

HUTT CITY COMMUNITY FACILITIES TRUST

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2016



FROM THE CHAIR

I am delighted to report on the activities of the Hutt City Community Facilities Trust for the financial year ending 30 June 2016.

Once again it has been an incredibly busy year for the Trust as we progress multiple projects across Hutt City. We are heartened by the positive messages of support we receive from the local community as new facilities are completed and revealed to the public. The recently opened Walter Nash Centre is a case in point. We have been overwhelmed by the manner in which the local community has quickly adopted this facility – a treasured asset in the heart of Taita. The centre will welcome more than 500,000 visitors in its first 12 months of operation. It is heart-warming to see local school children fully utilising the centre after school whether they are checking out the library, using the computers in the digital learning space or playing basketball or netball in the Pelorus Trust Pavilion – it is pleasing to see such a vibrant and engaging facility. From a CFT perspective we consider the Community Services team of Hutt City Council are doing a magnificent job in driving the activation of the facility and setting a fantastic friendly vibe for visitors to enjoy. As the building owner we will continue to work with Council to ensure that we actively manage the asset so that its amenity level is maintained into the future.

Walter Mildenhall Park Redevelopment

The CFT is delighted that we have been able to progress this project significantly in the last 12 months. We have secured 95% of the required funding to date and obtained Council sign off for the wider redevelopment of Mildenhall Park. The Trust has run a competitive tender process and appointed Hawkins Construction as the contractor responsible for the facility build and wider park makeover. Work commenced in January 2016 and good progress has been made to date with significant ground works, foundations and structural framing all in place as at 30 June 2016. The project team, led by Tennent + Brown architects, are pushing the development forward at good speed and we are on programme to complete the building by November 2016. In addition to the multi-purpose bowls facility the CFT is also project managing the delivery of extra car parking, the community tennis court rejuvenation, the new petanque piste, associated landscaping and safety improvements. Once complete we will have another nationally significant piece of sporting infrastructure located in the Hutt – but perhaps more importantly – the local community will once again have a community asset and park that they can use and be proud of.

At the request of Council, CFT is also investing significant resource supporting the clubs that will tenant the new facility so that they are well prepared to manage the asset and drive participation and access.

Fraser Park Development

Work continues on this significant project with the completion of the design and consenting phases. As the financial year comes to a close the project is currently out to tender, with the construction industry in the process of pricing the various elements of the project. It is hoped construction will commence in the final quarter of 2016.

In the meantime the Trust continues to monitor how stage 1 of the development has been embedded in the way the park is being used. Feedback on the rugby/football turf has been complimentary with players commenting that the turf is “softer” than other turfs in the region, meaning it is more forgiving on the body. This must be a good thing! Additionally the floodlights have received rave reviews with players again commenting that they are the best in the region.

Stokes Valley Community Hub

The CFT in partnership with Council are leading the development of a new \$6.5m community hub and library in Stokes Valley. A combined CFT/Council Project Control Group working in conjunction with officers will project manage the new build on the corner of Bowers Street and Stokes Valley Road. The new multi-use facility will replace the old library and community hall which will be demolished. The new building will interact with Scott Court and the surrounding shopping area in a cohesive and integrated manner, driving greater activation of the whole precinct. It will provide a welcoming meeting place for the community and be “a shot in the arm” for local residents. Again it is likely building will commence in October 2016 and continue over the summer months.

Partnerships

It is evident, and somewhat of an understatement, to say that we have a lot on at the moment! It is also obvious that as a small Trust we cannot achieve a lot in isolation. In truth everything we do from planning, designing, procurement, fundraising, construction, project delivery, asset management, finances, policy and even administration requires us to partner with someone else. It is timely therefore to acknowledge and thank our partners, funders and stakeholders who assist us and help us fulfil our vision. Simply put, we couldn't do it without you.

We have a vision to develop world class community facilities that contribute to Hutt City being a great place to live, work and play – and with continued hard work we are well on the way to achieving our goal.

I extend my sincere thanks to the Board for their contribution and to General Manager, Peter Healy and the CFT team.

A handwritten signature in black ink, appearing to read 'Alister', is located below the text of the thank you message.

Alister Skene
Chairperson
Hutt City Community Facilities Trust

MILESTONES

Achievements through 2015/16:

- The CFT Fraser Park stage 1 rugby/football and softball turfs leased to Fraser Park Sportsville have been in continuous use throughout the year. During the year further improvements were made to the concrete paths leading to the turfs however all further works around the turfs will now be on hold until Fraser Park stage 2 is completed in late 2017.
- Detailed design work on the Fraser Park stage 2 multi-purpose club house was completed during the year and the project was put out to tender. The cost of the design work was within the agreed budget. The tenders were received in July and subject to the CFT meeting agreed fundraising targets and the price being close to estimate the project will be under construction by late 2016.
- Construction work on the Walter Nash Centre was completed on budget and on time during the year and the complex was handed over to the tenants, the HCC Community Services Division, in August of 2015. Visitors to the centre and general usage have exceeded all expectations and are averaging close to 50,000 visitors per month. Despite this intense use the new centre has performed well. Minor teething and maintenance issues have been addressed quickly. The Centre was nominated for, and won, the Wellington Branch NZIA award for "Public Architecture" in the Wellington region and has now been nominated for a similar national award. The award citation noted "this is a great example of a council-architect collaboration and has resulted in a successful and well utilised community facility. Careful, pragmatic and well-planned – to make best use of hard earned funding - the building is also infused with fresh thinking".
- Detailed design work on the Regional Bowls Centre and Mildenhall Park Redevelopment was completed during the year and the project tendered. The full design work was completed to budget. Tenders were awarded to Hawkins Construction and Super Turf NZ and building work commenced in January of 2016. Building work, at 30 June, was approximately 30% complete. The project at 30 June was on budget. It is expected that it will be completed by October 2016 and fitted out by the bowls clubs in November. Restoration of the three external greens commenced during the year and were ready for seeding at 30 June.
- The CFT continued to raise funds for its various projects. During the year \$790,000 was pledged to CFT projects. A significant application to the NZ Lotteries Board for the part funding of the stage 2 Fraser Park was not successful however a new application was lodged in August 2016.
- Staffing: A new fulltime staff member joined the CFT during the year to assist with property management and maintenance work.
- Finance: Operational expenditure was under budget.

CURRENT PROJECTS

FRASER PARK SPORTS HUB: THE HEART OF HUTT VALLEY SPORT

Fraser Park will be a home for Hutt Valley rugby, football, hockey, squash, cricket and softball as well as a centre for significant regional, national and international events. A new indoor training facility, combined with gym space and squash courts, changing rooms, meeting and sports administration, fitness, leisure and social spaces will connect with new playing fields and surfaces. In short, a world class, integrated community sports complex. Stage 1 of this project, the building of the two artificial turfs was completed in March 2015. Stage 2, which is the multipurpose sports hub, was put out to tender in June of 2016. The results of the tender will not be known until September/October.



WALTER MILDENHALL PARK REDEVELOPMENT: A CENTRE OF EXCELLENCE AND A CATALYST FOR CHANGE



A world class bowls facility that is made possible by a proactive sport combining and consolidating resources at one venue. With the added value of providing the necessary catalyst to make over a run-down community park and turn it

into a cohesive sports and community hub, when linked with other neighbouring sports and leisure facilities. This project is now well under construction, the foundations and floors are down and the perimeter walls of the club house and indoor covered green are now in place. The restoration of the three external greens and other environmental improvements such as fencing and drainage were also advanced during the year.

STOKES VALLEY COMMUNITY HUB

Detailed design work on this multipurpose library and community hub commenced during the year. Funding support for the project was requested and approved by Council in June. Construction is expected to begin in October 2016 and will be completed by mid-2017. Extensive community consultation work was undertaken during the year and the project secured solid community support.



STATEMENT OF SERVICE PERFORMANCE

The Hutt City Community Facilities Trust was established by 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 20 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 Taita Sport and Community Centre and Fraser Park Sportsville are developments that will follow the integrated facilities model.

PERFORMANCE AGAINST OBJECTIVES AND PERFORMANCE TARGETS

Primary Objective

The Trust was established by HCC in August 2012 as a Council Controlled Organisation to promote, develop, own, operate, and maintain recreational, leisure, and community facilities in Hutt City.

Specific Charitable Purposes

The Trust Deed 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.
- Practice prudent commercial administration of high quality community, recreation, and leisure facilities, with a view that they will be financially sustainable.

KEY PERFORMANCE INDICATORS

Indicator and measure	Target 2015/16	Performance to 30 June 2016
Operational Management: <ul style="list-style-type: none"> Operational expenditure is within budget. 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. 	100% SOI by 1/3/16 Half yearly report by 1/3/16 Annual Report by 30/9/16	<ul style="list-style-type: none"> Achieved. Achieved.
Facilities Design and Development: <ul style="list-style-type: none"> All capital expended on design and other consultants is within the approved project budgets. All capital expenditure on approved projects is at or less than approved budget for each project. All projects are built and available for use by the user groups and individuals within three months of the agreed delivery date. 	100% 100% Within three months of agreed delivery date	<ul style="list-style-type: none"> Achieved: Design work on Fraser Park stage 2 and project monitoring on the Bowls Centre is to budget. Achieved: The Walter Nash Centre was completed within budget. Achieved: The Walter Nash Centre was completed by August 2015 and handed over to the Community Services division in August for fit out.
Facilities Management: <ul style="list-style-type: none"> All facilities owned by CFT are leased to appropriate user groups, or other parties. User satisfaction of the facilities owned, directly managed, or leased by CFT to third parties. 	Within three months of being completed or transferred to the ownership of CFT. Greater than 80%	<ul style="list-style-type: none"> Both the turfs and Walter Nash Centre were occupied and fully utilised by FPS and Community Services of HCC within three months of Practical Completion. Rental payments were agreed and received during the year but finer details of leases still being negotiated. Formal user satisfaction surveys have not yet been completed however usage of all CFT facilities is very high and anecdotal feedback is most positive. The GM of FPS noted "We are very happy with the performance of the turf, capacity levels are higher than other turfs around the region and we continue to focus our efforts on increasing off-peak use. The feedback we receive on the artificial surfaces highlights that this community asset is valued and very much appreciated."

Indicator and measure	Target 2015/16	Performance to 30 June 2016
		<p>Usage of ATI (The rugby, football turf) over the winter increased from the 90-95% in 2014/15 to a 100% (peak) this year.</p> <ul style="list-style-type: none"> Usage at the Walter Nash Centre was very high over the year, averaging 50,000 visits per month.
Fundraising: <ul style="list-style-type: none"> CFT achieves 80% or better of the agreed fundraising targets set by Council for each of the agreed projects, within the financial year. 	<ul style="list-style-type: none"> Fraser Park Sportsville – At least \$2m pledged by 30 June 2016 Walter Mildenhall Park redevelopment – At least \$1.051m pledged by 30 June 2016 	<ul style="list-style-type: none"> The fundraising target for FPS stage 2 building has not yet been achieved, due to timing delays. The fundraising target for the Walter Mildenhall Park redevelopment is on target with \$1.6m pledged by 30 June 2016
Planning: <ul style="list-style-type: none"> CFT has completed its first strategic plan to guide its work over the next three years. Current lease charges are based on the recovery of direct landlord costs including interest, maintenance (that is reasonably expected in the next 20 years of building life) and repayment of loans. 		<ul style="list-style-type: none"> Strategic Plan was completed in 2014/15. Lease rentals have been agreed for the Fraser Park Turfs and the Walter Nash Centre at Taita, and are well advanced for the Regional Bowls Centre. Negotiations on the lease for the proposed Fraser Park Centre are also well advanced.
Governance: <ul style="list-style-type: none"> All Council accountability requirements are met. 	<ul style="list-style-type: none"> 100% 	<ul style="list-style-type: none"> Achieved.
Project Delivery Progress: <ul style="list-style-type: none"> Fraser Park Sportsville –Stage 2 Walter Mildenhall Park Redevelopment Stokes Valley Community Hub 	<ul style="list-style-type: none"> Facility construction contract confirmed by 30/9/16 (practical completion 1/12/17) Facility reaches practical completion 1/12/16 Complete by late 2017 	<ul style="list-style-type: none"> Contract negotiations with three lead contractors are well underway and are on schedule to be completed by 30/9/16. The Walter Mildenhall Park redevelopment is on schedule for completion by 1/12/16. Tenders have been let and the building will be completed by the 2017 target date.

Independent Auditor's Report

To the readers of the Hutt City Community Facilities Trust's financial statements and performance information for the year ended 30 June 2016

The Auditor-General is the auditor of the Hutt City Community Facilities Trust (the Trust). The Auditor-General has appointed me, Andrew Clark, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the Trust on her behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Trust on pages 13 to 28, that comprise the statement of financial position as at 30 June 2016, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Trust on pages 6 to 8.

In our opinion:

- The financial statements of the Trust:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2016; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Standards Reduced Disclosure Regime.
- The performance information of the Trust presents fairly, in all material respects, the Trust's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Trust's objectives for the year ended 30 June 2016.

Our audit was completed on 22 September 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and in the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Trust's financial statements and performance information in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Trustees;
- the appropriateness of the reported performance information within the Trust's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information. Also, we did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Trustees

The Trustees are responsible for the preparation and fair presentation of financial statements for the Trust that comply with generally accepted accounting practice in New Zealand and PBE standards. The Trustees are also responsible for preparation of the performance information for the Trust.

The Trustees's responsibilities arise from the Local Government Act 2002 and the Trust Deed.

The Trustees are responsible for such internal control as it determines is necessary to enable the preparation of financial statements and the performance information that are free from material misstatement, whether due to fraud or error. The Trustees are also responsible for the publication of the financial statements and the performance information, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001 and the Trust Deed.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the Trust.

A handwritten signature in cursive script that reads "Andrew Clark".

Andrew Clark
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

FINANCIAL STATEMENTS

Statement of Compliance and Responsibility

The Board of the Hutt City Community Facilities Trust confirms that all statutory requirements in relation to the Annual Report, as outlined in the Local Government Act 2002, have been complied with.

Responsibility

The Trustees and management of the Trust accept responsibility for the preparation of the annual Financial Statements and the Statement of Service Performance and the judgements used in them.

The Trustees have authority to sign these financial statements.

The Trustees and management of the Trust accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Trustees and management of the Trust, the annual Financial Statements and the Statement of Service Performance for the year ended 30 June 2016 fairly reflect the financial position and operations of the Trust.

A handwritten signature in black ink, appearing to read 'Alister Skene', is positioned above the name and title.

Alister Skene
Chairperson

22 September 2016

A handwritten signature in blue ink, appearing to read 'David Butler', is positioned above the name and title.

David Butler
Trustee

22 September 2016

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Actual 2016	Budget 2016	Actual 2015
REVENUE				
Grants	2	5,523,480	14,350,000	14,555,093
Interest revenue	3	19,694	7,000	21,293
Vested assets		-	-	-
Other revenue		422,327	476,126	-
Total revenue		5,965,501	14,833,126	14,576,386
EXPENSES				
Personnel expenses	4	229,647	278,320	151,921
Operating expenses	5	284,980	165,306	197,559
Finance expenses	3	126,044	307,500	5,166
Depreciation and amortisation expense	8	290,808	328,000	24,210
Total expenses		931,479	1,079,126	378,856
Surplus/(Deficit) before tax		5,034,022	13,754,000	14,197,530
Income tax expense		-	-	-
SURPLUS/(DEFICIT) AFTER TAX		5,034,022	13,754,000	14,197,530
OTHER COMPREHENSIVE REVENUE AND EXPENSES				
Gain on property revaluation		-	-	-
Tax on property revaluations		-	-	-
Financial assets at fair value through other comprehensive revenue and expenses		-	-	-
Total other comprehensive revenue and expenses		-	-	-
Total comprehensive revenue and expenses attributable to:				
Community Facilities Trust		5,034,022	13,754,000	14,197,530

Explanations of major variances against budget are detailed in note 21
The accompanying notes form part of these financial statements.

The Budget 2016 figures are the same as those included in the Statement of Intent 2015/16 – 2017/18, classified by the categories included in this statement for comparison purposes.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

		Actual 2016	Budget 2016	Actual 2015
Balance at 1 July		14,293,147	14,939,618	95,617
Accumulated funds		5,034,022	13,754,000	14,197,530
Balance at 30 June	12	19,327,169	28,693,618	14,293,147
Total comprehensive revenue and expenses attributable to:				
Community Facilities Trust		5,034,022	13,754,000	14,197,530
		5,034,022	13,754,000	14,197,530

Explanations of major variances against budget are detailed in note 21
The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Notes	Actual 2016	Budget 2016	Actual 2015
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	6	1,648,157	35,838	1,847,469
Prepayments		3,332	-	15,448
Debtors and other receivables	7	799,585	80	588,265
Total current assets		2,451,074	35,918	2,451,182
NON-CURRENT ASSETS				
Property, plant and equipment	8	17,357,466	17,337,170	3,221,051
Intangible assets		-	-	-
Assets under construction		3,452,533	14,564,000	12,866,420
Total non-current assets		20,809,999	31,901,170	16,087,471
TOTAL ASSETS		23,261,073	31,937,088	18,538,653
CURRENT LIABILITIES				
Borrowings		-	-	-
Trade and other payables	9	893,831	239,740	1,196,693
Employee entitlements	10	8,392	3,730	4,647
Other liabilities	11	31,681	-	44,167
Total current liabilities		933,904	243,470	1,245,507
NON-CURRENT LIABILITIES				
Borrowings - non current	13	3,000,000	3,000,000	3,000,000
Total non-current liabilities		3,000,000	3,000,000	3,000,000
TOTAL LIABILITIES		3,933,904	3,243,470	4,245,507
NET ASSETS	12	19,327,169	28,693,618	14,293,147
EQUITY				
Accumulated funds	12	19,327,169	28,693,618	14,293,147
Share capital		-	-	-
TOTAL EQUITY		19,327,169	28,693,618	14,293,147

Explanations of major variances against budget are detailed in note 21
The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE 12 MONTHS ENDED 30 JUNE 2016

	Actual 2016	Budget 2016	Actual 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Receipts from grants	4,807,510	14,369,914	14,298,997
Receipts from user charges and other income	412,501	7,000	882,207
Interest received	19,694		21,293
Goods and Services Tax received	514,476		258,174
	5,754,181	14,376,914	15,460,671
<i>Cash was applied to:</i>			
Payments to employees	(225,902)	(178,320)	(148,861)
Payments to suppliers	(272,993)	(526,567)	(947,628)
Interest paid	(126,044)		(5,166)
Goods and Services Tax paid	-		-
	(624,938)	(704,887)	(1,101,657)
Net cash flows from operating activities	5,129,242	13,672,027	14,359,014
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Sale of assets held for sale	-		-
	-	-	-
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment	-		(3,216,894)
Purchase of intangible assets	-		-
Purchase assets under construction	(5,316,069)	(16,673,189)	(13,251,270)
	(5,316,069)	(16,673,189)	(16,468,164)
Net cash flows from investing activities	(5,316,069)	(16,673,189)	(16,468,164)
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was provided from:</i>			
Proceeds from borrowings - Hutt City Council	-	3,000,000	3,000,000
Contribution from Hutt City Council			27,126
	-	3,000,000	3,027,126
<i>Cash was applied to:</i>			
Repayment of borrowings - Hutt City Council			-
Contribution to Hutt City Council	(12,485)		-
	(12,485)	-	-
Net cash flows from financing activities	(12,485)	3,000,000	3,027,126
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	(199,312)	(1,162)	917,976
Cash, cash equivalents and bank overdrafts at the beginning of the year	1,847,469	37,000	929,493
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR	1,648,157	35,838	1,847,469
<i>Cash balance at end of the year comprises:</i>			
Cash and on call deposits	1,648,157	35,838	1,847,469
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR	1,648,157	35,838	1,847,469

Explanations of major variances against budget are detailed in note 21

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

REPORTING ENTITY

Hutt City Community Facilities Trust (the Trust) is a Council controlled organisation (CCO), 100 percent owned by the Hutt City Council. It is a CCO as defined in section 6 of the Local Government Act 2002.

The financial statements are prepared in accordance with the Charitable Trust Act 1957 and the local Government Act 2002. The Trust is a Charitable Trust incorporated under the Charities Act 2005 on 1 August 2012, registration 2563442. The primary objective of the Trust is to promote the effective and efficient provision, development and operation of community facilities throughout Hutt City and in particular develop and operate facilities, provide high quality amenities, and prudent commercial administration.

The Trust is designated as a public benefit entity for the purposes of New Zealand Equivalents to Public Benefit Entity (PBE) accounting standards.

The financial statements of the Trust are for the year ended 30 June 2016. The financial statements were authorised for issue by the Board of Directors on 22 September 2016.

BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with IPSAS and other applicable Financial Reporting Standards, as appropriate for public benefit entities (PBE) that apply for differential reporting concessions in accordance with Tier 2 PBE accounting standards. As the Trust's total expenses are under \$30,000,000, it falls outside of the definition for public accountability as defined by the IASB.

The financial statements have been prepared on a going concern basis, and the accounting policies have been consistently applied throughout the period.

Measurement base

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

The financial statements have been prepared on a historical cost basis.

The financial statements are presented in New Zealand dollars. The functional currency of the Trust is New Zealand dollars. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of Comprehensive Revenue and Expense.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Cash and cash equivalents

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

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Revenue

Revenue is measured at the fair value of consideration received.

Grants are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure are fulfilled. Judgement is exercised when recognising grant revenue to determine if conditions of the grant contract have been satisfied. This judgement is based on the facts and circumstances that are evident for each grant contract.

Interest income is recognised using the effective interest method.

Taxation

As a Charitable Trust, the Trust meets requirements for exemption from income tax and accordingly no provision for income tax is recorded in the financial statements.

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.

Property, plant and equipment

Property, plant and equipment consist of the following asset classes: buildings, leasehold improvements, and furniture and office equipment.

All asset classes are measured at cost less accumulated depreciation and impairment losses.

Additions:

Expenditure of a capital nature of \$500 or more has been capitalised. Expenditure of less than \$500 has been charged to operating expenditure. The cost of an item of property, plant and 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 measured reliably.

Work and progress is recognised at cost less impairment and is not depreciated.

Disposals:

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are recognised in the Statement of Comprehensive Revenue and Expenses.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when 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 measured reliably.

Vested or donated physical assets

For assets received for no or nominal consideration, the asset is recognised at its fair value when the Trust obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

For long lived assets that must be used for a specific use (eg land must be used as a recreation reserve), the Trust immediately recognises the fair value of the asset as revenue. A liability is recognised only if the Trust expects that it will need to return or pass the asset to another party.

Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment at rates that will write off the cost (valuation) of the assets to their estimated residual values over their useful lives. The straight line depreciation rates are as follows:

Estimated economic lives	Years	Rate
Plant and equipment	3 - 10	33% - 10%
Leasehold improvements	10 - 75	10% - 1.3%
Buildings	65 - 80	1.5% - 1.25%

The residual value and useful life of an asset is reviewed and adjusted if applicable at each financial year end.

Impairment of non-financial assets

Assets with a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The total impairment loss is recognised in the Statement of Comprehensive Revenue and Expenses.

Goods and services tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables. 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 Inland Revenue Department is included as part of receivables or payables in the Statement of Financial Position.

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

Commitments and contingencies are disclosed exclusive of GST.

Employee entitlements

Short-term employee entitlements

Employee benefits that the Trust expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

The Trust recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and,
- the present value of the estimated future cash flows

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Borrowings

Borrowings are initially recognised at their fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Trust has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Leased assets

Operating Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Payments made under these leases are expensed in the Statement of Comprehensive Revenue and Expenses on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Revenue and Expenses as an integral part of the total lease payment.

Finance Leases

The Trust has not entered into any material finance leases.

Financial instruments

The Trust is party to financial instrument arrangements as part of its normal operation. Revenue and expenses in relation to all financial instruments are recognised in the Statement of Comprehensive Revenue and Expenses.

All financial instruments are recognised in the Statement of Financial Position on the basis of the Trust's accounting policies. All financial instruments disclosed in the Statement of Financial Position are recorded at fair value other than those specifically identified in the Notes to the Financial Statements.

Budget figures

The budget figures are those approved by the Board at the beginning of the year. The budget figures have been prepared in accordance with NZ Generally Accepted Accounting Practice (GAAP), using accounting policies that are consistent with those adopted by the Board for the preparation of the financial statements.

Critical accounting estimates and assumptions

In preparing these financial statements, the Trust has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. Subsidies and Grants

	2016	2015
Grants	5,523,480	14,555,093
Total subsidies and grants	5,523,480	14,555,093
During the year grants have been received from:		
Hutt City Council	3,445,000	12,472,129
Other grants	2,078,480	2,082,964
Total grants	5,523,480	14,555,093

3. Interest Revenue and Finance Costs

	2016	2015
Interest revenue		
Interest revenue		
- call and term deposits	19,694	21,293
- related party deposits	-	-
Total interest revenue	19,694	21,293
Finance costs		
Interest expense		
- call and term loans	126,044	5,166
- related party loans	-	-
Total finance cost	126,044	5,166
Net finance revenue/(costs)	(106,350)	16,127

4. Personnel Costs

	2016	2015
Salaries and wages	206,005	147,450
Other employee expenses	18,605	1,411
Increase/(decrease) in employee entitlements/liabilities	5,037	3,060
Total personnel costs	229,647	151,921

5. Operating Expenses

	2016	2015
Auditors' fees for the audit of the financial statements	14,528	15,836
Directors' fees	29,500	14,960
Legal services	13,923	6,625
Other specialist services	54,365	139,596
Other expenses	172,664	20,541
Total operating expenses	284,980	197,559

6. Cash and Cash Equivalents

	2016	2015
Cash at bank and on hand	48,157	47,469
Term deposits with maturities less than three months at acquisition	1,600,000	1,800,000
Cash and cash equivalents	1,648,157	1,847,469

Cash, cash equivalent and bank overdrafts include the following for the purposes of the statement of cash flows.

	2016	2015
Cash at bank and on hand	48,157	47,469
Term deposits with maturities less than three months at acquisition	1,600,000	1,800,000
Bank overdrafts	-	-
Total	1,648,157	1,847,469

7. Debtors and Other Receivables

	2016	2015
GST receivable	29,758	544,234
Other receivables:		
- Other receivables	769,827	44,031
Gross debtors and other receivables	799,585	588,265
Less provision for impairment	-	-
TOTAL DEBTORS AND OTHER RECEIVABLES	799,585	588,265

8. Property, Plant and Equipment

Movements for each class of property, plant and equipment are as follows:

2016	Opening			Movements during the year		Closing	
	Cost/ valuation	Accumulated depreciation	Carrying amount	Additions	Depreciation	Cost/ valuation	Accumulated depreciation
Operational assets							
Buildings	-	-	-	14,409,997	(179,515)	14,409,997	(179,515)
Site Improvements	3,216,196	(23,009)	3,193,187		(108,839)	3,216,196	(131,848)
Plant and equipment	30,430	(2,566)	27,864	17,226	(2,454)	47,656	(5,020)
Total operational assets	3,246,626	(25,575)	3,221,051	14,427,223	(290,808)	17,673,849	(316,383)
							17,357,466
2015	Opening			Movements during the year		Closing	
	Cost/ valuation	Accumulated depreciation	Carrying amount	Additions	Depreciation	Cost/ valuation	Accumulated depreciation
Operational assets							
Buildings	-	-	-	-	-	-	-
Site Improvements	-	-	-	3,216,196	(23,009)	3,216,196	(23,009)
Plant and equipment	29,732	(1,365)	28,367	698	(1,201)	30,430	(2,566)
Total operational assets	29,732	(1,365)	28,367	3,216,894	(24,210)	3,246,626	(25,575)
							3,221,051

VALUATION

Assets held by the Trust are recorded at actual cost.

9. Payables and Deferred Revenue

Deferred revenue under non-exchange transactions
 Grants received subject to substantive conditions not yet met
Payables under exchange transactions
 Accrued expenses
 Creditors

2016	2015
-	-
669,479	1,152,899
224,352	43,794
893,831	1,196,693

10. Employee Entitlements

CURRENT PORTION

Annual leave

Total employee entitlements - current portion

TOTAL EMPLOYEE ENTITLEMENTS

2016	2015
8,392	4,647
8,392	4,647
8,392	4,647

11. Other Liabilities

CURRENT PORTION

Related parties accrued expenses

Due to related parties (refer to note 17)

Total other liabilities - current portion

TOTAL OTHER LIABILITIES

2016	2015
31,681	44,167
31,681	44,167
31,681	44,167

12. Equity

TRUST FUNDS

Balance at beginning of the year

New Trust fund contributions

Net surplus/(deficit) after tax

BALANCE AT END OF THE YEAR

TOTAL EQUITY

Balance at beginning of the year

Movements during the year

BALANCE AT END OF THE YEAR

2016	2015
14,293,147	95,617
-	-
5,034,022	14,197,530
19,327,169	14,293,147
14,293,147	95,617
5,034,022	14,197,530
19,327,169	14,293,147

13. Borrowings

CURRENT PORTION

Secured loans

TOTAL CURRENT PORTION

NON-CURRENT PORTION

Secured loans

TOTAL NON-CURRENT PORTION

TOTAL BORROWINGS

2016	2015
-	-
-	-
3,000,000	3,000,000
3,000,000	3,000,000
3,000,000	3,000,000

14. Financial Instruments

FINANCIAL ASSETS

Loans and receivables

Cash and cash equivalents

Debtors and other receivables

Other financial assets:

- loans to related parties

Total financial assets

2016	2015
48,157	47,469
799,585	588,265
-	-
847,742	635,734

FINANCIAL LIABILITIES

Financial liabilities at amortised cost

Trade and other payables

Total financial liabilities at amortised cost

893,831	1,196,693
893,831	1,196,693

15. Remuneration

	2016				2015			
	Salary	Long term benefits	Post employment benefits	Total Remuneration	Salary	Long term benefits	Post employment benefits	Total Remuneration
General Manager	120,041	3,451	-	123,492	99,625	2,989	-	102,614

Key management personnel compensation

Key management personnel consist of the Trustees and the General Manager.

	2016	2015
Salaries	120,041	99,625
Long term benefits	3,451	2,989
Post employment benefits	-	-
Total Remuneration	123,492	102,614

Remuneration of Trustees

Alister Skene

Annual honorarium (six trustees)

Total

Number of Trustees, including Chair ***

2016	2015
17,500	14,960
12,000	-
29,500	14,960
7.00	7.00

Employee Remuneration

Total remuneration paid or payable

< \$60,000

\$60,000 - \$79,999

\$80,000 - \$99,000

\$100,000- \$199,999

Total Employees

2016	2015
1.00	-
-	-
1.00	0.80
2.00	0.80

Total remuneration includes any non-financial benefits provided to employees.

At balance date, the Trust employed 2.0 full time employees (2015: 0.8)

A full time employee is determined on the basis of a 40 hour working week.

*** Due to the difficulty in determining the full-time equivalent for Board members, the full-time equivalent figure is taken as the number of Board members.

Severance Payments

No severance payments were made by the Trust during the year, (2015, \$nil).

16. Interest Register

Alister Skene	Managing Director, Cascade Consulting Ltd Pelorus Trust, Contractor (Property Manager) Prime Community Trust, Trust Manager Next Stage Theatre Charitable Trust -Trustee
David Butler	Partner, Gillespie Young Watson Trentham Community Trust - Trustee Pike River Memorial Scholarship Trust – Trustee
Kirsten Patterson	NZ Country Head, Institute of Chartered Accountants Australia and NZ Wellington/Wairarapa Plunket Board – Board Member
Andy Leslie	NZ Rugby Foundation - Trustee Halberg Trust – Life Trustee Pelorus Trust - Trustee Scott & Leslie Ltd - Owner Leslie Drain Cleaning Ltd - Director Williment Sports Travel – Advisor
Sumati Govind	Investment Advisor, Gareth Morgan Investments Individual Retirement Plan - Trustee NZ Red Cross Foundation - Trustee
Max Flowers	Jamaica Properties - Director Jamaica Investments - Director Boulcotts Farm Heritage Golf Club Board – Board Member Te Awakairangi Golf Charitable Trust- Trustee
Cr Max Shierlaw (until 24.9.15)	Council appointed representative on CFT Vibe, Hutt Valley Youth Health Services - Trustee
Cr Margaret Cousins (from 20.10.15)	Council appointed representative on CFT Snisouc Holdings Ltd - Shareholder SHE Trust (Suffrage Hutt Education) - Trustee

17. Related Parties Disclosures

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client / recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Trust would have adopted in dealing with the party at arms length in the same circumstances.

Related party disclosures have also not been made for transactions with entities within the Council group (such as funding and financing flows), where the transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such group transactions.

18. Capital Commitments and Operating Leases

Capital Commitments

The Trust has \$3.935 million in commitments for capital expenditure as at 30 June 2016, relating to Walter Mildenhall Park. (2015: Total commitments were \$1.690 million relating to Walter Nash Centre).

19. Contingent Assets and Liabilities

Contingent Assets

As at 30 June 2016 the Trust had no contingent assets (2015: \$nil).

Contingent Liabilities

As at 30 June 2016 the Trust had no contingent liabilities (2015: \$nil).

20. Changes in Business of Trust

During the year ended 30 June 2016 there were no changes in the nature of business of the Trust.

21. Variance Explanations

Statement of Comprehensive Revenue and Expenses

The surplus for 2015-16 was \$5.034m for the year ended 30 June 2016, and below budget by \$8.720m

Operating Revenue

Revenue was lower than planned by \$8.868m largely due to design work taking longer than planned for the Stokes Valley Hub, the commencement of construction in relation to the second stage of the Fraser Park building project and the Walter Mildenhall development being slower to get underway. As a consequence, the drawdown of funding originally planned was lower.

Operating Expenses

Total expenses (excluding depreciation) were below budget by \$151k. All account categories, with the exception of operating expenses, were below budget for the year. Operating expenses were higher than budget by almost \$120k. This was largely due to work focused on the future operation of the recently established Walter Nash Centre (eg the development of maintenance plans), as well as higher insurance coverage than budgeted.

Statement of Financial Position

Total current assets were higher than planned due to a higher level of cash being invested on call as a result of capital projects being slower to get underway than planned. This also resulted in lower non-current assets. Total liabilities have stayed relatively constant compared with budget. Equity is lower than planned due to a lower surplus for the year.

Statement of Cashflows

Cash from operating activities was positive for the year, whilst cash from investing activities relates to the spend on assets under construction (stage 2 of the Fraser Park Sportsville and the Walter Mildenhall developments).

22. Events After the Balance Date

On 6 July 2016, the Trust signed a fixed price contract for \$4.653m for the design and construction of the Stokes Valley Community Hub.