



Statement of Intent

Hutt City Community Facilities Trust

2018/19 – 2020/21

Contents

Introduction	3
Objectives	3
Activities.....	4
Governance	5
Ratio of Consolidated Shareholders' Funds to Total Assets	5
Accounting Policies of the CFT	6
Performance Targets.....	7
Prospective Statement of Financial Performance for the period ended 30 June.....	9
Prospective Statement of Financial Position as at 30 June	10
Prospective Statement of Cash Flows for the period ended 30 June	11
Summary of Capital Expenditure Programme	12
The CFT Depreciation Policy	12
Information to be provided to Shareholders.....	13
Procedures to be followed before members acquire shares in other groups etc.....	13
Activities for which the Board seeks compensation from a local authority	14
Board estimate of the commercial value of the shareholder's investment in the group	14
Risk Management	14

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 30,2021.

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 completed in 2017 at Naenae, the Koraunui Stokes Valley Community Hub also completed in 2017 and the under construction Fraser Park Sports and Community Hub development are examples of projects that also 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 36 months the CFT will focus its activities in the following areas:

- Completing the construction, commissioning and handover of the Fraser Park Sports and Community Hub to the proposed tenant, the Fraser Park Sportsville.
- Completing with Fraser Park Sportsville the agreed fundraising for the Fraser Park Sports and Community Hub.
- Working with Fraser Park Sportsville and the community to maximise the use of the new facility.
- Putting in place maintenance plans and regimes for the Fraser Park Sports Hub that will ensure the new centre is maintained to a high and safe standard.
- Working with the Naenae Bowls Club and the community to maximise the use of the new facility.
- Putting in place maintenance plans and regimes for the Naenae Bowls Centre that will ensure the new centre is maintained to a high standard.
- Continue to manage, in partnership with the tenants, existing CFT assets at Fraser Park (the artificial turfs).
- Continue to manage in partnership with the tenants (HCC), the Walter Nash Centre at Taita.
- Prepare and implement in partnership with HCC, maintenance plans for the Koraunui Stokes Valley Community Hub.
- Prepare and implement in partnership with FPS, maintenance plans for the Fraser Park Sports and Community Hub.
- Subject to funding, make modest improvements to the old Walter Nash Centre to bring that building up to modern standards.
- Subject to Council funding and approval prepare design and tender documents and commence fundraising for the proposed Wainuiomata Sports and Community Hub.
- Subject to HCC funding and approval provide project management guidance and oversight for the proposed Naenae Community Hub.
- Subject to HCC funding and approval prepare design and tender documents for the proposed Gym Sports building at Fraser Park.
- Subject to project funding being secured by Hutt Valley Tennis to provide project management assistance on the renovation of the existing HVT club rooms.
- The development of any other community or sporting buildings which the HCC has funding for and requests the CFT to project manage.

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 six weekly.

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 2018/2021
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 30/9/18, 30/9/19 and 30/9/20 SOI and six monthly report by 1/3/19, 1/3/20 and 1/3/21
<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"> Fraser Park Sports Hub complex 	Facility reaches practical completion by 21/12/2018
<ul style="list-style-type: none"> Contract designs for the proposed Wainuiomata Community and Sporting hub are prepared (subject to funding being approved by Council) 	30 June 2019
<ul style="list-style-type: none"> Contract documents are prepared for the Gym Sports Building at Fraser Park (subject to funding being raised by CFT or approved by Council) 	30 June 2019
<ul style="list-style-type: none"> Hutt Valley Tennis – subject to funding and a resource consent the CFT will provide project management assistance to Hutt Valley Tennis to restore and extend their existing clubrooms 	30 June 2019
<ul style="list-style-type: none"> Naenae Community Hub – provide high level governance 	30 June 2020

Facilities Management

- | | | |
|--|------|--|
| • All facilities maintain legal compliance, WOFs and/or certification | 100% | Building safety upheld |
| • All facilities have in place an agreement to lease within three months of completion | 100% | Legal partnerships covering leases and maintenance are agreed with the principal tenants |
| • All facilities have detailed maintenance plans in place within 12 months of completion | 100% | Maintenance programmes instituted to ensure facilities' amenity values are retained and are safe for users |

Fundraising

- | | | |
|--------------------------|------|----------------------------------|
| • Fraser Park Sports Hub | 100% | funding in place by 30 June 2019 |
|--------------------------|------|----------------------------------|

Prospective Statement of Financial Performance for the period ended 30 June

	Budget 2018/19	Plan 2019/20	Plan 2020/21
Revenue			
HCC Operating Grant	350,000	350,000	350,000
Rentals	611,597	646,107	641,917
HCC Capital Grant	3,936,000	5,700,000	-
Grants / Donations	2,458,721	-	-
Interest revenue	7,000	7,000	7,000
Total Revenue	7,363,318	6,703,107	998,917
Expenses			
Employee	264,876	270,084	275,396
Maintenance	58,500	60,000	60,000
Other	343,997	369,050	369,050
Finance	121,510	117,320	113,130
Total Expenses before Depreciation	788,883	816,453	817,575
Net (Surplus) / Deficit before Depreciation	6,574,435	5,886,653	181,341
Depreciation	841,353	906,062	917,554
Net (Surplus) / Deficit	5,733,082	4,980,592	(736,213)

Prospective Statement of Financial Position as at 30 June

	Budget 2018/19	Plan 2019/20	Plan 2020/21
Current Assets			
Cash & Cash Equivalents	154,047	253,595	334,532
Debtors & Other Receivables	99,956	99,891	99,811
GST Payable / Receivable	161,712	141,882	122,367
Prepayments	36,024	36,024	36,024
Total Current Assets	451,739	531,392	592,734
Non Current Assets			
Assets at Cost	42,496,609	50,196,609	50,196,609
Accumulated Depreciation	(1,207,605)	(2,113,666)	(3,031,221)
Assets Under Construction	2,000,000	(0)	(0)
Total Non Current Assets	43,289,003	48,082,942	47,165,387
Total Assets	43,740,742	48,614,334	47,758,121
Current Liabilities			
Creditors and Other Payables	414,614	407,614	387,614
Employee Entitlements	4,225	4,225	4,225
Current Account with HCC	8,700	8,700	8,700
Total Current Liabilities	427,539	420,539	400,539
Non Current Liabilities			
Loan from HCC	2,800,000	2,700,000	2,600,000
Total Non Current Liabilities	2,800,000	2,700,000	2,600,000
Total Liabilities	3,227,539	3,120,539	3,000,539
Net Assets	40,513,204	45,493,795	44,757,582
Equity			
Accumulated Funds	39,068,815	43,982,055	43,178,490
Revaluation Reserve	1,377,037	1,377,037	1,377,037
Long Term Maintenance Reserves	67,352	134,704	202,056
Total Equity	40,513,204	45,493,795	44,757,582
	Budget	Plan	Plan
Long Term Maintenance Reserves	2018/19	2019/20	2020/21
Walter Mildenhall Bowls	5,000	10,000	15,000
Walter Nash Stadium	33,852	67,704	101,556
Fraser Park Building	12,000	24,000	36,000
Fraser Park Turfs	16,500	33,000	49,500
Total Long Term Maintenance Reserves	67,352	134,704	202,056

Prospective Statement of Cash Flows for the period ended 30 June

	Budget 2018/19	Plan 2019/20	Plan 2020/21
Cash Flows from Operating Activities			
<i>Cash was provided from:</i>			
Receipts from grants	350,000	350,065	350,080
Receipts from user charges and other income	611,597	646,107	641,917
Interest received	7,000	7,000	7,000
Goods and services tax received	85,091	19,830	19,516
<i>Cash was applied to:</i>			
Payments to employees	(264,876)	(270,084)	(275,396)
Payments to suppliers	(336,174)	(436,050)	(449,050)
Interest paid	(121,510)	(117,320)	(113,130)
Goods and services tax paid	-	-	-
Net Cash Flows from Operating Activities	331,128	199,548	180,937
Cash Flows from Investing Activities			
<i>Cash was provided from:</i>			
Other investment receipts	6,305,180	5,700,000	-
Sale of assets held for sale			
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment	(6,831,947)	(5,700,000)	-
Purchase of assets under construction	-	-	-
Net Cash Flows from Investing Activities	(526,767)	-	-
Cash Flows from Financing Activities			
<i>Cash was provided from:</i>			
<i>Cash was applied to:</i>			
Repayment of borrowings - Hutt City Council	(100,000)	(100,000)	(100,000)
Net Cash Flows from Financing Activities	(100,000)	(100,000)	(100,000)
Net increase / (decrease) in cash, cash equivalents and bank overdrafts	(295,639)	99,548	80,937
Cash & cash equivalents at beginning of the year	449,685	154,047	253,595
Cash & cash equivalents at the end of the year	154,047	253,595	334,532

Summary of Capital Expenditure Programme

	Forecast Pre 2018/19	Budget 2018/19	Plan 2019/20	Plan 2020/21
Fraser Park Sports Hub - phase II	8,268,053	4,831,947	-	-
Naenae Community Hub	-	2,000,000	5,700,000	-
Total per Prospective Financial Statements	8,268,053	6,831,947	5,700,000	-

The following projects are included in Council's 2018-2028 Long Term Plan but remain subject to Council approval of full business cases. As such, and until Council approval is received, these projects will remain on the CFT's watch list and will be excluded from the Prospective Financial Statements.

	Forecast Pre 2018/19	Budget 2018/19	Plan 2019/20	Plan 2020/21
Wainuiomata Sports Hub	-	2,500,000	2,300,000	-
Gym Sports Building	-	-	2,000,000	-
Total per Prospective Financial Statements	-	2,500,000	4,300,000	-

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 will be approximately \$45 million with the completion of the Fraser Park Sports and Community Hub which is now under construction.

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.