the following statements to shareholders:

- On a three monthly basis the Financial Position and Cashflow.
- Within two months of the end of the first half of the financial year: Financial Performance and Financial Position.
- Within three months of the end of the financial year the following audited statements: Financial Position, Movements in Equity, Cashflows, Service Performance plus a summary of how the Company has tracked against its objectives and prospects for the next financial year, and a report on the Company's medium to long term plans.
- Six monthly summaries of project activities included in Half Yearly and Annual Reports.

13 Procedures for the Purchase and Acquisition of Shares

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

14 Activities for Which the Board Seeks Compensation

The ongoing activities to identify, develop, procure Shared Services will be budgeted for in advance, subject to a business case and either funded by individual councils without BOPLASS Ltd involvement, or agreed by the Board to be funded by BOPLASS Ltd with consequent recovery from participating councils.

Shareholding councils will make a contribution to the operational costs of the Company on an annually agreed basis.

The Company will also seek contributions by way of a levy or administration charges on services provided or administered. In determining an appropriate charge, the Directors may take into account the cost of running the Company, its future operational requirements, the nature and cost of the service provided, benefits achieved and councils' ability to pay.

The Company may provide services (at a cost recovery or a cost plus basis) to other non-shareholding councils within or beyond the region. Any surplus from such activity will be used to either reduce service costs and/or invest in further developing of that or other services, as agreed by the Advisory Group and by the Board.

15 Value of Shareholder's Investment

The Directors estimate that, at this stage, BOPLASS Ltd has little or no commercial value. As each shareholder's investment in BOPLASS Ltd is less than \$20,000, the Board believe that that fairly represents the value of their investment. The Directors will reassess the value of this shareholding on or about the 1st of March each year.

16 Financial Forecasts

The Forecast Financial Statements for the years 2018-2021 are included. The budget is not adjusted for inflation.

Core revenue includes the recovery of costs for BOPLASS salaried staff when seconded to individual council projects.

The Aerial Photography revenue/expenses reflects the flying programme determined by the participating councils which includes interim flying programmes and extensive region-wide flying programmes over the next five years.

A continued increase in Recoveries has been forecast to reflect the direct recovery of purchases made on behalf of councils through Joint Procurement projects.

It is the company's intention to always fully recover costs incurred on behalf of participating councils.

Appendix A

SOI Forecast 2018/21	Budget 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/2021
REVENUE				
Revenue - Core	\$335,510	319,510	329,510	329,510
Bank Interest Received	\$2,000	1,000	1,000	1,000
Council Contribution	\$273,510	273,510	273,510	273,510
Sales of Service	\$60,000	45,000	55,000	55,000
Revenue - Projects	1,376,500	1,563,500	1,251,500	1,249,500
Aerial Photography Income	300,000	600,000	300,000	300,000
Bank Interest Received	16,500	16,500	16,500	16,500
Collaboration Portal	125,000	100,000	90,000	90,000
Lease Income - ICN	280,000	175,000	175,000	175,000
Lease Income - Video Confer.	13,000	13,000	13,000	13,000
Rebates	12,000	9,000	7,000	5,000
Recoveries	630,000	650,000	650,000	650,000
Total Operating Revenue	1,712,010	1,883,010	1,581,010	1,579,010
EXPENSES				
Expenditure - Core	460,300	440,400	438,400	436,400
ACC	1,500	1,500	1,500	1,500
Accommodation & Travel	1,500	1,500	1,500	1,500
Accounting & Audit	17,500	17,500	17,500	17,500
Administration	24,000	24,000	24,000	24,000
Amortisation	21,400	12,000	10,000	8,000
Bank Fees	400	400	400	400
Catering Expenses	2,000	2,000	2,000	2,000
Conferences	2,000	2,000	2,000	2,000
Depreciation	0	0	0	0
Directors costs	18,000	18,000	18,000	18,000
Fringe Benefit Tax	7,800	7,000	7,000	7,000
Health and Safety	1,000	1,000	1,000	1,000
Insurance	8,000	8,000	8,000	8,000
Interest Paid - TCC Loan	1,000	1,000	1,000	1,000
Legal	2,000	2,000	2,000	2,000
Salaries	325,000	325,000	325,000	325,000
Salaries - C'Portal Opex	0	-10,000	-10,000	-10,000
Staff Support Costs	20,000	20,000	20,000	20,000
Staff Training Costs	2,000	2,000	2,000	2,000
Subscriptions	700	1,000	1,000	1,000
Tax Advice	4,500	4,500	4,500	4,500
Expenditure - Projects	1,251,710	1,442,610	1,142,610	1,142,610
Aerial Photography Expense	300,000	600,000	300,000	300,000
Collaboration Portal Opex	69,100	40,000	40,000	40,000
Lease Expense - ICN	270,000	170,000	170,000	170,000
Lease Expense - Video Confer.	12,610	12,610	12,610	12,610
Projects - Recoveries	600,000	620,000	620,000	620,000
Total Operating Expenditure	1,712,010	1,883,010	1,581,010	1,579,010
Operational Surplus/ (Deficit) before Tax	0	0	0	0

Appendix B

Completed Joint Procurement Projects

Requiring ongoing management for performance, renewal or replacement

- ✧ Office supplies
- ✧ Banking
- ✧ Postal services
- ✧ Courier services
- ✧ Fuel
- ✧ Advertising services
- ✧ Travel and accommodation services
- ✧ Air travel
- ✧ Insurance brokerage
- ✧ Aerial photography
- ✧ N3 / GSB
- ✧ ESRI licences
- ✧ GIS software
- ✧ Health insurance
- ✧ Antivirus software
- ✧ Video conferencing
- ✧ GPS vehicle tracking
- ✧ Archaeological services
- ✧ Telephony – voice, data, mobile
- ✧ Reprographic – printers/copiers
- ✧ Infrastructure insurance
- ✧ Media monitoring services
- ✧ EFTPOS services
- ✧ Historical imagery digitisation
- ✧ On-line services
- ✧ Internal audit services
- ✧ Health and safety training services
- ✧ Risk management workshops

Identified Joint Procurement Projects

- ✧ Civil works contracts
- ✧ Civil works materials
- ✧ Infrastructure valuation services
- ✧ High volume print
- ✧ Web services
- ✧ Electronic document management
- ✧ Archives
- ✧ Document storage
- ✧ Document scanning
- ✧ Agenda management software
- ✧ ICT security policies
- ✧ Business continuity
- ✧ IT applications
- ✧ Web services
- ✧ Rates collection
- ✧ Property valuation services
- ✧ GIS software
- ✧ Telephony platform
- ✧ Chemicals
- ✧ Digital signatures
- ✧ Recruitment/candidate management
- ✧ Surveys and research
- ✧ CCTV monitoring
- ✧ EMA membership
- ✧ Security services
- ✧ Fleet purchasing
- ✧ Fleet Management
- ✧ Environmental insurance

Shared Service Projects

Managed by BOPLASS or by one or more constituent councils

- ✱ IT hosting / datacentre
- ✱ Internal audit services
- ✱ GIS web services
- ✱ Project management office
- ✱ Shared licence server
- ✱ Contractor H&S prequalification
- ✱ Radio telephony strategy
- ✱ Collaboration portal
- ✱ After hours call management
- ✱ Archive service
- ✱ Health and safety auditing
- ✱ Inter-council network
- ✱ Smart cities
- ✱ Section 17A reviews – Joint service reviews, cost effectiveness reviews, identification of opportunities for collaboration in delivery of services in accordance with s17A LG Act 2002
- ✱ Video conferencing
- ✱ GIS imagery data storage
- ✱ Solid waste services
- ✱ Historic aerial imagery
- ✱ Licensing and data collection for waste operators
- ✱ Diversion of putrescible waste from landfill
- ✱ Regional waste facilities strategy

Shared Service Projects for Consideration

- ✱ Rates Collection
- ✱ Geospatial services
- ✱ Joint software support
- ✱ Asset Management
- ✱ Web services
- ✱ E-Purchasing
- ✱ Payroll
- ✱ Telephony platform
- ✱ Consents Processing
- ✱ CCTV monitoring
- ✱ Information Services
- ✱ Debt collection
- ✱ Electronic Document and Records Management System
- ✱ Business continuity planning
- ✱ Infrastructure development codes
- ✱ Inter-council H&S audits
- ✱ Document digitalisation

**Attachment 2: SUMMARY REVIEW DRAFT SOI - BAY OF PLENTY LOCAL AUTHORITY
SHARED SERVICES LIMITED [BOPLASS]**

Key Activities set out in the draft SOI 2018 -21

Objectives of BOPLASS

Working together with the full support and involvement of staff, we will provide benefit to councils and their stakeholders through improved levels of service, reduced costs, imbibed efficiency and/or increased value through innovation.

These will be achieved primarily through:

Joint Procurement

Being the procurement of services or products by two or more councils from an external provider regardless of whether the service is paid for through BOPLASS or individually by participating councils.

Shared Services

Being the participation of two or more councils in the provision of a common service which may be jointly or severally hosted.

Nature and Scope of Current Activities

The principle nature and scope of the activities of BOPLASS Ltd is to:

- Establish the underlying technology, framework, platform and policies to enable and support the delivery of Shared Services.
- Use Joint Procurement to add value to goods and services sourced for its constituent councils.
- Facilitate Shared Services that benefit councils and their stakeholders through improved levels of service, reduced costs, improved efficiency, innovation and/or increased value.
- Pursue best practice in the management of all activities to obtain best value and minimise risk.
- Demonstrate fiduciary responsibility by ensuring that its activities are adequately funded from savings achieved, levies, council contributions, or Government funding where available.
- Allow other councils or organisations to participate in its activities where this will benefit its constituent councils directly or indirectly.
- Actively monitor and engage with Shared Service developments across the public sector to identify opportunities for further development and establishing best practice.
- Represent the collective views of its Shareholders in matters with which it is associated.

Suggested shareholder feedback on the draft SOI

	Council Feedback
Nature and Scope	Council is satisfied
Performance Measurement	Council is satisfied
Disclosures – Concerns Sch 8 Clause 9 LG Act 2002	Council is satisfied
Timeliness of forwarding draft	Council is satisfied - Receipted 28 February 2018

Recommendations

Council is satisfied with the content of the SOI and no feedback on its content is required.



Gareth Green
Chief Executive Officer
Taupo District Council
46 Horomatangi Street
Taupō 3330

26 February 2018

Dear Gareth

Draft Statement of Intent

Please find attached the draft Statement of Intent for Destination Great Lake Taupo. In accordance with the Trust Deed and Local Government Act requirements the draft is due with Taupo District Council at the end of February 2018, so that it can be considered formally by Council, and any comments provided in advance of May 2018.

The board looks forward to the opportunity to discuss the draft with Councillors at the workshop on Tuesday 27 March 2018.

Yours sincerely

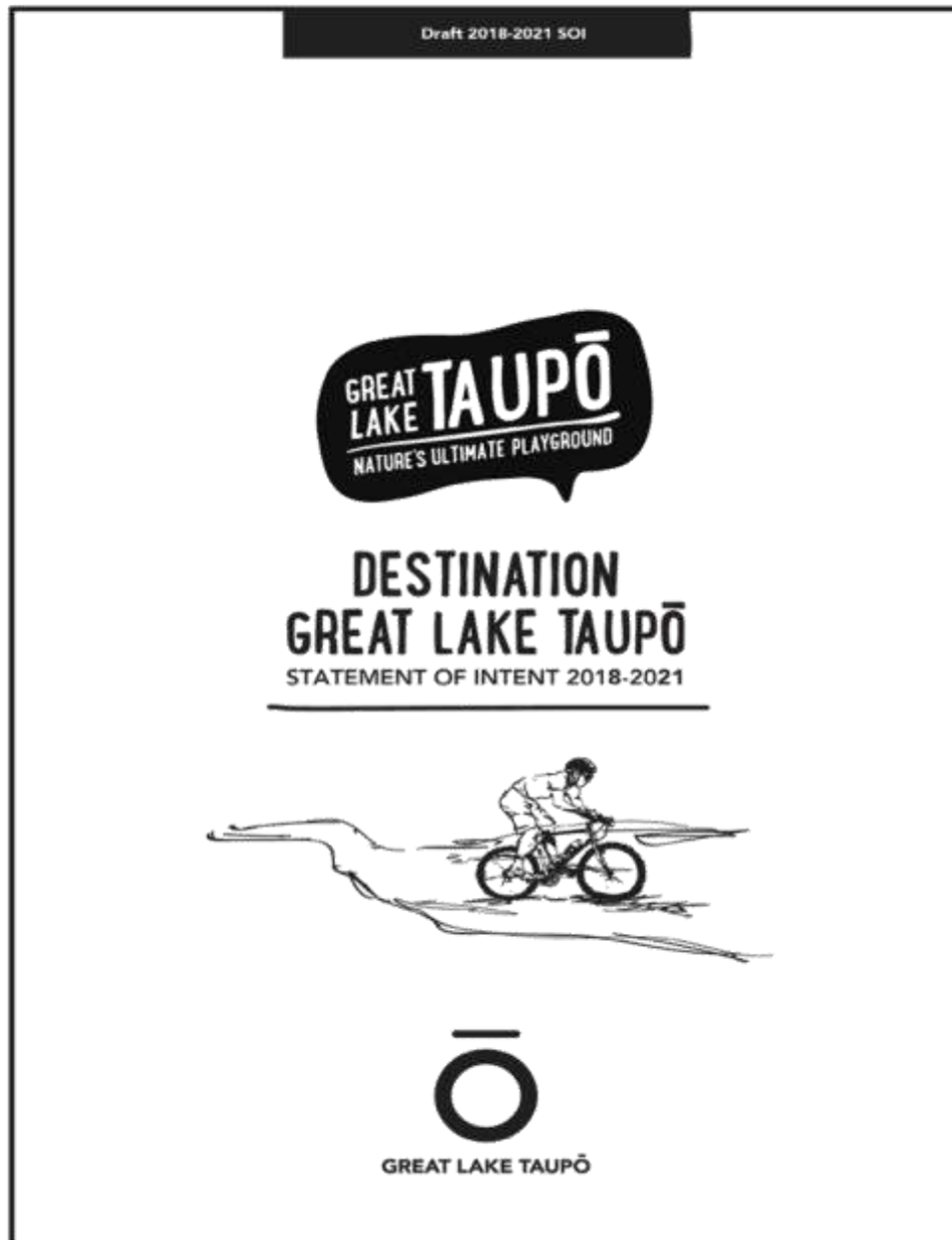
Ray Salter
Chairman
Destination Great Lake Taupo Board

Destination Great Lake Taupō

Address: The Hub, Level 1, 32 Roberts St. Taupō : Ph: +64 7 376 0400 : Postal Address: Destination Great Lake Taupō
Email: info@greatlaketapu.com : Fax: +64 7 376 0410 : PO Box 149, Taupō 3331, New Zealand

In association with





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1. INTRODUCTION

Destination Great Lake Taupō (DGLT) is a Council Controlled Organisation (CCO) for the purposes of the Local Government Act 2002. It has no subsidiaries and is a not-for-profit organisation.

DGLT is governed by a Board appointed by the Taupō District Council (TDC) under the Trust Deed (6 September 2010) establishing the CCO. DGLT is funded largely by a grant from the TDC, on behalf of Taupō District ratepayers, along with revenue from sales through i-SITES and industry contributions to various marketing initiatives.

This Statement of Intent (SOI) sets out DGLT's strategic direction for 2018-2021. It illustrates how DGLT will contribute to Taupō District Council's newly adopted Economic Development Strategy, reflecting the expectations of both ratepayers and industry, and describes the context within which the organisation operates. It explains how DGLT will achieve its outcomes through its activities and initiatives, and shows how progress towards these outcomes will be measured.

The role of DGLT is to ensure that the Great Lake Taupō district¹ is marketed as a visitor destination so as to maximise the long-term benefits to the Taupō district economy for the benefit of ratepayers. This marketing effort generates direct benefits for the local tourism industry, and also has a broader benefit for retail, hospitality and most other services in the district economy. DGLT's specific function is to develop, implement and promote the destination to attract increased numbers of visitors, and to encourage visitors to stay longer and spend more.

The National Visitor Strategy:

In 2014, the Tourism Industry Aotearoa released Tourism 2025, a strategic planning document designed to align the industry nationally towards one common goal of growing tourism expenditure / yield to \$41 billion by 2025. The document outlines the need for a focus across the following key areas:

- **Productivity** – With a focus on addressing seasonality and ensuring the right capability and skills sit within the industry
- **Visitor Experience** – Continuing to provide a great visitor experience
- **Connectivity** – Especially air connectivity
- **Target** – Improving yield
- **Insight** – Making sure we have good data.



The tourism forecasts 2017-2023 project New Zealand will exceed the international expenditure target, at 6.2 percent growth per year to 2023. Visitor arrivals to New Zealand are expected to grow 4.8 percent a year, reaching 4.9 million visitors in 2023 from 3.5 million in 2016. Total international spend is expected to reach \$15.3 billion in 2023, up 52 percent from 2016.

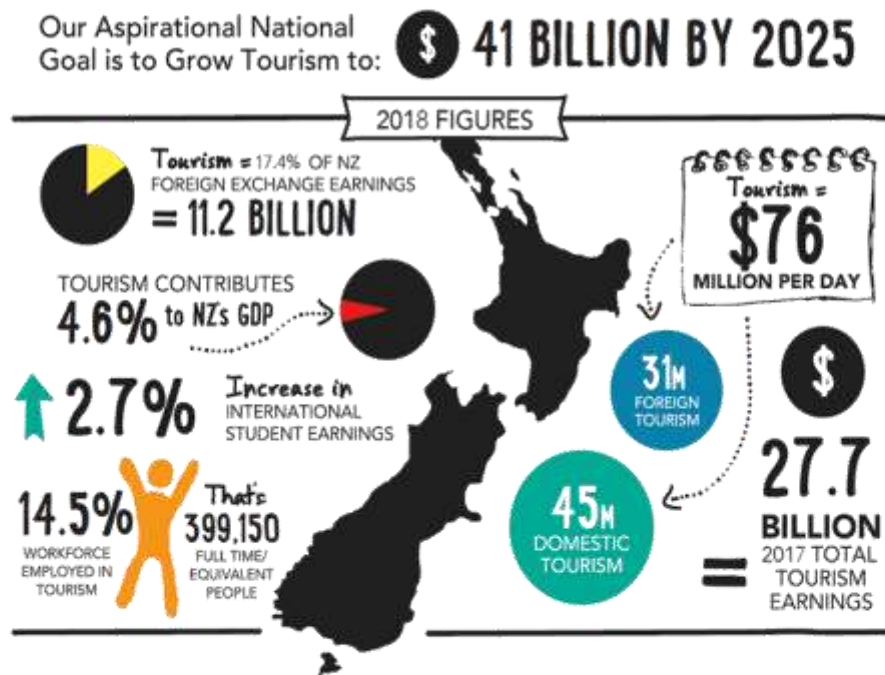
¹ Taupō District refers to the entire region incorporating Taupō, Turangi and Mangakino

Progress to date:

The scorecard so far is somewhat mixed, with strong growth in international arrivals and spend due mainly to the opening of new airline routes and new airlines flying into New Zealand, however the effects of this are not being felt throughout the entire country. Regional dispersal and reducing seasonality are two of the key pillars of the productivity target, and they are not yet being achieved, although significant work is going into this challenging area. The remaining targets of yield, visitor satisfaction and connectivity are certainly being achieved, and MBIE are constantly improving the data sets available, so that robust decision making can be undertaken. Tourism Industry Aotearoa have also released a web tool called DGiT, which is helping to fill the gap on domestic tourism research.

On the positive side:

- Spending by international tourists in New Zealand in the year ended December 2017 was \$14.5 billion – a decrease of 0.9% percent. The number of short-term international visitors increased 8.9% over the same period.
- Domestic tourism spending increased 4.0% to \$21.4 billion.
- Total tourism expenditure increased 6.0% to \$27.7 billion, following a 5.8% increase in the previous year.
- International tourism expenditure contributed 20.7% to New Zealand's total exports of goods and services.
- Tourism generated a direct contribution to GDP of \$11.3 billion – 4.6% of GDP.
- The indirect value added of industries supporting tourism generated an additional \$11.3 billion for tourism – 4.6% of GDP.
- 399,150 people were directly employed in tourism – 14.5% of the total number of people employed in New Zealand.
- Tourists generated \$3.3 billion in GST revenue.



Source: Tourism Industry Association of New Zealand

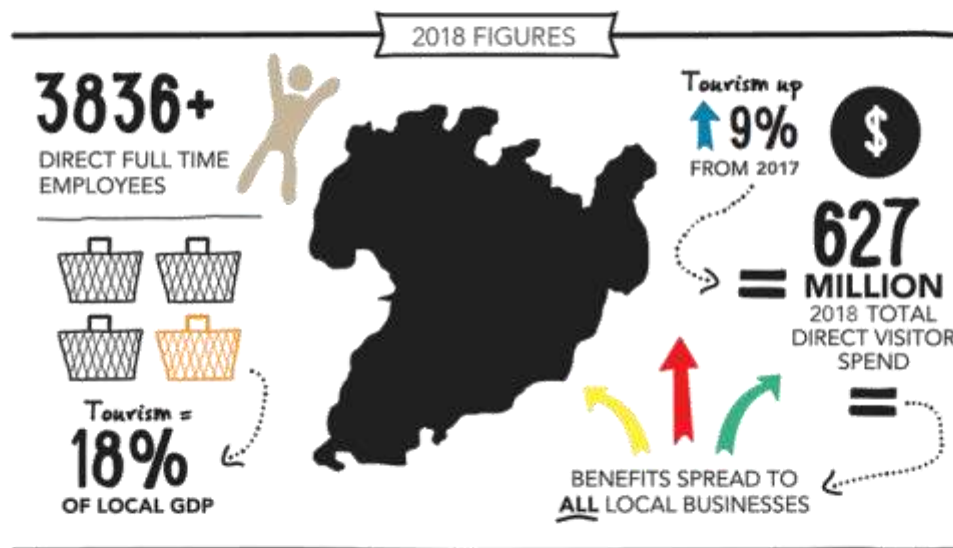
The Great Lake Taupō proposition:

In 2018, DGLT estimates that the Taupō District experienced just over 3.4 million guest nights, using a combination of private and commercial accommodation. This comprises approximately 2.2 million domestic nights, and 1.2 million international nights. Roughly one third of guest nights are in commercial accommodation, with the remainder in private accommodation.

Tourism makes a major contribution to the overall economic and social fabric of the Great Lake Taupō district.

- Data released by the Ministry of Business, Innovation and Employment (MBIE), indicates a total direct visitor spend for the district of approximately \$627 million for the year ending December 2017.
- Spending by domestic visitors accounts for \$424 million (or 68%), while international visitors account for \$203 million.
- Tourism's contribution to the local GDP is estimated at 18%².
- Tourism remains the largest employment sector in the region, with 3836 direct full time equivalent employees (FTEs); when indirect employment related to tourism is added this rises to 5453 FTEs³.

Our Aspirational Regional Goal is to Grow Tourism to: **\$ 800 MILLION BY 2026**



² Source – Economic Impact of Tourism Spending on Taupō Economy – December 2017: Note, in 2017 Taupō District Council changed the source of its economic reporting from the Economic Monitor produced by Sean Bevin to the report produced by Infometrics. These two reports use a different methodology and the data above is therefore different to the 2017-2020 SOI.

³ Source – Economic Impact of Tourism Spending on Taupō Economy – December 2017

2 GREAT LAKE TAUPŌ – THE NEXT BIG THING!

The Great Lake Taupō Strategy Journey

In the mid 2000's a tourism strategy was developed to position Great Lake Taupō tourism through to 2016 (2006-16 Tourism Strategy). There was a perception of declining performance in both the domestic and international markets. The vision was that "...the Lake Taupō District would be recognised for its identity founded on the iconic and unique volcanic features of the lake and mountains, as well as its cultural history and people." DGLT has been progressively working to implement that strategy.

In 2016 the DGLT board reviewed and updated our strategy – to ensure that our tourism industry has a strategic approach that is current and which also provides a clear vision for the future. In August 2016, the DGLT board adopted a new 2016-2026 Strategic document – *"Great Lake Taupō – The next big thing"*. Our vision is that Great Lake Taupō will be 'the North Island holiday destination'.

We have reviewed our destination from both a domestic and international visitor perspective:

Our domestic market

The Taupō district is well recognised domestically, but we can grow this through innovative approaches to marketing and creating aspirational reasons to visit and thus achieve our vision.

Domestic visitation remains the driver of tourism in the district, accounting for approximately 65-70% of both visitation and spending. Our largest market is Auckland by a significant margin, followed by Waikato, Wellington and Bay of Plenty. Our central location means we get good visitation from the entire North Island, however, the district is almost exclusively a North Island destination, due largely to the lack of direct air connectivity to the South Island.

While Great Lake Taupō is well known by most New Zealanders as a holiday destination, there is increasing competition from other New Zealand regions and from offshore locations. Our district remains strong in the family market but the challenge is to ensure a Great Lake Taupō holiday has 'brag factor' and appeals to a wider market. The additional markets that this strategy will target include couples, groups and baby boomers, to improve seasonality and increase yield. The 'new New Zealander' domestic market of predominately Chinese and Indian immigrants living in Auckland will also be a focus.

However, the visitor mix is diverse across the district, with different types of visitor between Taupō, Mangakino and Turangi. We will therefore need to ensure that a diversity of visitors is retained so that small settlements such as Turangi don't lose ground.

While the town of Taupō has proximity to Tongariro National Park and Whakapapa Ski Area, we have not historically positioned it as a winter/ski destination. The southern settlements (Motuoapa, Turangi, Tokaanu, Omori/Pukawa/Kuratau) have benefited from some 'ski' visitation, but the ski area has largely developed over time around club or on-mountain accommodation. 'Snow play', as opposed to the traditional winter sports of skiing and snowboarding, is now becoming popular. There is a real winter opportunity for all parts of the district to pursue around these winter activities, by positioning the district, particularly Taupō, as the resort town for Whakapapa ski field.

Our international market

Our vision is that we will have stronger brand recognition internationally. Our goal is to lift the profile of the district so we become part of the must-do itinerary for international visitors. To do this we will need to become more active in our international marketing and we will need an expanded offering of experiences.

The number and importance of international visitors has grown over the last 10 years. Our largest market is UK/Europe, followed by Australia, and then the US. Chinese visitors are increasing rapidly and are becoming an important source market (albeit still significantly behind traditional western markets).

Further product development, and increased international marketing (alongside surrounding regional tourism organisations) is required if the Great Lake Taupō district is to significantly grow international visitor volume, grow other markets, or increase

visitation outside summer/peak periods. There is real potential to increase the profile of the district offshore, and to increase the Great Lake Taupō presence in itineraries prepared by travel wholesalers. This would significantly increase and diversify international visitation.

Our aspiration is to significantly grow the scale and profitability of the region's tourism while maintaining acceptance and integration of visitors into the community.

3 PRINCIPAL OBJECTIVES

There are two main groups of objectives covered in this Statement of Intent:

- A series of objectives aimed at implementing the vision in the 2016-2026 strategic document (the focus of our work)
- A series of objectives around DGLT Trust operations (the way we work).

3.1 Our focus - Establish Great Lake Taupō as 'THE North Island holiday destination', centred around our natural environment and attractions.

We have identified four objectives in our 2016-2026 Strategic Document:

3.1.1 *Diversify what we do to grow both domestic and international visitor numbers.*

Domestic tourism is growing but there is competition for these visitors both within NZ and from long haul destinations. Whilst we are already a strong family destination, there is great potential for growth in couples and new New Zealanders. NZ is experiencing high growth in **international** arrivals and we need to ensure we are getting our share of this growth. Key growth markets include Australia, the US, China and India.

3.1.2 *Create a thriving year-round tourism destination by filling capacity in quieter times and locations.*

We will continue to market the Great Lake Taupō region as a short break destination, but we will also work to lengthen the perceived summer season by targeting marketing activities at Oct/Nov and March/April. We will promote a winter holiday focus with links to ski, snow and après ski experiences. We will grow international markets by increasing awareness of the destination through increased activity with the travel trade. We will also attempt to grow visitation for Turangi through a more targeted approach.

3.1.3 *Encourage and support new investment in product development.*

Thoughtful, strategic and quality investment will significantly enhance attractions, increase the vibrancy of our towns and strengthen our market reach. New product is key to providing reasons to visit at all times of the year and fill periods when there is capacity in the region, and to making sure our offerings are well suited to existing and future target markets.

This means working with both existing operators, new investors and Enterprise Great Lake Taupō to support new product development, further monetise existing attractions and market existing attractions to the travel trade. This will include a specific focus on Turangi, work alongside Ngati Tuwharetoa to develop cultural product and a focus on additional soft adventure/wet weather attractions.

3.1.4 *Ensure the destination meets future challenges and encourages development opportunities.*

Whilst this strategy is largely about growth and change, Great Lake Taupō is already a must-visit summer destination, particularly for families and international backpackers. It is critical that we don't take our eye off these areas.

Given the aspiration for both rapid and significant growth in visitors, Great Lake Taupō as a destination must also be engineered to deal with the development challenges and opportunities that will arise. The growth trajectory is positive, but we need to ensure we continue to deliver a world class experience to increasing numbers of domestic and international tourists.

3.2 Our approach - Run an efficient and effective regional tourism organisation, strongly supported by the local tourism industry.

Our other key objectives are around the efficiency and effectiveness of the organisation. We have identified two objectives:

3.2.1 Take industry with us, and work collaboratively

On-going effective industry and stakeholder communication is vital to ensuring that the district operates as a coherent whole. DGLT will continue to actively engage with operators and stakeholders throughout the strategy implementation.

3.2.2 Be fiscally responsible in the way we do business

DGLT will focus on responsible business practice, cost efficiencies and sustaining revenue streams in conjunction with marketing programmes.

4 FOCUS OF ACTIVITIES FOR 2018/19

DGLT has planned for a continuation of business as usual activity for the 2018/19 year.

Business as usual activity (funded under current resourcing levels) includes the following:

- Planning and delivery of destination marketing programmes that grow the inbound visitor market (including both domestic and international visitors) to the Great Lake Taupō district jointly with operators and other groups
- Promotion of the district to the international market collaboratively with the Explore Central North Island grouping of regional tourism organisations and with Tourism New Zealand
- Provision of tourism market information and insights as appropriate for operators to assist in their marketing initiatives
- Work with local, national and international media to gain maximum positive exposure for the district
- Provision of regional visitor information that enables our key markets to make decisions on holidays in Great Lake Taupō
- Operation of the two i-SITES within the Great Lake Taupō district
- Convention and incentive marketing and facilitation of business conversion
- Delivery of trade and media familiarisations to build profile and opportunity
- Active involvement in discussions about infrastructure and destination management projects
- Representation of the district at tourism trade shows
- Management of greatlaketaupo.com and other digital marketing functions
- Event marketing and leveraging the visitor opportunities around events
- Planning and delivery of joint marketing activity for Turangi and Mangakino
- Work alongside Ngati Tuwharetoa to interpret and promote cultural stories
- Professional development / capability building for operators

Changes to status quo activity for 2018/19 include the following:

Taupō District Council has produced a draft Long Term Plan which includes the following changes in relation to economic development funding (for 2018/19):

- Separation of the funding for marketing and i-SITE operations so that there are two separate grants (with less co-dependency). Also, an increase to i-SITE funding in recognition of the increasing costs of this service (caused by declining revenue).

A fixed funding environment over a number of years, combined with a need to increase international activity, has resulted in some erosion of domestic and conference/incentive marketing. A separation of i-SITE funding, and an increase in i-SITE funding to mitigate decreasing revenue, will enable some reinstatement of domestic/direct to consumer marketing activity. This will be largely deployed in to digital marketing.

- A renewal of funding to enable continuation of winter/ski campaign activity with Tourism NZ, RAL and Auckland International Airport.

In March 2017 Taupō District Council agreed to provide an additional funding allocation per annum for an Australian winter marketing campaign in conjunction with Tourism New Zealand, Ruapehu Alpine Lifts and Visit Ruapehu. Ruapehu Alpine Lifts is planning \$100 million of investment at Whakapapa Ski Field over the next few years, and with a plan that will transform the visitor experience on the mountain. As part of this development RAL has identified that it needs to reorient and position alongside Taupō as the primary winter resort town to service visitors to the mountain and especially for international visitors. This marketing campaign is being led by Tourism NZ and is designed to raise awareness of the North Island ski proposition and significantly shift both skier days and visitor expenditure. DGLT is anticipating that this funding will be retained in the Long Term Plan, enabling this activity to be retained for 2018/19 and then onward to 2021. The funding is provided directly to Tourism NZ by Taupō District Council and DGLT will support this campaign activity with its own activity and resourcing.

DGLT will support these changes via the submissions process. For the purposes of this SOI DGLT has assumed that the funding changes in the draft Long Term Plan will be retained following the submissions and then deliberations process.

5. FOCUS OF ACTIVITIES FOR 2019/20 AND 2020/21

DGLT has not programmed full implementation of the Strategic Plan in 2018/19, recognising what is possible with funding limitations. Work/actions have been prioritised into 2019/20, 2020/21 and beyond.

For our international markets, we will focus work in 2019-2021 to continue/expand work in Australia (in support of the Tourism NZ campaign activity), plus we will do more marketing with the inbound travel trade around the US. We are prioritising this activity ahead of work offshore targeting UK/Europe, China and India.

Work will be required in the 2019-2021 period in the area of product development, to support new activities and infrastructure to meet the needs of new and emerging markets. Work will also be required to ensure the destination is 'China ready', including supporting operators and increasing the amount of translated content available in the region. Chinese visitation to the district is increasing rapidly, but still off a low base. To be prepared for growth from this market, we will need to ensure that Taupō as a destination is able to generate the visitor feedback that will in turn generate repeat business and ensure that it is a "must visit" destination. This means local actions to build capability among industry, signage and collateral development and training/knowledge investment. Such work would need to occur in partnership with Enterprise Great Lake Taupō, the Chamber of Commerce and Industry, Town Centre Taupō and Taupō District Council.

In the future, if either of the Taupō or Turangi i-SITE buildings are replaced, significant work will be required for new fit out and displays. Given recent upgrades in both centres no capital work has been programmed in either building over the period 2018-2021.

Significant work will be required alongside Go Tongariro, the Turangi community and Enterprise Great Lake Taupō to implement any actions arising out of the Turangi Economic Assessment, but at this stage there is no additional resourcing for this purpose.

As the Tuwharetoa treaty settlement occurs it is likely that significant work will be required to realise their tourism aspirations, but at this stage specific projects are unclear.

6. PERFORMANCE AND OTHER MEASUREMENTS

6.1 Analysis of performance against principal objectives:

Performance against the principal objectives shall be assessed using the following success measures.

Objective 1 – Establish Great Lake Taupō as 'THE North Island holiday destination', centred around our natural environment and attractions					
As measured by	Data sources	Baseline data	YE 2017-18	YE 2018-19	YE 2019 - 20
<i>Growth in tourism expenditure</i>	Monthly Regional Tourism Estimates	Total direct tourism expenditure of \$627M for year ended December 2017. Based on \$424M domestic and \$203M international.	4.8% annual growth	4.8% annual growth	4.8% annual growth
<i>Visitor experience / satisfaction.</i>	Annual AA Travel Monitor	2017: Net promoter score to be released next quarter 2016: Net promoter score of 49 2015: Net promoter score of 44	Net promoter score of 49	Net promoter score of 49	Net promoter score of 49
Objective 2 - Run an efficient and effective regional tourism organisation, strongly supported by the local tourism industry.					
As measured by	Data source	Baseline data	YE 2017-18	YE 2018-19	YE 2019 - 20
<i>Visitation numbers in the Taupō and Turangi i-sites</i>	i-SITE door counters	Achieved 291,244 visits to Taupō and Turangi i-SITES. Taupō i-SITE: 194,610 visits Turangi i-SITE: 96,634 visits	Achieve 260,000 visits to Taupō and Turangi i-sites	Achieve 240,000 visits to Taupō and Turangi i-sites.	Achieve 220,000 visits to Taupō and Turangi i-sites.
<i>Support for DGLT collateral</i>	Number of operators advertising on www.GreatLakeTaupo.com Number of operators with brochures in the Taupo and Turangi i-SITES.	861 listings on www.GreatLakeTaupo.com . 212 Local operators stocking brochures in the Taupo and Turangi i-SITES.	Listing numbers maintained or growing.	Listing numbers maintained or growing.	Listing numbers maintained or growing.

<i>Support for DGLT marketing initiatives</i>	<i>Measured by free of charge or in-kind support for marketing promotions activity.</i>	<i>Estimated at \$86,000 based on DGLT recording</i>	<i>\$60,000 free of charge or in-kind support for marketing activity</i>	<i>\$70,000 free of charge or in-kind support for marketing activity</i>	<i>\$80,000 free of charge or in-kind support for marketing activity</i>
<i>Stakeholder satisfaction.</i>	<i>Annual Visitor Industry Survey</i> <i>Maintaining consistency is set as the primary performance target</i>	2017: 82.6% industry satisfaction score. 2016: 92% industry satisfaction score 2015: 89% industry satisfaction score 2014: 77% industry satisfaction score	85% industry satisfaction score	85% industry satisfaction score	85% industry satisfaction score

6.2 Rationale for performance measures:

This 2017 SOI adopts a new performance measure around growth in tourism expenditure. The purpose of this measure is to track spending as an overall measure of visitor numbers and economic benefit from tourism. This will be tracked through the Monthly Regional Tourism Estimates. This is a dataset published monthly by the Ministry of Business, Innovation and Employment, and it provides an estimate of monthly regional tourism spend. We have adopted a growth target of 4.8% annually. This is consistent with the DGLT Strategic Document, which lists increased tourism spend as the key performance indicator. The strategic document identifies a performance target of \$800 million by 2026, based on a 4.8% increase year on year.

The annual AA Travel Monitor has been retained to measure visitor experience/satisfaction with the destination. The key measure is the net promoter score. The net promoter score for 2017 has been retained as the measure for 2018/19.

We have retained the i-SITE door count as a measure, but under Objective 2. The performance target is a reduction in visitation below current levels. Trends around i-SITEs nationally suggest that many are struggling to maintain visitation and profitability (due to competition from digital devices/booking sites). Therefore, the performance target is based on reducing market share and performance over time, rather than predicting significant growth. On the basis of this declining visitation, we believe this measure is better categorised as a measure of the effectiveness of the organisation (as opposed to Objective 1 which measures the success of DGLT work to attract visitors).

A new measure was included in 2017 to track support for DGLT collateral. This is to be retained in 2018. DGLT will track the overall number of operator listings on the website and in the i-SITE. This provides a way to measure the number of operators and the value they place in our marketing material (irrespective of the size of their business).

An additional measure is included to capture 'free of charge' or 'in-kind' contributions by industry. The estimated contribution from the 2017/18 financial year has been added as a benchmark and used as the target for 2018/19. As growth occurs, we anticipate that this level of contribution will increase. As a result, the target increases for 2018/19 and 2019/20.

6.3 Changes to performance measures from 2017-2020 SOI:

Changes have been included in performance measures for the 2018-2021 Statement of Intent, reflecting changes to data sets available nationally and the changes outlined in the new DGLT Strategic Document.

In 2017/18 DGLT monitored tourism spending using both the Monthly Regional Tourism Estimates (MRTEs), and the quarterly Marketview report, which tracks electronic card retail transactions (but excludes cash, hire-purchase and online methods of payment). Marketview data is now being incorporated as part of the MRTEs, so it is a duplicate to track/report against both measures. On this basis, the Marketview data/performance metric has been deleted from the SOI.

DGLT has deleted the performance measure around i-SITE costs (as measured by net i-SITE expenditure over income) in favour of measuring i-SITE door count. The i-SITE financial performance is measured elsewhere via the annual report.

7. COLLABORATION WITH LOCAL AGENCIES

Destination Great Lake Taupō's mandate is to attract more visitors however this is more effective for a district of our size if we work together with other partner organisations.

Regional / national relationships

Outlined below are diagrams of the regional and national DGLT operating environment:

PARTNER COLLABORATORS	GOAL
Surrounding Regional Tourism Organisations	Attracting visitors to surrounding districts
Explore Central North Island group	Working collaboratively to attract international visitors to the thermal explorer and pacific coast highways
Central North Island Group Bike Trade Marketing Group	Working collaboratively to attract (domestic and international) bikers to the trails of the central North Island
Tourism New Zealand	Marketing New Zealand
Tourism Industry Aotearoa	Tourism advocacy and support to members
Tourism Export Council	Advocacy and support to the travel trade / travel wholesalers
Inbound travel operators and destination management companies	Working with overseas agents, and directly with consumers, to promote New Zealand
Regional Tourism Organisations of NZ (RTONZ)	Membership organisation for Regional Tourism Organisations
Air NZ (and other airlines)	Working alongside Tourism NZ to promote travel to NZ
Conference and Incentive NZ	Promotion of NZ for conferences and incentive travel
Ministry of Business Innovation and Employment (MBIE)	Monitoring of tourism issues and collection of tourism data
Bay of Connections	Regional Economic Development agency for Bay of Plenty Region
Waikato Means Business	Regional Economic Development agency for Waikato Region

Local relationships

Outlined below are diagrams of the local operating environment:

PARTNER COLLABORATORS	GOAL
Destination Great Lake Taupō	Attracting visitors to the district, increase yield
Tourism operators	Attracting visitors to local tourism businesses
Tuwharetoa Maori Trust Board	Custodians of key Ngati Tuwharetoa assets, including permitting of filming/photography on those assets
Department of Conservation	Management and protection of natural resources, including permitting of filming/photography on conservation estate
Tourism Lake Taupō	Advocacy for tourism development
Taupō Airport Authority	Inbound and outbound air capacity
Enterprise Great Lake Taupō	Encouraging new business and creating jobs
Go Tongariro	Attracting visitors, encouraging new business and creating a vibrant town centre.
Mangakino business community	Attracting visitors, encouraging new business and creating a vibrant town centre.
Chamber of Commerce	Working throughout the community for better business in the district
Towncentre Taupō	Getting locals & visitors spending more in town
Taupō District Events	Attracting event visitors to the district
Bike Taupō	Promoting cycling and advocating for better cycle tracks and services
Taupō District Council	Development of infrastructure to support tourism

8. FINANCIAL DISCLOSURE

8.1 *Reporting entity*

The Trust is a legal entity. The Board has authority to govern Destination Great Lake Taupō (DGLT) under the terms of this Statement of Intent as delegated to it by Council. It seeks to manage its activities in 2018/19 within the base funding allocation provided by Council as in the attached Statement of Comprehensive Revenue and Expense.

8.2 *Accounting policies and basis of preparation and compliance*

These Prospective Financial Statements have been prepared for Destination Great Lake Taupō in accordance with the Local Government Act 2002 and therefore also comply with PBE IPSAS. The primary objective of the Trust is to promote the Great Lake Taupō region to the domestic and international visitor market with the specific intention of growing this market, rather than making a financial return. Accordingly, the Trust has designated itself as a public benefit entity for the purposes of PBE IPSAS.

The prospective financial statements are prepared using the historical cost basis except for certain classes of asset and liability which are recorded at fair value. These are detailed in the specific policies below.

The prospective financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the Trust is New Zealand dollars.

The accounting policies set out below have been applied consistently to all periods presented in these prospective financial statements. The following accounting policies, which materially affect the measurement of results and financial position, have been applied.

8.3 *Goods & services tax*

The financial statements have been prepared on a goods and services tax (GST) exclusive basis, except for trade and other receivables and trade and other payables.

8.4 *Revenue recognition*

All grants (including the grant from Taupō District Council) and bequests received, including non-monetary grants at fair value, shall be recognised when there is reasonable assurance that:

- the entity will comply with the conditions accounting to them; and
- the grants will be received.

Grants and bequests, other than those related to assets, shall be recognised as revenue over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Grants and bequests of assets are recognised as revenue when control over the asset is obtained.

Any grants and bequests received without conditions are recognised when control over the asset is obtained.

If there are obligations in substance to return any grants or bequests if conditions of the grant are not met, then the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as revenue.

The main sources of exchange revenue for the Trust are joint venture revenue from the industry to support marketing initiatives, and revenue derived through the i-SITEs.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from any services rendered is recognised in proportion to the stage of completion of the transaction at the balance date. The stage of completion is assessed by reference to surveys of work performed.

Interest revenue is recognised as it accrues, using the effective interest method.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

8.5 Leases

Leases in which substantially all of the risks and rewards of ownership transfer to the lessee are classified as finance leases. At inception, finance leases are recognised as assets and liabilities on the Statement of Financial Position at the lower of the fair value of the leased property and the present value of the minimum lease payments. Any additional direct costs of the lessee are added to the amount recognised as an asset. Subsequently, assets leased under a finance lease are depreciated as if the assets are owned.

Operating lease payments

Payments made under operating leases are recognised in the Statement of Comprehensive Revenue and Expense on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Revenue and Expense as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term, so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, foreign exchange losses, and losses on hedging instruments that are recognised in the Statement of Comprehensive Revenue and Expense. The interest expense component of finance lease payments is recognised in the Statement of Comprehensive Revenue and Expense using the effective interest rate method.

8.6 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits, and other short term highly liquid investments with maturities of three months or less.

8.7 Financial Assets

The Trust classifies its investments as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of comprehensive revenue and expense.

8.8 Trade receivables

Trade receivables are recognised at their cost less impairment losses.

A provision for impairment of receivables is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

8.9 Inventory

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in, first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

8.10 Property, Plant, and Equipment

Property, plant and equipment consist of operational assets, which include office equipment, furniture and fittings, computer equipment, machinery and vehicles. These assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of an item of property, plant or equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Trust and the cost of the item can be reliably measured.

All the Trust's assets are classed as non-cash generating, that is they are not held with the primary objective of generating a commercial return.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the surplus or deficit.

Depreciation has been provided on a straight-line basis on all plant and equipment. Depreciation is provided at rates calculated to allocate the asset cost over the estimated useful life. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Class of asset	Estimated useful life	Depreciation rates
Office equipment	4-10years	13.33% - 25%
Furniture and fittings	2-10 years	10% - 50%
Computer equipment	4 years	25%
Machinery	4 years	25%
Vehicles	4-10years	10% - 25%

Property, plant, and equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

8.11 Financial liabilities

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

8.12 Employee entitlements

Provision is made in respect of the Trust's liability for annual leave. Annual leave has been calculated on an actual entitlement at current rates of pay.

Annual leave has been calculated on an actual entitlement at current rates of pay.

Retiring gratuities and long service leave where there is actual entitlement is accrued at actual entitlement using current rates of pay. In addition, there is an actuarial assessment of value for which entitlement has not yet been reached. This assessment uses current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. These estimated amounts are discounted to their present value.

Superannuation schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit when incurred.

8.13 Interest-bearing borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

8.14 Income Taxation

The IRD has confirmed the Trust is exempt from income tax under sections CW 40 of the Income Tax Act 2007.

8.15 Advertising costs

Advertising costs are expensed when the related service has been rendered.

8.16 Equity

Equity is the community's interest in the Trust and is measured as the difference between total assets and total liabilities.

8.17 Balance-sheet ratios

The Local Government Act 2002 Schedule 8 (9) requires the SOI to include the projected ratio of shareholders' funds to total assets within the Forecast Statement of Financial Position. As at 30 June 2017 the total Trust Equity comprised \$121,509 and the total assets were 582,945. The resulting ratio is 20.84%.

8.18 Going Concern

The Trust consider that the continued adoption of the going concern assumption for the preparation of this financial report is appropriate. This conclusion has been reached having regard to assurances from the Taupō District Council that financial support and / or funding will be made available to ensure that the organisation can continue its current operations.

8.19 Distributions to shareholders

The Trust is not expected to make profits; any surplus funds remaining from the annual operations of the Trust shall be carried forward to the ensuing year to continue to meet the primary objective of the Trust.

8.20 Procedures for the purchase and acquisition of shares

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

8.21 Value of settlor's investment

The value of the settlor's (Taupō District Council) investment is \$100 as per the Trust Deed. There is no other equity investment by the Council in the Trust.

Projected Statement of Comprehensive Revenue & Expense

	Projected FY 18/19 Financials	Projected FY 19/20 Financials (incl. LGCI)	Projected FY 20/21 Financials (incl. LGCI)
Income			
Revenue from services provided	716,677	736,677	716,677
Grant received from Taupo District Council (Marketing)	1,750,000	1,785,000	1,824,270
Grant received from Taupō District Council (i-SITEs)	200,000	204,000	208,488
Interest income	7,788	7,800	7,800
Total Revenue	2,674,465	2,733,477	2,757,235
Expenditure			
Employee benefit expenses	1,178,217	1,201,781	1,228,220
Depreciation and amortisation	21,194	21,618	22,094
Finance costs	-	-	-
Management and administration expenses	266,466	271,795	277,774
Other operating expenses (see breakdown below)	1,208,588	1,238,283	1,229,147
Total Expenses	2,674,465	2,733,477	2,757,235
Total Comprehensive Revenue	0	0	0

Notes:

DGLT produces a conference and incentive manual biannually. This adds an extra \$20,000 of revenue and expenditure in 2019/20.

'Other operating expenses' includes marketing/advertising and i-SITEs:

Other operating expenses	2018/19	2019/20	2020/21
Marketing & Advertising	881,814	904,974	888,505
i-SITEs	241,151	245,974	251,385
Other	85,623	87,335	89,257
Total	1,208,588	1,238,283	1,229,147

8.22 Capital Expenditure Forecast

The amount of capital expenditure over the next three years has been determined as follows:

Year	\$	Purpose
2018/19	Nil.	
2019/20	\$20,000	Computer hardware
2020/21	\$20,000	Tradeshaw stand build

Any significant capital expenditure is funded from trust equity so comes at the expense of annual operating funding.

8.23 Other financial matters

We utilise services, as per the Shared Service Level Agreement, from the Taupō District Council for which we pay the following:

Year	\$
2018/19	179,000
2019/20	179,000
2020/21	179,000

The draft 2018-2021 Long Term Plan includes two separate core operational grants for the Trust as follows:

Year	Marketing / promotions / destination management	i-SITE funding
2018/19	1,750,000	\$200,000
2019/20	1,750,000 plus LGCI	\$200,000 plus LGCI
2020/21	1,750,000 plus LGCI	\$200,000 plus LGCI

9. GOVERNANCE STATEMENTS**9.1 Approach to governance**

The Board has a key role in promoting strategy on behalf of the Taupō tourism industry, the identification and addressing of strategic issues and the provision of destination marketing and tourism product advice to Destination Great Lake Taupō, Council, and the tourism sector.

As determined by the Destination Great Lake Taupō Trust Deed, in sections 4,5,6,7,10, and 11, the approach to governance and details of structure, function and obligations apply. (Please refer to Destination Great Lake Taupō Trust Deed for full outline)

9.2 Membership

Appointments have been made for a three-year period; but take into account the importance of continuity in terms of existing members. Two appointees will retire at the end of 2018/19 and be eligible for reappointment. Similarly, two further appointees will retire at the end of 2019/20 and so forth. The Council has the ability to remove one or more Board members at any time should there be clear evidence of non-performance. The Council shall include in its selection panel an independent selector with relevant skills and experience. The Board may co-opt additional non-voting members at its discretion. (Co-opted members will not be eligible for meeting fees or expenses).

9.3 Reporting to Council

For the financial year, proceeding the year when Council issues a new Long Term Council Community Plan, the Board shall deliver to Council recommended budgets required to deliver Council's contribution to those outcomes.

At least 5 months prior to the start of the financial year the Board shall deliver to the Council a report setting out its recommendations on the DGLT annual budget, as reflected in the business plan for that year.

After the end of each financial year, the board must deliver to Council and make available to the public, a report on the organisation's operations during that year. The Board shall also deliver to Council and make available to the public, the following statements: Comprehensive Revenue & Expense, Changes in Equity, Financial Position, Cashflows and Service Performance Results. This annual report needs to be completed within two months of the end of the financial year.

Within 2 months after the end of the first half of each financial year, the board must deliver to the Council an interim report on the organisation's operations during that half year.

The Board is obliged to prepare a statement of intent each year setting out its intended activities and objectives. It is also responsible for preparing an interim and annual report – the key elements of these reports being the reporting of performance against the accountabilities outlined in the statement of intent, along with financial information as per the accounting policies, set out in section 5 of this document.

Within 2 weeks after each Board meeting, the Board shall make available to the public the minutes of the previous Board meeting.

The final Statement of Intent will be published for public access from 1 July of each year.

9.4 Support Services

Management and operational services for the board shall be provided by Destination Great Lake Taupō.

Board members will be paid an honorarium based on Destination Lake Taupō Trust decisions at the Annual General Meeting.

Board expenses will be funded directly by Destination Great Lake Taupō.

9.5 Guidance and Resources

The CCO will conduct itself in accordance with its Trust Deed, its annual statement of intent and the provisions of the Local Government Act 2002.

9.6 Significant Policies in Place for Accountability

Apart from the setting of a statement of intent each year and the interim and annual reporting, the Board will interact with Taupō District Council in an informal way during the course of the year as required.

10. CONTACT DETAILS

C/- Destination Great Lake Taupō
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Chairperson and Trustees:

Ray Salter (Chair)
Kathy Guy
Dennis Christian
Laura Duncan
Glyn Williams
Jonathan Cameron



Ray Salter
CHAIRMAN

Approved by shareholder on (Date):

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For Taupō District Council

This Statement of Intent is based on "Recommended Good Practice for the Governance of Regional Tourism Organisations" developed by Local Government New Zealand (February 2004).

11. APPENDIX ONE: TERMS AND DEFINITIONS

RTO – Regional Tourism Organisation
MBIE – Ministry of Business and Innovation
CAM – Commercial Accommodation Monitor
MRTE – Monthly Regional Tourism Estimates
ECNI – Explore Central North Island

Marketing terminology

Online	Transactions or marketing that takes place on a website
Digital marketing	All promotion and advertising that takes place either on websites, devices or within a screen environment
Mobile	Mobile phones and tablets that are connected to the Internet
Responsive	Websites that respond to specific devices
Channels	The different places or ways that promotional material can appear
Direct spend	Can be sourced directly to specific businesses in relation to tourism
Indirect spend	Expenditure that comes as part of a tourists visit i.e. supermarket shopping but is not classed as tourism
Trade and Business Events	Travel agents, Wholesale and retail travel sellers and Airlines plus Conferences, Incentives and any business-related event

Attachment 3: SUMMARY REVIEW DRAFT SOI – DESTINATION GREAT LAKE TAUPŌ [DGLT]***Key Activities set out in the draft SOI 2018 -21*****Objectives of DGLT****There are two main groups of objectives covered in this Statement of Intent:**

- A series of objectives aimed at implementing the vision in the 2016-2026 strategic document (the focus of our work)
- A series of objectives around DGLT Trust operations (the way we work).

3.1 Our focus

Establish Great Lake Taupō as 'THE North Island holiday destination', centred around our natural environment and attractions.

We have identified four objectives in our 2016-2026 Strategic Document:**3.1.1 Diversify what we do to grow both domestic and international visitor numbers.**

Domestic tourism is growing but there is competition for these visitors both within NZ and from long haul destinations. Whilst we are already a strong family destination, there is great potential for growth in couples and new New Zealanders. NZ is experiencing high growth in international arrivals and we need to ensure we are getting our share of this growth. Key growth markets include Australia, the US, China and India.

3.1.2 Create a thriving year-round tourism destination by filling capacity in quieter times and locations.

We will continue to market the Great Lake Taupō region as a short break destination, but we will also work to lengthen the perceived summer season by targeting marketing activities at Oct/Nov and March/April. We will promote a winter holiday focus with links to ski, snow and après ski experiences. We will grow international markets by increasing awareness of the destination through increased activity with the travel trade. We will also attempt to grow visitation for Turangi through a more targeted approach.

3.1.3 Encourage and support new investment in product development.

Thoughtful, strategic and quality investment will significantly enhance attractions, increase the vibrancy of our towns and strengthen our market reach. New product is key to providing reasons to visit at all times of the year and fill periods when there is capacity in the region, and to making sure our offerings are well suited to existing and future target markets.

This means working with both existing operators, new investors and Enterprise Great Lake Taupō to support new product development, further monetise existing attractions and market existing attractions to the travel trade. This will include a specific focus on Turangi, work alongside Ngati Tuwharetoa to develop cultural product and a focus on additional soft adventure/wet weather attractions.

3.1.4 Ensure the destination meets future challenges and encourages development opportunities.

Whilst this strategy is largely about growth and change, Great Lake Taupō is already a must-visit summer destination, particularly for families and international backpackers. It is critical that we don't take our eye off these areas.

Given the aspiration for both rapid and significant growth in visitors, Great Lake Taupō as a destination must also be engineered to deal with the development challenges and opportunities that will arise. The growth trajectory is positive, but we need to ensure we continue to deliver a world class experience to increasing numbers of domestic and international tourists.

3.2 Our approach

Run an efficient and effective regional tourism organisation, strongly supported by the local tourism industry.

Our other key objectives are around the efficiency and effectiveness of the organisation. We have identified two objectives:

3.2.1 Take industry with us, and work collaboratively

On-going effective industry and stakeholder communication is vital to ensuring that the district operates as a coherent whole. DGLT will continue to actively engage with operators and stakeholders throughout the strategy implementation.

3.2.2 Be fiscally responsible in the way we do business

DGLT will focus on responsible business practice, cost efficiencies and sustaining revenue streams in conjunction with marketing programmes.

Nature and Scope of Current Activities

DGLT has planned for a continuation of business as usual activity for the 2018/19 year.

Business as usual activity (funded under current resourcing levels) includes the following:

- Planning and delivery of destination marketing programmes that grow the inbound visitor market (including both domestic and international visitors) to the Great Lake Taupō district jointly with operators and other groups
- Promotion of the district to the international market collaboratively with the Explore Central North Island grouping of regional tourism organisations and with Tourism New Zealand
- Provision of tourism market information and insights as appropriate for operators to assist in their marketing initiatives
- Work with local, national and international media to gain maximum positive exposure for the district
- Provision of regional visitor information that enables our key markets to make decisions on holidays in Great Lake Taupō
- Operation of the two i-SITEs within the Great Lake Taupō district
- Convention and incentive marketing and facilitation of business conversion
- Delivery of trade and media familiarisations to build profile and opportunity
- Active involvement in discussions about infrastructure and destination management projects
- Representation of the district at tourism trade shows
- Management of greatlaketaupo.com and other digital marketing functions
- Event marketing and leveraging the visitor opportunities around events
- Planning and delivery of joint marketing activity for Turangi and Mangakino
- Work alongside Ngati Tuwharetoa to interpret and promote cultural stories
- Professional development / capability building for operators

Changes to status quo activity for 2018/19 include the following:

Taupō District Council has produced a draft Long Term Plan which includes the following changes in relation to economic development funding (for 2018/19):

- Separation of the funding for marketing and i-SITE operations so that there are two separate grants (with less co-dependency). Also, an increase to i-SITE funding in recognition of the increasing costs of this service (caused by declining revenue).

A fixed funding environment over a number of years, combined with a need to increase international activity, has resulted in some erosion of domestic and conference/incentive marketing. A separation of i-SITE funding, and an increase in i-SITE funding to mitigate decreasing revenue, will enable some reinstatement of domestic/direct to consumer marketing activity. This will be largely deployed in to digital marketing.

- A renewal of funding to enable continuation of winter/ski campaign activity with Tourism NZ, RAL and Auckland International Airport.

In March 2017 Taupō District Council agreed to provide an additional funding allocation per annum for an Australian winter marketing campaign in conjunction with Tourism New Zealand, Ruapehu Alpine Lifts and Visit Ruapehu. Ruapehu Alpine Lifts is planning \$100 million of investment at Whakapapa Ski Field over the next few years, and with a plan that will transform the visitor experience on the mountain. As part of this development RAL has identified that it needs to reorient and position alongside Taupō as the primary winter resort town to service visitors to the mountain and especially for international visitors. This marketing campaign is being led by Tourism NZ and is designed to raise awareness of the North Island ski proposition and significantly shift both skier days and visitor expenditure. DGLT is anticipating that this funding will be retained in the Long Term Plan, enabling this activity to be retained for 2018/19 and then onward to 2021. The funding is provided directly to Tourism NZ by Taupō District Council and DGLT will support this campaign activity with its own activity and resourcing.

DGLT will support these changes via the submissions process. For the purposes of this SOI DGLT has assumed that the funding changes in the draft Long Term Plan will be retained following the submissions and then deliberations process.

Suggested shareholder feedback on the draft SOI

	Council Feedback
Nature and Scope	Council is satisfied
Performance Measurement	Council is satisfied
Disclosures – Concerns Sch 8 Clause 9 LG Act 2002	Council is satisfied
Timeliness of forwarding draft	Council is satisfied - Receipted 28 February 2018

Recommendations

Council is satisfied with the content of the SOI and no feedback on its content is required.



Taupo Airport Authority **STATEMENT OF INTENT 2019-21**



TAUPO AIRPORT

STATEMENT OF INTENT

For the year ended 30 June 2019

1. INTRODUCTION

The Taupo District Council and the Crown - represented by the Ministry of Transport, own the Taupo Airport Authority (TAA) equally.

TAA is managed, under agreement with the Crown, by the Taupo District Council. Management is represented by the General Manager of the Airport, who reports to the Chief Executive Officer of the Taupo District Council

Auditors - Audit New Zealand
Bankers - Bank of New Zealand
Solicitors - Le Pine & Co, Taupo

OBJECTIVE OF TAUPO AIRPORT AUTHORITY

To operate a successful commercially viable business providing land and infrastructure for the safe, appropriate and efficient air transport needs of the Taupo district.

2. NATURE AND SCOPE OF ACTIVITIES

TAA is engaged in a number of activities which contribute towards the air transport needs of the District.

ACTIVITIES PROVIDED:

(1) THE PROVISION OF AN AIRPORT INFRASTRUCTURE

- 1.1 TAA provides two runways: one sealed runway and one grass runway.
- 1.2 Terminal and handling facilities are provided for scheduled commercial flights.
- 1.3 TAA maintains buildings, plant and infrastructure appropriate to their use.
- 1.4 TAA makes appropriate financial provision for long term major maintenance and replacement.

Contribution to Overall Objective of TAA

The existence of an airport infrastructure enables scheduled and chartered air services to be provided for the Taupo district. It also provides for general aviation usage.

(2) THE PROVISION OF LEASEHOLD LAND FOR AIRPORT and NON AIRPORT RELATED DEVELOPMENT.

TAA shall provide and develop land for lease to current and prospective aviation businesses. In order to be commercially prudent however, land unsuitable for aviation related businesses may be developed and leased to non aviation related businesses, provided they do not interfere with the operations of the airport.

Performance targets

- (a) To maintain facilities so as to avoid any diversion or cancellation of scheduled flights other than for weather or airline problems.
- (b) The airport will be operated in such a way as to continue to hold CAA Part 139 certification
- (c) The airport will manage health and safety risks and provide a safe and healthy environment for everyone affected by the activities of TAA including employees, customers, tenants, contractors and visitors.
- (d) That TAA will be self funding in terms of its own cash flow.

TAA shall continue to review its performance targets to reflect the future growth and development of its services and operations.

3. FINANCIAL DISCLOSURES

The projected ratio's of consolidated shareholders funds to total assets are as follows:

2018/19	88.0%
2019/20	86.0%
2020/21	84.0%

2016/17 Actual 89.2%

This ratio is calculated by dividing the total value of equity by the total value of assets

REPORTING ENTITY

The Taupo Airport Authority is a joint venture between Taupo District Council and the Crown with both parties having a 50% interest. Taupo District Council has responsibility for the management of the Authority. Governance is provided by a Committee of Council.

The Taupo Airport Authority has designated itself as a tier one public benefit entity for the purposes of New Zealand equivalents to Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS). These standards have applied from 1st July 2014.

STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and therefore also comply with International Public Sector Accounting Standards. The primary objective of the Authority is to operate a successful commercially viable business providing land and infrastructure for the safe, appropriate and efficient air transport needs of the Taupo district, rather than making a financial return. Accordingly, the Authority has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Public Sector Accounting Standards (PBE IPSAS)

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements are prepared using the historical cost basis except for certain classes of assets and liabilities which are recorded at fair value. These are detailed in the specific policies below.

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

ACCOUNTING POLICIES

The following accounting policies, which materially affect the measurement of results and financial position, have been applied.

1. Goods & Services Tax

The financial statements have been prepared on a goods and services tax (GST) exclusive basis, except for trade and other receivables and trade and other payables.

2. Revenue recognition

Exchange revenue

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from any services rendered (except as described above) is recognised in proportion to the stage of completion of the transaction at the balance date. The stage of completion is assessed by reference to surveys of work performed.

Landing revenue for those operators on bulk invoicing is recognised on a straight-line basis over the term of the payments. All other landing revenue is recognised in the period in which the landing occurred.

Rental revenue from investment property is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental revenue.

Interest revenue is recognised as it accrues, using the effective interest method.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue is measured at the fair value of consideration received.

The main sources of income for the Authority are Airfield Landing Charges and Lease Income from leasehold sites at the airport. Income is recognised in the period to which it relates. Payment is received by cash, cheque, automatic payment or direct debit.

3. Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are recognised as expenses in the periods in which they are incurred.

4. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits, and other short term highly liquid investments with maturities of three months or less.

5. Financial Assets

Taupo Airport classifies its investments as loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market. After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of comprehensive income.

6. Trade Receivables

Trade receivables are recognised at their cost less impairment losses.

A provision for impairment of receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

7. Property, Plant and Equipment

Valuation methodologies

Those asset classes that are revalued are revalued on a three yearly valuation cycle. All other asset classes are carried at depreciated historical cost. The carrying values of all assets not revalued in any year are reviewed at each balance date to ensure that those values are not materially different to fair value.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amounts arising on revaluation of an asset class are credited to revaluation reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in the surplus or deficit, the increase is first recognised in the surplus or deficit. Decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the surplus or deficit.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the surplus or deficit during the financial period in which they are incurred.

Valuation of Land and Buildings

Airport land was initially valued at fair value by Quotable Value New Zealand as at 1 July 2005 which was deemed cost. The land and buildings were revalued to fair value by Quotable Value New Zealand as at 30 June 2013. Land is not depreciated.

Valuation of Infrastructural Assets

Infrastructural assets are the utility systems that provide a continuing service to the airport and are not generally regarded as tradable. They include the runways, roads and stormwater systems together with other improvements of an infrastructural nature. These assets were valued at fair value by Beca Projects NZ Ltd as at 30 June 2014.

All other property, plant, and equipment are stated at cost less depreciation.

Additions

Additions between valuations are shown at cost.

The cost of an item of property, plant or equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably.

Disposals

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the surplus or deficit. When revalued assets are sold, the amounts included in other reserves in respect of those assets are transferred to retained earnings.

Depreciation

Land is not depreciated. Depreciation has been provided on a straight-line basis on all property, plant and equipment. Depreciation is provided at rates calculated to allocate the asset cost over the estimated useful life. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Infrastructural assets			
Formation	Indefinite	Pavement	60 Years
Top Surface	15 Years	Kerb	50 Years
Footpaths	80 Years	Stormwater	50 – 80 Years
Fencing	10 Years	Street Lighting	15 Years
Operational Assets			
Buildings		40 Years	(2.5%)
Furniture and Fittings		10 Years	(10%)
Motor Vehicles		5 Years	(20%)
Office Equipment and Plant and Equipment		4 to 5 Years	(20%-25%)

The depreciation rates are applied at a component level and are dependent on the expected remaining useful life of each component.

Assets under construction/work in progress

Assets under construction are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated. The current carrying amount of items under construction is separately disclosed

All the Authority's assets are classed as non-cash generating, that is they are not held with the primary objective of generating a commercial return.

Intangible Assets**Website**

The website has been capitalised on the basis of costs incurred to acquire and bring to use the website. This has been valued at cost, and will be amortised over the expected useful life of the website. This is estimated as 4 years (25%).

8. Investment Property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, Taupo Airport Authority measures all investment property at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in the fair value of investment property are recognised in the statement of comprehensive income.

All investment properties have been disposed.

9. Financial Liabilities

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

10. Employee Entitlements

Provision is made in respect of the Airport's liability for annual leave. Annual leave has been calculated on an actual entitlement at current rates of pay.

11. Income Taxation

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect to prior years. Current tax is calculated using rates that have been enacted or substantively enacted by 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 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 calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

12 Revenue

Revenue is measured at the fair value of consideration received.

The main sources of income for the Authority are Airfield Landing Charges and Lease Income from leasehold sites at the airport. Income is recognised in the period to which it relates. Payment is received by cash, cheque, automatic payment or direct debit.

13 Going Concern

The Taupo Airport Authority consider that the continued adoption of the going concern assumption for the preparation of this financial report is appropriate. This conclusion has been reached having regard to assurances from the Taupo District Council that financial support and / or funding will be made available to ensure that the Authority can continue its current operations.

Acquisition of new investments

Approval of the joint venture partners is required before the joint venture can subscribe for, purchase or otherwise acquire shares in any company or other organisation.

Local Authority Compensation

The joint venture does not currently seek compensation from any local authority for any activities.

Commercial value of the investment

The joint venture partner's estimate of the commercial value of the joint venture partner's investment in the TAA is equal to the net assets of the airport authority. Some asset classes will be revalued. Where an asset class is revalued, the revaluations will be carried out at least every five years.

Distribution of profits/reserves to joint venture partners

Any distribution of profits is allocated 50/50 between the joint venture partners. There is currently no intention to distribute accumulated profits to the joint venture partners, but for the foreseeable future, any capital reserves shall be used to fund Capital Expenditure.

Information to be provided to shareholders

The committee will provide the following statements to shareholders

- At least 5 months prior to the start of the financial year the committee shall deliver to the Council a report setting out its recommendations on the annual budget.
- Within two months of the end of the first half of the financial year the following statements: Comprehensive Revenue & Expenses, Changes in Equity, Financial Position, Cashflows and Service Performance Results.
- Within three months of the end of the financial year the following audited statements: Comprehensive Revenue & Expenses, Changes in Equity, Financial Position, Cashflows and Service Performance Results plus a summary of how the Airport has fared against its objectives and prospects for the next financial year.

Setting of Fees and Charges

A single till approach shall be taken in setting fees and charges.

Forecast Financial Statements (Summary)**Statement of Comprehensive Revenue and Expense**

For the year ended 30 June

	2019 (\$,000)	2020 (\$,000)	2021 (\$,000)
Landing fees	204	208	213
Terminal rents	27	27	27
Other terminal revenue	88	89	91
Lease revenue	194	194	194
Other revenue	9	10	10
Operating revenue	522	528	535

Operating Expenses	620	615	617
Net cost (surplus) of operations	116	118	120
Net cost (surplus) of operations (excluding depreciation)	(96)	(94)	(92)

Capital Expenditure Forecast

Capital expenditure will be required for creating new infrastructure

4. GOVERNANCE STATEMENTS**Structure, Function and Obligations**

Council determined that a new Governance structure be established following the completion of the fees and charges review. That structure is in the form of a Committee of Council.

The TAA Committee has a key role in providing for the safe, appropriate and efficient air transport needs of the Taupo district. It will do this through identifying and addressing issues which are both strategic and which have a long term positive bearing on the provision of those air transport needs.

The TAA Committee will prepare a Statement of Intent each year setting out its intended activities and objectives. It will also prepare a half yearly and annual report, the key element of which is the reporting of performance against the accountabilities outlined in the Statement of Intent.

Guidance and resources

The TAA will conduct itself in accordance with its annual Statement of Intent agreed with its shareholders, and the provisions of the Local Government Act 2002.

Significant policies in place for accountability

Apart from the setting of a Statement of Intent each year, and the half yearly and annual reporting, the TAA Committee interacts with its owners through:

- Providing, as manager of TAA, copies of all meeting agendas and minutes of those meetings to the Taupo District Council
- Arranging special briefings with the Taupo District Council, and separately with the Crown, on an 'as required' basis

Attachment 4: SUMMARY REVIEW DRAFT SOI – TAUPŌ AIRPORT AUTHORITY [TAA]**Key Activities set out in the draft SOI 2018 -21****Objectives of TAA**

To operate a successful commercially viable business providing land and infrastructure for the safe, appropriate and efficient air transport needs of the Taupō District.

Nature and Scope of Current Activities

TAA is engaged in a number of activities which contribute towards the air transport needs of the District.

ACTIVITIES PROVIDED:**(1) THE PROVISION OF AN AIRPORT INFRASTRUCTURE**

- 1.1 TAA provides two runways: one sealed runway and one grass runway.
- 1.2 Terminal and handling facilities are provided for scheduled commercial flights.
- 1.3 TAA maintains buildings, plant and infrastructure appropriate to their use.
- 1.4 TAA makes appropriate financial provision for long term major maintenance and replacement.

Contribution to Overall Objective of TAA

The existence of an airport infrastructure enables scheduled and chartered air services to be provided for the Taupō District. It also provides for general aviation usage.

(2) THE PROVISION OF LEASEHOLD LAND FOR AIRPORT and NON AIRPORT RELATED DEVELOPMENT.

TAA shall provide and develop land for lease to current and prospective aviation businesses. In order to be commercially prudent however, land unsuitable for aviation related businesses may be developed and leased to non-aviation related businesses, provided they do not interfere with the operations of the airport.

Performance targets

- (a) To maintain facilities so as to avoid any diversion or cancellation of scheduled flights other than for weather or airline problems.
- (b) The airport will be operated in such a way as to continue to hold CM Part 139 certification
- (c) The airport will manage health and safety risks and provide a safe and healthy environment for everyone affected by the activities of TAA including employees, customers, tenants, contractors and visitors.
- (d) That TAA will be self-funding in terms of its own cash flow.

TAA shall continue to review its performance targets to reflect the future growth and development of its services and operations.

Suggested shareholder feedback on the draft SOI

	Council Feedback
Nature and Scope	Council is satisfied
Performance Measurement	Council is satisfied
Disclosures – Concerns Sch 8 Clause 9 LG Act 2002	Council is satisfied
Timeliness of forwarding draft	Council is satisfied - Receipted 23 February 2018

Recommendations

Council is satisfied with the content of the SOI and no feedback on its content is required.



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.

LGFA Draft Statement of Intent 2018/19. Page 2

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.

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- 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

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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.

Attachment 5: SUMMARY REVIEW DRAFT SOI – NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY [NZLGFA]***Key Activities set out in the draft SOI 2018 -21*****Objectives of NZLGFA****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.

Nature and Scope of Current 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.

Suggested shareholder feedback on the draft SOI

	Council Feedback
Nature and Scope	Council is satisfied
Performance Measurement	Council is satisfied
Disclosures – Concerns Sch 8 Clause 9 LG Act 2002	Council is satisfied
Timeliness of forwarding draft	Council is satisfied - Receipted 22 February 2018

Recommendations

Council is satisfied with the content of the SOI and no feedback on its content is required.