Innovative Waste Kaikoura Ltd
Statement of Intent
For the year ended 30 June 2021

Contents

1. Introduction

This Statement of Intent (SOI) is prepared in accordance with Section 64(1) of the Local Government Act 2002 (LGA).

The SOI specifies for Innovative Waste Limited (IWK), 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 company may be judged in relation to its objectives, amongst other requirements.

The process of negotiation and determination of an acceptable SOI is a public and legally required expression of the accountability relationship between the company and its Shareholder, & its ultimate owner, being the Kaikoura District Council (KDC).

IWK is contracted to manage and operate the Kaikoura Resource Recovery Centre and 3 Waters operations and maintenance activities. This includes the:

1. The Materials Recovery Facility or MRF which processes, Glass, Plastics, and Metals and sells the output product commercially to external parties from recyclable materials collected from the wider Kaikoura District.

2. The Recycling and Refuse Drop off area is open to the public along with commercial customers for the disposal of most household waste and commercial general waste and domestic recycling.

3. The Landfill which is an open facility.

4. The retail store which sells all types of previously-owned goods are collected from members of the public, carefully sorted, priced and then sold to the Kaikoura public.

5. Operating and maintaining 6 Water schemes (Oaro, Ocean Ridge, Peketa, Urban, Suburban, Kincaid)

6. Operating and maintaining the Waste Water Treatment Plant and the Wastewater Reticulation network

7. Undertaking maintenance activities on the stormwater network

IWK also provides the following services to KDC under contracts:

1. Kerbside Collection of recycling
2. Rural recycling collection
3. Amenities cleaning and maintenance

IWK provides the following services to the wider Kaikoura District:

1. Skip Hire service
2. Business recycling services
3. Zero Waste Event project management
4. Trees for Travellers

The SOI is reviewed annually with KDC and covers a three-year period. Innovative Waste Kaikoura Ltd is a Council-Controlled Trading Organisation (CCTO) for purposes of the Local Government Act 2002.

2. Contact Details

Address and Registered office

82 Scarborough Street
KAIKOURA 7300

Board of Directors

Neil Pablecheque (Chair)
Geoff Harmon
Glen Hughes
Lynette Buurman

General Manager

Jacki Remihana

Telephone

03 319 7148

Web

www.iwk.org.nz

Email

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3. Objectives

The objectives of IWK are:

- **Deliver excellent services**
    - Develop and agree levels of service with KDC
    - Regularly survey and report stakeholder satisfaction levels
    - Constantly seek areas for improved service delivery
- **Educate the community**
    - Promote and encourage waste minimization
    - Establish partnerships with schools
    - Establish partnerships with community groups for upcycling/recycling
- **Be a good employer**
    - Pay the living wage
    - Provide training and development opportunities
    - Provide local apprenticeships/cadetships
- **Be innovative**
    - Partnership based contracts with KDC
    - Seek innovative ways to enhance services
- **Consider expansion and diversification within the district**
    - Assess alternative opportunities that are sympathetic with current operations and beneficial to KDC.

4. Nature and Scope of Activities

IWK is a Council-Controlled Trading Organisation (CCTO) for the purposes of the Local Government Act 2002 and the Companies Act 1993.

IWK's current area of operation is in the upper South Island.

IWKs function is the provision of solid waste management services, resource recovery, 3 water operations and maintenance, amenity servicing and environmental enhancement services.

5. Governance

IWK currently has a Board of directors in place. This board is appointed by the Kaikoura Enhancement Trust under the direction of KDC

IWK's Board of Directors are responsible for the corporate governance of the company. The Board and management are committed to ensuring the company operates to the recognised principles of best practice governance and adheres to high ethical standards.

This Statement presents an overview of the main corporate governance policies of the company.

Role and Responsibility of the Board of Directors

IWK's Board of Directors is appointed by the shareholder, the Kaikoura Enhancement Trust, under direction of KDC and is responsible for the direction and control of the company's activities.

The primary function of the Board is to ensure that the company meets its objectives and requirements as listed in the SOI. Additionally, the Board has obligations under the Local Government Act 2002 to deliver an annual Statement of Intent and relevant half-yearly and annual reports to the Shareholder (and for publication as required by legislation).

All Directors endorse and are required to comply with the New Zealand Institute of Directors' Code of Proper Practice for Directors.

The board must make best endeavours to ensure:

1. The Company's financial position is protected to make sure that it is able to meet all debts and obligations.
2. The company's financial statements are a true and fair representation and otherwise conform to law.
3. The company has appropriate risk management in place.

Conflict of Interest

The Board is conscious of its obligations to ensure that Directors avoid conflicts of interest (both real and apparent) between the company and their interests. Where conflicts do exist, then the Director/s concerned must disclose their interest, excuse themselves from any Board discussions and not receive any Board papers in respect of those interests.

The board maintains a Board and Management Interests Register and reviews this register quarterly at a board meeting.

The Board is to prepare a succession and rotation plan for all Directors to ensure continuity and continued fit of skillset to meet the nature of the services required.

Board Composition

The board will consist of a minimum of 4 directors. With prior Shareholder and KDC approval, the Board may appoint one full time executive as a Director of the company.

Currently all members of the Board are non-executive Directors.

The Shareholder has the right to appoint a Chairperson and if it considers appropriate, a Deputy Chairperson for such periods as it sees fit. If the Shareholder does not exercise that right, then the Board may elect their own Chairperson or Deputy Chairperson.

The board supports the separation of the role of Chairperson and General Manager. The Chairperson's role is to manage and provide leadership to the Board and to facilitate the Board's interface with the General Manager.

The Board has delegated to the General Manager the day-to-day leadership and management of the company. The General Manager has formally delegated certain authorities to direct reports and has established a formal delegated authority framework for those direct reports to sub-delegate as appropriate.

The company may also make use of external advisors from time to time.

The Board is responsible for reviewing the company's accounting policies, reporting practices and resultant financial statements. It also considers external audit reports; audit relationship matters and fees as well as delegated authorities.

Board Meetings

Each year there are a minimum of 6 scheduled meetings of the Board, the Board also meets as required between the scheduled meetings.

Director Induction and Education

Upon appointment to the Board, all new Directors will undergo a tailored induction programme appropriate to their experience to familiarise them with IWK's business and strategy. The programme includes one-on-one meetings with management and visits to facilities managed by the company.

Directors are expected to keep themselves informed of changes and trends in the company's business and in the environment and markets in which the company operates.

All Directors will undertake continuous education so that they may appropriately and effectively perform their duties.

Board Performance Review

The board reviews its own performance and the performance of the General Manager. The process includes one-on-one meetings between the Chairperson and each Director, as well as regular Board discussion on governance and performance issues.

General Manager Performance Review

The Board reviews the performance of the General Manager against their key performance objectives at least once a year.

Controlling and Managing Risk

Health and Safety – The Board oversees company health and safety protection policies and hazard assessments and regularly monitor their performance. The General Manager provides a report and supporting data monthly to the Board to review.

Risk Management - The company will develop a formal risk management framework which identifies the key risks and outlines the appropriate risk management and mitigation plans. The risk management framework is reported to and reviewed by the Board. Mitigation plans are controlled and administered by Management.

Performance – The Board sets the strategic direction of the company and participates in developing strategic plans, approves budgets and monitors company performance monthly.

Insurance – The Board satisfies itself that adequate insurance cover is in place for the company's size and risk profile. External advice is received by the Board as appropriate.

6. Performance Targets

Financial Performance Targets

The financial performance targets for the company are as follows:

	2020/21	2021/22
Revenue	2,256,399	2,308,499
Net Profit After Tax	60,472	86,237
Return on Equity	8%	10%
Equity	734,875	821,112
Fixed Asset turnover	1.23	126
Liquidity ratio (excl Holiday pay accrual) (baseline Jun 2019)	1.31	1.31
Wages as % of Revenue	53.37%	53.38%
R & M as a % of Revenue	6.37%	6.38%

Operational Performance Targets

In addition to the above financial performance measures, IWK will use the following measures to assess its performance of the 2020/21 financial year:

Performance Targets	Performance Measure 2019 / 20
Client Satisfaction	98% of all urgent or callouts, applicable to the contract are responded to within one hour or two hours respectively from the time of the notification to the time that service personnel depart to the site. 98% of all non-urgent call outs, applicable to the contract are responded to within 48 hours from the time the notification to the time that service personnel attend site. Service requests received about recycling collections is less than 20 per year. Compliance with and provision of all KPI information as per contracts. Obtaining an unqualified audit opinion
Service Performance	Zero abatement notices or infringements issued to KDC for non-compliance with resource consent conditions. The number of complaints received per year being due to a service request not being actioned appropriately is less than 10.

Health and Safety	5% reduction in TRIF (Total Recordable Incident Frequency) accident rates LTIFR (LTI per 200,000 hours worked) <6
Staff Engagement	Increase baseline engagement by 10%
Diversion from Landfill	55% (as per Ministry for Environment methodology)

7. Accounting Policies

IWK has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards, generally accepted accounting practice and the policies adopted by the KDC.

The company's current Accounting Policies are attached to this Statement of Intent as Appendix One.

8. Distributions

IWK will consider a dividend to the shareholder, the Enhancement Trust, from residual cash after operating cash flow is applied to necessary capital expenditure, including looming capital expenditure initiatives, finance costs, the reduction of debt and maintaining reserves sufficient to meet the company's future obligations. IWK recognises that a significant portion of its revenues are susceptible to commodity and foreign exchange price fluctuations. For this reason, the directors consider it prudent for the company to maintain cash reserves and/or borrowing capacity to ensure the company can withstand unfavourable short-term commodity and foreign exchange movements. The dividends payable to the shareholder, the Enhancement Trust, will be determined by the IWK Board after consideration of the company's funding requirements and the requirement to meet the solvency test under the provisions of the Companies Act 1993.

9. Information to be provided to the Shareholder

An annual report will be submitted to the Shareholders and KDC The annual report will include audited financial statements and such other details as are necessary to permit an informed assessment of the company's performance and financial position during the reporting period provided to the Shareholder.

Half-yearly reports will also be provided to the Shareholder and KDC These reports will contain unaudited information and comply with NZ IAS 34.

Annual reports will be produced and will provide

- a comparison of the performance of the IWK with the statement of intent; and

- an explanation of any material variances between that performance and the statement of intent;

The statement of intent will be submitted to the Shareholder and KDC for consultation annually, as required by the Local Government Act 2002. The Directors will include any other information they consider appropriate. Where it is appropriate, revised forecasts will be submitted to the Shareholder and KDC.

The company will operate on a “no surprises” basis in respect of significant Shareholder-related matters, to the extent possible in the context of commercial sensitivity and confidentiality obligations.

The company will provide information requested by the Shareholder in accordance with the requirements of the Local Government Act 2002.

10. Acquisition and Divestment Policy

The subscription or acquisition of securities in any company or organisation, or a divestment of part of the existing business, will only be considered where it is consistent with the long-term commercial objectives of IWK.

When the subscription, acquisition or divestment is considered by Directors to be significant to the company’s business operations, it will be subject to consultation with the Shareholder and KDC. Any significant investment or acquisition is subject to a post investment review.

Appendix 1

Statement of Significant Accounting Policies

Reporting Entity
Innovative Waste Kaikoura Limited is a registered company incorporated in New Zealand under the Companies Act 1993. The company is a reporting entity for the purposes of the Financial Reporting Act 1993 and is domiciled in New Zealand.

The primary objective of the Company is to contribute to a sustainable Kaikoura through sustainable resource recovery and waste management processes and practices, rather than making a financial return. Accordingly, the Company has designated itself as a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

Basis of preparation
The financial statements of the Company have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS statement of financial position as at 1 July 2005 for the purposes of the transition to NZ IFRS.

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

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar.

Revenue
Revenue is measured at the fair value of consideration received.

Grants
Council, government and non-government grants are recognised as revenue when they became receivable unless there is an obligation to return the funds if conditions of the grant are not met. If there is such an obligation the grants are initially recorded as grants

received in advance, and recognized as revenue when conditions of the grant are satisfied.

Other revenue
Products held for sale are recognised when a product is sold to the customer. Sales are usually in cash or by credit card. The recorded revenue is the gross amount of the sale, including credit card fees payable for the transaction. Such fees are included in other expenses.

Where a physical asset is donated or vested in the Company for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in the Company are recognised as revenue when control over the asset is obtained. Interest income is recognised using the effective interest method.

Volunteer services received are not recognised as revenue or expenditure as the Company is unable to reliably measure the fair value of the services received.

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

Income Tax
The Company now pays tax and is no longer exempt.

Leases
Finance leases
A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, the Company recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Company will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases
An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the statement of financial performance over the lease term as an integral part of the total lease expense.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown on the balance sheet as current liabilities within short term borrowings.

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

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

Investments
Investments in bank deposits are initially measured at fair value plus transaction costs.

After initial recognition investments in bank deposits are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of financial performance.

At each balance sheet date the Company assesses whether there is any objective evidence that an investment is impaired. Any impairment losses are recognised in the statement of financial performance.

Property, plant and equipment
Property, plant and equipment are shown at cost, less accumulated depreciation and impairment losses, except for land that is not depreciated.

Additions
The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of financial performance.

Subsequent costs
Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation
Depreciation is provided on the straight line method that will write off the cost of the assets to their estimated residual values over their useful lives.

Rates are:
Land and buildings between 0% - 5%
Plant and equipment between 6% - 50%
Motor vehicles between 10.5% - 21%
Yard between 8% - 10.5%

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

Impairment of non-financial assets
Assets with a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the company would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the statement of financial performance.

Employee benefits
Short-term benefits
Employee benefits that the Company expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months.

Borrowings
Borrowings are initially recognised at their fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Goods and Service Tax (GST)
All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows. Commitments and contingencies are disclosed exclusive of GST.

Security and guarantees
The non-current borrowing is secured over the asset. The interest rate at balance date was 6.13%