



Statement of Intent

Hutt City Community Facilities Trust

2020/21 – 2022/23

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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 (CCO). 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 three year period to 30 June 2023.

The CFT was established by the Hutt City Council (Council) in August 2012 as a CCO to promote, develop, own, operate, and maintain recreational, leisure, and community facilities in Lower Hutt. Over the next 30 years a number of facilities in Lower Hutt 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 Ricoh Sports Centre at Fraser Park, completed in 2019, are examples of projects that also follow the integrated facilities model.

The main role of the CFT has been 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 Lower Hutt.

In 2019 the trustees conducted a strategic review of the CFT's future direction and concluded that while it will remain a landlord of its existing facilities, most day to day work to provide ongoing management for these is best conducted by Council staff as is future project management of new builds. The board concluded that CFT's main focus will be to provide leadership in the identification, promotion and fundraising for new projects which support Council's overall strategic objectives.

Where appropriate, the CFT will assist with 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 Lower Hutt, 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 Council. 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 looks forward to working with Council to optimise the overall social, cultural, health and economic wellbeing of Lower Hutt.

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 Lower Hutt's communities. These objectives are to:

- Promote, operate, develop, and maintain community facilities in Lower Hutt 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 Lower Hutt.
- Provide high quality amenities which attract and engage, promoting the health and well-being of residents of and visitors to Lower Hutt.
- Practise prudent commercial administration of high quality community, recreation, and leisure facilities, with a view that they will be financially sustainable.

Environmental objectives

The Board will be considering during the year what we can do effectively to support the Council's environmental objectives. In particular we will give consideration to the potential impacts of climate change and 'carbon zero' initiatives, and what contribution the trust can make to this. We will work with and hold discussions with Council staff to ensure we are working on a co-ordinated basis.

Health and Safety

The Board sees the health and safety of its staff, contractors, the public and all users of its facilities as a top priority. Enhanced reporting to the Board to ensure that there is the best possible health and safety practices and culture in all its facilities is a top priority for the year.

Activities

This draft Statement of Intent has been provided at a busy time for Council after the recent election and restructuring of its management team. It has also been busy with its consideration of the future for the Naenae Pool. As a consequence of its initial plans to rebuild that in some form, it has signalled the suspension of various other funding allocations for gym sports and the proposed Wainuiomata Sports and Community Hub, both of which were part of CFT's longer term work plan. The Board has not received from Council the usual letter of expectation to guide it in the completion of this SOI thus the plan for the year is limited to managing the existing facilities of the Trust until Council makes its broader decisions on funding priorities for any new project and what role it would like to see CFT play in them.

In the next three years the CFT will focus its activities in the following areas:

- Completing the bedding in of the recently constructed Ricoh Sports Centre at Fraser Park. The new building is a complex structure and the CFT will work with the tenant, Fraser Park Sportville (FPS), to best optimise the use and to capture the benefits of the technologies and infrastructure imbedded in the complex.

- Continue to manage, in partnership with the tenant (FPS), the artificial turfs at Fraser Park.
- Continue to manage in partnership with the tenant (Council), the Walter Nash Centre at Taita.
- In partnership with the tenant (Council), continue to make modest improvements to the old Walter Nash Centre to bring that building up to modern standards.
- Working with the Naenae Bowls Club and the community to maximise the use of the facility and to improve its ability to fully fund all operational costs, including insurance, rates and long-term maintenance.
- Review facility related maintenance plans – for all CFT facilities – to ensure they comply with relevant legislation and are maintained to a high and safe standard.
- The development of any other community or sporting buildings which the Council has funding for and requests the CFT to project manage.

Governance

The CFT board of trustees comprises five 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

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 Council 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. From 1 July 2020, the CFT will pay Council an annual fee to cover financial, HR and IT support that it receives during the year. For the 2020/21 financial year the fee has been set at \$28,642. This fee will rise by 2% a year thereafter. Prior to 2020/21 no support fees had been charged.

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

CFT's buildings and site improvements are revalued every three years (or sooner if necessary) to ensure the assets carrying amount does not differ materially from fair value. All other are 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 2020/2023
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 	<p>100%</p> <p>Annual Report by 30/9/20, 30/9/21 and 30/9/22</p> <p>SOI and six monthly report by 1/3/21, 1/3/22 and 1/3/23</p>
Facilities Management	
<ul style="list-style-type: none"> All facilities maintain legal compliance, WOFs and/or certification All facilities have in place an agreement to lease within three months of completion All facilities have detailed maintenance plans in place within 12 months of completion 	<p>100% Building safety upheld</p> <p>100% Legal partnerships covering leases and maintenance are agreed with the principal tenants</p> <p>100% Maintenance programmes instituted to ensure facilities' amenity values are retained and are safe for users</p>
Environmental Objectives	
<ul style="list-style-type: none"> Consider how the board can effectively support the Council's environmental objectives. In particular give consideration to potential impacts of climate change and 'carbon zero' initiatives, and what contribution the Trust can make to this. 	<p>Potential impact assessment and action plan report completed by 30 June 2021</p>
Health and Safety	
<ul style="list-style-type: none"> Enhanced reporting to the Board to ensure best possible health and safety practices and culture are in all CFT facilities. All CFT construction projects have Health and Safety plans and monitoring in place. 	<p>Monitoring is in place and reporting to the Board by 30 June 2021</p> <p>100% compliance</p>

Prospective Statement of Financial Performance

	Budget	Plan	Plan
For the Year Ended 30 June	2020/21	2021/22	2022/23
Operational grants	365,000	250,000	100,000
Rental revenue	602,859	608,008	613,311
Sponsorships	54,500	54,500	54,500
Additional funding from HCC	-	-	-
* LTAR& M Fund revenue	14,000	14,000	14,000
Finance revenue	277	277	277
Other revenue	2,705	2,705	2,705
Total revenue	1,039,341	929,490	784,793
Trustee fees	19,000	19,000	19,000
Ground rentals	12,688	12,688	12,688
Insurance	259,389	265,472	272,108
Maintenance fee to HCC	110,000	110,000	110,000
Audit fees	19,497	19,497	19,497
Support	28,642	28,642	28,642
Specialist services	30,000	-	-
Tenant support	100,000	80,000	80,000
Maintenance	161,430	7,430	7,430
Rates	90,857	93,825	96,894
Water charges	4,000	4,000	4,000
Finance expenses	94,759	94,759	94,759
Total expenses	930,262	735,313	745,018
Net surplus / (deficit) before depreciation	109,079	194,177	39,775
Depreciation	959,496	959,496	959,496
Net surplus / (deficit) after depreciation	-850,417	-765,319	-919,721

* LTAR&M is defined as Long Term Asset Replacement and Maintenance

Prospective Statement of Movements in Equity

For the Year Ended 30 June	Budget 2020/21	Plan 2021/22	Plan 2022/23
Balance at 1 July	38,062,916	37,212,500	36,447,180
Net (surplus) / deficit after depreciation	-850,417	-765,319	-919,721
Balance at 30 June	37,212,499	36,447,180	35,527,459

Prospective Statement of Financial Position

As at 30 June	Budget 2020/21	Plan 2021/22	Plan 2022/23
Cash and cash equivalents	213,313	398,597	401,976
Debtors and other receivables	19,352	19,352	-
Prepayments	33,817	34,554	35,321
GST receivable	34,057	-	-
Total current assets	300,538	452,503	437,296
Property, plant and equipment	40,213,962	39,254,465	38,294,969
Total non current assets	40,213,961	39,254,465	38,294,969
Total assets	40,514,500	39,706,968	38,732,265
Creditors and other payables	-21,001	-21,001	-21,001
GST payable	-	-12,288	-11,806
Advances related parties			
Total current liabilities	-21,001	-33,288	-32,806
Borrowings	-3,281,000	-3,226,500	-3,172,000
Total non current liabilities	-3,281,000	-3,226,500	-3,172,000
Total liabilities	-3,302,001	-3,259,788	-3,204,806
Net assets	37,212,499	36,447,180	35,527,459
Accumulated funds	35,768,601	34,989,282	34,055,561
LTAR&M fund	66,861	80,861	94,861
Asset revaluation reserve	1,377,037	1,377,037	1,377,037
Total equity	37,212,499	36,447,180	35,527,459

Prospective Statement of Cash Flows

For the Year Ended 30 June	Budget 2020/21	Plan 2021/22	Plan 2022/23
Cash Flows from Operating Activities			
Cash was provided from:			
Operational grant from HCC	365,000	250,000	100,000
Receipts from rents	602,859	608,008	632,663
Additional funding from HCC	-	-	-
Receipts from sponsorships	54,500	54,500	54,500
Receipts from other sources	2,705	2,705	2,705
Interest received	277	277	277
Net GST received	-	46,344	-482
Cash was applied to:			
Payments to employees	-19,000	-19,000	-19,000
Payments to suppliers	-817,230	-622,291	-632,026
Interest paid	-94,759	-94,759	-94,759
Net GST paid	-36,331	-	-
Net Cash Inflows / (Outflows) from Operating Activities	58,021	225,784	43,879
Cash Flows from Investing Activities			
Cash was provided from:			
Other investment receipts	14,000	14,000	14,000
Cash was applied to:			
Purchase of property, plant and equipment	-	-	-
Net Cash Inflows / (Outflows) from Investing Activities	14,000	14,000	14,000
Cash Flows from Financing Activities			
Cash was provided from:			
Contribution from Hutt City Council	-	-	-
Proceeds from borrowings	-	-	-
Cash was applied to:			
Contribution to Hutt City Council	-	-	-
Repayment of borrowings	-54,500	-54,500	-54,500
Net Cash Inflows / (Outflows) from Financing Activities	-54,500	-54,500	-54,500
Net increase / (decrease) in cash and cash equivalents	17,521	185,284	3,379
Cash and cash equivalents at beginning of year	195,792	213,313	398,597
Cash and cash equivalents at end of year	213,313	398,597	401,976

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 Council, or Council, the CFT and the tenant combined.

Because the CFT is still evolving its rental and depreciation charges, negotiations to fix agreed rentals with Council 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 2019/20.

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 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.

Following completion of the Ricoh Sports Centre at Fraser Park, the estimated replacement value of the Trust's assets is \$40 million.

Other Management Issues

Health and Safety in Employment

CFT will maintain best industry practice and ensure 100% compliance with legislated obligations for its sites and buildings.

Community Outcomes

For the past five years CFT has been in building and development mode, it will now commit more resources and work with Council officers to monitor and report on the outcomes of the new CFT facilities. The CFT facilities have had a significant positive impact on the communities that surround them; however this has not been well researched or documented.

Long Term Facility Planning

The CFT has prepared 20 year maintenance plans for all of its buildings and other sporting assets and will now work with Council officers to prepare funding plans for that work. While some of the costs will be met from tenant rentals, more significant expenditure, for example on the cost of reroofing a major building like the Walter Nash, will need to be determined and agreed with Council.

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.

Environmental Objectives

CFT is working with Council staff and consultants to formulate an environmental strategy for CFT that could change the way CFT builds and manages its sporting infrastructure and buildings. It is probable that CFT will not in future use gas heating in its buildings and will consider changing existing gas units at the end of their working life. CFT is already working to include solar power units on its buildings and will make provision for such units on future buildings. CFT will also investigate designing future buildings under the Green Star rating system if such an approach is affordable.