



A G E N D A

Executive Committee

Council Chambers

Wednesday

16 March 2016

commencing at 9.00am

Cr. M.S. Dawson (Chairperson)
His Worship the Mayor, M.T. Havill
Deputy Mayor Cr. P.M. Cox
Cr. J.H. Butzbach, Cr. D.G. Hope,
Cr. L.J. Martin, Cr. M.D. Montagu,
Cr A. P. Thompson, Cr. C.A. van Beek

NOTICE IS HEREBY GIVEN THAT A MEETING OF THE EXECUTIVE COMMITTEE WILL BE HELD IN THE COUNCIL CHAMBERS, 36 WELD STREET, HOKITIKA, ON WEDNESDAY 16 MARCH 2016 COMMENCING AT 9.00AM

COUNCIL VISION

Westland District Council will facilitate the development of communities within its district through delivery of sound infrastructure, policy and regulation.

This will be achieved by:

- Involving the community and stakeholders.
- Delivering core services that meet community expectations and demonstrate value and quality.
- Proudly promoting, protecting and leveraging our historic, environmental, cultural and natural resource base to enhance lifestyle and opportunity for future generations.

Purpose:

The Council is required to give effect to the purpose of local government as prescribed by section 10 of the Local Government Act 2002. That purpose is:

- (a) To enable democratic local decision-making and action, by and on behalf of, communities; and
- (b) To meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses

1. MEMBERS PRESENT AND APOLOGIES:

1.1 Apologies

1.2 Interest Register

2. CONFIRMATION OF MINUTES:

2.1 Confirmation of Minutes of Executive Committee Meeting

2.1.1 Minutes of the Executive Committee Meeting – 16 February 2016

(Pages 10-13)

3. PUBLIC FORUM

The public forum section will commence at the start of the meeting.

4. BUSINESS:

4.1 Westland Holdings Ltd Half Year Report

(Pages 14-23)

4.2 Statements of Intent – Westland Holdings Ltd

(Pages 24-38)

(Chairman of Westland Holdings Ltd to attend at 10:00am)

5. MATTERS TO BE CONSIDERED IN THE ‘PUBLIC EXCLUDED SECTION’

Resolutions to exclude the public: Section 48, Local Government Official Information and Meetings Act 1987.

Council is required to move that the public be excluded from the following parts of the proceedings of this meeting, namely:

5.1 Chief Executive’s Performance Review

	GENERAL SUBJECT OF THE MATTER TO BE CONSIDERED	REASON FOR PASSING THIS RESOLUTION IN RELATION TO THE MATTER	GROUND(S) UNDER SECTION 48(1) FOR THE PASSING OF THIS RESOLUTION
1.	Chief Executive’s Performance Review	To protect the privacy of individuals/organisations under Section 7(2)(a).	48(1)(a)(i) & (d)

TERMS OF REFERENCE FOR THE EXECUTIVE COMMITTEE

REPORTING TO:	Council
CONSTITUTION:	Cr Dawson (Chairperson) All other Elected Members
MEETING FREQUENCY:	As required.
QUORUM:	Chairperson and any three members.

OBJECTIVE:

1. To enable Council to carry out its statutory and contractual responsibilities as employer of the Chief Executive.
2. To implement Council policies and processes for the selection, appointment and remuneration of directors to Council Controlled Organisations and trustees to Council Organisations.
3. To maintain an on-going liaison with Boards of Directors of Council-Controlled Organisations in regard to Council's interest as a shareholder.
4. To undertake the role of Audit Committee.
5. To undertake the role of Risk Management Committee.
6. To determine matters within the authority of Council where the urgency of those matters precludes an Extraordinary Meeting of the full Council.

SCOPE OF ACTIVITY:

Employment of Chief Executive

1. All matters arising under Section 42 and Clauses 33, 34, 35 and 36 of Schedule 7 of the Local Government Act 2002.
2. All matters arising from Council's employment agreement with the Chief Executive, including but not limited to the conduct of performance reviews and remuneration reviews.

Appointment of Directors and Trustees

3. All matters pertaining to the selection, appointment and remuneration of directors to Council-controlled organisations and trustees to Council organisations, in accordance with Council's Policy on Appointment and Remuneration of Directors.

Audit and Risk

4. All matters pertaining to good practice for Audit and Risk, including consideration of the following matters.

(a) Internal Control Framework

- i. Review whether management's approach to maintaining an effective internal control framework is sound and effective.
- ii. Review whether management has taken steps to embed a culture that is committed to probity and ethical behaviour.
- iii. Review whether there are appropriate systems, processes and controls in place prevent, detect and effectively investigate fraud.

(b) Internal Reporting

- i. Consider the processes for ensuring the completeness and quality of financial and operational information being provided to the Council.
- ii. Seek advice periodically from internal and external auditors regarding the completeness and quality of financial and operational information that is provided to the Council.

(c) External Reporting and Accountability

- i. Agree the appropriateness of the Council's existing accounting policies and principles and any proposed change.
- ii. Enquire of internal and external auditors for any information that affects the quality and clarity of the Council's financial statements and statements of service performance, and assess whether appropriate action has been taken by management in response to the above.
- iii. Satisfy itself that the financial statements and statements of service performance are supported by appropriate management signoff on the statements and on the adequacy of the systems of internal control (i.e. letters

of representation), and recommend signing of the financial statements by the Chief Executive/Mayor and adoption of the Annual Report or Long Term Plan.

- iv. Confirm that processes are in place to ensure that financial information included in the entity's Annual Report and Long Term Plan is consistent with the signed financial statements.

(d) Risk Management

- i. Review whether management has in place a current and comprehensive risk management framework and associated procedures for effective identification and management of the Council's significant risks.
- ii. Review Council's annual insurance renewal and ensure the appropriateness of the level of self-insured risk.
- iii. Consider whether appropriate action is being taken by Management to mitigate Council's significant risks.

(e) Internal Audit

- i. Review and approve the internal audit coverage and annual work plans, ensuring these plans are based on the Council's risk profile.
- ii. Review the adequacy of management's implementation of internal audit recommendations.
- iii. Review the internal audit charter to ensure appropriate organisational structures, authority, access, independence, resourcing and reporting arrangements are in place.

(f) External Audit

- i. At the start of each audit, confirm the terms of the engagement, including the nature and scope of the audit, timetable and fees, with the external auditor.
- ii. Receive the external audit report(s) and review action to be taken by management on significant issues and audit recommendations raised within.
- iii. Conduct a members-only session (i.e. without any management present) with external audit to discuss any matters that the auditors wish to bring to the Committee's attention and/or any issues of independence.

- iv. Consider any recommendation by management that the Office of the Auditor-General replace the external auditor.

(g) Compliance with Legislation, Standards and Good Practice Guidelines

- i. Review the effectiveness of the system for monitoring the Council's compliance with laws (including governance legislation, regulations and associated government policies), with Council's own standards, and Good Practice Guidelines as applicable.

Emergency Powers

5. All matters within the authority of Council, other than those reserved to Council under s.48 and Sch. 7 of the Local Government Act 2002.

POWER TO ACT:

Employment of Chief Executive

- (a) To decide all matters arising under s.42 and Cl. 33, 34, 35 and 36 of Sch. 7 of the Local Government Act 2002 and all matters arising from Council's employment agreement with the Chief Executive, except for:
 - (i) The appointment of a Chief Executive; and
 - (ii) The re-appointment of a Chief Executive for a second term under Cl. 34 Sch. 7 of the Local Government Act 2002; and
 - (iii) The termination of employment of the Chief Executive.
- (b) In undertaking performance reviews, whilst the process for undertaking the review is at the Committees discretion; the Committee must:
 - (i) Seek the views of all Councillors, prior to assessing the Chief Executives performance review.
 - (ii) Seek the advice of an independent employment advisor, at least annually, on good practice, in undertaking a review.
- (c) In undertaking a remuneration review the Committee must seek the advice of an independent employment advisor, on good practice, in undertaking a review.

Appointment of Directors and Trustees

- (d) All matters pertaining to the selection, appointment and remuneration of directors to Council Controlled Organisations and trustees to Council Organisations, except for the appointments of directors and trustees.
- (e) All matters are to be in accordance with Council adopted policy on Appointment and Remuneration of Directors.

Emergency Powers

- (f) To decide all matters within the authority of Council where urgency precludes convening an Extraordinary meeting of the full Council, except for those matters reserved to Council under s.48 and Sch. 7 of the Local Government Act 2002.

Other

- (g) Approve Executive Committee meeting minutes.
- (h) Appoint sub committees with written terms of reference, resolved by the Committee.

POWER TO RECOMMEND

Employment of Chief Executive

- (a) The appointment of the Chief Executive;
- (b) The re-appointment of a Chief Executive for a second term under Cl. 34 Sch. 7 of the Local Government Act 2002.
- (c) The termination of employment of the Chief Executive.

Appointment of Directors and Trustees

- (d) Appointees for directors to Council Controlled organisations and trustees to Council organisations that meet the requirements of s.57 of the Local Government Act 2002.

Council Controlled Organisations

- (e) Any matters pertaining to Council's interest as a shareholder in Council Controlled Organisations, including:
 - i. Consideration of Statements of Intent

- ii. Review of six monthly and annual performance against the statements of intent.
- iii. Consideration of major transactions.
- iv. Consideration of major transactions, acquisitions and disposals.

Adopted by Council on 28 November 2013
Amended and Readopted by Council on 27 February 2014
Amended and Readopted by Council on 26 March 2015



Executive Committee Minutes

MINUTES OF A MEETING OF THE EXECUTIVE COMMITTEE OF THE WESTLAND DISTRICT COUNCIL, HELD IN THE COUNCIL CHAMBERS, 36 WELD STREET, HOKITIKA ON TUESDAY 16 FEBRUARY 2016 COMMENCING AT 9.02 AM

1. MEMBERS PRESENT, APOLOGIES AND INTEREST REGISTER

His Worship the Mayor, M.T. Havill

Cr. M.S. Dawson (**Chairperson**)

Deputy Mayor P.M. Cox

Cr M.D. Montagu, Cr A.P. Thompson, Cr C.A. van Beek

1.1 Apologies

Cr J.H. Butzbach

Cr D.G. Hope

Cr L.J. Martin

Moved Cr M.S Dawson, seconded Deputy Mayor Cox and **Resolved** that the apologies from Cr Butzbach, Cr D.G. Hope and Cr Martin be received and accepted.

Staff in Attendance

G. Borg, Group Manager: Corporate Services; R Reid, Business Support Officer;

1.2 Interest Register

The Interest Register was circulated and no amendments were noted.

2. CONFIRMATION OF MINUTES

2.1 Confirmation of Minutes of Executive Committee Meeting

2.1.1 Minutes of the Executive Committee Meeting – 09 September 2015

Moved Deputy Mayor Cox, seconded Cr Dawson and **Resolved** that the Minutes of the Executive Committee Meeting held on the 09 September 2015 be received as a true and correct record of the meeting, subject to the following amendments:

Item 1.1 – Apologies

“Moved His Worship the Mayor, seconded Deputy Mayor Cox and **Resolved** that the apologies from Cr C.A. van Beek and Cr D.G. Hope be received and accepted.

3. PUBLIC FORUM

The following members of the public attended the Public Forum Section of the meeting:

Vaughan Bradley attended the Public Forum Section of the meeting to give a presentation on the Renton Building, with Kay Lyes in support.

Mr Bradley asked Westland District Council to support a proposal that aims to delay demolition of the building. Discussions were held, regarding this proposal.

4. BUSINESS:

4.1 Audit Management Report 30 June 2015

The Group Manager: Corporate Services spoke to this report and noted that Council will absorb the recommendations made in the report into the development of its internal control framework.

Cr van Beek thanked the Group Manager: Corporate Services for the time and effort that has been put into the report.

Cr Dawson also congratulated the Group Manager: Corporate Services and his team on their efforts with regards to this report but noted that Council expected the next report be finalised within the scheduled time frame.

The following items were discussed:

- Financial sustainability
- Rates Review
- Assets Missed and Found
- Level of Transparency
- Building Insurance
- Independent Review
- Risk Management
- Financial Stability of Council

Moved Cr Montagu, seconded Cr van Beek and **Resolved** that the 'Audit Management Report 30 June 2015' be received.

4.2 Executive Committee Work Plan

The Group Manager; Corporate Services spoke to this item.

The Group Manager: Corporate Services suggested that the next Executive Committee Meeting be scheduled for March, and suggested that there would be a requirement for three to five meetings this calendar year.

5. MATTERS TO BE CONSIDERED IN THE 'PUBLIC EXCLUDED SECTION'

Moved Deputy Mayor Cox, seconded Mayor Havill and **Resolved** that Council exclude the public in accordance with Section 48, Local Government Official Information and Meetings Act 1987 at 5.22 pm.

Council is required to move that the public be excluded from the following parts of the proceedings of this meeting, namely:

5.1 Confidential Minutes

The general subject of the matters to be considered while the public are excluded, the reason for passing this resolution in relation to each matter and the specific grounds under Section 48(1)(a) and (d) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

Item No.	Minutes/ Report of	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
1.	Minutes	Confidential Minutes – 11 August 2015	Good reasons to withhold exists under Section 7.	48(1)(a)(i) & (d)

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public are as follows:

No.	Item	Section
5.1	Protection of privacy of natural persons/organisations.	Section 7(2)(a)

Moved Cr Thompson, seconded Mayor Havill and **Resolved** that the business conducted in the "Public Excluded Section" be confirmed and the public be readmitted at 9:51am.

MEETING CLOSED AT 9:51 AM

Confirmed by:

Cr Mark Dawson
Chair

Date

Report



DATE: 16 March 2016
TO: Executive Committee
FROM: Group Manager: Corporate Services

WESTLAND HOLDINGS LIMITED: HALF YEAR REPORT TO 31 DECEMBER 2015

1 SUMMARY

- 1.1 The purpose of this report is to present the Westland Holdings Ltd (WHL) half year report to 31 December 2015.
- 1.2 Council seeks to meet its obligations under the Local Government Act 2002 and the achievement of the District Vision adopted by the Council in September 2014, which will be set out in the next Long Term Plan 2015-25. These are stated on Page 2 of this agenda.
- 1.3 The review of this report is specified in the Committee's Terms of Reference, under Power to Recommend, section e(ii).
- 1.4 This report concludes by recommending that the Committee receives the Westland Holdings Ltd (WHL) half year report to 31 December 2015, attached as **Appendix 1**.

2 BACKGROUND

- 2.1 Section 66 of the Local Government Act 2002 requires that:
 - 2.1.1 Within 2 months after the end of the first half of each financial year, the board of a council-controlled organisation must deliver to the shareholders a report on the organisation's operations during that half year.
 - 2.1.2 The report must include the information required to be included by its statement of intent.
- 2.2 These requirements are also reflected in section 13.3 of the company's constitution.

3 CURRENT SITUATION

- 3.1 The half year report to 31 December 2015 was received within the statutory timeframe.
- 3.2 WHLs statement of intent (SI) for the three years commencing 1 July 2015 contains the following objectives and targets with regards to reporting:
 - 3.2.1 'To ensure that there is regular and informative reporting of the financial and non-financial performance and risk exposures of WHL and the subsidiary companies.'
 - 3.2.2 'Reports will include financial and non-financial performance.'
- 3.3 The half year report to 31 December 2015 essentially contains financial statements only.
- 3.4 In the past twelve months Council has received presentations from Westroads Limited (WRL) and Westland District Property Limited.
- 3.5 Council was represented at the WRL AGM in November 2015 and the WHL AGM in February 2016.
- 3.6 The SI prescribes that the ratio of shareholders' funds to total assets shall not be less than 50%. As at 31 December 2015 the ratio exceeds 70%.

4 RECOMMENDATION

- A) **THAT** the Committee receives the Westland Holdings Ltd half year report to 31 December 2015, attached as **Appendix 1**.
- B) **THAT** the Committee makes recommendations to the Chair of WHL as to the content of future reports.

Gary Borg
Group Manager: Corporate Services

Appendix 1: Westland Holdings Ltd half year report to 31 December 2015



WESTLAND HOLDINGS LTD (GROUP)

HALF YEARLY REPORT

For The 6 Months Ended 31 December 2015

Westland Holdings Ltd (Group)

DIRECTORS REPORT

The Directors of Westland Holdings Ltd (Group) hereby present the unaudited Half Yearly Report for the six months ended 31 December 2015.

Principal Activities

The Company is a holding company for the various commercial interests of the Westland District Council. It currently has 3 operating subsidiaries which it owns 100% of, namely

- Westroads Ltd
- Hokitika Airport Ltd &
- Westland District Property Ltd

Review of Operations

	Group Dec 15 \$000	Group Dec 14 \$000
Result for the period ended 31 December 2015		
Net Profit/(Loss before Taxation)	581	475
Income Taxation	<u>163</u>	<u>132</u>
Net Profit (Loss) after Taxation and total comprehensive income	<u>418</u>	<u>343</u>

Dividend

No dividend has been declared for the period ended 31 December 2015 at this stage.

For and on behalf of the Board

G P King
Chairman
29 February 2016

WESTLAND HOLDINGS LTD (GROUP)
STATEMENT OF COMPREHENSIVE INCOME
For the period 1 July 2015 to 31 December 2015

	Group 2015 \$000	Group 2014 \$000
Revenue	12,904	7,415
Cost of Sales	9,020	4,879
Gross Profit	3,884	2,536
Other Income	364	65
Administrative Expenses	3,479	2,017
Results from operations	769	584
Interest Received	5	5
Interest Paid	193	114
Net finance costs	188	109
Profit before Income Tax	581	475
Income tax expense	163	132
Profit for the period	418	343
Other Comprehensive Income	-	-
Total Comprehensive Income	418	343

WESTLAND HOLDINGS LTD (GROUP)
STATEMENT OF FINANCIAL POSITION
as at 31 December 2015

	Note	Group 31 Dec'15 \$000	Group 31 Dec'14 \$000
EQUITY			
Share capital		8,695	8,695
Asset Revaluation Reserve		831	831
Retained Earnings Brought Forward		2,824	2,295
Current Period Net Profit/(Loss) after Tax		418	343
		12,768	12,164
represented by:			
CURRENT ASSETS			
Bank current account		346	471
Receivables		2,919	2,439
Prepayments		98	78
Tax Refundable		4	82
Inventory		392	484
Work in Progress		483	127
		4,242	3,681
CURRENT LIABILITIES			
Bank Overdraft		71	350
Bank Flexible Facility		1,150	750
Accounts payable and accruals		1,435	1,336
Current Portion Term Loans		86	815
Income in Advance		125	177
Subvention Payment Payable		136	253
Tax Payable		42	187
Employee entitlements		1,054	865
		4,099	4,733
WORKING CAPITAL		143	(1,052)
NON-CURRENT ASSETS			
Property, Plant & Equipment	1	16,190	14,763
Investment Property		798	893
Term Inventory		390	886
Intangible Assets		572	572
Deferred tax benefit		12	-
		17,962	17,114
NON-CURRENT LIABILITIES			
Deferred Tax Liability		300	274
Term Loan		5,037	3,624
		5,337	3,898
		12,768	12,164

WESTLAND HOLDINGS LTD (GROUP)
STATEMENT OF CASHFLOWS
For the period 1 July 2015 to 31 December 2015

	Note	Group 2015 \$000	Group 2014 \$000
<u>Cash Flows from Operating Activities</u>			
<i>Cash was provided from:</i>			
Receipts from customers and other sources		13,293	6,792
Sale of Development Land		375	-
Income Tax Refunded		2	-
Interest received		5	5
Total Cash Inflows from Operating Activities		13,675	6,797
<i>Cash was disbursed to:</i>			
Payments to employees and suppliers		12,023	6,072
Income taxes paid		158	138
Purchase & Development Land Costs		1	34
Purchase of Term Inventory		-	1
Interest paid		193	111
Total Cash Outflows from Operating Activities		12,375	6,356
Net Cash Inflow from Operating Activities	2	1,300	441
<u>Cashflows from Financing Activities</u>			
<i>Cash was provided from:</i>			
Proceeds of Bank Advances		1,731	2,400
Total Cash Inflows from Financing Activities		1,731	2,400
<i>Cash was applied to:</i>			
Repayment of Loans		499	252
Total Cash Outflows from Financing Activities		499	252
Net Cash Inflow/(Outflow) from Financing Activities		1,232	2,148
<u>Cashflows to Investing Activities</u>			
<i>Cash was provided from:</i>			
Proceeds from sale of property, plant and equipment		446	236
Total Cash Inflows from Investing Activities		446	236
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment		2,393	2,972
Purchase of goodwill		0	150
Total Cash Outflows from Investing Activities		2,393	3,122
Net Cash Outflow from Investing Activities		(1,947)	(2,886)
Net Decrease in Cash Held		585	(297)
Cash & cash equivalents at 1 July		(310)	418
Cash & cash equivalents at 31 December		275	121
<i>Made up of:</i>			
Cash		346	471
Bank Overdraft		(71)	(350)
		275	121

Westland Holdings Ltd (Group)

STATEMENT OF ACCOUNTING POLICIES FOR THE 6 MONTHS ENDED 31 DECEMBER 2015.

REPORTING ENTITY

Westland Holdings Limited is registered under the Companies Act 1993. Westland Holdings Limited is wholly owned by the Westland District Council.

The company is a Council Controlled Trading Organisation as defined in Section 6(1) of the Local Government Act 2002.

The financial statements of Westland Holdings Limited have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 2013, and the Local Government Act 2002.

The Group consists of Westland Holdings Limited, Hokitika Airport Limited, Westland District Property Limited and Westroads Limited. All group companies are incorporated in New Zealand.

MEASUREMENT BASE

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on a historical basis are followed by the Group, with the exception of certain items for which specific accounting policies are identified.

ACCOUNTING POLICIES

Accounting Policies are consistent with those published in annual Financial Statements except the treatment of the provision of employee entitlements which are not split between current and non-current and is reported as current liability only and that investment properties have not been revalued during this period. Interim Financial Statements are prepared in accordance with Financial Reporting Standard no. 24

CHANGES IN ACCOUNTING POLICIES

Other than mentioned above, there have been no changes in accounting policies. All policies have been applied consistently during the period

Westland Holdings Ltd (Group)

NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 31 DECEMBER 2015

1. PROPERTY, PLANT & EQUIPMENT

	Group Dec 15 \$000	Group Dec 14 \$000
Land & Buildings	5,160	4,849
Less accumulated depreciation	<u>512</u> 4,649	<u>406</u> 4,443
Plant, Equipment & Motor Vehicles	17,886	15,319
Less accumulated depreciation	<u>8,449</u> 9,437	<u>7,232</u> 8,087
Office Furniture and Equipment	410	364
Less accumulated depreciation	<u>350</u> 60	<u>321</u> 43
Airport Runway Infrastructure	2,422	2,400
Less accumulated depreciation	<u>403</u> 2,019	<u>358</u> 2,042
Asset under Construction	25	148
Total Fixed Assets	<u>16,190</u>	<u>14,763</u>

Westland Holdings Ltd (Group)

2. RECONCILIATION OF NET PROFIT AFTER TAXATION WITH CASH INFLOW FROM OPERATING ACTIVITIES

	Group Dec 15 \$000	Group Dec 14 \$000
Reported surplus after taxation	418	343
<i>Add(less) non cash items:</i>		
Depreciation	872	742
Loss (Gain) on Disposal	<u>43</u>	<u>(39)</u>
	1,333	1,046
<i>Add (Less) items classified as Investment Activities:</i>		
Capital Creditors	<u>23</u>	<u>(91)</u>
	23	(91)
<i>Movement in working capital:</i>		
Movement in tax	(12)	12
Increase (decrease) in Accounts Payable & Employee Provisions & Income in advance	(332)	292
(Increase) decrease in Receivables, Prepayments & Work in Progress	314	(746)
(Increase) decrease in term inventory	(1)	-
(Increase) decrease in inventory	<u>(25)</u>	<u>(72)</u>
	(56)	(514)
Net cash inflow from operating activities	<u>1,300</u>	<u>441</u>

Report

DATE: 16 March 2016

TO: Executive Committee

FROM: Group Manager: Corporate Services

WESTLAND HOLDINGS LIMITED: DRAFT STATEMENT OF INTENT 1 JULY 2016

1 SUMMARY

- 1.1 The purpose of this report is to present the Westland Holdings Ltd (WHL) draft Statement of Intent (SI) for the 3 years commencing 1 July 2016.
- 1.2 Council seeks to meet its obligations under the Local Government Act 2002 and the achievement of the District Vision adopted by the Council in September 2014, which will be set out in the next Long Term Plan 2015-25. These are stated on Page 2 of this agenda.
- 1.3 The review of this report is specified in the Committee's Terms of Reference, under Power to Recommend, section e(i).
- 1.4 This report concludes by recommending that the Committee receives the Westland Holdings Ltd draft Statement of Intent for the 3 years commencing 1 July 2016, attached as **Appendix 1**.

2 BACKGROUND

- 2.1 The statutory provisions concerning a SI are contained in Schedule 8 of the Local Government Act 2002.
- 2.2 Sch. 8(1) outlines the purpose of the SI, being to:
 - 2.2.1 state publicly the activities and intentions of a council-controlled organisation for the year and the objectives to which those activities will contribute; and
 - 2.2.2 provide an opportunity for shareholders to influence the direction of the organisation; and
 - 2.2.3 provide a basis for the accountability of the directors to their shareholders for the performance of the organisation

- 2.3 Sch. 8(2) requires that the board of a council-controlled organisation must deliver to its shareholders a draft statement of intent on or before 1 March each year.

3 CURRENT SITUATION

- 3.1 The WHL draft SI for the 3 years commencing 1 July 2016 was received within the statutory timeframe.
- 3.2 The content of the draft SI meets the requirements of the Act.
- 3.3 This review provides the Committee, on behalf of Council as shareholder, the opportunity to agree a performance monitoring framework and continue to develop its relationship with its CCOs.

4 RECOMMENDATION

- A) **THAT** the Committee receives the Westland Holdings Ltd draft Statement of Intent for the 3 years commencing 1 July 2016, attached as **Appendix 1**.
- B) **THAT** the Committee makes recommendations to the Chair of WHL regarding matters for the Board to consider for the final SI.

Gary Borg
Group Manager: Corporate Services

Appendix 1: Westland Holdings Ltd Draft Statement of Intent for the 3 years commencing 1 July 2016.



Westland HOLDINGS

WESTLAND HOLDINGS LIMITED

**HOKITIKA AIRPORT LIMITED
WESTROADS LIMITED
WESTLAND DISTRICT PROPERTY LIMITED**

STATEMENT OF INTENT FOR THE THREE YEARS COMMENCING 1 JULY 2016

1. INTRODUCTION
2. COMPANY MISSION
3. THE OBJECTIVES OF THE COMPANY
4. GOVERNANCE APPROACH
5. NATURE AND SCOPE OF ACTIVITIES
6. SHAREHOLDING
7. ACCOUNTING POLICIES
8. PERFORMANCE TARGETS
9. DISTRIBUTION
10. REPORTING TO SHAREHOLDERS
11. ACQUISITION PROCEDURES
12. COMPENSATION
13. ESTIMATED VALUE OF INVESTMENT
14. OTHER MATTERS

WESTLAND HOLDINGS LIMITED

1. INTRODUCTION

This Statement of Intent (“SI”) is prepared in accordance with Section 64 and Schedule 8 of the Local Government Act 2002.

The SI specifies for Westland Holdings Limited (“WHL”) and its subsidiaries the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the group may be judged in relation to its objectives, amongst other requirements.

The process of negotiation and determination of an acceptable SI is a public and legally required expression of the accountability relationship between the company and its sole shareholder, the Westland District Council (“WDC”). The SI is reviewed annually with the WDC and covers a three year period commencing 1 July 2016.

WHL achieves the following Community Outcome to support Westland District Council’s Long Term Plan 2015-25:

ECONOMY: A thriving, resilient and innovative economy creating opportunities for growth and employment.

2. COMPANY MISSION

Investing in, and promoting the establishment of, key infrastructure assets in a commercially viable manner to assist the development of Westland. WHL supports the Westland District Council vision to:

‘.....facilitate the development of communities within its district through delivery of sound infrastructure, policy and regulation.

This will be achieved by:

- Involving the community and stakeholders.
- Delivering core services that meet community expectations and demonstrate value and quality.
- Proudly promoting, protecting and leveraging our historic, environmental, cultural and natural resource base to enhance lifestyle and opportunity for future generations.

Westland Holdings Ltd. Contributes to Westland’s vision by:

- Expanding development opportunities and supporting our subsidiaries.

3 THE OBJECTIVES OF THE COMPANY LGA Schedule 8, 9 (1) (a)

In addition to the requirements of section 59 of the Local Government Act 2002, the principal objectives of WHL are:

- I. To monitor the performance of each subsidiary company.
- II. To ensure that each subsidiary company has in place active and effective health and safety policies and procedures which provide a safe operating environment for all employees, contractors and affected parties.
- III. To ensure that each subsidiary company operates economically and efficiently, and in accordance with an agreed SI, and to optimize the returns from, and the value of, the subsidiary companies within the parameters set by WDC.
- IV. To ensure, insofar as it is lawfully able and commercially practicable, that the SI of each of the subsidiary companies reflect the policies and objectives of WDC.
- V. To keep WDC informed of matters of substance affecting WHL and the subsidiary companies and, insofar as it is practical and reasonable in the opinion of the directors, provide the opportunity for comment on such matters prior to taking any action.
- VI. To ensure that there is regular and informative reporting of the financial and non-financial performance and risk exposures of WHL and the subsidiary companies.
- VII. To report to WDC on CCO establishment opportunities, and other investment opportunities that have the potential to enhance the economic well-being of the region, and provide an adequate return.
- VIII. To maintain and improve good governance by regularly and constructively appraising the performance of the subsidiary company directorates, maintaining an appropriate monitoring framework and informing WDC prior to the appointment of new directors.
- IX. To support Westland District Council to review or create policies relevant to the Company.

4. GOVERNANCE APPROACH. LGA Schedule 8, 9 (1) (b)

WHL seeks to govern the group in a way that will ensure it:

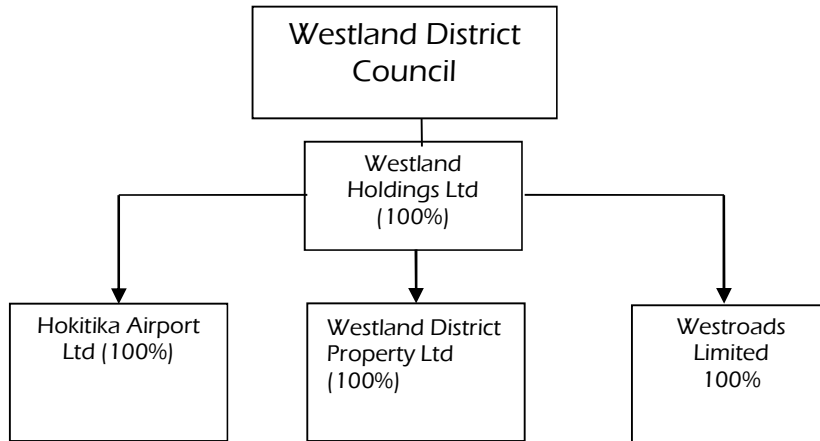
- achieves the objectives of its shareholders, both commercial and non-commercial, and as detailed specifically in (3) above ; and
- is a good employer in accordance with S:36(2) of schedule 7 of the Local Government Act 2002 and
- exhibits a sense of social responsibility by having regard to the interests of the community in which it operates.
- exhibits a sense of environmental responsibility.

The current Directors of WDHL are:

- Graeme King (Chair)
- Quentin Hix
- Gabrielle Wall
- Kaye McNabb
- Simon Bastion

5. NATURE AND SCOPE OF ACTIVITIES **LGA Schedule 8, 9 (1) (c)**

WHL is a wholly-owned council-controlled organization (“CCO”) of WDC, which was formed on 24 July 2002. WHL is the controlling entity that provides objective governance of the operating subsidiaries on behalf of WDC. The group structure is as follows:



6. SHAREHOLDING **LGA Schedule 8, 9 (1) (d)**

- A shareholding investment in Hokitika Airport Limited (“HAL”) of \$2,718,000 representing 100% of HAL’s share capital.
- A shareholding investment in Westroads Limited (“WL”) of \$3,350,000 representing 100% of WL’s share capital.
- A shareholding investment in Westland District Property Limited (“WDPL”) of \$2,627,000 representing 100% of WDPL’s share capital.

a) Ratio of Shareholders’ funds to total assets.

Shareholders’ funds are defined as the sum of the amount of share capital on issue, retained earnings/accumulated losses, revenue and capital reserves. Total assets are defined as the sum of the net book value of current assets, investments, fixed assets, and intangible assets as disclosed in the company’s Statement of Financial Position, prepared in accordance with the accounting policies adopted by the Directors.

The target ratio of shareholders’ funds to total assets shall not be less than 50% for the period covered by this SI. The appropriateness of this target ratio will be reviewed annually by the Directors.

7. ACCOUNTING POLICIES LGA Schedule 8, 9 (1) (e)

The financial statements of WHL are prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with the New Zealand International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate.

The group changed its accounting policies on 1 July 2006 to comply with NZ IFRS.

The Reporting Entity for Accounting and Reporting purposes is Westland Holdings Ltd. The company has a balance date of 30th June.

Specific accounting policies are fully described in the Half Year and Annual Reports.

8. PERFORMANCE TARGETS OF WESTLAND HOLDINGS LIMITED FOR THE THREE YEARS COMMENCING 1 JULY 2016 LGA Schedule 8, 9 (1) (f)

The following performance targets have been set for the 2016/17 financial year, and the two years following:

RELATIONSHIP WITH WDC, AND OTHER GOVERNANCE ISSUES:

Objective	Performance Target
1 To ensure that the financial targets and strategic direction of WHL are in line with the requirements of WDC.	<p>A draft SI for WHL will be submitted for approval to WDC by 1 March each year.</p> <p>A completed SI will be submitted to WDC by 30 June each year.</p>
2 To ensure that WDC is kept informed of all significant matters relating to its subsidiaries on a “no surprises” basis.	<p>At least two progress reports be made to WDC in the financial year (in addition to reporting on specific issues), with at least one presentation made to Councillors. Reports will include financial and non-financial performance.</p> <p>Major matters of urgency are reported to the appropriate Council Committee or the CE of WDC within three days.</p>
3 To ensure that WHL directors add value to the company and that their conduct is according to generally accepted standards.	<p>The Chair will initiate an independent formal evaluation of the WHL directorate every two years, the first was undertaken in the 2013/14 year.</p> <p>The Company will review the training needs of individual WHL directors, and ensure training is provided where required.</p>
4 WHL’s process for the selection and appointment of directors to the boards of subsidiaries is rigorous and impartial.	<p>The process followed for each appointment to a subsidiary board is transparent, fully documented and reported to WDC.</p>

FINANCIAL

Objective

- 5 To ensure that WHL returns a dividend to WDC in accordance with WDC's budgets, and meets other financial targets.
- 6 To ensure that the subsidiary companies return a minimum acceptable dividend as per the SI of the subsidiary companies.

Performance Target

WHL negotiates with WDC to pay an achievable distribution for the 2016/17 financial year prior to finalising WDC's budget.

WHL meets its budgeted level of distribution income of \$498,000 for the 2016/17 financial year.

SPECIFIC SUBSIDIARY MANAGEMENT AND SUPERVISORY FUNCTIONS:

Objective

Performance Target

- | | | |
|----|--|---|
| 7 | To ensure that WHL's procedure for appointment to subsidiary directorates are open and in accordance with written policy. | That the adopted Directors Policy be followed for any director appointments made. |
| 8 | To ensure that the draft subsidiary company SI's are received on a timely basis for review and comment. | Draft SI's are to be received by 14 February from the subsidiary companies. |
| 9 | To ensure that the final subsidiary company SI's are appropriate, measurable, attainable and timely. | Comment on the draft SI's within the statutory timeframe of 30 April each year. |
| 10 | To ensure that the final subsidiary company SI's are commercially focused documents, while also being compatible with the strategic aims of WDC to prudently manage these long term community investments. | WHL will direct the subsidiary companies to produce commercially focused draft SI's that are cognizant of their responsibilities to the social and environmental needs of the communities of Westland.

WHL will assess the alignment of the SI's with any specifically notified WDC strategic directive. |
| 11 | To ensure that the subsidiary company reporting is relevant and timely. | Subsidiary company SI's to incorporate specific reporting requirements in accordance with legislation and accepted practice.

All activity reports and formal reporting will be done through the Chairman of WHL and the CE of WDC. |

RISK MANAGEMENT PROCESSES:

Objective

Performance Target

12 To ensure that there are adequate processes for the identification, assessment and management of the risk exposures of the subsidiary companies.

Subsidiary company SIs to incorporate specific statements regarding the processes for the management of risk exposures, including reputational risk.

To ensure that subsidiary companies do not make decisions that could have significant implications for future Council funding.

Long term investment assessment is carried out for any new projects. These must be assessed and approved by Council prior to initiating significant projects.

Activities that are to be undertaken by WHL are:

- Negotiation of the individual annual SIs for the CCOs that it owns (the subsidiary companies).
- Negotiation of the annual SI between WDC as shareholder and WHL.
- Monitoring the performance of the subsidiary companies that WHL owns.
- Advice to WDC regarding potential CCO establishment opportunities.
- Maintaining a Register of Potential Directors including public advertising.
- Appointment and monitoring of the directors of the subsidiary companies.
- Hosting an annual shareholders' meeting.

The undertaking of any activity not provided for under this SI requires the prior approval of WDC, specifically:

- No subsidiary companies are to be formed by WHL without the prior approval of WDC.
- No shares are to be acquired by WHL or the subsidiaries without the prior approval of WDC.
- No shares held by WHL or the subsidiaries are to be sold or otherwise disposed of without the prior approval of WDC.

Over time, WDC may form other CCOs within the WHL structure. WHL is an obvious vehicle for holding the shares in these enterprises; however it remains WDC's intention that the directors' approach to the holding of other shares will be determined on a case-by-case basis. With the position that the directorate holds, within the overall WDC group, it is anticipated that WHL will assist WDC in the identification and assessment of future opportunities.

9. DISTRIBUTION POLICY **LGA Schedule 8, 9 (1) (g)**

Profit retention and dividend policy will be determined from year to year by the Directors in accordance with operational results, financial prospects, and the circumstances prevailing, with the objectives of ensuring that:

- The amount of the distribution does not limit WHL's ability to fund future capital expenditure requirements to both maintain and expand current operations and address issues relating to the company's debt structure; and with the provisos that:
 - i. The Directors are satisfied that the requirements of section 4 of the Companies Act (the "solvency test") have been satisfied,
 - ii. The amount of the distribution does not exceed the amount of the net profit after tax, plus cash held in reserves, in the year to which the distribution relates, and
 - iii. Total liabilities do not exceed 50% of the total assets.

WHL will endeavor to make distributions of \$498,000 in the 2016/17 year.

10. REPORTING TO SHAREHOLDERS. **LGA Schedule 8, 9 (1) (h)**

WHL will provide the following information in order to enable the shareholders to make an informed assessment of the Company's performance.

- a) An annual SI in accordance with Schedule 8 of the Local Government Act 2002 Draft delivered by 1st March, Shareholders comments returned by 1st May, completed Statement of Intent after consideration of Shareholders comments delivered by 30 June and made available to public one month following delivery to shareholders.
- b) A half-yearly financial report in accordance with Section 66, 67 and 71 of the Local Government Act 2002 and the reporting requirements prescribed from time to time by the Companies Act 1993, the Institute of Chartered Accountants of New Zealand, and any other information that the Directors deem appropriate. Delivered to shareholders no later than 28th February
- c) An annual report in accordance with Section 67 and 71 of the Local Government Act 2002 and the GAAP reporting requirements prescribed from time to time by the Institute of Chartered Accountant of New Zealand, and any other information that the Directors deem appropriate. To be delivered to shareholders by 30th September and no later than 20 days prior to the company's AGM
- d) An annual Shareholders meeting to be held by 31st December each year with not less than 10 days' notice to shareholders.

11 ACQUISITION PROCEDURES LGA Schedule 8, 9 (1) (i)

If the Directors believe they should invest in or otherwise acquire any interest in any other organisation they shall obtain the prior approval of the shareholders by special resolution unless the total cost is less than \$5,000.00. In this case prior approval is not required but shareholders will be advised within 10 working days.

12 COMPENSATION. LGA Schedule 8, 9 (1) (j)

Currently there are no activities for which compensation will be sought from WDC

13 ESTIMATE OF THE COMMERCIAL VALUE OF THE COMPANY LGA Schedule 8, 9 (1) (k)

The value of WHL has been defined as the estimated value of shareholders' funds as at 30 June 2016

This value is estimated to be \$12,800.000

The value ascribed to shareholders' funds will be that stated in the annual Statement of Financial Position of the company as at the end of the financial year preceding each SI.

14 OTHER MATTERS LGA Schedule 8, 9 (1) (l)

WHL's directors are appointed by the shareholders to govern and direct WHL's activities. The shareholders expect this responsibility to include such areas of stewardship as:

- Commercial performance
- Non-commercial performance
- Business plans and budgets
- Corporate policies
- Financial and distribution policies
- Management oversight and development
- Delegations or authority
- Identification and management of business risks
- Identification and management of business opportunities
- Internal control systems
- Integrity of management information systems
- Relationships with stakeholders and external parties
- Compliance with relevant law
- Reports to shareholders

EXECUTIVE COMMITTEE ROLLING WORK PLAN

Item	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17
External Audit	Audit Management Report 2014/15 Meet Audit Director				Interim Audit 2015/16			Interim Audit Management Report 2015/16 Audit Annual Report 2015/16	Audit Annual Report 2015/16		Audit Management Report 2015/16 Meet Audit Director	
Financial Reporting		Review Council Monthly Reporting Pack			Review Annual Plan 2016/17				Review Annual Report 2015/16			
CE Performance Review		6-Month PR						Annual PR				
CCO's	WHL AGM 2014/15	Half Year Reports 2015/16 Draft Statements of Intent 2016/17	Codes of Conduct Constitutions		Final Statements of Intent 2016/17			Full Year Reports 2015/16		WHL AGM 2015/16		
Insurance			Valuation Information LAPP decision		Renewal							
Risk Management Framework	Risk Management Workshop – Reporting and Decision Making		Review Risk Management Policies & Procedures Update on Health & Safety Legislation		Review Risk Register					Review Risk Register		
Internal Control Framework	Review Current Policies and set Action Plan		Update		Update – Internal Audit			Update			Update	