



Statement of Intent

Hutt City Community Facilities Trust

2017-2018

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Introduction

This Statement of Intent has been prepared by the Hutt City Community Facilities Trust (CFT), as required under Section 64(1) of the Local Government Act 2002 for a Council Controlled Organisation. It gives an overview of the CFT, the objectives we will work to achieve, the activities we will undertake, and how we will measure our performance. It covers the year to June 2018.

The CFT was established by the Hutt City Council (HCC) in August 2012 as a Council Controlled Organisation to promote, develop, own, operate, and maintain recreational, leisure, and community facilities in Hutt City. Over the next 30 years a number of facilities in Hutt City will have to be upgraded or replaced. Changing preferences in the community for the way recreation, leisure, and community services are delivered led HCC to adopt an integrated facilities approach to new developments, which will allow for a range of services to be accessed in one place. The Walter Nash Centre completed by the CFT in late 2015 is a good example of an integrated community facility. The Walter Mildenhall Park Redevelopment at Naenae and Fraser Park Sportsville development are upcoming projects that will follow the integrated facilities model.

The main role of the CFT is to develop and then maintain a range of fit-for-purpose, leisure, recreation and community facilities that are attractive to the residents and visitors of Hutt City. The CFT will carry out fundraising work to attract donations for these developments from philanthropic organisations, the corporate sector and the community. The Trust will do this by acting as a voice for community facilities in Hutt City, using the skills and expertise its trustees bring from valuable experience in business, asset management, and community affiliation.

The CFT will strive to have a positive and productive working relationship with HCC. The Trust will contribute to Council's community outcomes of a city that is actively engaged in community activities, and a city that promotes strong and inclusive communities. Accordingly, the CFT Board look forward to working with HCC to optimise the overall social, cultural, health and economic wellbeing of Hutt City.

Objectives

The objectives of the CFT will follow section 59 of the Local Government Act 2002, which outlines the principal objectives for a Council Controlled Organisation as follows:

- (a) achieve the objectives of its shareholders, both commercial and non-commercial, as specified in the Statement of Intent;
- (b) be a good employer; and
- (c) 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.

In addition to the statutory objectives, the CFT Deed of Trust has a range of charitable objectives designed to promote the health and wellbeing of Hutt City's communities. These objectives are to:

- Promote, operate, develop, and maintain community facilities in Hutt City through the management of the interests and rights relating to these facilities.
- Assist with attracting fundraising from the community and philanthropic organisations for the development of high quality community facilities.
- Provide strategic planning, in partnership with HCC, in relation to the ongoing development and administration of community facilities in Hutt City.
- Provide high quality amenities which attract and engage, promoting the health and well-being of residents of and visitors to Hutt City.
- Practise prudent commercial administration of high quality community, recreation, and leisure facilities, with a view that they will be financially sustainable.

Activities

In the next 12 months the CFT will focus its activities in the following areas:

- Completing the commissioning and handover of the redeveloped Walter Mildenhall Park, to the Naenae Bowling Club and the Parks and Gardens Division of Hutt City Council
- Completing the agreed fundraising for the Walter Mildenhall Park redevelopment.
- Working with the Naenae Bowling Club and community to maximise the use of the new facility.
- Putting in place a maintenance plan and regime that will ensure the new centre is maintained to a high standard.
- Completing the pre contract fundraising campaign for Fraser Park Sports Hub and subject to raising the \$550,000 required pre tender, working with Armstrong Downes and the CFT design team to complete the stage two building.
- During the construction phase leading a multi-faceted fundraising campaign to raise the \$1.2m required to meet the “completion” budget for stage 2.
- Continue to manage, in partnership with the tenants, existing CFT assets at Fraser Park (the artificial turfs) and the Walter Nash Centre.
- Complete the construction of the Stokes Valley community hub and hand it over to the tenant for fit-out.
- Subject to funding, making modest improvements to the old Walter Nash Centre to bring that building up to modern standards.

Governance

The CFT board of trustees comprises seven members, one of whom is a Councillor appointed by Council. All other trustees are appointed by Council in line with its Appointment and Remuneration of Directors Policy.

The Chairperson is appointed by the trustees.

The trust board meets monthly.

The CFT adopts an approach to governance that is in accordance with the best practice statements produced by the Institute of Directors New Zealand (Incorporated). This will include an annual evaluation of the effectiveness of the trust board through whole of board and individual self-assessments.

The Trustees of the CFT must act in accordance first and foremost with the charitable purposes of the Trust.

The CFT will give effect to the Hutt City Council Long Term Plan and act consistently with other Council plans, strategies and policies.

The CFT will adopt in its relationship with HCC ways of working that reflect Council and CCOs as partners in the delivery of shared outcomes. This includes a commitment to the agreed Memorandum of Understanding between the Trust and Council that was signed in the 2012/13 period. This includes:

- A commitment to collaboration.
- A commitment to openness and transparency.
- Adherence to a 'no surprises' policy - where it is appropriate the CFT trust board will bring to Council's attention immediately all new and significant projects, initiatives, and/or issues.
- A commitment by the CFT to the aims and objectives of the Council Long Term Integrated Community Facilities Plan.
- A commitment by Council where it sells recreation or similar land or any other identified community facility, that the profits arising from that sale shall be vested in a reserve for future investment in reserve development, which may include the development of associated community facilities by the CFT and Council. The use of the reserve will be negotiated between Council and the CFT.

The CFT Deed of Trust allows the CFT the ability to raise a loan to part fund approved CFT projects. The CFT will not however raise any significant loans without consulting the shareholder.

Office space, office equipment, IT and administrative support is provided to the CFT by Council. This is expected to continue.

Ratio of Consolidated Shareholders' Funds to Total Assets

Definition of Terms

Shareholders' Funds: Represent the net equity the shareholder has contributed to the Trust since its incorporation. This amount includes issued share capital, revaluation reserves, and retained earnings. There are currently no shareholder funds distributed to the CFT.

Total Assets: Represent the total assets both intangible and tangible of the CFT, disclosed in accordance with applicable financial reporting standards. For completeness it is noted that any tax liabilities in respect of GST and deferred tax are classified as liabilities irrespective of them being a debit or credit balance.

Accounting Policies of the CFT

Financial Statements

The Financial Statements will comply with generally accepted accounting practice in New Zealand (NZ GAAP). They will comply with NZ IFRS and other applicable Financial Reporting Standards. Financial statements will also comply with the Local Government Act 2002.

General Accounting Policies

Accounting policies adopted will be consistent with the New Zealand equivalent of International Financial Reporting Standards (NZ IFRS) issued by the XRB (External Reporting Board).

Particular Accounting Policies

Recognition of Income – Revenue will be recognised when an invoice is raised after service is provided. Other transactions that comply with the definition of "Revenue" in the Statement of Concepts issued by the XRB (External Reporting Board) will also be recognised as revenue.

Goods and Services Tax

Financial statements will be prepared on a GST exclusive basis.

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable will be stated at net realisable value.

Investments

Investments will be stated at fair value.

Property Plant and Equipment

Property plant and equipment is shown at cost, less accumulated depreciation and impairment losses.

Consolidation

The purchase method will be applied to prepare the Consolidated Financial Statements (if required).

Leases

Cost of operating leases (if any) will be recognised as expenditure over the term of the lease.

Borrowing

Borrowing is recognised in the balance sheet on a fair value basis.

Taxation

As the CFT has been established as a charitable trust, it should not be liable for income tax. If the Trust does engage in any activity making it liable for income tax, the income tax expense will be calculated after allowance for permanent differences and any group loss offsets.

Funding Commitments

Funding commitments are recognised as a liability and asset until such time that the community facility development is undertaken. At this time it will be recognised as revenue.

Performance Targets

Performance indicators for the CFT are as follows:

Indicator and measure	Target 2017/18
Operational Management	
<ul style="list-style-type: none"> Operational expenditure is within budget. 	100%
<ul style="list-style-type: none"> All reporting requirements set by Council and the Board of CFT are met in accordance with the Local Government Act 2002, the CFT Statement of Intent and the CFT Deed of Trust. 	Annual Report by 30/9/17. SOI and six monthly report by 1/3/18
<ul style="list-style-type: none"> All CFT construction projects have best practice health and safety plans and monitoring in place 	100%
Facilities Design and Development	
<ul style="list-style-type: none"> All capital expended on design and other consultants is within approved monthly progress project budgets at financial year end. 	100%
<ul style="list-style-type: none"> All capital expenditure on approved projects is at or less than approved progress budget for each project at financial year end. 	100%
Project Delivery	
<ul style="list-style-type: none"> Walter Mildenhall Park development 	Facility reaches practical completion 01/07/17
<ul style="list-style-type: none"> Fraser Park Sports Hub complex 	Facility construction contract unconditional by 01/07/17 (practical completion 1/12/18)
<ul style="list-style-type: none"> Stokes Valley Community Hub 	Deliver the facility for tenant fit-out by 31/12/17
Facilities Management	
<ul style="list-style-type: none"> All facilities maintain legal compliance, WOFs and/or certification. 	100% Building safety upheld
<ul style="list-style-type: none"> All facilities are leased within three months of completion 	100% Legal partnerships are secured with users
<ul style="list-style-type: none"> All facilities have detailed maintenance plans in place within 12 months of completion. 	100% Maintenance programmes instituted to ensure facilities' amenity values retained and are safe for users

Fundraising

- | | |
|--|---|
| • Fraser Park Sports Hub | At least \$1,750,000 pledged before 01/12/18 |
| • Walter Mildenhall Park Development | At least \$150,000 pledged by 30/06/18 |
| • CFT achieves 80% or better of the agreed fundraising targets set by Council for each of the agreed projects, within the financial year | Refer Prospective Statement of Financial Performance on Page 9 (Grants/Donations) |

Prospective Statement of Financial Performance for the period ended 30 June

	2016/17 FC	2017/18 Bud	2018/19 Projecte	2019/20 Projecte
HCC Operating Grant	350,000	350,000	350,000	350,000
Rent	424,835	466,000	546,001	546,001
HCC Capital grants	6,820,000	8,775,000	0	0
Grants/Donations	1,429,126	3,180,000	0	0
Other Revenue	0	2,500	2,500	2,500
Interest Received	18,000	7,000	7,000	7,000
Total Revenue	9,041,960	12,780,500	905,501	905,501
Employee Expenses	275,445	251,094	145,989	145,989
Other Expenses	93,768	102,311	102,347	102,347
Insurance	66,338	132,828	177,228	177,228
Maintenance	31,946	72,158	104,144	104,144
Rates	41,467	86,454	148,726	148,726
Total Operating Expenses	508,965	644,845	678,434	678,434
Interest Expenses	125,699	117,798	117,798	117,798
Depreciation	420,298	604,542	834,609	853,795
Interest and Depreciation Charges	545,997	722,339	952,407	971,593
Total Expenses	1,054,962	1,367,184	1,630,841	1,650,027
Net Surplus/(Deficit)	7,986,999	11,413,316	-725,340	-744,526

Prospective Statement of Financial Position as at 30 June

	2016/17 FC	2017/18 Bud	2018/19 Projected	2019/20 Projected
EQUITY				
Accumulated Funds	27,314,168	38,625,281	37,797,739	37,257,618
Reserves - Principle Repayment	0	102,202	204,404	-1
Total Equity	27,314,168	38,727,483	38,002,143	37,257,617
	0	0	0	1
CURRENT ASSETS				
Cash & Cash Equivalents	904,262	1,458,359	798,573	493,348
Debtors and Other Receivables	201,429	214,058	154,258	262,645
Prepayments	0	0	0	0
Total Current Assets	1,105,691	1,672,416	952,830	755,992
NON CURRENT ASSETS				
Assets at Cost	24,509,958	29,614,958	42,064,958	42,064,958
Accumulated Depreciation	-736,682	-1,341,224	-2,175,833	-3,029,629
Assets Under Construction	5,600,000	12,450,000	0	0
Total Non Current Assets	29,373,275	40,723,734	39,889,125	39,035,329
Total Assets	30,478,966	42,396,150	40,841,955	39,791,322
CURRENT LIABILITIES				
Creditors and Other Payables	323,862	848,874	20,019	20,519
Employee Entitlements	8,392	8,392	8,392	8,392
Other Liabilities	21,144	0	0	0
Total Current Liabilities	353,398	857,266	28,411	28,911
NON CURRENT LIABILITIES				
Borrowings	2,811,400	2,811,400	2,811,400	2,504,793
Total Non Current Liabilities	2,811,400	2,811,400	2,811,400	2,504,793
Total Liabilities	3,164,798	3,668,666	2,839,811	2,533,704
NET ASSETS	27,314,168	38,727,483	38,002,143	37,257,617

Prospective Statement of Cash Flows for the period ended 30 June

	2016/17 FC	2017/18 Bud	2018/19 Projected	2019/20 Projected
Cash was provided from:				
Receipts from grants	9,293,547	12,297,512	291,806	311,827
Receipts from user charges and other income	424,835	458,673	538,674	538,674
Interest received	18,000	7,000	7,000	7,000
Goods and Services Tax received		4,686	127,821	
	9,736,382	12,767,871	965,301	857,501
Cash was applied to:				
Payments to employees	-275,445	-251,094	-145,989	-145,989
Payments to suppliers	-800,156	-393,751	-1,361,300	-531,945
Interest paid	-125,699	-117,798	-117,798	-117,798
Goods and Services Tax paid	-96,265			-60,387
	-1,297,566	-762,643	-1,625,087	-856,119
Net cash flows from operating activities	8,438,816	12,005,229	-659,786	1,382
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
Sale of assets held for sale				
	0	0	0	0
Cash was applied to:				
Purchase of property, plant and equipment				
Purchase of intangible assets				
Purchase assets under construction	-8,983,574	-11,429,988	0	
	-8,983,574	-11,429,988	0	0
Net cash flows from investing activities	-8,983,574	-11,429,988	0	0
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was provided from:				
Proceeds from borrowings - Hutt City Council				
Contribution from Hutt City Council				
	0	0	0	0
Cash was applied to:				
Repayment of borrowings - Hutt City Council	-199,137	-21,144		-306,607
Contribution to Hutt City Council				
	-199,137	-21,144	0	-306,607
Net cash flows from financing activities				
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	-743,895	554,096	-659,786	-305,225
Cash, cash equivalents and bank overdrafts at the beginning of the year	1,648,157	904,262	1,458,359	798,573
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR	904,262	1,458,359	798,573	493,348

Summary of Capital Expenditure Programme

Capital Project	2016/17 Forecast	2017/18 Budget	2018/19 Budget	Totals
Walter Mildenhall Park Redevelopment	6,835,000			6,835,000
Stokes Valley Hub	4,000,000	1,105,000		5,105,000
Fraser Park Building	1,600,000	10,850,000		12,450,000

The above table is based on the following assumptions:

- The Fraser Park sports complex will be built at the budgeted price of \$12.45m by December 2018.
- The Walter Mildenhall Park redevelopment will be completed within 1% of the budgeted price of \$6.35m by 1 July 2017.
- The Stokes Valley community hub will be completed at the end of the second quarter 2017/18.

Proportion of Accumulated Profits/Capital Reserves Distributed to Shareholder

The CFT is a non-profit entity, and any accumulated profits and/or capital reserves are to be used to fulfil the Trust's charitable objectives. There is no current requirement to distribute a proportion of these funds to Council.

The CFT Depreciation Policy

The CFT is still evolving policy with respect to the establishment of cost sharing arrangements between itself and sporting bodies and individuals who will use its facilities, buildings and artificial turfs. Wherever possible the CFT will seek to deliver to the users, debt free buildings and facilities at a price which will encourage and stimulate sporting and community participation.

The accounts published above assume that CFT will strike a facilities/building and turf rental that is designed to raise sufficient funds to maintain the asset over the next 25 years.

The CFT is however mindful that some of its assets will have a life well beyond 25 years and could still be in use in 75 years' time. Predicting what sporting facilities a community might need in 75 years is fraught and the CFT will not attempt to do this. It has therefore resolved to not build into its rental or long term maintenance strategy an allowance to fund the replacement of an asset older than 25 years. The financial accounts above reflect this policy. Maintenance costs for an asset life of up to 25 years are generally funded out of user charges. Major assets like roofs, lifts and turf carpets which require replacement at the end of their predictable known life, will be funded by a specific arrangement with the HCC or the HCC, The CFT and the tenant combined.

Because the CFT is still evolving its rental and depreciation charges, negotiations to fix agreed rentals with the HCC and its other tenants are ongoing. Further research, designed to more accurately determine the actual depreciation and maintenance costs on the CFT's assets and the ability of its tenants to meet those costs, may lead to a change in the above policy and associated CFT budgets for the years beyond 2017/18.

Information to be provided to Shareholders

In each year the CFT shall comply with the reporting requirements specified for Council Controlled Organisations under the Local Government Act 2002, the Companies Act 1993 and other relevant regulations.

In particular, it shall provide the following:

- **Statement of Intent**

A draft Statement of Intent by 1 March detailing all matters required under the Local Government Act 2002.

- **Annual Report**

Within three months after the end of each financial year, the CFT will provide an annual report which provides a comparison of its performance with the Statement of Intent, with an explanation of any material variances, audited consolidated financial statements for the financial year, and an auditor's report (in accordance with sections 67, 68 and 69 of the LGA 2002).

- **Half-Yearly Report**

Within two months after the end of the first half of each financial year the CFT shall provide a report on the operations of the Trust to enable an informed assessment of its performance, including financial statements, and progress on activities and projects (in accordance with section 66 of the LGA 2002).

Procedures to be followed before members acquire shares in other groups etc.

Subscription for shares in any other Company or interest in any other organisation will only take place with express prior approval from Hutt City Council.

Activities for which the Board seeks compensation from a local authority

It is not anticipated that the Trust will seek compensation from any local authority otherwise than in the context of the normal contractual relationship with Hutt City Council.

If the Trust has undertaken to obtain or has obtained compensation from its shareholders in respect of any activity, this undertaking or the amount of compensation obtained will be recorded in:

- The annual report of the CFT; and
- The annual report of the Hutt City Council.

Board estimate of the commercial value of the shareholder's investment in the group

The Board will conduct an assessment of the value of Council's investment in the Trust. The assessment will be based on the net asset value shown in the Trust's six-monthly report.

The replacement value of the Trust's assets is now approximately \$20m. This will increase to \$34m once the Walter Mildenhall Park redevelopment and Stokes Valley community hub are completed in late 2017.

Risk Management

Health and Safety in Employment

CFT will maintain best industry practice and ensure 100% compliance with legislated obligations

Business Continuity

CFT is refining management practices and back up plans which will become operational in the event of unforeseen circumstances and natural disasters so that any events will have a minimal impact on the future operation of its facilities and assets.

Insurances

CFT will maintain appropriate insurances and/or require its tenants to have appropriate insurances, to mitigate risk of portfolio damage, business interruption and professional indemnity. This will include Directors and Office Bearers' cover where appropriate.

Emergency Preparedness

CFT will continue to develop and maintain systems and procedures to best position itself and its facilities to deal with emergency situations.